

DRUM COMMODITIES LIMITED (DCL)

RESEARCH REPORT: CASHEW PRODUCTION IN BENIN

1. INTRODUCTION

- 1.1 This report provides a brief examination of the city of Parakou, Benin and its role in cashew production and trade in the country.



Figure 1 - Map of Benin

- 1.2 The Republic of Benin is in West Africa bordered by Togo to the west, Burkina Faso and Niger to the north, and Nigeria to the east. To the south, it has an Atlantic Ocean coastline of 121km. Its capital city, Porto-Novo, is located on the eastern coastline, 43km east of Benin’s largest city and economic centre, Cotonou.
- 1.3 Benin’s population in 2015 was estimated to be 11 million people, the majority of whom live on the coastline of the Bight of Benin.
- 1.4 The official language of Benin is French, however indigenous languages such as Fon and Yoruba are commonly spoken. Benin is a member of the United Nations, the African Union and the Economic Community of West African States (ECOWAS).
- 1.5 Although India dominates cashew nut processing, West Africa shares a sizeable portion of the production market. In the last decade, Benin has seen huge increases in production, and forecasts for the next decade indicate further growth.
- 1.6 Central and northern regions in Benin have the right conditions for growing cashews with 800-1200mm of rain spread fairly evenly over the year. As Parakou is the largest city in these regions, it has become a major trading hub for cashew growers in Benin.

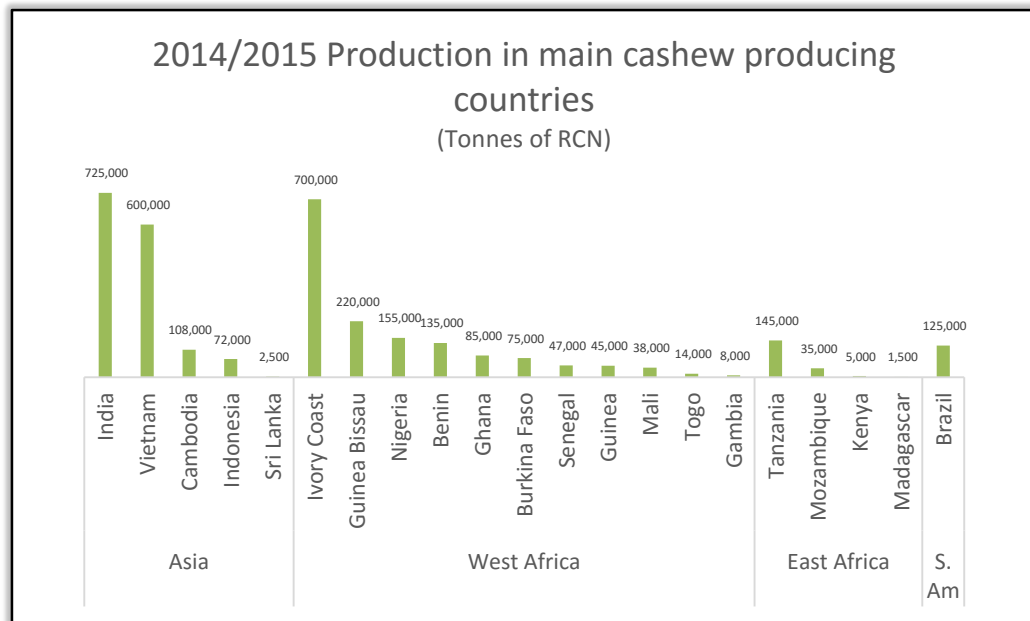


Figure 2 - Global Cashew Production

2. PARAKOU CULTURE AND DEMOGRAPHIC

- 2.1 Parakou is a very diverse city. This is reflected in the name “Parakou” which is derived from a Dendi word meaning “the city of everyone”. As one of the most important market towns in Benin and a major trading hub for a number of nationalities, Parakou is by far the most ethnically diverse city in Benin.
- 2.2 Some of the ethnicities found in Parakou include Bariba, Dendi, Somba, Fon, Mina, Berba, Djerma, Yoruba, Hausa, Kabrais, Warma, Fula, and Tuareg.
- 2.3 Approximately half the population of Parakou are Muslim and a third are Roman Catholic, with the rest being a mix of other religions.
- 2.4 The city’s population has increased dramatically in the last 4 decades. The population in 1979 was estimated at just under 61,000 people, which increased to 103,577 people according to the official census in 1992. During the last 2 decades, the population has doubled to 206,000 people.
- 2.5 Parakou’s transport links with Cotonou have made it an important market town, with major industries in cotton and textiles, brewing, and peanut oil manufacture.
- 2.6 The largest market in Parakou is “Grand Marché Aseke”, which is also one of the largest in Benin. The market spans over a block, with a large covered hall overlapping onto the streets with stalls, which house between 500 and 1,000 vendors.

3. TRANSPORT

- 3.1 Parakou has strong transport links with Cotonou, the economic capital of Benin. Benin’s main road, the RNIE 2, connects the 2 cities, spanning 400km and taking approximately 7 to 8 hours to travel.
 - 3.1.1 The RNIE 2 is one of the only tarmac roads in the country, providing good transport in the rainy season, however some sections are in need of repair.
- 3.2 Another national road, the RNIE 6, also runs through Parakou. The RNIE 6 runs from the border with Nigeria, through Nikki, Parakou and Djougou, to the border with Togo. The RNIE 6 is approximately 340 kilometres long and runs through the regions of Borgou and Donga.

- 3.3 There are currently five airports in Benin. Cadjehoun Airport is the largest airport in the country, and is located in the city of Cotonou. It is also the only airport to have a hard-surfaced runway. As such, it is the primary point of entry for international flights, mainly from Brussels and Paris. Parakou Airport is located one mile northwest of Parakou.
- 3.4 The 2 cities are also linked by Benin's only operational railway line, however, this is not currently used to transport commodities.

4. BENIN CASHEW PRODUCTION

- 4.1 West Africa produces approximately the same quantity of Raw Cashew Nuts (RCN) as South-East Asia, around 1,500,000 tonnes per year.
- 4.2 Benin is estimated to be the fourth largest producer of RCN in West Africa, approximately 135,000 tonnes in 2015.
- 4.3 Along with cotton, the cashew sector represents a huge agricultural export opportunity for Benin. Between 2001 and 2008, exports rose by over 300%, from 36,487 to 116,398 tonnes.
- 4.4 Although Benin produces a large quantity of RCN, its processing sector lags far behind. The Afokantan processing plant in Parakou is currently the only processing unit with a capacity of more than 1,000 tonnes per annum in the country.
- 4.5 Due to the country's low processing capabilities, Benin exports approximately 95% of its RCN to India, where it is processed manually into cashew nut kernels.

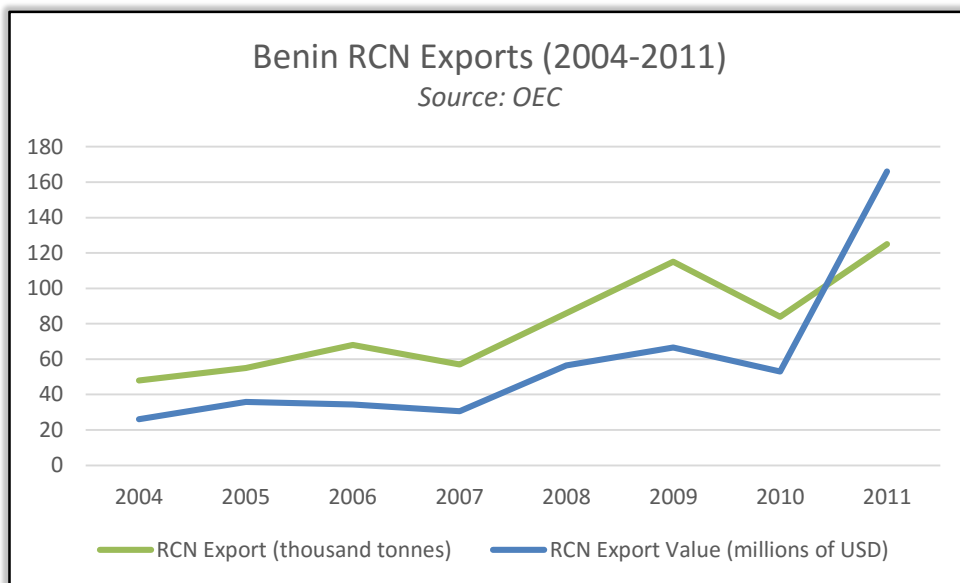


Figure 3 - Benin Cashew Exports

- 4.6 Beninese RCN have retained a high reputation for quality and are considered second in West Africa only to those from Guinea Bissau.

5. LOGISTICS

- 5.1 Smallholder production of RCN in Benin is mostly concentrated in the northern part of the country in small towns such as Savalou, Bante, Dassa, Glazoue and Save. Due to their close proximity, people usually travel to Parakou to meet up with traders and other farmers, to trade.
- 5.2 Trading in Parakou offers the opportunity to buy RCN at the source, however there are some government restrictions on buying and selling.

- 5.3 When buying directly from the farmer, a number of small groups of traders have a close affinity to larger trading groups such as the 'Groupement des Acheteurs de Produits Agricoles de l'Atlantique et du Littoral' (GAPA-A/L, or Association of Cashew Nut Buyers for Exportation for the Coast and Atlantic Regions).
- 5.4 Traders purchasing for local industries have a similar structure with trade memberships, however when bought from these groups, the cashew nuts cannot be exported.
- 5.5 Anyone outside of these groups who engages in buying directly from the farmer faces government penalties.
- 5.6 When buying specifically for exportation, it is advised to contact trading firms in Cotonou that will likely buy the RCN in Parakou and transport it down the RNIE 2 via truck.
- 5.7 On arrival at a warehouse in Cotonou, the trucks normally pass over a weighbridge to determine the weight of the stock before being discharged into the warehouse.
- 5.8 The international cashew nut and kernel market is governed by certain quality standards that must be met. The criteria that determine cashew nut quality in trade practices are often dependent on the following percentage limitations:
 - 5.8.1 Maximum flaws accepted - 10%
 - 5.8.2 Maximum humidity tolerated - 10%
 - 5.8.3 Maximum foreign bodies - 0.25%

6. STRUCTURE OF INDUSTRY

- 6.1 International exporters are limited in number in Benin, therefore they can heavily influence the local market in terms of price. Agro Benin, Sakson, GK5, Nomas, Olam (Copa), Swiss Benin, Rals Commodities and Noor Sarl account for 75-80% of the market.
- 6.2 In accordance with Benin's financial laws, no export tax is officially levied on agricultural and agricultural-related products at customs posts.
- 6.3 Export prices are calculated by taking the price of commodity on arrival into the warehouse plus the price of insurance and freight fees. This is usually calculated by the clearing and forwarding agent.
- 6.4 The industry is controlled by a number of regional subsidiaries of GAPA-A/L which act for the national body 'Federation National des Acheteurs des Produits Agricoles et Tropicaux de Benin' (FENAPAT), in collaboration with the Ministry of Agriculture and Commerce. The GAPA-A/L and ministry are regulatory bodies and do not engage in trading.

7. SUMMARY

- 7.1 Benin's cashew production has grown extensively in the last 2 decades and is projected to increase further. Parakou's position as a major trading hub and its good transport connections to Cotonou have made it one of the most important cities in West Africa for the cashew industry.

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