



# Why we invested in Cashew sector

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**responsAbility**

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# WHAT HAVE WE INVESTED

Global Portfolio Covering Entire Value

Chain



## Targeted companies:

- Processors complying with S&E criteria
- Traders with long history in the industry

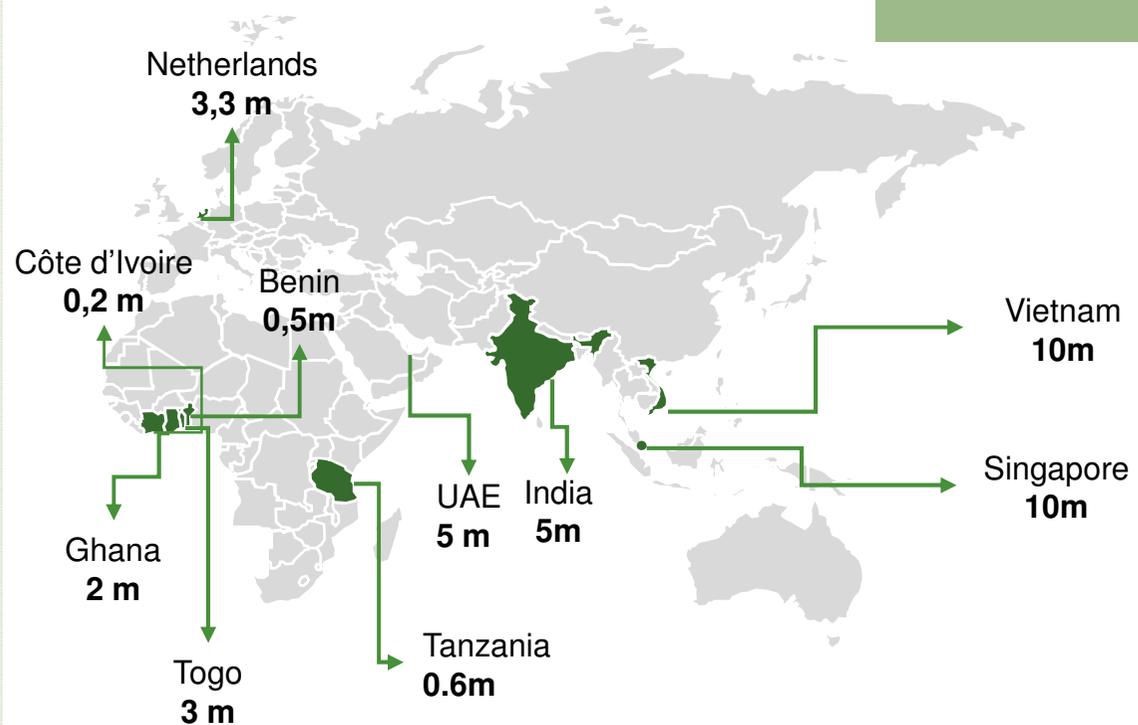
## Targeted countries:

- West Africa:  
Côte d'Ivoire, Ghana, Benin, Togo, Burkina Faso, Guinea Bissau
- East Africa:  
Tanzania, Mozambique
- Asia:  
India, Vietnam, Indonesia, Singapore, Hong Kong, UAE

## Types of finance:

- Short term trade finance
- Long term project finance

USD 40m



Cashews accounted for 8% of the total net asset of responsAbility in 2017. Since 2013, responsAbility has provided over USD 100m of financing to the industry, often through structures not provided by traditional lenders.

NB: Committed amount as of 31.12.2017

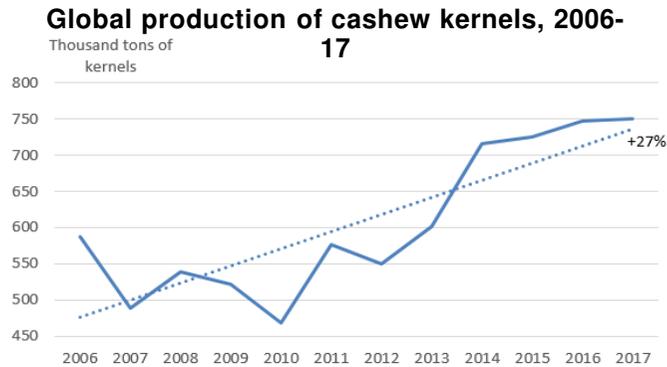
# WHY WE INVESTED



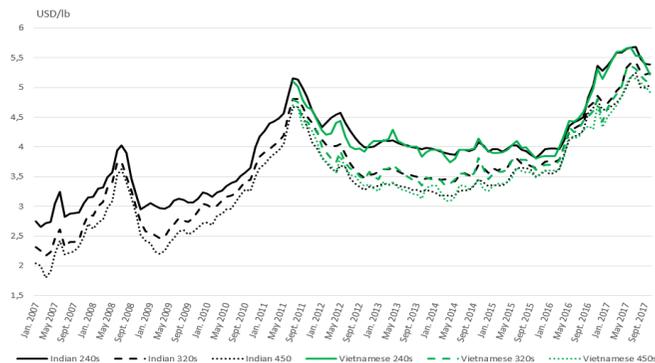
The only agri commodity travelling the world TWICE

- It doubles the need for working capital finance.
- rA being a global investor with dedicated team is well equipped to fund the entire value chain across continents

# INCREASED NEED FOR FINANCE



The global demand for cashews has grown by up to 7% per year recently and continues to rise. Over the past ten years, the production of cashews has grown by 27% and the exports by 60%.



... Yet most lenders stay away from Pre-shipment Finance.

- Non traded commodity - The commodity risk cannot be hedged
- Sourced from uncommon Geographies.
- Niche sector – Operated by many small and medium traders in developing countries

# THE FUTURE – PROCESSING IN AFRICA?



Need for processing in Africa will push the need for financing:

Not only for processing, investments are also needed for improving drying and warehousing infrastructure. **As cashews are mostly produced by smallholder farmers,** investments can effectively contribute to improving farmers' incomes and food security.

**Inclusive business models** to create economic opportunities for low-income populations; improve access to markets, productivity and quality; and contribute to creating jobs we see as **Key for the overall long term**

... However Financing these projects comes with Risks.

Risk	Explanation	Mitigant
Construction and Project risk	Cost overruns / delays	Right Technology partner; Reasonable equity contribution
Operations risk	<ul style="list-style-type: none"> <li>Lack of infrastructure / Labor availability</li> <li>Market for by products - Shells</li> </ul>	Experienced entrepreneur; Financial strength of existing operations.
Procurement risk	<ul style="list-style-type: none"> <li>Competition from Asian and local traders</li> <li>Working capital required during the single harvest season</li> </ul>	Strong network on the ground; Experience in procurement of RCN and financial strength for working capital
Sales risk	<ul style="list-style-type: none"> <li>Export market of kernels;</li> <li>Quality risk;</li> <li>No local market for broken etc.</li> </ul>	Strong relations with kernel buyers; Price risk handling experience;

# A FINANCIERS WISH LIST



- Cashew being traded on exchange in future
  - Will ensure better regulations and more traditional financiers will be attracted
  - Will provide a transparent price platform and may also provide some stability
- Easier regional trade with in Africa especially for local processing
- Improvement in quality control across the chain
  - Necessary to instil trust in contracts in order to finance the contracts
  - Consolidation in the Industry might be a way to bring this change

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- More value addition in Asia - especially for Asian demand

responsAbility

- Will create more long term finance needs in Asia



Thank You