A COMPETITIVE CASHEW INDUSTRY: A MAJOR BOOSTER TO GHANA’S ECONOMIC TRANSFORMATION

Cashew is the leading non-traditional agricultural export product in Ghana. It contributes about 54% of export revenues of the sub-sector, estimated at $276 million and is part of the National Export Strategy. This policy brief reviews Ghana’s performance vis-à-vis other neighbouring countries in the international cashew market. It also highlights the important role the cashew industry plays in the economic transformation of Ghana. It further summarizes the major challenges industry players face and suggests solutions to these hurdles. Finally, this brief points out specific actions to be done by duty bearers to make the industry better.

Facts Crunch

- Ghana was the largest supplier of cashew in the shell to the Vietnamese market in 2016, controlling almost two-thirds of the market.
- Major market destinations for Ghana’s cashew in 2016 included Vietnam (US$ 533 million) and India (US$ 445 million).
- Vietnam became a major market destination for Ghana’s cashew in 2016, with an average growth rate of about 168% during 2012–2016.
- Sub-regional competitors in Vietnam include Burkina Faso (US$27.3 million), Nigeria (US$24.8 million), Benin (US$26.3 million) and Senegal (US$1.6 million).
- Brong Ahafo region is the highest producer; producing 80% of the total cashew exported.
- Despite the above successes in the past, over 95% of the cashew nuts produced in the country are exported in their raw form due to bottlenecks in processing that reflect poor access to credit.

Table 1 Import performance in Vietnam, Ghana’s main suppliers and regional suppliers in 2016

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Import value in 2016 (USD Thousands)</th>
<th>Market Share</th>
<th>Average annual growth 12-16</th>
<th>Annual growth 2016</th>
<th>Average tariff applied by Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>533,761</td>
<td>65.5%</td>
<td>+168%</td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>125,368</td>
<td>15.4%</td>
<td>+161%</td>
<td>192%</td>
<td>5%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>83,966</td>
<td>10.3%</td>
<td>+41%</td>
<td>+4%</td>
<td>0%</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>27,295</td>
<td>3.3%</td>
<td>+64%</td>
<td>+116%</td>
<td>5%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>23,285</td>
<td>2.9%</td>
<td>-22%</td>
<td>-30%</td>
<td>5%</td>
</tr>
<tr>
<td>India</td>
<td>11,603</td>
<td>1.4%</td>
<td>+36%</td>
<td>+19%</td>
<td>5%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>2,448</td>
<td>0.3%</td>
<td></td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td>Benin</td>
<td>2,307</td>
<td>0.3%</td>
<td>-9%</td>
<td>-67%</td>
<td>5%</td>
</tr>
<tr>
<td>Senegal</td>
<td>1,587</td>
<td>0.2%</td>
<td></td>
<td>+1,426%</td>
<td>5%</td>
</tr>
<tr>
<td>Singapore</td>
<td>1,294</td>
<td>0.2%</td>
<td></td>
<td>+279%</td>
<td>0%</td>
</tr>
<tr>
<td>Madagascar</td>
<td>857</td>
<td>0.2%</td>
<td></td>
<td>+31%</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>815,413</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Trademap, 2017

CASHEW PRODUCTION REGIONS IN GHANA

- The current estimate puts total cashew production in Ghana at 70,000MT.
- The Brong area of the Brong Ahafo Region alone accounts for about 80% of the total production in Ghana.
- While Northern and Upper West regions account for 10% of the total production, the rest of the 10% are produced in Volta, Ashanti, Eastern and Central Regions.

Figure 1 Source: African Cashew Alliance (ACA)
Despite the high potential of the cashew industry to promote the growth of the economy, the industry in Ghana is confronted with a number of constraints that obstruct the development of the Cashew sector.

**CONSTRAINTS IDENTIFIED**

- Absence of an apex body to administer and oversee activities
- Absence of policies and regulations affecting trading activities in the industry
- Inadequate access to soft loans and funds for farmers to scale up production
- Obsolete processing equipment have not made the industry competitive on the international market
- Uncontrolled pricing of raw cashew nuts sale has led to low profit margins among farmers

**QUICK NOTE**

The absence of an apex body to administer and oversee the general activities of Cashew production is greatly affecting the competitiveness and growth of the industry. The lapses in pricing and processing coupled with the difficulty farmers face to access funds to scale up production can never be overlooked. Indeed, the almost absence of functioning processing equipments in the country have not made the industry competitive enough to meet the global demands as more than 95% of the produce are exported in its raw state.

**Recommendation & Solutions**

- Scale-up extension and training activities to increase awareness of cashew production and processing through individual, group and mass extension methods
- Strengthen farmers' organisations at the local, regional and national levels: strong cashew farmers' organisations can better defend the interests of this agricultural sub-sector at the political level. In this way, they can contribute to improved legal, organisational and political frame conditions (e.g. in the area of tariffs, taxes and levies, etc).
- Furthermore, strong cashew farmers’ co-operatives help their members through improved access to credit, marketing (via economies of scales) or training.
- Create a platform for a yearly forum of all actors to meet and deliberate on individual sector issues that affect business and to allow constant interaction among actors so as to foster business, co-existence and strong and effective cashew industry in Ghana
- Sensitize cashew value chain actors, especially producers and traders, on the nature of the regulatory framework, its fund generation abilities as well as its intended application to boost investment within the cashew industry
- Call on the Private sector to get involved by investing in the industry to scale up production.

**Urgent Action! Government of Ghana**

- Establish an apex body to administer and oversee the activities of the cashew industry
- Engage stakeholders and industry players to create more opportunity for all actors in the cashew value chain to understand the importance, challenges as well as the interdependence of each actor operating in the cashew industry.
- Create an enabling environment for fair and competitive trading of cashew
- Expedite the passage of the Ghana Cashew Development Act into law

- The speedy passage of the Tree Crop Development Authority Bill into law will also contribute significantly to the development of the cashew sector. The bill seeks to establish an apex body responsible for the general administration and regulation of the production and sale of four crops namely: cashew, oil palm, shea and rubber. When passed, the law will establish a consolidated Tree Crop Development Fund to support the development of the tree crop sector. Currently, the draft bill has gone through the Ministry of Food and Agriculture and is before Parliamentary Select Committee on Food and Agriculture.