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PrOpCom

Making Nigerian Agricultural Markets Work for the Poor

Monograph Series # 1

Cashew Sub-sector Strategic Framework

Using Cashew Sector Markets for Pro-poor Growth in Nigeria

By

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April 2005

DFID Department for
International
Development

Funding for this programme is provided by the United Kingdom's
Department for International Development (DFID)

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PrOpCom
Promoting Pro-poor Opportunities through Commodities and Service
Markets- (DFID) Nigeria

Cashew sub- sector Strategic Framework
(Draft-1)
Using Cashew sector Markets for Pro-poor Growth in Nigeria¹



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March – April 2005 - Abuja, Nigeria

¹ Cover page Photo –Ref. Website of OLAM Nigeria LTD

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Abbreviations

ADP	- Agriculture Development Program
BSS	- Business Support Services
BDS	- Business Development Services
CNSL	- Cashew Nut Shell Liquid
CRIN	- Cocoa Research Institute of Nigeria
CSWG	- Cashew Sub Sector Working Group
GoN	- Government of Nigeria
IITA	- International Institute for Tropical Agriculture
LBAs	- Local buying Agents
NALDA	- National Agricultural Land Development Agency
NCAN	-National Cashew Association of Nigeria
NIS	-Nut in Shell
PrOpCom	- Promotion of pro-poor opportunities through commodity and service Markets
TA	- Technical Assistance
TCUs	- Tree Crop Units
TOR	- Terms of References
TOT	- Training Of Trainers
VBAAs	- Village Buying Agents

Cashew sub sector Strategic Framework

Executive Summary

- **Background**

Nigeria is one of the top ten cashew producers in the world. It is a smallholder crop and supplements the incomes of many thousands of farmers across 18 States. A large number of people mostly in low-income groups generate an income from cashew as harvesters, local merchants (Local/Licensed Buying Agents -LBAs) and workers associated with LBAs, transporters, processors and exporters. Women play a vital role in the whole process, from cashew harvesting to the labor intensive processing of nuts.

Estimated area under cashew plantations in Nigeria varies from 200,000 to 300,000 hectares. The production of cashew is estimated to about 100,000 tons of raw nuts per annum. About 60 to 70% of the local production is commercialized of which about 90% is exported in the form of raw nuts. An amount less than 10% is processed locally for exports as kernels. Similar amount is also processed by small enterprises or at domestic level for local market. Raw nuts are exported mainly to India and Vietnam and recently to China. Nigeria is considered as one of the cheapest sources of raw cashew nuts supply to the Asian market.

The estimated value of raw cashew nuts exports from Nigeria varies from US\$ 25 to 35 million annually. Some unofficial data suggest that the export income can be in the range of US\$ 35 to 40 million annually. The incentive to add value through increasing the quality supply is low with Nigerian raw nuts prices discounted in the world market (20%-30%) compared to those of neighboring countries. Problems associated with harvesting and drying and grading also discourage processing of nuts into kernels, even though kernels fetch a much higher price. The majority of cashews are collected from plantations that have been neglected or even abandoned (termed 'wild' cashew), rather than from active plantations. Replanting rates are low mainly because of the low incentive for quality and the availability of 'wild' cashew. If this system continues, not only will Nigeria fail to exploit the full potential of cashew, as Guinea-Bissau and other cashew producing countries have done, but also production and quality will continue to decline as yield from aged trees declines.

- **Rational for selection of the sub sector**

Cashew was chosen as a targeted commodity primarily because it offers significant potential for high value addition and increasing income for large numbers of people in the rural sector, particularly for women. It is a high potential export-oriented agricultural crop and represents 7 to 8% of non-oil export earnings (2003). It is an important source of supplemental income to more than 50,000 farmers and many others employed by the sub-sector (an estimated number of about another 55,000) directly or indirectly. This income can be further enhanced through promoting local value addition -processing of cashew nuts and increasing the share sold into the local market.

The cashew commodity chain offers important opportunities to reach the farmers involved in cashew production through several associations and enterprises willing and motivated to catalyze growth in the sub-sector. The major players in the commodity chain are organized into a national association and there are enterprises willing to introduce supply chain-linked, embedded business support services to improve cashew production and quality. A number of operational and active farmers' and traders' associations and institutions such as CRIN are willing to play lead roles in implementing cashew development programs. Demonstration of

supply chain relationships and increased productivity undertaken with existing collective entities, ADPs and enterprises offer an opportunity to impact the commodity chain locally, and can be replicated in other cashew producing states in the country. The GoN has recognized the growing importance of cashew sector and has included it on the list of crops to be promoted and supported.

- **Approach to support the sub - sector growth**

The aim of this program is to change the market system to provide incentives to improve quality, farm-level productivity and the efficiency of the supply chains in the sub-sector. This will produce a strong supply response to the robust demand for cashew nuts, driven by increased productivity, and the efficiency of the commodity chain, and increased benefits to producers and domestic consumers. This will result in improved competitiveness, contribute to non-oil exports, provide additional rural employment, particularly for women, and increase incomes of farmers.

PrOpCom will harness the main drivers of change - exporters and processors, seeking to secure good quality supplies of cashew nuts at competitive prices; increase the quality and value of the nuts they sell, improve their competitiveness and help them receive better prices on the world market. Working with major stakeholders, including exporters, local processors, local buying agent (LBA) associations, producer groups and the cashew association (NCAN), the project will facilitate the introduction of grades and standards with price premiums for higher grades, and train buying agents to purchase accordingly, and disseminate information on the new buying system. The project will provide technical assistance to demonstrate the rehabilitation of neglected plantations, focusing on identification and control of diseases and pests, appropriate use and application of agricultural inputs and best agricultural and horticultural practices. The same consultants will then be asked to prepare a training of trainers (TOT) program for BSS providers who will help disseminate the information and learning more widely. Project will work with CRIN to provide technical assistance for demonstrations and training of trainers for BSS providers regarding the production of seed for the Brazilian Jumbo cashew nuts. This will serve the essential need of multiplying and making this higher value cashew nut available to farmers interested in establishing new plantations. Demonstrations and TOT activities will include best agronomic and horticultural practices, as well as potential social development issues. Women will be included among the plantation owners where demonstrations are held, and among the trainees for TOT. The project will work with the stakeholders, Cashew Sub –Sector Working Group – (CSWG) to develop capacity to enter into internal and external dialog concerning policy issues that affect the sub-sector.

Project will work with local processors and new exporters to develop and establish relationship-based supply chains involving LBAs and local producers, as a means of reducing risk, and create a mutually beneficial relationship between producers and buyers. Based on this experience, we will provide training of trainers to BSS providers to further disseminate the approach to others in the sub -sector. Demonstrations and TOT will include consideration of cleaner production systems and resource saving technology as well as worker health and safety and other social development considerations. Through developing the capacity of business support services to work in the cashew sub-sector, the project will facilitate access to finance, and to knowledge/skills and equipment for MSME processors. It will also hold forums to facilitate stakeholder interaction with financial institutions and agricultural input suppliers, to help them develop access to those services.

- **Other support activities recommended**

The program will work closely with National Cashew Association of Nigeria (NCAN) and exporters of cashew and missions of importing countries (India, Vietnam, etc.) to obtain specific standards specifications, code of practices and information on processing technologies in order to facilitate the implementation of support activities planned under the cashew sector program. Work will be also carried out to support the capacity building of local experts and other entities linked to the sector through training.

The TOR of all consultants or service providers implementing activities will include an indication of their responsibility for reporting (M&E) as well as for integrating consideration of environmental and social development issues. PrOpCom will also work with service providers and consultants to implement a communications strategy related to the cashew commodity chain. This strategy includes both the dissemination of relevant information to participants and potential beneficiaries, as well as the analysis of lessons learned, and their diffusion to the development community.

During the inception phase, we have had interviews and discussions with many players of the cashew sector including exporters, processors, associations of LBA, Banks, Research Institutes, ADPs, etc., and have sensitized them on the issues and prospects for increasing quality and efficiency in the sector. During implementation, we will bring these main stakeholders together in the form of a cashew sub-sector working group (CSWG): to discuss and determine among themselves the priorities of activities to be implemented, and how to procure additional resources when needed. They will play a role in monitoring the progress of implementation. The project will engage their commitment to bringing about change in the cashew sub-sector and remain flexible to respond to the needs and solutions they identify to implement those changes.

- **Location of pilot programs**

Cashew sector pilot programs will initially be focus in two of the three States: Ondo, Kogi or Oyo. The main cashew processing factories are located in Ondo and Oyo, but a major player is exploring the possibility of opening a plant in Kogi. Kogi is an important cashew production center, but presently has a poorly articulated link to processors and exporters, who appear to be the primary drivers of change. They will be the enterprises that can get involved in developing relationship-based value chains and the associated embedded business support activities with the buying agents and producers. We need to explore further whether there are production focused programs with whom we can cooperate, particularly given stakeholders interest in improving production and marketing in Kogi. All three States have strong LBAs and farmers associations who would participate actively in the cashew sector development programs.

Cashew sub sector Strategic Framework²

² This document was prepared by Patrick Nugawela – BSS advisor PrOpCom project in collaboration with Roland Oroch ,National Consultant, based on the information and data collected through discussions and interviews held with cashew sub-sector associations, processors, exporters , consultants , farmers local buying agents, R and D institutions , site visits, consultation of sector related reports, papers and data available in Nigeria during the month of March through May 2005. However, the final content of the document is not yet edited discussed or approved by the PrOpCom project. Therefore, the information stated , the opinions expressed and recommendations suggested etc engage only the authors of the report.

1. An overview of the sub-sector

1.1. Historical Perspective

Nigeria's interest in cashew nut production began in the early 1950's when the plantations were introduced in Anambra, Imo, Enugu, Oyo and Osun states. These plantations were set up principally for the purpose of controlling erosion and soil protection. Commercial exploitation of cashew were not known until recently because the cocoa was more prominent and received much attention in the south west and palm oil in the south east. However, commercial exploitation began in late 70's and early 80's when south Indian States increased their processing capacity of cashew. Indian processors, traders and their agents traveled round the villages of Nigeria and gave LBAs and farmers cash advances in order to obtain the product. Over time, purchasing centers were opened to arrange procurement from the hinterlands through local agents, and the produce transported to processing factories in India.

Industrial cashew processing in Nigeria began in the early 80's when the old Eastern Regional Government established the Premier Cashew Processing Factory, located in Oghe in Enugu State, primarily to process the harvest from the government owned 650 ha cashew Plantation as well as to serve other smallholder farmers in and around the States of Kogi and Benue. The plant failed largely because of the difficulties caused by the energy supply, which led to major technical problems for the automated equipment. In addition, skilled manpower required for adequate maintenance and daily operations were reported lacking. Similarly, the Oyo State government in partnership with private interests including an Italian cashew machinery company established a processing factory named "Cashew Processing Industrial Ltd" at Eleyele, Ibadan in Oyo State in the early 80's to process the harvest from the government owned farm. The Italian equipment could not be sustained due to poor infrastructure, energy supply and management capabilities etc.

There have also been some efforts by private entrepreneurs to venture into cashew processing. In 1991, J.O.F Ideal Family Farms established a plant at Owo in Ondo State. A few years later, in 1995, MELAGRO Exports Limited, an Indian cashew-trading group established a small processing unit at Owode in Oyo State with installed capacity of 1,000 MT/year. Between 1998 and 1999 two plants were established namely, Kole Dafe Industries, with its factory located in Isolo, Lagos state; and A.C.E.T. Nig. Ltd., factory located in Owo, Ondo State. However, the local processing of cashew did not see a rapid expansion. There were no incentives for suppliers, and there were no consistency of operations on the part of the processors to capture remunerative markets. Many of the plantations were systematically neglected until a demand for raw nuts from India became increasingly important in 1990s. This development now leads to the revival of the cashew sector through increasing interests of farmers and investors to rehabilitate the old plantations and grow new ones.

1.2. Area under cultivation - Present status

Cashew³ grows almost everywhere in Nigeria but a major part of the existing plantations are concentrated primarily in the Southern and Middle belt regions in smallholder farms and

³ The Cashew, "Anacardium occidentale", is a plant in the same family of mango tree and the pistachio tree. It is a native plant to South America, mainly to Brazil and Peru. Portuguese traders introduced the tree to South Asia – India, in the 16th century and to East Africa. Eventually, cashew tree spread over to west African countries. Main cashew producing countries today are India, Vietnam, China, Nigeria, Brazil, Sri Lanka, Philippines, Thailand, Colombia, Guatemala, Venezuela, the West Indies, Mozambique, Tanzania, Kenya, guinea Bissau, and Benin.

small – sized plantations. The larger extent of the trees available was grown more than 20 to 30 years ago. There are new plantations grown systematically since last 10 years. At present, of the total cashew plantations, about 60% are still considered as “wild”, 20% as rehabilitated and the remaining 20% are considered as new commercial plantations some of which are yet to enter the production phase. The existing plantations are spread over mainly in 15 to 18 states, namely : Kogi, Abia, Benue, Enugu, Imo, Ebonyi, Kaduna, Oyo, Ogun, Ondo, Anambra, Kano, Bauchi, Taraba, Jigwe, Edo, and Plateau States. The new commercial type plantations are found in Cross River, Abia, Kogi, Oyo, Kaduna, Kwara, and Imo States.

Reliable data on the total area under cashew crop are still limited. There is no systematic data being collected on this sector, particularly at the states’ level. Whatever the data available are based on general estimates forwarded by the following sources:

- a) Government of Nigeria (GON) estimates the area under cashew as 375,000 ha in 2003 as against 278,000 ha in 1999⁴. This is about 8% annual increase of the area under cultivation over a period of 4 years.
- b) CRIN⁵ estimates 200,000 hectares under “effective production”
- c) Several other studies suggest that, the area under cashew cultivation is much less than 200,000 hectares.

However, due to increasing interest generated through exports of raw cashew nuts to India and Vietnam since 1990s, farmers tend to rehabilitate and protect the existing trees and new small scale investors, retired persons and some State Governments are encouraged to grow new plantations in an organized commercial scale. CRIN estimates that the annual expansion of new plantations is about 8,000 to 10,000 hectares. In addition, the National Agricultural Land Development Agency (NALDA), Tree Crop Units (TCUs) and Cocoa Research Institute of Nigeria promote organized cashew cultivation .

1.3. Production of cashew- Estimates

Cashew production per hectare in Nigeria is considered low in the existing “wild” plantation sector compared with that of other major producing countries. Nigeria’s yields are less than 500 kg per hectare whilst it is more than 1,500 Kg per hectare Tanzania and 2,000 Kg per hectare in Vietnam. The total national production of Nigeria, based on information received from one CRIN researcher working on cashew, is around 100,000⁶ MT annually. The GoN estimates a production of about 195,000 MT in 2003 as against 176,000 tons in 1999⁷. This is about an annual increase of 4%. Another USAID study (2002) estimates a production of about 90,000 MT of nuts annually⁸. However, several discussions and meetings held with selected stakeholders of the sector suggest that the total annual accountable exports amount to about 50,000 to 60,000 tons of raw nuts and local processing may be about 5,000 to 10,000 tons at present. The exporters and processors estimate that they purchase practically everything available in the marketplace irrespective of quality and quantity. Their estimate of local production is much less than 100,000 tons per year.

⁴ Federal Office of Statistics – The Nigerian Statistical Fact Sheets –April 2004

⁵ Discussions held in March 2005 with a scientist at CRIN

⁶ Discussions held with CRIN in March 2005

⁷ Federal Office of Statistics – The Nigerian Statistical Fact Sheets –April 2004

⁸ Chemonics International Inc. Sub Sector Assessment of the Nigerian Cashew Industry-September, 2002

If one adds another 10,000 tons on export volume (very unlikely) as amount engaged in cross border trade or unregistered exports by seasonal traders coming from Asia , the total annual production commercialized at present may amount to about 75,000 to 80,000 tons. If the estimated quantity of 100,000 tons is acceptable as many stakeholders consider as closer to reality, post - harvest losses may represent about 20 to 25% of the total production in the country. This may have a loss of value of US\$ 12,000,000 to 16,000,000 per year at the rate US \$ 630/ton. On the other hand, if we consider the GoN published statistics that refer to a production of 195,000 tons of nuts per year, it is difficult to explain the destination of more than 90,000 to 100,000 tons of cashew produced in the country. This refers to losses of 50% of the production or a major portion sold to the local domestic or micro level processing. The discussions held in the field related to production in Kogi, Ondo and Abia States suggest that production losses can be as high as 50% or more in the sector due to harvesting of immature and spotted nuts; high percentage of broken, void nuts; and losses incurred as a result of non collection of nuts from the ground due to lack of labor during the harvesting seasons.

However, the data from both sources, the GoN and CRIN suggests that the yield per acre is about 0.5 tons or less per hectare. It is most likely that the yield may be much lower than 0.5 tons per hectare in most of the “wild” plantations and there is a very high rate of post- harvest losses in “wild” plantations. This is a problem that can be addressed with appropriate interventions and may result in recovery of at least a major part of the losses in the short – term, thereby increasing the commercial quantities available from existing trees.

1.4. Varieties cultivated – Two traditional varieties

Cashew cultivation is generally limited to two varieties in Nigeria. The red and yellow apple forms that are found growing in most producing areas but these varieties are not readily available as hybridize, high yielding varieties. New high yielding varieties experimented in India gives a high production and kernel content. Brazil worked on a number of varieties that produces high kernel content and good cracking characteristics (2% broken kernels). The value of cashew nuts depends on the kernel content, free of spots, lower percentage of broken kernels, easy peeling quality of the testa from the kernel and the size of the nuts. In Nigeria, more than 80% of harvested nuts are the traditional yellow and red apple varieties, which usually produce small nuts (contains about 180 to 200 nuts per kg). About 20% of production accounts for larger nuts known as “Brazilian Jumbos” containing 80 to 120 nuts per Kg. Cultivation of this variety can double the production per hectare and can save more than 50% of labor cost in harvesting and processing and also can reduce the area required per given quantity of production compared to that of the traditional varieties.

Some dwarf varieties are also currently being experimented in the country but those are mainly limited in newly established plantations. Most of these research results in cashew sector are available in Asia and in South America, therefore there is no need to do research on selecting the varieties. What is required is to adapt and multiply the high yielding appropriate varieties already experimented and available and make available large quantities of planting material to farmers.

1.5. Population engaged in the cashew sector

Cashew is small holder crop that provides a supplementary, seasonal on- farm income to large numbers of farmers living in some 18 states. Precise data again on the farmers/producers depending on cashew sector by each State is not available. Meetings held in Kogi State⁹ suggest that about 20,000 to 30,000 or more farmers are earning an income from cashew. An estimate by a national cashew consultant suggest that more than 40,000 farmers may be engaged in this sector in the country. This figure can be well above 50,000 – 60,000. The discussions held in the different states with a number of stakeholders suggests that many cashew farmers have an average farm size varying from <0.5 to 4 hectares, some in the “wild”. A hectare of wild cashew can contain 50 to 80 trees. There are also farmers who own a few trees in the home gardens, while a few, particularly in Kogi state many farmers own up to 20 heectares planted with cashew trees of improved varieties.

In addition to the farmers engaged in cashew production, the sector creates employment opportunities for large numbers in other sub sector related activities such as harvesters, workers of merchants etc. If during the season, a farmer employs one person per 4 hectares for harvesting,(in reality this figure can be more per hectare) the seasonal employment created in 200,000 hectares will be about 50,000 persons, with majority of them women. In addition, workers employed by LBAs, transporters, processors, exporters etc also provide employment opportunities. The processing sector is a large employer of women workers. If an average of 100 persons per state is estimated to be engaged in micro, small and “backyard” processing of nuts, then between 1,800 and 2,000 persons may find seasonal employment in the sector in the producing States, while employment is also generated in trading and related activities. The processor in Ondo State employs about 600 persons to process 4,000 tons annually. On the basis of this, if locally processed quantity is considered at 20,000 tons annually, total employment in the processing sub-sector may amount to about 3,000 persons with 80% of this number made up of women. Estimates in Asian countries suggest that every 1,000 tons of nuts processed creates employment opportunities for about 200 persons of which more than 80% are women. Based on the above estimates, number of persons generating a supplementary income in the cashew sector would be as follows:

No	Category of employment	Numbers
1	Farmers	50,000
2	Workers in the cultivation and harvesting	50,000
3	Trading related activities	2,000
4	- Processing sector	3,000
	Total	105,000

All these estimated data suggests that the cashew sector may at present involve more than 100,000 persons mainly in the rural sector and low-income people in the urban sector. The on- farm and trading sector employment is seasonal, but the processing sector can maintain employment through -out the year if adequate quantities can be stocked. Generally, some processing units use the same labor to process other products such as groundnuts. During the field visits, it was observed that cashew-farming families are large and some have up to 10 or more dependents per family. Therefore, the income generated by the number of 105,000 persons estimated to be directly linked to the sector would have an impact on another couple of hundred thousand persons of their families. About 90% of the persons engaged in harvesting, post harvests drying etc are women. More than 80% of the 600 workers in the processing unit visited in Owo were women.

⁹ Discussion with the Director and the field staff of the department of produce of Ministry of agriculture- Kogi State -March 2005

2. Economic importance, constraints and growth prospects

2.1. Economic data

In Nigeria, Cashew is increasing its importance as an export oriented cash crop since 1990s. It is becoming an important source of non-oil export earnings – (estimated to represent about 7 to 8% based on export data of 2003) and also an important source of supplementary on –farm income to thousands of farmers and others employed by the sector. The income estimated at different levels is as follows:

- a) The present annual export income estimates stated tend to suggest that the exports income from raw nuts may vary between US\$ 25 to 40 million (FOB) annually. This represents a significant percentage of non- oil exports of Nigeria.
- b) Among African suppliers, Guinea-Bissau and Tanzania get comparatively higher prices (CIF) for their cashew, because of its premium quality. Nigerian’s cashew has been discounted in the last 5 years by as much as 20-30% due to poor quality. This issue can be addressed through improvement of quality, best agricultural and post harvest practices and introduction on high yielding varieties.
- c) Exports of kernels are estimated to be about US \$ 1 million per year at present to USA. A significant quantity is locally consumed as processed kernels and value of which estimated to be about US\$ 21.6 million /year (USAID study, 2002).
- d) The income to farmers - average price received for raw nuts at farm gate level is estimated at present; varies between (Naria) N#40 to 65 per Kg. During the peak periods in the season, farmers get up to (Naira) N#65 or more per Kg in certain States.
- e) Cashew is a seasonal product that provides an additional income to farmers: from February through May annually. However, the dried raw nuts can be stored easily for a longer period and processing can be carried out through- out the year. Therefore, the employment can be maintained in cashew processing by storing adequate quantities of raw nuts.
- f) The importance of cashew as an income generating cash crop is increasing at various levels – farmers, small investors, retired persons, public sector employees, and state governments etc. As a result, more and more households including some secondary schools in Kogi state and in the north central region are beginning to realize the potential of cashew and are planting new trees and rehabilitating old ones.
- g) Growing importance of cashew was demonstrated in 2001 when GoN scheduled it under Group V of the Tree Crops Development and Marketing Company. This company is one among three companies set up with a mandate to promote production and marketing of scheduled crops such as cocoa, cashew, coffee, oil palm, rubber, citrus etc.
- h) Larger percentage of the local production collected and exported as raw nuts to India and Vietnam etc. Some studies suggest that about 30% of the local production is processed at domestic level or by small units for local consumption. Price received for locally processed cashew is higher than the price received from exports of raw nuts.

Processing plants are operating in Lagos, Kaduna, Oyo, and Kwara States for production of kernels for exports and for local consumption.

- i) Finally, This is a sector that has a high impact in creating income generating opportunities for women in cultivation, harvesting, post harvest operation and in processing. Many women have a prominent role in ownership of trees/ plantations in the rural sector.

2.2. Constraints – Observations in the field

The investigations conducted in several locations in Lagos, Ondo, Oyo and Kogi States revealed the following major constraints faced by the cashew sub sector in Nigeria at several levels:

(a). Exporters and processors level:

- i. **Low quality of nuts supplied:** Nuts reaching the exporters or processors are often un-dried and un-graded. This increases the cost of drying, cleaning, removal of spoilt, void, damaged, immature nuts in the warehouses (in some cases more than 20% of a given consignment may be regarded as not suitable for export, after having been transported to Lagos)¹⁰. Normal moisture content should be less than 12% according to the trade. Most of the supplies arriving Lagos from the producing areas is reported to exceed 20%, particularly when the rains have begun. Also, since the nuts are bought on the basis of weight (80Kg bags), some farmers have the tendency to keep the nuts with out drying before selling in order to obtain a higher weight. This practice has greatly affected quality of nuts supplied.
- ii. **Irregular buying channels** – There are irregular buying channels seen during the harvesting season. There are buyers from Asia or from neighboring countries who are not locally registered companies who often buy directly or indirectly, every possible quantity of nuts, irrespective of the quality. They advance money to buy whatever is available during the season. This situation, even though increases competition for nuts and offers better prices to farmers, leads to some “unethical trading practices” such as non –respect of supply agreements between LBAs and farmers. There is often disregard for agreements; farmers are known to rush to harvest even the immature nuts in order to meet demand. Some farmers and village-buying traders have taken advances from one party and have sold the stocks to another seasonal buyer who would offer to pay more cash on the spot cash. This situation also leads to losses of advances given by exporters and processors and irregular supply to local processors and exporters. In some countries such as Benin, the government determines the buying dates and discourages early harvesting of nuts, while ensuring that irregularities on commercialization of the commodity are minimized.
- iii. **Inadequate quantity of supplies.** The demand for nuts is higher than the supply and often exporters cannot meet their commitments to foreign buyers.

(b). Local Buying Agents (LBAs) level:

¹⁰ Some discussions suggest that there instances where nuts rejected are collected and mixed again to the new stocks as there is no proper grading at the village level and nuts rejected are not destroyed immediately to avoid abuses

- i. **Low margin-** The margin for LBAs is relatively low. It is about 1 to 2 naira per Kg or 2 to 5%. There is a local grading tax fixed by the produce department of the State Governments. This tax varies from State to State and it is about N#800 per ton usually paid by the LBA. In addition, there is a transport tax of N#1000 per truckload at each State borders. The LBAs have to employ a number of unskilled persons for bagging of nuts. The cost of transport from Oyo to Lagos amounts to about N#1000 per ton. LBAs also complain of high losses due to bad quality of nuts supplied. Due to low margin and to supplement the income, LBAs are generally engaged in the trade of other products from the regions- such as palm kernel, cocoa and other tradable commodities. Certain LBAs during the off-season are involved in retail trading of agro chemicals .
- ii. **Absence or limited accesses to working capital-** Most LBAs complain of the difficulty of accessing bank supported finance. Most of them depend on the advances from exporting or processing companies. To obtain a quick turn around, LBAs tend to sell the nuts with out proper drying or grading etc.
- iii. **Inadequate knowledge on business management.** The LBAs are small businesses. They are emerging as small entrepreneurs and have hardly undergone any training or acquired the requisite skills for managing a business, book keeping, packaging of loan applications or working capital proposals, etc.
- iv. **Inadequate storage facilities – and drying area.** Many of the LBAs or village level merchants do not have storage facilities to stock their nuts. They operate in the market place with limited space for drying, cleaning and bagging activities and some of them keep the stocks at their residences. Therefore, as mentioned earlier, at the LBA level not much drying is done and hardly any quality control or grading takes place. However, some of the exporting companies visited have qualities controllers who carry out random quality tests to ensure that nuts supplied by a particular LBA meet specifications.

(c). Producer level:

- i. **Low productivity of existing plantations-** In most cases, the plantations are more than 20 to 30 years old and are not systematically maintained. These are mostly considered as wild trees and the average yield per hectare is estimated to be less than 0.5 tons/hectare, which is relatively low, compared with other producing countries.
- ii. **Low kernel recovery –** Due to relatively short history and lack of adequate skill and expertise in cashew processing in the country, kernel recovery is low, between 18 – 19 % at most processing centers. Some countries- India, Vietnam, Benin, and Tanzania etc produce higher kernel recovery as high as 25% to 38%. This high level of kernel recovery is influenced by several factors that include - the varieties cultivated, good agronomic practices, and harvesting and post harvest practices.
- iii. **Post harvest losses-** There is no precise data available on post harvest losses of cashew. However, the general estimate is between 20 to 25%. Some estimate up to 50 % losses in some states. The losses come from spoilt, void, spotted, and broken nuts, harvesting of immature nuts by shaking the trees, poor post- harvest management practices etc. A sample of 1 kg tested in Oyo state on 31-03-05,

reveals the percentage of whole nuts was about 25%. Reduction of post harvest losses can increase the value of available nuts without increasing the total area of cultivation.

- iv. **Lack of awareness or incentive:** At present farmers are not much concerned about quality. There is no price incentive for grading and buying is done on weight rather than based on quality. Many farmers do not have any awareness on quality standards of cashew and the present buying practices do not encourage farmers to maintain quality or grading and drying prior to selling.
- v. **Inadequate labor in certain areas for picking:** Many producing areas , particularly in Abia and Kogi states , do not have enough labor during the season for picking the fallen nuts. Generally, about N#20 per kg is paid for picking. Due to non - picking at the appropriate time some nuts go waste in the farms, thus contributing to post harvest losses.
- vi. **Low yielding varieties -** More than 75% of cashew in Nigeria comprise of very small nuts. A kg of small nuts may include about 180 to 200 nuts. The Brazilian jumbo nuts may contain an average of about 80 to 120 per KG. Moreover, collection and processing of larger nuts saves labor costs as against the small nuts that will take a longer time for the same weight of nuts to be processed. Rehabilitation of plantation, pruning, control of insect attacks at flowering stages, etc can increase the yield per hectare and quality of the existing plantations.
- vii. **Inadequate access to or non-availability of high yielding and better quality planting material:** Farmers do not know from where to get good planting material. In some areas, farmers do not trust the nursery plants and therefore prefer the seeds for planting rather than seedlings.
- viii. **Spotted kernels other pests problems:** This is mainly due to attacks by “tea Mosquitoes” during the flowering season of cashew. In some areas such as Kogi, the percentage of spotted nuts may go beyond 50%. This problem can be remedied by spraying appropriate chemicals before or during the flowering season. In addition, destruction of plants by beetle attacks of the tree branches is also a problem to farmers to maintain the trees.
- ix. **Inadequate access to training and finance:** There are no training facilities or extension services extended to farmers for rehabilitation and replanting. Cashew farmers are hardly encouraged through access to finance like other producing countries in Asia to grow and produce high quality cashew. In countries such as Sri Lanka, there are special loan facilities extended for cashew cultivation and to cooperatives for domestic processing.
- x. **Poor infrastructure facilities:** In some areas, transport of cashew to markets is a challenge to most farmers and LBAs due to absence of good feeder roads.

(d). Processors level:

- i. **Improved production Systems:** The few processing units in operation needs to improve quality, training of workers, working conditions, cleaner production systems, internal organizations to increase efficiency and competitiveness, etc;

- ii. **Lack of access to Finance:** To increase capacity, access to improved technology of processing should be encouraged through timely provision of soft facilities to procure equipments etc ;
- iii. **Limited exposure** to new export markets for processed nuts.

2.3. Growth Prospects – Potential export-oriented sector

World market for cashew is increasing rapidly and has practically taken over the almonds market. Cashew claims the title of \$1 nut crop in the producing countries. For many of these countries, cashew is an increasingly important export oriented income generating cash crop for rural population. It is becoming important as a sector providing employment and income source to women through small scale commercial processing.

India was the world's leading producer until recently. But, Vietnam is fast developing in this sector in terms of production and processing for exports and has practically reached the same levels of importance as India. Both India and Vietnam imports raw nuts from Nigeria for local processing and for re-exports as their own local production is not adequate to meet the demand of the market. Brazil is also another leading producer of cashew nuts and other by products from cashew. Number of other countries in Africa- mainly- Tanzania, Benin, Guinea Bissau, Mozambique, and Ivory Cost are important exporters of cashew. About 32 countries are engaged in production and exports of cashew and another 17 countries are engaged in importing and re-exporting of after various forms of value addition. In addition, more than 60 countries import cashew for local consumption.¹¹ USA is one of the largest markets for processed cashew. Generally, USA and other major importers that are in cashew trade import un-branded processed cashew in bulk and further add value and introduce under their own brand names marketed as a luxury snack. Hence, market for cashew and potential for export in the future is strong.

About 90% of Nigerian cashew is exported in the raw form. There is an increasing demand in the world market for un-branded processed cashew. Therefore Nigerian investors can develop a “stepping out” approach to expand its processing capacity by many folds in the future. In addition, local market for cashew in Nigeria is also expanding. There are local processors, producing exclusively for local market as a snack and for culinary market –mainly the Chinese and other hotels and restaurants.¹²

Cashew kernels exported from Nigeria at present are well received in the international market precisely in the USA and some markets in Western Europe e.g. Spain. At least one processor, based in Owo, a small town in Ondo state, South-West Nigeria is reportedly having difficulties meeting orders from buyers due to inadequate supply of raw nuts and processing capacity. This indicates the potential for kernels market that should be exploited by other processors by ensuring that more kernels of Nigerian origin enter in to the international market.

The culinary market for broken cashew in the countries such as India and China etc is increasing. It is a common ingredient in Asian cooking. This provides an important market outlet for second or third grade cashew originating from African countries including Nigeria. Therefore, Nigeria, has enough potential to increase its present raw nuts market in terms of volume and prices through supplying quality nuts by investing in improving quality, efficiency of present supply channels and reducing post harvest losses.

¹¹ Icon Group international – The world Market for Cashew nuts- A 2005 Glot trade Perspective- 2004

The main exporter of cashew from Nigeria is Olam Nigeria Ltd. It is one of the world's largest suppliers of raw cashew nuts and is a major processor of un-branded cashew in the world. This is a multinational company involved in cashew trade in 15 or more countries and has processing facilities in 7 countries including India and Vietnam to where major percentage of Nigerian cashew is exported. There are also new exporters and processors of cashew emerging in the Nigerian market. Therefore, export potential for raw cashew nuts from Nigeria is indeed very high if the production could meet the requirements in terms of quality and quantity.

In terms of prices, raw nuts of Nigerian origin presently sells at 20-30% below world market prices and those quoted for other African suppliers notably Tanzania, Guinea Bissau and Benin. Ranking among the first ten countries in the world in terms of production, Nigeria offers the cheapest source of raw nuts among the producers and has consistently supplied the Indian processing industry and lately Vietnam. Consequently, efforts to improve quality and quantity of nut will give Nigeria a bigger share of the Indian and Vietnamese market for raw nuts.

3. Major players, supply chain and other initiatives

3.1. Major Players

Major players in the value chain consist of Exporters and Processors, Buying Agents, Farmers and sub sector associations.

(a). Exporters

There is a dozen of Nigeria based exporters (Ref. a list in Annex 1) of raw nuts. They buy nuts from licensed buyers or some of them have their buying centers in the regions. Usually, exporters make arrangements with 2 or 3 LBAs in different locations before commencement of the cashew season to assist them in sourcing the commodity. Trusted and reliable LBAs are advanced with cash for procurements. However, some exporters have been in difficulty in this kind of transaction.

Olam Nigeria Limited is the largest exporter of cashew from Nigeria that accounts more than 30% of the total raw nuts exports. Olam Nigeria Limited has its own buying centers of cashew and other commodities in a number of states, has a processing unit in Oyo State. Century Exporters Ltd, Elephant Group, Colossus Investments and ITP Ltd are the other emerging raw cashew nuts exporters.

(b). Processors

There are about 14 processors of cashew (Ref. list in Annex 2). Most of them are processing for the local market. Locally processed cashew is sold generally in the super markets and retail Shop. One processor located in Lagos – ABOD Success Investment Ltd employs about 70 persons of which the majority are women. Their main markets are the local supermarkets, and Chinese restaurants and hotels.

The processor located at Owo in Ondo State –ACET company is the main export processor of cashew. This company processes about 5,000 tons per year and export to USA. This company employs a labor force of 600 people of which more than 80% are women. The company in addition to its main factory in Owo - Ondo State, has also established 4 centers for cracking, picking and peeling operations. Cashew is boiled at the Owo center and nuts are

distributed to the satellite centers for further processing. The processors usually employ a variety of measures to obtain supplies of raw nuts: they buy directly from large farmers or cooperative farming groups, buy directly from LBAs or employ suppliers on a commission basis.

(c). Buying Agents

Buying Agents are generally known as LBAs – Local Buying Agents. They comprise of:

- i. Licensed, Buying agents LBAs – who are generally large buyers, independent individual agents,
- ii. Agents employed by the exporters and processors; some work on a commission basis,
- iii. Village merchants /Buying agents who generally work for a large LBA.

These categories of the LBAs are the closest to the farmers in the chain. Individual buying agents or small agents usually move from one village to the other to procure nuts from farmers, which they later sell to big agents or Licensed Buying Agents or to the agents at the market place. LBAs perform some important roles in the marketing value chain. These are as follows:

- They provide ready market for the farmers produce due to their proximity to farmers,
- They render financial advances to farmers against the crop,
- Supplier to the exporters / processors a large quantity of the commodity collected, and
- Some of them are also engaged in inputs supplies and other goods that villages need.

Some of these buying agents are registered companies. (A list in Annex 3) They are involved in large scale purchasing of cashew through other LBAs or directly through employed agents. Generally, there are large numbers of LBAs operating as licensed traders working with village agents.

(d). Farmers

Cashew is generally a small holder/ farmer crop. They represent a large number in every State and are the owners of plantations of less than 4 hectares. There are also a few farmers in every State having 10 to 15 hectares or more. In addition, there is another category of cashew farmers who are venturing in to commercial plantations since 1990s. They are mostly retired persons who are investing in cashew cultivations following the increasing interest of cashew exports to India and Vietnam.

The number of smallholder farmers in the cashew sector may be estimated to exceed 50,000. Cashew farmers are spread over more than 18 States. Generally these farmers start harvesting when the cashew fruit drops to the ground, and collect the nuts. However, some farmers are not patient to allow nuts drop to the ground, they pluck them right from the trees or shaking the trees; resulting in immature and void nuts with low value. During harvesting, the nuts are picked mainly by women as often as practicable to avoid the seed coats becoming dark in color. The farmer supported by family members handpicks the nuts, some times they dry the nuts but the majority does not. The nuts are packed mainly in used jute bags and kept for the village-buying agent.

Farmers sell all their collected nuts mainly to a known buyer/agent. The agent either working for himself or employed by an LBA, receives the produce, weighs and checks the quality selecting a kg of nuts; pays for the produce after deducting any loan advances made to the farmer before. Usually farmers go to agents for monetary assistance for urgent cash requirements. While small farmers sell to individual village agents, the big farmers sell their products directly to Licensed Buying Agents (LBAs) or processors agents. Cooperative farmer groups do sell directly to exporters or to LBAs. Farmers benefit by selling their products to agents and buyers who are willing and ready to pay competitive prices. Some farmers take their produce directly to the market place.

(e). Sub Sector Associations

National Cashew Association of Nigeria –NCAN is the umbrella association of operators involved in the cashew chain; its membership consist of exporters, processors, LBAs, and farmers and those providing services to the sector. This association is being restructured and it represents a major development partner in the sector. The association operates at present under a committee of trustees pending the election of office bearers planned to be held soon. This association was registered initially in 1997, as Cashew Trade Association of Nigeria.

LBAs and Cashew farmers associations: These associations are formed in many cashew producing States. Oyo, Ondo and Kogi states have relatively active associations of LBAs and also those of farmers.

3.2. Supply chain trading patterns

Cashew has only one production season in Nigeria. The trees starts flowering from November through December and fruiting begins in February. Harvesting starts in late February (Mid January in some parts) and continues until early May.

Output from the farms are sold to LBAs who buys from the open markets on specific days or through their village-buying agents and through their own stores known for receiving other commodities based on seasonality. LBAs engage own staffs or other smaller independent Village buying Agents (VBAs) to buy from farmers at open markets and at their homes. They employ also one or two workers to help them at a daily payment rate of N# 200 to 400 per day. Cashew is bought depending on the existing market prices measured in a standard plastic container by weight. The cashew is then bagged in Jute bags of 80 Kgs each.

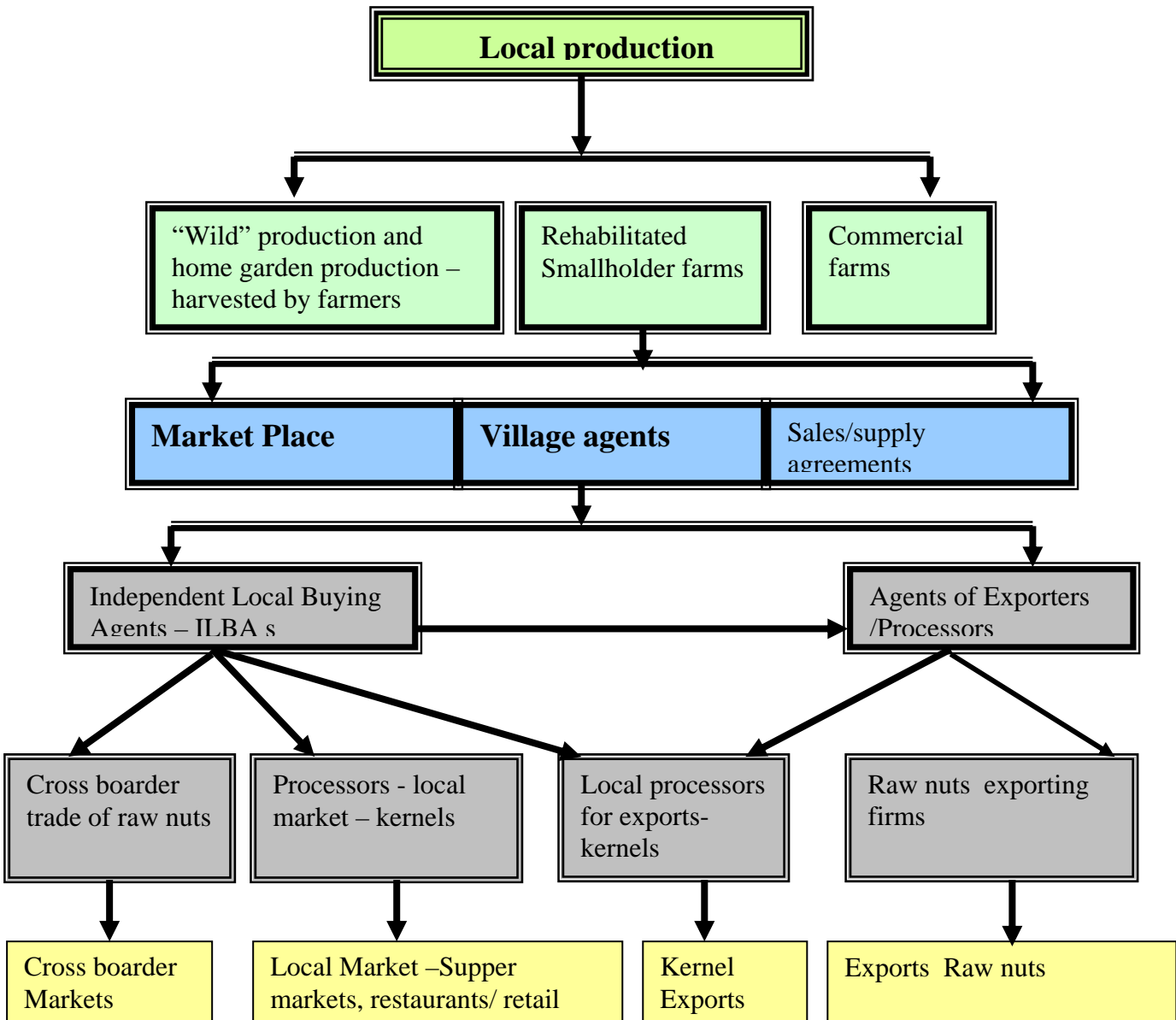
The LBAs stock large quantities of cashew and are supplied to exporters and to local processors who usually provide pre-financing. After a sizable quantity is accumulated, and quality certified usually through a cut test (randomly selected nuts are cut open to inspect the kernels inside) to determine total defects, kernel output ratio (KOR), moisture level and void. The exporter or LBA arranges transportation by truck (10 MT) or trailer (30 MT) loads to nearby warehouses before final evacuation to Lagos or any of the processing centers. At the LBAs level also there is again the nuts are re- bagged in 80 Kgs per bag. There is heavy competition among LBAs and their margins are generally low.

Some of the farmers/producers take their produce to the village market and sell directly to a LBA stationed there. Most of these market place LBAs are dealers of other commodities such as palm kernels, sesame seeds etc.

The delays of keeping cashew at each level of supply chain- farmer, village buying agent, market place or at LBAs level is minimum until it reaches the exporter in Lagos or the processors. There is no drying, no grading at any level as every intermediary try to minimize the loss of weight of nuts. The moisture content remains relative high until the products reach the final destination with in the country. Only quality operation that takes place is a sample test to measure the whole and broken nuts and spotted nut content by the buying agent of the exporting or processing companies or by agents of the state produce department who collects grading fees based on the quality of nuts.

A few exporters to India, Vietnam and recently China export a larger percentage of tradable collection as raw nuts. About 5 to 10% are processed locally for export and local market. About 10% goes un-recorded through Lagos and Benin Republic ports. There is in addition, a high rate of post harvest losses as mentioned earlier. A graphic on the supply chain operations is outlined in the following page.

Graphic 2: The Cashew Supply Chain



3.3. Other initiatives in the sector

- **Public sector initiatives**

The State interventions in the cashew sector are limited at present. However, the GON scheduled cashew among other tree crops to be developed by a Tree Crops Production and Marketing Company, as part of holistic effort to support the agricultural sector. In addition, following are some the areas of interest demonstrated by the public sector to promote cashew production as a commercial crop in Nigeria during the recent years:

- i. A few of the State Governments such as Cross River support the development of commercial farms and have about 5,000 hectares in cashew cultivation.
- ii. CRIN is involved in Research and Development activities related to cashew, mainly in the area of new varieties to be promoted. CRIN facilitates the access to new seeds to farmers.
- iii. Some state ADPs, as part of their extension programs, promote cashew production as a potential cash crop.

- **Donor initiatives**

- i. The Common Fund for Commodities initiated a West African cashew survey in 2001, which included a Nigeria component. Survey was undertaken under the auspices of the Sustainable Tree Crop Project (STCP) and was carried out by the Cocoa Research Institute of Nigeria and Biohybrids Agric-system Consultants, U.K.
- ii. USAID/Nigeria, in 2002, sponsored a study on the Nigerian cashew industry. The study was part of a sub sector assessment of five Nigerian products with local and export market potentials. Specifically, the cashew study examined market trends, opportunities and constraints, both domestic and international, production and processing requirements, operating environment issues and made some recommendations to address the needs of the Industry.

- **Private sector initiatives**

Some of the private sector initiatives to support the development of the cashews sub sector are as follows:

- i. Number of private sector – enterprises engaged in cashew trade are contributing to revive the NCAN,
- ii. Olam Nigeria Ltd, the largest cashew exporter in Nigeria has provided considerable financial support to strengthen the NCAN,
- iii. Following the increasing interest in exports and income generated from Cashew producers, a considerable number of small scale investors are now promoting commercial cashew plantations in different states ,
- iv. New varieties of cashew plants and seeds are made available by private individuals engaged in commercial cultivation to cashew farmers, particularly in Kogi state,
- v. Numbers of new cashew trading companies involved in local processing and exports have increased since last few years.

3.4. Significance of the market for pro-poor

Cashew is **smallholder crop** and it provides supplementary income to farmers during the beginning of the year. More than 50,000 farmers are directly engaged in this sector and receive an important income annually. In addition, it provides seasonal employment to another 50,000 persons or in harvesting and at different trading and transporting operations along the value chain. About another 3,000 to 5,000 people are engaged in processing providing employment opportunities to more than 105,000 low-income persons connected to the sector.

It is also a **source of income to rural women**. Women are mainly engaged in harvesting, drying of nuts etc. Others in the villages who may not own cashew farms are engaged in picking or harvesting the nuts during season, for which they are paid daily wages ranging from N#300 to N#400 depending on the area and time in the season such as before or during the rains. A female collector collects about 20-30 kg daily.

The **urban poor**, particularly the women folk are engaged in factory processing work such as shelling, peeling, and grading and packing cashew kernels and earn comparatively a stable income. For example shellers in one processing factory visited in Ikorodu, in the outskirts of Lagos, receives N#40 per kg and can shell a minimum of 10 kg per day, making a monthly income of N#12, 000 (\$90). Similarly, peelers, graders and packers in this factory earn between N#9,000 to N#12,000 monthly. This processor has a monthly wage bill of over N1.5 million paid to about a 100 workers, 80% of whom are aged and illiterate women.

3.5. Changes in the market - drivers of change

The sector dynamics in terms of market prospects are significantly noticeable at different levels:

- a) The main driver of change is the existence of an increasing export market for raw nuts and the potential market for processed nuts both locally and internationally. The prices in the export market are discounted by 20% to 30 % for Nigerian cashew due to its un-graded and overall poor quality and the sizes of nuts. This situation can be corrected in the short term by addressing the issue of quality assurance and grading, and in the long term by increasing high volumes of production of good varieties. The main players in the export and processing markets and association are willing to work with the LBAs and producers to improve quality and grading of the existing production.
- b) The demand for Nigerian cashew is increasing with the entry of Vietnam and China import from Nigeria. As a result, there are increasing interest created to expand the cultivation and increase the production. More and more LBAs and exporting companies have also joined the cashew trade as it is becoming a lucrative endeavor.
- c) Market for unbranded cashews processed locally is promising. One processor exports the total production and there are other potential investors interested in the processing of cashew locally. This would increase the demand for nuts, which will result in increased income to producers and encourage increasing production.
- d) Cashew related associations –NCAN and other LBAs and Farmers associations are also showing an increasing interest to better organize and strengthen their capacity to support the members. These entities can promote the changes required by the market at producer level and local buying level.

4. Current Market Structure

4.1. Products in the market place

Cashews from Nigeria are sold either in raw form – Nut in Shell (NIS) or as kernels after processing. Both products are sold in the domestic and export markets. 90% of the traded quantity is exported by local and foreign trading companies to India, Vietnam and smaller quantities to Brazil and lately to China where the nuts are processed into kernels and sold at a higher value. Only about 5 to 10% of total production are processed locally for local and export market consumption by handful of Nigerian entrepreneurs with various capacities ranging from 500 to 1,000 MT/year. Other by- products derived from cashew such as products from the apple and the Cashew Nut Shell Liquid (CNSL) will not be significant in the immediate future for Nigeria¹³.

4.2. Export Market for Raw nuts

Raw nuts exports represent about 90% or more of the cashew market at present for Nigeria. Main markets are India and Vietnam and China, is a potential market. This position of the market structure dominated by raw nuts of Nigeria may not drastically change in the near future. Even if there are investments in the local processing industry, it may take some time for Nigeria to expand the share of kernel market significantly.

At present, Cashew from Nigeria is exported at a discounted price. This situation signifies the competitive advantage of the raw nut supplies from Nigeria and possibility of still getting a higher price and maintaining its position in the market place for raw nuts. An increased price for raw nuts in the export market is a possibility through the introduction of standards and grading systems at producer and LBA levels in the short term. This will also offer an incentive to increase production through rehabilitation of existing “wild” plantations and promotion of cultivation of high yielding large nut producing varieties.

Vietnam is importing more nuts from Nigeria and exporters estimate that this trend may continue for the foreseeable future. Reason being that Vietnam has become the 2nd largest exporter of cashew kernels to the global market after India at present. India exported 80,000 MT of cashew kernels in 2003 and it is estimated that exports from Vietnam reached 90, 000 MT of cashew kernels worth US \$ 400 million in 2004. Vietnamese trading companies are already very active in the Nigeria market and in 2002, they had bought as much as 40% of raw nuts available.

However, the importance of India as an export destination for Nigerian nuts is vital. India is not only a largest exporter, but also a largest consumer of kernels. Both these countries offer a market for Nigerian Cashew and competitions for nuts by these two major buying countries will give Nigeria better bargaining positions and create additional value and opportunity to make more income to operators within the cashew chain. At present, low processing capacity in the country makes export market for raw nuts strategic at least for some time.

4.3. Market for Processed nuts

¹³ Commercial exploitation of cashew by products has not much attracted attention of investors. The cashew apple is practically thrown away. In countries such as Brazil, it is used for production of jams, chutneys and other beverages. Cashew apple is a popular liquor in Goa, in India known as “Fenny”. The appeal contains tannin and very perishable. Therefore, many producing countries do not use the apple as a commercially viable product. The liquid contained within the shell casing of the cashew, known as Cashew Nutshell Liquid (CNSL) has a variety of industrial uses and extensively used in India.

The share of the kernel markets at present is limited to about 10% of the commercialized production, due to low capacity available in the country. However, there is a rapidly increasing local and export market for kernels.

About 14 small scale processors using locally fabricated equipments, with varied installed capacities ranging from 500 tons to 2,000 tons per annum are presently supplying kernels to supermarkets and hotel chains in major cities across the country. General indications are that more processors are beginning to develop an interest in selling their products in the domestic market due to higher price mark-ups. However, the volumes traded are usually low compared to exports of kernel.

There are evidence of some imported kernels in big supermarket outlets and wholesale markets in Lagos. Supermarkets surveyed in Lagos in a 2003/2004 New Nigerian Foundation (NNF) study on domestic consumption, indicates an increasing demand with consumers having preference for kernels of higher quality going by the increasing number of imported brands appearing on the shelves in the super markets. Some of the imported brands were reported as products coming from the U.S.A.

The export market for kernels in the world is increasing. Therefore the potential for local processing units in Nigeria is not negligible. This may alter the present structure of cashew market. About 70 countries are importing kernels worldwide. China is also becoming a significant importer. Major exporters to these markets are India, Brazil with Vietnam emerging as a new importer of raw nuts and exporter of processed nuts.

In the export markets, the USA remains a large potential market for kernels. Approximately 60% of the kernels imported globally are consumed by a quarter of the U.S. population. With the increased marketing of health foods, demand for cashew in the USA is estimated to be growing at the rate of 7% per annum since 2000, according to FAO sources. The snack food market segment in the United States is growing due to new products such as organic foods. With sales increasing, organic snack foods are strongly demanded. Most of Nigeria's cashew production is organically produced - without the use of pesticide and/or fertilizers in the farms, most of them from the "wild". This presents an opportunity for processors to increase income through promoting organic certification of cashew and implementing cleaner production system.

4.4. Key players in the market place

In terms of production of the commodity, the numbers involved presently is high, more than 50,000 small farmers operating in a large number of States. There are few emerging commercial plantations such as Nefraday farms in Ogbomosho, Cashew nut Processing Industries farms in Oyo state; Kosomola Farms in Kwara state, Saki Bits Farms in Kogi state and Huksama farms in Kaduna state etc.

About 30 indigenous and foreign companies undertake local procurement and exportation of the raw nuts. Out of these, a few foreign owned companies are prominent. These include Olam, Century Exports, Dalcorp Ltd, Indo-Enkay Nig Ltd, Swiss Singapore, and Asia Commodities. Indigenous players include Colossus Nig Ltd, ITPL, Elephant Group and Abig Nig Ltd among many others. (See Annex 1)

Processors consist mainly of cottage, micro and small operators. While a few supply the export markets, majority sells in the domestic markets. Processors active in export markets include Associated Commodity Exporters and Traders (A.C.E.T) with its factory in Ondo

state and Kole Dafe Industries Ltd located in Lagos. Abod Success Investment, Agropro Ventures, On-micro Enterprises, Emekacajan Industrial Company, and Matnad Industries and many others are active in the domestic market selling through supermarkets, hotel chains and restaurants. An interesting feature of the processing industry is the involvement of “backyard” processors supplying the lower end of the domestic market – streets and roadside shops, with poorly roasted kernels wrapped in 25gram packs. The demand in this market is on the increase.

4.5. Competitive environment

Nigeria supply of raw nuts is generally considered lower in price compared to prices of other African producers notably Benin, Tanzania, and Guinea Bissau etc. Hence, two major buyers India and Vietnam import what ever supply is available in the country. A smaller quantity of Nigeria nuts are sold at a higher price mixed with those of Benin. It is reported that though the Nigerian nuts are sold at a discounted price of 20-30%, the quality of nuts are almost similar with those of neighboring Benin and some other African countries. Small nut size of the local variety is sold to Indian culinary market. Being the top ten largest producer of Cashew in the world, Nigeria has good chances of competing in the international and in the local market if quality and volume of the production is increased and maintained. Nigeria’s strong point immediately is the guaranteed export market for raw nuts through already well-established channels.

Meanwhile, Nigeria has the potential to capture US and European markets for kernels in the future. For this, Nigeria’s processing industry has to focus on adapting to international quality standards, good handling practices, improved working conditions etc. However, the country has a substantial local market significantly large to support the local processing industry. Nigeria already exports unbranded processed nuts of about 1000 tons a year, and shows the potential for larger exports in the future.

4.6. Analysis of margins

Based on price information obtained from the Ogbomosho and Lagos areas, and estimates by local experts, farmers receive a net income of 40 Naira per kg after paying the pickers etc in the peak season. This represents significant benefit to farmers; at present most farmers do not have expenditure for maintenance, inputs, loans etc. LBAs get generally a lower profit about 2.5% and exporters make about 5.9% margins. Exporters of processed nuts make profit of 14% on their cost of production .The profits on exports of raw nuts is not that high. The incentive for the exporters to continue this activity is that there are a little or no investments. However, for enterprises such as Olam, the raw nuts exports from Nigeria and other countries is important for their own processing factories in India.

Table 1: Estimate of Margins in the Cashew Chain (Prices as at April, 2005)

	Farmers (cost, Kg/N)	LBAs (cost, Kg/N)	Exporters (cost, Kg/N)	Processors (cost, Kg/N)
Inputs	-	---	---	---
Labor	20	1.6	00.2	100*
Nut purchase price	---	65	72.0	374.40**
Local taxes		1.		
Transportation	2.5	1.6	02.0	02

Warehousing/handling	---	1.5	01.0	1.5
Forwarding	---	---	02.0	02
Marketing cost	---	---	0. 1	10
Others*Losses/other costs	2.5	---	03.0	05
Total cost	25	70.7	80.3	493
Selling price (Average)	65	72	85.05	561.6 (\$4.16)
Margin	40	1.8 (2.5%)	4.75(5.9%)	68.6 (14%)

*Others = Weight loss; Interest charges; Levies. (\$ = N135)

*Processors labor exp. (steaming-N5/kg, shelling-40, peeling-30, grading-6, packing-4, and others-15)

**Processors nut purchase based on 19% kernel recovery (72 x 5.2)

*Processor's selling price based on W320 grade @ \$2.08 Ib/

The above picture is an approximate indication of potential profits for investors in local processing of cashew. In case of sales to local market, the profitability of small-scale processors is estimated to be much higher.

5. Opportunities for growth

5.1. Market potential

- **Raw Nut Market**

Since cashew can be grown in any part of the country, according to recent findings by CRIN, Nigeria stands at an advantage position to increase production and supply large sized nuts to India, Vietnam and China for further processing under arrangements that may access a premium price for high quality raw cashews. In addition, Nigeria can continue to maintain its markets for raw nuts by improving the efficiency of the existing supply system. This is a “Stepping up” approach that will contribute to an increase of income to producers and the others involved in the value chain through:

- a) Increased prices by improving quality standards of supplies,
- b) Increased supply of volume by increasing production or reduction of post-harvest losses, and
- c) Increased production by way of increasing production through better maintenance system of existing plantations and extending new plantations with new varieties, which may take 3 to 5 years to start production.

However, benefits for pro-poor from continuity of raw nuts exports will reach a limit in terms of prices. More income will have to be encouraged through supply of quality volumes to maintain an increased price level. Furthermore, the sector contribution in terms of incremental employment for pro-poor, will be basically seasonal and limited to harvesting, post harvest management and handling, packaging, transporting at LBAs and exporters level. Therefore, the present market structure with higher share for exports of raw nuts may have to be changed in favor of local value addition option in order to gradually to trickle down more sustainable benefits to the poor in the future. Therefore the need for local value addition cannot be under estimated.

- **Local value addition**

In the cashew sector, a higher income and increasing productive and sustainable employment opportunities can be generated through a “Stepping Out” approach by encouraging investments to

expand the local value addition through processing of cashew kernels. Cashew is a raw material that can be stored for more than a year until the next cropping season and process through out the year. Some processing centers are also used, as is done in a unit in Lagos –Abod Success Ltd , to process other products such as groundnuts during the off seasons. Development of local processing of cashew has a high possibility of generating remunerative employment for large numbers of women. Cashew processing involves multiple operations – Cleaning of nuts, Soaking in water, Roasting Drying ,Shelling, Extraction of kernel, Pre-grading, Drying, Peeling, Grading, Packaging etc. All these operations are generally labor intensive and carried out by women. In one processing factory, more than 80 % of workers are women. At ACET Nigeria Ltd, a factory located in Ondo State employs about 600 persons of which more than 80% are women. The experience in other countries suggests that a processing capacity of 10,000 raw nuts can provide employment for 1500 to 2000 persons mainly for women. In countries, such as SriLanka, India, Thailand etc, cashew processing is extensively carried out as a cottage industry while maintaining an exportable quality. In Sri Lanka, through Export Development Villages –EPV program, Roasted /steam boiled nuts are distributed to women in the village for processing at domestic level under contracts. They are provided with training on domestic level processing techniques and paid on the basis of quantity of graded nuts processed. In some areas, village women groups have installed locally made dryers and roasters and carry out cashew processing for local and export markets through systems linked with exporting or local trading companies.

- **Export potential for locally processed kernels**

General practice is unbranded cashew is sold to large-scale importers in cashew importing countries. Exports are done in bulk form and it is roasted, graded and repacked for different markets under a known brand name. Market for cashew nuts kernel is increasing in the traditional markets such as U.S.A, Asia, Europe, Australia, etc. In addition, market for cashew in India and China and many other countries is increasing both as a snack food and culinary ingredient. Demand for cashew is growing as an ingredient in food preparations and as a health food thus making cashew nuts more popular than most other nuts. Its share is now exceeding almonds in the nuts market. These markets offer opportunities for Nigerian processors to expand the local processing capacity. Already, Nigeria is exporting to USA and a limited quantity to EU. This market can be promoted through appropriate interventions-quality standards, production, packaging improvements, market promotion, and linkages with large exporting firms such as OLAM Nigeria Ltd etc.

- **Domestic Market**

Local market for cashew kernels in Nigeria is also demonstrating an increasing trend. Many major supermarkets, hotel chains and Chinese restaurants in Nigerian cities now stock branded cashews in salted and peppered flavors in response to growing demand. Local processors have taken advantage of this to supply the domestic market with majority of processors selling in the local market. Local price of kernels, which are much higher than the international market price, may also have generated interest in the local market.

- **Potential for Organic Cashews**

The majority of Nigeria’s production of cashew is considered “organic” such as no chemical pesticides and /or fertilizers are used in their production. Meanwhile organic snack products are in strong demand in the traditional cashew kernels markets. More informed consumers in the developed countries are going “organic” in their consumption patterns thus increasing

demand for organically certified foods including cashews. This is a market that Nigeria can exploit in the future.

6. Sub- sector stakeholders

Several entities of private and public sectors and other partners concerned with the development of this sector. These constitute the main stakeholders of the sector and are as follows:

- **Public sector**
 - i. **State Governments:** A number of State Governments are –(Cross River, Nasarawa , Koghi) promoting and expanding cultivation of cashew as part of poverty alleviation programs.
 - ii. **CRIN-** Cocoa Research Institute of Nigeria is engaged in research and development activities on introduction of high yielding and improved varieties of cashew, pests control etc.
 - iii. **Federal Institute of Industrial Research, Oshodi (FIIRO)** is responsible for promoting local fabrication of machines for processing agricultural products; and **Standards Organization of Nigeria (SON)** is responsible for introduction of quality standards and training of personnel for quality assurance.
 - iv. **Federal Ministry of Agric & State Ministry of Agriculture** is mainly concerned with promotion of cultivation and production at state levels through ADPs and policy related issues.
 - v. **Nigerian Export Promotion Council –NEPC** – Cashew as an export-oriented product, NEPC has specific role to play to promote the exports of cashew particularly in processed form.

- **Private sector**

The Private sector stakeholders are mainly operators engaged in exporting, processing, collection, production activities and these include:

- i. **Exporting companies-** About 12 companies actively operate in exports of raw nuts and the two companies in exporting of locally processed kernels to USA and EU. OLAM Nigeria Ltd, a multi national company accounts for major portion (30 to 40%) of raw nuts exports. Some of these exporters have emerged through experience accumulated as LBAs.
- ii. **Local processors-** About 20 micro, small and medium enterprises operate in processing sub sector. Majority produces basically for local market.
- iii. **Local Buying Agents** – Large numbers in all producing state. They also, in addition to cashew, trade in other commodities. They are organized into associations in many states and they constitute potential small enterprises.
- iv. **Commercial Farmers** – Since the increasing interest of exports, many small investors, retired persons from services and some farmers have ventured into commercial farming.
- v. **Subsistence Farmers** - They are the traditional farmers numbering over 50,000 including a large number of women owners of cashew planted plots.

- **Associations**

The organisation of associations in the cashew sector is expanding . Following are the major categories of associations;

1. **NCAN- National Cashew Association of Nigeria** – consisting of exporters, processors, and large LBAs.
2. **Cashew Farmers Associations** –At States levels – Active in States and there is an increasing tendency of farmers to form themselves into producer association.
3. **LBAs associations** – Active in some states Ex: Oyo, Kogi states etc
4. **Nigerian Processors Cashew Network (NCPN)** – a network providing opportunities for exchange of information and contacts amongst processors.

- **Financial Sector Involvement**

Direct involvement in cashew sector by the formal banking system is limited or not existing. Access to finance particularly working capital for LBAs is major constraints and also for existing and emerging processors. However, the seasonal traders from India and cross border traders provide quick or advance funds to LBAs. In addition, large exporters and processors provide finance in advance to LBAs by pre-financing the purchases. The NEXIM Bank, Export Expansion Grant by NEPC- 40% of value of export proceeds from kernel exports may have an impact on the cashew sector.

7. Location of production centers

Cashew grows successfully in all agro-ecological zones in Nigeria, from the old Western and Eastern regions to the Middle Belt and up to the North. However, production is concentrated heavily around the middle belt and northern parts of the Southwest. Prominent producing states are: Kogi, Kwara, Oyo, Ekiti, Osun, Ondo, Edo, Anambra, Abia, Enugu, Ebonyi, Cross River, Benue, Nassarawa, Taraba, Plateau, FCT, Niger, and Kaduna.

Cashew processing activities takes place in a few states in the Southwest – Oyo and Ondo and Lagos with pockets of processing activity taking place in the Middle belt, specifically in Plateau and Kaduna states. Port cities – Lagos and Port Harcourt, operating base of most exporting companies, are the main outlets for exports of raw nuts from the country.

8. Recommended interventions in the cashew sector

The guiding principle of intervention to support the cashew sector growth is to play a catalytic role by facilitating business growth at different critical points of the value chain focusing **on expanding options or opportunities available to generate market outcomes most beneficial to pro-poor directly or indirectly** while maintaining the objective of the overall sustainable growth and performance of the sector. This means the outcomes that generate attractive prices/ income for the farmers. It include also more income to women who are engaged in different operations; increase remunerative employment opportunities for different categories of low income groups. The findings of the present study suggest the following elements that would lead to definition of appropriate interventions of the cashew sub sector for the PrOpCom project:

8.1. Stakeholder consultation Process - Sub sector working Group

The sub sector working group will follow-up all activities in the sector, addressing policy issues etc. This can be done through involving a larger group of stakeholders to identify the support required, facilitate access to resources, implementation of programs, provide

guidance and monitor and evaluate the actions engaged and results achieved. To facilitate the proposed interventions, establishment of the Cashew Sub Sector Working Group-CSSWG will be a starting point. The CSSWG- shall comprised of representation from :

- i. Exporting firms ,
- ii. Processors ,
- iii. Public sector- NEPC, and Ministry of Agriculture, Trade
- iv. Associations- NCAN, LBAs , Farmers
- v. CRIN
- vi. Financing Institutions-
- vii. State level – ADP from the States of pilot program by invitation
- viii. PrOpCom

The Stakeholder consultation process will also include:

- **Support to Associations:** The sub sector needs to be organized and all associations need to be strengthened to operate as business organisations facilitating access to a variety of business support services to members at all levels. The main associations operating within the sector at present - NCAN- National Cashew Association of Nigeria , NCPN- Nigerian Cashew Processors Network - Associations and farmers organizations , LBAs associations in Oyo and Kogi states. The associations would design and package intervention packages, negotiate funding or generate own funds and would engage private sector BSS providers to deliver the services or would facilitate to develop markets for BSS. The associations are also an effective means of developing a consensus on changes to be agreed upon and implement. In the case of quality standards and grading systems, there is need for a general consensus and involvement of all to achieve desired objectives.
- **Engaged in Policy related interventions:** The public sector has to play an important role in promoting this sector as an export oriented commodity as is done by the governments of countries promoting export development strategies. The interventions proposed for the sector are aimed at initiating replicable demonstrations that should be able to influence attention of the government on different policy issues. These issues may surface during the implementation process. Some of these policy issues may include (i) Facilitation of access to finance for new comers in commercial plantations, processing, and rehabilitation, (ii). Access to lands for commercial plantations in the States, (iii). Review of export incentives and regulations, (iv). Incentives to investors to invest in rural areas to promote the sector, (v). Declaration/opening of cashew harvesting seasons etc.

8.2. Improvement of quality and standards of the existing supply¹⁴

This will require the definition and acceptance of appropriate quality standards and code of practices, design, develop and implement related training programs to disseminate the message down to producers. This activity can be implemented as a demonstration program in one or two states and will require essentially:

¹⁴ In Sri Lanka – Sri Lanka Standards Institute – SLSI have developed a code of practice for cashew nuts , cashew processing and specifications for cashew kernels and nuts . These codes are revised regularly. The standards specification were introduced in Sri Lanka since 1973 for cashew industry.

- i. Define quality standards required by buyers of major markets – working through the National Cashew Association of Nigeria (NCAN), exporters and processors and quality assurance and standards institutions (SON).
- ii. Technical assistance to introduce standard practices obtainable in other cashew exporting and importing countries and to train the local BSS providers to adopt same locally in Nigeria.
- iii. Training of trainers (TOT) who would in turn develop training packages in local languages to train LBAs and farmers through farmers’ organizations and accreditation of these trainers to deliver such training at a fee.
- iv. Design and package information programs- to be defused through media; working through local BSS providers to update information to farmers on quality requirements for different markets.

8.3. Increasing supply

The producers could also get an increased income through increasing a required quality production of cashew with out much additional investment given the conditions at present. This can be achieved through the following ways:

- **Reduction of harvet losses:** The exsiting harvest losses can be reduced through application of appropriate measures that can at least reduce wastages at the farm level. These mesures include remedial measures to controle insect attacks – Tea Mosquitos and others during the flowering stage, beetle attacks on trees, clean maintenence of cashew plots, introduction and training of farmers on post harvest management . The main group that can play an active role in reducing the harvest losses are women engaged in the sector. Role of input supliers, training on post harvest management are critical aspects at this stage.
- **Rehabilitation of existing plantations:** The existing plantations - 200,000 to 300,000 hectares needs to be maintained to enhance productivity. Emphasis would be to prune, clear under growth of planted area amongst other productivity enhancing activities. Presently, many farmers, even though attitudes are changing, still see cashew as just a harvest based crop from the wild. Many of them do not realize the possibility of increasing the yield from already existing plantations with out much additional investments.To be competitive, yields must exceed 0.5 tons per hectare. Therefore, provision of access to improved agronomic practices can contribute to higher yields from existing plantions leading to an increased income to farmers.
- **Commercial plantation of high yielding varieties :**The country needs to have a plan to replace low productive and old cashew trees with high yielding cashew varieties over time. This is to prevent uncompetiveness in the local and international market for raw nuts and kernels.There are some attemts made to introduce new commercial planations but, it appears these efforts are not adequate on one hand, and the farmers are not much convinced of the availability of high yielding planting material. The CRIN is working on this and it is necessary to promote seed multiplying farms and to introduce cultivation practices of new small holder commercial plantations. It is vital that cashew is maintained as small holder crop to address the issues such as inadequate availability of labor during the harvesting time and to keep the cost of production at low levels.

Implementaion of this activity can be packaged with rehabilitaion practices and quality and standards assurance programs in the TOT programs. In addition, seed production

farms can be demonstration centres, implemented in collaboration with CRIN and small holder farmers organizations and private plant breeding nurseries

- **Research and Development work to support the sector:** Research and Development work for reduction or prevention of spotted kernels, pest problems, are important to promote competitiveness of the sector. The R and D work also should focus on new plants varieties and support to private sector plant nurseries in different states; rehabilitation of existing plantations and post harvest technologies. The potential partners on this activity are - CRIN, IITA, Private sector BSS providers and NGOs.

8.4. Local value addition

Promote investments in local processing for exports in cashew producing areas are important. It can be encouraged initially through working with existing processors in Oyo and Ondo States. In this connection, OLAM group processing unit in Oyo, A.C.E.T Nigeria Ltd in Ondo state may be considered as pilot projects. A. C. E.T has six processing units decentralized in Ondo State. Each unit is supplied with roasted / cooked and dried nuts done at the main factory for shelling, peeling, and grading operations. This activity can also be operated at domestic level as done in the Export Processing Villages – EPVs in Sri Lanka. An increase of processing/ value addition operations would create a large number of employment opportunities for women.

8.5. Improved market information and communication systems

Cashew sector support strategy will have to integrate an efficient system of dissemination of information and communication strategy to raise awareness among the stakeholders. These activities will include market information system via radio, TV and other means, dissemination of printed materials (brochures, posters, newspaper columns, etc.) about activities and opportunities, promising techniques and practices, etc. dissemination of lessons learned and success stories from the PrOpCom cashew activities and promote networking and dissemination of market intelligence etc.

8.6. Integration of Business Support Services

Support to cashew sector development would create market for business support services in a variety of areas. The capacity of some of the business services may be available within the country, some areas may need international expertise and some may have to develop through local training and demonstrations. Some of the potential BSS activities recommended to support the cashew sector are indicated below:

- i. Technical expertise to adapt international norms to develop standards and grades for cashews; and design, develop and package a training of trainers “TOT” program for quality assurance and grading of locally produced cashew at Local Buying agents and producers level,
- ii. Facilitate to train a group of BSS providers to deliver training in collaboration with sector associations to train LBAs and Farmers in centers selected ;
- iii. Using the BSS providers trained, in collaboration with NCAN and exporters; facilitate the delivery of training of LBAs and Farmers Associations members in practicing the quality assurance and grading of cashews, in the centers selected,

- iv. Facilitate the BSS providers to upgrade their capacity to deliver and follow up training programs for LBAs and farmers to provide consulting services on a fee basis;
- v. Technical assistance using specialized institutions to train trainers – private and extension workers linked to the ADPs of three production centers for promoting the cultivation practices of new varieties, diseases and pests control and post harvest technologies;
- vi. Facilitate the sector association to carry out quality assurance and awareness programs through media and publicity materials;
- vii. Support to package enterprise linked new ventures linking producers, buying agents and processing of cashew locally;
- viii. Developing training materials and TOT to train the staff of interested banks on how to appraise loans for LBAs, new seeds producers and processors etc. The trainees are likely to be the employees of interested banks and they will be expected to pay for the training;
- ix. Facilitate access to technologies of processing and marketing opportunities, through product development and management support, participation in international trade fairs etc
- x. Facilitation to Farmer associations and NCAN to work with input suppliers – private companies for insecticides, pesticides etc and R and D institutions for supply of new varieties of seeds,
- xi. Technical Assistance to develop and promote organic cashew production and promotion of niche markets for organic cashew,
- xii. Training support to organizational development and capacity building of local expertise to strengthen the sub sector associations at several levels.

Business support could be provided through several mechanisms. These will include direct interventions to train the capacity of service providers to channel services to different actors in the sector; development and packaging of enterprise linked support services; working with different associations to facilitate access to different fee- based services to producers and LBAs, etc and facilitation of interactions between different stake holders of the sector to promote the sector development strategy. These interactions are highlighted in the presentation graph (iii) below.

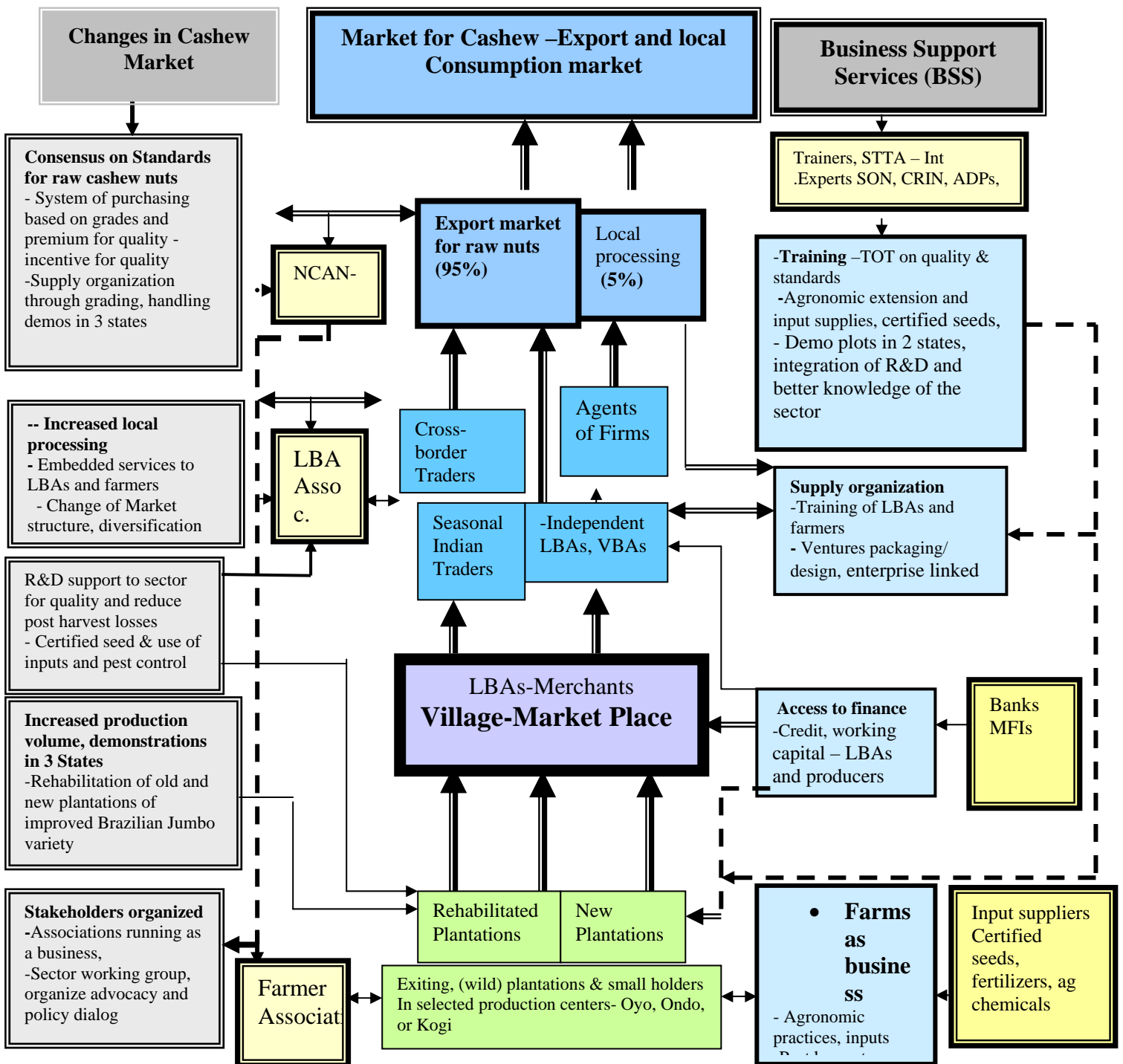
8.7. Interventions through demonstrations

Cashew productions activities are spread over in more than 18 States in the country. Hence, the interventions to support the growth impact of the program should in principle have a national-wide coverage. However, nation-wide coverage may not be feasible at this point due to resource constraints. In addition, attempting to change systems that involved large numbers of people living with a variety of ethnic, language, social, economic diversities, even when the benefits of change may be very convincing and appealing, may not necessarily produce the desired change immediately. It has to be over a period of time through a gradual process. Hence, the recommended approach should be to implement models of demonstrations in selected geographical limits or among selected groups to begin with and promote replications. Therefore, the initial support activities can be introduced in two or three States or at selected localities.

To facilitate this process, the sector pilot programs could initially be focused in two of the three following states: Ondo, Kogi or Oyo. The main cashew processing factories are located in Ondo and Oyo, but a major player is exploring the possibility of opening a plant in Kogi.

Kogi is the most important cashew production center, but presently has a poorly articulated link to processors and exporters, who appear to be the primary drivers of change. They will be the enterprises that will be involved in developing relationship-based value chains and the associated embedded business support activities with the buying agents and producers. It is desirable to explore further whether there are production-focused programs with which we can cooperate, particularly given stakeholders interest in improving production and marketing in Kogi. All three states have strong LBAs and farmers associations who would participate actively in the cashew sector development programs.

Graphic iii. Suggested interactions of support the Cashew sector



9. Rationale for PrOpCom Intervention

Cashew was chosen as a targeted commodity primarily because it offers significant potential for high value addition and increasing income for large numbers of people in the rural sector, particularly women. It is a high potential export-oriented agricultural crop and it represents 7% to 8% of non-oil export earnings (2003). It is an important source of supplemental income to more than 50,000 farmers and many others employed by the sub-sector (another 55,000 persons of which mostly seasonal employment), directly or indirectly. This income can be further enhanced through promoting processing of cashew nuts and increasing the portion sold into the local market. Consequently, increasing market opportunities for raw nuts and kernels in the local and export market means greater opportunities for more and more farmers to engage in more profitable cash crop that will bring them a sustainable income.

The cashew commodity chain offers important opportunities to reach the farmers involved in cashew production through several associations and enterprises willing and motivated to catalyze growth in the sub-sector. The major players in the commodity chain are organized into a national association and there are enterprises willing to introduce supply chain-linked, embedded business support services to improve cashew production and quality. A number of operational and active farmers and traders associations and institutions such as CRIN are willing to play lead roles in implementing cashew development programs. Demonstration of supply chain relationships and increased productivity undertaken with existing collective entities, ADPs and enterprises offer an opportunity to impact the commodity chain locally, and can be replicated in other cashew producing states in the country.

The GoN has recognized the growing importance of cashew sector and has included it on the list of crops to be promoted and supported. Cashew is an exportable product with potential for growth and fits into GoN strategy of diversification of the local economy from oil and gas to non – oil export development, promotion and foreign exchange generation.

Support to cashew sector also will enhance the participation and promotion of private sector involvement, in changing the sub sector structure through increasing quality and quantity of products , organization of the sector through associations development, creating market opportunities for BSS providers etc. The sector offers also immense potential market opportunities for business support services. PrOpCom would develop and implement pilot programs in selected production centres that would have demonstrative impact on other producing areas as well as for other sector interventions.

One important outcome of the PrOCom intervention in the cashew sector in addition to providing more supplementary income to the poor, the sector, following the interventions will be able to contribute to a globally competitive export oriented sector, thus increasing non –oil export income for Nigeria .

10. Issues/ risks

The proposed interventions for the sub sector as described above would raise a series of issues:

10.1. General issues

- a) **Participation of all the players in the sector on quality enhancement program:** The improvement of quality standards and grading will require the participation of all players from exporting and processing companies down to farmers. As it is, farmers sell all the nuts irrespective of the quality to seasonal visiting buyers. It is important that there is consensus on the code of practices -quality standards, grading methods accepted and respected by all players. Any diversion from the consensus by even a few players on quality may influence the outcome negatively.
- b) **Availability of high quality planting material:** The long term outcome of the support program of the sector is to replace the old plantations gradually with high yielding varieties. In that case the institutions such as CRIN should be able to have adequate resources to address this question.
- c) **Access to finance:** It is considered as a major problem. It is important that the formal institutional system for financing of export oriented activities come out with initiatives that will facilitate the operators of the sector to have access to short and long term funds.
- d) **A shift from raw nuts exports to processing:** Time is required to address issues such as technology of processing, trained labor availability, working conditions in processing factories, disposal of shells and environmental concerns, export market promotion, export market norms and standards etc,
- e) **Ability of association:** The associations in the sector at different levels exist, but need strengthening to operate effectively. The reaching out mechanisms and the sustainability of the interventions depends largely on the ability of the associations to continue these programs; consequently, they are determining factor for success.

10.2. Cross Cutting Issues

Gender

Cashew sector has an important contribution to employment and income generating opportunities for women. Women own some of the cashew farms, though women's holdings are small compared to the men. Importantly, some of them are owned by widows who inherit the farms. In addition about 75% of harvesting and post harvest handling are done by women. Roughly, about 35,000 to 40,000 women are estimated to work in the sector during the season. Cashew is not a full time job for women engaged in harvesting operations. In some areas visited, women were occupied with other activities such as palm oil production and palm kernel cracking etc, after selling off their cashews. However, to increase incomes for these women, specific programs aimed at raising their awareness for quality and better post harvest handling need to be implemented.

In the area of value addition, for every 1,000 tons of cashew processed, 600 jobs could be created and 80 % are for women. This raises the issues of working conditions, lower wages etc in factory type operations. In Sri Lanka and India, cashew processing is done mostly by women trained to process an exportable product carried out as cottage industry or in the form of profit sharing cooperatives. In the processing factories, large numbers of persons, mainly women are employed in limited spaces. This raises issues of working conditions, sanitary facilities, etc.

Environmental issues

In Nigeria, like in most countries in West Africa, farmers are used to an environmentally degrading slash – and burn farming system, with shifting cultivation, that ultimately reduces their income potential. It is a vicious cycle of ecological destruction and poverty. Cashew, a multipurpose tree well suited to poor sandy soils and thrives in soils unfit for good crops, can be planted in degraded areas, as done in some parts of the country. This makes cashew cultivation a good candidate for rehabilitating areas degraded by poorly managed pastures or slash-and-burn farming in which fallow periods have become too short. Cashew was also introduced in Africa and in Asia as soil conservation plant. Recent studies have indicated that cashew cultivation is possible in almost all parts of Nigeria. The interventions in this sub sector have potential of encouraging more poor people to plant cashew in marginal lands through replication of projects in as many locations as possible.

Negative environment issues may be raised in the processing activities of cashew. Large quantities of cashew shells are accumulated near the processing factories. Some units try to use the shells as a source of fuel with firewood for boiling or roasting nuts. Cashew shells contain oil and have an environmental polluting effect.

11. Cashew sector – indicative plan of Action

Based on the recommendations above, the cashew sector support activities may have to be coordinated and facilitated through cashew sector specialist. Recruitment of such a specialist is the first step of the action plan. An indicative action plan for the interventions to support the cashew sector is given below:

A. Recruit and orient cashew sub-sector facilitator

- A.1. Prepare detailed TOR for the contract. Prepare and release request for proposals.
- A.2. Recruitment of sub sector facilitator;
- A.3. Develop gender guidelines specific to the cashew commodity chain;
- A.4. Develop environmental guidelines specific to the cashew commodity chain;
- A.4. Develop social development (conflict, gender, HIV/AIDS, etc.) guidelines specific to the cashew commodity chain;

B. Stakeholder process

- B.1. Facilitate commodity level stakeholder workshop in collaboration with NCAN to discuss issues in the cashew sector leading to the establishment of a sub sector-working group;
- B.2. Work with local stakeholders to help them address issues among and between stakeholder groups;
- B.3. Build capacity among stakeholders to meet their own needs & influence policy dialogue, particularly that related to development and coordination of sub sector institutions and structures
- B.4. Stakeholder review of progress in selected sites-

C. Development of a quality standards and assurance of training to improve the quality of raw nuts supply

- C.1 Facilitate stakeholders meeting to review and address - quality standards and grading of cashew nuts, working with the Standards Organization of Nigeria(SON);
- C.2 Committee develops new standards and grading for cashew nuts, this activity will include review of proposed standards document of NCAN, quality standards requirements and quality assurance;
- C.3 Stakeholder workshop to validate and approve new, standards developed by the committee;
- C.4 Training of trainer's workshop for BSS providers, including extension personnel, on cashew nut quality and post-harvest quality assurance, including fieldwork;
- C.5 Training workshops for LBAs and farmer associations' leaders on cashew nut quality and post-harvest quality assurance;

D. Improved cashew nut production

- D.1 Technical Assistance to support efforts of interested/suitable exporters and LBAs to work with farmer associations to demonstrate cashew plantation rehabilitation. Work with both men and women farmers. Include identification and control of disease and pest problems, appropriate use and application of agricultural inputs, and other best agricultural practices in collaboration with CRIN;
- D.2 Training of trainers for BSS providers (including extension agents) on agricultural and post harvest practices in cashew cultivation and management, using demonstration sites. TOT will include men and women trainees, identification and control of disease and pest problems, appropriate use of agricultural inputs, best agricultural practices and access to credit in collaboration with CRIN;
- D.3 Forum to link exporters, LBAs and cashew producers with agric input distributors via alliance-type structure that includes key private sector partners -
- D.4 Design, development, and agreement of CRIN and local stakeholders on a certification process and procedures for cashew nut seed in collaboration with CRIN;
- D.5 TA to support a pilot program to demonstrate the production of Brazilain Jumbo, cashew nut seed by local farmers, supervised in CRIN approved agronomic and horticultural practices. Objective is to develop a system of seed certification in collaboration with CRIN. Work with both men and women farmers. Include appropriate use and application of agricultural inputs, best agricultural practices, and access to finance in collaboration with CRIN;
- D.6 Training of trainers for select farmers and extensions personnel in CRIN approved cashew nut seed production and steps to achieve seed certification. Training will include both men and women trainees, identification and control of disease and pest problems, appropriate use and application of agricultural inputs, best agricultural practices, and access to finance in collaboration with CRIN;
- D.7 TA to work with stakeholder working group on feasibility study regarding the potential of organic cashew production in Nigeria - Consultant/facilitator

E. Improving local cashew processing quality and diversifying external markets

- E.1 TA to suitable/interested cashew processors and/or new exporters to demonstrate relationship-based supply chains to LBAs and cashew producers. Demo will include use of grades and export standards, packaging, labeling, and record keeping and access to credit, use of new cashew processing equipment, clean production, worker health and safety, and other social development and environmental issues. (One of the demonstrations will link small-scale processing with the processor in Ondo State.);

E.2 Training of trainers for BSS providers and employees of financial institutions on development of relationship-based supply chains to LBAs and cashew producers; Training will include use of grades and export standards, packaging, labeling, and record keeping and access to credit, use of new cashew processing equipment, clean production, worker health and safety, and other social development and environmental issues;

E.3 Hold investment forum with cashew processors, exporters and LBAs, BSS providers, and financial institutions;

F. Improved market information

F.1 Facilitate extensions of NAMIS market information system to collect, collate, and analyze data on cashew nut markets (extending coverage to cashew nut markets).

F.2 Facilitate the dissemination of market information to cashew sector stakeholders via radio;

F.3 Explore the possibility of working with mobile phone companies to provide timely cashew market information;

G. M&E for the cashew commodity chain activities

G.1 Collect, collate, and analyze data about cashew activities in A -F above, including Stakeholder, improved cashew nut production, plantation rehabilitation, seed production and certification, strengthening the value chains linking exporters to LBAs and cashew producers, and market information activities to provide quantitative and qualitative information about the people involved (gender disaggregated) and results obtained;

G.2 Assessment of outcomes and impacts on participants' income and livelihoods from the various activities in A - F above;

G.3 External evaluation of outcomes and impacts on the commodity chain overall.

H. Cashew sub-sector communications strategy

H.1 Preparation and dissemination of printed materials (brochures, posters, newspaper columns, etc.) about activities and opportunities, promising techniques and practices, etc. related to cashew nuts & products;

H.2 Preparation and dissemination of information in the media, particularly radio, about activities and opportunities, promising techniques and practices, etc. related to cashew nuts and products;

H.3 Preparation and dissemination of lessons learned and success stories from the PrOpCom cashew activities;

H.4 Promote networking and dissemination of market intelligence in collaboration with the cashew - working group, via newsletter and website.

12. Next steps

The next steps for the implementation of the action plan suggested are as follows:

- a) Recruitment of a sector facilitator to review the interventions proposed prioritized activities to be implemented and to facilitate the implementation process. The facilitator will be responsible for coordination of activities, establishment of baseline data, and working with stakeholders, support the sector associations, facilitate as a resource person when required, elaboration of terms of references for specific technical assistance, quality

control of the services provided, monitoring and evaluation of the progress of implementation etc;

- b) Establishment of the Cashew Sector Working Group (CSWG). The CSWG will meet regularly – quarterly and the sub sector facilitator shall organize the meetings and follow up the recommendations. The first meeting of the CSWG should be prior to launching of the activities planned;
- c) Carry out the baseline studies of the sector particularly on the sector status in the production centers proposed and
- d) Adoption of the final action plan and launch of the implementation process.

PrOpCom .May 2005.

Annexes

Annex 1 – List of Exporters of Cashew

S/N	Name	Address	Contact	Phone
1.	Olam Nig Ltd	Plot 2, Block K, Ilasamaja Industrial Estate, Apapa Oshodi Expressway, Ilasamaja Isolo, Lagos.	K. Suresh	01- 7754967
2.	Century Exports Ltd	11, Awolowo Way, Ikoyi, Lagos	Mr. Eashwar	01- 2694712 01- 7751799
3.	Colossus Investments Nig Ltd	14, Salvation Avenue, Off Opebi Road, Ikeja, Lagos	Mr Tola Faseru	0803-7273608, 01-7902933
4.	Elephant Group	21, Opebi Road, Ikeja, Lagos		01-7751724, 08035365299
5.	ITP Ltd	279b, Corporation Drive, Dolphin Estate, Ikoyi, Lagos	Mr Ohioz Unuiogboje	08033268242
6.	Indo-Enkay Nig Ltd	31, Obalaju Street, Ilupeju, Lagos	Mr. P. K. Menta	
7.	LBM Overseas Nig Ltd	10, Liverpool Road, Apapa, Lagos	Mr. Girish	01-5876737, 7757944
8.	Abig Nig Ltd	Suite 27, Motor Ways Plaza, Ikeja Industrial Estate, Ikeja, Lagos	Mr. Bode Omoyemi	08033298094
9.	Nivik Investments Ltd	322, Herbert Macaulay Str., Yaba, Lagos	Dr. Victor Iyama	7751823, 08033145284
10.	Alfa Commodities Ltd	Ijora, Lagos	Mr. Pius Ayodele	01-7750751, 7745447
11.	Woodgate Int. Ltd	Plot 6b, Hakeem Ajala Street, Ogudu GRA, Lagos	Segun Oluwaji	08023131377

Source- Note by Roland Oroh- Consultant – March 2005

Annex 2. List of local processors of cashew

S/n	Name	Address	Contact	Phone
1.	Abod Success Inv. Ltd	Ogundeyi Estate, Teniplant B/s, Ikorodu Sagamu Road, Ikorodu, Lagos	Mr. Tunde Odunuga	08023141892, 01-4715090
2.	On – Micro Ent. Ltd	4, Alhaji Lawal Street, Ketu, Lagos	M. Onwuka	08023055526
3.	ACET Nigeria Ltd	10,Uroji Street, Iyere, Owo, Ondo State	Mr. Jide Anjorin	08033571210
4.	Jof Ideal Farms	Oke Ogun Street, Owo, Ondo State	Tunji Fagboyegun	034 - 244286
5.	Kole Dafe (Nig.) Ltd	39/41, Durosimi Street, Shomolu, P.O.Box 404, Shomolu, Lagos	Mr. Bayo Ewunuga	01 – 4973803, 08033072410
6.	Nefraday Farms Ltd	Ogbomosho – Ilorin Exp.,Ilorin, Kwara State.	Chief S. Adewusi	031 – 221216 - 221318
7.	MBS Merchants Ltd	1 st Floor, NIDB Building, 18, Waff Road, Kaduna	Garba Dikko	062 – 245102 - 249815 08023083849
8.	George Mofiet Nig. Ltd	Ibadan, Oyo State		
9.	Olam Nigeria Ltd	Block CC “F” Adewinbi Layout Araromi Owode, Oyo, Oyo State.	K. Suresh	01 - 7754967
10.	Eastern Farms Ltd	Uyo	Mr. Akpan	
11.	Agropro Ind. Ltd	Okigwe, Imo State	Mr. Zeev Galili	08037075598, 084- 482442
12.	Kedban Ventures Ltd	21, Kugba Road, Mokola, Abeokuta, Ogun State	Mr. Bameka	039 -242588, -242515
13.	Embik Inv. Ltd	Plot 280 Trans-Amadi Layout, P.O.Box 4436, Port – Harcourt, Rivers State		
14.	Asafra Nigeria Ltd	Owerri, Imo State		
15.	Matnad Industries Ltd	24, Milverton Avenue, 3 rd Floor, Aba, Abia State	Mr.Ifeanyi Igwu	082-351675 08033417431
16.	Reliance Industries Ltd	Owerri, Imo State		
17.	Cashew nuts Processing Industry	4, Askar Paint Road, Eleyele, P.O.Box 18434, Ibadan, Oyo State.	Mr. Adeniyi Babalola	01-4523450 02-2414643
18.	Ndu Best Cashew	Ojo Town, Lagos		
19.	Chucks Commercial Industries Ltd	Onitsha, Anambra State		
20.	Sem Nut Industries	Onitsha, Anambra State		
21.	Fugard Processing Industry	Jos, Plateau State		
22.	Emekacajan Industrial Company Ltd	2, Oko Awo Street, Opp. Afribank off Docemo Street, Lagos	Emeka Okpalake	01- 2641166, 064 - 649389

Annex 3 – List of Cashew buying Agents registered as companies

S/n	Name	Address	Contact	Phone
1.	Soni Stevenson & Sons Ltd	32/34, Calcutta Crescent, Apapa, Lagos	Mr. Sonnie Stevenson	08023867555
2.	Abdulbaith Nig. Ltd	P.O. Box 8, Ayangba, Kogi State.	Ichapi Mohammed Agala	
3.	O. P. Ventures (Nig) Ltd	Ayanba, Kogi State.	Onalo Paddy Idris	
4.	Owo-lowo (Nig) Ltd	Owo-lowo House, P.O. Box 152, Kabba, Kogi State	G.O. Modeyin	058-300032 -300238
5.	The Mugras Component (Nig) Ltd	13, Stadium Road, Iioin, Kwara State	Alh. Moshood Shogo	031-222387 08035864943
6.	Zoget Ventures Ltd	Plot 108, Bode Road, Opp, Uzaire Com. Bank, Jattu-Uzaire, Edo State	Paul Ukpo	08023233812
7.	Namairo & Sons (Nig) Ltd	Rimi Uku, Lafia, Nasarawa State.	Alh. Namairo Babai	
8.	Dike Okoroha	1, Factory Road, Umuahia, Abia State.	Dike Okoroha	
9	Kcino Ventures Nig. Ltd	195, Faulk Road, Aba, Abia State.	Obiaka Augustine	082-220491, 08033190657
10	R.C.A. Ugoaguson	Ihube Postal Agency, Ihube, Okigwe, Imo State	Mr. Ugoaguson	
11.	Atebije Holding	66, Egume Road, Dekina L.G.A., Kogi State.	Elijah o. Atebije	
12.	A.B.M. Nig. Ltd	Abocho Community, Dekina L.G.A., Kogi State	AbdulBasid Momoh	
13.	Alh. Bello S. Yazawa	Rimi Uku, Lafia, Nasarawa State	Alh. Bello S. Yazawa	047-220014 047-221888
14.	Mr. Kamaru Alagbe	President Ogbomosho LBAs		0803384887
15.	Mr. Mojib	Ogbomosho		

Annex 4. Persons/Institutions Contacted

Exporters

- (1). Olam Nigeria Ltd,
Plot 2, Block K, Ilasamaja Industrial Estate, Apapa Oshodi Expressway, Ilasamaja, Isolo,
Lagos, Nigeria, Tel-01-7912184, Fax; 011- 5876228
Contact : K Suresh-Olam – manager – Exports, Parathasarathy T.G.- Imports
Manager Mobile –08034110707
- (2). General Agro Oil Industries Ltd ,
11 Avolovo Road , Flat 7 #rd Floor ,SW Ikoyi , Lagos
Tel- Mobile 01-07751799, Fax; 01- 2691463
Contact : T.V. Eashwar
- (3). Elephant Group Ltd – Mr. Tunji Owoeye
Tel; 07751724, 4930386
Contact : Tunji Owoeye- Tel; 07751724, 4930386
- (4) Delcorp Ltd – 7. Agboje Street, Ketu, Lagos
Contact : Patrick Efiokwu - Tel: 08033036198

Processors

- (1). ACET Nigeria Ltd Iyere-Owo, Ondo State
Contacts :
 - Aliyu Olawale Mashood Managing Director
 - Taye Anjorin - Executive Director – ACET. Tel 0804430166 , 051-241341
 - Christopher Ekwuende-Production Manager ACET Tel-08038462649,
- (2). **ABOD success – Processor**
Ogundeyi Estate , Teniplant Bus/Stop, Ogijo, PO Box. 836, Ikorodu, Lagos
Tel- 01-4715090
Contacts:
 - Mrs.Odunuga – Operations Manager
 - Ubelu Tobenna – Marketing executive – tel- 0802332283-
 - Femi Laniyan – Marketing expert , Tel ; 08023880438

BDS – providers

- (1). New Nigeria Foundation –NNF
Contacts :
 - Femi Ajibola –
 - Kolawole Oyenike Oluwatobi –
 - (2).Rossland Consulting Ltd
 - Roland Oroh– Consultant
 -
- Associations –**LBA**s
- (1). Ogbomoso Produce Buyers Association- LBAs -Oyo State
 - Mr.. Kamasanu Albama – Chairman of the Association
 - (2). Village Buying Agent –VBA - Mimi Village ,Kogi

- Emmanuel Salifu- VBA Omomu Tel- 08042138072
- (3).National Cashew Association of Nigeria (NCAN)
 Contacts:
- Chairman-NCAN Sonie Stevenson Uzoechi (Tel-080-3867555)
 - Tola Faseru – Member NCAN

Cashew Farmers

- (1). Iyage Village , Oyo State
- Ms. Kamasanu Albama – Chaiman of the Association
 - Farmers – men and Women
- (2). Cashew Farmer’s Association Kogi State (CFAK)
 Contacts
- Thomas Ukwubile Chairman –CFAK, tel- 08043194386
 - James Audu- member CFAK

Traders

- (1). Market place Ejule -Kogi
- Trader –LBA – Yeheya Salifu

Public Sector/ Institutions

- (1). CRIN – Cocoa Research Institute of Nigeria
 (2). Department of Produce – Ministry of Agriculture -Kogi

Contacts :

- R.A. Om - Director Produce- Ministry of agriculture (tel-0803616048)
 - Akor Gabriel - extension officer – Produce department
 - Joel M.Ijaja - extension officer – Produce department
 - Suleiman Sandau - extension officer – Produce department
- (3). Agriculture Development Project ADP - Kogi
 Contacts :
- Dr A.F Onega – Managing Director/Coordinator , ADP- Tel 08034037625
 - Suleiman Sandau - extension officer – Produce department
- (4). Community Secondary School Umomi- -Kogi- Cashew Plantation
- R Elder - Principal
 - AGO Aerobe vice Principal