

Untapped opportunities for cashew nuts processing in Tanzania - Netherlands Embassy Dar es Salaam

Problem analysis

“The global market for cashews is booming, but the African countries aren’t cashing in, due to their lack of processing industries” (UNCDAT).

90% of the raw cashews nuts traded in the global market are grown in Africa, but only 15% of the cashew nuts are processed in Africa. Because of this, countries are missing out on wealth opportunities. In Tanzania, the percentage of processed cashew nuts is even lower. Only 10% of the cashews that are grown in Tanzania are processed within the country. This limits the potential for value addition and higher export earnings. Two Dutch companies are responsible for half of the processed cashew nuts in Tanzania and are searching for ways to grow. At the moment Tanzania is the 6th biggest grower of cashews in the world and number 3 in Africa. The Tanzanian Cashew sector is expected to grow more in the upcoming years. The current lack of processing capacity and facilities prevents Tanzania from tapping into the lucrative global cashew market. In the next 4 years the Tanzanian government wants 100% of the grown cashews to be processed within the country. Time for action!

The economics behind processing cashew nuts

Between the growing of cashew nuts and the end-product that lays in the store, there are many steps. Every step, such as: growing, processing, packaging, exporting, logistics, branding, adds their value to the cashews. By only taking part in growing the cashews, many African countries miss out on the added value they could potentially bring and profit from. For example: in 2018, the export price of cashew kernels from India to the European Union was about 3.5 times higher than the price that India paid to cashew farmers in Tanzania. Why? Because India processed the cashews and therefore added value to the nuts. After secondary processing in the EU, the price of the cashew kernels was about 2.5 times higher than they were when imported from India. In total the price after secondary processing in the EU was around 8 times higher than when the cashews left Africa. If a country is able to do all the processing themselves, they can sell their cashews for a far higher price compared to when they just grow them, which stimulates the development of the private sector. This is why the Tanzanian government wants to process 100% of their cashews domestically, within 4 years. But what is needed to achieve this goal? That is (literally) the million dollar question here.

Research Question

What steps are necessary to achieve the goal of increasing domestic cashew processing in Tanzania from 10% to 100% within the next four years? How can Dutch expert can further contribute to accelerate this process? And what could be the role of the Embassy in all this?

To answer these questions the West Wing members have to look into the whole supply chain of the cashews and not only from the perspective of supply and demand. To understand the complete story behind cashews there should also be focus on the producing process, availability of adequate machineries, packaging, logistics, quality control, government policies, sustainability and the impact of climate change.

This makes it clear that there are many angles to research the opportunities and challenges around processing cashews in Tanzania. Guidelines about how our Embassy could support the developments in the cashew supply chain would be of great value to us. The analysis and recommendations could subsequently be used for other countries in the region struggling with the same issues, and is therefore even broader applicable than only Tanzania itself.

