

Cashew Processing in The Gambia

Project Profile

April 2013



Why The Gambia?

- Situated on the Atlantic coast and with a navigable river that flows more than 1,100km inland, The Gambia is the ideal entry and exit point for West Africa and the Economic Community Of West African States (ECOWAS)

- This document outlines:
 1. **The market opportunity for investment in cashew processing**
 2. **The favourable conditions available to investors**
 3. **The support investors can expect to receive**

The most competitive country in West Africa¹

Average Crop Production one of the highest in West Africa²

Home to the only West African river easily accessible to ocean-going shipping³

The best agricultural policy framework in West Africa¹



1. World Economic Forum Global Competitiveness Report 2012-13
 2. World Bank, Online Data Resource. Period measured: 2008-10. Accessed: 8/2/13
 3. Encyclopaedia Britannica. Accessed: 2/3/13

Economic indicators

- **GDP:** US\$752mn in 2011 – predicted rise to \$941mn by 2015 ¹
- **GDP growth:** 3.3% in 2011 – predicted annual growth average of 5.9% between 2012-2015 ¹
- **Country risk:** Lower risk level (yellow) than all neighbouring countries and in the same category as Sierra Leone, Ghana, Togo and Benin ²
- **CPI Inflation (2011):** 4.4% ³
- **Exports / Imports value (2011) :** - Exports: \$94.7mn ⁴
- Imports: \$343.69mn
- **Labour force (2008) :** 400,000 ³
- **FDI stock and inflows (2011):** \$703mn stock / \$36mn inflows ⁵
- **Currency exchange rates 2012 – highs (H) and lows (L):** ⁶
 - GMD/USD: 0.033 (H) / 0.029 (L) GMD/GBP: 0.021 (H) / 0.018 (L)
 - GMD/EUR: 0.028 (H) / 0.022 (L)



1. IMF World Economic Outlook. Real GDP (constant prices). Accessed: 8/2/13
 2. Maplecroft Political Risk 2012. Accessed: 8/2/13
 3. Access Gambia. Accessed: 8/2/13

4. UN Comtrade. Accessed: 11/2/13
 5. UNCTAD Stat. Accessed: 11/2/13
 6. Oanda.com. Accessed: 9/4/13

The Gambia's Cashew Industry

- The Gambia offers the ideal environment for cashew processing in terms of production levels, know-how and available skills
- Cashew plantations in The Gambia are relatively young with production potential expected to rise significantly within the next decade
- The average Gambian cashew is larger in size than in competing countries (as measured by the lower average nut count per kg)⁵
- The market value of processed nuts nearly three times greater than raw nuts in 2012¹

KEY FACTS:

- 400% increase in cashew production between 2007-2010¹
- 15,000 metric tonnes (MT) produced annually -₁ expected to double to c.30,000 MT in 10 years
- 98% of raw cashew production is exported¹
- Cashew exports valued at US\$2.09mn in 2011²
- 2012 market price of:¹
 - 9-10 GMD for raw nuts
 - 25-27 GMD for processed nuts
- 558,000 hectares of arable land, of which nearly 60% is cultivated annually³
- Agriculture employs 78.6% of the labour force and accounts for 30% of GDP⁴

1. International Relief & Development (IRD). Interviewed: 27/11/12

2. UN Comtrade. Accessed: 11/2/13

3. Gambia National Agricultural Investment Programme 2011-2015

4. GIEPA Agriculture Investment Brochure 2012

5. Federation of Gambian Cashew Farmers. Interviewed: 27/11/12

By-products and processing potential

- Cashews are the base of a very extensive and diverse set of products (listed below)
- The Gambia therefore offers important investment opportunities in processing activities that would enable value-added products to be developed and sold at a premium
- Very little cashew processing is currently done in The Gambia. Existing investors such as Cashew Gam Company are considering future investment in cashew juice processing.¹ Organisations like International Relief & Development (IRD) are supporting the development of cashew processing capabilities - this indicates an untapped area for potential investment

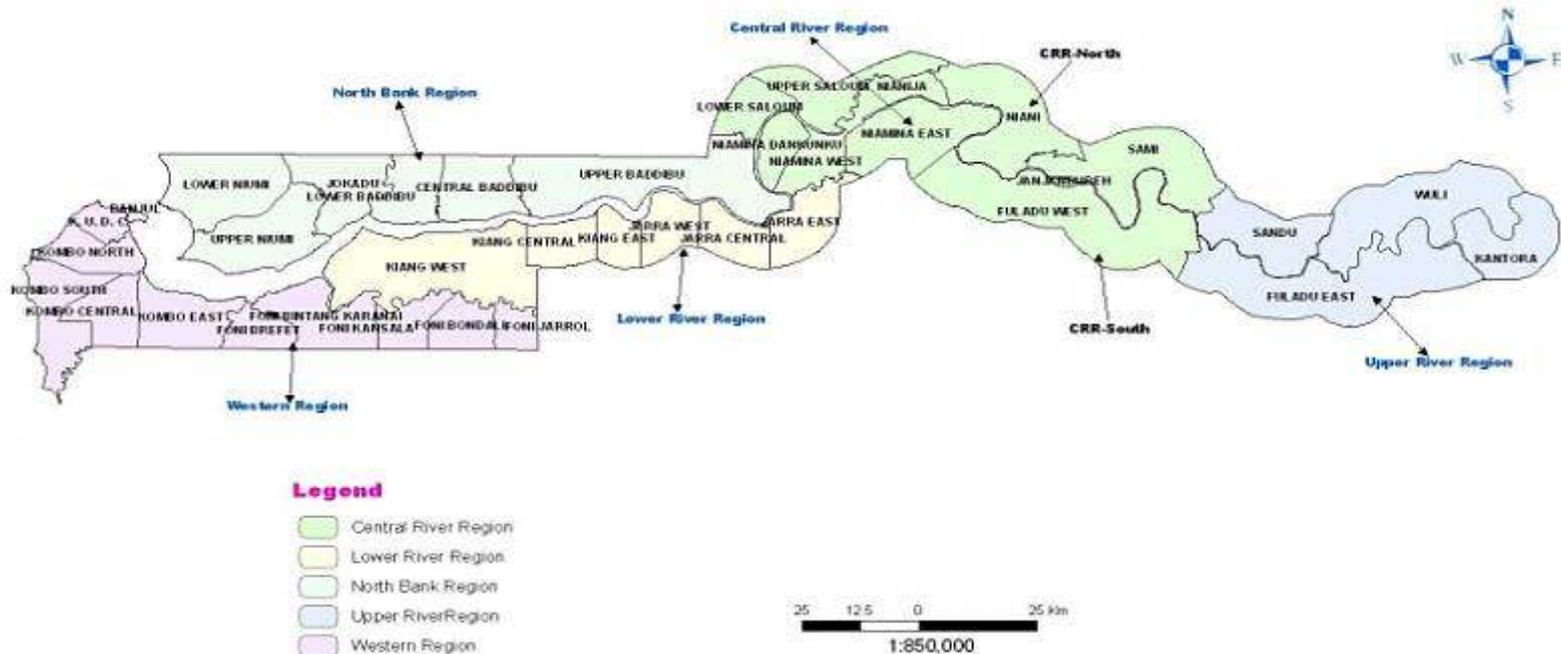


| COMMODITY | VALUE-ADDED PRODUCTS |
|--------------|--|
| Nut | Roasted/salted nuts, speciality nuts (e.g. spicy / chocolate-covered), cashew nut butter |
| Apple | Juice, jam, wine, distilled liquor, couscous, dried fruit |
| Peel | Animal feed |
| Shell | Fuel source |

1. Mr. Kabba, Cashew Gam Company Ltd. Interviewed: 23/11/12.

Locations

- The current production of cashews is concentrated along the north bank and west coast areas, although they can be grown in almost all parts of The Gambia¹
- The west coast offers easy access to Banjul's port and international airport, while the north and south roads and navigable river ensure easy access from the rest of the country



1. International Relief & Development (IRD). Interviewed: 27/11/12

Source: GNAIP Agriculture Investment Plan 2011-2015

Infrastructure

- Banjul port has a handling capacity of:¹
 - 48 metric tonnes of bulk cargo per hour
 - 17 container moves (discharging and loading) per hour
- Banjul Airport has undergone a US\$21 million modernisation² and the Government is continuing to upgrade the infrastructure³
- Other new infrastructure / upgrades in development:
 - The Trans-Gambia bridge (completion due 2017)
 - Improved cross-border trunk roads with Senegal
 - Ports Expansion Programme underway – Gambia Ports Authority planning to build a second port on the Atlantic coast
 - Gambia Ports Authority is assessing the potential establishment of an inland port to facilitate shipping to inland locations across the region



1. Gambia Ports Authority. Interviewed: 20/11/12
2. GIEPA Investment Guide 2011
3. The Gambia Trade Policy 2011

The Gambia's cashew community

- The Gambia is already home to a developed community of stakeholders in the cashew industry (including businesses, industry associations and representative groups). A few examples of these organisations are displayed below
- The presence of these groups demonstrates The Gambia's attractiveness and potential as a prime location in West Africa for the processing and export of cashew-related products

EXAMPLES OF ORGANISATIONS:

| | | | |
|--|-------------------------|-------------------------------------|--|
| Cashew Gam Company Ltd. | ComAfrique Ltd. | Ghatson Company Gambia Ltd. | Jawneh and Family |
| National Cashew Growers and Traders Corp | Gambia Farmers Platform | Federation of Gambia Cashew Farmers | International Relief & Development (IRD) |

“Cashew production costs are relatively low and the high quality of the raw nut from this area has been well documented and acknowledged among cashew industry stakeholders.”

*IRD
Cashew Business Basics Booklet
2011*

Export agreements

- Cashews and other Gambian agricultural products can be exported at preferential duty rates and quota free to:
 - ECOWAS markets under the ECOWAS Trade Liberalization Scheme (ETLS)
 - EU market under the Everything But Arms (EBA) Initiative offered by the European Union
 - US market under the African Growth and Opportunity Act (AGOA),
 - India, Brazil and South Korea under preferential duty rates for products from Least-Developed Countries (LDCs)



Availability of incentives

- A host of incentives are available to investors in the cashew processing sector, provided certain criteria relating to investment value and job creation are met.¹ These incentives include:
 - **Tax Holiday:** tax breaks on corporate and turnover tax, withholding tax on dividends and for a period of 5-8 years, depending on the project's location
 - **Import Tax Incentives:** Exemption from payment of import tax on direct inputs for the project (e.g. agricultural machinery)
 - **Export Incentives:** Exemptions / reductions on corporate and turnover tax, exemption from Excise Duty and Sales Tax on goods produced or imported within the Export Processing Zone (EPZ) for processing and export – depending on proportion of goods exported
 - **No export tax on agricultural products**

1. To access incentives, a new investment must be worth at least US\$250,000 and lead to the creation of at least five jobs in the agriculture sector. Source: GIEPA Regulations 2012. More information on criteria available from GIEPA.

Operating costs

- The Gambia has by far the most efficient labour market in West Africa¹ and offers competitive costs in key areas such as agri-processing labour
- Preferential rates for key utilities such as energy and water are offered to operators in the agricultural and agri-processing sectors
- The cost of container shipments from Banjul to key European ports are broadly in line with other ports in West Africa

INDICATIVE KEY COSTS:

- Average daily wages for unskilled labour hover between US\$2-4 a day²
- Energy: 10.40 GMD / kWh: (industrial tariff)³
- Water: 31.39 GMD / cubic metre (industrial tariff)³
- Container shipments to Europe: 1,050 EUR⁴
- Key taxes: - Corporate: 32% (exemption possible)
- Income: up to 30%
- VAT: 15%

1. World Economic Forum Global Competitiveness Report 2012-13

2. Program for Accelerated Growth and Employment 2012-15

3. GiEPA Investment Guide 2012

4. Based on a quote from Maersk Gambia for a shipment of a 20ft container from Banjul to Felixstowe (UK), covering freight and local charges at each port. Quote provided on: 13/2/13

Government policy position

- The Gambia National Agricultural Investment Programme (GNAIP) 2011-2015 is the national strategic framework for accelerated growth, poverty reduction as well as food, nutrition and income security
- A key objective of GNAIP is to transform agriculture from the traditional subsistence form to a commercial and modern Gambian model with well-integrated food chains and a viable agro-processing private sector¹
- As part of the Government's efforts to promote industrial development, it is currently implementing a UNIDO Country Programme that includes a focus on the cashew nut sector
- The Government also plans to:
 - Increase the number of accredited laboratories – supported by the EU-funded West African Quality Programme
 - Establish the Gambia Food Safety and Quality Agency (GFSQA), following the passing of the GFSQA Act in 2011



1. Ministry of Trade, Industry, Regional Integration and Employment: Summary of the Agriculture and Natural Resources Policy 2010 – 2015

Image source: Cashew Business Basics document, International Relief and Development, September 2011.

A helping hand – every step of the way

- The Gambia Investment and Export Promotion Agency (GIEPA) is the Government Agency mandated to support companies with their investment, business and export development as well as support to MSMEs
- From the initial provision of information right through to supporting the establishment, growth and development of an investment project, GIEPA is your supporting partner for doing business in The Gambia – every step of the way
- Here are just a few of the ways in which GIEPA can support your business:

Provide all business-related information to current and potential investors

Serve as the link between investors and authorities

Help to identify joint venture partners

Help to obtain licences, land, clearances etc.

Provide advisory services and training to exporters

Support companies planning to expand / diversify

Provide ongoing assistance to companies once they've started operations

Administer and advise on incentives



Four Good Reasons to Choose The Gambia

1

STRONG PRODUCTION LEVELS AND POTENTIAL:

- Cashew production expected to double within a decade
- Untapped potential to process and export cashew products
- One of West Africa's leaders in the Crop Production Index (World Bank)

2

COMPETITIVE INVESTMENT ENVIRONMENT:

- Best agricultural policy framework and the most competitive economy in West Africa (WEF 2012)
- West Africa's most efficient labour market (WEF 2012)
- Lower political risk than neighbouring countries (Maplecroft)

3

STRONG AND IMPROVING INFRASTRUCTURE:

- River Gambia - easily accessible to ocean-going shipping
- Efficient port with competitive costs (fixed unit tariff system)
- New and upgrade projects underway, improving transport links with ECOWAS markets

4

ATTRACTIVE INCENTIVES, COMPETITIVE COSTS

- Generous incentives for cashew processing
- Competitive costs
- Strong political support for cashew processing
- Comprehensive guidance and support from GIEPA



For further information, contact:

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