



USAID | **NIGERIA**
FROM THE AMERICAN PEOPLE

TARGET VALUE CHAIN SELECTION REPORT

NIGERIA EXPANDED TRADE AND TRANSPORT (NEXTT)

June 2014

This publication was produced for review by the United States Agency for International Development. It was prepared by CARANA Corporation.

TARGET VALUE CHAIN SELECTION

FINAL REPORT

JUNE 2014

DISCLAIMER: This report is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of CARANA Corporation and do not necessarily reflect the views of USAID or the United States Government.

TABLE OF CONTENTS

Acronyms and Abbreviations	3
Executive Summary	4
Introduction.....	6
Background.....	6
Approach	6
Situational Analysis.....	8
Cashew.....	8
General Overview.....	8
Challenges and Opportunities	9
Gender considerations.....	11
Sesame.....	11
General Overview.....	11
Challenges and Opportunities	12
Gender Considerations	13
Shea	13
General Overview.....	13
Challenges and Opportunities	15
Gender Considerations	17
Conclusions and Recommendations	18
Cashew.....	18
Sesame.....	18
Shea	19
Considerations for Cashew Export Promotion Strategy.....	20
Inputs and Production	20
Processing and Logistics.....	21
Marketing and Distribution	21
Institutional Partnerships.....	21
Bibliography	23
Annex I: List of Interview Contacts.....	24

ACRONYMS AND ABBREVIATIONS

ACA	African Cashew Alliance
CBE	Cocoa Butter Equivalent
CRIN	Cocoa Research Institute of Nigeria
FAO	Food and Agriculture Organization of the United Nations
FFA	Free Fatty Acid
GON	Government of Nigeria
GSA	Global Shea Alliance
Ha	Hectare
Kg	Kilogram
LAKAJI	Lagos-Kano-Jibiya
MT	Metric Tonne
NASPAN	National Shea Products Association of Nigeria
NCAN	National Cashew Association of Nigeria
NEPC	Nigerian Export Promotion Council
NEXTT	Nigeria Expanded Trade and Transport
RCN	Raw Cashew Nut
USAID	United States Agency for International Development
VC	Value Chain

EXECUTIVE SUMMARY

The Government of Nigeria (GON) has proposed to diversify export earnings through an agricultural transformation strategy that seeks to promote private investment in an integrated value chain to create jobs and establish Nigeria as a net exporter of agricultural commodities. In line with this vision, the USAID NEXTT project conducted a strategic analysis to select a priority value chain from a short list of three crops (cashew, sesame and shea) considered critical to driving growth in non-traditional exports.

Following interviews with stakeholders and analysis of market dynamics in each of the three commodities, **cashew emerged as the crop with the greatest potential for increased exports and impact on employment and income opportunities within the NEXTT project's geographic focus.** Sesame and shea also hold strong potential for impacting rural livelihoods and job creation (particularly for women)—as identified in the initial *Assessment of Nigeria's Long Term Comparative Advantage In 11 Priority Value Chains*. The cashew value chain, however, shows better prospects for trade expansion and increased value addition given the strong growth of the global cashew market (3.7% CAGR, 2005-2012), general positioning of West Africa and Nigeria in the marketplace, and presence of key players already established in Nigeria (e.g. Olam, Export Trading Group). As global buyers of cashew kernels have grown more concerned with the transparency, efficiency and safety of their supply chains, they will continue to push for processing and quality improvement closer to the source of raw cashew nuts (RCN), which Nigeria can capitalize on.

- The following additional factors contributed to the selection of cashew as the target value chain: The recent introduction in Nigeria of new jumbo varieties that capture a premium in international markets
- A marked increase in both domestic and foreign direct investment in processing facilities in Africa, with Nigeria lagging other countries in terms of scale of investment and factory utilization rates
- Rising costs of production in South and East Asia
- Strong support from the African Cashew Alliance for both technical assistance and market linkages with buyers
- Technical and policy constraints within Nigeria's cashew sector that are addressable by GON partners with support from the USAID NEXTT project

Combined, these factors create the basic conditions for successful NEXTT and GON interventions that could significantly ramp up investment in the cashew sector and result in substantial expansion of exports and jobs, creating income opportunities for growers and workers in rural Nigerian communities. These communities are also clustered along the Lagos-Kano-Jibiya (LAKAJI) transportation corridor, a major focal point for the NEXTT project. NEXTT interventions supporting improvements in corridor infrastructure and the efficiency of regulatory processes will have complementary impacts on cashew sector competitiveness.

The types of issues facing the Nigerian cashew sector are discussed in greater depth in this report, and include:

- Lack of access to finance for both capital improvements and working capital
- Low quality of raw cashew nuts (RCN) as evidenced by low kernel outturn rate (KOR) and discount pricing on the international market relative to Nigeria's neighbors
- Low utilization rate of installed processing capacity
- Weak processor capacity resulting in a high rate of broken kernels and difficulty peeling shelled kernels
- Near 100% wastage of marketable cashew by-products (apple and shell)

The above represent barriers to increased buyer attention to sourcing of processed kernels from Nigeria, as well as lost income and job opportunities for farmers, processors and surrounding communities. All are addressable by cashew sector stakeholders and GON agencies. For the USAID NEXTT project, issues that align well with the project's capacities and mandate include: access to finance, technical capacity of processors, and market linkages.

The following report describes in more detail the analysis of each value chain, and concludes with recommendation for the design and implementation of an export promotion strategy for cashew.

INTRODUCTION

BACKGROUND

The USAID Nigeria Expanded Trade and Transport (NEXTT) project seeks to improve trade policy, support trade capacity building and remove bottlenecks to the free flow of goods, especially agricultural goods. Under its Export Development component, NEXTT promotes the expansion of agricultural exports by improving the delivery capacity of institutions and service providers that support exporting enterprises to meet international market requirements, effectively building a business development services ecosystem. By working with the Government of Nigeria, exporters' associations and alliances in key value chains, NEXTT will increase the value of Nigerian non-oil exports and ensure that the increased value is shared with stakeholders throughout the value chain.

Based on the results of a prior study conducted by NEXTT, the *Preliminary Assessment of Nigeria's Long-term Comparative Advantage in 11 Priority Value Chains*, this report refines the focus to three of the top value chains—cashew, sesame and shea—to select the one in which the project will work most deeply. The selected value chain will constitute a model for subsequent work in other agricultural value chains.

APPROACH

Activities conducted for this analysis include:

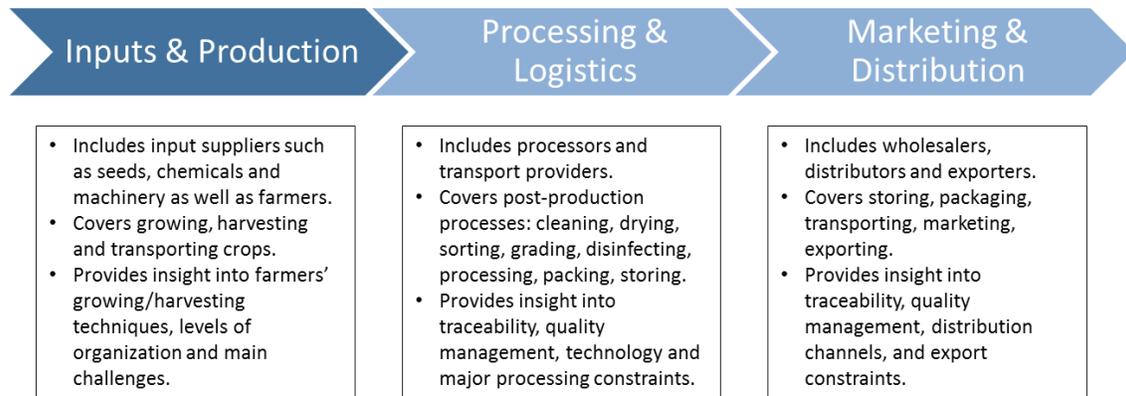
- Desk research
- Interviews and meetings with stakeholders in the three value chains in Lagos and Abuja
- A formal presentation for validation of the preliminary findings with the Nigerian Export Promotion Council (NEPC)
- A comparative analysis of the three value chains and recommendation of the priority value chain

One of the main challenges in conducting the analysis was the lack of robust, reliable and up-to-date data on agriculture in Nigeria. The government needs to gather and disseminate more comprehensive statistics on supply, demand, costs of production, sales, markets and investments so that business owners, investors, policy makers and technical advisors can make informed decisions and better identify not only the gaps and constraints hindering the development of the sector but also the opportunities for growth.

In the case of cashew, sesame and shea, common cross-cutting constraints negatively impacting their competitiveness include lack of entrepreneurial, managerial, technical and marketing skills;

limited access to finance; and inadequate access to market and technical information. Other factors such as poor quality of farm-to-market roads, high costs of electricity, and other similar infrastructure constraints add to transaction costs, diminish the quality of goods that do reach end markets, and result in high losses due to spoilage. For analysis purposes, VCs were organized in three components, as demonstrated in Figure 1.

Figure 1. Value Chain Analysis Components



SITUATIONAL ANALYSIS

CASHEW

GENERAL OVERVIEW

According to FAO estimates, Nigeria has been the world's 2nd largest raw cashew nut (RCN) producer, outpaced only by Vietnam, for at least 10 years.¹ In the 10 years from 2002-2012, FAO statistics show an over 60% increase in production from 514,000 MT to 836,500 MT of RCN. Nigeria only exports a fraction of its production, however, with estimates for 2013 ranging from 110,000 to 140,000MT RCN and equivalents.² This places Nigeria as only the 7th largest exporter of RCN and equivalents.³ Other major cashew producers in the region, such as Benin and Cote d'Ivoire, export well over 50% of their crops annually. Ghana exports well in excess of 100% of its crop.

For the cashews that Nigeria does export, the benefits are lower than for other exporters in the region. Nigerian RCN trades at a 30% or greater discount to premium West African cashew markets such as Benin and Guinea Bissau. This is due to objective factors, such as high average nut counts⁴ and low "peelability" of Nigerian RCN, as well as general perceptions of Nigerian cashews as being of low quality. Low and low value exports of cashews represent a significant missed opportunity for Nigerian cashew farmers and traders, as well as ancillary service industries such as trucking and finance.

Nigeria's position as a major producer could be strengthened further through improvement in yields, building from a very low base. Average yields of 400 Kg/Ha are significantly less than those of competitors India and Brazil, which boast average yields of 700 Kg/Ha. The emergence of small- and medium-sized processing facilities is starting to drive a discussion around issues of quality and productivity that could be the basis for a repositioning of the country in international markets. This would require real improvements in quality and a broad recognition among global buyers of Nigeria's reliability as a quality producer. GON and donor agencies could complement these efforts with support for quality improvements at the farm level, as well as for value addition.

Information on cashew production and exports is generally extrapolated from export and trading partner import figures, with estimates made for cashews sold to local markets, cashews

¹ FAOStat Database, <http://faostat.fao.org>.

² Author's estimates based on interviews with local traders and processors. These estimates represent a significant increase over FAO estimates in 2011 of approximately 14,000MT.

³ African Cashew Alliance estimates.

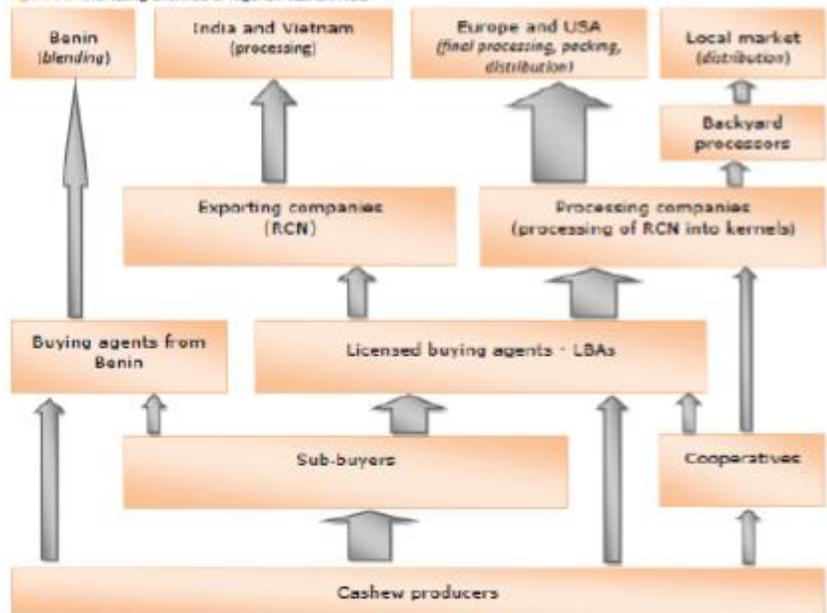
⁴ Nut counts are an industry standard measure of quality and is a proxy indicator for the size and density of kernels. The greater the number of RCN per ton, the smaller and lighter the average kernel is likely to be.

lost to spoilage during post-harvest, or cashews smuggled across borders. Given the premiums paid for cashews exported from Benin, the latter is believed to represent a significant share of the market. This diversion of RCN, particularly higher quality nuts, combined with the discount price paid for Nigerian exports makes it difficult for Nigerian processors to compete for raw materials. This contributes to very low factory utilization rates among Nigeria's cashew processors, further eroding their ability to compete on world markets.

Weakness of Nigeria's processing industry also represents a major missed opportunity for Nigeria. The processed equivalent of RCN (kernels) trades at nearly twice the value. Nigeria processes only around 15-20,000 MT of RCN, a small portion of the total cashew crop, leaving significant room for growth in both utilization of existing and investment in new processing capacity. OLAM is the largest processor and buyer of RCN in Nigeria, with purchases of approximately 20,000 MT (a mix of RCN and processed kernels) in 2012. Other than OLAM, a handful of small and medium processors export processed kernels and/or small quantities of finished products. The majority of exports are handled by traders who export RCN without adding any value.

For the small and medium processors, quality management is an issue at the RCN sourcing level, but also at the factory level. Broken cashew kernels sell for less than half the price of full-size (W320/240) kernels. Discoloration and clumping are further processing defects that result in discounts to the processor. Nigerian processors can improve their margins through investments and training in quality management.

Figure 3.3: Marketing Channels of Nigerian Cashew Nuts



Source: GIZ

CHALLENGES AND OPPORTUNITIES

The Nigerian cashew value chain faces a number of challenges in order to increase its competitiveness and contribution to agriculture exports. These include:

- Absence of strong business and market linkages between domestic industry stakeholders and regional and international buyers.
- Poor organization at the farmer level and lack of adequate storage facilities, which inhibit processors' ability to obtain steady flows of quality nuts.
- Production of lower-grade (below W320) kernels, which are less desirable in international markets.
- Limited processing capacity for both the nut and the fruit (cashew apple). Both the apple and the shell can be monetized with proper equipment and process management, allowing further value capture. The National Cashew Association of Nigeria (NCAN) estimates that less than 20% of apple production is captured for processing due to a lack of technical knowledge and equipment.
- Limited capacity to adhere to international standards for quality and traceability.
- Limited access to finance, which prevents processors from obtaining the working capital they need to source RCN as well as funds to expand their operations and improve quality management capabilities.
- Limited capacity to package and market finished products both domestically and regionally.

Despite these challenges, Nigeria enjoys a favorable position as one of the world's largest producers of RCN and proximity in geographic terms to the major consumer markets (U.S. and EU) as compared to producers and processors in Asia. Opportunities in the cashew value chain for the NEXTT project and Nigerian stakeholders include:

- The establishment of the National Cashew Association of Nigeria, an affiliate of the African Cashew Alliance (ACA), which provides a forum for all stakeholders (including farmers, traders, processors, exporters, service providers and government agencies) to develop an integrated export promotion strategy—including better organization at the farmer level and better links to processors—and engage in sector advocacy to improve the business enabling environment.
- The recent introduction of a jumbo Brazilian cashew variety by the Cocoa Research Institute of Nigeria (CRIN), which demonstrates Nigeria's commitment to responding to international market demand for larger kernel sizes, and offers opportunities for small and medium processors to achieve higher margins.
- The growth of domestic consumption of cashews provides a strong base on which to develop a successful export strategy for both semi-processed and finished products, complemented by strong and growing global demand.
- Availability of arable land and competitive labor costs at the farm level offer opportunities to expand cultivation.

- The development of the ACA Quality and Sustainability Seal⁵ program presents an opportunity for stakeholders to improve the quality and traceability of cashews to adhere to international standards.
- With improved access to finance and some technical assistance, firms can engage in increased value-added processing of both RCN, including both kernels and shell, and cashew apples (for fresh juice, liqueur and jam as well as for use in animal feed and as a biofuel).

GENDER CONSIDERATIONS

Women are most engaged at the lowest level of the cashew value chain working on very basic production tasks, although they are also employed by small and medium processors for manual tasks including shelling, peeling and packaging of processed cashew. Increasing cashew exports will increase employment opportunities for women and support community-based enterprises that can pool resources and channel them toward the creation of women-owned production facilities.

SESAME

GENERAL OVERVIEW

According to the FAO, Nigeria is the third largest exporter of sesame after India and Ethiopia, with 2012 exports of over US\$148 million (representing 7% of the US\$1.98 billion in global sesame exports), and the crop is the country's second largest agricultural export after cocoa. Industry stakeholders estimate that current production stands at around 180,000 MT, but with only 300,000 Ha under cultivation out of a suitable 3.5 million Ha, there is significant room to increase output.

An estimate 500,000 farmers are involved in sesame production, primarily in Abuja FCT, Bauchi, Benue, Jigawa, Kaduna, Kano, Katsina, Kebbi, Kwara, Nassarawa, Plateau, Taraba and Yobe States. Production is largely scattered across smallholder farms with little organization through cooperatives or other groupings. Aggregation is handled by middlemen, who traverse rural areas to buy from individual farmers, transport the sesame to larger towns where it is bulked and placed in storage, and eventually sell to agents working on behalf of major exporters.

Two types of sesame predominate in Nigeria:

⁵ The ACA Quality and Sustainability Seal addresses 14 specific food safety/quality areas—including infestation, foreign material, clumping/blocking, taste, and grade compliance—to produce safer and higher quality cashews with better traceability, and is compliant with the U.S. Food Safety Modernization Act (FSMA) 8888, which facilitates entry into the U.S. market. It also addresses global social compliance standards, including avoidance of child labor, as well as local labor laws.

- *White/raw*: Food-grade, these seeds are used in the bakery industry and are primarily grown around the towns of Keffi, Lafia, Makurdi and Doma, and in Nassarawa, Taraba, and Benue States
- *Brown/mixed*: Primarily oil-grade, these are found mostly in Kano, Jigawa, and Katsina States as well as northern areas of the country

Approximately 80-90% of total sesame production is exported to the major consuming countries—primarily Japan, but also China, Turkey, Syria and South Korea—in the form of cleaned seeds, with no commercial-scale oil extraction.

The crop is valued for its household nutritional benefits, financial returns and high profit margins, with good opportunity for youth engagement and significant impact on rural incomes. Although sesame is currently more profitable for farmers than cashews, price fluctuations are common, with cashew prices exceeding those of sesame last year.

CHALLENGES AND OPPORTUNITIES

The sesame value chain faces a number of obstacles to improve its global competitiveness and potential to increase export earning for Nigeria. Some of these—such as the quality of roads and cost of transportation between storage facilities, processing plants and ports—are common to most agricultural value chains, but others are specific to sesame. These include:

- *Poor appearance*. Although Nigerian sesame is very sweet, its appearance is considered substandard, with international buyers preferring the look of sesame from India, Ethiopia and Sudan.
- *Low productivity*. Nigerian sesame farmers obtain average yields of 0.5 – 0.7 MT/Ha, compared to 0.9 MT/Ha in Sudan.
- *Fragmented production*. Most sesame is grown by smallholder farmers, with little organization in the sector.
- *Quality and safety concerns*. Nigerian sesame has been found to have high levels of aflatoxins due to poor post-harvest handling procedures.
- *Limited value-added production*. Sesame processing is currently limited to drying, cleaning and bulking for export to countries like India, where the seeds are further processed into final products such as oil.
- *High barriers to entry for processing*. One processor, Olam, currently buys between 60-70% of total sesame production in Nigeria.
- *Tariff barriers in export markets*. China presents an interesting growth market for sesame, however Nigeria does not benefit from the 10% duty waiver granted to other African countries, such as Sudan, hindering its competitiveness.

Despite these challenges, there are still a number of opportunities to grow the sector, including steps that can be taken to address some of the above constraints. These include:

- *Increase productivity.* Through a combination of technical assistance for better production practices via extension services and access to finance for improved technologies, farmers can achieve increased yields.
- *Improve quality and safety.* Introduce better post-harvest handling, particularly for the transport and storage of sesame, will reduce high levels of aflatoxins.
- *Organize the sector.* Organizations such as the National Association of Sesame Seed Producers of Nigeria, a member of the African Sesame Seed Producers Association, can lead the effort to develop cooperatives and other structures to aggregate production.
- *Facilitate Foreign Direct Investment.* A market opportunity exists to increase value-added production of sesame in Nigeria, but it will require significant investment and technological know-how.
- *Diversify export markets.* Asia, Europe and America are fueling an increase in demand for sesame oil for use in various international cuisines as well as salad oils.

GENDER CONSIDERATIONS

Women comprise many of the smallholder farmers who grow sesame in Nigeria, and they are also the primary laborers involved in the manual process of cleaning and sorting seeds by color/appearance. Better organization of smallholder farmers would have a significant impact on women's incomes from sesame.

SHEA

GENERAL OVERVIEW

The shea tree is a precious natural resource that grows only in Africa, thriving in the narrow Sahelian band from Senegal on the west coast across to Uganda and the foothills of Ethiopia on the east coast. Most of the trees, however, are concentrated in West Africa (including broad swaths of Nigeria), where they grow uncultivated in the wild.

The shea tree grows very slowly—it produces its first fruits (which resemble large plums) at about 20 years and reaches full production at about 45 years, continuing to produce nuts for up to 200 years after reaching maturity. Although recent experiments with grafting have shorted the initial time to bear fruit to as little as four to five years, shea's long productive life and the prevalence of trees in the wild provide limited incentive to increase tree stock through cultivation.

About 45% of Nigerian land is suitable for shea. The trees are most common in the country's north-central geographical zones and can be found in Adamawa, Bauchi, Benue, Borno, Gombe, Jigawa, Kaduna, Kano, Katsina, Kebbi, Kogi, Kwara, Nasarawa, Niger, Oyo, Plateau, Taraba, Yobe, and Zamfara states.

The principal commercial use of shea is for the butter/oil that is extracted from the kernel of the shea fruit and used in processed foods (particularly chocolate and other confectionery products), as well as in pharmaceuticals and cosmetics. Locally, other uses include:

- Consumption of the fleshy fruit by both people and animals
- Preparation of herbal remedies from the trunk, bark, cortex, roots and leaves
- Conversion of the wood into charcoal
- Use of the wood as building material

Shea nuts are collected primarily by rural women; they are also responsible for the initial processing stages, which are critical to the resulting quality of the kernels. These include:

- Depulping to remove the exterior fruit flesh from the nuts
- Washing (parboiling) the nuts
- Drying the nuts
- Cracking/de-husking to remove the kernel from the shell
- Sorting to remove defective (cracked, moldy, germinating) kernels
- Drying the kernels
- Storing in dry, well ventilated areas free from pests

Despite strong international demand for products derived from shea and an abundance of the trees in Nigeria, the country's shea exports remain low, and most of these are in the form of raw nuts.⁶ Value-added processing is mostly limited to low-grade hand-crafted butter, which is produced in very small volumes at the village level and is suitable only for local soaps and cosmetics. While there are a few industrial processors of shea in Nigeria, none are equipped to refine the butter using solvent extraction, the most efficient technique.⁷

The sector is organized through the National Shea Products Association of Nigeria (NASPAN), which is affiliated with the Global Shea Alliance (GSA), a multi-country, multi-stakeholder body that promotes the development of the shea value chain.

⁶ The Global Shea Alliance estimates that Nigeria exported 10,000 MT of shea in 2013, roughly 3% of shea exports from West Africa.

⁷ Solvent extraction involves the use of a chemical solvent—in the case of shea, typically hexane—to separate one substance from another.

CHALLENGES AND OPPORTUNITIES

Nigeria's main competitors for shea exports are Benin, Togo, Ghana, Burkina Faso, Cote d'Ivoire and Mali. However, despite a bounty of shea trees, the country lags far behind its neighbors in terms of quality and processing capacity.

Buyers consider several technical properties when assessing the quality of shea nuts, including moisture content (less than 8% is considered high quality); Free Fatty Acid, or FFA (less than 3% is considered high quality); and impurities, which include all foreign matter (less than 0.4% is considered high quality). These characteristics ultimately determine the quantity and quality of oil that can be extracted from the kernels.

The main obstacles hindering Nigeria's competitiveness with respect to quality include:

- Difficult/limited access to remote collection sites
- Poor understanding of proper post-harvest handling of shea nuts by rural women collectors
- Weak organization of women's groups to standardize post-harvest handling practices
- Limited quality storage space (i.e., warehouses) to prevent spoilage of nuts
- Lack of aggregation centers/trading networks to ensure a steady supply of quality nuts from rural collection areas to urban processing centers

Lack of processing capacity is driven largely by:

- *Gaps in technical know-how.* Solvent extraction, the preferred method for industrial processing of shea butter, is a highly technical process that requires specialized machinery and individuals trained to use it.
- *Lack of reliable supply of quality nuts.* As noted above, the lack of organization in the shea sector in Nigeria results in weak trading networks that make it difficult to procure shea nuts in sufficient quantities on a regular basis. In addition, the unstable security situation in Nigeria's shea growing regions prevents traders from setting up the sort of aggregation points and consolidation centers that they have established in other West African countries.
- *Complicated and costly transport and logistics.* The port of Lagos is so congested that it is faster and cheaper to move shea nuts to Benin for processing and then export through the port of Cotonou.
- *Constraints in accessing finance.* Banks and other investors require detailed business plans to fund what is viewed as a high-risk agricultural investment—and all of the pieces of the supply chain must align.

Although shea is most popularly known as an ingredient in cosmetics, an estimated 85-90% of the shea exported from West Africa actually ends up in processed food products, in particular chocolate and other confectioneries, where it is used as a substitute for cocoa butter. Combined with extracts from palm oil to form a Cocoa Butter Equivalent (CBE), shea presents a low-cost alternative in the face of fluctuating world cocoa prices. The growth in the global chocolate confectionery market has resulted in steadily increasing demand for CBEs, which grew nearly 90% from 2000 to 2011.⁸ CBEs are widely used in Europe, with significant growth coming from Latin America and Southeast Asia, and strong potential in the US market as well.

Nigeria's greatest inherent advantage is the pure volume of shea that exists in the country. Combined with less intense domestic demand for shea products relative to other West African countries, this results in comparatively inexpensive shea nuts—a proposition that has attracted strong interest from international shea traders, who are looking to expand their sourcing from Nigeria.

Although the issues with poor quality are significant, they are not insurmountable, and the Global Shea Alliance has already identified a strategy to address them that the USAID NEXTT project and its partners can support. As part of its Sustainability Initiative, the GSA plans to build warehouses for women shea collectors, help organize women's collectives, provide trainings on quality improvement and business development services, and enhance the collectives' market linkages. The Nigeria Commodity Exchange also plans to construct a network of warehouses that could be used to support shea exports.

The development of high tech processing facilities in Nigeria will require more significant financial investments, however the GSA has already identified potential investors as well as international buyers looking for new sources of refined shea butter. NEXTT can assist with the remaining constraints by linking with BDS providers to prepare detailed business plans; facilitating transport and logistics through the project's work on the LAKAJI corridor and in particular at the port of Lagos; providing technical assistance to guide the establishment of a solvent extraction plant; and supporting the quality initiative outlined above to ensure a steady supply of nuts for processing.

In summary, the poor performance of the shea value chain in Nigeria to-date is attributable to a number of factors including lack of organization in the supply chain; poor quality of shea nuts; limited capacity building support from local commodity associations; lack of industrial processing capacity; and limited access to finance for investments in infrastructure and processing. With targeted interventions, however, these can be overcome.

⁸ According to data from LMC International, as shared by the Global Shea Alliance.

GENDER CONSIDERATIONS

Among the three value chains analyzed in this report, shea is the sector with the greatest impact on women's employment. An estimated 60,000 women are involved in Nigeria's export value chain—and every 1,000 MT increase in shea nut equivalent exports involves the collection efforts of nearly 60 additional women.⁹ Development of the shea industry, in particular better organization of the supply chain, would not only create more employment opportunities for rural women, but would also increase the incomes earned by women collectors by improving market linkages and increasing transparency.

⁹ Based on estimates provided by the Global Shea Alliance.

CONCLUSIONS AND RECOMMENDATIONS

To summarize the analysis conducted in each value chain above, the table below ranks their relative potential across seven dimensions, with cashew emerging as the top choice:

Criterion	Cashew	Sesame	Shea
Impact on beneficiaries (farmers)	4	4	4
Employment generation potential (processing)	4	1	2
Widespread production	4	2	4
Exports of raw product	4	4	4
Exports of semi-processed product	4	0	2
Exports of finished products	1	0	0
Benefits accruing to women	2	2	4
TOTALS	23	13	20

The following considerations contributed to each crop's respective score:

CASHEW

- Cashews are still grown largely by smallholder farmers in Nigeria.
- Since most of the initial stages of processing are done manually, increasing processing has significant employment generation potential.
- Cashew (together with shea) is the crop most widely harvested throughout the country, compared to sesame.
- Already a significant exporter of RCN, Nigeria has the potential to capitalize on the recent trend of investment in processing facilities in Africa to increase exports of value-added products
- The cashew value chain employs significant numbers of women.

SESAME

- The project could have a significant impact on farmers by improving productivity and better organizing smallholders.
- Lack of processing capacity hinders opportunities for exports of value added products and constrains the potential for significant employment generation.

- Presence of a single dominant buyer/processor creates high barriers to entry for new firms that might expand processing capacity, and reduces farmers to price-takers.
- Production is limited to a smaller number of states compared to cashew and shea.
- Women comprise only a portion of the value chain.

SHEA

- The project could have a significant impact on the livelihoods of the estimated 60,000 women involved in Nigeria's export value chain for shea.
- Strong growth in international markets is fuelling increased demand for processed shea, however lack of processing capacity limits Nigeria's ability to take advantage of this opportunity.
- Poor quality nuts also hinder processing potential.
- Approximately 45% of Nigeria's land is suitable for the growth of shea trees.
- The structure of the value chain presents many opportunities to positively impact women.

CONSIDERATIONS FOR CASHEW EXPORT PROMOTION STRATEGY

Over the next 10 years, global demand for cashews is expected to outpace production, creating opportunities for Nigerian stakeholders throughout the value chain who are able to meet international needs and standards. Current international trends include: demand for full supply chain traceability; documented and audited compliance with quality standards; and direct links with farmers.

A plan to support the development of the cashew value chain and increase cashew exports will need to:

- Create an enabling regulatory, institutional and policy framework
- Facilitate access to credit for participants throughout the value chain
- Improve rural infrastructure to reduce post-harvest losses and shorten transit time
- Introduce new technologies and other innovations to enhance competitiveness
- Facilitate access to timely market information to increase bargaining power
- Create opportunities for increased private sector engagement, including through the formation of public-private partnerships
- Improve linkages to value-responsive markets
- Integrate women and other marginal groups into the value chain

In accordance with the diagram of the value chain as established in the introduction, the following recommendations are divided into three components: inputs and production, processing and logistics, and marketing and distribution. Also included is a section on proposed institutional partnerships to achieve these objectives.

INPUTS AND PRODUCTION

At the farmer level, the export promotion strategy should emphasize:

- Capacity building on appropriate business, marketing and organizational skills
- Extension services to introduce new technologies and ensure the application of good agricultural practices that will ultimately increase productivity and farmer profit margins
- Organization of smallholder farmers to improve competitiveness
- Access to finance for working capital to procure inputs on a timely basis
- Inculcation of a market orientation to produce the right product for the right buyer at the right time and price, including increased cultivation of jumbo varieties
- Quality control and record keeping to improve traceability and align with the ACA Quality and Sustainability Seal
- Introduction of first stage processing (separation of the kernel from the shell) to capture more value at the producer level

PROCESSING AND LOGISTICS

At this intermediate stage of the value chain, the plan should focus on:

- Storage facilities to reduce post-harvest losses and improve aggregation to ensure regular flows of RCN for processors
- Improved transportation and logistics to reduce the time and cost to move cashews from fields to processing facilities, such as the current LAKAJI corridor development initiative
- Technical assistance for business planning and plant design
- Transition to semi-manual or mechanized processing
- Access to finance for working capital as well as investments in increased processing capacity
- Certification under the ACA Quality and Sustainability Seal
- Clustering of processing facilities closer to areas of production to reduce transport costs and improve linkages between producers and processors
- Market linkages with local, regional and international buyers

MARKETING AND DISTRIBUTION

India, Vietnam and Brazil are the three largest importers of cashews from West Africa (primarily RCN), with supply coming mostly from Cote d'Ivoire, Guinea Bissau and Nigeria, in that order. Nigeria has the potential to both increase exports of RCN to India and Vietnam—and expand exports to Brazil, which are currently negligible in comparison—as well as develop greater processing capacity to directly access new markets in the U.S. and Europe for semi-processed and finished products.

To enhance marketing and distribution, the export strategy should emphasize:

- Improving the perceived risk of doing business in Nigeria in terms of both safety and adherence to contracts
- Partnering with institutions such as the ACA and the USAID West Africa Trade and Investment Hub and African Partners Network for technical assistance to adhere to international standards and linkages with potential buyers
- Increasing product differentiation
- Technical assistance for packaging, labeling and marketing to international buyers

INSTITUTIONAL PARTNERSHIPS

The export strategy must also consider the institutional dimension to support the development of the cashew value chain in Nigeria, and should encourage:

- Strengthening of the public-private dialogue and partnership opportunities
- Participation in international trade shows to position Nigeria's cashew products in global markets and identify regional and international buyers

- Campaigns to increase awareness of the economic potential of cashew as well as its health benefits
- Research and development and extension services to improve yields, planting techniques and land use practices

The diagram below illustrates some of the primary organizations that should be included in the development of a cashew export promotion strategy¹⁰:

Figure 2. Potential Cashew Export Promotion Strategy



¹⁰ Important government partners include the Federal Ministry of Agriculture and Rural Development; Federal Ministry of Industry, Trade and Investment; and the National Centre for Agricultural Mechanization.

BIBLIOGRAPHY

Abubakar Sule, B. Ahmadu Bello University, Zaria. Economic Analysis of Small-Scale Shea Nut Processing in Kontagora and Magama Local Government Areas of Niger State, Nigeria. May 2012.

Chemonics International Inc. (2002). Overview of Nigeria Sesame Industry.

Chemonics International Inc. (2002). Subsector Assessment of the Nigerian Cashew Industry.

Food and Agriculture Organization of United Nations. (2012). Food and Agriculture Statistics. Retrieved July 2013 and June 2014 from www.faostat.fao.org

GTZ SEDIM Programme. (2012). Analysis of Shea Value Chain in Nigeria and Elaboration of a Shea Study for Nigeria. GIZ SEDIM Programme.

Nathan Associates Inc. (2010). Market Intelligence Report: Alternative Markets for Nigerian Sesame. Nathan Associates Inc.

Nigeria Expanded Trade and Transport (NEXTT). Assessment of Nigeria's Long Term Comparative Advantage in 11 Priority Value Chains. May 2013.

United States Agency for International Development (USAID). (n.d.). Value Chain Program Design: Promoting Market Based Solutions for MSME & Industry Competitiveness.

W. Ezeagu, Nigerian Export Promotion Council (NEPC). Assessment of the Situation and Development Prospects for the Cashew Nut Sector. 2002.

West Africa Trade Hub. (n.d.). Shea Butter Value Chain - Refining in West Africa (WATH Technical Paper). United States Agency for International Development.

ANNEX I: LIST OF INTERVIEW CONTACTS

First Name	Last Name	Company	Job Title	Phone (Work)	Phone (Mobile)	Email (Work)	Website
M. Olaiide	Ibrahim	Nigerian Export Promotion Council	Director		+234 (803) 313 8693	murijide2012@yahoo.com	
Terlumin	Ikya	SIGWA	Executive Director		+234 (803) 315 5462	t.ikya@sigwanigeria.com	
Tunde	Odunuga	Abod Success Investment Ltd		+234 (803) 828 2779		abodsucces@yahoo.com abodsucces@gmail.com	www.executivecashew.com
Jide	Anjorin	ACET NIG Ltd - Cashew Processing For Export		+234 (803) 357 1210		jideanjorin@gmail.com	
Aliyu	Samaila	Chemonics International	Senior Programme Manager		+234 (807) 510 0496	asamaila@nigeriamarkets.org	www.nigeriamarkets.org
Adekunle	Onafowokan	Ladgroup Ltd			+234 (802) 295 1170	ladgroupmail@yahoo.co.uk	
Sotonye	Anga	National Cashew Association of Nigeria	Publicity Secretary	+234 (803) 525 3957		anga4000@yahoo.com anga@ncan.org.ng	www.nationalcashewassociationofnig.org
Tola	Faseru	National Cashew Association of Nigeria	National President	+234 (803) 727 3608		tolafash@yahoo.com	www.nationalcashewassociationofnig.org
Hope	Yongo	NEXIM Bank		+234 09 460 3630	+234 (805) 530 9352	yongoh@neximbank.com.cn	
Tayo	Omidiji	NEXIM Bank	Head	+234 09 460 3630 +234 09 460 3642/48	+234 (803) 335 3951	omidijioj@neximbank.com	
Mohammed Ahmed	Kontagora	Niger State Commodity & Export Promotion Agency	Director General	+234 (803) 943 1937		mkontagora@yahoo.com	
John O.	Isemmede	Nigerian Association of Chambers of Commerce, Industry, Mines & Agriculture	Director General			isemededeexport@gmail.com	
Omokide	Sherifat	Nigerian Export Promotion Council			+234 (816) 749 05	omokidenepc@yahoo.com sherry17ng@yahoo.com enquires@nepc.gov	www.nepc.gov
Noel	Ferrao	Olam Nigeria			+234 (805) 209 6774	noel.ferrao@olamnet.com	
Aderemi	Osijo	RBS Consulting Ltd	MD/CEO	+234 (802) 312 9152		remiosijo55@yahoo.com	

NIGERIA EXPANDED TRADE AND TRANSPORT (NEXTT)
TARGET VALUE CHAIN SELECTION. JUNE 2014

First Name	Last Name	Company	Job Title	Phone (Work)	Phone (Mobile)	Email (Work)	Website
Muda	Yusuf	Lagos Chamber of Commerce and Industry	Director General	+234 (1) 774 6617 +234 (1) 270 5145 +234 (1) 270 5580		myusuf@lagoschamber.com yusufmuda@yahoo.com	www.lagoschamber.com
Klaus-Peter	Luttmann	Zusammenarbeit (GIZ) GmbH	Value Chain Adviser	+234 (704) 436 9589	+234 (705) 119 1027	klaus-peter.luttmann@giz.de	www.giz.de
Roger	Brou	African Cashew Alliance	Managing Director				http://www.africancashewalliance.com
Joseph	Funt	Global Shea Alliance				jfunt@globalshea.com	http://www.globalshea.com
Bernard	Wepper	Finagra				bweppe@finagra.co.uk	www.finagra.co.uk
Bob	Hornsby	Jobomax Global Ltd	Director			bob@legalsciencepartners.net	
Raymond	Taylor	Kona Agro Processing Ltd	Director			taylor_raymond@hotmail.com	