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*Global Competitiveness: What are the Issues for Africa and How do we Address It*

Charles Muigai

South-South cooperation is essential: Almost 50% of cashew is produced, only 10% of the nuts are processed in Africa

## Production

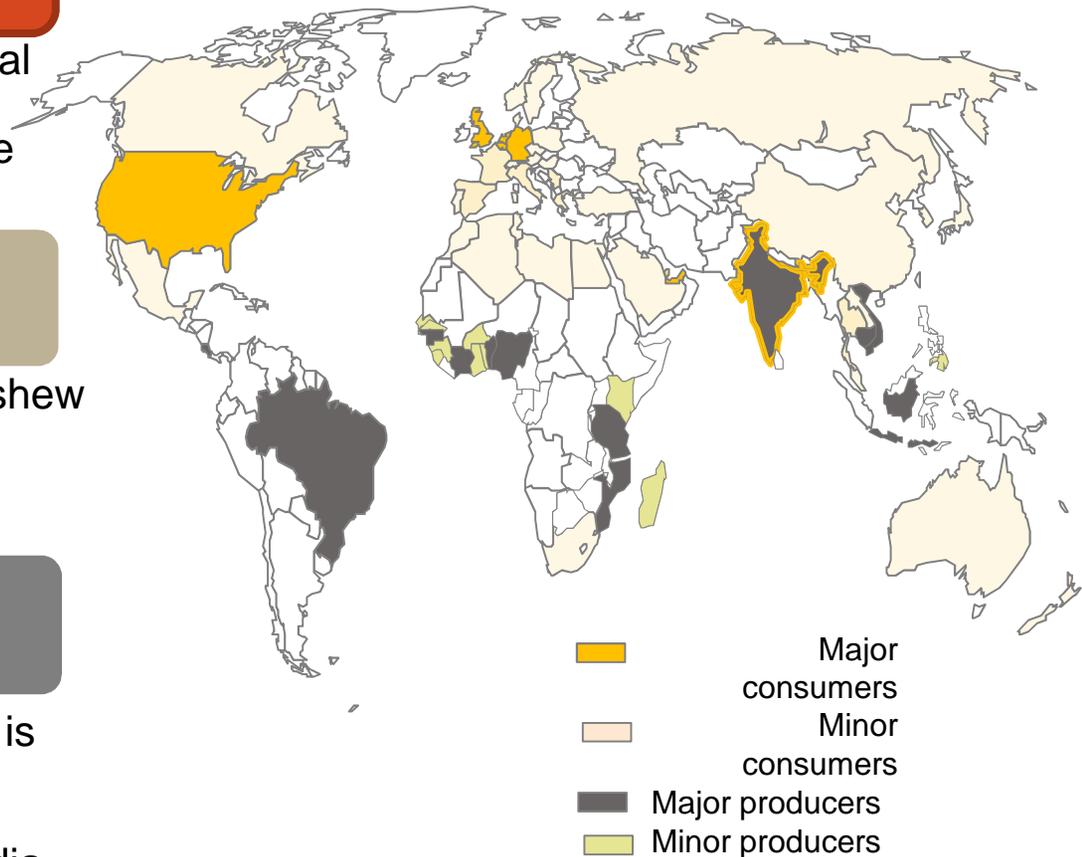
- Africa produces **over 45%** of global cashew production and therefore belongs to the major players in the market. Growing tendency.

## Processing

- **Less than 10%** of African raw cashew production undergoes further processing in Africa

## Consumption

- **More than 90%** of global cashew is consumed outside Africa with a growing trend (~10%) – the main consumers are North America, India and the EU.





# Overview

Nearly 40% of the global cashew crop is produced by about 2.5 million small farmers in Africa. Impediments

- low yields,
- Very old trees
- Poor yielding varieties
- Low levels of research
- Lack of funds to support cashews
- Poor agronomical skills
- poor quality nuts and
- lack of business skills.

Adding to the problems is the fact that less than 5% of African raw cashew production undergoes further processing in Africa, leaving a tremendous opportunity for poverty reduction and job creation largely untapped.





# Global overview

- The market in kernels faces competition from new entrants, such as Vietnam, where government has protected the sector and invested heavily in research and development. All these factors make it even more difficult to maintain decent returns for smallholder producers in Africa and to ensure decent wages and working conditions for cashew processing workers.
- Africa lacks many of the adequate processing units and post-harvesting and handling techniques that would allow for improved processing quality and reduced processing losses.



# Constraints to growth

- In global markets, cashew nuts from Africa have been perceived as being of lower quality than cashews from India and Brazil.
- Cashew farmers in Africa rarely organize themselves making raw material procurement difficult and expensive.
- African cashew processors are insufficiently linked to international markets, primarily because of the poor quality of their product.



## Expensive and poor quality raw materials

- It has always been very tricky trying to predict the likely future price trends in the international cashew market
- Forecasting prices also present its challenges. One of these is the continued large disparity between prices of raw cashew nuts (RCN) and those of kernels.
- kernel prices will have to go up because of the high priced RCN. However, at the end of the day one needs kernel buyers to absorb the production and if these buyers stay away, one can also argue that RCN are way overpriced and need to come down
- Some factories are closing their doors already as they cannot find the right quantity/quality of raw seeds at prices reflecting the current kernel market – raw seed prices are then too high



# Processors - challenges

- Liquidity challenges as cash basis (upfront) for inventory lays a big burden to processors- 4 months turnaround making cost of money eat into profitability.
- Low quality of incoming raw materials; 20% of materials is discarded because it is diseased, rotten or immature
- Difficulty achieving necessary volume for efficient production and marketing.
- Lack of a grading system at purchase of raw materials
- Climate changes that hampers quality, reduction in yields and crop cycles
- Lack of framework on credit facility, timeliness of payment by processors to farmers –warehouse receipt system
- High overall taxes and rapidly increasing local taxes



# Possible Policy Interventions

- Ban on export of RCN after considering pertinent issues to support local processing
- Ensuring the production of high quality cashew nuts by establishing and enforcing appropriate standards.
- Promoting value-added processing of cashew nuts for both internal and external markets.
- Cashew commodity fund to cushion the industry
- Government budgetary allocation to support cashew sub-sector
- Warehouse receipt system may help overcome stocks and payment difficulties
- Supporting and fostering research beneficial to the industry.
- Cashew grading system can contribute to better product, reduce processing losses and increase quality of cashew kernel
- Supply of better quality cashew and reduction of production costs may act as an incentive to more investment in the cashew industry
- Specific standards for cashew production and processing and an industry code of conduct is necessary



# Strategies to improve competitiveness

## **Improve nut quality and production –**

Success in the global marketplace depends on the production of a high volume of superior nuts. Helping African cashew farmers meet international quality standards by providing advice and training on every stage of the production process is crucial.

## **Increase the amount of local processing –**

Expanding the amount of cashew processing that takes place in Africa will result in higher incomes and more jobs, particularly among women.

**Expand links to the global marketplace** –With a 32% share of the global nut market, cashews are highly prized in Europe and North America and demand is growing in China and India. The global market is growing at an annual rate of 2.5% – 4% and has a turnover of more than 1 billion euros each year. Linking African processors to this market –through improved data information systems and the promotion of African brands – will accelerate cashew processing in Africa

## **Value chain support**

- Organizational Strengthening of Cashew Producers and Processors- organizational and entrepreneurial capacities of cashew farmers and their associations for greater control and management of cashew production, processing, and marketing.
- Improved Cashew Production Practices – introduce higher yielding cashew varieties and innovative agronomic, environment management, and post-harvest practices.
- Value Added to Cashew – Expand capabilities for value addition to cashew apple and nut, and promoting increased domestic consumption as an avenue to diversify market outlets.



# Conclusion

## Public sector support

- Developing a competitive private sector processing industry would create jobs and reduce dependence on India as the market for raw nuts. These growth opportunities are unlikely to happen without public sector support, but the challenge is to define the public-private partnership that will provide the needed changes to allow the private sector to grow.

## value chain efficiency:

- Vertical integration incentive to farmer-processors: Better raw nut quality improves processing result.
- Support to an enabling business environment:
  - market access support,
  - Stakeholder interaction (e.g. regulatory authorities, market partners),
  - capacity building along the value chain provided,
  - funding facilitation,
  - trust and dependability in the VC through documentation and formal business operations.
- **Seek and achieve food quality standards**
  - ACA Seal of kernel quality
  - BRC
  - ISO
  - HACCP

