

## Country Profile

Mozambique is a Southern African country, bordering the Mozambique Channel, between South Africa and Tanzania

Capital	Maputo	Time Zone	GMT+2h00
Population	19,607,519	ISO Code	MZ
Area	784,090 sq km	Dialling Code	+258
Languages	Portuguese (official), indigenous dialects	Continent	Africa
Currency	metical (MZM)	Internet Domain	.mz
Ports & harbours	Beira, Inhambane, Maputo, Nacala, Pemba, Quelimane	GDP	\$17.5 billion
Exports	prawns 40%, cashews, cotton, sugar, citrus, timber; bulk electricity	Export partners	South Africa 12.7%, Zimbabwe 12.2%, Spain 10.6%, Portugal 10.0%
Imports	machinery and equipment, mineral products, chemicals, metals, foodstuffs, textiles	Import partners	South Africa 33.5%, Portugal 4.8%, US 4.2%, Australia 3.8%

## Structure and Organisation

### Historical Perspective

Year	Event/ Policy Change
1950	Caju Industrial (present day Polycaju) processing factory was established in Maputo
1965	Cajuca de Machava (present day Mocaju) was established
1965	Anglo American established Mocita processing factory in Xai- Xa
1965	Procaju- Manjacaze processing factory was established
1965	Procaju- Inhambane processing factory was established
1969	Antonio Eanes processing factory (present day CC- Nacala Ango facility) was established
1969	Socaju processing factory (present day CC- Nacala -Nacala facility) was established
1971	Cajuca de Angoche (present day Angocaju) processing factory was established
1971	CC- Monapo processing factory was established
1973	Inducaju processing factory was established
1975	Mozambique gained independence from Portuguese
1975	Owners of Cajuca de Angoche, Cajuca de Machava, Polycaju, Procaju Inhambane and Manjacaze abandoned processing factory
1975	The Frelimo Government intervened in Cajuca de Angoche, Cajuca de Machava, Polycaju, Procaju Inhambane and Manjaca
1978	Raw cashew exports banned
1979	Government created Caju de Mocambique, a state- owned holding company
1979	Government incorporated Cajuca de Angoche, Cajuca de Machava, Polycaju, Procaju Inhambane, Manjacaze into Caju de Mocambique

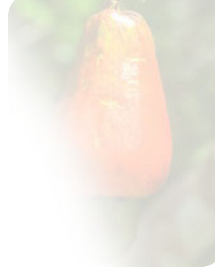


Year	Event/ Policy Change
1979	Antonio Eanes processing factory went into receivership and was managed by Caju de Mozambique
1979	Socaju processing factory went bankrupt and was managed by Caju de Mozambique
1981	Anglo- American pulled out of Mozambique
1981	Mocita entered voluntary receivership and Caju de Mozambique took over the daily management of the factory
1982	Civil war in Mozambique begins
1984	Mozambique joined the IMF and World Bank
1987	The period of structural adjustment began with the announcement of the Programa de Reabilitacao Economica (PRE)
1987-88	The government- established producer price increased from 10mt/ kg to 105mt/ kg
1989	Privatization program for all SOEs begins
1991-92	Export ban on raw cashews lifted
1991-92	QR 10,000 tons and tax of 60% on difference between FOB and factory gate price
1991	Bankruptcy court sold Socju to CC- Nacala
1992	Bankruptcy court sold Antonio Eanes to CC- Nacala
1992	Civil war ended
1992-93	Tax on difference between export FOB and factory gate price was lowered to 30% QR of 10,000 tons was maintained
1993-94	Export tax (difference between export FOB and factory gate price) was maintained at 30%
1993-94	QR was loosened - initial QR remained 10,000 ton, but 2 additional 5,000-ton lots were auctioned off to registered exporter
1994	World Bank commissions study of cashew industry by Hilmar Hilmarsson
1994	Cajeba processing factory was established
1994	Government sold Cajuca de Machava (Mocaju) to the HAS- NUR Group
1994	Anglo- American re- entered Mozambique and partnered with Oltremare in rehabilitating the Mocita processing factory
1994	WB commissioned cashew industry study by Hilmar Hilmarsson
1995	World Bank required Mozambique to liberalize cashew marketing and exporting in order to satisfy the "base case" lending condition
1995	Government enters into formal agreement with WB to reduce export taxes
1994-95	Government- established minimum producer price increased from 700mt/ kg to 1,500mt/ kg
1994-95	Quantitative restrictions on exports were removed
1994-95	Government introduced a graduated export tax equivalent to about 30 - 32% of the FOB export value



Year	Event/ Policy Change
1995	Adil- IC processing factory was established
1995	Government sold Polycaju processing factory and Procaju factories at Inhambane and Manjacaz
1995	Korea –Mozambique Cashew (KMC) began operating
1995-96	Export tax (on FOB value) of raw nuts was 20%
1995	Trade in raw cashews was liberalized, allowing new traders and exporters to become involve
1996	Cabo Caju processing factory was established
1996-97	Export tax was reduced to 14 %
1997	CC- Nacala ceased operations
1997	Invape processing factory began operation
1997	Wolfensohn visited Mozambique and announced the Bank's commitment to a domestic processing industry
1997	World Bank commissioned an independent study of the cashew processing sector by Deloitte and Touch
1997-98	Export tax remained 14%
1998	KMC ceased operating
1998	Procaju/ Inhambane and Manjacaze ceased operating
1998	Madecaju processing factory began operation
1998-99	Abt Associates performed study on the cashew processing industry for the Mozambican Ministry of Industry
1999 Sept 30	Parliament approves law calling for export tax between 18- 22% for the next 5 year
1999	Export tax raised to 18 %
2000	KMC was renamed Socaju and resumed operations
Jan. 2001	Government temporarily bans raw nut export
2001	Mocita factory closed
2001	World Bank Consultant Jaikishan Desai completed a study on cashew production and marketing





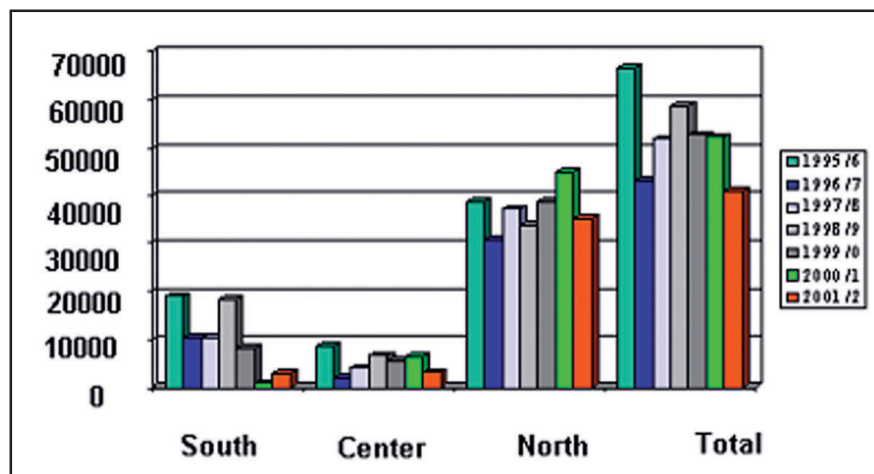
## Structure and Organisation

### Area & Production

Cultivation of cashew in Mozambique was introduced in the 17<sup>th</sup> century by the Portuguese. Enjoying privileged conditions to grow this crop, cashew became the most important cash crop among rural Mozambican households, and represents an important source of rural household incomes, in particular for female-headed households.

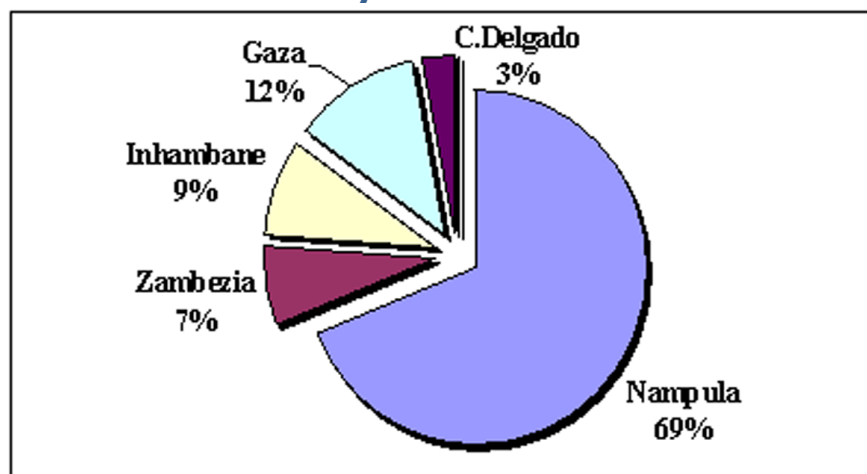
Cashew nuts can be produced along the whole coastal area, which extends around 2000 km, and stretching inland approximately 200 km. The coastal zone of the provinces Cabo Delgado, Nampula, Zambezia and Inhambane, Gaza and Maputo are the most important areas of production in which approximately 26 million cashew trees exist, with 37% of the cashew trees located in Nampula Province in the North, where 40% of the total production is marketed. The other three important provinces are Gaza and Inhambane in the South and Zambezia Province in the centre. There are approximately 2 million farmers involved in the production and collection of cashew nuts, for whom this cash crop is the main source of income, is. In general, the areas where this crop is produced have poor soils and erratic rainfall, being therefore areas with low potential for the production of food crops.

### Raw Cashew Nut Production by Region



Source: Cashew Working Group/ Ministry of Industry and Commerce

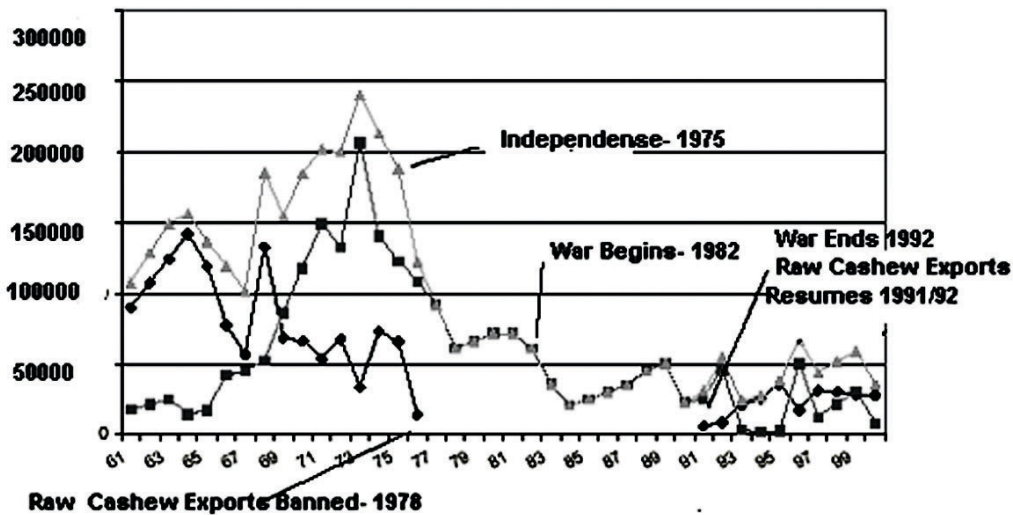
### Marketed Raw Nut Production by Province 1997-98 to 2001-02 (%)



Source: Cashew Working Group/ Ministry of Industry and Commerce

## Proportion of National Cashew Marketed Surplus in 3 Most Important Cashew Producing Provinces 1989-1997

Province	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Nampula	55	78	68	55	63	75	90	52	55	78
Inhambane	18	6	9	10	6	4		18	13	8
Gaza	20	8	14	23	13	8		24	15	6
The 3 Provinces	93	92	91	87	81	88	90	94	84	92
<b>Total (000 tons)</b>	<b>44</b>	<b>50</b>	<b>22</b>	<b>31</b>	<b>54</b>	<b>24</b>	<b>30</b>	<b>33</b>	<b>67</b>	<b>36</b>



### Raw Cashew Production & Exports of Raw Cashew and Cashew Kernels

Mozambique has been the most important cashew nut producer in the world, having achieved its peak in **1972** with the marketing of **217,000 tons of cashew nuts**, and more than **95%** of the production originated from the smallholder producers within the so called **'family sector'**. Internal capacity to process cashew nuts had reached **80,000 tons** per annum.

From the mid **1970s**, when Mozambique became an independent country, cashew nut production started to decline, due to a **lack of a strategy able to guide the development** of the sub-sector. This was aggravated by the **devastating consequences of the severe civil war** that lasted for several years, leaving the rural areas isolated and without any attention. This lack of attention of farmers caused the appearance of **pests and diseases**, and later, **uncontrolled forest fires** affected an important part of the cashew orchard. The community policies adopted in the post independence period favoured the spread of these negative factors. The Nadia cyclone destroyed in **1994** about **40%** of the existing trees, thus reducing the population from **45 million** to around **26 million** trees at present. The average production of nuts per tree is **1.3 kilos**, what can be considered very low compared with the normal average that can be expected from a healthy tree about **8 kilos**. The impact of all these factors caused the decline of the cashew nut commercialisation to levels of close to **50,000 tons per annum**, as observed during the last few years.

Agriculture is the primary and dominant occupation in rural Mozambique: **About 89 percent of household heads**, state that agricultural activities at their small plot of land or **"machamba"**,

(about 1.3 hectares) as their main occupation.

Throughout the country, **40 percent of rural households** have cashew trees and each of them have an average of **60 trees**. Among the three main cashew producing provinces (Nampula, Inhambane and Gaza), as many as **80 percent** of all households have cashew trees and about **65 percent** of all households harvest cashew. The number of cashew trees and the size of the land tend to be positively correlated, in monoculture as opposed to multiple culture.

The most remarkable difference is not related to production, but to the marketing of raw nuts. In **1996/97, 72 percent** of small traders in Gaza province were women, and in Inhambane province **65 percent** were women. In contrast, only **18 percent** of small traders in Nampula were women. Therefore, with women more involved in cashew production and sale in the South, policy changes that affect the producer price and production of cashew can be expected to have specially important welfare implications for women in the South.

Sale of raw cashew nut constitutes an important source of income for the average rural household in the main cashew growing provinces. Additionally many households also process some **cashew into alcohol** (31 percent), **juice** (34 percent), **dry apple** (25 percent), and **kernel** (62 percent). In the South income from sales of alcohol is an important source of income.

The provinces of Nampula, Inhambane and Gaza differ markedly with respect to cashew production and marketing, reflecting several stylistic facts about agriculture in these three provinces. **Nampula has a greater population density and smaller farm sizes**. At the household level this translates into less trees and lower raw nut production per household, but at the district and provincial level aggregation over a much larger number of households means significantly higher total quantities produced and marketed. Nampula has around 20 percent (over 3 million people) of the country's population while Inhambane and Gaza only have 10 and 8 percent respectively. Partly due to the higher population density, and partly for historical reasons, the **trading network in Nampula is more pervasive and developed than in the South**, and a higher share of households (in Nampula) market some part of their output. As a result, **commercialised cashew output per household in Nampula was more than three times that in Inhambane and almost twice that in Gaza** in 1995/96.

## Sector Performance Production

### **Types of cashew cultivated. Developments concerning the improvement of cultivars.**

Mozambique cashew tree orchard is composed mostly by a common tree variety whose gestation period lasts roughly **5 to 6 years**. Efforts are being presently done to introduce new varieties, particularly the Brazilian dwarf variety in order to replace gradually, the old trees with more productive varieties and with a lower gestation period. The long-term response can be a combination of new plantings, and quality improvement by grafting new varieties into existing trees.



For the short term intervention **INCAJU** established a program intended to introduce a concept of business. In order to have the companies providing services on diseases treatment (spraying), to make profits, that is in other words to make the business sustainable following were needed:

### Main aspects in building up infrastructure

The access to inputs must be secured. This can be done in several ways.

1. Identifying **local suppliers**, where inputs for the spraying can be done, like the chemicals, petrol and oil, spares for the motorized sprayers.
2. Identify **companies** willing to do the credits and the supplies of a certain geographical area, directly linked to the associations
3. Identify and train **local mechanics** to care of the maintenance of the sprayers. These mechanics will be trained by the mechanics from INCAJU, from those of the service providers and/or from the supplier of the sprayers.

In all aspects of the building up of the local infrastructures, it is essential that the buyers play an active role in building up the capacities as well as providing access to credit to these local suppliers.

Another important factor is training. It is important to train people in **spraying**. Allowing them to be familiar with spraying techniques such as handling motorised sprayer, dealing with critical inputs such as chemicals, petrol, oil etc. These people will work in rural areas training small holder producers giving information about common tree diseases showing how to treat it and disseminating the techniques to do so.

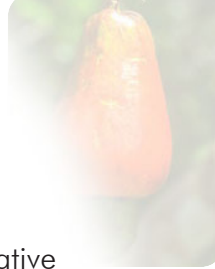
With regards to medium, long-term intervention, there exist presently **two nurseries in Nampula Province**, one managed by **Entrepuesto a private company** that is planning to leave cashew business and **Nassuruma which is managed by INCAJU** in collaboration with **INIA** (Mozambique Agriculture Research Institute). These nurseries are producing seedlings and distributing (selling) to small holder producers. However if the capacity to produce seedlings is there, the **buying interest is very weak**. So it is very important to stimulate this interest in buying and managing set-ups which fit local conditions like distance from the farmers and the farmers choice concerning varieties they believe are the best for them.

### Main factors influencing production and harvesting performances

Considering the very low present yields per tree (about 3 Kilos/per tree), a vast production program utilising intensive methods to get rid off the constraints and taking advantage of the existing opportunities, is being implemented led by INCAJU.

There are several factors influencing negatively cashew production such as:

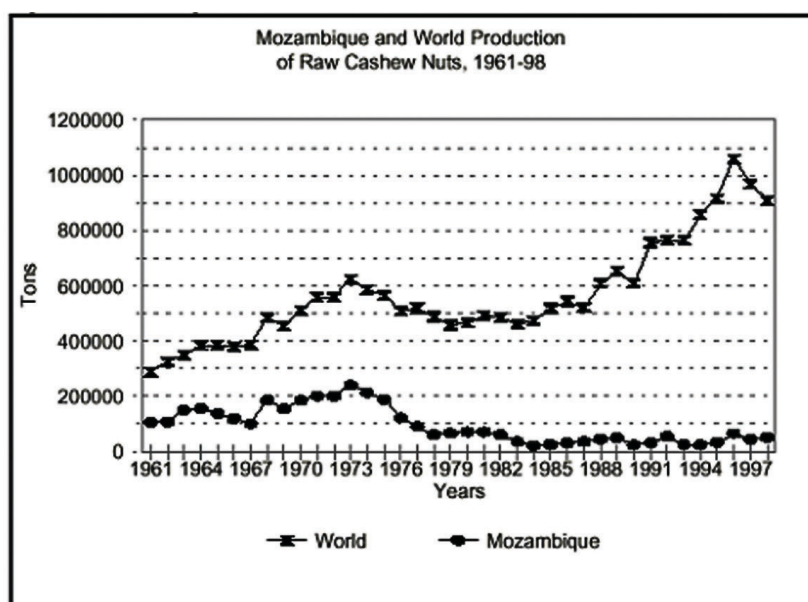
- ❖ Great incidence of **diseases** and plagues;
- ❖ Uncontrolled **fires** that destroy every year a portion of the orchard;
- ❖ Weak use of best **cultural practices** such as pruning, budding, grafting and spraying etc.;



- ❖ Weak **extension network** to support smallholder producers;
- ❖ Insufficient economical **incentives** for cultivation and maintenance of cashew trees, due to relative low prices offered to smallholder producers;
- ❖ Lack of **credit** for the smallholder producer because financial institutions consider them as high risk group;
- ❖ Very weak **research program** to introduce improvements on cashew production;
- ❖ Weak **structure** of the rural communities and the producers organisations;
- ❖ In most of the cases unavailability of **labour** to handle cashew culture, due to the fact that, they are allocated to other crops normally food crops.
- ❖ Limited **technology** to process the false fruit what diminishes the yield of the trees.

In spite of, the constraints, there exist several opportunities for Mozambique to re-launch production and to design in a short term programs for significantly increasing cashew production, followed by a medium-long term program to guarantee the sustainability of the sub-sector. Some of those opportunities are:

- ❖ Good **agri-climatic conditions** for cashew production
- ❖ Mozambique's long **experience** on this culture
- ❖ Existence of a **significant orchard** in spite of its age;
- ❖ Possibilities to expand the cultivation areas, **land** is still available;
- ❖ Existence of a **strategy to develop the sub-sector** integrating all stakeholders, approved by GoM (Government of Mozambique);
- ❖ Existence of **international market** that in the last decade has increased steadily;
- ❖ Possibility to **increase yields** and profitability of the sub-sector introducing new technologies
- ❖ Experience coming from other producer countries in recovering and expanding cashew production.



## Processing

The cashew industry in Mozambique has a long tradition. The first cashew business was set up by an **Indian** trader as a cottage industry, among black women in the south of the country which grew up to

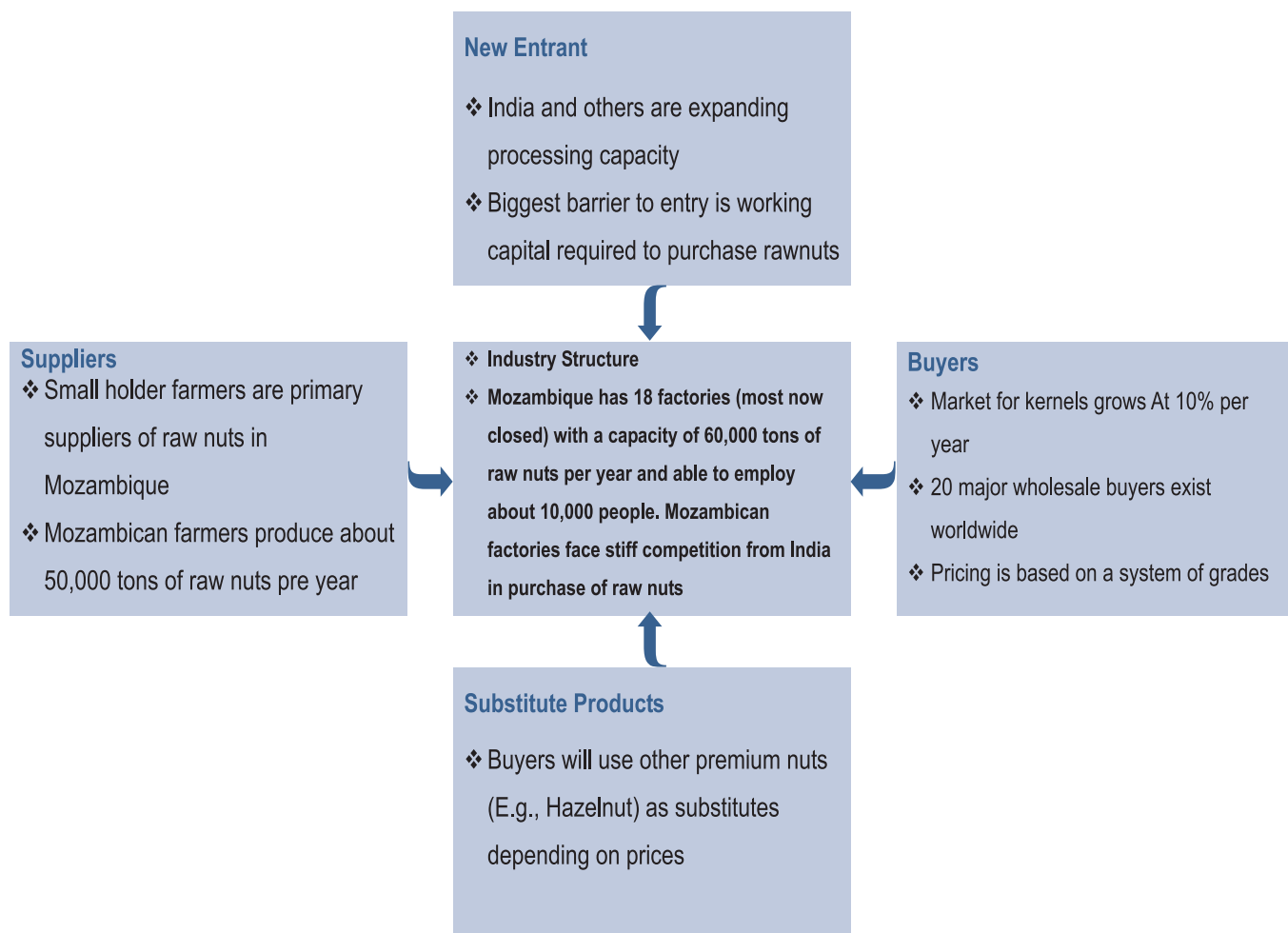




become the first processing unit in Mozambique. At the time this factory was known as “**the factory for women**”, since the majority of its work force were women, although they were doing only the “dirty” job and getting poor salaries even when compared with their peer black men.

Because of the simplicity of some operations, cashew processing can be done by unskilled people and, in certain areas where better skills are needed, **women proved to perform better than men**, and this was and still is an advantage for the owners, because they get better results paying less wages to the women. Cashew processing, garment and shoe industry were the pioneer in employing women working force and still are, but no doubt the conditions of cashew processing are worst, dirty, difficult and sometimes dangerous.

### Dynamics of Cashew Processing in Mozambique



## LOCATION OF CASHEW NUT PROCESSING FACTORIES IN MOZAMBIQUE



### Price

In **1991/92**, the export ban on raw cashew nuts was lifted and limited quantities of raw nuts were allowed to be exported. However, a **60% tax** on the difference between the FOB and factory gate prices and a quantitative restriction of **10,000 tonnes** were imposed.

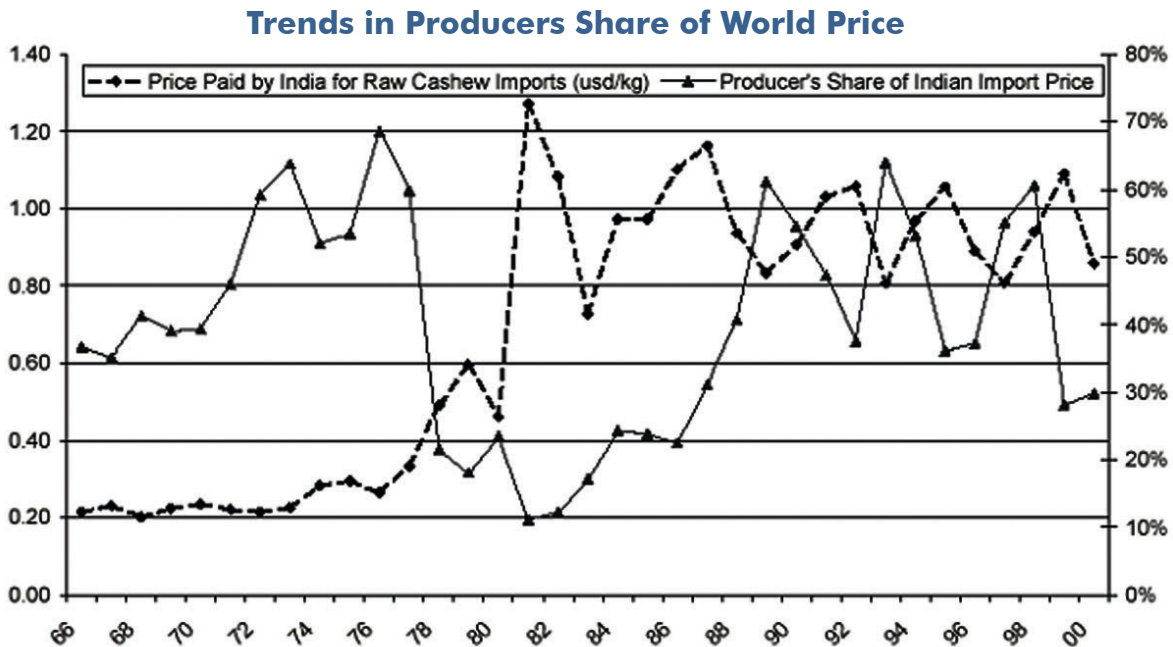
In **1992/93**, the tax (on the difference between the FOB and factory gate prices) was lowered to **30%**, but the quantitative restriction was maintained at 10,000 tonnes.

In **1993/94**, the export tax was maintained, but the quantitative restriction was loosened. While the initial export quota remained fixed at 10,000 tonnes, additional quantities were auctioned off in 5,000-tonne lots to registered exporters.

In **1994/95**, the quantitative restriction was lifted and the export tax was reduced to **20%** of the FOB value in **1995/96** and then 14% in **1996/97** and **1997/98**. Faced with domestic opposition to the reductions of the export tax, Mozambique's parliament passed a bill in **1999** that increased the tax to 18 - 22%, the exact amount to be determined each year, depending on market conditions. In both the **1999/00** and **2000/01** seasons, the export tax was **18%**.

**Producer prices** were significantly increased in **1987/88** from 10 Meticaís/kg to 105 Meticaís/kg. Also during time, the government announced that a minimum producer price would replace the fixed producer price as the liberalization program progressed. The government continued to significantly increase the minimum producer price throughout the **1990s** until **1998/99** when it was fully liberalized. During this period, there was near parity between the actual nominal producer price and the government-

established minimum price. During the period of the export ban, the government also fixed the “factory gate price” or the price processors paid for their raw nuts. Government control over prices paid by the processing industry for raw nuts was eliminated at the time of privatization, in 1991.



Despite this **long tradition**, the **cashew industry** is **presently facing several problems** that forced some enterprises to **close down**, creating a massive workers dismissal without any severance payment in most of the cases.

Processing units in Mozambique use mainly four types of technologies to decorticate, or extract the edible oil from the shell. These include **manual shelling with hammer**, **semi-mechanical cutting**, **mechanical cutting and impact shelling**. The final stages in all these processes follow in quick succession, are labour intensive and do not vary much from factory to factory.

An American consulting firm, which undertook a study in 1999, “*Assessment of the Status of Competitiveness and Employment in the Cashew Processing Industry in Mozambique*”, an original characterisation of the Mozambican Industry by type of technology used, includes each of the 15 existing factories into three main clusters. These are:

❖ **Former state owned Plants:**

Using Impact Shelling Technology, which includes: Angocaju, Mocaju, Procaju/Inhambane, and Procaju/Manjacaze;

❖ **Traditionally Private Companies:**

These use Cutting Technology, which includes Companhia de Caju do Monapo (CCM); the Angoche Division of Companhia de Caju de Nacala (CCN-Angoche); and Mocita;

❖ **New Private Plants**

These use Semi-Mechanical Technology, which includes Cabo Caju, Cajeba, Invape and Madecaju. Recently three **new factories** using Semi- Mechanical Technology, were installed within the rural areas, 2 in Nampula and one in Gaza. These are small/medium unit, beginning with a capacity



under 500 tonnes supposed to be increased to at least 1 500 tonnes of raw nut,

According to this typology, there are 4 factories that do not fit neatly into any one cluster. **Adil IC** new private company, which uses impact technology. **Inducaju** and **Polycaju** employ mix of different technologies. Inducaju would be a member of the second cluster were it not for the fact that its semi-mechanical technology accounts for only about a third of its capacity. Polycaju is a former state-owned company. Impact technology accounts for about two-thirds of its shelling capacity, but it also uses manual shelling. Finally **Socaju**, the former KMC, is the only existing factory that uses manual shelling exclusively.

## List of Cashew Processing Units

### Cashew Nut Processing Factories in Nampula & Cabo Delgado

Factory	Owner	Location	Capacity Tons of Nuts	Technology	Last month of operation
CCM (Monapo)	Entrepoto	Monapo, Nampula	8000	Oil Bath, Mechanical Shelling	1999 Mar
CCN (Nacala)	Entrepoto	Angoche, Nampula	6000	Oil Bath, Mechanical Shelling	1999 Mar
Angocaju	Enecom, Gani, State	Angoche, Nampula	5000	Oil Bath, Mechanical, Hand Shelling	1997 Oct
Geba	JFS	Memba, Nampula	2000	Steam Roasting, Hand Shelling	1999 June
Inducaju	AGT, Gani	Lumbo, Nampula	3000	Oil Bath, Mechanical, Hand Shelling	1999 May
Cabocaju	Jurg Reiser	Pemba, C Delgado	2000	Steam Roasting, Hand Shelling	Currently Operating
Morrupula	L Rafique	Nampula	1500	Steam Roasting, Hand Shelling	About to begin
Mogincua	A Miranda	Nampula	750	Steam Roasting, Hand Shelling	Currently Operating

### Cashew Nut Processing Factories in Maputo & Gaza

Factory	Owner	Location	Capacity Tons of Nuts	Technology	Last month of operation
Mocita	Anglo- American ED&F MannOltremare	Xai-Xai Gaza	7000	Oil Bath, Mechanical Shelling	Currently Operating
Polycaju	Omare AmadeState	Machava, Maputo	3500	Manual, Mechanical	1998
Mocaju	Grupo Has NurState	Chamanculo, Maputo	3000	Mechanical	Dec-98
Procaju I	Carlos BorrallhoState	Manjacaze, Gaza	3000	Mechanical	1996
Madecaju	Madeira	Laulane, Maputo	2000	Manual	Currently Operating

## Cashew Nut Processing Factories in Inhambane Province

Factory	Owner	Location	Capacity Tons of Nuts	Technology	Last month of operation
Invape	V.Rosario	Macuacua, Gaza	2000	Steam Roasting, Hand Shelling	Currently Operating
Caju do Blene	Mussa	Bilene, Gaza	1500	Steam Roasting, Hand Shelling	Currently Operating
Procaju II	C.Borrvalho	Inhambane	3500	Mechanical & Manual	1997
Adil	V.Chandulal	Maxixe, Inhambane	2500	Mechanical	1997
KMC	Viriato		1500	Mechanical & Manual	Currently Operating

### Evolution of the production of processed cashew products and perspectives

The trend regarding processing perspectives is not optimistic. It is foreseen that, unless the present structure of the cashew industry is changed, and adequate labour-intensive technologies are introduced, Mozambique will lose definitely its cashew processing tradition.

### Types of processed products commercialised

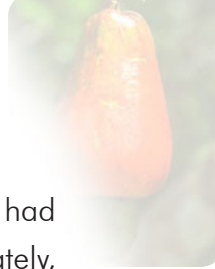
Although **secondary processing is not usual in Mozambique**, some new small processors are selling processed cashew nuts either **plain, salted** or seasoned with **piri-piri** (type of red pepper), to local supermarket chains in locally manufactured packaging materials or in vacuum sealed plastic packaging. Individual packaging varies from 100 to 1000 grams. Normally, these products are sold under **factory name** and the use of a well defined **brand name still does not form a part of the marketing strategy**, mainly due the fact that domestic market is very small and low demanding in terms of product outlets presentation.

**Cabo Caju** is the only firm that entered into a marketing agreement with **Delta Café** to market its products under its own name, but for some reasons the **agreement did not work out**.

### Main factors influencing the national processing performance

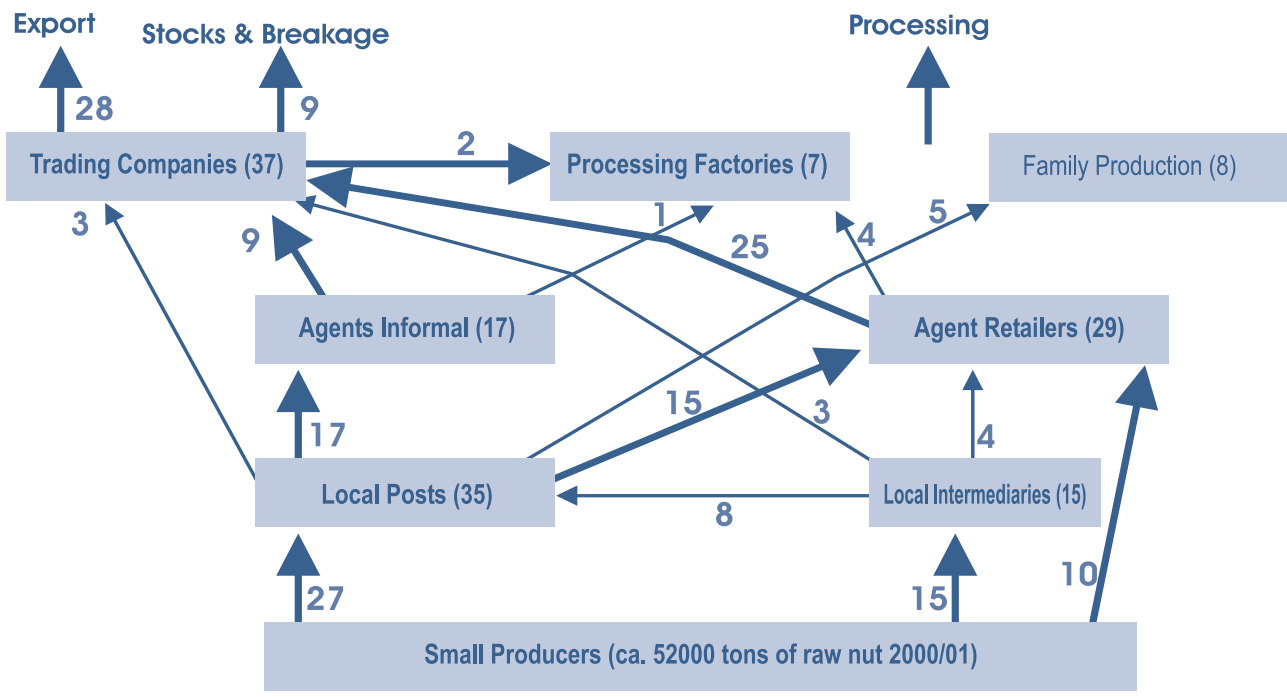
Most of the affected entrepreneurs blame the Government measures of liberalisation to be the main cause for lack of raw material perceived by them as the main problem. However several studies indicate other reasons and state that even if most of the factories get sufficient raw materials they would not be able to generate profits. These factories have many inherent weaknesses, which can write the death of these factories, unless they change completely their structure. Some of the problems are:

- ❖ **Obsolete technology** and equipment
- ❖ Mixed **technology** manual (Indian) with automatic (Oltremare-Italian)
- ❖ Inefficient lay-out
- ❖ Lack of **management skills** (pointed out as the more serious problem)
- ❖ Low **out-turn** and percentage of whole and white kernel
- ❖ Mostly located **far from sources** of raw nut
- ❖ Lack of **credit** appears today as one of the most important constraints, mainly for small/medium scale processors.

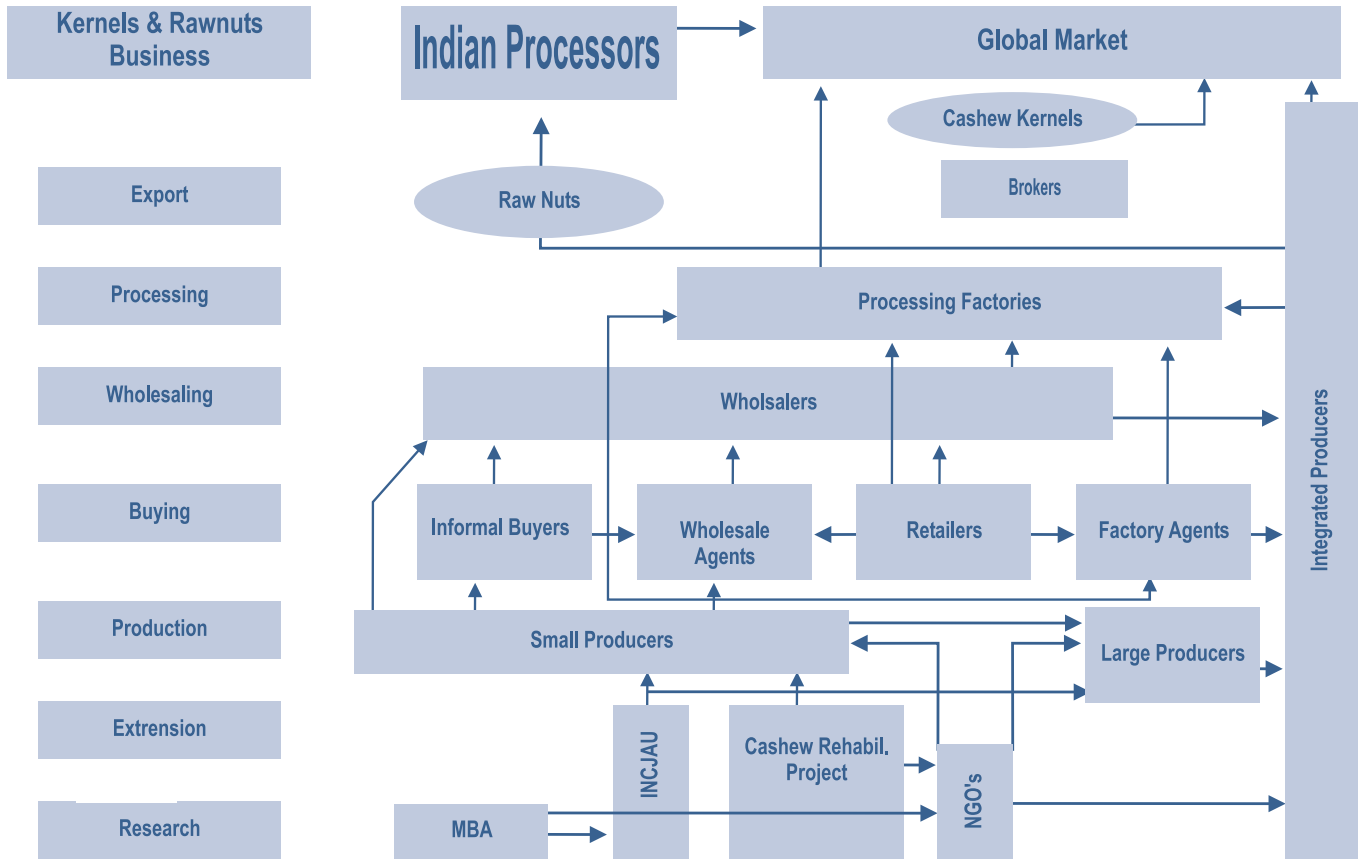


It is important to understand that the old state owned enterprises, which were later privatised, had borrowed funds from Financial Institutions, for the purpose of recovering the old plants. Unfortunately, due to the above mentioned facts, most of these factories went bankrupt.

### Distribution Channels



### Distribution Channels





## Exports

### Cashew raw nuts, kernel and CNSL exports from 1991 to 2001.

#### Raw cashew nuts

Raw cashew nut production in Mozambique decreased sharply from the **mid-seventies to 1996-97**, when some programs intended to reverse the situation were introduced. However, despite the efforts being done by the stakeholders of the sub-sector, Mozambique is still far away from the glory days of cashew production.

Taking advantage of the end of cashew raw nut exports prohibition, a handful of commodity traders and wholesalers, with networks countrywide, entered the business and began to handle huge amounts of raw nut, some times supposed to be of the best quality. **Gani, Casa Modi, Export Marketing, Gordhandas, Casa Domodar, Golam, Euragel, Olam, and recently ICM**, are some of the most important players. Although this situation translated into an opportunity for exporters, they were not able to benefit from the premium prices for raw cashew nut, due to the poor quality of the export products.

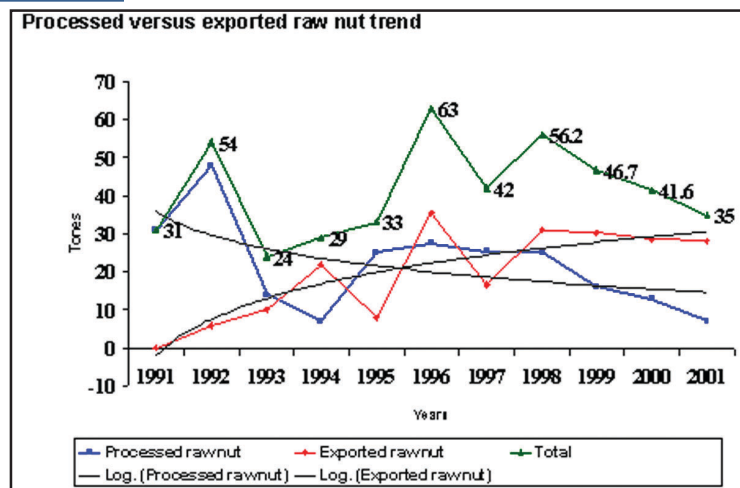
#### Major Exporters of Raw Cashew Nut during 1998-99 season

Exporter	Raw Cashew Exports Qty in MT	Destination
Gani Comercial	10153	India
Euragel	8728	India
Sabawes	5364	India
C.Joao Ferreira	1800	India
Olam	1420	Vietnam
Mansur Cassamo	1300	India
Ghordandas	630	India
Exp Marketing C	400	India
Haridas Damodar	125	India

#### Major Exporters of Raw Cashew Nut during 2000-01 season

Exporter	Raw Cashew Exports Qty in MT	Destination
Gani Comercial	13400	India
Olam	6825	India/Singapore
ICM	5155	India
Euragel	1500	India
Schleug	500	India
Others	462	India
<b>Total</b>	<b>27842</b>	

Average Export Price = \$ 409/ton



In fact, the prices of raw nut in Mozambique are **highly influenced by the Indian market prices**. Therefore, after the liberalization and deregulation of internal prices, raw nut prices began to increase sharply in real terms. From **1996/97** producers were steadily increasing their share of the export price and, consequently, they are getting comparatively better prices than they did in **1993/94** and **1995/96**.

Between **1980-97** the Government used to fix the **minimum price** for cashew below market prices to protect the processors. In **1997**, the minimum price was replaced by a **referential price**, apparently without any impact on the alteration of the usual margins for stakeholders. In fact, this was generally ineffective, since the actual prices were on average **lower** than the minimum price, and most producers did not know the minimum price. In **1996/97**, the mean producer price paid to farmers was **36 cents per kilogram**, whereas the official minimum price was **35 cents per kilogram**.

Farmers do not have formal credit to trade cashew raw nut, except for small amounts available through **NGO's or small Financial Institutions** operating randomly throughout the country. As it is virtually impossible for farmers to get credit for their business, they depend heavily on buyers, leading to the **oligopolistic structure** of the wholesale cashew marketing. This situation gives them a very **low bargaining powers**, and does not allow them to get good prices.

They have to accept the prices that the main wholesalers offer to them, as they are the most powerful market players. They own the means of transport, warehouses, have access to credit and are in a position to purchase nuts from the rural areas during the raining season, when the roads are very difficult to ride on. Therefore, had the farmers spend costs in treating the trees and spend time in collecting the nut, the price would not at all have compensated the investment, since the trees on an average have a very low yield.

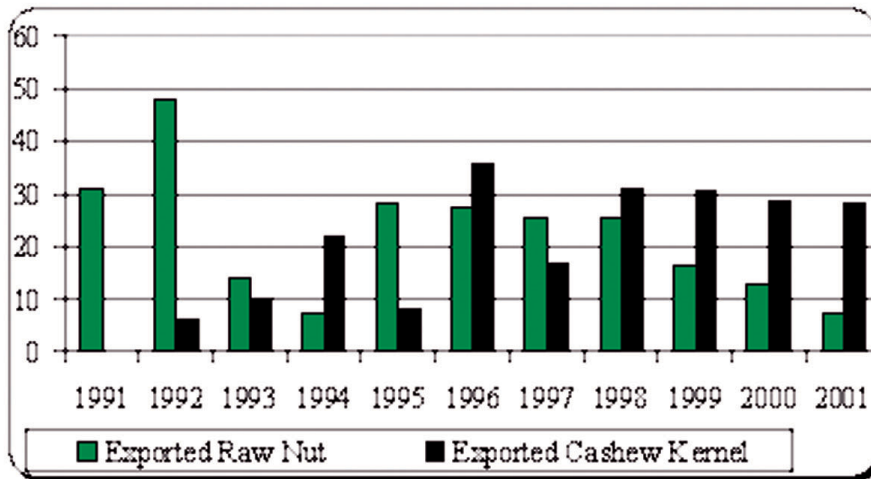
Although after the liberalization, **farmers are getting a higher share of the export prices**, producer price in Mozambique remains low in comparison with those prevalent in Tanzania, for example.

Producer price increased by **60 percent** between the **1993-94** season and the **1996-97** season. As a share of the world price, producer prices increased from **29 percent** in **1993-94** to **45 percent** in **1995-96** and to **49 percent** in **1996-97**.

#### Farm Gate and Export Prices for Raw Cashew Nuts (1992-93 to 2000-01)

Season	Marketed Output	Producers Price	Exporters Price	PP % of EP
1992-93	23395	0.25	0.69	36
1993-94	29987	0.23	0.78	29
1994-95	32890	0.32	0.68	47
1995-96	66510	0.35	0.78	45
1996-97	43325	0.36	0.74	49
1997-98	51700	0.35	0.68	51
1998-99	58721	0.45	0.70	64
1999-00	52608	0.54	0.71	76
2000-01	52088	0.23	0.41	56
2001-02	41009	0.30	0.43	70

## Trends of Exports of Raw Cashew and Cashew Kernel (Quantity in Tons)



### ❖ Cashew Kernel and Cashew Nut Shell Liquid (CNSL)

The decrease in **export prices**, coupled with the **scarcity of the domestic offer**, made exports unattractive in the last 2 years.

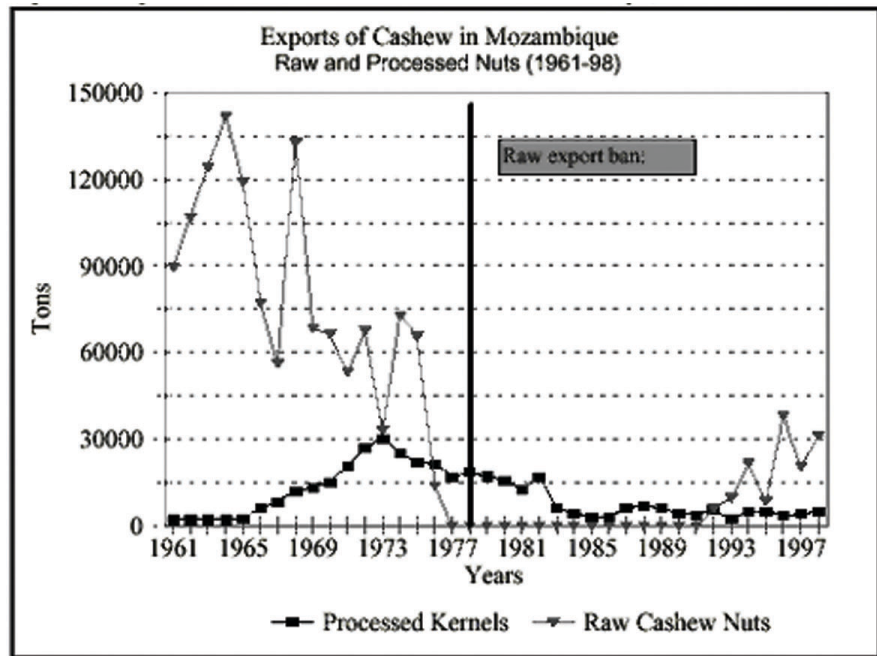
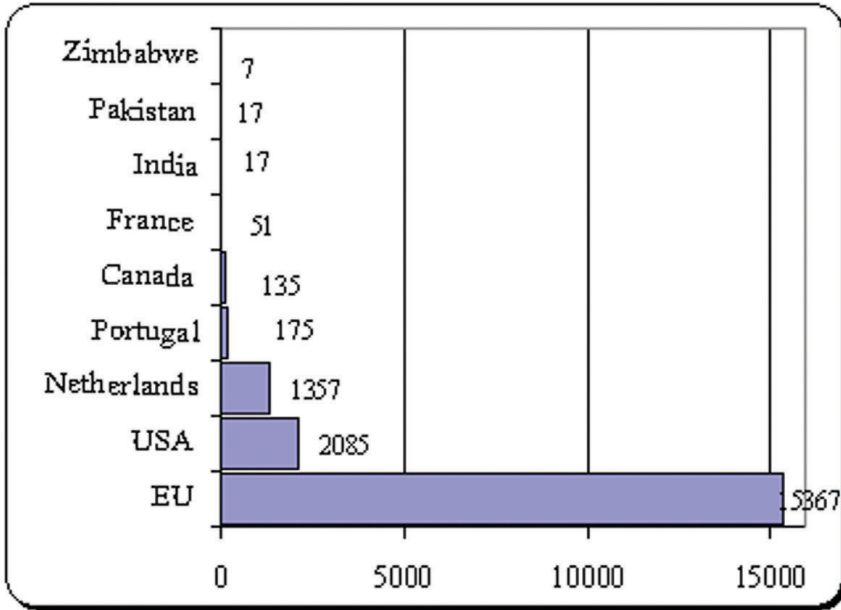
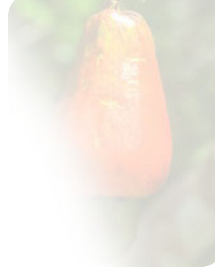
Prices in the international market are competitive. They reflect the supply and demand situation, which is highly fluctuating. In the last 2 years, kernel production was low, in India in particular, and world prices are expected to rule firm following a strong demand coupled with the limited export availability.

Prices vary by grade, with bigger sizes getting price premiums, based on a benchmarking size, which is **W320**. Although the differential between grades can be significant, their prices seem to **move in parallel**.

When compared with the world market prices, **export prices from Mozambique are low**, mainly due to the **low quality** of the kernel. Kernels from Mozambique have a lower percentage of WW (Whole Whites) than those of the main other exporters, namely India, Brazil and Vietnam.

The data also reflect two important relationships. The first is the **premium price that the market is willing to pay for larger-sized whole white kernel**. The second is **how expensive it is, in terms of foregone revenue**, to scorch and break whole kernel. Scorched Wholes (SW) sold at an average discount of over to W320. Therefore, the use of appropriate technologies that fit technical skills of the average Mozambican workers, coupled with a good management of the processing units, are key conditions for increasing the value of the cashew exports.

This assessment maintains the hypothesis that Mozambican exporters reduce their potential earnings because they ship less full containers of the same grade of cashew. **The standard 20-foot container holds 750 cardboard boxes, weighing 50 pounds each, amounting to a total of 17,010 metric tonnes.**

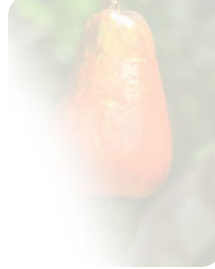


**Exports of Cashew Kernels in Quantity and Value (1991-2001)**

Year	Qty (000ton)	Value (UDS000)	Unit price
1991	3.80	16000	4237
1992	5.40	17400	3222
1993	2.80	9200	3286
1994	0.60	2500	4167
1995	1.90	7000	3694
1996	4.50	17400	3867
1997	3.91	14269	3654
1998	4.90	19000	3878
1999	2.40	10305	4294
2000	3.17	12742	4014
2001	0.95	1895	2003

**Exports of Cashew Nut Shell Liquid in Quantity and Value (1995-2001)**

Years	Qty (Ton)	Value (UDS000)	Unit price
1995	31000	61.92	0.20
1996	138460	156.19	0.11
1997	16200	26.48	0.16
1998	10800	34.28	0.32
1999	20000	26.00	0.13
2000	-	-	No Exports
2001	-	-	-



### Exports of Cashew Kernels by Destination (1996- 2001)

	Qty kgs	%	Value US\$ 000	Average price (kg)
EU	15367098	77.55	58395.32	3.80
USA	2085771	10.53	7264.08	3.48
Netherlands	1357190	6.85	5567.54	4.10
Canada	435737	2.20	1801.40	4.13
Portugal	478847	2.42	2212.85	4.62
France	51020	0.26	234.35	4.59
India	17010	0.09	106.72	6.27
Pakistan	17123	0.09	69.90	4.08
Zimbabwe	6800	0.03	34.14	5.02
	19816596		75686.29	3.82

### Schedule of Export Tax (Proposal & Actual)

Year	Industry Proposal	WB/Industry Negotiated Proposal	Actual Tax
1995-96	25	20	20
1996-97	20	12	14
1998-99	16	7	14
1999-00	12	5	18
2000-01 & Continuing	8	0	18

According to some industry sources, buyers do not apply a discount as long as a single container holds **no more than three different grades of kernel**. However, brokers in the U.S. and Europe will apply a discount in the case where the number of grades exceeds three. The buyer needs the discount to recover the extra distribution costs at the destination markets. The labour and the other costs incurred to break a mixed lot shipment in U.S. and the European posts are expensive. It is much more profitable and easier for the broker to simply forward a container full of the same grade to the end user.

However, studies suggest that the **Mozambican kernel exporters sell at a substantial discount to world market prices**. This conclusion is reached by comparing the price Mozambican exporters received over a 12-month period (1998/1999), to FOB export prices of India. The table below shows the discounts ranging from a low of 8.68 % for scorched whole kernels (SW), to a high of almost 27% for Fancy Splits (FS).

### Kernel Prices: Discount of FOB Mozambique to FOB India

Grade	Number of Transactions	Full Containers	Average Discount
Whole White 210/pound (W210)	3	0	18.74
Whole White 240/pound (W240)	14	0	10.25
Whole White 320/pound (W320)	16	0	8.84
Whole White 450/pound (W450)	15	3	12.72
Schorched Wholes (SW)	10	0	8.68
Fancy Butts (FB)	7	0	19.95
Fancy Splits (FS)	9	0	26.82
Large White Pieces (LWP)	6	0	21.16

Several factors contribute to the discounts, including **differences in transportation costs**, a general discount applied to products from Mozambique, or a discount attributable to the fact that Mozambican companies have a tendency to ship **less than full container** loads of the **same grade of kernel**.

According to industry sources, the transportation cost differential between India and Mozambique is a few cents per pound. This only explains a small portion of the discounts displayed above. Another factor may be the overall **reputation of the shipper**. Indian factories tend to be more regular sellers. Mozambican exporters have the general reputation in the trade for being “**spot**” sellers. That means that they enter the market when they have product to sell, and want to sell quickly. Unlike other international exporters, **Mozambican exporters are generally unwilling to make commitments for future delivery**.

However, all these explanations combined do not explain discounts of the magnitude shown in table above. It seems reasonable to attribute much of the difference to **lot size**. The larger producers ship full containers of the same grade because that’s what the buyers prefer. As table shows, Mozambican exporters are only able to do this occasionally.

**Cashew Nut Shell Liquid** was an important cashew export product during the second war, being used for military purposes, and later during the seventies. At present it is only considered a **marginal product, priced below US\$ 100/ton**.

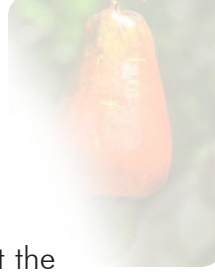
Organisation and co-ordination of the sector and its incidence on the export performance INCAJU introduced an institutional structure that created conditions for the participation of all stakeholders at different levels of the sub-sector, in order to co-ordinate the sector.

An institutional network allows the establishment of connections among the Government entities (Research Institute, Extension Services and INCAJU) and with others like, NGO’s, private business community and professional associations. This will allow the establishment of agreements, contracts etc., among the stakeholders introducing more discipline in the relations among themselves.

The activities include:

- ❖ Establishment of a production forum;
- ❖ Establishment and development of regional delegations of INCAJU and regional production forum;
- ❖ Creation of community mechanisms of participation;
- ❖ Periodic seminars and meetings to discuss cashew matters;
- ❖ Establishment of relations with producer countries;
- ❖ Co-ordination with other relevant departments of the Ministry such as, DINA (Direccao Nacional de Agricultura) and Statistical Department to inform the stakeholders about the evolution of the cashew business in all areas under it.





Importance of export quality on the export performance

There is no quality control system in Mozambique, which takes care of quality control throughout the whole chain (raw cashew nuts, kernel, products from false fruit etc.)

With the exception of some enterprises that control the quality of raw cashew nut and the final product (kernel) to some extent, the country lacks a true and solid control system that can give credibility to the people involved in the business in Mozambique and abroad.

This is an area, which INCAJU is trying to organise; by considering the introduction of control/security systems like **HACCP/ISO**, in order to adhere to the increasingly restrictive regulations adopted by USA and European Union.

**Import regulations** in those countries is very demanding, and the producer countries will have to allow regular inspections of their processing and packaging units, to ensure achievement of international norms and standards of the product.

Mozambique as a producer country with aspirations to place itself as one of the best world producers in the near future, will have to foster activities in this area, to create as quickly as possible a control agency, well-known internationally, which will permit **certification** of the cashew products exported.

## Constraints to Export Development

### Production and harvesting

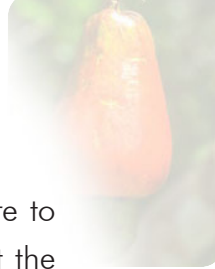
Since Mozambique has no tradition in quality control starting from the small holder producers, the buyers (exporters and processors) are obliged to buy the available cashew raw nut **independently of its quality**. As stated above, in the case of the processors some quality control is done, in processing unit, mainly to help the classification of the nut in terms of size to follow the international standard. However **the spoiled and inappropriate nut for processing becomes a loss that causes serious problems in the business profitability**.

For the exporters things happen other way. In fact they only assess the out-turn of the nut, buying everything they can, to mix in the final container since the importers allow a **certain % of nuts of less quality**. The importers' inspectors visiting the country at the time of shipments, control the out-turn of the nut and the homogeneity of the whole container.

This situation obviously aggravated by the **lack of adequate storage facilities** particularly in the first steps of the marketing chain, **weakens Mozambique capacity to capture good prices, causing some times huge losses**. Normally **Mozambique sells at discount in the international markets**.

### Processing

Although processing is an operation that adds value to the raw cashew nut, raw material is the single



most important item on the profit and loss of a cashew factory. In fact it costs the same or more to process a unit of smaller, poorer quality raw nuts than it does for larger, better quality nuts. Yet the latter should produce substantially more revenue than the former. Therefore there is no doubt that a successful cashew factory is one that has a **well-organised** and **managed procurement system**.

Nevertheless, the potential value of a factory's final product is a function of both the **quality of the raw material** it acquires and **how well it processes that raw material**. The market values more, large, whole and white kernel, so the processing unit needs large-sized, good quality raw nut to produce it.

The way the processing units are organised determines the quality of the final product they produce. An unit that **produces more large-sized, good quality nuts** (better % of whole and white kernel) **will have a higher value in the market** than one which produces smaller, poorer quality nuts (scorched and/or broken kernel), all other factors being equal.

Taking this in account, the way to maximise a factory's value is to produce a high percentage of whole, white kernels from large-sized, good quality raw nuts.

In this regard, **the technology being used** plays a key role in achieving efficiency, so an adequate choice is critical for a good performance. The processing units in Mozambique as stated above to heat the raw nut use basically a two-stage process which are, either to **roast** raw nuts in cashew nut shell liquid (CNSL) or, use **steam** for the heating.

There exist four technologies to decorticate the kernel after heat treatment, two are labour –intensive, two highly automated. They include **hammering, pedal operated cutting, mechanical cutting and mechanical impact decorticating**. Assessments about the efficiency of each of them implies that with the exception of mechanical impact decorticating (definitely inadequate for the main purpose of achieving good quality), all the others are acceptable depending on the circumstances i.e. quality of raw material, capacity of the processing unit etc.

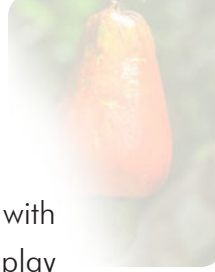
It is important to adopt a diversified processing strategy, based on:

- ❖ The **capacity of obtaining adequate raw material**;
- ❖ **Size of the processing unit**;
- ❖ **Proximity of sources of raw cashew nut**;
- ❖ **Availability of skilled labour**;
- ❖ **Good management** and adoption of strict procedures for **quality control**;

This will ensure adherence to international standards in producing products of high quality.

## Export Marketing

The traditional market for Mozambique, EU – **European Union** and **USA** are becoming more and



more demanding with regards to quality control. Products entering these countries must comply with very restrictive quality standards. To gain reputation for reliability is crucial, so marketing services play a key role in gaining those markets. To do so, reliability in terms of **quality, grading and volumes** are key issues.

Normally importers are concerned with:

- ❖ The additional cost of **resolving infestations**,
- ❖ **Failure to achieve appropriate prices**, due to in-correctly graded kernel,
- ❖ **Default** volumes,
- ❖ **Samples matching shipped products**
- ❖ And variable **moisture content**

Mozambican processors must follow what the market values more. To improve their capacity they have to know what is happening in the market, so the creation of an organised network of **market information** that can be used by every industry, will be very important to improve their competitiveness.

## Production and Trade Policies

**INCAJU** has taken the responsibility for the policies to be pursued within the cashew sub-sector based on two options, recovering of cashew orchards through integrated treatment of plagues and diseases and introduction of new plants to increase the number of plants and to replace the old ones.

However in spite of the government's efforts to increase production, the results are still far away from the expected ones.

It seems to be caused by the **lack of specific regulations**, which will act as an incentive to commercialisation. In fact most of the activities envisaged in the INCAJU Master Plans either were not activated (consistent control quality system, seasonal labour regulation) or are still facing some difficulties to be enforced (guarantee funds to be used on cashew production, trade regulation).

Regarding to trade policies, the only mechanism that has some influence on cashew nut exports is the **surcharge of 18% / 22% on the basis of FOB value**. The lack of specific regulation led to several problems among them, the uncertainty regarding future FOB prices, caused exporters to make more margins in order to cover increased risks, resulting in lower producer prices.

It seems that exporters would **prefer a fixed surcharge in dollars**. This would make softer the exporters' concerns, but on the other hand, it would be difficult for the Mozambican authorities to come-up with a fair tax that would follow the prices fluctuations.

## Other Constraints

A major constraint for the development of agri-industry in Mozambique is the **lack of a suitable environment** that creates conditions for economic growth. Mozambique is still one of the weakest

countries in the region regarding the **quality of its production factors, policies, and institutional and procedural factors**.

The existent **infrastructure is very weak**. The transport facilities and services are in bad condition. Most of the feeder and secondary roads are bad, causing high transportation costs. The harbour services in the ports are inefficient, particularly in **Nacala**, the main export harbour in the North of the country. High costs for telephone, storage, shipping and lack of qualified labour and low productivity are some of the constraints that affect the production strongly. Another major problem already pointed out is the **difficulties in assessing modern and adequate technology**.

With regards to **policies and institutional and procedural factors**, the situation in general is not good affecting directly the general **investment climate**. Issues like **tax regime, tariff regime, labour regulations, customs supervision and control** are still far away from being a dynamic factor in creating the appropriate climate for economic growth. This consequently has a great negative impact in sub-sectors such as cashew whose contribution for the Mozambique GDP has been important.

A lot has to be done still by the Government to change dramatically the negative impact that the absence of a good environment causes to the whole economy in general and the agri-processing in particular.

**Credit** is a key factor in agribusiness. The relatively weak organisation of the financial markets in Mozambique make credit availability a key factor affecting agribusiness procurement. Suppliers that can offer credit (national and foreign wholesalers) enjoy important advantages, including the ability to charge higher prices (it happens often in raw cashew nut commercialisation). While reputable enterprises, with good records frequently utilise overdraft facilities, others cannot (particularly small/medium scale enterprises) and consequently must find suppliers willing to make credit arrangements, even if at a great cost. This drives up production costs.

### Identification of Technical Assistance Projects Production and Harvesting

Mozambique has developed programs to research and analyse the long term trends in the market. Researchers have been working on varieties imported from Brazil, India and Tanzania together with some local planting material, to assess its **adaptability** to Mozambique environment and its resistant/ tolerance to **powdery mildew disease (PMD)**. Among the main players in this area is the **Cashew Rehabilitation Project (PRC)** in **Nampula** funded by **African Development Bank (ADB)** which ended in **1999**. The aim of this program was to bring abandoned or neglected cashew trees back into normal production, to planting grafted seedlings and top-working low yielding trees. Other similar and important work was done by **Entrepuesto**, a private company in **Monapo**, World Vision in some districts of **Nampula**, **ADPP in Itoculo Nampula** and **ADRA** in the district of **Maganja da Costa, Zambezia Province**, in the Southern part of the country **INCAJU** promoted also similar programs.

These activities have been followed by the **diffusion of planting material** through **nurseries**. Nonetheless, there are still some doubts about the quality of the diffused material although the selection of the material was done carefully from among the most productive trees.

In **1998**, trials were conducted to **assess the effects of applications of chemical products to increase cashew tree productivity**, the **nut quality** and to evaluate its **economical feasibility**. These trials were done under the control of World Vision by a team comprising of national and international researchers, basically in Nampula Province.

In the year **2000** concentrated in Nampula, began **a chemical distribution and application program to spray the infected trees**, involving private trading and processing companies (Gani Comercial, Muteko Lda.) individual private entrepreneurs, NGO's (ADPP, World Vision) and input suppliers companies (Agroquimicos, Agrivet).

Two new programs are now being implemented. One of these programs will **spread the activities over several producer provinces**, instead of being concentrated in Nampula the major producer province.

One of the new programs is promoted by French Agency for Development, and will **concentrate its efforts on agronomic research and the renovation of the cashew orchard**, in the districts of Angoche, Mogovolas and Moma in Nampula Province.

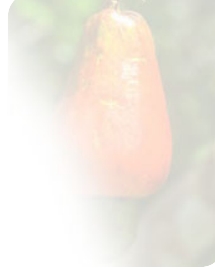
The other one a five years program, will be implemented in the Provinces of Cabo Delgado, Nampula and Gaza. The program falls under the auspices of **Ministry of Agriculture**, through the Office for the Promotion of the Commercial and Agrarian Sector (GPSCA), together with **Institute for the Promotion of Cashew** (INCAJU) and it is funded by **European Community** (EC). This program will target the following outputs:

- ❖ Increasing of the **rural families' income** in the targeted areas;
- ❖ Increasing **productivity** and improving the **quality** of the commercialised raw cashew nut
- ❖ Expansion and improvement of the **production support services** and the **commercialisation** of inputs and raw cashew nuts.

The activities to be developed are among others the following ones:

- ❖ Applied research to develop **improved technological packages** and to introduce appropriate good agricultural practices (pruning, tree cleaning, top-working low yielding trees, etc) and post-harvest.
- ❖ **Multiplication of local and/or imported seedlings** which has demonstrated good results in terms of productivity, quality of the produced raw nut and tolerance to diseases in nurseries which will be later sold to the cashew producers.
- ❖ Support to the local multiplication activities and sales of seedlings, for instance through research centres or targeted clients or even training in specific areas such as, **grafting techniques** and





## business management.

- ❖ **Demonstration and diffusion** of improved technological packages among the producers.
- ❖ **Small holder producers' training** in areas such as, production, post-harvest management and commercialisation.
- ❖ **Support to organisation and training of smallholder groups.**
- ❖ Establishment of **market linkages** among the producers, input suppliers, cashew traders, processing units and other entities operating in the financing area.
- ❖ **Training of traders and other operators** in areas of pesticides handling, spraying service providers and business management.
- ❖ Building of solid **relations between the spraying service providers and the suppliers of chemicals.**
- ❖ **Capacity building** (technical and institutional) of INCAJU and INIA (National Agronomic Research Institute) delegations.

## Processing

At processing level, some activities are being implemented aiming to support the industry re-structuring. Among them are:

- ❖ The **adoption of adequate technologies;**
- ❖ The **reallocation of processing units**, near the sources of raw material;
- ❖ The **training** of managers and skilled workers;
- ❖ The provision of **support services** in areas such as, market procurement;
- ❖ The establishment of a **guaranty fund** to facilitate the processors access to credit for working.

The prime feature of this program is the priority given to **re-structuring** of existent units located near the sources of raw material, as well as the **reallocation of processing units** to meet this requirement.

As a matter of fact profitable small and medium scale processing units, can be an important growth factor for the sub-sector, because they can generate **added value** and **create jobs** within the rural areas.

Processing units are the main clients for raw nut of superior quality. They can:

- ❖ Provide **extension services** to improve quality on raw nuts (playing important role on INCAJU program)
- ❖ Promote **small processing units** around them to achieve the critical mass for exports
- ❖ Provide **technical assistance** for small holder producers on cashew tree treatments and raw nut processing;
- ❖ Provide **assistance to smaller processing units** on technical and management issues.

## Export marketing

Mozambique has been making efforts to create an environment that is conducive to private investment, both domestic and foreign. Mozambique's economy is essentially dependent on agriculture (more



than 2/5 of GDP and the bulk of merchandise exports including cashew raw nut and kernel). So, the agriculture sector has been substantially liberalised since 1997. Except for the **sugar** and **cashew** sub-sectors, **the Government has withdrawn from direct involvement** in production, processing, and marketing activities, and has retained only its role in setting policies. So, the Government introduced reforms, which included the revision of **custom duties** on all agricultural products, **elimination of most of the export restrictions** and **foreign exchange controls**.

However with regards to agri-industry development, the reforms must continue, in areas such as, **telecommunications** and **transport services**, in order to lower the costs so as to improve the international competitiveness for the Mozambican products.

In pursuing these objectives, Mozambique has entered into multilateral, bilateral, regional and preferential trade agreements. Today, Mozambique is a signatory of the **WTO** – World Trade Organisation, **World Bank**, **IMF** – International Monetary Fund, **Lomé Convention**, **SADC** – Southern Africa Development Community, **IORARC** - Indian Ocean Rims Association For Regional Co-operation, **AGOA**- African Growth and Opportunity Act, **GSP** – Generalised Systems of Preferences and Trade Preferential Agreement with South Africa.

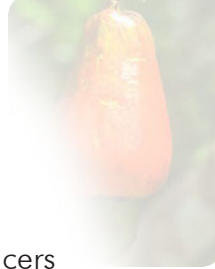
In spite of these efforts, Mozambique needs to improve its **market system information**, creating a network to include all players within the agribusiness framework in order to keep them well informed about market evolution for their products and the most recent technologies so as to improve their efficiency. In this regard the development of a web-site with market and trade information would be very useful. This would be accompanied by the ministration of some training to the farmers on how to get information.

Another area still requiring a lot of work is related with **marketing infrastructures**. Addressing this issue, the Government and several other entities are involved in programs aiming to improve the existent infrastructures that are very weak all over the country. The present condition is a hindrance in obtaining products of good quality. Developments are going on to ensure market linkages, through storage facility improvement, rural market development and feeder road improvements.

### **Strategy and national policies favouring the development of the sector**

The main guidelines for a cashew sub-sector strategy in Mozambique regarding its main components, production, processing and commercialisation are contained in the Master plans elaborated by INCAJU. These master plans define the **strategic intervention** priorities, offering a driving frame to the different stakeholders from public to private involved in cashew business.

In summary, the **guidelines** refer to production, productivity of the cashew trees, the quality of the raw nut, the need to give a special emphasis on the development of efficient technological packages, to combat the diseases and to disseminate better agronomic and pos-harvest practices among the producers.



In relation to **commercialisation**, the plan reserves special importance to small holder producers associations, a process initiated a few years ago supported by some NGO's among them CLUSA and SNV.

The plan also recommends the **constitution of a credit system** that can provide adequate funds to traders and processors in order to stimulate the purchasing of cashew raw nuts by those agents. Following these directives a guarantee fund was created by INCAJU which was managed by a commercial bank (BCI) Commercial Investment Bank. Other initiatives are taking place at the level of micro-finance by other non-financial organisations such as, World Relief.

Finally about processing the intention is to support the **industry re-structuring process** creating an agri-industry that can take full advantage of the comparative advantages Mozambique enjoys, transforming them into competitive advantages.

### **Sector organisation and regional co-operation**

**INCAJU** as a state agency **responsible for the implementation of the policies** envisaged for the cashew sub-sector, places it self as the pivot of the network that frames the cashew business in Mozambique.

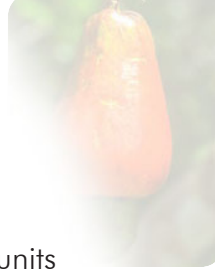
As such, INCAJU is making efforts to introduce within the sector an organisation that allows **participation and interrelation among the stakeholders** so that each one of them gets the most from the cashew business. While building this organisation, INCAJU aims to establish relations with cashew producing countries especially in Africa, to exchange experiences gained in more than a half century developing the cashew business.

Building relations with other countries in Africa, through for instance, **a regional forum**, that includes countries from East and Southern Africa, would contribute greatly to the development of a cashew system in the region from what each country could benefit.

As a matter of fact, a **cross-country collaboration** would build a consensus on substantive action for sustainable development of cashew crop. As a consequence, the countries involved could take advantage of the experience accumulated by each of them individually and hopefully benefit from specific experiences in areas where each one of them have a comparative advantage.

Among others the **collaboration** would allow to develop a common point of view on issues such as:

- ❖ Policy change
- ❖ Research and technology transfer
- ❖ Grower and business support services
- ❖ Market system and information system development



## Export quality certification and assurance

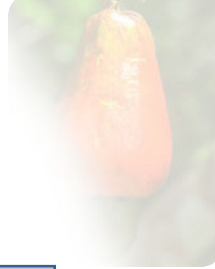
To improve quality, some projects are taking place in rural areas, based on installing processing units surrounded by smaller units that process cashew raw nut and to deliver the kernel (peeled or non-peeled) to the main factory for grading and packaging. This will help to achieve the critical mass to hit in a stable way the international market. On the other hand it will allow the adoption of a **brand name** under which the kernel produced in Mozambique can be known worldwide. The idea is to **franchise the business**, creating an export centre that will buy, grade and pack the available kernel for the international markets and/or flavour it to sell in domestic or regional markets.

These processing units will have a leverage effect in increasing the quality and the levels of cashew nut production.

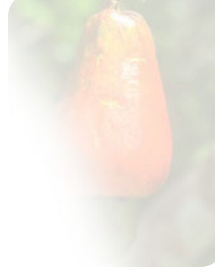
Besides this kind of actions in the field, Mozambique's external trade policies are designed to create an environment to promoting its products in international markets. Trade policies are formulated with the view to speeding up Mozambique's industrialisation process, and in such a way to make access to foreign markets easier for Mozambican products. These policies are being introduced through specialised Government Agencies such as, **Export Promoting Institute** (IPEX) and the **National Institute of Normalisation and Quality** INNOQ that takes care of the administration of standards.

### Chronology of Cashew Processing Units in Mozambique

1950	The first cashew business was set up by a Indian trader as a cottage industry ] among black women in the south of the country and grew up to become the first processing unit in Mozambique. It was taken over by a business group to become Caju Industrial, (presently Polycaju).João Ferreira dos Santos was included among original shareholders.
1965	Cajuca da Machava began operations.Manuel Rodrigues Neto a private business man establishes factory at Manjacaze.A joint venture between Anglo-Amerciacn Corporation of South Africa and Oltremare of Italy establish Mocita at Xai-Xai.Mr. Tucker an engineer establish factory at Inhambane
1971	Cajuca da Machava (today Mocaju) establishes Cajuca de Angoche. Grupo Entrepoto commissions Companhia de Caju do Monapo. Anglo-American Corporation, forced to reinvest locally generated profits in Mozambique, establishes plant at Antonio Enes, today Angoche. Mahendrasing Jamnadas establishes processing plant at Lumbo. Ilha de Moçambique.
1975	Original owners abandon Cajuca da Machava and Cajuca de Angoche. Mr. Tucker abandons factory at Inhambane. Neto abandons factory at Manjacaze.
1975	Antonio Enes goes into receivership
1979	Caju de Mozambique created to take over operations of abandoned plants, including Cajuca de Angoche Cajuca da Machava, factory established by Tucker, (present Procaju/Manjacaze). Neto's former operation at Manjacaze, and the



	presently Policaju. It also owned Antonio Enes and Socaju in Nacala.
1979	Anglo – American pulls out of Mozambique. Mocita enters voluntary receivership and Caju de Mozambique takes over day-to-day management.
1982	Caju de Mozambique shuts down factory at Manjacaze due to lack of raw material.
1984	Caju de Mozambique shuts down Manjacaze facility again due to lack of raw material.
1991	Bankruptcy court sells Socaju to the newly created Companhia de Caju de Nacala
1991	Antonio Enes is sold to Companhia de Caju de Nacal through bankruptcy proceedings.
1994	Grupo Ferreira dos Santos decides to convert facility at Geba into Cashew processing factory using semi-mechanical cutting technology. UTRE sells the former Cajuca de Machava to HAS-NUR Group, which reopens the facility as Mocaju. Receivership lifted on Mocita and Anglo_American Corporation began investing \$ 6 million in new equipment.
1994	Adil Industrias de Caju, Lda. begins operations. Companhia de Caju de Nacala recommences operations with Oltremare automated cutting equipment Procaju de Inhambane and Manjacaze recommence operations. UTRE sell Mozambique's oldest cashew processing factory to Omar Ismael, who renames the operation Polycaju, and plants at Inhambane and Manjacaze to Sara Daude a Mozambican business woman. The Mozambican –Korean joint venture – Korea –Mozambique Cashew (KMC) begins operations.
1994	Cabo Caju begin processing in rented facility in Pemba. Cajeba begins processing. Current owners purchase Polycaju from State and Mr. Omar Ismael. Grupo AGT buys Inducaju.
1994	Companhia de Caju de Nacala ceases operation and transfers most of its machinery and equipment to Angoche. Adil Caju ceases operations. Angocaju from AGT and Grupo Enacomo ceases operations. Invape begins operations.
1994	KMC ceases operations. Madecaju begins operations. Procaju/Inhambane and Manjacaze halt operations. Mocaju ceases operations.
1994	Cabo Caju secures IFC financing for major expansion, signs marketing agreement with Delta Café. Mr. Viriato, the Mozambique partner in KMC, resumes operations and begins procedures to rename company Socaju, Lda. Caju do Monapo and CCN de Nacala from Entrepote cease operations.
1994	Caju do Bilene begins operations.
1994	Caju de Morrupula using semi-mechanical cutting technology is created and installed.
1994	Mirandas Cashew unit begins operations using semi-mechanical cutting technology.



## List of Main Stakeholders

### Government Agencies

Instituto de Fomento do Cajú (INCAJU) Director Clementina Machungo Deputy Director Raimundo Matule

Gabinete de Promoção do Sector Comercial Agrário Director Arnaldo Ribeiro

Instituto Nacional de Investigação Agronómica Director Calisto Bias

### Instituto Nacional de Exportações, Director Tomás Oliveira

Instituto Nacional de Normalização e Qualidade Director Gabriela Silva

### Private Business Associations

Associação dos Processadores de Castanha de Cajú (AICAJU)

President Kekobad Patel – ENACOMO

Vice- President Rogério Nunes – ENTREPOSTO

Associação Comercial, Industrial e Agrícola de Nampula (ACIANA) President Momade Pereira

Associação Industrial de Moçambique (AIMO) President Carlos Simbine Vice-President José Alves

Associação dos Empresários Privados de Moçambique (AEPRIMO) Presidente Egas Mussanhane

União Geral das Cooperativas – Apoio ao Desenvolvimento (UGC) Director Celina Cossa

Associação dos Fruticultores do Sul de Moçambique (FRUTISUL) Presidente José Alcobia

Associação dos Empresários da Zambézia (AESAZ) Presidente Afonso Uageito

### Non- Governmental Organizations (NGO)

Associação Moçambicana para a Ajuda de Desenvolvimento de Povo para Povo - ADPP Moçambique Country Director Birgit Holm Nurseries and tree plantation – Itoculo Nampula

Cooperative League of United States of America (CLUSA) Contry director John Collon Creation and capacity building of rural Associations – Nampula, Zambezia

Adventist Development and Relief Agency USA (ADRA) Country Director David Tejel Subirada – Zambezia- Gaza

Associação Moçambicana para o Desenvolvimento Rural (AMODER) Director José Carlos Trindade

Organização Holandesa de Desenvolvimento (SNV) Country Director Geraldo Prince

Technoserve Mozambique (TNS) Country Director John Kingman Walter

Associação Suíça para a Cooperação Internacional (HELVETAS) Country Director Rudolf Gsell

Associação para o Desenvolvimento Regional de Cabo Delgado (UMOKAZI) Director Luciano Macumbe

World Vision (WV) Country Director Gary Bayer

## Private Companies

Grupo Entrepasto (Cashew processors)Chairman João Navega

Casa Damodar - cashew traders (Nampula)Manager Jessy

Grupo Enacomo - cashew processors (Nampula)

Chairman Pacheco Faria

Gani Comercial cashew traders and processors (Nampula)Chairman Yunusso Gafar

João Ferreira dos Santos cashew traders and processors (Nampula)Chairman João Ribas

OLAM – Nampula cashew traders (Nampula)Manager Shiv Kumar

Casa Modi cashew traders (Nampula)Chairman Jatine Modi

SABAWES cashew traders (Cabo Delgado – Nampula)Manager Amílcar de Melo

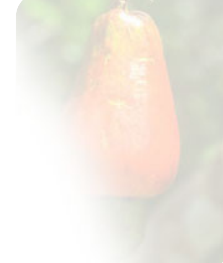
### Summary of Cashew Processing Factories

Factory Name/ (Original Name)	Location	Year Est.	Status: Operational or Yr.Operations	Ownership Ceased	Installed Capacity (1)	Technology
Adil IC	Inhambane	1995	1997	Mr. Vipino- 100%	3000	impact
Africaju	Sofala			<b>(8)</b>		
Angocaju/ (Angoche)	Nampula	1971	1997	Gani/Enacomo - 70%, State-30%	10500	impact
Beira Sofala				<b>(8)</b>		
Cabo Caju Cabo	Delgado	1995	Operates intermittently <b>(6)</b>	Juerg Reiser- 100% <b>(8)</b>	2,000 <b>(2)</b>	semi- mechanical
Cajeba	Nampula	1995	Officially closed <b>(7)</b>	Grupo JFS-100% (Portuguese) <b>(8)</b>	3500	semi- mechanical
Inducaju- 1	Nampula	1973	1999 <b>(2,4)</b>	Gani/Grupo AGT- 95%, State - 5%	2500	oltremare- hand
Inducaju- 2	Nampula	1973	1999 <b>(2,4)</b>	Gani/Grupo AGT- 95%, State - 5%	1250	semi- mechanical
Inva pe	Gaza	1998	Operational <b>(2,4)</b>	V. Mufemane- 100% <b>(8)</b>	375	semi- mechanical
Madecaju	Maputo	1998	Operational <b>(4)</b>	Alvaro Martins- 100%	200	semi- mechanical
Mocaju (Machava)	Maputo	1965	1998 <b>(4)</b>	Has-Nur-85%, State-15%	12500	impact
Mocita (in Xai Xai)	Gaza	1965	2001 <b>(3)</b>	Anglo-American- 60%, Oltremare, ED& FM <b>(8)</b>	8750	oltremare- auto
Mona po	Nampula	1971	1999	Entre posto- 100% <b>(8)</b>	9000	oltremare- hand
Nacala/(Antenes)	Nampula	1969	1999 <b>(5)</b>	Entrepasto/Grupo AGT- 43%, State-31% <b>(8)</b>	9375	oltremare- hand
Pol ycaju/(Caju Industrial)	Maputo	1950	1999 <b>(2,4)</b>	Mr. Cassamo-95%, State - 5%	3750	impact
Pol ycaju- Procaju	Maputo	1950	1999 <b>(2,4)</b>	Mr. Cassamo-95%, State-5%	1400	hammer
Procaju- Inhambane/(Inhambane)	Inhambane	1966	1998	Sara Daude-90%, State - 10%	3750	impact
Procaju- Manjacaze	Gaza	1965	1998	Sara Daude-80%, State - 20%	3750	impact
Socaju/(Korean- Moz. Cashew)	Inhambane	1995	Operational <b>(4)</b>	Antonio Viriato- 100% <b>(8)</b>	1250	manual

#### Notes:

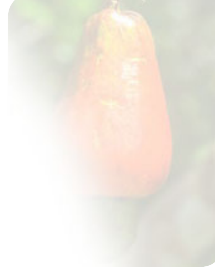
**(1)** 1999 - 3 shifts/ day -mechanical shelling; 1 shift/ day - manual/ pedal shelling; operating 250 days/ year., **(2)** State Secretariate of Cashew in Mole and Weber, 1999, **(3)** AIM, 2001, **(4)** Abt Associates, 1999, **(5)** INCAJU, 2001b, **(6)** Due to financial problems, operates intermittently, World Bank, Maputo, April, 2002., **(7)** Officially declared closed for "political reasons." Some evidence suggests factory is operating at very low capacity, WB, Maputo, April, 2002., **(8)** Includes foreign ownership, otherwise, exclusively domestic ownership, **(9)** Hilmarsson (1995), **(10)** Deloitte and Touche (1997), **(11)** According to Hilmarsson (1995), only one factory was operational in 1994





### Mozambican Exports of Cashew by Importer, 1980-1997

Year	Country	000' \$	Year	Country	000' \$
1980	United States	38422	1991	Ireland	11
1980	Canada	1025	1991	Austria	6
1980	Hong Kong	176	1991	Finland	6
1980	Trinidad-Tobago	156	1991	Sweden	5
1980	Cyprus	54	1992	India	13256
1981	United States	46460	1992	United States	11432
1981	Japan	963	1992	South Africa	944
1981	Canada	452	1992	Portugal	869
1981	Trinidad-Tobago	439	1992	Germany	476
1981	Syrn Arab RP	130	1992	France	332
1982	United States	38880	1992	Netherlands	220
1982	Japan	505	1992	United Kingdom	97
1982	Canada	219	1992	Switzerland	68
1982	Trinidad-Tobago	161	1992	Belgium-Lux	42
1982	Jordan	34	1992	Canada	39
1983	United States	12428	1992	Spain	18
1983	Canada	73	1992	Sweden	18
1983	Trinidad-Tobago	20	1992	Austria	13
1983	Belgium-Lux	10	1992	Ireland	10
1984	United States	9559	1992	Denmark	6
1984	Canada	204	1993	India	14341
1984	Cyprus	33	1993	United States	6610
1984	Belgium-Lux	15	1993	South Africa	1429
1985	United States	9163	1993	Portugal	625
1985	Canada	45	1993	Canada	296
1986	United States	7401	1993	Netherlands	235
1987	United States	16369	1993	United Kingdom	230
1988	United States	14396	1993	France	118
1988	Canada	681	1993	Switzerland	114
1988	Guadeloupe	65	1993	Germany	76
1989	United States	9457	1993	Italy	33
1989	Canada	258	1993	China	23
1989	Cuba	187	1993	Ireland	10
1990	United States	10897	1993	Sweden	10
1990	Germany	1231	1993	Finland	5
1990	Australia	823	1994	India	10819
1990	United Kingdom	477	1994	South Africa	2670
1990	Portugal	424	1994	United States	1706
1990	Canada	233	1994	Malaysia	307
1990	Belgium-Lux	51	1994	United Kingdom	141
1990	Sweden	48	1994	Portugal	58
1990	Czechoslovakia	29	1995	United States	5300
1990	France	22	1995	India	4607
1990	Netherlands	12	1995	South Africa	2208



Year	Country	000' \$	Year	Country	000' \$
1990	Austria	11	1995	Portugal	567
1990	Finland	11	1995	Netherlands	130
1990	Ireland	8	1996	India	25739
1990	Denmark	7	1996	United States	13560
1991	United States	11526	1996	Portugal	1864
1991	India	1598	1996	South Africa	1642
1991	Portugal	955	1996	Areas Nea	784
1991	United Kingdom	429	1996	Canada	520
1991	Germany	393	1996	Singapore	311
1991	Canada	383	1996	France	92
1991	Australia	371	1996	Zimbabwe	12
1991	Netherlands	92	1997	United States	12522
1991	Switzerland	54	1997	Canada	774
1991	Belgium-Lux	47	1997	Portugal	745
1991	France	46	1997	France	143
1991	Denmark	15	1997	Netherlands	92
1991	Japan	13	1997	Zimbabwe	32
1991	Norway	12	1997	Denmark	6

Source: Feenstra (2000): World Trade Flows, 1980-1997

*The End*

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