



**INTERNATIONAL TRADE CENTRE
COMMON FUND FOR COMMODITIES**



**REGIONAL MEETING ON THE DEVELOPMENT OF
CASHEW NUT EXPORTS FROM AFRICA**

Organised by the International Trade Centre UNCTAD/WTO (ITC) and the Common Fund for Commodities (CFC), in collaboration with the National Export Council (Conseil National pour l'Exportation -CNEX)

**Hotel du Port - “La Marina”, Cotonou, Bénin
23 – 26 JULY 2002**

**OPPORTUNITIES AND CONSTRAINTS TO THE DEVELOPMENT
OF CASHEW EXPORTS
IN EASTERN AND SOUTHERN AFRICA.**

**Presentation made by Dr SHAMTE H. SHOMARI
Chairman
ad hoc Cashew Steering Committee for Eastern and Southern Africa.**

**Project No. INT/W3/69
“Trade expansion in cashew nuts from Africa”**

INTRODUCTION

Cashew nut is among the major export crops in Eastern and Southern Africa. The crop is grown mainly by small holders with less than 2 ha per household. It is not known exactly how many farmers are involved, but it is estimated that close to a million small holders grow cashew in the region.

In early 1970's, the Eastern and Southern Africa dominated world cashew production. As production increased, several processing factories were constructed to process the cashews. Thereafter cashew production in this region declined. In recent years, however, recovery has been made in some countries and the crop is still regarded as an important cash crop in the Eastern and Southern African countries.

Efforts have been initiated recently in order to revamp the cashew industry. Six countries growing cashew in the region comprising of Tanzania, Mozambique, Kenya, Malawi, Madagascar and Uganda met in Maputo last year to discuss the future of this sub-sector in the region.

The following presentation briefly highlights the outcome of the meeting and outlines the proposed strategies for a way forward.

MAPUTO WORKSHOP

A workshop on the development of the cashew industry in Eastern and Southern Africa was held in Maputo, Mozambique on 29 - 31 October 2001. The objective of the workshop was to review and analyze opportunities and constraints related to the economic development of the cashew sub-sector in Eastern and Southern Africa. A key specific objective of the workshop was to provide recommendations on appropriate measures to be taken in order to further develop cashew sub-sector in the region.

The workshop was sponsored by the Common Fund for Commodities (CFC) which is an inter-governmental financial institution established under the auspices of the United Nations Conference on Trade and Development (UNCTAD) in 1989. CFC finances activities, which, among other things, endeavor to promote commodity market development and facilitate private sector initiative. The workshop was attended by officials from six cashew producing countries in Eastern and Southern Africa, namely Tanzania, Mozambique, Kenya, Malawi, Madagascar and Uganda. Representatives from local cashew factories, the CFC and the Food and Agriculture Organization of the United Nations (FAO), also attended.

2.1 Workshop observations and recommendations

From country presentations, the workshop generated detailed and fruitful discussion over a wide-range of issues, focusing mainly on production, processing and marketing of cashew nut and by-products. The workshop noted a number of constraints, which negatively affect the development of the cashew industry in the region. The constraints were grouped under production, processing and marketing categories. The workshop also noted a number of opportunities, which can be taken up to develop the cashew industry in Eastern and Southern Africa. The constraints in the development of the cashew industry and the recommended remedial measures are outlined below.

Production

Increase in quality and quantity of raw nuts is constrained by the following major factors:

- (i) **Inadequate availability of good planting material.** The availability of economically good planting material is the foundation of any good production system.

It was recommended to undertake regional evaluation of the available clonal materials to determine their economic suitability, in terms of yield, resistance/tolerance to diseases/pests and quality.

- (ii) **Prevalence of Powdery Mildew Disease (PMD).** The prevalence of the powdery mildew disease (PMD) is a major cashew production constraint across Eastern and southern Africa. The disease significantly reduces yields.

Three measures were recommended: a) to develop sustainable biological control of PMD, (b) To assess the existence (or not) of different strains of PMD, (c) to improve understanding of the epidemiology of PMD at macro and micro levels.

- (ii) **Plant damage from sucking pests and mealy-bugs.** The sucking pests and mealy-bugs affect both yield and quality of cashew and are likely to increase in importance when PMD is controlled.

It was recommended to increase the understanding of the ecology and develop biological strategies of the major insect pests.

- (iv) **Inefficient extension network and inadequate farmer training.**

It was recommended to establish regional networking and production of appropriate extension material. Furthermore, it was recommended to formulate strategies to encourage the voluntary formation of farmer associations and groups at local and regional levels.

- (v) **Low nut quality and low farmer profitability.**

It was recommended that Governments should train farmers on suitable post harvest techniques as well as develop strategies to increase yield and quality and maximize the use of inputs.

- (vi) **Lack of by-products usage.**

It was recommended to develop small-scale pilot processing unit for by-products.

Processing

The benefits of processing cashew nuts within the countries are well known: value addition to the nuts, creation of employment and the existence of a wide world market for kernels. The total processing capacity in Eastern and Southern Africa is estimated at 275,000 tons. However, the following features do prevail in the cashew nut processing sector:

- (i) **General factory characteristics:** Processing plants in the region are large and mechanical, most of them are obsolete. The factories are government owned, expensive and inefficient to operate. There are frequent power and water supply problems. Most of them are now closed. However, at present small-scale (manual) processing plants are emerging.

(ii) **Policy environment:** The prevailing policies regarding trade liberalization, taxation and subsidies have affected the processing factories. In general, the policies have not contributed to an enabling environment for the processors.

(iii) **Possibilities that exist:** Despite all the problems mentioned-above, some possibilities to revive the industry exist and the following four were suggested.

- (a) To develop symbiotic business partnership between large-scale and small-scale factories,
- (b) To develop and enhance the potential of single small-scale factories,
- (c) To develop symbiotic business partnership for a nucleus of small factories, and
- (d) To continue with the large scale or mechanical factories.

Base on these possibilities it was recommended to undertake a feasibility study on the possibilities (a), (b) and (c) taking into account incentive and quality aspects of the kernels to be produced. It was also recommended to start pilot projects based on the results of the study.

(iv) **Secondary Processing:** Product diversification is another area for adding further value and income to cashew nut farmers.

Product diversification includes processing of juices, wine and gin from the apple. Besides product diversification, the processed nut (kernels) could be used in different food varieties, such as dried fruits, jams, chutneys and livestock feeds. In addition, the cashew nut shell liquid (CNSL) can be utilized in the manufacture of paints, building materials, brake linings, etc.

Based on the facts regarding secondary processing, it was recommended to review previous studies on cashew nut processing in Eastern and Southern Africa and to conduct a feasibility study on the use of products and market potential.

(v) Other general recommendations on processing were: (a) to implement regional code of practice for processing of cashew nut in line with international standards and certification systems, (b) to implement regional standards for nuts and kernels, and (c) to facilitate the establishment of farmers and processors associations in the region.

Marketing

Marketing of cashew nut has been a problem particularly to the producers of the crop. It has often been the main factor for the increase and decline of the produce. Marketing constraints and their relevant recommendation are highlighted below:

(i) **Insufficient market and price information.** Market and price information influences many aspects of production, processing and marketing. Therefore, up to date information on the market is of paramount importance.

It was recommended to conduct research on the long-term trends in the market of cashew and products, predicting long-term trends in demand (prices, grades etc). The research should cover all possible areas of interest such as the link between income growth in the major markets (eg. USA, EU and Japan) with demand and hence price levels and the potential of specialty products.

(ii) **Low farm-gate raw nut quality.** The issue of quality is becoming increasingly important, not only in terms of out-turns but also in nut size. To encourage progress towards better quality, a start should be made at the farm gate.

It was recommended to introduce a system of price differentials for different grades at the farm gate. The system should be simple, easy to operate and should be developed in close collaboration with all stakeholders of the cashew industry.

(iii) **Low kernel quality:** The quality of kernels has a direct and significant influence on price and hence profitability. It is therefore important to have clear and standardized systems in place, which are harmonized with international standards.

It was recommended to implement a regionally standardized system of grades and quality standards that are in line with internationally accepted standards.

(iv) **Lack of institutional framework:** The institutional framework within individual countries varies considerably along with the impact they have upon the cashew industry.

It was recommended to review the existing institutional framework within individual countries to determine what works best and see whether they would be appropriate in other countries. Aspects for review may include; legal framework, dialogue between stakeholders, stakeholders analysis, existing rules and regulations, trade restrictions and degree of government intervention. Research and development be more market-oriented and sustainable and seek appropriateness of taxes and levies.

(v) **Inefficient marketing channels for raw nuts:** There is a need to improve marketing clearing mechanism of raw cashew nuts.

It was recommended to; (a) evaluate and pilot the use of micro-auction systems through rural primary societies, farmers associations, auction houses, etc. (b) improve storage facilities at village levels, and, (d) develop rural market facilities (market places).

(vi) **Sub-optimal consumption of kernels:** There is a need to undertake generic promotion in consuming markets based on market information, marketing channels, supply chain management and specialty products.

Cross-cutting issues

The workshop observed general issues that were cross cutting across workshop themes. These issues are outlined below:

(i) **Need for sustainable funding of Research and Development:** The workshop noted the urgent need to secure sustainable funding for Research and development activities. The approach adopted in cashew research in Tanzania was found appropriate and other countries were urged to study and adjust according to their environment and circumstances.

(ii) **Insufficient knowledge, technology and information transfer:** This was a recurrent theme crucial aspect for a modern industry. It affects all stakeholders from farmer(-3 extension E-3 research E-4 trader E-4 processor <-4 policy maker.

It was recommended to; (a) develop a website with market information and provide training on getting that information (possibly through radio) out to farmers, (b) hold regional meetings, establish an information network (exchange experiences, market, technical, processing information) with other countries, (c) produce original extension materials leaflets, films, radio programmes, video, etc to avoid duplication of efforts, (d) device methods for collective negotiations to improve dialogue between stakeholders.

(iii) **Need for consolidation of farmer groups:** There is an urgent need to consolidate farmers associations and groups. Farmer groups and associations may assist in achieving the following:

- (a) Stronger bargaining power for better price.
- (b) More potential in processing activities.
- (c) Convenience and efficient point of entry for extension.
- (d) Eligibility for provision of credit facilities, and
- (e) Improved input supply in time, quality and price.

Project formulation

Finally, a five year project to address the above was proposed and activities of the project were outlined. Details of the activities and implementation work plan of the project were to be discussed later by committee members.

Establishment of a cashew steering committee

The workshop appointed a Steering Committee comprising of a member from each of the cashew producing countries in the Eastern and Southern region. The committee was charged with the following responsibilities:-

- (i) To inform government policy makers in the region about the deliberations of the workshop and encourage them to take up the recommendations.
- (ii) To closely follow-up the implementation of the workshop recommendations.
- (iii) To explore or identify further sources of finance for the implementation of the proposed activities. The Common Fund for Commodities is currently the only source of such finance.
- (iv) To explore and develop ways that would ensure relevant institutions in the region benefit from the implementation of the financed activities.

Dr Shamte Shomari, Director of the Naliendele Agricultural Research Institute, was appointed Chairperson of the Committee, while Mozambique was appointed Secretariat of the Committee.

The first steering committee meeting

The established Cashew Steering Committee held its first meeting in Dar Es Salaam, Tanzania from 6 - 8 May 2002. The meeting was attended by members from Tanzania, Mozambique, Kenya, Malawi and Uganda. The main objectives of this meeting which was also financed by CFC were as follows:

- (i) To review the regional cashew project activities proposed during the Maputo workshop.
- (ii) To prepare a work plan and budget estimates for the proposed project for submission to CFC.
- (iii) To identify type and magnitude of counterpart contribution to augment CFC support.
- (iv) To identify institutions in the respective countries that will be directly involved in the implementation of the project.

After a three days work, details of the proposed project were compiled and submitted to CFC for consideration and approval.