



## SECTOR BRIEF SENEGAL: Cashews



### Introduction and Overview

West Africa is now one of the world's leading producers and exporters of raw cashew nuts, which were introduced by Portuguese settlers in the 15th century. About 50% of the world's cashew production comes from Africa. The state and its technical and financial partners are increasingly drawn to the cashew nut industry hoping to turn this into a competitive sector that can attract local and foreign investment.

In this context, the Business Scouts for Development (BSfD) work in Senegal to facilitate the building of networks and knowledge platforms to support the development of new ideas and the implementation of projects and investments. This is the rationale behind this brief, which provides an overview of the cashew sector and how it is promoted to investors. It aims to analyse the information that is publicly available and correlate it with potential worthwhile investments to generate profits, which will have a powerful impact on employment opportunities for women and young people. These investments should also be environmentally friendly.

First, the stakeholders were mapped to identify who was in the chain, their role and their interactions in the business environment. Among the links identified were the producers, dominated by individuals with an average of less than three hectares of land. Approximately 60% of the plantations are old, with yields of about 5 kg of nuts per plant. Although yields are low, this is offset by the quality of the nuts, which are among the best in the world in terms of shelling yield and flavour.

The second link is that of the traders, which are made up of various categories. The traders include the nut collectors, who play a major role as the production covers a wide area, but also wholesalers, usually concentrated in Ziguinchor, and exporters who are close to the port. The collectors include smugglers who, although illegal, bring in large quantities of nuts from Guinea Bissau where the raw material is cheap compared with Senegal. Some Senegalese are involved in nut exports, but they mostly collaborate with foreigners. The exports are mainly destined for India and Vietnam. Since 2018, the Senegalese government has put a lot of resources into organising exports from the port of Ziguinchor. Despite the resources that have been deployed, exporters say that the shipping costs are still high, meaning that some smugglers continue to transport approximately 20,000 tonnes of nuts per year to the port of Banjul, despite a ban on transporting the nuts by land.

The last link is processing, which is still a very marginal activity: less than 5% of nuts and less than 1% of cashew apples are processed in Senegal. It is dominated by economic interest groups that produce raw kernels. These units have a capacity of around 50 gross tonnes per year; some, fewer than five, have industrial capacities of between 1,000 and 2,400 gross tonnes per year. The southern agricultural hub was set up with cashew nuts and mangoes as the priority value chains. From an organisational perspective, a national interprofessional association is in the offing.



## Mapping and regulatory framework

The mapping of the production areas revealed that the Casamance region remains the main source of nuts accounting for 90% of the country's production. In addition to its own crops, this region receives large quantities of nuts from Guinea Bissau. Sokone and Thiès in the Fatick region also produce some nuts. With the exception of those sourced in Kolda, the quality is good:

- a kernel outturn ratio (KOR) or kernel yield of between 50 and 52 for nuts from Ziguinchor and Sédhiou;
- KOR of between 47 and 49 for nuts from Kolda, which are not very popular;
- KOR of more than 52 in Sokone where shelling yields are 25% compared to 20% in the south of the country.

Senegal's regulatory framework is very favourable and offers advantages to investors thanks to its resources, its geographical position in relation to Europe and America and its preferential access to these niche markets. However, there is often administrative red tape arising from the implementation of laws and regulations. Importers of equipment frequently find it difficult to obtain approvals and exemption permits. Notwithstanding these constraints, Casamance has an industrial zone that is ideal for setting up factories or processing units.

## Products/kernels

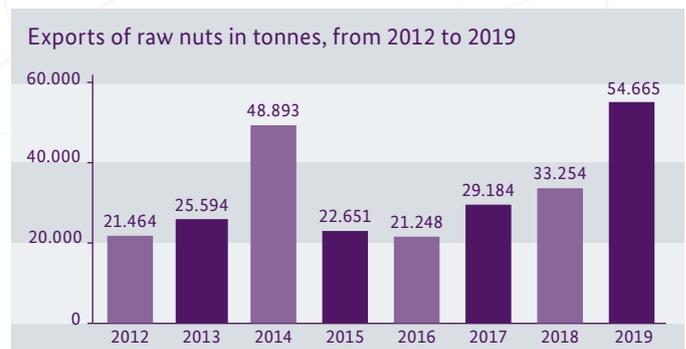
An analysis of the different market segments shows that the kernel (processing link) remains the standard product in demand both domestically and abroad. The kernel grading is set out in the table below:

Description	Grade	Category
Whole white kernel	Whole white (WW)	WW180, WW210, WW320, WW450
Split	First splits (FS)/ White splits (WS)	
Broken	Large white pieces (LWP)/Large pieces (LP)	

The most popular grade on the international market is WW320 (whole white kernels) with 320 kernels to 453 grams, which is possible thanks to the quality of the local nut. According to N'Kalô, a cashew market information system, international prices in May 2020 saw a downward trend but have remained attractive (USD 5.94 to USD 7.70 per kilogram FOB Asia for the WW320 grade). The same trend was also noted for the other WW240 grades.

In addition to direct consumption, kernels are also used in the manufacture of other agri-food products, such as spreads, where prices are attractive (XOF 9,000 per kg). Other non-food applications focus on cashew apples and shells, which are used to produce ethanol. However, this is not currently profitable given the yields (30 tonnes of apple are needed for 1 litre of ethanol). The oil extracted from the shell has antioxidant properties and is a valued ingredient in the cosmetics industry. The dried apples and skins are used in livestock and poultry feed.

Statistics are used to provide guidance for investors and the links are broken down into investment categories to assess their potential and their impact on the employment of women and young people. A summary is provided in the chart and tables below.



Although raw nuts from Guinea Bissau are included in these statistics, the chart shows the extent to which the raw material is widely available in Casamance and particularly in Ziguinchor, where the port is a strategic destination. The anticipated volume in 2020 was 70,000 tonnes and has so far reached 30,000 tonnes (currently under way and has been slow to start due to COVID).

On an environmental level, the waste product from the shelling process can be used to produce energy for modern units equipped with a gasifier.

The nut plays an important role in local communities both economically and socially and in almost all these links in the chain. Women and young people have a strong presence, and they earn a substantial income, which varies from XOF 2,250 to 3,750 per day per person.

One of the success stories is a medium-sized unit, which costs around 25 million XOF with an installed capacity of 50 gross tonnes per year. The unit employs 10 people in addition to the 12 members of the group. It is manually operated and is limited only by access to finance for the substantial working capital, which is often supplemented by providing services to the private sector. Other successful enterprises are factories based in Ziguinchor and Sédhiou with capacities of 1,000 gross tonnes or more per year.

These factories are automated, employ a staff of up to 50 people on a permanent basis and export at least 70% of their kernel production to America and the European Union.

Any investment requires a base, but access to land can be difficult, given the sociology of Casamance, where land is very rarely sold. Nevertheless, under Senegal's Decentralisation Act III, the regional authorities have facilitated access to land for investors or for state projects/programmes. The state has also set up an industrial estate in the Ziguinchor region.

The context is quite different in Fatick and Thiès, where land is more affordable for investors than in the south.

## Analysis of investment opportunities in the cashew value chain

Links	Investment categories	Evaluation of potential	Impact on women and youth employment	Risks/Comments
<b>Upstream services</b>	Advice/training (in good production practices)	Low	The delivery of services to manage cashew plantations will have very little impact on youth and women's employment.	Cashew is a very hardy plant and not very demanding in terms of plantation management and planting. This sector is still very unfavourable and not very attractive to investors.
<b>Production</b>	Supply of planting material (renewal and planting)	Moderate	An affordable activity requiring few resources to start up. The supply of high-yielding seedlings is an income-generating activity as there is a genuine need to renew plantations and establish new ones. The water and forestry departments often require seedlings and therefore encourage sites or nurseries to be set up to produce them. This sector provides good opportunities for employing young people and especially women.	The risk is that the scope for progress in establishing new plantations is limited by the rate of urbanisation and difficulties in accessing land, especially in Casamance. Usually plantations are rejuvenated rather than renewed, which is done by pruning and very occasionally grafting. At present, this would not be a profitable activity for investors.
<b>Collection</b>	Transporting the nut	Low	This has little impact on job creation for young people and women. In general, transport requires resources that are beyond the reach of women and young people.	The transport is not specialised and is carried out using many types of lorries. Vehicles transport commodities that are often incompatible (e.g. iron, cement, sand, bananas, etc.). This type of transport is acceptable because at this stage the shell and the skin protect the kernel quite well. Investing in the internal transportation of the nuts is not profitable or sustainable.  However, there are opportunities to transport the nuts between the port of Ziguinchor and Dakar and from Dakar onwards to Asia.

Links	Investment categories	Evaluation of potential	Impact on women and youth employment	Risks/Comments
	Setting up modern storage warehouses	High	<p>There is strong potential for job creation for women and young people. The sacks of nuts arrive at the warehouses and are emptied, re-dried, sorted and re-bagged before finally being stored. However, the prices being paid remain low (XOF 100 per 80 kg bag) and should be considered.</p> <p>Moreover, during the crop season, many young people are involved in various collection operations, even though this is irregular work and not sustainable.</p>	The difficulty lies in finding a site near the port of Ziguinchor. If that is not possible, one near the town of Ziguinchor would be acceptable. The Senegalese government views the industrialisation of cashew processing as a serious option as evidenced by the creation of the southern agricultural hub. It is a secure investment and offers an investor opportunities for local processing and supplying surpluses for export. This investment allows for a buffer stock between production and processing and/or export. It is attractive for an investor, especially since a well-dried nut can be stored for long periods without deteriorating in quality.
	Quality control	Moderate	Training in nut quality management can be of interest to young people and provide them with a niche expertise. The organisations running vocational and technical training have almost no modules or specific training in quality management, nor generally any training in trades related to the cashew sector.	There is a considerable need to secure processors or exporters according to the required KOR. There are still no independent or certified bodies who can certify the quality of the nuts as there are in other value chains. The buyers or exporters often use special equipment to carry out cutting tests themselves. This sector is of little interest to an investor.
Marketing	Sale of kernels and raw nuts (local and export markets)	High	Growth niches with high potential, the nuts and kernels are marketed by exporters and owners of large supermarkets. This sector employs young people (exporters) and women (in supermarkets), but numbers remain small.	The local market for kernels is far from being saturated and this product presents definite opportunities to investors willing to supply raw or processed cashew nut products. This area is profitable and recommended for investors.
	Sale of cashew apple products (juice, dried fruit, etc.)	Low	These products are still limited and marginal due to a shortage of cashew processing units. There are very few employment opportunities for women and young people.	This sector is less recommended for an investor than the kernel sector as very few operators have mastered processing the cashew apple into its various derivative products.
Processing	Setting up cashew nut shelling units or factories (processing into kernels)	Very high	A sector with very high potential; setting up cashew nut shelling units provides many jobs for young people and especially for women. There are many women involved in at least five of the seven stages of the cashew nut shelling chain and they are in high demand given that certain tasks involve delicate work to optimise the yields of whole kernels.	For an investor, installing a nut shelling unit is a source of growth and is encouraged in national policies. There are opportunities for this in the domestic and international markets. The high quality of the raw material meets the requirements of the various market segments. It may seem difficult to secure sites in Casamance, but it is possible with assistance from the local authorities and elected officials. Better still, the state has an industrial zone with strong potential for this type of investment.

Links	Investment categories	Evaluation of potential	Impact on women and youth employment	Risks/Comments
	Supply and installation of cashew nut cutting or shelling lines	High	Sector with good potential that can provide employment, especially for young graduates of technical vocational schools. Installing and maintaining automated cutting lines requires specialist skills that can be found among young graduates in mechanics, electro-mechanics and other related trades. There are very few local specialists who can maintain the lines.	<p>The industrial processing of cashew nuts is developing and becoming increasingly more structured. The state supports this sector and private investors are stepping up their investments. However, almost all the automated cutting lines are imported from India.</p> <p>For an investor, the supply of cutting equipment and the technological side (training on installation and maintenance) is profitable and positioned for growth. This area of activity is booming with processors that are mostly linked to Senegalese nationals based in the European Union, America and Asia.</p> <p>The only difficulty lies in the red tape and bureaucracy of Senegalese customs and related services when importing this equipment.</p>
	Providing nut shelling services	High	This service offers the same job creation opportunities as processing.	<p>The only difference is that in this case the investor provides the working capital for one or more established units that have already received investments (for construction and equipment) and which are struggling to operate at full capacity. The investor has the unit shell a consignment of nuts for a pre-negotiated fee.</p> <p>The only risk lies in not setting the terms in advance with each party's obligations and requirements. It is preferable to draw up a formal contract to cover and minimise any problems. This is an interesting area for an investor if all pre-requisites are covered.</p>
	Setting up cashew apple processing units	Low	Still a marginal sector, a few pioneering cashew apple processing units offer jobs, but usually on a seasonal basis. The fruit grows during no more than three months of the year.	In the best-case scenario, this sector can only be recommended for a medium or long-term investment. The market for cashew apple products needs to be explored and structured.
	Specific training opportunities for cashew processing	Moderate	Cashew nut processing is becoming increasingly widespread, but there is currently no specialised training in cashew processing at technical and vocational schools. This training will improve the skills of young people and women and boost their employability in the sector.	Investing in setting up training organisations for young people and women can provide an attractive source of income in the medium and long term. Training in shelling techniques is currently done on the job, 'learning by doing'.

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In order to support the sustainable engagement of German companies in emerging and developing countries, Germany Trade & Invest (GTAI), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the German Chambers of Commerce Abroad (AHKs) as well as other partners combined their expertise in the publication series “New Markets – New Opportunities”. The booklets show companies the economic potential of future markets as well as the funding and consulting opportunities offered by the German development cooperation.

“New Markets – New Opportunities: A Guide for German Companies” is supported by the Federal Ministry for Economic Cooperation and Development (BMZ). All issues are published on the websites of GTAI and GIZ. You can find selected issues, for example on Senegal also at

[www.bmz.de/bsfd](http://www.bmz.de/bsfd)



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