

# Investors lured to crack open cashew potential

**Africa's cashew industry is luring investors to ramp up its value added processing capabilities and to tap into the vast potential for greater export volumes, Wairagala Wakabi finds out more**

**A**FRICA is attracting ever more investors who are adding value to its raw cashew nuts (RCN) ahead of their exports – but current processing levels remain a little more than a drop in the ocean. Now the continent's cashew industry is targeting hundreds of small but efficient processing factories, which it hopes could tilt the balance against raw nuts exports.

The African Cashew Alliance (ACA) is working to enable additional processing capacity of 100,000 tonnes by 2015 in various origins. Since this would require large investments, the industry aims to have 75 to 100 new small factories opened up and an additional 275 peeling machines installed, which would create thousands of jobs and offer market for RCN even in areas where some nuts currently rot away for lack of buyers.

Attracting these new factories will be a key concern at the 6th ACA annual conference, which takes place in The Gambia next month. For the first time, a World Cashew Expo will be held alongside the African cashew industry's annual confab, presenting what Christian Dahm, managing director at the ACA, sees as "a key chance to facilitate this expansion, enable investments in factory upgrades, and boost productivity across the cashew value chain".

The volume of cashews processed in Africa has grown from 35,000 tonnes in 2005 to 73,000 tonnes last year. In the same period, according to the ACA, Africa became the world's largest cashew producer; its 2010 output of more than 900,000 tonnes represented a 45% increase since 2005.

Jim Fitzpatrick, who is working with the ACA to improve the continent's processing capacity, said a recent study concluded there was need to increase the profile of the African processing industry, particularly in India, Vietnam and Brazil. "The place of the main producing countries in the cashew world is long established. There is more interest now than ever before both in the cashew industry and the opportunities on the African continent," he said.

Rajkumar Impex, a major Indian cashew processor, is completing a factory in central Ghana, which is billed as one of the first fully mechanised processing plants in Africa. The company, whose affiliates trade eight to 10% of the world's cashews, has over the last decade been a major RCN buyer from Africa, but now says it is looking to open factories in Ivory Coast and Mozambique once it gets the Ghanaian operation ready. The Ghanaian factory will process 50 tonnes of RCN per day and employ about 1,000 workers.

A company official explained to ACA's August newsletter that since half of the world's RCN was produced in West Africa, it made sense for Rajkumar Impex to invest in processing facilities there. By eliminating the need to transport RCN to India for processing, significant energy, fuel, and ship-

ping costs reductions were registered.

Meanwhile, Brazilian cashew processor Iracema Industries has recently started buying RCN from West Africa. Company official Niel Hyde noted that the company had considered buying cashews in West Africa where production was rising compared to Brazil where production was experiencing problems. "Furthermore, due to newly developed high-tech machinery, our productivity, along with our competitors, has increased in Brazil, meaning that we could use more cashew nuts in any event to help reduce our production costs," he said.

Besides, the very low crop in Brazil last autumn meant some processors had no choice but to go to Africa if they did not want to close their facilities for a number of months due to lack of raw material. "The advantage for Northeast Brazil is that our crop harvests in September to January for the most part, making any shortfall most apparent when the West African crops harvest some six months later," Mr Hyde said. "Also, Brazil is only some seven to nine days direct sailing away which helps keep the quality fresh in transit."

The African cashew industry is keen to discuss how it could benefit more from the currently lucrative cashew prices. "With world cashew prices at an all-time high, stakeholders will focus on maximising impacts for people and communities across Africa," said an industry official.

Over the last two seasons, RCN has been a dear commodity in most African origins, with strong demand from raw nuts exporters leaving local processors struggling to afford the pricey raw material. As a result, some countries have been moving to make it harder to export RCN.

Felissimo Tocoli, governor of Mozambique's top producing region Nampula, said in order to grant priority to supplying nuts to local processors and to avoid uncontrolled export of RCN, the National Cashew Institute (Incaju) was working to ensure that Mozambican factories had sufficient supplies before export permits were given to RCN traders. Nampula surpassed its marketing target for the 2010/11 campaign by 6%, selling 49,820 tonnes against a target of 47,000 tonnes. The Mozambican government is applying an 18% tax on RCN exports so as to encourage sales of nuts to local processors.

Meanwhile, Tanzania was seeking to revamp its defunct processing factories in a bid to boost production of the crop that fetched \$133m in export earnings in the year to February 2011. Cashew board official Hemedi Mkali said recently that Tanzania would construct more factories, besides rehabilitating those which had ceased processing.

Earlier this year, Burkinabe growers, traders and processors for the first time agreed on the opening

price for the new season and devised a plan to secure nut stocks for processors. High demand and price hikes experienced during 2010 created fears that local processors would fail to secure nuts.

"Ensuring access to raw material is a challenge that can be overcome by concerted action. Cashew processing adds value to our farm products in a way that will benefit all, from farmer to processor. Our strategy needs to be built on this long-term opportunity, not on short-term gains," said Jocelyne Vokouma-Boussari, governor of Cascades province.

Last year was considered by numerous African traders as probably the best cashew year ever. There was a dramatic increase in prices, and production rose even in East African origins such as Mozambique and Tanzania. The prices, and production, have remained high in many origins.

Mozambique had a good season with 112,000 tonnes of RCN marketed in the 2010/11 campaign, which Incaju director Philomena Maiopue said was the highest volume in three decades. During the 1970s, when it led global production, the country's output peaked at 216,000 tonnes. Over the previous five seasons, annual sales averaged 80,000 tonnes. The official also reported that installed annual processing capacity had risen from 3,750 tonnes in 2002 to 38,400 tonnes.

Similarly, Guinea-Bissau hopes to lift exports during the current season to 160,000 tonnes. Trade minister Botche Cande said in July as saying more than 118,000 tonnes had been exported and export licences for another 120,000 tonnes had been issued. The country has levied a tax of €0.08 per kg of cashews headed to export markets.

Africa has a lot of work to do if it is to wean itself off ready income from RCN exports and replace it with greater long-term value from processing but replicating recent successes will bear fruit. ●



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Jocelyne Vokouma-Boussari, governor of Cascades

## INDIAN CASHEW IMPORTS (tonnes)

	2008	2009	2010
Ivory Coast	219,088	224,775	191,863
Benin	84,568	113,901	82,453
Tanzania	65,395	69,418	70,738
Ghana	43,117	50,938	52,613
Guinea-Bissau	85,444	129,400	48,267
Mozambique	34,785	6,758	28,529
Indonesia	61,182	37,926	25,855
Gambia	24,095	33,042	11,692
Guinea	11,821	18,587	7,263
Senegal	4,364	15,178	6,400
Nigeria	13,907	16,018	6,278
Vietnam	605	2,196	4,343
Mali	0	1,278	1,150
Singapore	557	753	472
Kenya	5,775	5,576	431
Madagascar	535	113	391
Others	1,336	3,748	2,857
<b>World</b>	<b>656,574</b>	<b>729,605</b>	<b>541,595</b>

Source: Indian Ministry of Commerce

**NEXT WEEK'S FEATURE**

**Cassia has proved to be in short supply in recent years, leading to regular increases in international prices. Julian Gale gauges opinion of leading dealers as to how the current season will pan out.**