

# Revitalising the cashew sector in Mozambique The CASCA programme

Mozambique



Poverty

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Jobs

**The Support for the Cashew Sector (CASCA) programme is helping to revitalise Mozambique's cashew sector, with interventions focusing on the production and processing of cashew nuts in Nampula province. In the preparatory phase SNV forged linkages between cashew producers, small-scale processing units, a cashew-processing factory and a Dutch cashew broker. In the current implementation phase, SNV is advising ADPP and AMODER, two local NGOs that are jointly implementing the programme. Within just two years the programme has helped to rebuild the cashew processing industry, creating more than a thousand new jobs in one of the poorest rural areas of the country.**

### **Nampula province**

In the 1970s Mozambique was a major cashew producer, accounting for up to 43% of global output. In 1995, however, the government, acting on advice from the World Bank, privatised the cashew processing industry and liberalised the cashew trade. As export taxes were lowered, first to 20%, and then to 14%, exports of raw nuts soared, with devastating effects on local processors. Faced with growing pressure, in 2001 the government decided to reinstate export taxes in order to discourage exports of raw nuts and to promote the recovery of the local cashew processing industry.

Farmers in Nampula province, the main cashew-growing area, were heavily affected by these developments. More than two-thirds of households depend on subsistence farming, and as many as 80% are involved in cashew production and processing. The average income is around US\$72 per capita, and poverty is widespread. Access to basic services such as potable water and health care is limited, and transportation, communications and market infrastructures are poor to non-existent.

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Many organisations are working to promote development in the area, but few are involved in the cashew sector. There are, however, other players that influence the sector, including the numerous traders/exporters who determine the prices of raw cashew nuts. The trade union of cashew nut producers is seen as ineffective because it has no power to help small producers control the price of cashews.

The revitalisation of the cashew sector in Mozambique faces a number of constraints. The most serious is the low yields of the existing trees – some 60–70% of cashew trees are more than 25 years old, and are susceptible to bush fires and to many pests and diseases, in particular powdery mildew disease. Serious attacks of powdery mildew can reduce yields and, in some cases, cause the total loss of the yields. Cashew farmers have very little capital to invest in maintaining their orchards, and have limited access to formal credit facilities to enable them to invest in new trees or pest and disease control measures.

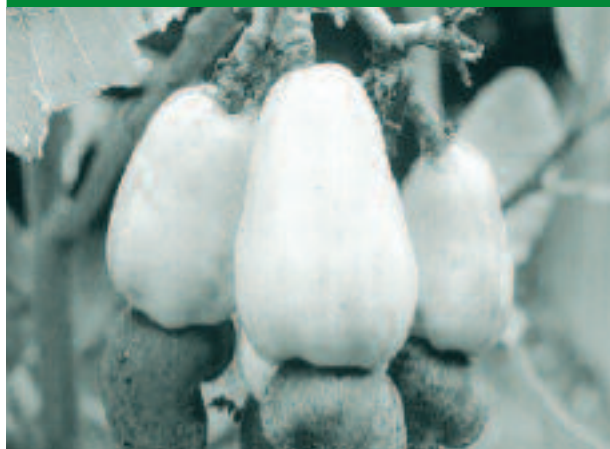
Nevertheless, the development of the sector offers many opportunities for alleviating poverty in the rural areas. Cashews are produced almost exclusively on small farms, providing incomes for thousands of households, known in Mozambique as the sector familiar, or family sector. The raw nuts are processed locally in many small-scale units that provide much-needed employment for both men and women. The work is highly labour-intensive – the nuts are steamed or roasted and then shelled by hand to ensure a high percentage of whole kernels, which fetch higher market prices, and thus more profit for the units. The demand for cashew kernels is high, and the market is growing.

### **The CASCA programme**

In 2002 SNV launched the Support for the Cashew Sector (CASCA) programme to help revitalise the entire sector in Nampula province. The programme's interventions would focus on assisting farmers to increase the production of high-quality cashews, and supporting local entrepreneurs to establish many new small-scale cashew processing units, thus providing employment and incomes for both men and women in one of the poorest rural areas of Mozambique.

In the first one-year preparatory phase, SNV assessed the various processing options, drew up a business plan, and negotiated funding for the programme from Hivos, a Dutch NGO. It then set out to identify private

## **Cashew nuts**



Originally from Brazil, the cashew tree, *Anacardium occidentale*, was introduced to Mozambique and India by the Portuguese in the 16th century. The tree produces pseudo-fruits known as 'apples' that can be processed to make jam, syrup, soft drinks and wine, but is grown primarily for its kidney-shaped nuts (the true fruits). The raw nuts are steamed/roasted and shelled, and the kernels are dried, peeled and selected. These pre-processed kernels are then forwarded to factories with facilities for grading, packaging and export.

sector partners, including a medium-scale factory that would buy semi-processed kernels from the processing units, and a broker who in turn would buy the packaged kernels direct from the factory for export.

Also during this first phase, SNV identified two local NGOs that would implement the programme. Since SNV does not provide direct support to the producers or the processing units, these NGOs would have to be able to deliver relevant services to assist the producers and processors on a long-term basis.

### **Local implementing partners**

In the second, implementation phase of the programme, SNV is working directly or indirectly with a number of local partners involved at various stages in the chain from producers to markets. For the two NGOs – the 'direct' partners – SNV is working to strengthen their capacities to implement the programme. This support includes advice on market research, training,

the organisation of the processing units and funding arrangements, as well as guidance on gender-related issues, and on monitoring and evaluation of results.

The NGO Development Aid from People to People (ADPP), based in Itoculo, runs a training school that offers courses for farmers, to give them the practical skills they need to manage their farms, either independently or in cooperation with other small-scale producers. It has so far trained 136 farmers, of whom 14% are women. In the context of the CASCA programme, ADPP is providing technical courses on quality control, equipment maintenance, etc., for the processing units managers, and also provides training courses for the cashew nuts farmers, most of the women.

The other direct partner is the Mozambican Association for Rural Development (AMODER), a microfinance institution based in the capital Maputo, that identifies, promotes and finances local project initiatives, and raises funds both within and outside the country. In the CASCA programme, AMODER offers low-interest loans to the processing units, and manages the funds received from Hivos, the programme donor. SNV also works with three other 'indirect' partners. A medium-size factory in Namige buys the semi-processed kernels from the processing units, and grades and packages them for export. TechnoServe, an American NGO, provides technical assistance and advice on equipment, product quality standards, etc. Finally, the National Cashew Institute (INCAJU), the parastatal for the sector, provides a link between the programme and government agencies, and is playing a vital role in helping to create a more favourable institutional context for agro-business ventures such as CASCA.



*Employees at a cashew processing unit in Nampula province*

## José Celestino



Before he joined the CASCA programme in 2002, José Celestino, aged 34, used to earn his living as a cashew trader in Moginqual, in Nampula province. He would buy raw cashews direct from farmers, and sell them himself on the local market, or to exporters.

Today his life is very different. In 2003, with a loan from CASCA, he built his own cashew-processing unit, which opened for business in June 2004. The programme also offered management training and courses in technical aspects of cashew processing. 'I never imagined I would have such an opportunity', he says. 'Instead of being a middleman, I now buy and process my own raw nuts, and so I make more profit'.

José is keen to make the business a success. 'Already it is providing a good income for me and my wife. I am also employing 18 people from my community, who are very happy to receive regular wages every month'. In its first three months, the unit produced 1547 kg of whole and 465 kg of broken kernels, which he sold for more than 139 million meticals (about US\$10,000).

José has now decided he wants to grow his own cashews. 'Raw nuts are becoming more expensive, so within the next two years I plan to have my own plantation of 250 trees to supply the unit'.

## Challenges and risks

The CASCA programme faces a number of major challenges, in particular to find ways to address the weakness of local networks linking producers and markets, and the lack of access by small-scale processors to international markets. First, however, the programme is focusing on increasing the production of cashews, and on establishing small processing units. In this process, the programme acknowledges that there are a number of risks:

- **Political:** Although there are no signs that the government is considering reducing or abolishing the export tax on raw cashews, the situation may change in the future. The current tariff is sufficient to ensure the viability of local processors, and to give them an advantage in relation to cashew traders.
- **Socio-economic:** Raw cashew prices are determined by world markets. If India, for example, produces a bumper crop, prices fall and farmers in Mozambique are forced to sell their crop at very low prices. They may then switch to other activities, and stop maintaining their trees. The risk for the processing units is their dependency on just one buyer, but at the early stage this was unavoidable.
- **Management:** AMODER offers loans to the processing unit owners to enable them to build up their businesses. However, their lack of familiarity with loan schemes and limited management capacity may affect the profitability of the units. To reduce these risks, the programme offers management training and closely monitors the processing units, in particular to ensure that the loans they receive are invested in the enterprises.

## Achievements and prospects

As of mid-2004, the main achievement of the CASCA programme has been the creation of hundreds of new jobs at various stages in the cashew production chain. The cashew processing units now employ about 100 workers, managers and technicians, all of them from local communities. In the production component, more than 1000 farmers – most of them women – are involved in planting improved cashew trees.

In the training component, a total of 800 people have attended courses on various aspects of cashew production (identifying high-yield varieties, preventing bush fires, pest and disease control measures, etc.) and

processing (unit management, quality control, and other technical aspects). As a result of all these efforts, both the yields and the quality of cashews have improved, so that producers are paid better prices. The processing units have reliable local supplies and are able to sell semi-processed kernels to the factory at fair prices (currently US\$3.90/kg for whole kernels and US\$2.63/kg for broken ones).

Many national and international organisations are recognising the achievements of the CASCA programme in helping to alleviate rural poverty in the province. Although at first few believed that the programme would succeed, other organisations are becoming involved in rebuilding the cashew sector, and have offered to join CASCA to provide other services, such as training for processing cooperatives and associations.

The government has welcomed the SNV initiative to create added value in the cashew sector at the community level and to promote entrepreneurial activities in the rural areas. INCAJU is also aware of the importance of the CASCA programme, and is playing a crucial role in lobbying for a more favourable policy and regulatory environment for the sector. INCAJU and the government have recently expressed their interest in replicating the CASCA programme in other provinces. The SNV adviser who was involved in the setting up of the programme is frequently invited to workshops in other provinces to address potential stakeholders who wish to become involved in small-scale cashew processing in the future.

Based on the success of the CASCA programme, the government is now more sensitive to the situation of small-scale cashew producers, and is providing funding for the rehabilitation of existing cashew orchards, as well as for research to identify new high-yield varieties and more effective pest and disease control measures. Perhaps one of the most important long-term benefits of the programme, however, will be the increased entrepreneurial capacity in Nampula province, which in turn will help to increase the confidence of the rural population and, hopefully, encourage them to develop other economic activities.



## Ervilia Pithele

On her 3 hectare farm in Namige, Ervilia Pithele, aged 51, grows food for her family and cashews for sale. However, her trees are old and need a lot of maintenance, and the yields are low. In 2003 she joined a group linked to the CASCA programme, which is providing training, tools and practical advice for farmers. With the help of a CASCA technician, Ervilia has learned how to improve her crop, either by renovating old trees

or planting new high-yield varieties. 'I never thought of removing my old trees', she says, 'but during the training I saw that young trees produce much better, so I decided to make space for new ones. I am now planting a dwarf variety at a spacing of 10x10 m, so I can grow cassava and groundnuts between the rows for at least a few years'. In 2004 Ervilia planted five new trees, which started to flower within the first year (the older varieties took 4–5 years), and she has already harvested almost 150 kg of cashews. Prices have been high in recent years, and she believes that the prospects are good, so in early 2005 she planted another 25. The group has welcomed the assistance of the CASCA technician, and Ervilia has agreed to help him encourage more women to join the group.

## Author

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SNV is dedicated to a society where all people enjoy the freedom to pursue their own sustainable development. Our advisors contribute to this by strengthening the capacity of local organisations.

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