Commercial Cassava Value Chain - Workshop on Partnerships for Action

Highlights of Workshop held at AGRA HQ, West End Towers, Nairobi

February 12, 2015

1. Introduction

In May 2014, Grow Africa, in collaboration with its strategic partner, IDH, organized a workshop on unlocking private sector investments within the cassava value chain at the Grow Africa Investment Forum in Abuja. The workshop focused on competitiveness and best practice in the production and processing of cassava and its derivatives. To further understand the dynamics, constraints, challenges and opportunities of the sector, Grow Africa, in collaboration with IDH, conducted a scoping mission on the commercial cassava value chain, covering Mozambique, Ghana and Nigeria.

Workshop Objectives:

a. To present the report of the scoping exercise to a select audience in the commercial cassava value chain, from the three countries, comprising of private sector companies, investors, researchers, civil society and policy makers. The list of participants is attached as annex 1.
b. To design the practical mechanisms that would drive the transformation of the value chain in each country

2. Workshop Agenda:

- Findings from scoping exercise
- Critical success factors for rapid ICVC development
- Proposals for national and regional platforms
- Breakout sessions to discuss national platforms
- Feedback from breakout sessions
- Market Survey ToR
- Feedback on ToR
- Next steps

3. Report of Findings from the Scoping Exercise

The findings from Mozambique, Ghana and Nigeria were presented to reflect the current status of value chain development in the county; the opportunities that exist; the identified constraints, challenges and suggestions on the way forward;

3.1 Mozambique:

a. Current Status

- There is growing interest by industry and government in prioritization of cassava for food and industrial products.
The cassava value chain is driven by active processing of cassava to wet cake for the beverage sector.

b. Opportunities

- The Government, civil society, and companies are collaborating and investing in improved planting material, extension services, and productivity.

c. Challenges, constraints, and concerns

- The Government has food security concerns with growing interest in cassava processing for industrial use. There is also concern over inadequacies in production of the right planting materials, service providers (inputs, extension), pricing mechanism, and consistency of demand by private sector players.
- Companies are contending with issues around land title, tax incentives, sustainable supply of high-quality planting materials, service providers (inputs, extension).
- Farmers are mostly in remote locations and have limited understanding of commercial relationships in a modern business environment.
- Civil Society organizations contend that farmers are largely unorganized, and the few farmers associations are weak and requiring improvement. They also believe that there are gaps in the linkage of the farmers to markets. With respect to land, they fear that large-scale cassava production could lead to displacement of farmers from their land and issues around resettlement.

d. Next Steps

- Government is positively disposed to creating an enabling environment to incentivize investments in cassava processing for industrial use.
- Stakeholders Forums to tackle the problems, common constraints, and interests, are already emerging.

3.2 Ghana:

a. Current Status:

- There is growing interest in commercial cassava production, driven by the beverages sector. Two brands of cassava-based beverages have been launched.
- Government focus has been largely on food security (IFAD funded Root & Tuber Improvement Marketing Program (RTIMP)). Yet there is limited government policy on commercial cassava for industrial use.
- Stakeholders are already grouping to form a multistakeholder platform along commodity lines. A project task force on cassava is being discussed by stakeholders.
b. Opportunities

- The beverages sector is already presenting a huge opportunity. Cassava based beverage brands have been successful.

- High quality cassava flour (HQCF) for the confectionery industry presents another opportunity. There is growing interest in composite flour for bakery industry.

- The Government is providing limited incentives through some custom duty exemptions for plant, machinery and equipment, 5-year tax holiday for agro-processing, up to 18 years tax holidays for free zone enterprises exporting up to 80% of their produce.

- Rising global food prices especially for grains and potato starch products make cassava derivatives competitive.

c. Challenges, constraints and concerns

- Access to finance was identified as one of the key challenges of the sector. Cost of borrowing is ranges from 28-40% p.a. Equity requirement for borrowing is a minimum of 40%.

- Farmers are troubled by failed, unsustainable projects in the past which led to losses to farmers. Some projects implemented with farmers lacked strategies on long term sustainability creating apathy among smallholder farmers.

- Communities cannot grant more than 23 years lease on community lands, a term that cannot not encourage long term investments by entrepreneurs. Land ownership is vested in communities.

d. Next Steps

- There was a consensus of opinion that appropriate government policies in the beverages and HQCF sectors can transform the cassava sector in the country.

- Farmer and entrepreneur support is still weak. There is good potential for improving farmer associations, smallholder linkages to markets, simple/affordable/local technology for farm mechanization and processing (e.g. HQCF drying).

3.3 Nigeria

a. Current Status

- The Government of Nigeria has put in place advanced policies and direction for the development of commercial cassava processing. But the policies are not gazetted.

- There is huge interest of the private sector to invest in the sector. More than 15 companies are in production or in the process of production of cassava derivatives.

- HQCF is the main driver for the development of cassava derivatives processing. But lately, there is growing interest in other cassava derivatives like starch, ethanol, chips etc.
b. Opportunities

- The obvious keen interest and support of the GoN creates an enabling environment to attract investments in the sector both by local and multinational companies.
- Incentives by the government stimulate investments in the sector.

c. Challenges, constraints and concerns

- Access to finance is a bottleneck for the sector. Cost of capital is high at 25-30% pa. Though concessionary funding windows are available, but they are difficult to access.
- An Inclusive smallholder scheme is recognised as a success factor in the supply chain. But companies are concerned by the high risk and challenge associated with smallholder engagement. There is generally a lack of experience by industry players in this commodity chain.
- Infrastructural deficiency is identified as a key constraint in the development of the sector. The parlous road and electricity infrastructure constitute impediments in the freighting and processing of tubers.
- As new sector, some investors lamented absence of a platform place to address issues collectively, share experiences and conduct advocacy for the sector.

d. Next Steps

- To stabilize the sector and increase investors’ confidence, there is need to institutionalize the government policy on cassava, through some form of legislation.
- Stakeholders advocated for intervention of donor agencies to mitigate and share the risks of small holder inclusion in the sector.
- The establishment of a multistakeholder forum will create opportunities for stakeholders to address sector issues and share learning.

3.4 Conclusion:

Following the interactions with the stakeholders, the conclusions from the exercise were summarized as follows:

- There is public and private interest to develop the commercial cassava sector
- There is lack of information on the market size for the cassava derivatives
- Current investments are driven by the beverages and bakery sectors
- Investors see the potentials in the sector, but there is no clear picture of the size of the market
- Government policies are critical in galvanizing the sector
- As a new sector, there is room for pre-competitive collaboration among players
Access to finance and land are common constraints

Low productivity due to rudimentary technology, planting materials and skill gap by the smallholder farmers

Smallholder inclusive investments are challenging to the new industry

3.5 Recommendation

Two recommendations emerged from the exercise

- There is need for a comprehensive Market Study to determine the size of the market and potential of the value chain for each derivative of cassava in Mozambique, Ghana and Nigeria
- The establishment of cassava stakeholder “platforms for action” on country level will help accelerate the development of the sector.

4. Critical Success Factors for Commercial Cassava Value Chain

In addition to the issues gathered from the scoping exercise, the following were identified as additional success factors impacting the sector:

4.1 Ghana:
- Government policy in the sector is key
- Market information among market players
- Closing the skill gap in investment analysis in the cassava sector
- Post-harvest loss management challenges due to the short cassava shelf-life (Cassava starts to deteriorate at 48 hours)
- Improvement in efficiencies to reduce the cost of production for competitiveness

4.2 Mozambique:
- The offtake price of cassava is a key motivational factor for the farmers
- Farmers’ aggregation and capacity building is critical for the success of the sector
- Reduction of post-harvest losses will put more money in the pockets of farmers

4.3 Nigeria
- Deregulation of the cost of HQCF: The current ceiling of N80,000 per mt of HQCF makes it unprofitable for processors and stifles competition. An upward review of the price or deregulation is critical in boosting production. It is hoped that the current devaluation of the local currency will make wheat importation less competitive.
- Market information among the players is key
- Competitive production costs of HQCF over the cost of wheat flour. As a result of high cost of production and infrastructure challenges flour millers shun cassava flour in favor of wheat flour

5. Platforms for Action

The feedback from the scoping exercise confirmed need for country-level partnerships to:

- Share experiences and learnings in non-competitive areas in the relatively new ICVC sector
Align private sector interest (secure value chains) and public interest (poverty reduction, economic growth, environmental stewardship)

Facilitate partners to take action to address common issues

To drill down the issues, challenges and steps in setting up platforms in the three countries, the meeting was split into 3-country syndicate groups to deliberate on the following questions:

- What are the five critical precompetitive issues for a national platform?
- Best way to set up a national platform (working group?)
- Who should be the initial participants/front runners?
- What support is needed from Grow Africa/IDH?
- Platforms ready for June Cape Town Meeting?
- What role for Regional Platform?

5.1 Feedback from Country Syndicate Groups

a. **Mozambique**:

**Priority issues:**

- Research will play a key role to scale up smallholder sustainability, which are drivers of Mozambique
- Scaling up smallholder farmers and extension services
- Mechanization is needed for improved productivity and competitiveness
- Market – where do we need good linkages; consistency; quality and consistency of production

**Best way to set up the platform**

- Build on the existing cassava working group in Mozambique
- An effective governance structure is needed to lead the platform
- Need to attract potential future markets and market linkages
- There is need for a secretariat
- Need for government’s active participation to drive policy issues.

**Who should be there?**

- Existing platform has good candidates to lead: IFDC, DADTCO, CAL (planting material and cassava production), CDM, IIAM, ETG and Mitsui (with Firm commitments to invest in cassava) Ministries of Agriculture and Trade. Would want to start with a small group of committed partners and then open up to other partners as needed.
Support needed

- Need to start right away with getting the stakeholders together – first meeting in March to convene public and private sectors.
- Grow Africa will assist with logistics. Organization and mobilization of participants.
- Leverage the experience of IDH in setting up platforms

Role of the regional platform

- There is need for a regional platform to share knowledge between countries
- The Regional platform should be convened at least once a year.

Timeline

- The Mozambican delegate will constitute itself as a Workgroup to set up the National Platform.
- The first meeting of the Workgroup will take place in March, while a second meeting will be held in May

b. Ghana

Priority Issues

- Need for research on planting materials
- Mechanization
- Capacity building for smallholder farmers
- Information & access to finance
- Database of information of who is doing what
- Market access & networking with all participants.
- Processing, energy & power - governments will need to play a key part in determining how waste as an industrial by-product could be used to produce energy

- The Cassava Platform should meet 4 times a year

A national platform has existed since 2010 (APPDF) encouraging multi-stakeholder participation across the value chains. It is co-chaired by public and public sector. The platform is currently scaling up and building internal capacity. It started with the farmer organizations and as it now scales up, it needs to bring the businesses in as well. The APPDF already has Executive Advisory Committee.

Support from GA & IDH

- Capacity building for analysis of investment projects that would encourage investors to come in. Support to galvanize interest of stakeholders who are not yet involved.
- The business opportunities in the sector need to become more apparent.

Role of Regional Platform:

- Regional platform is important to share knowledge and best practices
- The platform should meet twice a year.
Timeline:
- By June: should galvanize interest of some new participants to the cassava value chain; provide a time line for provided at least 1000 hectares for this initiatives
- Would present KPIs & tangible next steps at Grow Africa Investment Forum in Cape Town.

c. Nigeria:

Priority Issues:
- Market information on demand for end products is missing; there are price variations across geographical regions and seasons.
- Improved and high quality planting materials and development of cassava seed sector
- Extension services and capacity building for farmers
- Service provision and input delivery mechanism
- Setting up of standards for waste management and clean technology
- Institutionalize policy environment

Who Should Participate

The following organizations were identified as potential frontrunners:

1. FMARD
2. NRCRI
3. Niji Group
4. Eagleson
5. Solidaridad
6. Honeywell Flour Mill
7. Allied Atlantic Distilleries
8. C:CAVA
9. Psaltery International
10. Tak Agro
11. Nigeria Growers Association
12. Notore
13. Syngenta
14. AGRA
15. Bill & Melinda Gate Foundation
16. Harvestplus
17. FIIRO
18. SON/NAFDAC

How to get started
- Delegates agreed to form a nucleus group to meet up as soon as possible in Nigeria. The meeting will deliberate on governance issue, how to get others together and collect and share information.

Assistance needed
- Resources and support from Grow Africa/IDH to meet regularly
- Resources to aid participants meet targets

Timeline
- The nucleus group to hold its first meeting before the end of February
- Use the Grow Africa online community platform to gather data and information on cassava
Role for Regional platform:
- Integrate different countries through information sharing and learning from one another
- Peer review & learning to be done through the regional platform
- To meet twice a year.

6. Market Opportunity Study

The second recommendation from the scoping exercise of IDH and Grow Africa was the need to conduct a market study to provide up-to-date information that will inform correct investment decisions in the cassava derivative sector. The Terms of Reference (ToRs) for this study in Mozambique, Ghana and Nigeria, were presented (annex 2). The study is designed to provide answers to the following questions:

- What are the market growth opportunities for each of the cassava derivatives in each of the three countries in the next 5 years?
- How does that translate into increasing demand at farm level and at processing level?
- What is the current state of cassava farming and, therefore, what needs to happen at farm level? What does it take and what does it yield? (business case)
- What is the current state of cassava processing and, therefore, what needs to happen at processing level? What does it take and what does it yield? (business case)
- In those business cases, what is the legitimate role of public and government funding?

Request for Proposals

Deloitte, Dalberg, Technoserve, Wimrock (Eucord) and Brightface have been invited to submit proposal bids for the market study.

Feedback on the ToR

The following valuable feedback was received from participants to help sharpen the study:
- This study should be directional, an intervention point document, practical and solution seeking. Rockefeller Foundation offered to collaborate with IDH to further sharpen the deliverables from the study
- Need to document some of these previous experiences – could be in or out of the scope of the study.
- The study should not merely prescribe actions but make recommendation that will drive actions.
- Access to finance and cost of credit are major constraints – what are some of the innovative financing solutions / mechanisms that could be applied to this commodity?
- Market size of each derivative of cassava, both real and latent demand should be assessed.
- Productivity and market linkages. How should this be tackled?
• Animal feed linkages could be explored
• Cassava chips – more gluten, less fibre; big market in the USA. Healthy option to potato chips.
• Benefit from knowing the real market size will open up other opportunities, e.g. fertilizer;

7. Next Steps

Use GAIF to showcase:
• The Market survey
• Input & progress from the country cassava platforms
• A long term plan for the cassava value chain that will attract additional momentum and commitments from leaders
## Workshop Attendance List

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<thead>
<tr>
<th>SN</th>
<th>Contact Person</th>
<th>Position</th>
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<tbody>
<tr>
<td>1</td>
<td>T. Sridhar</td>
<td>Export Trading Company, Project Director</td>
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<tr>
<td>2</td>
<td>T. Takase</td>
<td>Mitsui Corporation, Kenya &amp; EAC Manager</td>
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<tr>
<td>3</td>
<td>Anabela Zacarias</td>
<td>IIAM (Agric Research Institute of Mozambique), Director</td>
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<tr>
<td>4</td>
<td>Isabel Madize</td>
<td>IFDC, Mozambique, Country Rep</td>
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<td>6</td>
<td>Chris Quarshe</td>
<td>Caltech Ventures, Accra, Ghana, Managing Director</td>
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<tr>
<td>7</td>
<td>Carl-G. Akoto-kwudzo</td>
<td>Okata Farms &amp; Food Processing, Ghana, Project Manager</td>
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<td>8</td>
<td>Dr. Stephen Babajide</td>
<td>Solidaridad West Africa, Country Manager, Nigeria</td>
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<tr>
<td>9</td>
<td>Nana Osei-Bonsu</td>
<td>Private Enterprise Federation, Ghana, CEO</td>
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<tr>
<td>10</td>
<td>Nike Tinubu</td>
<td>Eagleson Concepts Limited, Managing Director</td>
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<tr>
<td>11</td>
<td>Kolawole Adeniji</td>
<td>Lucas Foods, Managing Director</td>
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<tr>
<td>12</td>
<td>Mrs. Oluwatonyin Adetunji</td>
<td>Federal Min of Agric &amp; Rural Devt</td>
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<td>13</td>
<td>Mr. Segun Ayeni</td>
<td>Federal Min of Agric &amp; Rural Devt, Desk Officer Cassava value chain</td>
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<tr>
<td>14</td>
<td>Dr. Chiedozie Egesi</td>
<td>National Root Crops Research Institute, Asst. Director</td>
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<td>15</td>
<td>Olivia Karanja</td>
<td>Rockefeller Foundation, Program Associate</td>
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<tr>
<td>16</td>
<td>Anu Paasiaro</td>
<td>Grow Africa, Private Sector and Knowledge Partnerships</td>
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<td>17</td>
<td>Alekhine Velos</td>
<td>Grow Africa, Country Representative, Mozambique</td>
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<tr>
<td>18</td>
<td>Makeda Tsegaye</td>
<td>Grow Africa, Country Representative, Ghana &amp; Malawi</td>
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<tr>
<td>19</td>
<td>Tony Buggink</td>
<td>IDH The Sustainable Trade Initiative, Program Director</td>
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<tr>
<td>20</td>
<td>Jordy van Honk</td>
<td>IDH The Sustainable Trade Initiative, Senior Program Manager</td>
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<tr>
<td>21</td>
<td>Winnie Mwaniki</td>
<td>IDH The Sustainable Trade Initiative, Regional Coordinator, Africa</td>
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<tr>
<td>22</td>
<td>Cyril Ugwu</td>
<td>IDH The Sustainable Trade Initiative, Regional Coordinator, West Africa</td>
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Annex 2

Terms of Reference (Revised)

Market Opportunities Study for Commercial Cassava Production

1. Background

IDH The sustainable trade initiative

IDH accelerates and up-scales sustainable trade by building impact oriented coalitions of front running companies, civil society organizations, governments and other stakeholders that will deliver impact on the Millennium Development Goals 1 (poverty reduction), 7 (safeguarding the environment) and 8 (fair and transparent trade). The strength of IDH derives from the public and private partners we work with who bring in funds, entrepreneurship, procurement power, legislation, laws, regulations, know-how, networks, local expertise, credibility and accountability.

The Industrial Cassava Value Chain

Following a workshop on cassava at the Grow Africa Investment Forum in May 2014, Grow Africa (GA) and Sustainable Trade Initiative (IDH) intend to reignite the conversation to promote a rapid and sustainable transformation of the cassava sector from subsistence agriculture to commercial production. As part of this initiative, IDH and GA have just completed a scoping study focused on industrial cassava development in three countries; Mozambique, Ghana and Nigeria. There was heightened interest by governments and private sector to take advantage of the market opportunities inherent in the sector. But information is hazy on the size of these opportunities.

The capacity utilization of the opportunities in the industrial cassava market is sub-optimal due to number of factors. One of the key areas identified in order to unlock this challenge is the need to have proper market studies, country-based or regional based, on the current and projected market demand for cassava and its derivatives (starch, flour, beer, sweetener, ethanol, chips etc.), in order to translate this into processing capacity needs, hence investment needs. This will provide the needed opportunities for investors, governments and financial institutions to access the requirements and supports needed to transform the sector in the focus countries.

In order to elevate the investment agenda and demonstrate opportunities available in this sector, IDH wishes to gather information on the commercial Cassava market intelligence and dynamics through a rigorous market analysis. This will help determine where exactly the commercial, competitive market opportunities are, the potential & demand for each derivative of cassava, what the governments can do to enhance the market opportunity for cassava-based products; and how competitiveness can be improved.

2. Objectives

The overall objective of this study is:

To gain insight into the present and projected market growth opportunities for industrial cassava in the three focus countries in the next five years. Essentially; the study should be able to answer the following questions:

- What are the international benchmark for successful commercial cassava processing against the backdrop of failed starch factories in West Africa?
Where are commercial competitive market opportunities for cassava derivatives and their substitutes?

What is the potential demand for cassava derivatives and substitutes in the next five years?

How does that translate into increasing demand at farm level and at processing level?

What is the current state of farming and, therefore, what needs to happen at farm level? What does it take and what does it yield? (business case)

What is the current state of processing and, therefore, what needs to happen at processing level? What does it take and what does it yield? (business case)

How can competitiveness be improved generally?

What can governments do to enhance the market opportunities for cassava-based product?

What roles can partners such as NGOs, donors and social enterprises play in activating these opportunities

How best will investors, local and international, be attracted to these cassava markets

The specific objectives of this study are to gain insights into

International Benchmarking of Cassava Commercialization

- To understand international benchmarking of key case studies of successful and unsuccessful cassava commercialization to identify key lessons learned.

- To explain why cassava starch factories failed in West Africa against rising successes of Asia export of cassava starch to Europe.

Market demand & price development

- The local market demand for cassava and its derivatives for industrial use in Nigeria, Mozambique and Ghana with historic data on volumes and prices and its grow trends per cassava derivative in each country in the next five years

- The potential export market for cassava and its industrial derivatives from these 3 countries and its grow trends in each country in the next five years

- The main factors influencing the market price development of industrial cassava and to understand the effect of price development of substitutes e.g. starch from potatoes

Buyers

- The list of the potential buyers of cassava derivatives in each market identified and their purpose of sourcing the cassava product (for what aim is the cassava being used)

Production

- To execute a scenario analysis to understand the influence of the market demand and price development on the level of production of industrial cassava

- The competitiveness of local production of industrial cassava derivatives in Nigeria, Mozambique and Ghana against the international market.

Investment needs

- To translate the expected local market and international market demand for cassava and its industrial derivatives into quantified processing needs and investment needs at different levels (company, government, farmer)
- To use government policies to incentivise investments in the industrial cassava sector
- To understand the barriers to investments by the private sector
- To enumerate strategies that attract both local and international investments to the sector
- The business case for small holder production of cassava with hectarage of between 2 to 5 hectares

**Enabling Environment**
To explain the roles for the government to create an enabling environment to activate investments in the sector
To enumerate the kind of incentive packages that will increase demand for cassava based products and attract investments to production and processing

### 3. Deliverables

a. A draft report addressing the following titles:
   i. Executive summary
   ii. Objective and methodology of the study
   iii. Overview of findings per country
   iv. Recommendations

b. Final Report with similar titles or as amended after review by IDH and Grow Africa.

c. 5 Factsheets of max. 2 pages highlighting the key findings for 1) Cassava sector overview focusing on industrial cassava production, 2) Ghana, 3) Mozambique, 4) Nigeria, and 5) the business case for the smallholder.

d. Slide deck highlighting the outcomes of the study and recommendations (max 15 slides). This would be presented at the Grow Africa Forum in Cape Town, South Africa, in June 2015

### 4. Design & methodology

Consultant to provide in a concise form, the design and methodology it intends to adopt to achieve the desired result. This will include both primary and desk research. Based on this, consultant and IDH will arrive at a mutually agreeable design and methodology for the study

### 5. Scope of the study & sources of information

Focus on three countries – Mozambique, Ghana and Nigeria
Extrapolation of market size for each country along value chain
Profitability of cassava at small scale of 2 – 5 Ha

### 6. Timelines

The consultant will be required to present the study at the Grow Africa Forum in Cape Town, South Africa in June 2015. The following process and timeline will be followed:

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<th>Date</th>
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<tr>
<td>23 January 2015</td>
<td>Open call for expression of interest &amp; submission of proposal</td>
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<tr>
<td>13 February 2015</td>
<td>Closure for submission of proposals</td>
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<tr>
<td>14 – 20 February 2015</td>
<td>Evaluation of Proposals and Selection of Consultant(s)</td>
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21 Feb – 6 March | Consultations and Contracting

30 April 2015 | Interim, First draft reports & factsheets to IDH

15 May 2015 | Feedback by IDH to consultant

29 May 2015 | Final report to IDH

### 7. Selection criteria

| Track Record | Experience in similar market analysis studies in cassava or related commodity
|              | In-country experience in Mozambique, Ghana and Nigeria
|              | Design and methodology of proposal
| Team         | No of team members for the study
|             | Quality of team for the study – qualification and experience in the thematic areas
| Price        | Best pricing – to be negotiated

### 8. Contact information

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