

ACA

AFRICAN
CASHEW
ALLIANCE

annual report

2011



AFRICAN CASHEW ALLIANCE

Growing the African Cashew Industry!

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ACA
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Message from the president

The past year has been one of the most exciting times ever for the African Cashew Alliance as well as the entire cashew industry. The success of the 6th ACA Annual Conference in Banjul, The Gambia, in 2011, catalyzed more interest in investing in the cashew industry in Africa than ever before. Six new cashew processing plants began operations in West Africa, representing over \$40 million in investment. Joining the list of African entrepreneurs investing in the industry are new players from India, United States and Brazil – it's clear that the international industry has recognized that the future of cashew lies in Africa.

Africa has become a focus of attention for the cashew world; resulting in a huge expansion of business opportunities relating to African cashew. The continent's production reached one million tons in 2011, and its processing of cashew nuts has increased more than threefold since the creation of ACA in 2006 to more than 100,000MT this year.

At our March 2011 meeting in Accra, the ACA's Executive Committee paid tribute to its recently-elected President, Mr. Cherif Hibrahima, a cashew processor from Côte d'Ivoire. After Mr. Hibrahima suddenly passed away in early March after suffering severe illness, the Committee resolved to honor Cherif Hibrahima's commitment and

passion for the development of the African cashew industry. The Executive Committee decided to adopt a 5-year strategy for ACA, with goals focused on facilitating public-private cooperation, promoting investment, and increasing processing in Africa.

With this ambitious long term plan in mind, ACA has tailored its vision and focused its activities over the past year. This greatly improves its ability to support the growth of the African cashew industry while also ensuring the long-term sustainability of the organization.

ACA experienced great expansion in 2011 across all services areas – from increased support for stakeholder platforms, to an enhanced communications offer, to development of the Seal program. These activities indicate the important achievements made over the past year, as well as positive growth trends for the African cashew industry.

On behalf of the ACA, the Executive Committee, and our ever-growing network of cashew business stakeholders, I thank you for your continued support. The alliance is poised to continue making excellent progress in 2012!

Idrissa Kilanji



ACA in a Nutshell

The African Cashew Alliance was established in 2005 as an alliance of African and international businesses with an interest in promoting a globally competitive African cashew industry. As of 31 December, 2011, 120 member companies work under the ACA banner and represent all aspects of the cashew value chain, including farmers, processors, traders, and international buyers.

OUR VISION

A globally competitive African cashew industry that benefits the value chain – from farmer to consumer.

OUR MISSION

Support the African cashew industry by

- Providing technical assistance and facilitating investments
- Promoting market linkages and international standards
- Creating a global platform for sharing information and best practices

OUR OBJECTIVES

- Increase processing of cashew within Africa
- Improve competitiveness and sustainability of the African cashew industry
- Facilitate public-private cooperation for the cashew sector

5-YEAR TARGETS:

More than 200,000 MT
cashew processed
in Africa by 2015

Partnership
agreements in
12 countries in
Africa by 2015





Governance & Team

ORGANIZATIONAL STRUCTURE

The **Executive Committee** (EC) as the ACA's governing body, provides strategic direction, general guidance and oversight to the ACA Secretariat, the coordinator of ACA's daily activities and meets twice per year. The EC is elected for 2 year terms by the ACA core members and consists of 7 seats: 5 for candidates from private sector companies registered in Africa's cashew-producing countries only (i.e. no shares or other institutional relationship with an overseas company), and 2 for candidates from international companies having invested in cashew processing in Africa.

The **Advisory Board** consists of delegates from organizations providing more than USD 50,000 of funding per year. The Board has a veto right regarding the use of the ACA funds and provides advice for ACA programming.

The **Secretariat** manages program development and implementation, and is responsible for the daily ACA operations, including event management, marketing and promotion, communications, elections, technical assistance, membership, and fundraising.

The **Steering Committee** provides input and is responsible for presenting proposals and country-specific information to the Executive Committee and the Secretariat. Its participants are appointed by national private cashew business associations or ACA National Committees

The **National Committees or National Private Cashew Business Associations** partner with ACA to disseminate information, promote and advocate for cashew business and represent ACA at the national level.

ACA Members are individuals, private or public institutions involved in the cashew sector, who pay an annual membership fee. Every two years, ACA members elect the Executive Committee. To find out more information about the benefits of being a member visit our membership page. www.africancashewalliance.com/member

Executive Committee

President

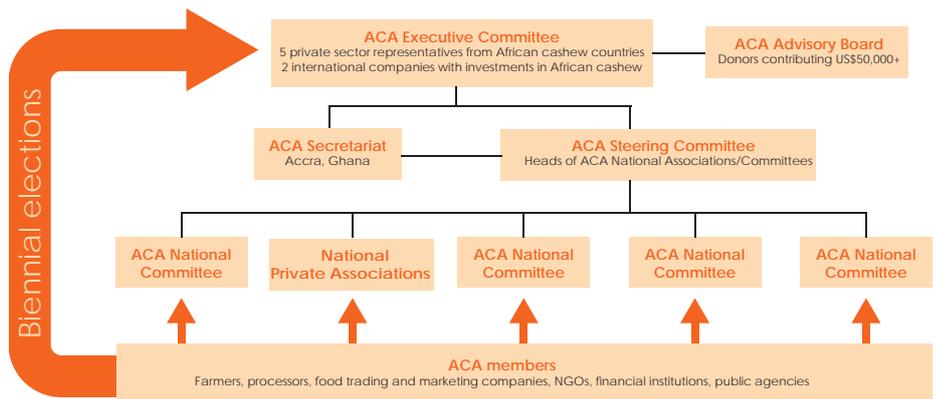
Idrissa Kilangi, Agrofocuz Tanzania Limited

Vice Presidents

Abou-Bakr Adjibade, Afokantan Benin Cashew
Luis Antonio Soeiro, MAP Mozambique

Kees Blokland, Global Trading
Partheeban Theodore, Olam International
Ram Mohan, ComAfrique
Minata Kone, SOTRIA-B

Advisory Board





From Seed to Snack:

Components of the Cashew Value Chain

The cashew business is an important emerging sector of Africa's overall economy. It is growing fastest in East and West Africa and is attracting growing investor interest from businesses in Africa, Brazil, Europe, India and the United States (US).

The African cashew industry could benefit immensely by capturing the value of its raw

nut production by increasing processing on the continent. Currently, West Africa processes only 5-6% of the raw nuts produced there, and East Africa processes only 20-30%. Increased processing in Africa would add tens of thousands of jobs and generate hundreds of millions of dollars in revenue for the continent.

A USAID study on the multiplier effect of cashew business on local economies in West Africa has shown that the sale of \$1,000 of raw cashew nuts for export at the village level creates approximately \$1,430 in additional household income. The same sale of \$1,000 of raw cashew nuts for processing creates \$2,000 in additional household income

through the creation of additional jobs and export of the value-added kernel¹.

Almost 90% of African raw cashew nuts are currently processed outside Africa, in India, Vietnam and since 2011 also in Brazil. There, most of the nuts are processed and then sold to European and North American roaster or retailers, who then distribute them to consumer markets. However, there are signs this is changing. Processing volumes in Africa reached 82,000MT in 2011, an increase of more than double since 2006, when only 35,000MT were processed within the continent. This large growth is estimated to have created about 10,000 new jobs. In 2011, ACA facilitated \$40 million in

new investments in cashew processing and \$60 million in cashew kernel exports from Africa.

PRODUCTION

Cashew trees originate from northern South America although they now grow in tropical regions throughout, with the highest concentration of trees in Brazil, India, Vietnam, Indonesia as well as in countries in West Africa, East and Southern Africa. The English name “cashew” actually derives from the Portuguese name for the nut, “caju,” which in turn derives from the indigenous Tupi name, “acaju.”

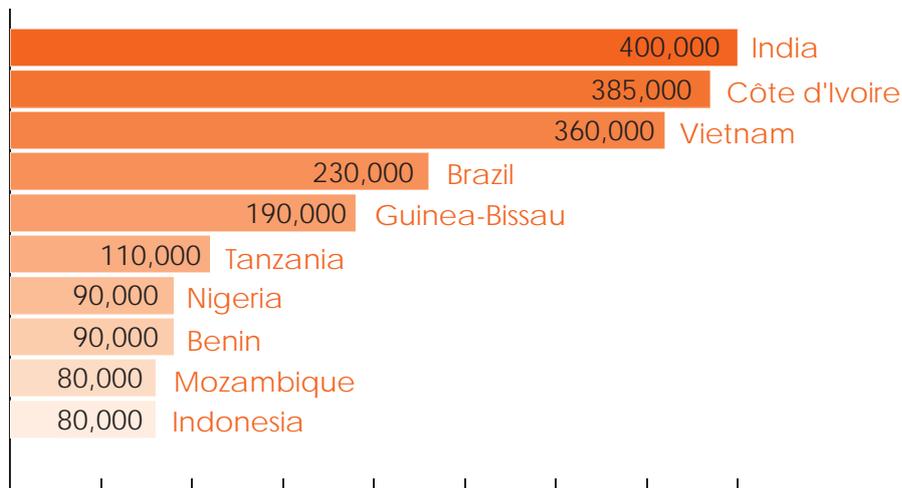
Africa’s two million smallholder cashew farmers produce about 40% of the world’s cashew crop. In total, cashew provides income for about 10 million people in Africa. Between 2000 and 2011, production of cashews in Africa has more than doubled, from around 400,000MT to more than 1,000,000MT. The largest producing countries include Côte d’Ivoire (385,000MT), Guinea-Bissau (190,000MT) and Tanzania (120,000MT). Growth has been particularly strong in the West African countries, which today produce more than 80% of the African crop. Tanzania and Mozambique in east and southern Africa have a longer-standing history in the cashew business and are more experienced in cashew processing.

The cashew tree starts to bear fruit after 2-4 years gestation period, although its peak production begins 10 years after planting. After this it will continue to produce for 25-30 years with a substantial yield decline after 30 years. The fruit of the tree is the kernel enclosed in a nut, which is attached to an apple –shaped ‘false fruit’. When the cashew apple falls down, farmers collect it and detach the nut from the apple. The nuts are sold to exporters or processing centers by local traders.

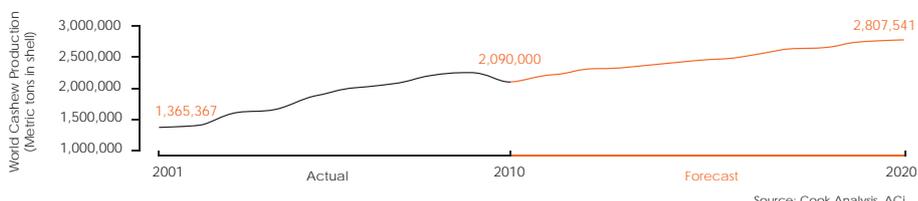
Given the general upward trend cashew nut prices have followed over the past decade, smallholder farmers in Africa are likely to plant more cashew trees, further increasing production yields. Currently, productivity, or yield per tree, is relatively low in Africa compared to South Asia (1.5-4kg/tree versus 7-11kg/ tree). Better agricultural and post-harvest practices could greatly improve the farmers’ return on the crop.

HARVEST

Throughout most of the year, smallholder farmers collect cashew nuts in one of the major producing regions in Africa. In West Africa, the season lasts from February to June – Nigeria and Benin’s peak starting early, while Guinea-Bissau finishing the harvest in June. In eastern and southern Africa, harvesting begins in mid-September and lasts through late January. The average West African farmer household collects between 500-1,200kg of raw cashew nuts. The



2011 Cashew Production (Metric tons in shell)



World Cashew Production 2001-10 actual, 2011-20 forecast

Source: Cook Analysis, ACI

nuts are sold to consolidators, who then sell to exporters, sometimes via other intermediaries.

PROCESSING

African cashew is either locally processed or exported for processing through traders. Shelling can either be done manually or by mechanization. Most of the small-scale processors in Africa practice manual shelling, while the larger plants tend to have mechanized facilities. After shelling, the kernel is still covered with the testa. To facilitate its removal, the kernels are dried. This causes the kernel to shrink, which allows the testa to more easily be removed. The testa is removed in the process known as peeling, which is done by hand or peeling machines. Kernels are then classified into one of 26 grades according to size, color, and condition (broken vs. whole).

Processing cashew is labor-intensive, so it has the capacity to generate employment for large numbers of people for shelling, peeling and grading the nuts. An average-sized processing plant, which can process four MT of raw cashew per day, normally employs no less than 200 workers. Access to finance is a key constraint to the growth of the processing industry in Africa. Because of the seasonality of the crop, a processor requires large amounts of liquidity during the harvest season to buy and store an entire year’s stock of raw material for processing. Banks in Africa focus mainly on financing short-term raw nut trade transactions instead of year-long processing of cashew nuts.

In 2011, ACA and its project partners USAID West Africa Trade Hub and the African Cashew Initiative (ACi) mobilized more than \$5m in working capital financing for cashew processors.



ACA in Review: 2011 Activities & Achievements

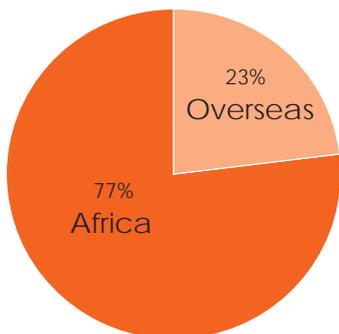
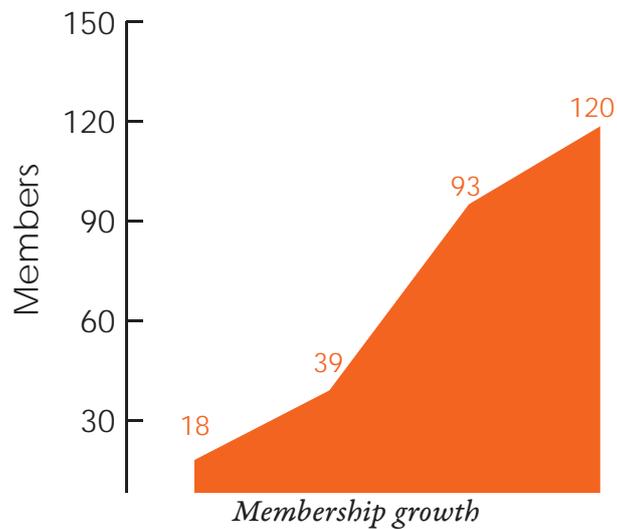
MEMBERSHIP

In 2011, ACA saw a growing number of members from all aspects of the international cashew value chain.

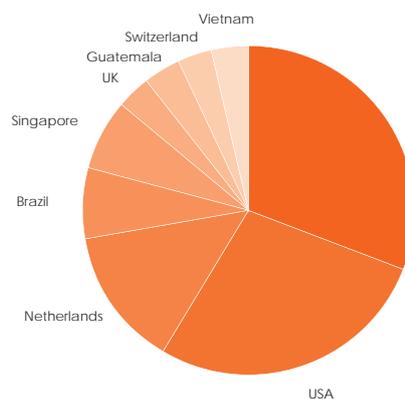
120 MEMBERS
(15% increase from 2010)

A new membership concept was introduced, distinguishing between Core and Stakeholder Members:

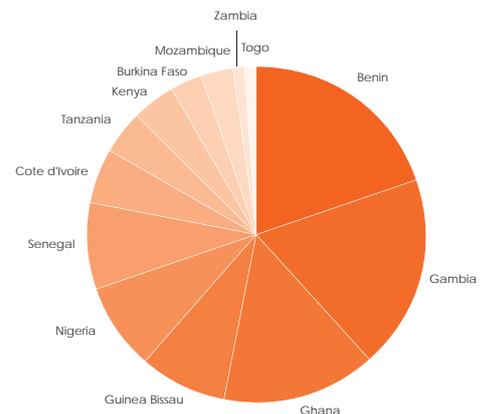
Core Members are private companies registered in Africa, while Stakeholder Members are private companies registered overseas along with public agencies in Africa and overseas.



2011 members Africa vs Overseas



2011 member representation from overseas



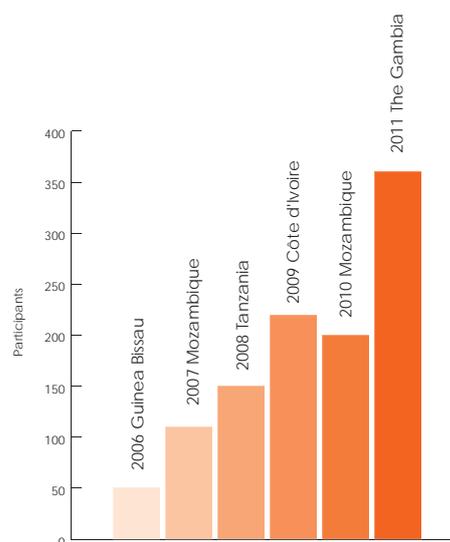
2011 member representation in Africa

CONFERENCE

From 19-21 September 2011, ACA succeeded in 'Bringing the cashew world together' at the 6th ACA Annual Conference, held in Banjul, The Gambia. As a key starting point for most buyers and investors doing business in African cashew, the conference, now the largest international cashew event in the world, attracted an increasing number of participants, sponsors and expert speakers. With 360 participants from 34 countries,

attendance exceeded ACA's expectations by increasing by more than 80% from the previous year.

The 2011 conference, which brought 60 international experts to The Gambia, also facilitated more than 300 meetings among potential business partners. The event was fully financed by industry contributions in the form of participant fees and sponsorships.



What Delegates Said About the 6th ACA Annual Conference

"I came to the conference with an open mind and no preset expectations. I leave in a **state of utter amazement**. The breadth of topics and depth of knowledge is amazing."

"The **content is really rich** – more useful than a typical conference."

"The **interactive sessions** exposed me to people with different visions and ideas about cashew, which has given me a bigger and broader understanding about my own endeavors in cashew."

"The best part of the conference is the opportunity to meet so many different people from my industry – I have formed **partnerships that I never expected**."

"The structure, flow and organization of the conference was **impeccably planned and executed**."

COMMUNICATIONS

Disseminate information and promote ACA through:

Website

Growing traffic in 2011:

- 53% increase in returning visitors
- 28% increase in new visitors
- 39% increase in visits (total site hits)
- 43% increase in pageviews (total number of times pages have been viewed)

Publications

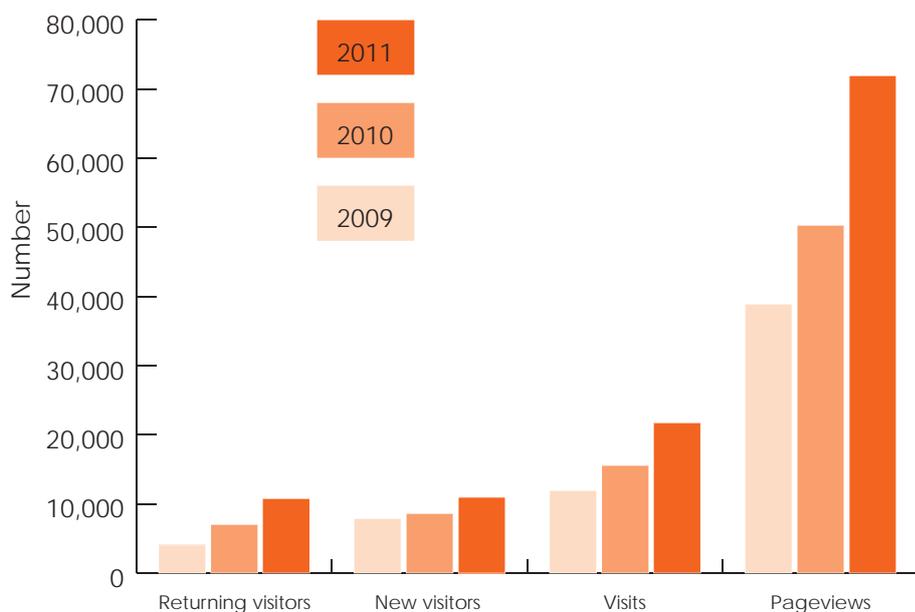
- Newsletter now released bimonthly in English, French and Portuguese to 2,700 contacts
- New publication: Monthly Update on cashew market for ACA members

Social Media

- New Tools: Creation of Facebook, Twitter, and YouTube Pages

ACA Provides ACA Members with Crucial Market Information

To address the lack of public information available about the complex regional and international cashew market, ACA developed



a Market Information System. This resource, available as premium member content on the ACA website, was launched in 2011. ACA updates raw cashew nut and cashew kernel prices from Africa, India, and Vietnam. To complement this system, ACA began producing a monthly market update publication for its members, featuring market analysis by industry experts on

current market developments and impacts, as well as updates on the current state of the cashew industry in all cashew producing countries in Africa. This information is a valuable tool to improve transparency in the value chain and empower all players.



ADVOCACY AND PARTNERSHIP FOR CASHEW

ACA objective: Partner with 12 National Cashew Associations by 2015

ACA partners with national and international institutions to promote cashew business, in particular improving the policy environment for cashew business, promoting cashew consumption, facilitating regional trade, supporting investments and mobilizing resources for the industry. From 2006-2011, ACA gathered more than 2,500 public and private stakeholders in workshops and conferences discussing cashew-specific issues.

Highlights

- 2 Partnership Agreements focused on information exchange and investment promotion signed: Cashew Board of Tanzania, Cashew Nut Processors Association of Tanzania and Mozambican Cashew Processors Association (AICAJU)
- Launching of Cashew Alliance of The Gambia, a national private sector association spanning the value chain
- National Associations in Benin, Burkina Faso, and Ghana to be launched in 2012
 - Benin: National Processors Association registered, statutes prepared for Exporters Association
 - Burkina Faso: Statutes prepared for Regional Unions and National Federation of Cashew Stakeholders
 - Ghana: Selection and engagement with founding members of national private sector association; constitution drafted
- Nigerian National Cashew Summit held in cooperation with NCAN and Raw Materials Research and Development Council: keynote address by ACA President, ACA Seal Program presented, and 80 Business2Business meetings facilitated on behalf of ACA

Global Cashew Taskforce

ACA participates in the steering committee of the Global Cashew Task Force along with the cashew associations of Brazil, India, Vietnam, and the largest processors and buyers

of cashew internationally. When discussions of an international cashew forum first started in 2007, Africa was not included. However, in 2011, ACA was not only nominated onto the Global Cashew Task Force in May 2011, it was also chosen to host the inaugural meeting at the 6th ACA Annual Conference in Banjul, The Gambia. This meeting marked the first time the world's largest cashew business players sat around the same table to discuss joint concerns in the global industry. The Task Force will focus on developing a global cashew standard and researching and promoting the health benefits of cashew. Promoting the health benefits of cashew would further increase global demand for cashew nuts and make cashew business more profitable.

PROCESSING SUPPORT AND BUSINESS ADVISORY

ACA Objective: Additional 100,000MT cashew processed in Africa by 2015

The expertise of ACA experts in the Secretariat and within its network of members is a valuable resource to all stakeholders in the cashew industry, from established processors to players new to the industry. Through personalized packages and in cooperation with ACA member organizations, ACA provides business advisory, technical advice, capacity building trainings, access to finance facilitation and crucial linkages to ensure cashew businesses operate, grow, and expand efficiently.

Trade linkages with Brazil

Significant crop shortages in recent years led Brazil to look to Africa as an alternative source for supplying RCN in 2011. Several Brazilian companies approached ACA for assistance in starting to do business in Africa. ACA introduced them to cashew traders, farmers, government representatives, and service providers and facilitated field visits. With the technical support of ACA and its network, 4 of the largest Brazilian cashew processors have started importing RCN from West Africa. In total, ACA has facilitated US\$57m in export of RCN to Brazil.

We offer

Business Advisory Services

- Advice and training on financial and operations management
- Assistance in training workers in specialized skills
- Trainings to processors for scale and capacity improvement

Investment Facilitation

- Information on choosing suitable processing equipment and technology
- Support in selecting site, installing equipment, and designing operations
- Information on regulations and incentive schemes
- Linkages to government agencies, service and raw material suppliers

Access to Finance

- Support in submitting credit-worthy business plans and loan applications
- Train bankers in specifics of cashew financing
- Partner with financial institutions for cashew financing

Our Results

In 2011, ACA and its partner projects USAID West Africa Trade Hub and the African Cashew Initiative (ACi) facilitated more than \$100m in cashew sales from Africa, including first time exports of RCN exports to Brazil, and \$40m in new investments in cashew processing. This has created more than 5,000 new jobs, mainly for young women in rural areas.

Signing of MOU to support ACA Seal cashew. From left to right: Idrissa Kilangi (ACA), Chris Nubern (Kraft), Arie Endendijk (Intersnack), Richard Waycott (Almond Board of CA).



ACA QUALITY AND SUSTAINABILITY SEAL

In 2011, ACA launched the ACA Quality and Sustainability Seal. This innovative new program, the first of its kind in the world, will directly improve the competitiveness of the African cashew processing industry.

The ACA Seal is an industry mark that represents compliance with internationally recognized quality, food safety, and social/labor standards. To receive the Seal, processors will have to demonstrate that they have systems in place to address 14 specific food safety/quality areas, including infestation, foreign material, clumping/blocking, taste, and grade compliance. The Seal program includes trainings in turnkey procedures to ensure consistent production of high quality cashew focusing on buyers' key requirements.

The Seal auditing process will also ensure that facilities are compliant with international and

local labor laws, evaluating such areas as absence of child/prison labor, absence of abuse or



harassment, and fair employee wages.

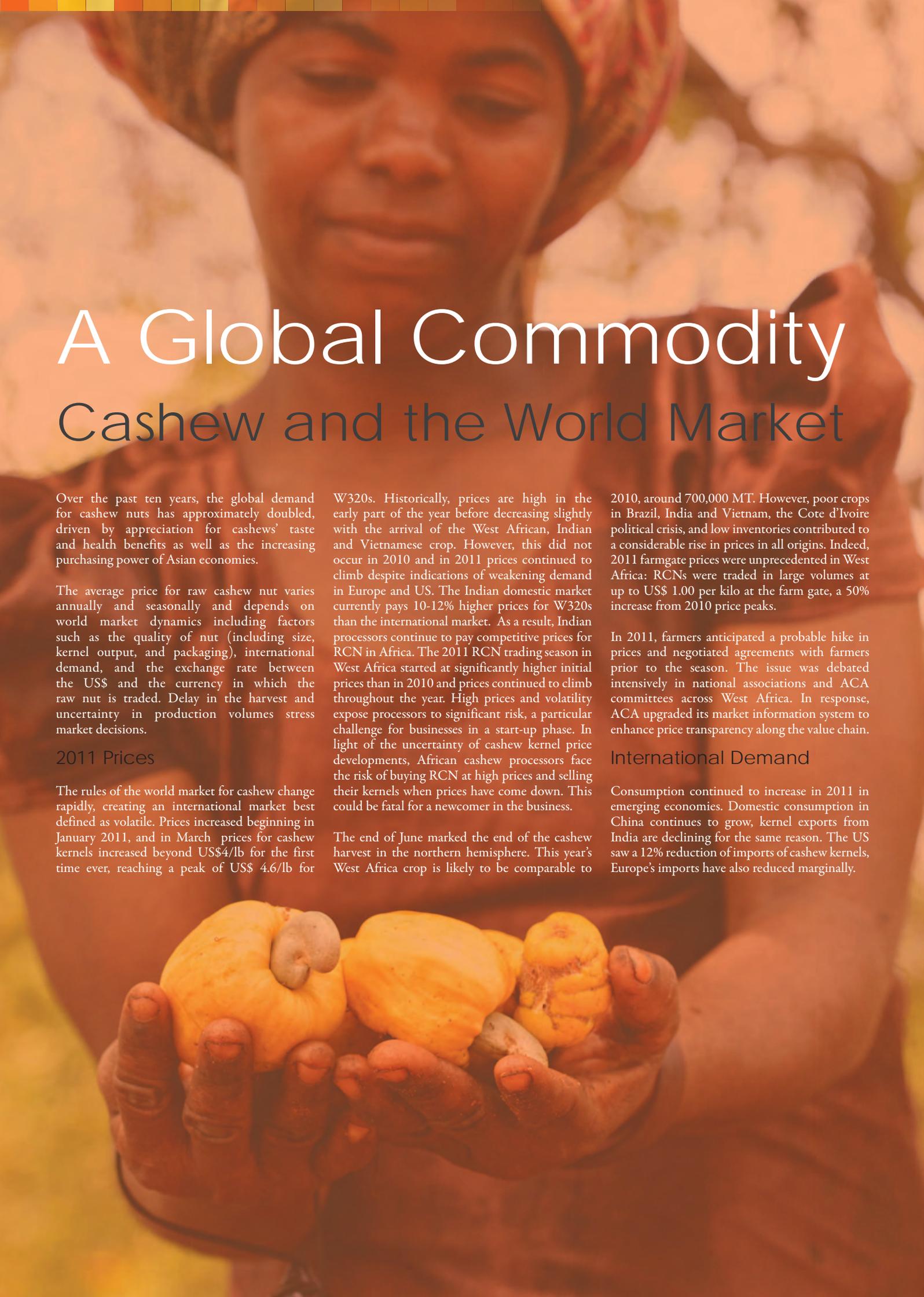
ACA partnered with industry leaders in the development of this program. At the 6th ACA Annual Conference in Banjul, The Gambia in September, Kraft Foods and Intersnack signed a

Memorandum of Understanding with ACA to support the program with technical resources and committed to buying ACA Seal cashew. The Seal program has been reviewed and approved by a former US Food and Drug Administration (FDA) officer and was found to be compliant with the US Food Safety Modernization Act.

After a period of development, two cashew processors joined the Seal program in 2011, with the procedures introduced at five additional factories.

“Food safety and quality continues to be a top priority for food manufacturers. Our industry as a whole is in need of a standardized quality program that end users can rely on and I think that the ACA seal is the answer to this dilemma. As a processor of cashews, we are excited to use this seal as we feel it will increase buyer confidence in our cashews as well as unify and advance the African cashew industry.” - Jace Rabe, President of Tolaro Global, Benin, the first factory to implement the ACA Seal program.



A close-up photograph of a woman's hands holding several cashew nuts. She is wearing a patterned headscarf and a yellow garment. The background is softly blurred, showing more of her and some greenery. The overall tone is warm and natural.

A Global Commodity

Cashew and the World Market

Over the past ten years, the global demand for cashew nuts has approximately doubled, driven by appreciation for cashews' taste and health benefits as well as the increasing purchasing power of Asian economies.

The average price for raw cashew nut varies annually and seasonally and depends on world market dynamics including factors such as the quality of nut (including size, kernel output, and packaging), international demand, and the exchange rate between the US\$ and the currency in which the raw nut is traded. Delay in the harvest and uncertainty in production volumes stress market decisions.

2011 Prices

The rules of the world market for cashew change rapidly, creating an international market best defined as volatile. Prices increased beginning in January 2011, and in March prices for cashew kernels increased beyond US\$4/lb for the first time ever, reaching a peak of US\$ 4.6/lb for

W320s. Historically, prices are high in the early part of the year before decreasing slightly with the arrival of the West African, Indian and Vietnamese crop. However, this did not occur in 2010 and in 2011 prices continued to climb despite indications of weakening demand in Europe and US. The Indian domestic market currently pays 10-12% higher prices for W320s than the international market. As a result, Indian processors continue to pay competitive prices for RCN in Africa. The 2011 RCN trading season in West Africa started at significantly higher initial prices than in 2010 and prices continued to climb throughout the year. High prices and volatility expose processors to significant risk, a particular challenge for businesses in a start-up phase. In light of the uncertainty of cashew kernel price developments, African cashew processors face the risk of buying RCN at high prices and selling their kernels when prices have come down. This could be fatal for a newcomer in the business.

The end of June marked the end of the cashew harvest in the northern hemisphere. This year's West Africa crop is likely to be comparable to

2010, around 700,000 MT. However, poor crops in Brazil, India and Vietnam, the Cote d'Ivoire political crisis, and low inventories contributed to a considerable rise in prices in all origins. Indeed, 2011 farmgate prices were unprecedented in West Africa: RCNs were traded in large volumes at up to US\$ 1.00 per kilo at the farm gate, a 50% increase from 2010 price peaks.

In 2011, farmers anticipated a probable hike in prices and negotiated agreements with farmers prior to the season. The issue was debated intensively in national associations and ACA committees across West Africa. In response, ACA upgraded its market information system to enhance price transparency along the value chain.

International Demand

Consumption continued to increase in 2011 in emerging economies. Domestic consumption in China continues to grow, kernel exports from India are declining for the same reason. The US saw a 12% reduction of imports of cashew kernels, Europe's imports have also reduced marginally.

2011 Financial Report

DIRECT CONTRIBUTIONS (US\$)

ACA BUDGET ITEM	ACi-GIZ		USAID		Private Sector & Service Revenue		TOTAL
Conference	-	0%	-	0%	184,524	58%	184,524
Market Linkages / Seal	156,178	38%	46,317	28%	6,218	2%	208,713
Processing Support and Business Advisory	35,466	9%	54,157	33%	101,930	32%	191,553
Advocacy & Partnerships	149,274	37%	30,559	18%	-	0%	179,833
Administration	64,821	16%	34,355	21%	24,441	8%	123,617
SUB-TOTAL	405,739	100%	349,912	100%	132,589	100%	888,240

IN KIND CONTRIBUTIONS (US\$)

ACA BUDGET ITEM	ACi-GIZ		USAID		Private Sector & Service Revenue		TOTAL
Conference	20,000	33%	6,012	1%	125,000	79%	151,012
Market linkages / Seal	13,707	23%	129,750	30%	2,044	1%	145,501
Processing Support and Business Advisory	-	0%	275,113	63%	-	0%	275,113
Advocacy & Partnerships	25,455	42%	-	0%	30,996	20%	56,451
Administration	1,690	3%	24,421	6%	-	0%	26,111
SUB-TOTAL	60,852	100%	435,296	100%	158,040	100%	654,188

Projected Budget 2012 (US\$)(Direct)

ACA BUDGET ITEM	ACi-GIZ		USAID		Private Sector & Service Revenue		TOTAL
Conference	-	0%	-	0%	200,000	33%	200,000
Market Linkage / Seal	50,473	21%	79,263	34%	220,264	36%	350,000
Business Advisory	-	0%	130,406	56%	68,694	11%	199,100
Advocacy & Partnerships	133,000	56%	-	0%	60,000	10%	193,000
Administration	54,000	23%	22,806	10%	65,194	11%	142,000
SUB-TOTAL	237,473	100%	232,475	100%	614,152	100%	1,084,100



Cherif Hibrahima—A Tribute



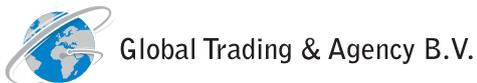
“Being the President of the ACA is the beginning of a hard work. We have to do more and more for the African cashew sector”

Cherif Hibrahima
ACA President
September 2010-March 2011

In March 2011, the African cashew industry lost one of its greatest champions in Cherif Hibrahima. A cashew processor from Cote d'Ivoire, Cherif served as ACA President from September 2010 until his death last year. Cherif was highly respected throughout the industry for his hard work, integrity, and deep commitment to realizing the potential of Africa's cashew sector.

ACA will forever cherish the passion and strong leadership he brought to our organization. Please join us in honoring the memory of this great man.

Founding Members & Partners



2011 in numbers

120 Core and Stakeholder Members

10,000,000 People in Africa receiving income from cashew

360 Annual Conference Participants

71,913 Website Pageviews

Represented in **12** countries in Africa

US\$105,000,000 cashew sales facilitated

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