

Cashew Kernel and Cashew Nut Shell Liquid Production in Nigeria; the Feasibility Report

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Abstracts

Cashew (*Anacardium occidentale*) is an important industrial and export crop whose potential is yet to be fully exploited in Nigeria. Cashew has for many years been used for food and income generation. The trees are usually grown for their kernels which when roasted have a very pleasant taste. Cashew is the common name for a tropical and subtropical evergreen tree, *Anacardium occidentale* L., in the flowering plant family Anacardiaceae.

It is also the name for the commercially important kidney-shaped, nut like seed of this plant, which is edible when roasted or cooked (New World Encyclopaedia, 2008). The plant is a native of Tropical Central and South America, notably North Eastern Brazil, from where the Portuguese explorers introduced it into Nigeria in the 15th/16th century.

Nigeria, having a total area of 100,000ha cashew plantation and an average annual production of 80,000MT contributes almost 16% of the total production of the agro-ecological zone. Its production is 5% of the global situation. During the last three years, Nigeria has been one of the leading suppliers of raw cashew nuts exported to India. Nearly 18,000 to 23,000MT of raw nuts per annum have been exported earning about N23 billion annually.

Raw nuts which are much in demand in industrialized countries are processed into kernels that constitute a valuable export product for confectionery. They are used as an ingredient for making fruit paste, candied fruit, canned fruit, cashew apple, resins, jams and jellies, chutney, fruit juice, alcohol and vinegar. Cashew kernels rank third after almonds and hazelnuts in the international trade of tree nuts. Wine and pulp are produced from cashew apple. Apple is eaten as a raw fruit or is fermented to produce a delicious alcoholic drink. The pulp is the fibrous part obtained after extracting juice from

the apple and could be used as animal feed or dried and processed into diet fiber biscuit. Another product of cashew is the Cashew Nut Shell Liquid (CNSL). It is greatly valued in the international market as a raw material for brake and clutch linings, paints, and vanishes. It is also used in lacques, agglutinants, insecticides and fungicides.

This report examines the financial viability of establishing a cashew nut processing plant in Nigeria. The plant will produce cashew kernel and Cashew Nut Shell Liquid (CNSL) as its main product.

It is estimated that 60 percent of cashew kernels are consumed in the form of snacks while the remaining 40 percent are included in confectionery. The cashew competes in the same market as other edible nuts including almonds, hazels, walnuts, pecans, macadamias, pistachios and peanuts. There has recently been a considerable rise in demand for edible nuts by consumers interested in quality and health aspects of food. The breakfast cereal, health food, salads and baked goods markets are all expanding markets for cashew nuts.

Cashew nut processing allows for the development of an important by-product which can increase its added value. The liquid inside the shell (CNSL) represents 15 percent of the gross weight and has some attractive possible medicinal and industrial uses. CNSL is one of the few natural resins that is highly heat resistant and is used in braking systems and in paint manufacture.

It contains a compound known as anacardium, which is used to treat dermatological disorders. The main markets for CNSL are the United States, the European Union (mainly the United Kingdom), Japan and the Republic of Korea. Together these account for over ninety percent of world trade, most of which is supplied by India and Brazil.

The installed capacity of the factory is two {2} metric tons of raw cashew nuts per day and the required startup capital estimate of the business is N 23,685,000.00 and it would be funded from 30% equity N 7,105,500.00 and 70% loan N 16,579,500.00. The loan would be used to finance our purchase on installation of the production plant and the working capital.

We expect the business to generate a net profit after tax of N 17,155,535.4 and N 20,085,367.8 in the first and second year with the repayment plan of two {2} years with moratorium period of two {2} months. The assumed interest rate for the loan is 25%.

The proposed business would be operated by the promoter and the total manpower required to run the business is about twenty nine {29} persons. The day to day management of the business would be handled by the managing director, with three managers in charge procurement, quality control and account assisting. The company's office duties would be handled by a front desk officer.

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