

Export Potential Brief

OPPORTUNITIES FOR SENEGALESE CASHEWS



About the Brief

International Trade Centre

The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations. ITC is the only development agency entirely dedicated to supporting the internationalization of micro, small and medium-sized enterprises (MSMEs).

Alliances for Action

Alliances for Action, an initiative of the International Trade Centre, aims to build a network that transforms food systems and promotes the Sustainable Development Goals through ethical, climate-smart, and sustainable agricultural value chains.

We aim to ensure the resilience and growth of farmers and MSMEs by fostering responsible trade, production, and consumption systems, and improving their global competitiveness. We prioritize capacity-building, sustainable trade links, and inclusion of young people and women across the sector.

The Netherlands Trust Fund program - Phase V (Agribusiness and Digital):

The International Trade Centre's Netherlands Trust Fund V (NTF V) program is a four-year partnership (July 2021-June 2025) signed by the Dutch Ministry of Foreign Affairs and the International Trade Centre. It aims to support micro, small and medium-sized enterprises (MSMEs) in the digital technology and agribusiness sectors.

In Senegal, the NTF V Agribusiness component follows the Alliances for Action (A4A) methodology, bringing together private and public actors to enhance the competitiveness and income protection of small businesses across the cashew value chain. The program aims to achieve the following goals:

- Identify market opportunities and new buyers for cashew nuts and related crops in domestic, regional or international markets.
- Strengthen public-private alliances to create more robust ecosystems, including through digital applications.
- Enhance the competitiveness and resilience of farmers, small businesses, and social enterprises in sales and production through digital.
- Connect small businesses, social enterprises, and farmer associations with international, regional and domestic partners for business and investment opportunities.

As part of the project, this export potential brief, prepared by the Trade and Market Intelligence (TMI) section at ITC, presents quantitative information on trade trends and export prospects of Senegal's cashew sector, based on the TMI tools Trade Map and Export Potential Map.

Acknowledgements

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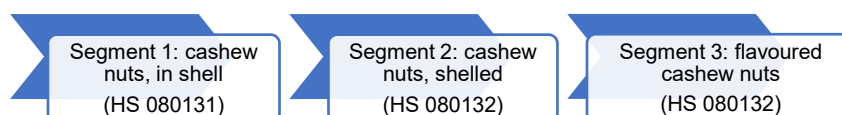
The team managing the "Alliances for Value Addition in Cashew Nut" project under the guidance of Federica Angelucci (NTF V Agribusiness Project Manager) supported the preparation of the brief and provided useful feedback.

SENEGALESE CASHEW EXPORTS IN THE GLOBAL MARKETS

Global trade in cashew nuts

Global trade in cashew nuts has almost doubled in the last two decades, driven by the changing consumer patterns towards vegetable sources of protein and healthier snacking options, especially in developed and emerging economies.¹ In markets like India and China, demand has increased thanks to rising incomes with an expanding middle-class. The industry is forecasted to continue its growth path at an annual rate of 4.27% between 2020 and 2025.²

Figure 1. The cashew nuts value chain



Source: Author's classification based on Trade Map (2022).

The global cashew nuts value chain is largely divided between cashew-growing countries that produce raw cashew nuts for exporting (segment 1) and cashew-processing countries that deshell the nuts to cashew kernels (shelled or processed cashew nuts) (segment 2).³ More than half of the global cashew nut production takes place in Africa. 90% of these raw cashew nuts are exported to India and Viet Nam, where 85% of the shelling businesses are located.⁴ Asia then exports more than 60% of the cashew kernels to the European Union and the United States, where further processing (segment 3) takes place, including roasting, salting, seasoning, packaging, and labelling.⁵ In addition to these three core segments of the value chain, cashew processing generates several by-products, and processed cashew nuts can be used, for instance, as ingredients for a wide range of processed food products.

Senegal's comparative advantage in the cashew sector

West Africa has become one of the largest cashew producers globally. Despite similar weather and production advantages, cashews have only recently become a source of income for Senegalese farmers. On average, between 2017 and 2021, raw cashew nuts were the 13th most exported commodity in Senegal, accounting for 1.2% of the total exports.⁶ Senegal has experienced a 35% increase in cashew production over the past decade, which has allowed the country to develop a high revealed comparative advantage (RCA), reflecting its trade competitiveness in the sector (please see the glossary for a definition of RCA).⁷ As less than 1% of the Senegalese territory is currently under cashew cultivation, there is significant room to expand production.^{8,9}

Senegal's focus on raw cashew nuts

On average, between 2017 and 2021, 99.2% (or \$60 million) of Senegal's cashew exports were unprocessed, similar to most cashew-producing countries globally. Growing cashews but not processing them entails lost opportunities for value-addition and higher export revenues. For reference, in 2021, the value per ton of shelled cashews that India exported to the European Union was six times higher than the value per ton of India's imports of unprocessed cashews.

¹ The Conversation (2021)

² USDA/FAS (2018)

³ Notably, India and Viet Nam are among the top cashew-producing as well as the top cashew-processing countries globally.

⁴ UNCTAD (2021)

⁵ African Cashew Initiative (2010)

⁶ Unless otherwise specified, the data used in this brief was retrieved from the ITC Market Analysis Tools: Trade Map, Market Access Map and Export Potential Map.

⁷ FAO (2022)

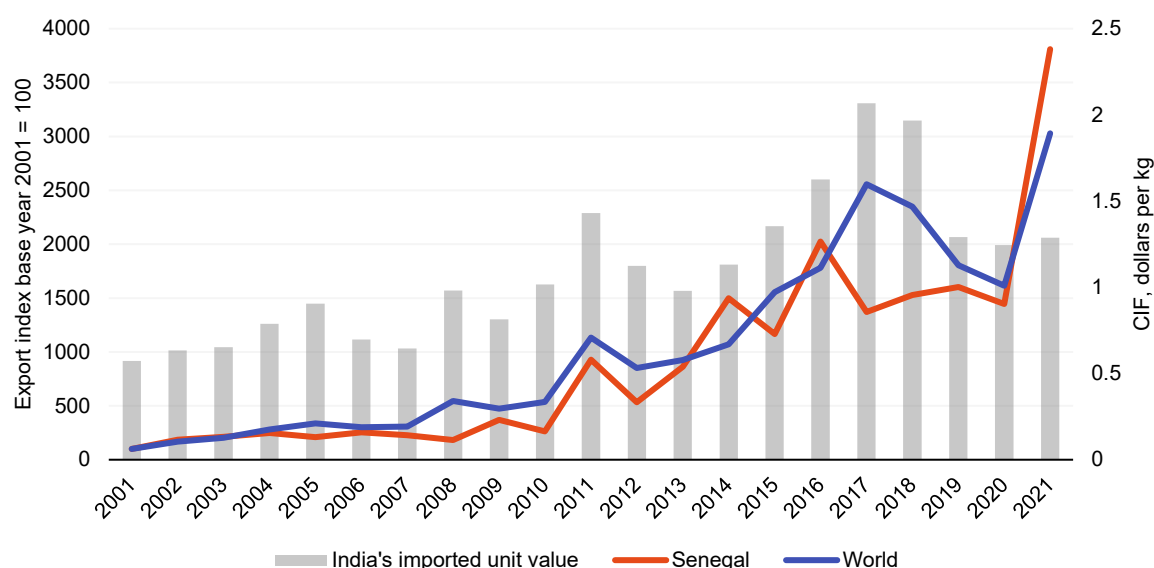
⁸ USDA/FAS (2018)

⁹ Naturally, the option to expand the land used for cashew cultivation should be weighed against the use of the land for other crops and the environmental impact of increasing agricultural land.

The evolution of Senegal as a raw cashew nuts' exporter

Senegalese and world exports of raw cashew nuts displayed similar trajectories until 2016 (Figure 2). While world exports continued to be primarily price-driven until 2020 (including their increase in 2017 and decrease thereafter until 2020), Senegalese exports declined in 2017, primarily due to reduced exports to India. Senegal's exports to India continued to drop from \$35 million in 2017 to \$20 million in 2020, but in parallel Viet Nam emerged as an increasingly important market, with exports rising from \$645 thousand in 2017 to \$16 million in 2020—causing overall to a small increase in Senegalese exports throughout the period, despite declining prices.¹⁰ Lastly, the spike in Senegalese exports in 2021 suggests a possible increase in production, given the only negligible change in prices.¹¹

Figure 2. Evolution of raw cashew nuts, Senegal vs the world



Note: India's imported unit value represents the raw cashew global market price due to its high significance as one of the largest importers and producers and reliability of its import quantity data.¹²

Source: Trade Map (2022)

Senegal's global position as an exporter of raw and processed cashew

Senegal ranks 10th globally for exports of raw cashew nuts, accounting for 1.9% of world exports, on average, between 2017 and 2021 (Figure 3.a). Most of the world's raw cashew nuts are grown in Africa, which comprises eight of the top ten exporters and accounts for 92.5% of world exports. The top three exporters, Côte d'Ivoire, Cambodia, and Ghana, capture 54.3% of the global market (or \$1.7 billion), followed by Tanzania, Nigeria, Benin, Guinea-Bissau, Indonesia, Togo, and Senegal.

With only \$481 thousand exports of shelled nuts, Senegal is the 54th largest processed cashew nuts exporter worldwide. Viet Nam dominates the market (\$3 billion), responsible for almost two-thirds of world exports, followed by India (\$573 million), the Netherlands (\$194 million), Germany (\$143 million), Côte d'Ivoire (\$117 million), and Brazil (\$106 million) (Figure 3.b). While most of these markets are major processing centres, the Netherlands and Germany are important transit hubs that re-export the imported cashew nuts to other European countries.¹³

¹⁰ In order to improve data coverage and quality, the amounts mentioned reference the direct export reports of Senegal when discussing Viet Nam, but the mirror reports when discussing exports to India.

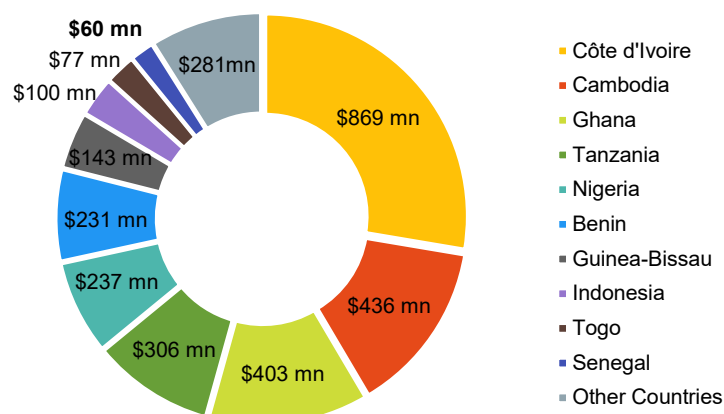
¹¹ The production data for 2021 has yet to be made available.

¹² The given price variation matches the market prices in ITC tools for the available years. Moreover, the corresponding data for Viet Nam was not reliable.

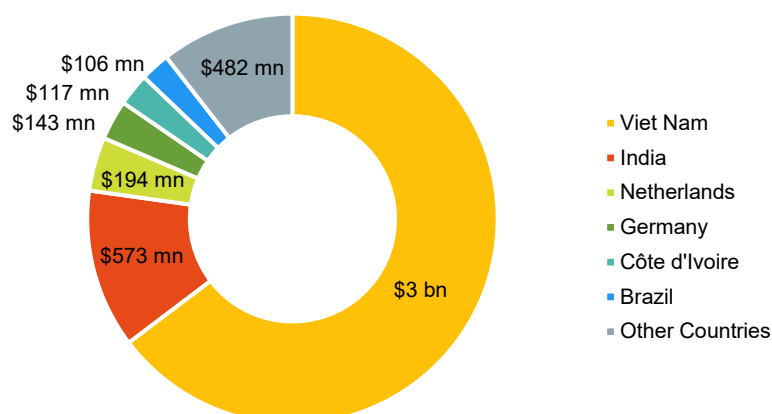
¹³ CBI (2021)

Figure 3. Top exporters, by country

(a) Raw cashew nuts



(b) Processed cashew nuts

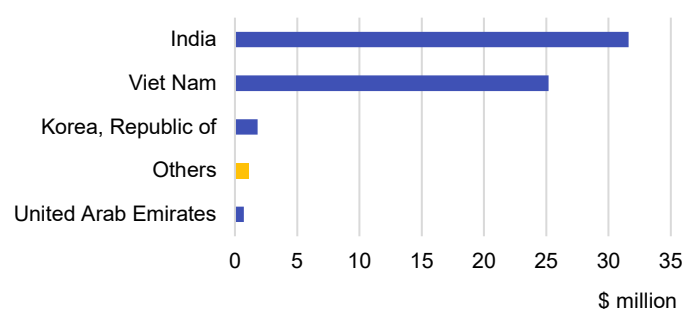


Note: Average for the period 2017-2021.
Source: Trade Map (2022)

Key destinations for Senegalese raw cashew nuts

On average, between 2017 and 2021, almost all raw cashew nut exports from Senegal were directed to India (52.3% or \$32 million) and Viet Nam (41.7% or \$25 million) (Figure 4). These countries are crucial markets for Senegal, being the leading processing centres that together import 97.7% of raw cashew nuts globally.

Figure 4. Key markets for Senegal's raw cashew nuts



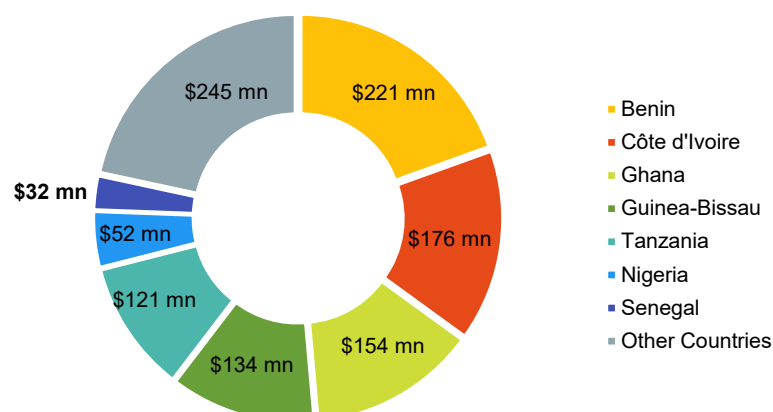
Note: Average for the period 2017-2021.
Source: Trade Map (2022)

In India, Senegal faces fierce competition from other African exporters – mainly Benin, Côte d'Ivoire, Ghana, Guinea-Bissau, Tanzania, and Nigeria (Figure 5(a)) – which supply 93.2% of raw cashew nuts imported by India, worth \$1.1 billion.¹⁴ Senegal's share in India's total imports is 2.3%.

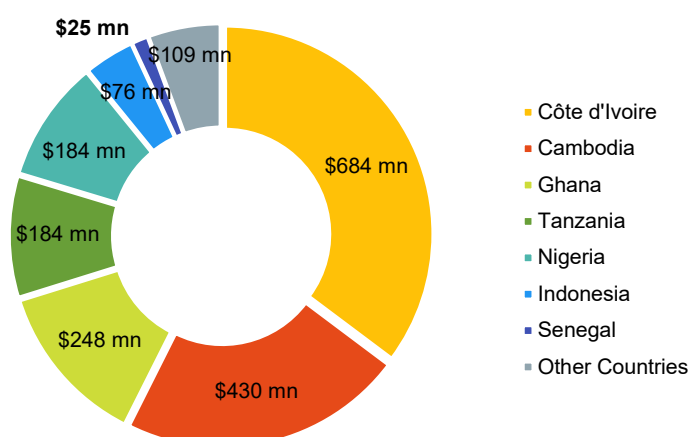
Although Africa continues to be an important raw cashew nut supplier to Viet Nam (comprising 72.9 % of total imports, worth \$1.4 billion) (Figure 5(b)), the country has been increasingly sourcing from Cambodia in recent years.¹⁵ In fact, the share of Cambodia in Viet Nam's total imports has increased from 7.1% in 2017 to 51.7% in 2021. If this trend continues, Senegal could lose some of its 1.2% share in the Vietnamese market.¹⁶

Figure 5. Main competitors for Senegal in Senegal's key raw cashew markets

(a) India



(b) Viet Nam



Note: Average for the period 2017-2021.

Source: Trade Map (2022)

¹⁴ Within the African region, 86.4% of the raw cashew nut exports to India originate from Western African countries (worth \$913 million), namely Benin, Côte d'Ivoire, Ghana, Guinea-Bissau, Nigeria, Guinea, Togo, Gambia, Senegal, Burkina Faso, Mali, and Sierra Leone—in decreasing order of export values (Trade Map, 2022).

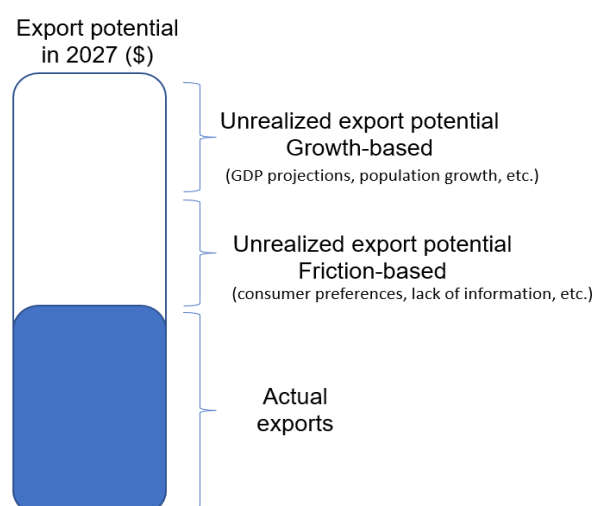
¹⁵ Within the African region, 85.1% of the raw cashew nut exports to Viet Nam originate from Western African countries (worth \$1.2 billion), namely, Côte d'Ivoire, Ghana, Nigeria, Togo, Senegal, Guinea, Benin, Guinea-Bissau, Burkina Faso, Gambia, and Sierra Leone—in decreasing order of export values (Trade Map, 2022).

¹⁶ However, according to local news sources, Cambodia aims to increase its local cashew processing, implying lesser raw cashew nut exports to Viet Nam in the coming years, if successful.

Export Potential Methodology

ITC's export potential methodology quantifies the export potential of a country across products and markets through an assessment of detailed information on trade, tariffs, and other factors.

Figure 6. Components of the export potential



The export potential indicator computes potential values of trade for each exporter-importer-product combination based on supply capacities in the exporting country, demand conditions in the target market and the ease of trade between the two trading partners. Results are computed on a time horizon of three to four years to account for future developments and provide space for governments and companies to take action and realize existing opportunities. The findings presented here are, therefore, estimates of the export potential of Ghana's cocoa products by 2027.¹⁷

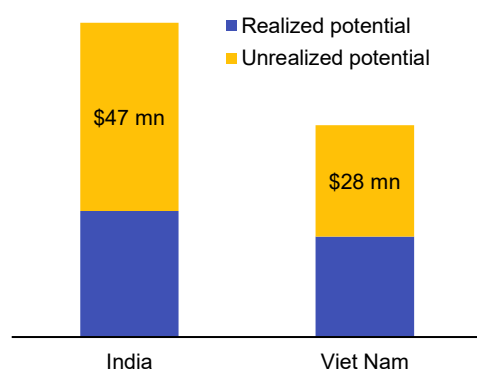
The difference between the export potential of a country and its current exports is interpreted as an opportunity for export growth, referred to as 'unrealized export potential' (Figure 6).

Unrealized or untapped export potential can derive from changes expected for the next few years, in particular, GDP growth of exporters and importers, population growth, or tariff changes. It can also stem from existing trade frictions such as lack of market research, difficulties complying with exporter or market regulations, lack of business networks, or unawareness about consumer preferences. We refer to unrealized potential associated with expected changes as dynamic or growth-based, and unrealized potential associated with existing frictions as static or friction-based.

Senegal has a large export potential to India and Viet Nam, waiting to be tapped

Senegal has a large export potential to India (\$79 million) and Viet Nam (\$53 million) in raw cashew nuts, of which 59.9% or \$47 million and 52.6% or \$28 million, respectively, remains unrealized—reflecting enormous opportunities (for a definition of export potential, see the glossary of key terms).¹⁸

Figure 7. Senegal's export potential for raw cashew nuts, to key markets



Source: Export Potential Map (2022)

¹⁷ For details on the methodology, see Decreux and Spies (2016).

¹⁸ Additionally, 76% of the total export potential to China (or \$1 million) remains unrealized.

The unrealized potential to India and Viet Nam is entirely growth-based, i.e., it derives from expected GDP growth and expected population growth (please see the glossary of key terms for the definition of growth-based and friction-based unrealized potential). The import demand for raw cashew nuts is expected to increase strongly, given the countries' processing capacities (which exceed their harvests) and the increasing consumption of cashew nuts globally.¹⁹

Therefore, it is crucial to monitor new developments in the raw cashew nuts market and to invest strategically, for example, in expanding the currently limited land under cashew cultivation, to ensure the future supply capacity matches market potential.

GROWING DEMAND FOR CASHEW NUTS

This section disaggregates and discusses the demand for (i) raw cashew nuts (HS 080131); and (ii) processed cashew nuts (HS 080132) in selected markets—Europe, Africa, and MENA.²⁰

Trends in raw cashew nut imports across the selected markets

Europe, Africa, and MENA together import less than 0.4% of raw cashew nuts globally. India and Viet Nam account for 98.8% of the world demand, on average, between 2017 and 2021.

Trends in processed cashew nut imports across the selected markets

Shelled nuts constitute the overwhelming share of cashew nut imports in the selected markets. The value of import demand is expected to reach almost \$2.5 billion for Europe (41% projected increase in current demand), \$993 million for MENA countries (90% increase), and \$118 million for Africa (92% increase), in 2027.²¹

Figure 8 plots current imports and projected increases in imports by 2027 in key countries of the selected markets—(a) Europe and (b) Africa and the MENA region. European countries are expected to increase current imports in the range of 36% (Italy and Lithuania) to 54% (the Russian Federation). Simultaneously, some countries in Africa and MENA are expected to increase their current imports by more than 100%, including Kenya, Egypt, Seychelles, Türkiye, Botswana, and the United Arab Emirates—in decreasing order of projected increase.

Albeit comparably lower projected growth rates of import demand, Germany (\$541 million) and the Netherlands (\$601 million) will remain the main European markets for processed cashew nuts in 2027, concentrating more than half of the continent's import demand. In the MENA region, the United Arab Emirates (\$307 million) will keep its lead position.

All three destinations, particularly the Netherlands, are important transit countries for other destinations. The Netherlands re-exports 75% of the imported shelled cashew nuts to other European countries, of which large volumes undergo further processing such as blanching, salting, dicing, sieving, and grinding before being re-exported—to match the preferences of consumers.²²

Other significant importers of processed cashews

With an import demand of \$1.2 billion, projected to increase to \$1.7 billion in 2027, the United States is another important market for processed cashew nuts. Like in Europe, consumer habits shifting towards vegan, vegetarian, and gluten-free diets that are environmentally sustainable are expected to continue to drive the demand for cashew nuts. Additionally, cashew-infused products such as cashew-butter yogurt are gaining popularity in the United States.

Other top markets include China (\$249 million), Australia (\$109 million), and Japan (\$99 million), with projected demand increases of 117%, 49%, and 33%, respectively, in 2027.

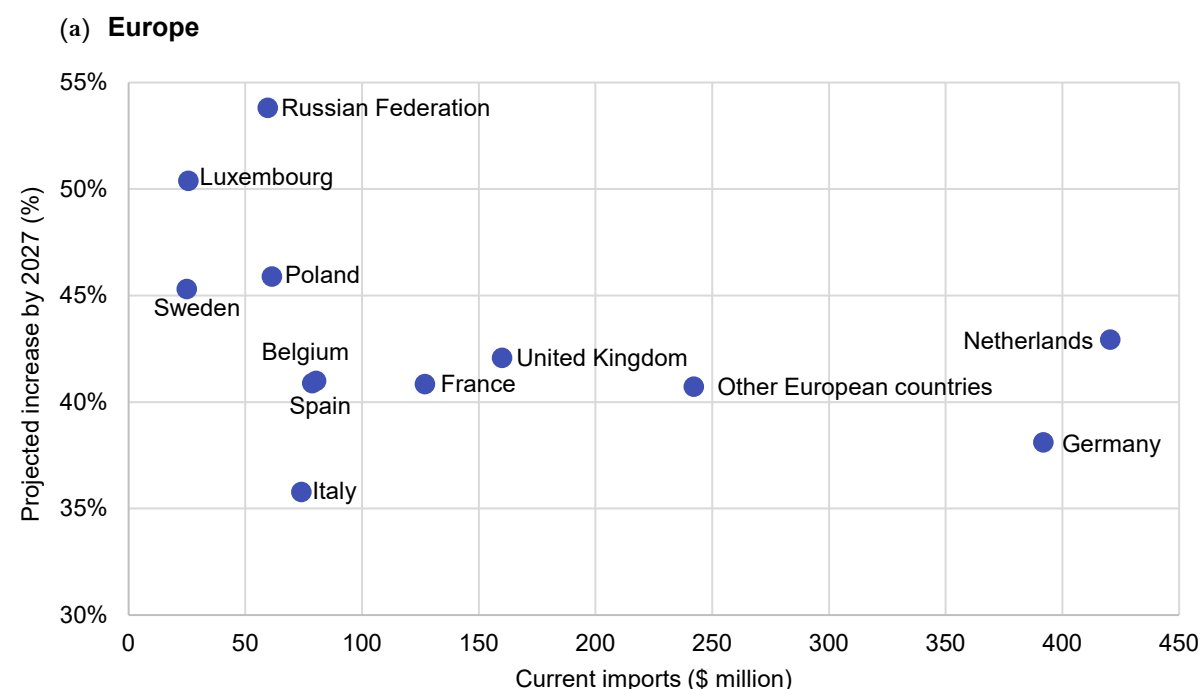
¹⁹ CBI (2021)

²⁰ The selection of these markets is based on project requirements. These markets are referred to as the 'selected markets' throughout the brief. The complete list is available in Appendix I.

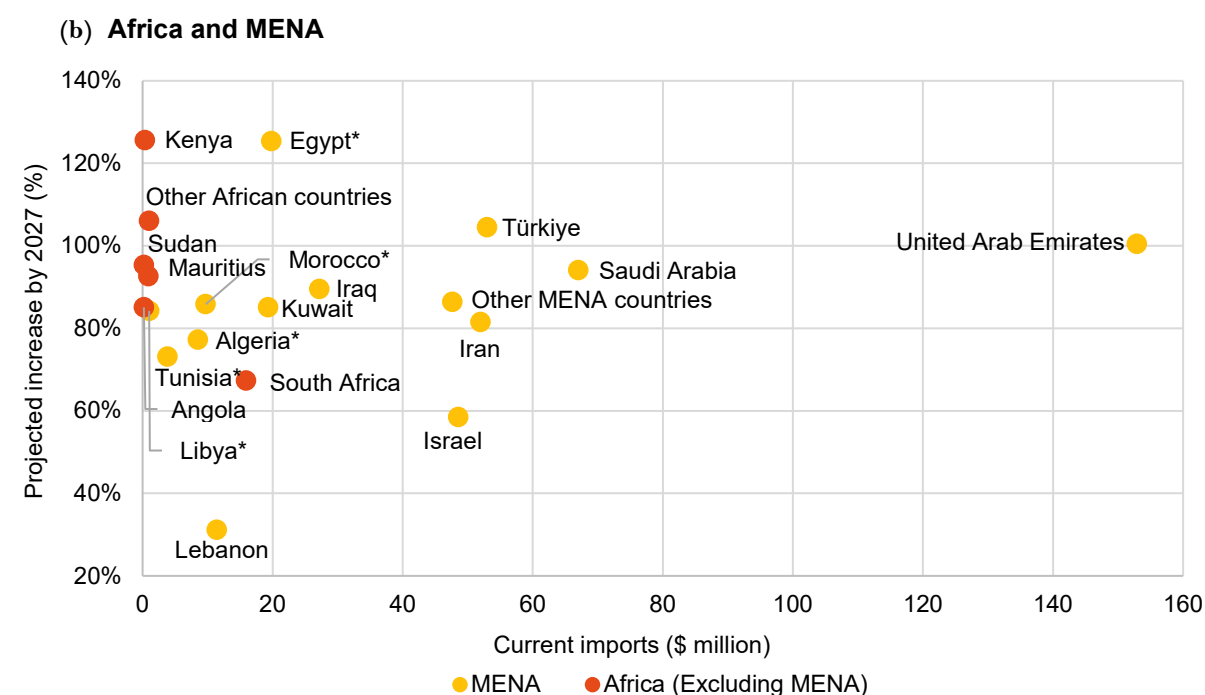
²¹ The African countries Algeria, Egypt, Libya, Morocco, and Tunisia belong to the MENA region and are included in both lists.

²² CBI (2020)

Figure 8. Processed cashew nuts current imports vs. projected increase, by selected market



Note: Average for the period 2017-2021. For a definition of projections, please see the glossary.
Source: Own estimations based on Trade Map (2022).



Note: Average for the period 2017-2021. For a definition of projections, please see the glossary.
African countries which are part of the MENA region are marked with an (*).
Source: Own estimations based on Trade Map (2022).

Tariffs (dis)advantage while exporting processed cashew nuts to the selected markets

Whether Senegal faces a tariff advantage or disadvantage in the destination market for processed cashew nuts depends on the effectively applied tariffs on (i) Senegal and (ii) its main competitors in the destination market.

In the biggest among the selected markets, the European Union and the United Arab Emirates, Senegal faces the same tariff conditions as its competitors. While the EU's MFN (most favoured nation) tariff stands at 0%, the United Arab Emirates charges a 5% MFN rate to all major exporters.²³

In some African markets, Senegal benefits from a tariff advantage. Morocco, for example, levies a 10% MFN tariff on processed cashew nut imports. Senegalese exporters, however, can sell free of duty to that market thanks to the Morocco-Senegal free trade agreement. Similar tariff advantages exist in other African markets, however, as to date, their import demand is too low for this to turn into a meaningful trade opportunity. Conversely, Senegal currently faces a tariff disadvantage when exporting to some markets with significant demand, for example, Algeria.

With the implementation of the African Continental Free Trade Area (AfCFTA), the tariff landscape of the continent will change. The tariff advantages enjoyed by Senegal through bilateral or regional agreements in the continent, such as the one with Morocco, will erode as other African exporters gain improved preferential access. On the other hand, tariff disadvantages, such as the one faced in Algeria, will also tend to dissolve, as Senegal's market access conditions to African markets improve.

²³ MFN tariffs are the highest tariff that WTO members can charge one another (applied by the destination country to all exporters).

OVERVIEW

Senegal's current position in the global market

- ✓ Revealed comparative advantage (RCA) in raw cashew nuts
- ✓ Cashew nuts are Senegal's 13th most exported commodity
- ✓ 99.2% of the cashews exported are in unprocessed form
- ✓ Senegal ranks 10th (54th) globally as a raw (processed) cashew nuts exporter
- ✗ Limited land under cashew cultivation
- ✗ Lost opportunities for value-addition and high export revenues by not processing raw cashew nuts in the country of origin

Senegal's opportunities for raw cashew exports to selected markets

- ✓ 94% of exports directed to India and Viet Nam, on average, between 2017 and 2021
 - Exports to India: \$32 million
 - Exports to Viet Nam: \$25 million
- ✓ Main competitors for raw cashew nuts: Côte d'Ivoire, Cambodia, Ghana, Tanzania, Nigeria, Benin, Guinea-Bissau, Indonesia, and Togo—in decreasing order of market share globally.
- ✓ Large export potential to India (\$79 million) and Viet Nam (\$53 million), of which \$47 million and \$28 million, respectively, remains unrealized.
 - Untapped potential derives from expected GDP growth and expected population growth.

Growing demand for cashew nuts in the selected markets

- ✗ Europe, Africa, and MENA together import less than 0.4% of raw cashew nuts globally.
 - ✓ Shelled nuts constitute the overwhelming share of cashew nut imports in the selected markets.
- Europe**
- Expected import demand in 2027: \$2.5 billion (41% projected increase in current demand)
 - Key markets: Germany (\$541 million) and the Netherlands (\$601 million)
- MENA**
- Expected import demand in 2027: \$993 million (90% projected increase in current demand)
 - Key market: the United Arab Emirates (\$307 million)
- Africa**
- Expected import demand in 2027: \$118 million (92% projected increase in current demand)

GLOSSARY OF KEY TERMS

Revealed comparative advantage	The revealed comparative advantage (RCA) of a specific country in the trade of a given industry's products is measured by the industry's share in the country's exports relative to its share in world trade. If the RCA is less than 1, this implies that the country is not specialized in exporting the product (the share of that product in the country's exports is less than the corresponding world share). Similarly, if the index exceeds 1, this implies that the country is specialized in exporting that product.
Projected import demand	Each market's current total imports of a specific product are projected to 2027 based on the country's expected GDP per capita growth subject to estimated revenue elasticities at the HS2 chapter level.
Export potential	The export potential is an indicator developed by ITC. This indicator provides a potential export value for products already exported by the country in new or existing target markets. It combines three components: supply, demand, and ease of trade. The supply and demand components are projected into the future (to 2027) using expected GDP and population growth rates as well as forward-looking tariffs for goods.
Dynamic untapped export potential	The untapped export potential comprises dynamic untapped export potential and static untapped potential. Dynamic or growth-based untapped export potential refers to the untapped export potential deriving from expected GDP growth, expected population growth, or expected tariff reduction.
Static untapped export potential	The untapped export potential comprises dynamic untapped export potential and static untapped potential. Static or friction-based untapped export potential comprises unmeasurable trade frictions such as lack of market research, difficulties to comply with non-tariff measures, difficulties to find buyers, etc.
Tariff advantage	The tariff advantage is an indicator that compares the tariff an exporting country faces in a target market with the weighted-average tariff applied by that market to the world (bilateral imports of the product are used as weights).

Note: For additional details, see Decreux and Spies (2016).

Appendix I

The full list of countries in the respective selected regions is included below:

Selected region	Countries			
Europe	Albania	Faroe Islands	Latvia	Russian Federation
	Andorra	Finland	Lithuania	Saint Helena
	Austria	France	Luxembourg	Serbia
	Belgium	French Southern and Antarctic Territories	Malta	Slovakia
	Bosnia and Herzegovina	Germany	Moldova, Republic of	Slovenia
	Bulgaria	Gibraltar	Montenegro	Spain
	Belarus	Greece	Netherlands	Sweden
	Croatia	Hungary	Norway	Switzerland
	Cyprus	Iceland	Poland	Ukraine
	Czechia	Ireland	Portugal	Macedonia, North
	Denmark	Italy	Romania	United Kingdom
	Estonia			
Africa	Algeria	Eritrea	Mauritania	South Africa
	Angola	Djibouti	Mauritius	Zimbabwe
	Botswana	Gabon	Morocco	South Sudan
	Burundi	Gambia	Mozambique	Sudan
	Cameroon	Ghana	Namibia	Western Sahara
	Cabo Verde	Guinea	Niger	Eswatini
	Central African Republic	Côte d'Ivoire	Nigeria	Togo
	Chad	Kenya	Guinea-Bissau	Tunisia
	Comoros	Lesotho	Rwanda	Uganda
	Congo	Liberia	Sao Tome and Principe	Egypt
	Congo, Democratic Republic of the	Libya	Senegal	Tanzania, United Republic of
	Benin	Madagascar	Seychelles	Burkina Faso
	Equatorial Guinea	Malawi	Sierra Leone	Zambia
	Ethiopia	Mali	Somalia	
MENA countries	Algeria	Jordan	Palestine	Turkey
	Bahrain	Kuwait	Qatar	United Arab Emirates
	Egypt	Lebanon	Saudi Arabia	Western Sahara
	Iran	Libya	Syria	Yemen
	Iraq	Morocco	Tunisia	Mauritania
	Israel	Oman		

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Sources

Data used in this brief was retrieved from the ITC Market Analysis tools (as of 01 November 2022):

- ◇ **TRADE MAP** (www.trademap.org) for trade statistics;
- ◇ **MARKET ACCESS MAP** (www.macmap.org) for tariffs and market access requirements;
- ◇ **EXPORT POTENTIAL MAP** (exportpotential.intracen.org) for information on new potential market destinations and the untapped export potential.

To discover the ITC Market Analysis tools, visit <http://www.intracen.org/itc/market-info-tools/market-analysis-tools/>.

For enquiries, contact marketanalysis@intracen.org.