



**GLOBAL AGRICULTURE AND FOOD SECURITY PROGRAM (GAFSP)
PRIVATE SECTOR WINDOW**

AGRIBUSINESS COUNTRY DIAGNOSTIC – COTE D'IVOIRE

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LIST OF ABBREVIATIONS

ABC	Afonkantan Benin Cashew
ACE	Audit, Contrôle, Expertise (Audit Control and Expertise)
ACi	African Cashew Initiative
ACP	Africa, Caribbean and Pacific
ADEFICA	Association pour le Développement de la Filière Cajou Africain (Association for the Development of the African Cashew Network)
AFD	Agence Française de Développement (French Development Agency)
AFFICOT-CI	Association des Faîtières de la Filière Coton de Côte d'Ivoire (Association of Cotton Sector Umbrella Organizations of Côte d'Ivoire)
ANADER	Agence Nationale d'Appui au Développement Rural (National Agency for Support to Rural Development)
ANOPACI	Agence Nationale des Organisations Professionnelles Agricoles de Côte d'Ivoire (National Association of Agricultural Trade Organisations of Côte d'Ivoire)
APACI	Association Nationale des Producteurs d'Anacarde de Côte d'Ivoire (National Association of Cashew Growers of Côte d'Ivoire)
APEX-CI	Association pour la Promotion des Exportations de Côte d'Ivoire (Association for the Promotion of Côte d'Ivoire's Exports)
APROCOT-CI	Association Professionnelle des Sociétés Cotonnières de Côte d'Ivoire (Professional Association of Cotton Companies of Côte d'Ivoire)
APROMAC	Association des Professionnels du Caoutchouc Naturel de Côte d'Ivoire (Association of Natural Rubber Traders in Côte d'Ivoire)
APROSAP-CI	Association Professionnelle des Sociétés Agricoles du Palmier de Côte d'Ivoire (National Association of Agro Industrial Companies Producing Oil Palm in Côte d'Ivoire)
ASTI	Agricultural Science and Technology Indicators
BIAOCI	Banque Internationale pour l'Afrique Occidentale
CCA	Council of Cotton and Cashew Nuts
CCC	Conseil du Café Cacao
CCP	Compagnie du Caoutchouc de Pakidié
CDI	Côte d'Ivoire

CEPICI	Centre de Promotion des Investissements en Côte d'Ivoire (Centre for the Promotion of Investments in Côte D'Ivoire) CFAF Communauté Financière Africaine Franc (Franc of the African Financial Community)
CHC	Compagnie Hévécicole de Cavally
CIDT	Compagnie Ivoirienne de Développement des Fibres Textiles
CIF	Cost, Insurance and Freight
CIH	Côte d'Ivoire Hevea Company
CLP	Cocoa Livelihoods Program
CNRA	Centre National de Recherche Agronomique (National Centre for Agronomics Research)
CODINORM	Côte d'Ivoire Normalisation (Côte d'Ivoire National Standards Organisation)
COMPACI	Competitive African Cotton Initiative
COTIVO	Société Cotonnière de Côte d'Ivoire
CSRS	Swiss Research Agency
DFI	Development Finance Institution
DOPA	Département des Opérations Agricoles (Department of Agricultural Operations)
EBID	ECOWAS Bank for Investment and Development
ECHOES	Empowering Cocoa Households with Opportunities and Education Solutions
ECOWAS	Economic Community of West African States
ETG	Export Trading Corporation
EXAT	Exploitation Agricole Tehui
FDH	Rubber Development Fund
FENACOPAH-CI	(Fédération nationale des coopératives et unions des coopératives des planteurs de palmier à huile de Côte d'Ivoire (National Federation of Cooperatives and Cooperative Unions of Oil Palm Producers of Côte d'Ivoire)
FENOPACI	Fédération Nationale des Organisations Professionnelles Paysannes Agricoles Productrices d'Anacarde de Côte d'Ivoire (National Federation of Professional Cashew-growing Organisations in Côte d'Ivoire)
FESACI	Fédération des Syndicats Autonomes de Côte d'Ivoire (Federation of Autonomous Trade Unions of Côte d'Ivoire)
FILTISAC	Filature Tissage Sacs

FIRCA	Le Fond Interprofessionnel de la Recherche et du Conseil Agricole (interprofessional fund for agricultural research and consultancy)
FOB	Free on Board
FTG	Filatures et Tissages Gonfreville
G-8 Alliance	New Alliance for Food Security and Nutrition (on CDI)
GAA	General Alimentaire Africaine
GAFSP	Global Agriculture and Food Security Programme
GAFSP PrSW/IFC	Private Sector Window of the Global Agriculture and Food Security Programme
GITHP	Groupement Ivoirien des transformateurs de l'Huile de Palme (Ivorian Association of Industrial Palm Oil Refiners)
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GOCI	Government of Côte d'Ivoire
Ha	Hectares
I2T	Institut de Technologie Tropicale (I2T Tropical Technology Institute)
IAPH	Interprofessional Association of Oil Palm Sector
IC	Ivoire Coton
ICP	Ivory Cocoa Products
ICRAF	The World Agroforestry Centre
IDA	International Development Association
IDH	Ivoirienne d'Hévéa
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IITA	International Institute of Tropical Agriculture
ITC	International Trade Centre
INTERCAJOU	Inter-profession de la Filière Cajou (Intertrade Association of the Cashew Sector)
INTERCOTON	Inter- profession du secteur coton (Inter-professionnal Association of the Cotton Sector)
KOR	Kernel Outturn Ratio
NRDO	National Rice Development Office
IPS West Africa	Industrial Promotion Services West Africa

LANADA	Laboratory for Agricultural Development
MACACI	Manufacture de Caoutchouc en Côte d'Ivoire
MFI	Microfinance Institution
MT	Metric Tonnes
NDP	National Development Programme
NES	National Export Strategy
NR	Natural Rubber
NRDS	Revised National Rice Strategy
OBAMCI	L'Organisation des producteurs Exportateurs de Bananes, d'Ananas, de Mangues et autres Fruits d'Exportation de Côte d'Ivoire (Association of Producer Exporters of Bananas, Pineapples and Mangoes in Côte d'Ivoire)
ONDR	National Rice Development Office
PACIR	Trade Support and Regional Integration Programme for Côte d'Ivoire
PACTS	Processor Alliance for Cocoa Traceability and Sustainability
PAMF	Première Agence de Microfinance
PALM-FER	Oil Palm Fund
PCM	Phoenix Capital Management
PNIA	Programme National d'Investissement Agricole (National Agricultural Investment Programme)
PPP	Public-Private Partnerships
PROMEXA	Association pour la Promotion des Exportations Agricoles Traditionnelles de Côte d'Ivoire (Côte d'Ivoire's Non-Traditional Agricultural Export Promotion Association)
PRSC	Poverty Reduction Support Credit
RSPO	Round Table on Sustainable Palm Oil
SAIC	Société Agro-Industrielle de la Comoé
SAPH	Société Africaine des Plantations d'Hévéa
SCC	Sud Comoe Caoutchouc
SCP	Project to Support the Cotton Sector
SGBCI	Société Générale de Banques en Côte d'Ivoire
SICOSA	Société Ivoirienne de Coton S.A
SITA	Société Ivoirienne de Traitement d'Anacardes

SME	Small and Medium Enterprise
SOGB	Société des Caoutchouc de Grand-Béréby
SOTHEV	Société de Transformation d'Hévéa
STCP	Sustainable Tereee Crop Program (STCP)
TRCI	Tropical Rubber Côte d'Ivoire
TSR	Technically Specified Rubber
UCAP-CI	Union des Coopératives des Producteurs de Côte d'Ivoire (Union of Producer Cooperatives Côte d'Ivoire)
UCOOPAG-CI	Union des Coopératives Agricoles de Côte d'Ivoire (Union of Agricultural Cooperatives of Côte d'Ivoire)
UIRECOOPAG	Union Régionale des Coopératives Agricoles (Regional Union of Agricultural Cooperatives)
UGTCI	l'Union Générale des Travailleurs de Côte d'Ivoire (General Union of Workers in Côte d'Ivoire)
UPHCI	Union des Producteurs Horticoles de Côte d'Ivoire (Union of Horticultural Producers of Côte d'Ivoire)
URESCO-CI	Union Régionale des Entreprises Coopératives de la Savane de Côte d'Ivoire (Regional Union of Cooperative Enterprises in the Savane region of Côte d'Ivoire)
UTEXI	Union Industrielle Textile de Côte d'Ivoire
WAAD	West Africa Agribusiness Development Corporation
WAAIF	West Africa Agricultural Investment Fund
WAEMU	West African Economic Monetary Union
WB ASSP	World Bank Agriculture Support Project
WCF	World Cocoa Foundation

EXECUTIVE SUMMARY

ES. 1: Background

The International Finance Corporation (IFC) manages the Private Sector Window of the Global Agriculture and Food Security Program (GAFSP - PrSW), which is a multilateral mechanism to assist in the implementation of pledges made by the G20 in Pittsburgh, USA in September 2009. GAFSP established a private sector window to provide long and short term loans, credit guarantees, equity and advisory services to support private sector activities for improving agricultural development and food security. Through the blending of IFC finance and GAFSP finance, investments can be financed which are commercially viable, but have temporary higher costs and/or higher risks than the investments which IFC normally finances, and justify a concessional element in the financing package.

The objective of the IFC managed private sector window is to address the following:

1. Support and demonstrate new and innovative financing aimed at agribusiness companies and their supply chains,
2. Help increase productivity, improve market access, support innovation and development of new ideas in financing and technology, reduce information asymmetries between small end users of capital and financial institutions, and reduce risks associated with financing small holders/companies in the agribusiness sector
3. Support projects that foster research, development and innovations through entities operating in the 'last mile' and projects that can demonstrate higher productivity, lower use of water resources and inputs such as fertilizers

As a means to reach this objective, IFC contracted Cambridge Economic Policy Associates (CEPA) to conduct an agribusiness sector diagnostic of Cote d'Ivoire (CDI) to i.) analyze/identify the most promising sub-sectors and commodities for IFC/GAFSP investment and advisory services and ii.) identify specific IFC/GAFSP investment opportunities and related partners. This analysis would include competitiveness benchmarking to examine investment and trade patterns and evaluate the competitiveness of specific agri sub-sectors and value chains, as well as considering —strategic entry points for advisory, namely water/irrigation, women, climate change as well as skills development, mechanization, technology and other potential areas. Particularly important to the diagnostic process would be the country specific national planning work on food security, including CAADP, National Agricultural Investment Program.

This report presents the results of a 2 phase assignment, which aimed to identify three to five agribusiness sectors in CDI that have the potential to deliver significant growth and development impacts for CDI as well as investment opportunities for GAFSP PrSW/IFC. Phase 1 reviewed a long list of sectors using a two stage assessment process to identify the priority sectors:

- i.) Review FAOStat data looking at the top-50 sectors by export value and by production value to identify ten sectors worth looking at in more detail.
- ii.) Analyse each sector gathering quantitative data and reviewing the sectors' competitive strengths and weaknesses; main sector participants; and providing an overview of the recent investment activity in the sector.

ES.2 Phase1: Analyze/identify the most promising sub-sectors and commodities for IFC/GAFSP investment and advisory services

The long-list of sectors were reviewed against five criteria, summarised below.

Table ES.2.2: Criteria and indicators used to identify priority sectors

Criteria	Indicators
Development impact	<ul style="list-style-type: none"> • Estimated number of smallholder farmers in sector • Contribution to food security
Economic impact	<ul style="list-style-type: none"> • Average value of production of crop over last five years • Average value of exports/ imports over last five years
Competitiveness	<ul style="list-style-type: none"> • Yield per hectare achieve in CDI compared to world's top five producers • Change in CDI's share of global exports over ten years for each sector
Enabling environment	<ul style="list-style-type: none"> • Qualitative view on the quality of the policy environment • Qualitative view on the level of donor support received
Investment potential	<ul style="list-style-type: none"> • Qualitative view on the level of private sector activity in sector • Qualitative view on the amount of recent investment activity

Each indicator was scored between 1 (lowest) to 5 (best), so the maximum score is 50; Table ES.2 presents the data and ES.3 summarises the scores.

Table ES.2.3: Data for long-list sectors

Sector	Development		Economic		Competitiveness		Enabling		Investment	
Indicators	No. of smallholders	Ave. daily calories	Ave. value of crop \$m	Ave. value of exports \$m	Yield as % of competitors	Change in export share	Policy environment score	Support from donors score	Private activity score	Investment activity score
Cocoa	900,000	20	1,478	2,262	147%	-28%	2	4	5	3
Rubber	36,000	0	261	598	137%	47%	4	3	4	5
Rice	150,000	533	196	498	97%	-6%	4	4	3	3
Cashew nut	250,000	0	333	179	41%	20%	4	3	4	4
Oil palm	36,500	214	156	145	43%	26%	4	4	5	4
Fresh fruit	1,500	2	125	159	124%	-13%	3	3	3	2
Cotton	100,000	0	107	102	44%	-70%	4	4	3	2
Maize	102,000	192	90	5	34%	-17%	3	3	1	2
Sugar	5,000	99	58	16	108%	-33%	2	2	2	2
Coffee	100,000	0	105	134	28%	-87%	3	2	2	2

Source: FAOStat, IFC Agribusiness Strategy, Comtrade data, USDA Data, Cote d'Ivoire Ministry of Agriculture, World Bank, CEPA analysis

Table ES.2.4 Ranking of the long-list of sectors

Sector	Development	Economic	Competitiveness	Enabling	Investment	Summary assessment	Total
Cocoa	7	10	7	6	8	Economic size of sector and level of private sector activity suggests relatively high potential for GAFSP PrSW/IFC investment.	38
Rubber	2	8	10	7	9	Sector achieves globally competitive yields and is one of the fastest growing export sectors. Relatively high level of private sector activity and recent private sector led investment.	36
Rice	7	7	7	8	6	Although not an export crop, potential opportunity to exploit rapidly growing demand for rice in urban markets in West Africa. Increasing rice production is a key government priority.	35
Cashew nut	4	7	6	7	8	Investment in sector is judged to have a high potential for creating jobs, particularly for women.	32
Oil palm	4	4	6	8	9	Sector supported by relatively well-organised associations. Also has high level of private sector and recent investment activity.	31
Fresh fruit	3	5	7	6	5	Potential opportunities in bananas, but pineapples in decline. Concerns around impact of erosion of EU trade preferences.	26
Cotton	3	4	3	8	5	Sector has been growing, but yet to recover to pre-crisis levels. Opportunities seem to be relatively limited.	23
Maize	5	2	6	6	3	Opportunities limited; perhaps potential around production for poultry feed but otherwise no real private sector activity.	22
Sugar	3	2	7	4	4	Unclear that sector is large enough/ growing fast enough to support a strong pipeline of GAFSP PrSW/IFC opportunities.	20
Coffee	3	4	3	5	4	Sector has been in long-term decline with smallholders increasingly choosing to produce other crops. Not a priority for GAFSP PrSW/IFC relative to other sectors reviewed.	19

Based on the analysis and discussions with IFC/PrSW (see below), **cocoa; rubber; rice; cashew nuts and oil palm** were selected for the Phase 2 work.

Table ES. 2.5 Selection of the sectors

Sector	Summary rationale for prioritizing
Cashew nuts	Rapid growth of sector in CDI and high potential to create jobs, especially for women.
Rubber	Rapid growth of sector, relatively high level of recent private sector led investment activity.
Rice	Importance to government in addressing food security concerns and potential size of market within CDI and West Africa.
Cocoa	Importance of sector to approx. 900,000 smallholders and presence of established international firms.
Oil palm	High level of recent private sector-driven investment activity.

ES.3 Phase 2: Identify specific IFC/GAFSP investment opportunities and related partners

The Phase 2 work included a Country level fact finding mission to map out and analyze the value chain of each priority sub-sector and identify their performance and constraints, potential investments and development opportunities and partnerships for consideration by GAFSP PrSW/IFC. The in country work including meeting with various stakeholders including private sector companies, donors, government officials, commercial banks, industry and farmer associations, NGOs among others. Below is a brief review of the rationale for selection of the sectors followed by the high level potential opportunities in each sector.

Table ES.3.1: Review of priority sector identification and high level country findings

Sector	Summary rationale for prioritizing	Consistent with country visit findings
Cashew nuts	Rapid growth of sector in CDI and high potential to create jobs, especially for women.	Confirmed during country visit.
Rubber	Rapid growth of sector, relatively high level of recent private sector led investment activity.	Confirmed during country visit.
Rice	Importance to government in addressing food security concerns and potential size of market within CDI and West Africa.	Some uncertainty about government's long-term commitment to reduce dependence on cheap imports has caused some players to exit sector, e.g. Olam and may explain lower level of investment activity than assumed in phase 1.
Cocoa	Importance of sector to approx. 900,000 smallholders and presence of established international firms.	Cocoa is a key sector for CDI, but determined that GAFSP PrSW/ IFC already has investments in pipeline in this sector, so less of a priority for follow up for this assignment.

Oil palm	High level of recent private sector-driven investment activity.	Environmental concerns limits opportunity to companies willing to take on Roundtable on Sustainable Palm Oil (RSPO) certification.
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ES.3.2. Potential opportunities for GAFSP PrSW/ IFC in cashew sector

CDI is Africa’s largest producer of raw cashew nuts, and the second largest globally, after India. The sector has seen a significant increase in production from below 85,000 tonnes in 1999 to an estimated 450,000 tonnes in 2013, an annual growth rate of over 16% (see Figure 2.1 below); CDI now accounts for around 20% of global output of raw cashew. The crop is currently harvested on around 0.9m Ha of land, and has become a particularly important source of income in the poorer northern part of the country where it was initially planted. The majority of farmers growing cashew nuts are smallholders on plots of around 2 – 3 Ha of land. Overall, the sector provides direct employment to between 250,000 to 400,000 smallholder farmers and contributes to the livelihood of 1.5m Ivorians. Currently the main commercial activities that are occurring in the sector are the export of raw cashew nuts and cashew processing, which is at a nascent stage of development. Olam is by far the dominant company operating in the sector.

Key issues/opportunities identified in the Sector Diagnostic:

- Despite being the second largest producer of raw cashew, CDI currently produces only around 1% of the world’s processed cashew supply. Government policy is to support the increase of cashew processing in CDI. The target is to increase production of raw cashew nuts to 600,000 tonnes by 2016, and to increase local processing capacity of the raw nuts from its current level of around 55,000 tonnes to over 200,000 tonnes (35% of production) by 2016 and then to 100% by 2020. However, CDI’s ability to process cashews is limited by the lower Kernel Outturn Ratio (KOR) vis a vis India and Vietnam. The diagnostics points to the need on improving harvesting techniques of farmers as one area of support.
- A key issue faced by cashew processors is the need to hold on to a sufficient stock of raw cashew to keep their factories in operation throughout the year requiring access to working capital finance from the local banks. However, banks will not accept the stocks of raw cashew as sufficient collateral.
- Analysis developed by RONGEAD (2014) for the Ministry of Agriculture provides a detailed competitiveness assessment of the cashew sector in CDI. It suggests that CDI has a very marginal competitive advantage over the world’s leading processors: India and Vietnam. This theoretical advantage is due to the simple fact that CDI has direct access to raw cashew nuts, while both India and Vietnam have to import it, is an important advantage for CDI. However, the main competitive disadvantages are: existing spare processing capacity, local market for cashew nuts, lower working capital requirements, and provision of support from government.

The diagnostic shows that in theory cashew processing can be a profitable activity in CDI and that the sector may have marginal competitive advantage over countries such as India and Vietnam (though this may have been undermined by the recent wage increase).

However, there are a number of key risks that could affect the viability of investments in the sector. In particular these relate to the skill/ experience of the processor and its ability to carry out the processing activity without damaging too high a proportion of its raw materials. In addition, local processors face significant costs and risks in its ability to secure sufficient stocks of quality raw cashew and then hold on to them until they are ready for processing.

This suggests that investment directed towards start-up companies in the sector would have to help develop the technical skill/ experience of the processors and also assistance to enable them to secure and store their raw cashew nuts.

The cashew sector was seen by some stakeholders as having the potential to provide CDI with a major opportunity in the coming years. The sector has nearly doubled in size in the last seven years, and although processing is at a nascent stage it is seen as having the potential to provide a large number of jobs in the future. Depending on whether the processing factories are manual or mechanised, investment in processing facilities has the potential to create in excess of 80,000 jobs, assuming that the 35% processing target is achieved.

In terms of immediate opportunities for GAFSP PrSW/ IFC, the options for direct investment to existing processors are currently limited. Instead, if the processing sector is to develop it needs to be understood that the sector is only at the infant industry stage and will need significant policy and technical capacity building support alongside financial investment. The RONGEAD (2014) market study that was developed for the Ministry of Agriculture sets out clearly the interventions required to support the development of the market.

The Review did not see much evidence that the report's recommendations are being systematically implemented. Therefore there is an important role that needs to be played to support the implementation of reforms to develop the sector, which should help to unlock significant investment in the sector. The GAFSP PrSW/ IFC could in particular provide:

1. Technical assistance (full-time experts) to support the Inter-professional association (INTERCAJOU) to design and then implement specific, practical, measures to raise the overall productivity of the processing sector: from raw nut purchase and storage through to export procedures and shipping. This could be partly financed by a processor and partly by donors – Olam has said that it could be willing to make additional investments to support the development of the sector if there was more commitment to the implementation of policy reforms to support the growth of the sector.
2. Technical assistance to individual processing companies, to help with:
 - a. the choice of technology and equipment;
 - b. installation and commissioning;

- c. initial operations; fine-tuning of equipment; and trouble-shooting;
- d. training of employees;
- e. maintenance systems;
- f. food-hygiene systems etc. to satisfy international buyers requirements.

This could be provided by a pool of technical specialists and co-financed by the beneficiaries, the industry and by donors. Such an “incubation” service would go a long way to make start-ups and expansion projects promoted by Ivorian business people investment-ready and credit-worthy.

3. Technical assistance to the industry and to commercial banks to establish the protocols that would make it easier to provide working capital finance with raw nuts and processed kernels as collateral: e.g. common systems and documentation for:
 - a. grading, inspection, and valuations;
 - b. certification and supervision of storage facilities by collateral management agents;
 - c. ultimately a tradable warehouse receipt system could be envisaged, and is current being promoted globally and in the Ivory Coast by the IFC, but direct bank/borrower/CMA agreements would be an effective intermediate step.
4. One short-term measure that could be considered would be to make cashew processing companies, up to a certain capacity specifically eligible to apply to the IFC-backed SME finance facility at the Societe Ivoirienne de Banque (SIB). Currently most Ivorian cashew processors would not qualify because of the size of their annual turnover.

Possibly some form of risk-sharing support for the commercial banks for the provision of working capital could also be considered in the short-term, until they gain full confidence in the integrity and enforceability of collateral arrangements.

ES.3.4 Potential opportunities for GAFSP PrSW/ IFC in rubber sector

CDI’s Natural Rubber (NR) production has increased rapidly over the past decade, increasing from 135,500 tonnes in 2001/02 to 290,042 tonnes in 2012/13 and is forecast to reach over 320,000 tonnes in 2015, driven by a significant increase in the land used to produce rubber, see Figure 4.1 below. CDI is Africa’s largest latex producer; it has a 44% share of total production in the continent. Yields have also increased in recent years; farmers achieve around 2 tonnes per Ha, while around 2.2 tonnes per Ha are achieved on plantations. This compares to the 1.8 tonnes per Ha achieved in India and 1.7 tonnes per Ha achieved in Vietnam and Thailand. In total it is estimated that over 100,000 private farmers are involved in the production of rubber.

Key issues/opportunities identified in the Sector Diagnostic:

- The rapid growth in the CDI rubber sector has ultimately been driven by the significant price increase that occurred in the sector post 2003, which is attributed to the high demand for NR spurred by increasing number of cars in Asia. However, prices have moderated as a result of the slowdown in global economy combined with the recent decline in oil prices. The longer term prospects for the industry are thought to be good.
- In the past most NR production was carried out on plantations, but now around 80% of total production is by farmers that in many cases effectively act as out-growers for the NR processors. Many of the farmers benefit from free inputs and services or short-term equipment credit from the processing companies with the understanding that they will sell their rubber to that company. The company then deducts the cost of these services before paying the farmer.
- A key factor in the growth of the rubber sector in CDI is that the farmers are able to receive a good price for their crops and were thus able to capture some of the benefits from the high prices experienced in recent years. The fact that farmers have been able to secure a good price for their product, while at the same time international prices have been increasing caused a number of farmers to switch to rubber production over the last ten-years despite the high-up front costs and relatively long-term nature of the investment. It is estimated by APROMAC that it costs \$2,000 per Ha to establish a new rubber farm (not including the costs of the land), with half of the costs incurred in the first year. One issue is that the funds for investment in new rubber trees has had to come from the farmers own resources. APROMAC has been operating the rubber development fund. The fund was subsidising private farmers to cover 50% of the cost involved in planting new rubber trees. However, the fund stopped operating in the last financial year because the falling rubber price has reduced the available funds.
- While some processors have their own plantations, there is thought to be limited scope for processors to make significant investment to increase the size of their plantations because of restrictions on the amount of land available. Instead much of the investment has been to regenerate existing plantations so that they remain productive.
- APROMAC has set a target of achieving 600,000 tonnes of rubber production by 2020 and based on previous planting there is very likely to be a significant increase in production over the medium-term. One factor that could act as a drag on production is that the cultivation of latex from the rubber trees requires a lot of skilled labour. Most of the private farmers employ specialist workers to tap their trees rather than developing the skill themselves, which could lead to shortages/

bidding up of the price of labour as the number of trees producing latex continues to grow.

- Before the latex rubber that is collected from the rubber trees can be exported it has to be processed so that it can be manufactured into rubber goods. There are sixteen rubber processing factories in CDI. Processing capacity in CDI has been increasing rapidly in response to the increased production of latex. In 2009 processing capacity was estimated to be around 200,000 tonnes; it increased by over 70% by 2012 to 346,000 and has increased by another 100,000 to 440,000 by 2014. The processors are reported to suffer from some significant cost disadvantages compared to countries in Asia due to higher costs for electricity, diesel fuel, equipment, spare parts and maintenance. However, the Ivorian businesses have the advantage of lower transport costs for their produce to the EU market.
- One other important challenge faced by the processing industry is said to be the government's fiscal policies. In 2012 the government introduced a 5% tax on the rubber companies' revenues; in addition to this the companies have to pay a Value Added Tax (VAT) on their exports after the removal of an exemption that had been in place, though the companies can recover this cost from the government. It is reported that this together with the recent decline in international rubber prices has hit the profits of the processors.

Overall, the investment opportunities in the sector are currently in the primary rubber processing sub-sector. The pipeline for opportunities to support companies with either/ both working capital finance to support processors to purchase the farmers' rubber production and capital finance for more processing equipment will emerge on a more opportunistic basis as some of the companies in the sector have either made recent investments to increase processing capacity and/ or have been able to arrange financing on their own.

The table above lists the largest four rubber companies; it shows that three of the four biggest companies are potentially not options for GAFSP PrSW/ IFC investment. It would seem that there is more potential to follow up with the medium-sized firms such as Voie et Latex that might be open for business.

ES. 3.5. Potential opportunities for GAFSP PrSW/ IFC in the rice sector

Rice is the fastest growing food commodity in CDI with the increase in demand (estimated to be growing by around 6% per annum) driven by rapid urbanisation, increasing incomes and consumer preferences for rice given the relative cost and ease of cooking rice compared to substitutes. Leading to a rapid increase in domestic rice production over the last few years. For instance, according to USDA data domestic milled rice production reached 900,000 tonnes in 2012/13 and is estimated to have increased by 22% in 2013/14 to 1.2m tonnes. The rapid increase in domestic production that has potentially occurred in the past few years, is attributed to the increase in investment that government has made in the sector through the implementation of the Revised National Rice Strategy (NRDS). Government has reportedly

invested in the provision of improved seeds to smallholders and in small-scale processing facilities.

Key issues/opportunities identified in the Sector Diagnostic:

- The seed produced is processed in one of the rice mills. According to the available statistics, there are very few large-scale processing units in CDI. There are between 2,000 and 3,500 units of which according to the ONDR only two are industrial scale (able to process more than 5 tonnes of rice per hour). Most of the existing mills are artisanal, with some micro (less than 1 tonne per hour) and mini (between 1 and 5 tonnes per hour) mills also present.
- Imports currently account for around half of rice consumption in CDI. They come mainly from Vietnam (around 34%), Thailand (23%) and India (24%).
- The key to the long-term development of the domestic rice market is the extent to which it can compete with the imported rice. At present most of the domestic rice produced is competing in a different market to the imported rice. Domestic rice production is usually sold by small retailers in local market places near the main production areas because of the high costs involved in transporting rice. The main importing companies have developed more formal marketing channels, including wholesalers, semi-wholesalers, retailers in grocery stores and small outlets targeted at the main consuming areas – particularly Abidjan.
- The main issues said to be restricting the development of the domestic rice production are as follows:
 - Despite the potential recent increases in production, there simply isn't enough rice produced to meet demand. The low productivity and lack of access to improved seed varieties is a key driver of this.
 - There is little organized collection and distribution of the local rice and domestic producers face high transport costs in accessing the main consumption markets.
 - The quality of domestic milled rice, particularly the manually processed rice is low when compared to the imported rice.
 - There is little investment in the development of local rice brands; much of the rice that is sold on local markets is sold in unbranded bags.
- Although the implementation of the NRDS demonstrates the government's commitment to developing the rice sector, some market participants are not convinced that government will fulfil the required interventions in the sector. The uncertainty caused by government's decision to temporarily remove rice custom duties and import cheap rice from Thailand may have also increased uncertainty for the potential investors in the sector.

It would be worth following up with projects identified in the diagnostic for GAFSP PrSW/ IFC investment to support the projects to scale-up; but the experience of existing projects

highlights the need for more clarity in government policy in the sector. There is still uncertainty amongst market participants about the extent to which government is committed to reducing dependence, which is limiting the willingness of investors to make large scale investments in the sector. This is evidenced by the fact that Olam has pulled out of the rice sector in CDI. This would suggest that there is an important role that GAFSP PrSW/ IFC could fill by bringing together government and potential investors together to identify the specific actions that government needs to take to help attract more investment in the sector.

ES. 3.6. Potential opportunities for GAFSP PrSW/ IFC in the cocoa sector

CDI is the world's largest producer of cocoa, accounting for 36% of global output. Annual production over the past three seasons has averaged around 1.5 million MT, with a Gross Production Value of \$3.2bn in 2012. The country is also the world's second largest cocoa-grinder after the Netherlands, with an output of 460,000 tonnes in 2012-13. The cocoa sector was selected as an area of focus primarily because of its economic importance to CDI - there are around 900,000 smallholder cocoa farmers and around 4 million Ivorians are dependent on cocoa their income. In addition, the sector has a large number of established private sector players active in the sector.

Key issues/opportunities identified in the Sector Diagnostic:

- According to FAOStat data yields in CDI are around 0.6 - 0.7 tonnes per Ha. Which is CDI's direct competitors (Ghana and Cameroon). Despite this it is considered that the main issue affecting smallholders is their lack of productivity and poor farming practices. Specific issues include; i.) Limited research to develop fertilisers and other inputs suited to CDI conditions, ii.) Aging tree stocks, iii.) Limited access to cash/ finance for farmers to purchase inputs, iv.) Incidence of pests and disease and v.) Poor farming techniques employed by farmers particularly regarding the husbandry, plant protection and fermentation processes adopted.
- Another constraint faced is access to working capital finance to enable cooperatives to source supply from farmers. It is considered that cooperatives would also benefit from technical support and advice to improve the management of their organisations and also improve their ability to offer agronomic advice to smallholders.
- Downstream players developing relationships with trustworthy cooperatives/ middle-men to secure a reliable source of supply. A number of the large processors such as Cargill and Barry Callebaut are already involved in programmes that provide pre-finance for trusted partners further up the supply chain.
- Exporters: The main constraint identified for exporters is faced by the new local firms that are trying to establish themselves within the export market. They face significant working capital requirements if they are to secure the supply needed

to gain enough volume to make their activities profitable. The larger exporting companies also face some difficulty in securing supply.

- Processing: Entry into the processing sector requires significant capital investment. While government is seemingly keen to get more local players involved in the sector there are high barriers to entry for this activity. Moreover, a number of stakeholders believe that there is already enough processing capacity in the country and as we discuss below it is currently considered that there is no real commercial incentive for investment in increased capacity at present.
- Structural: There are a number of structural factors that limit the competitiveness of CDI as a processing hub. First, there is no local demand for chocolate, which means that all the cocoa liquor produced has to be exported. Other structural issues include a lack of supportive infrastructure especially poor quality roads – one stakeholder estimated that the cost of the bad roads was in the region of 5 – 10 CFA per kg of cocoa, which is significant given that the traders/ cooperatives' margins are usually just 80 CFA per kg.
- Policy: Processors reported that one of the reasons that they originally expanded their processing capacity in CDI was to take advantage of the incentives that government has put in place. Recent government reforms to the sector have eroded these incentives and also introduced regulations that have negatively impacted the sector; for instance the removal of the tax breaks enjoyed by exporters of processed cocoa goods. The reforms are also said to have created uncertainty for investors.

Overall there is most scope to invest in the development of financial products that allow the banks to lend directly to cooperatives, which we understand is already being developed by the IFC together with a few cocoa private sector players.

In theory the development impact of any GAFSP PrSW/ IFC investment might be highest if support was provided to smallholders, either in the form of inputs or working to increase the number of certified farmers. However, it is currently unclear that these activities can be carried out on a commercial basis. A number of companies in the cocoa sector are already carrying out similar interventions as part of their own market development strategies but are doing so through the provision of grants.

The other option that we considered is the scope to provide support to develop the processing capacity of some of the local firms that are trying to compete with the international players. While there is a distinct gap in the provision of finance to medium sized firms looking to invest in CDI, it is not clear that this is suitable for GAFSP PrSW/ IFC given that processing capacity is not seen as being a significant investment need at present.

ES. 3.7. Potential opportunities for GAFSP PrSW/ IFC in the oil palm sector

CDI is the second largest oil palm producer in Africa behind Nigeria, producing 400,000 tonnes on around 250,000 ha of land, located primarily in the south-east region. Most produce is destined for export; the country earned over \$250m from the export of oil palm in 2011 according to FAOStat data. CDI exports around three-quarters of its produce to West Africa. Most oil palm production is from smallholders; they occupy around 75% of the land under cultivation. Of these farmers nearly half farm on more than 10ha of land. The remaining quarter is produced on industrial estates. Farmers are organised into cooperatives, with most also being members of the FENACOPAH-CI (National Association of oil palm producers). The sector has a strong and well organized processing capacity, with processors forming their own association – the APROSAP-CI. Total processing capacity of association members is 1.7m tonnes of fresh fruit bunches. There are also large palm oil refiners present in the country such as SANIA (part of the SIFCA group).¹ The various processing and related activities in the sector create a large number of jobs for the economy. The oil palm sector was identified as a priority in the phase 1 work primarily because of the high level of recent private sector-driven investment activity.

Key issues/opportunities identified in the Sector Diagnostic:

- The findings of the country visit suggest that there are some important issues with the coordination of the supply chain, but more importantly we found that the concerns about the environmental impact of the sector means that investment would only be possible if the partner is willing to take on the RSPO certification.
- The main issue with smallholders is the poor yields of Fresh Fruit Branches (FFBs – the oil palm fruit) that they achieve: around 3 – 6 tonnes per Ha compared to the industrial plantations that achieve around 20 tonnes per Ha. The low yield achieved by smallholders is primarily due to their inability to afford access to inputs; e.g. seeds, fertilizer, irrigation.
- In addition to the productivity issues there are also constraints related to the inefficient management of the transfer of FFBs from smallholders to processors. This issue occurs in part because the climatic conditions in CDI are not perfect for producing oil palm – the country has a long dry season, while oil palm is a crop that needs continual moisture.
- Industrial producers of oil palm are able to achieve yields of around 20 tonnes per Ha, which is consistent with the world’s best producers. The main constraint faced by the industrial oil palm producers is that they face difficulties in getting access to land to expand their production levels.
- Processing factories are not operating at full capacity because they lack access to sufficient raw materials (FFBs). This is in part because of a need to increase production of FFBs in CDI by increasing smallholders’ productivity and also related to

¹ The Proforest initiative (2013). RSPO Africa roadshow in Cote D’Ivoire.

the issues around improving the way in which FFBs are transferred between producers and processors.

Given the current environmental concerns around oil palm, the scope for GAFSP PrSW/ IFC investment in the sector is seemingly more limited to supporting RSPO certified producers or providing technical support/ advice to encourage more market participants to become certified.

We understand that Agrivar is currently the only RSPO certified producer in CDI and that they have already been in dialogue with IFC to consider the potential for investment. Beyond re-considering the chance to work with them it is unclear that there are additional investment opportunities in oil palm at present given a seeming reluctance of other players to become RSPO certified.

ES. 4. Structure of the report

This report is structured as follows:

Section 1- Provides the full findings from the Phase 1 report.

Section 2- Provides the full findings from the Phase 2 report (omitting any confidential information related to specific company investment)