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NOV. 2026

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TRANSFORMING NUTS TO TRANSFORM ECONOMIES

The cashew sector, a revealing case of the challenges of industrializing African agricultural value chains

Africa now produces most of the world's commercialized raw cashew nuts (65%), but still captures only a limited share of the value created by the sector. Local processing represents a major economic opportunity and a lever for industrialization, but struggles to develop without coherent public policies, adapted to the context and sustained over time.

A strategic sector in full growth

Still a relatively marginal export crop in the early 2000s, the cashew tree has spread rapidly over the past two decades across much of the Sudano-Sahelian climate zones of West Africa, as well as in East Africa.

Its development rests on several characteristics that are particularly favorable to producers: a perennial crop that is relatively inexpensive to establish, good resilience to climate hazards, limited input and labor needs, and a harvest period that falls in the dry season, a strategic moment in the agricultural calendar.

Cashew has thus become a major cash crop for millions of rural African households. It is now the second-largest export crop of ECOWAS, with about 3.5 million tonnes harvested in 2025 and USD 4.5 billion in export revenue, behind cocoa but ahead of the other traditional export crops (cotton, groundnut, rubber, palm).

Unfortunately, this exponential growth seems to suffer from the same "resource curse" (Auty, 1993; Sachs & Warner, 1995) as many other tropical agricultural sectors. Until recently, it had been accompanied by only very limited development of local processing at the sub-regional level.

This raises a central question: **why and how can public action foster the emergence of industrial ecosystems from agricultural value chains in countries that are still little industrialized?**

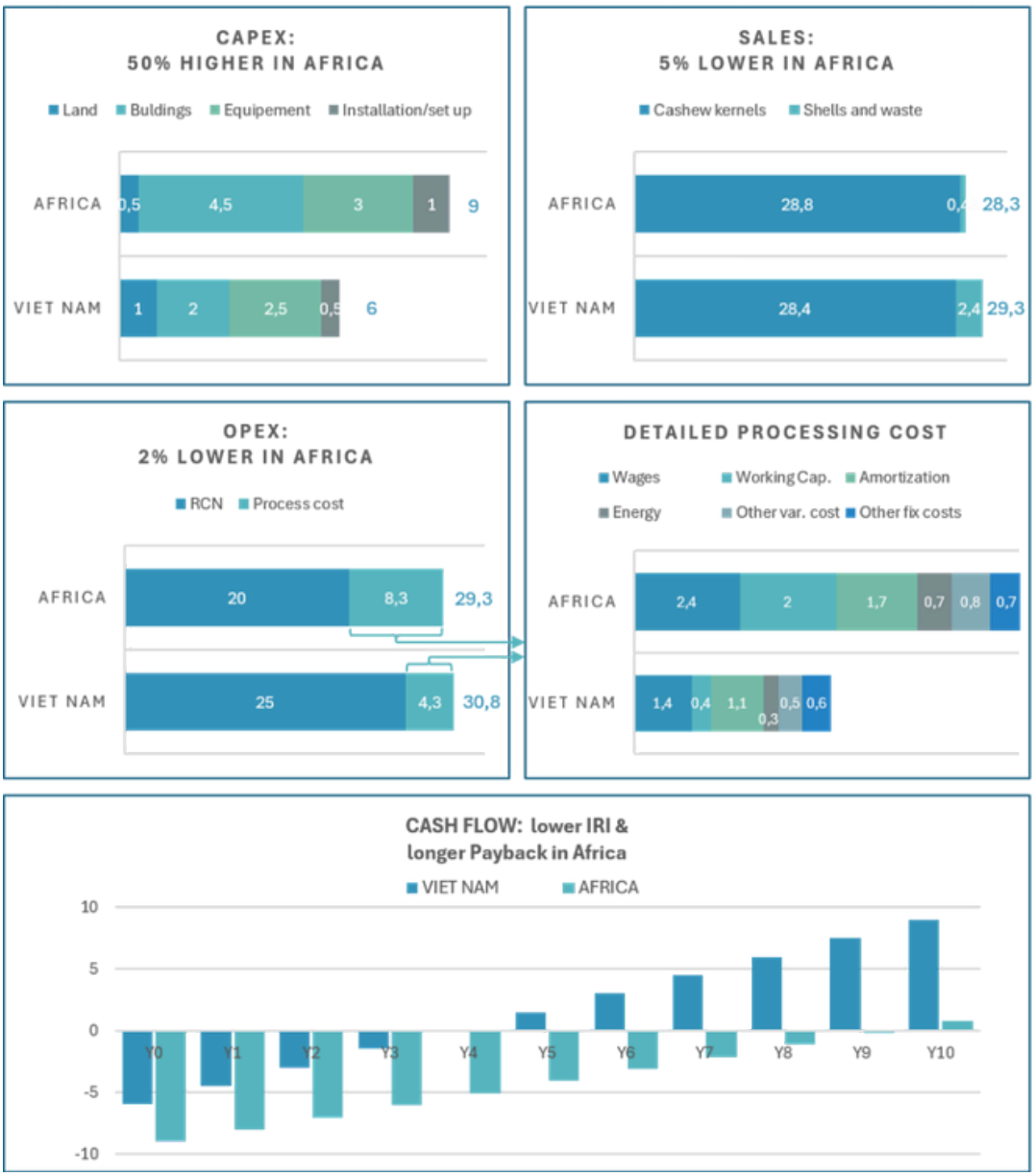
This paper analyzes the obstacles to cashew processing, as well as the policies implemented, with varying results, by the main producing countries.

The roots of competitiveness: why does cashew processing struggle to develop without a dedicated public policy?

One of the particularities of the cashew nut is the high weight of its shell, which accounts for 70 to 80% of the raw material's weight (versus 50 to 60% for other nuts). This naturally strengthens the competitiveness of local processing, by substantially increasing the cost of transport over long distances. Despite this non-negligible advantage, cost gaps show that processing West African raw cashew nuts (RCN) remains more competitive in Vietnam than locally.

Simplified comparative Business Plan for cashew processing in Africa and Vietnam, without public support for local processing

(In millions of USD – For an automatic and international standard factory processing 20,000 tonnes of raw cashew nuts (RCN) per year)



The competitiveness disadvantages of African processing stem mainly from three factors :

- Higher initial investments, linked in particular to higher unit construction costs and storage needs, which weigh on depreciation and reduce the return on investment.
- Higher cash requirements to build up annual stocks, compared with only a few weeks of capacity in Vietnam, where interest charges are about five times lower.
- Lower valorization of shells, sold at around USD 30/t in Africa versus USD 150 to 200/t in Vietnam, where they are used to extract CNSL (cashew nutshell liquid).

Without public support, cashew processing generates a positive margin, but one that is insufficient to ensure a return on investment, as investors generally target an internal rate of return (IRR) above 15%. On top of these costs come higher operational risks than in Asia: shorter supply campaigns, longer lead times for spare parts and equipment, an unstable electricity grid and higher staff turnover.

The gap with Asia therefore stems not only from processing costs, but from several decades of structuring an industrial ecosystem around a few clusters bringing together skills, specialized suppliers, maintenance, technologies, standards, subcontractors and market access.

Diverse public policies to offset the lack of competitiveness

Faced with a common situation, many African countries have adopted policies to support local processing, through a wide diversity of instruments grouped into three main categories:

RESTRICTION policies on exports (temporary or permanent) of unprocessed raw material

TAXATION policies on exports of unprocessed raw material

SUBSIDY policies for processing

These policies have nonetheless produced contrasting results, with significant gaps between producing and processing countries.

1) Côte d'Ivoire: 600,000 t processed
1,5 month window of temporary RCN export ban
RCN export levies 380 USD/t
Subsidies for kernel : 530 USD/t nationals, 265 USD/t for multinationals
For nationals only: RCN stock at 0% (20% of processing capacity) + subsidy of 175 USD/t RCN

2) Benin: 50,000 t processed
BAN of RCN exports
If export authorized, RCN export tax 90 USD/t
Investment in an Industrial Zone with 5 factories

3) Nigeria: 50,000 t processed
Tax credit 12% FOB value of exported kernels

4) Tanzania: 20,000 t processed
RCN export tax 160 $/kg

5) Mozambique: 15,000 t processed
1-month window of temporary RCN export ban
RCN export tax 290 $/kg

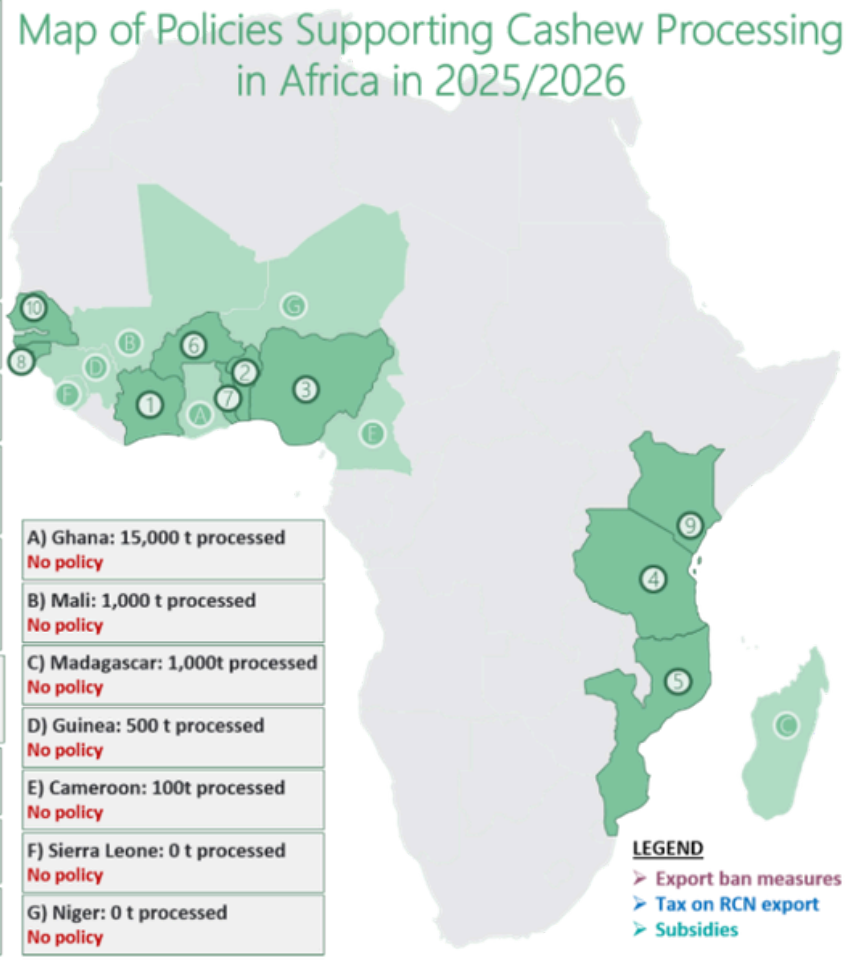
6) Burkina Faso: 15,000 t processed
1-2 months window of temporary RCN export ban
RCN export tax 45 USD/t
Exporters must deliver 50 tons/year to processors

7) Togo: 3,000 t processed
1-month window of temporary RCN export ban
RCN export tax 175 USD/t

8) Guinea-Bissau: 2,000 t processed
RCN export tax 200 USD/t

9) Kenya: 2,000 t processed
BAN of RCN exports

10) Senegal: 500 t processed
RCN export tax 60 USD/t

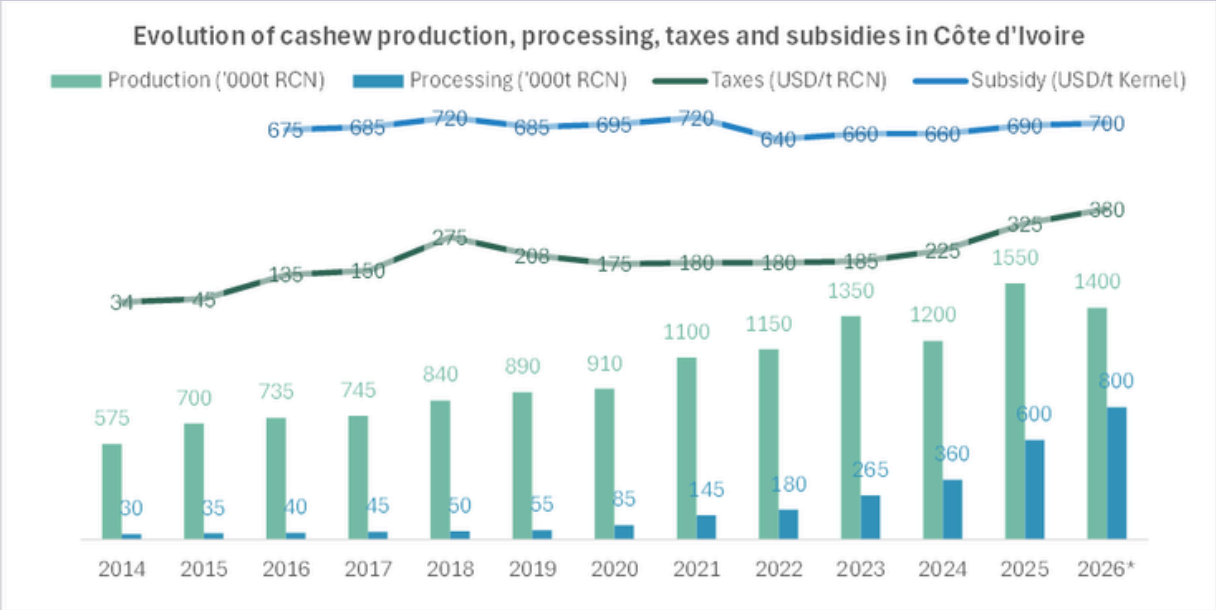


Each model responds to a different trade-off between industrial competitiveness, producer income, public revenue and free trade. International experience shows that no instrument comes without a downside: an export tax can strengthen processors' competitiveness at the expense of producer prices; a subsidy supports industry but durably mobilizes budgetary resources; an export ban secures plants' supply, at the risk of stimulating informal trade and penalizing producers located far from processing units.

The challenge is therefore not to choose between "intervention" and the "free market", but to find the combination of instruments that corrects the main imbalances without creating major distortions. Timing is also decisive: in Côte d'Ivoire, at least three years are needed between the introduction of strong incentive measures and the start-up of the new units they generate.

ZOOM ON CÔTE D'IVOIRE'S SUCCESS

While it processed less than 40,000 tonnes in 2016, Côte d'Ivoire is expected to exceed 800,000 tonnes processed locally in 2026. This twentyfold increase in local processing has generated more than 20,000 direct industrial jobs and several thousand indirect jobs. It also contributes, around the two main clusters of Yopougon and Yamoussoukro, to the emergence of a genuine industrial ecosystem bringing together specialized suppliers and subcontractors. The development of industrial skills in construction, design, management and maintenance also benefits other agri-food sectors, notably oilseed crushing, flour milling and garment manufacturing.



This result rests in particular on high taxation of raw cashew nut exports, whose mandatory levies have been multiplied by 10 since 2014, reaching 30% of FOB value in 2026. Part of this revenue is paid back to processors in the form of performance-based subsidies. This fiscal scheme is complemented by skills and technology transfer programs (SIETTA, CITA, CVC), and by targeted support to the least efficient national companies, notably through the creation of seed stocks.

AFRICA HAS THE RAW MATERIAL; ASIAN HUBS STILL HAVE A MORE FAVORABLE INDUSTRIAL AND COMMERCIAL ENVIRONMENT.

How to calibrate support measures to reconcile the interests of producers, processors and the State?

Industrialists have an interest in support measures that lower the local price of raw nuts, which reduces their supply costs and working capital needs, facilitating their financing and reducing their financial charges. Conversely, producers seek the highest possible prices and are therefore generally unfavorable to measures likely to lower them.

The table below summarizes the main measures supporting the industrialization of the cashew sector implemented in West Africa, assessing to what extent they are favorable or unfavorable to the three main groups of actors concerned.

MAIN PUBLIC POLICY INSTRUMENTS AND THEIR EFFECTS ON VALUE CHAIN ACTORS

Public policy	Countries concerned	Industrials	Producers	State
Liberalized exports	Sierra Leone · Niger · Gambia · Cameroon · Madagascar · Guinea · Mali · Ghana	**--- Very uncompetitive processing**	**+++ High prices** But strong seasonality of demand and high price volatility	**- Little tax revenue.** But informal flows from neighboring countries
Export restrictions	Permanent : Benin, Kenya Temporary : Togo · Mozambique · Burkina Faso · Côte d'Ivoire	**+ Less competition and lower prices** But competition is still possible through early purchases by exporters and/or informal trade	**--- Lower prices · Difficulty selling for producers far from factories.** The cost of industrialization is borne entirely by producers	**--- Little tax revenue · Possible development of informal flows to neighboring countries**
Export taxes alone	Burkina Faso · Mozambique · Togo	**+++ Stronger competitiveness · Reduced working capital requirement (WCR)**	**--- Lower prices** The cost of industrialization is borne entirely by producers	+++ **Increased tax revenue**. But risk of lower exports and of tax circumvention; revenue not always reinvested in the sector
Taxes redistributed as subsidies	Côte d'Ivoire	**+++ Stronger competitiveness · Reduced WCR**	**- Lower prices** The cost of industrialization is shared with the State	**+ Forgoing part of tax revenue to finance processing**
Export tax and seed stocks	Côte d'Ivoire	**+++ Easier financing · Reduced WCR**	**+ Demand supported by the State in case of weak international demand**	**- High cost · Significant risk of diversion**
Subsidy alone	Nigeria	**+ Stronger competitiveness.** But WCR still high	**+++ High prices · Reduced seasonality of demand**	**--- High budgetary burden.** Need to transfer revenue from other sectors.

Scale **+++** very favorable **+** favorable **-** unfavorable **- - -** very unfavorable

This table is a reading grid of the main economic mechanisms observed in the different cases studied; the effects shown are indicative and cannot be generalized to all contexts.

This opposition should not, however, obscure the benefits of processing for producers. Without local units, demand is highly seasonal and prices very volatile: at the start and end of the campaign, the number of buyers and their financing capacity decline, while a logistical or geopolitical shock can quickly slow exports. The development of processing diversifies outlets, spreads demand across the entire campaign and thus helps smooth prices.

Conversely, measures that are too favorable to industrialists can weaken production in the medium term. A permanent export ban can notably reduce producers' interest in the crop and, ultimately, penalize the industry itself. In Kenya, the total ban on exporting raw nuts is reported to have been followed by a drop in production from 15,000 to 10,000 tonnes and in local processing from 8,000 to 2,000 tonnes.

The challenge is therefore to strike a balance between sufficient support to make industrial investments profitable and a level of levy that does not excessively penalize producers' incomes, at the risk of slowing national production. Many States nevertheless favor fiscal measures, notably export taxes, which have the advantage of generating public revenue. These levies are not sufficient, on their own, to create the conditions necessary for the development of a competitive industry.

Côte d'Ivoire illustrates, on the contrary, the value of a diversified and complementary approach. Although export levies are now high and less than 20% of this revenue is devoted to industrial development, the combination of several measures, some of which also support producer prices, such as seed stocks, has made it possible to kick-start a genuine industrial ecosystem. Once under way, this ecosystem can progressively strengthen its competitiveness and narrow its gap with the Asian hubs.

Africa has an asset few regions can match: massive cashew production. Yet this comparative advantage is not enough to bring about a competitive industry. The experience of the main processing countries shows that industrial competitiveness rests on a cumulative process in which financing, infrastructure, skills, technologies, access to raw material, outlets and the regulatory environment reinforce one another. The question for African countries is therefore no longer only how many nuts to produce, but how to maximize their value within the national territory. Local cashew processing can be a major lever for industrialization, job creation and diversification of rural economies, like other emerging sectors such as shea or soybean. To seize this opportunity, public policies must go beyond one-off measures, combine complementary instruments and be part of sub-regional coordination. The challenge is to build, over the long term, competitive and inclusive industrial ecosystems, able to become progressively less dependent on public support.

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How to cite this document

Nitidae, 2026, Transforming nuts to transform economies, Nit'IDEAS n°3.

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Policy brief produced with the financial support of the MOVE/Comcashew project, implemented by GIZ and funded by the European Union and the Federal Republic of Germany