

to pay for raw materials, inputs, salaries and other operational costs. The investment is in the form of equity finance in a Special Purpose Vehicle that will manage and run the project.

Profit Analysis

The project will start generating profits from the first year of operation after being commissioned, with net profit margins ranging from 9% in year one to 14% in year five.

The project offers an attractive investment opportunity with an estimated Internal Rate of Return (IRR) of 26%, a Pay Back Period of 5 years, a Discounted Cash Flow (DCF) valuation of US\$20.9 million (using a discount rate of 12%, which is the current cost of capital in Zambia) and a Net Present Value (NPV) of US\$3.4 million

Social and Economic Impact

It is anticipated that the project will indirectly empower a large population of men, women and youth mostly in rural areas through the cashew nut production value chain. ZCPP will provide a guaranteed market for producers and suppliers of cashew nuts thereby leading to an increase in their disposable income and improvements in their standards of living. In urban areas, employment will be created for those involved in the distribution of processed cashew nuts products.

The project will also contribute to the rise in the Gross Domestic Product (GDP) and to inflows of foreign currency from processed mango exports. The project will therefore have a significant social and economic impact in Zambia.




potential made possible



 Zambia Development Agency
Privatisation House
Nasser Road
Lusaka, Zambia
PO Box 30819


 Phone: +260 211 220 177

 Website: www.zda.org.zm

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INVESTMENT PROJECT PROPOSAL

Name of project: Zambia Cashew Nut Processing

Country: Zambia



Overview

The Government of the Republic of Zambia (GRZ) is inviting Private Investors to establish a modern Cashew nut processing project that falls under agro – processing subsector, which is classified as a priority sub sector. The cashew nut processing plant will produce an average of 12,000 tonnes of cashew kernels per annum. The plant will be constructed on 5 acres of land located in Chilanga area, in Lusaka. A cashew nut collection depot will be constructed in Mongu, in the Western Province of Zambia. The total investment that is required to operationalize the project is US\$5 million. The Private Investors will be expected to meet the entire project costs of US\$5 million. GRZ, Zambia Development Agency (ZDA), Ministry of Trade Commerce and Industry (MCTI), Ministry of Agriculture and Livestock (MAL) and other Government Agencies will assist the Private Investors to establish the project, through various forms of interventions. The project will be implemented through a Special Purpose Vehicle that will be wholly owned by Private Investors. The project will take 12 months to operationalize.

The Product

The project will produce both roasted and unroasted cashew kernels to meet customers` specifications. For the local markets, cashew kernels will be packaged in 250g, 500gms, 1kg and 2kg plastic bags whilst for the regional and international markets packaging will be in the form of 10kg tins. The processed products will be of high quality and flavour that meets international standards.

The Market

The processed products will be sold to the domestic market in Zambia as well as regional and international markets. Main targets on the regional market are Kenya, Mozambique and Tanzania with growth

Key Facts	
Name of Project	Zambia Cashew Nut Processing
Country of Operations	Zambia
Headquarters	Chilanga Area, Lusaka, Zambia.
Contact	Partnership for Investment & Growth in Africa (PIGA) Zambia Development Agency Privatization House, Nasser Road, Lusaka Tel: +260 962146223
Current Status of Project	Green Field
Sector	Light Manufacturing – agro processing
Proposed Legal Structure	Private Investments Company
Partners	Private Investors Company
Project Value	USD 5,000,000
Proposed Investment Structure	
Proposed Investment Amount	USD 5,000,000
Type of Investment	Private Equity
Type of Investor Needed	Private Equity Investors
Use of Proceeds	The funds from the Private Investors will be used to finance the construction of a cashew nut processing plant, office buildings and cashew collection depot and purchase of modern cashew processing equipment, distribution vehicles and to finance working capital.

rates on cashew markets of around 3% annually. On the International markets the target is the European Union, India and United States of America. The global market for cashew nuts has been increasing by 4% annually over time. According to World Atlas Report, 2018, the global market for cashew kernels was estimated at US\$6.27 billion. In terms of consumption and imports, India leads the market, followed by the United States of America (USA) and European Union (EU) countries.

The Competition

The direct competitors to the project include small local Zambian companies, which have a total estimated capacity to process 780 tonnes of raw cashew nuts per annum. The rest of the processors are small household arrangements dotted around Western Province who produce very small quantities and use traditional manual processing techniques. In the African Region, major competitors are from Ivory Coast, Tanzania, Mozambique, Nigeria and Ghana. The main differentiation strategy for the project will be anchored on the high quality of its products.

Project Staff

- **Project Coordinator** – from ZDA.
- **Investments and Finance Expert** – from ZDA.
- **Legal Expert** – from GRZ.
- **Trade Expert** – from Ministry of Commerce Industry and Trade.
- **Cashew Processing Expert** – from Private Sector.
- **Cashew Sector Expert** – from Cashew Industry regulatory bodies.

Investment Proposal

The Zambia Cashew Processing Project is seeking an Investor to invest US\$5 million in the establishment of a modern processing plant in Chilanga area in Lusaka, which will produce cashew kernels for the domestic, regional and international markets. The project will take advantage of the abundance of cashew nuts in Zambia, capitalise on availability of affordable and trainable labour force and benefit from the existence of a ready market for processed cashew products. The project will benefit from both fiscal and non-fiscal incentives associated with investing in a cashew nut processing plant in Zambia. The funds will be utilised to meet the construction costs of the processing plant buildings, acquisition of processing plant, equipment, machinery, vehicles and working capital



Fig 1. Cashew fruits on tree before harvesting



Fig 2. Harvested Cashew fruits ready for processing



Fig 3. Processed cashew kernels



Fig 4. Roasted Cashew kernels ready for packaging