



Trade structure and channels for cashew nut kernels

The most common access route of West African cashews to the European market is through processors in Vietnam and India. Only around 10% of the cashews produced in West Africa are also processed in the region and exported directly to Europe. The main point of entry of cashew nut kernels into Europe, coming from either Asia, Africa or Brazil, is the Netherlands (via the port of Rotterdam). While large roasters tend to import cashews directly from processors, smaller market players make use of importers. The European market for cashew nut kernels is highly focused on the snack segment (whole white kernels), whereas the food industry offers some opportunities for pieces and broken kernels.

Indirect vs. direct trade

West Africa is one of the world's largest producers of cashew nuts. Nonetheless, only around 10% of this production is processed in the region.

In the most common market structure raw cashew nuts (RCN) from West Africa are shipped to India and Vietnam for shelling and further processing, without local value addition. Raw cashews are sold to either local traders or buying agents of Indian/Vietnamese companies, and then transported by sea to the facilities of Asian processors. In these facilities, raw cashew nuts are shelled (and sometimes roasted), packaged and shipped to international markets such as North America and Europe, or are consumed locally. The domestic market in India is much larger than the one in Vietnam, where the cashew industry is mostly export-oriented.

Alternatively, raw cashew nuts that are processed in West Africa offer opportunities for local value addition and direct contact between West African processors and international markets. Processing close to the source prevents shipping costs and quality degradation during transport and contributes to expanding employment opportunities to the local population. Cashew processing in West Africa amounts to around 35,000 tonnes (50,000 tonnes in full operational capacity).

In this structure, farmers (or distributors) deliver RCN in jute bags to the warehouses of local processors, where they are stored until further processing. Within the processing facilities, RCN go through the following steps:

- Air-drying to a moisture content of around 8%, to ensure that cashews do not deteriorate in storage.
- Calibration and cleaning, both sizing the RCN and removal of foreign matter.

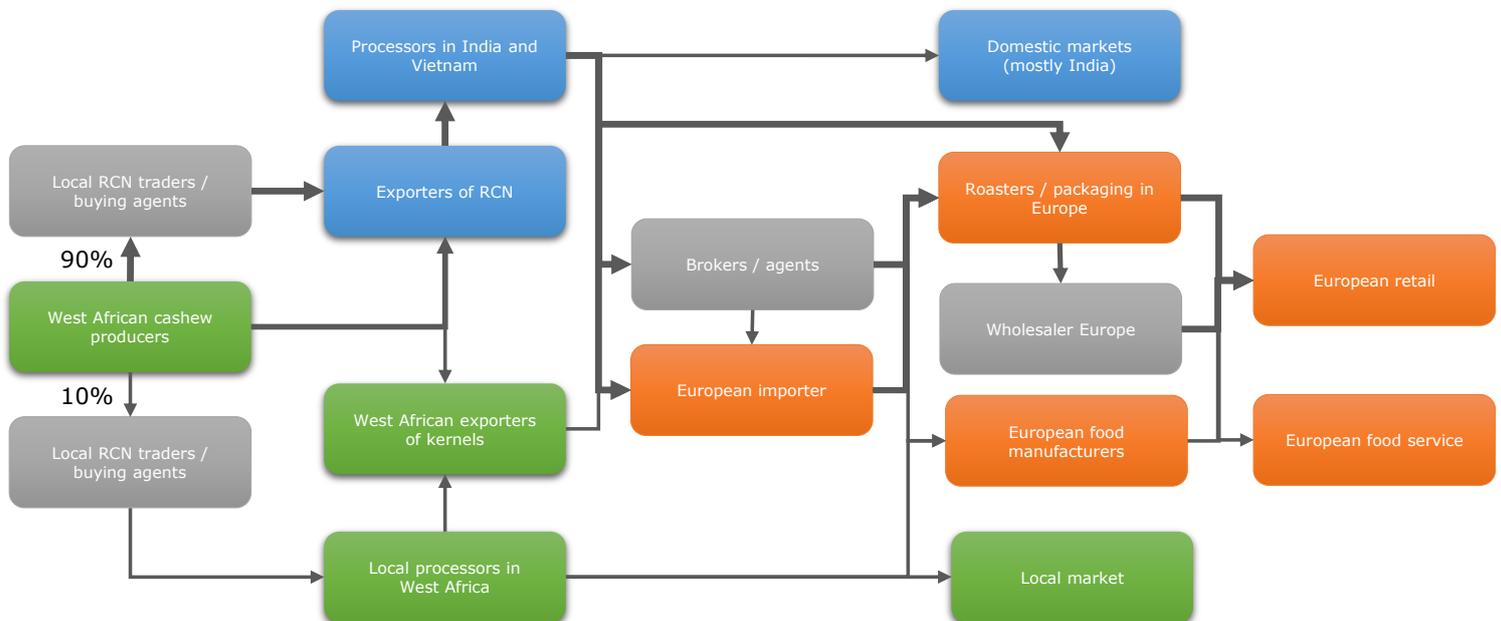
- Steam cooking, oil bath roasting or drum roasting, where RCN are heated or cooked which facilitates shelling processing and reduces the possibility of breakage.
- Shelling, where the cashew nut kernel is taken out of the shell for further processing. Cashew nut kernels can be removed from the shell manually or by machine; these techniques can also complement each other.
- De-humidification, to facilitate the removal of the inner skin (testa) from the nut kernel. Cashew nut kernels can be heated using various methods, such as oven heating or roasting.
- Peeling (removal of testa), where the skin is peeled off. This can be done manually or with a peeling machine and finishing some cashew nut kernels by hand.
- Grading of the kernels according to size, colour and broken/unbroken kernels, which are factors determining kernel price. Grading can be done manually or with machines, such as a colour sorter. Pieces are often graded with a pieces grading machine. Grading is done based on the international grading system (see modules 'Product characteristics of West African cashew nuts' and 'European marketing strategy for West African cashew nuts').
- Removal of foreign matter (e.g. hair and dust), with an aspirator.
- Packaging in 25lbs or 50 lbs vacuum bags (see module 'European marketing strategy for West African cashew nuts').

Further information on the processing of cashew nuts can be found in the [Cashew Nut Processing](#) document of the African Cashew initiative (ACi).

The packaged cashew nut kernels are then transported to Europe and other international markets via specialised exporters/shipping companies. Most cashew nut kernels from Benin, Burkina Faso and Mali are exported via the ports of Cotonou (Benin), Abidjan (Côte d'Ivoire), Lomé (Togo).

A small share of cashew nut kernels is roasted and packaged into consumer packaging by processors for local / regional markets in West Africa.

Figure 1. Trade channels for West African cashew nuts



Trade channels

The main point of entry of cashew nut kernels into Europe is the Netherlands (via the port of Rotterdam), which is a trading hub for cashew nut kernels and other edible nuts. Other important ports for the European cashew trade are Hamburg (Germany) and Felixstowe (the UK).

Cashew nut kernels are distributed throughout Europe in many different ways, depending on the sourcing strategy of the buying companies. Figure 1 is a simplified overview of the most common distribution flows.

Importers

Cashew nut kernels are often imported directly by large European snack companies such as [Intersnack](#), without the intermediate role of traders. For smaller snack and food companies, importing through importers is preferred. Importers buy goods, of which they take ownership, and distribute them to roasters/packers or the food processing industry.

Importers give access to a whole range of potential users of cashew nut kernels. They often have long-standing contacts with their suppliers, as well as with their buyers, and can advise exporters on many issues, including legal & quality requirements, market trends, etc.

The cashew market has one large multinational, [Olam](#), which is involved in multiple steps of the value chain. The company trades in RCN as well as cashew nut kernels. Olam has shelling facilities in West Africa, including the largest cashew processing plant in the region, located in Côte d'Ivoire, and Nigeria's largest cashew processing plant in Ilorin, Kwara state. Olam accounts for an estimated 15% share in the global trade of blanched cashew kernels and ingredients, supplying different markets in Europe, the US and other regions.

Agents and brokers

Agents and brokers trade cashew nut kernels independently or represent a specific European roaster/packer or food manufacturer. In the cashew trade, it is also common that European agents cooperate with origin agents. They establish the contact between exporters and importing roasters or food manufacturers and facilitate buying and selling orders, receiving a commission on the sales.

In most producing countries, including in West Africa, exporters work directly with importers or large-scale roasters. However, working through an agent or a broker based in Europe can facilitate market access, especially for new entrants. These traders are well informed about existing buyers, cashew availability, current market trends, prices, as well as the necessary documentation for exporting.

Roaster/packer

Despite the increasing demand for cashew nut kernels in the European market (as a healthy snack alternative), cashew nut kernels are mostly consumed roasted and salted, spiced or coated. This type of processing normally takes place in Europe and not in the cashew-producing country. There are several specialised European processors/snack manufactures active on the market, who are able to meet the taste requirements of individual markets.

Most European roasters also carry out packing activities, whereby cashew nut kernels are re-packed into consumer packaging for the retail sector or bulk packaging for the food industry and the catering sector. There are also

companies in Europe which are specialised in packing, dealing with both branded products and private labels for large retailers.

As mentioned previously, large roasters and packers, such as Intersnack, source cashew nut kernels directly from processors / exporters. Smaller-scale roasters often buy from importers as a way to manage risks, such as delays in shipment, defaults on contracts, etc.

Wholesalers

Due to the size of the European market, extra intermediaries are sometimes required to distribute cashew nut kernels to smaller and more remote markets. These wholesalers purchase cashews from agents, importers and packers and break the bulk into smaller amounts. Due to the limited profit margins and increasing competition from agents and importers, the number of distributing wholesalers is decreasing.

Food manufacturers

The prime market for cashew nut kernel comprises whole kernels and large pieces for use in the snack segment, which takes up about 80% of the total market for cashew nut kernels. In this respect, the food processing industry represents a less important segment within the cashew market, which is the main destination for broken cashews and cashew pieces. The profile of food manufacturers varies significantly; cashews are used in various food products:

- Chocolate bars and other chocolate products
- Confectionery products, such as biscuits
- Baked goods
- Breakfast cereals
- Cashew butter
- Cake and ice cream toppings
- Pesto sauce, as a substitute for pine nuts

For further information on the industrial uses of cashew nut kernels, refer to the 'Market segmentation' section below.

Direct trade between exporters and the food industry is mostly done through agents. Larger exporters have indicated to prefer direct trade with food manufacturers, so as to increase their profit margins.

Retail

The retail sector rarely imports cashew nut kernels directly from exporters in West Africa. Instead, retailers source cashew nut kernels from importers, wholesalers and processors/packers or through the food industry (in this case, as a part of final food products). Very large retailers, like [Ahold](#) (Netherlands), [Metro](#) (Germany) and [Tesco](#) (UK) have their own sourcing companies.

Cashew nut kernels are sold to consumers through supermarkets, specialist (nut) shops and the traditional street markets.

Food service

The food service sector includes hotels, restaurants and catering institutions (like hospitals and other public places where food is consumed). They are most commonly supplied by wholesalers.

Certified cashews

Channels for Fairtrade and/or organic certified cashews are not very different than for conventional cashews. Some importers of certified cashews are mostly specialised in Fairtrade and/or organic products, but note that conventional

importers are also increasingly interested in adding an organic product line to their assortment.

Traditionally, certified products were sold in specialist shops, focusing on fair trade and/or organic products. Currently, many supermarkets have adopted Fairtrade and organic product lines, including cashew nut kernels. Organic cashew nut kernels account for around 3% of the total market, whereas fair trade-certified cashews represent an even smaller market.

Market segmentation

In comparison to the US market, which is highly segmented, the European market for cashew nut kernels is mainly focused on the snack segment (whole white nut kernels), which accounts for 80% of the cashew consumption. More specifically, the European market revolves around the cashew grade WW 320, which is the bulk standard and accounts for a share of 80-85% of the snack market. The remaining 20% of the cashew market in Europe corresponds to industrial applications of pieces and broken kernels, as illustrated in Table 1.

Table 1. Market segmentation for cashew nuts in Europe

Grades	Food market segments	Market share
Large kernels WW 180 WW 210 WW 240	Premium snack: Premium brands, sold in specialised channels such as delicatessens	80% of which 80-85% WW 320
Mid-range kernels WW 320 WW 450	Standard snack: Wide range of brands, mainly sold in supermarkets	
Pieces and broken		20%
Fancy Splits	Cheap snack foods, mixed with pieces Ethnic cooking (Chinese and Indian)	
Fancy Butts	Cheap roasting cashew, with WW 450 in 'wholes and broken' mixes	
Large White Pieces or P1	Cheap roasting cashew, or in 'trail mixes' (nuts + dried fruit) Cooking and breakfast cereals Cashew butter	
Scorched Pieces or P2	Ingredient in pesto sauce, as a substitute for pine nuts	
Small White Pieces or SP1 Scorched Small Pieces or SP2, SSP1 & SSP2 & SPS	Grades are used interchangeably, often substituting almonds and hazelnuts Ingredient in pesto sauce, as a substitute for pine nuts Ice cream and confectionery coating	
Baby Bits; G1; G2	Cashew butter Biscuits Ice cream and confectionery coating	

Source: International Finance Corporation, 2010 and James Fitzpatrick

This survey was compiled for CBI by ProFound – Advisers In Development, in collaboration with sector expert James Fitzpatrick

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