



ACA

AFRICAN
CASHew
ALLIANCE

10 years A world map with the continent of Africa highlighted in orange. The text '10 years' is written in orange, with 'years' in a smaller font.

A DECADE OF TRANSFORMATION

ACA World Cashew Festival & Expo 2016



Bissau, Guinea-Bissau

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**From Tree to Trade : Improving Cashew Quality, Quantity,
and Investment Promotion – Invest in African Cashew**



Benoît DANDJINOÛ – 20 September 2016



The winning combination

Over the period 2016-2020, the three sectors considered as the most promising in Africa according to a study conducted and published on 29 August 2016 by the consultancy firms Havas Horizons and Institut Choiseul among 55 foreign investors, are the following :

- ❑ Energies, (1st with 38% as a promising sector whereas it was 4th in 2015 because investors believe in the capacity of the continent to become a global reference for renewable energy, an activity already prioritized in their investments. This sector which was previously considered as risky, seems to offer today a potential for a very huge return on investment (Nigeria, RCI, Kenya, Morocco and South Africa) .
- ❑ Financial services (2nd with 18% whereas it was 1st in 2015, an attractive sector which is developing rapidly especially in the main African financial hubs among which are Johannesburg, Lagos, Casablanca or Cairo).
- ❑ Transport (3rd with 11%. This sector is closely linked to the development of road, rail and port infrastructure.

But after the 2008 food crisis, everyone agreed that investing in agriculture was an effective means of addressing poverty and improving the food security situation of the population.



Everyday problems

- Difficulty in accessing credit as a result of the very high demand for guarantees, sometimes in foreign currencies; very high interest rates that can go beyond 20 %, loans that do not meet the needs in the area of (equipment, credit for planting, etc.) ;
- Rigid and sometimes less adapted credit by donors ;
- Lack of promotion and lack of recognition of African products;
- Difficulty in accessing a secure land ownership;
- Difficulty for some processing units and manufacturers in finding raw materials corresponding to their needs and therefore these raw materials are exported instead of being developed locally ;
- Competition for imported products is quite fierce ;
- Dependence on international currencies for products exported ;
- High increase in the price of inputs;
- Lack of insurance for farms;
- Difficulty in complying with international standards and the high cost of upscaling;
- Weak infrastructure for communication, information, conservation, etc. ;
- Climate change which is becoming a constraint to be factored into cultivation practices.



Everyday problems

- ❑ Huge financing needs for infrastructure such as feeder roads for example which are within the purview of the public sector but the annual cost borne by the private sector is also very high even though some support is also provided by donors ;
- ❑ Difficulty in getting the operators themselves to finance agricultural services and the lack of organization of some sectors which does not allow for credible counterparts
- ❑ Difficulty in mobilizing government funds or donor funding for some agricultural services ;
- ❑ Difficulties in accessing innovative financing and very diverse financing concerns according to the types of donors ;
- ❑ Increase in the prices of inputs and transport costs.



Under what conditions shall an attempt be made to invest in agriculture in Africa?

- Establishment within a country or region or a sector of an insurance or guarantee fund for the coverage of risks inherent in the agricultural sector
- Definition and implementation of comprehensive agricultural and food policies, not by sector only but on the basis of the market, integrating the rural and urban communities (the creation of adequate farming incomes for farmers to live from their work).
- A vision of profitability for all stakeholders and at all levels : for farmers concerning production in the rural areas, for traders in respect of marketing in the cities.
- A streamlining of interest rates to ensure profitability at all levels, including through a mechanism of subsidizing credit.
- A design of food or agricultural policies at the regional/national level through market-based systems between the urban and rural areas which are inseparable.
- A need for transparent banking regulation driven by the Government
- An adaptation of agricultural policies for the different farm sizes or agricultural or agro-food operators (small business enterprises up to large-scale farm holdings).
- A rational, adapted and improved use of family tools and instruments of capital investments to cover a part of the risk which the banking sector refuses to provide coverage for.



Under what conditions shall an attempt be made to invest in agriculture in Africa?

- ❑ Prioritization of investments at the local level but particularly at the regional level will be necessary regarding agricultural irrigation infrastructure and rural road network;
- ❑ Definition of more adapted and adequate means of financing for each type of selected projects at the regional or continental levels;
- ❑ A first selection of highly impactful and rapid priority projects already in place at the regional or continental level can serve as the basis of this prioritization .
- ❑ An improvement and increase in yields while preserving the production potential of agricultural lands and limiting deforestation by producing specific inputs
- ❑ A sharing of risks and benefits between the Government, operators and the donors,
- ❑ The existence of robust and consistent public policies in the area of agriculture, land use and water management,
- ❑ Proven expertise at the banks in assessing risks in the agricultural sector
- ❑ A clear diversification of credit approaches (direct to farmers and businesses– via genuine producer organizations – for planting, farming lease and for investments)



Why leave the three promising sectors in order to invest in cashew?

But invest where ?

In PRODUCTION?

For diversification of supply and commencement of investment in African production since the dominance of the market by India, Vietnam and Brazil is creating a worrying prospect for investors.

- Labour
- Quality and yields
- Compliance with contractual clauses
- Opportunistic organizations to receive subsidies within the framework of project development



Why leave the three promising sectors in order to invest in cashew ?

MARKETING OF NUTS

According to a study commissioned by the government, Côte d'Ivoire could gain up to 127 million dollars in export revenue if by 2020 it is able to make a two-fold increase in its current export volumes : about 500 000 gross tons. The benefits could be quite huge and constitute a boost for an effective cashew nut industry capable of competing on the international market with India and other producer countries such as Vietnam

Of course, a controversial subject in Ghana. But the new global deal on the export of cashew nut favors the government action not to ban the export of raw cashew. India and the United States have been confirmed as the largest world consumers of cashew nut.

- The purchase price paid to producers
- The large number of middlemen (collectors at the grassroots or trackers who perfectly know the producers of cashew nuts)
- Limited bargaining capacity
- Inter-professional leadership
- Infrastructure for the evacuation and storage of nuts



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In the PROCESSING

- ❖ Only 10% of African production is processed locally.
- ❖ According to a study conducted by the CCA, every 100 000 tons of processing capacity developed by Côte d'Ivoire will enable 12 300 jobs to be created in industrial plants and 10 000 others created elsewhere in the sector.
- ❖ According to the World Bank, a third of the production could generate more than 40 000 new jobs.

The government has set the ceiling for 100% local processing by 2020. This is the government's priority. Already, the government has set a target of 35 % processing for 2016.

- ❑ Sita processes 1 500 t per year,
- ❑ OLAM (2nd unit established in Bouaké in February 2012, has a capacity of 40 000 t).
- ❑ SIFCA, RAJKUMAR IMPEX ,AGA KHAN..
- ❑ A 5 000 ton experimental unit located in Yamoussoukro with Viet Mold Machine.
- ❑ Bio-plastic plant using cashew apple juice as raw material with a production capacity of 420 000 tons per year guaranteed.
- ❑ The Israelis of the MITRELLI agro-industrial group (construction of twelve processing plants, each with a capacity of between 5 000 to 15 000 tons per year).





Why leave the three promising sectors in order to invest in cashew ?

- ❑ FLUDOR BENIN SA has invested Seven Billion CFA francs in a plant. Of course mechanized operation but it requires a strong proportion of labor force. Currently, about 450 women working under nine supervisors working at the plant.
- In **2017**, in order to attain its full production capacity, it will install a **second shelling line** and further **recruit close to 800 persons**, mainly female employees, who are known for their skillfulness, this will **bring the total number of employees to close to 1.200**.

This will help install a production capacity of 60 tons/day, or about 18.000 tons per year, compared with a little more than 100.000 tons of cashew for national production.

But every benefit comes with a price, about a year ago :

- The only cashew nut processing plant which is still operational in Ghana, USIBRAS Ghana, came under threat,
- The plant was operating at only 20% of its capacity (35 000 tons) because it was short of raw materials since the bulk of the raw cashew nuts are exported.
- Thus, the difficulties faced by the manufacturing industries in Ghana. Usibras is dying, the one in Techiman owned by the Indian Rajkumar Impex is not operating, just like the Dutch firm, Mim Cashew; out of 12 businesses, 11 had already closed down by August 2015.



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- ❑ All the same, generally, the installed industrial capacity is about 66 000 tons.
- ❑ And if one considers that almost 150 000 tons of raw cashew nuts are exported from the Tema port, nuts from Ghana but also from the hinterland, the country could generally supply its plants and continue to export 100 000 t of raw cashew nuts.
- ❑ Ghana therefore banned the export of raw cashew nuts in March 2016 but quickly came back on its decision ;
- ❑ The pressure brought to bear for the cancellation of the action was so strong from exporters since Ghanaian ports would be the least expensive in the region and margins collected for eventual exports; but also for producers who would not want to be at the mercy of manufacturers.



Why leave the three promising sectors in order to invest in cashew?

- ❑ The price of raw material more than doubled, the traditional processing units just like manufacturers of cashew nuts have almost all closed down their plants.
- ❑ In all the countries, many national and foreign investors have built small, average and large-scale plants and the quantities of raw materials processed locally increased four-fold between 2011 and 2014.
- ❑ Competitiveness of this sector is precarious. The main comparative advantage for processors in the sub-region is the less expensive raw materials compared to Asia.
- ❑ Deficit in competitiveness regarding amortization of equipment,
- ❑ Productivity and the cost of labour,
- ❑ Development of new products
- ❑ Financial costs are much higher than in Asia.
- ❑ Supply (migration of nuts and related risks)





Conclusion

- ❑ The growth of demand for cashew nuts and the devaluation of some West African currencies should continue.
- ❑ Some processing plant managers are thinking of selling their facilities and leaving the industry altogether if the authorities do not react.
- ❑ Without destroying the interests of producers, it is possible to protect the cashew industry in West Africa since it has already opened up thousands of job opportunities and could create additional tens of thousands of jobs.
- ❑ The issue is above all political. Today, governments and their technical and financial partners welcome the growth in production and high prices which are the consequences of structural development of the world market but they are slow in realizing that policy action in the cashew industry must not be focused on support for production (which is dynamic without any incentives) but rather on support for processing which is a highly strategic sector for the sub-region, the development of which would be greatly beneficial to producers and the entire sector.