

CASHEW MARKET BULLETIN



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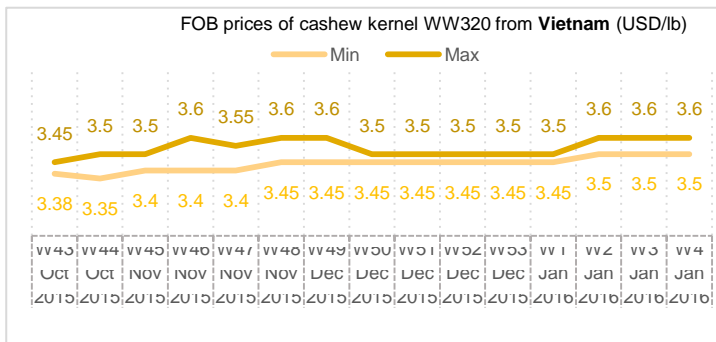
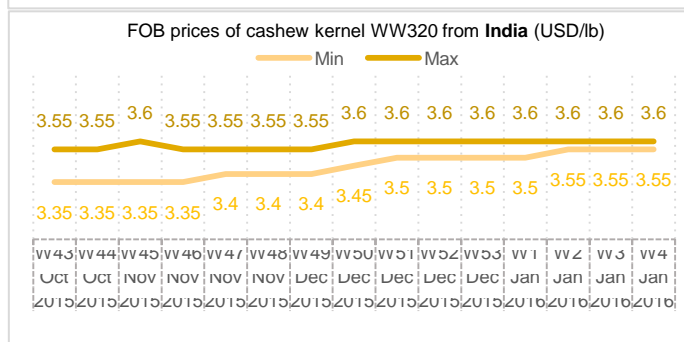
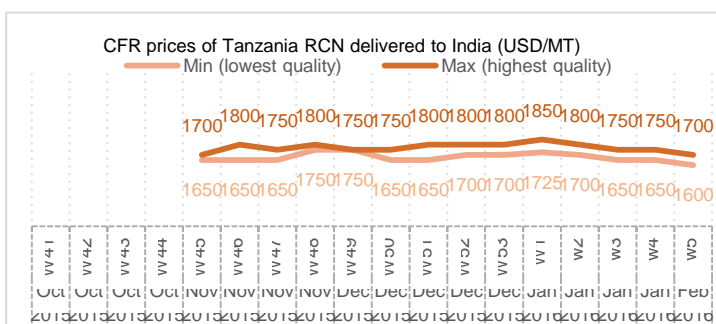
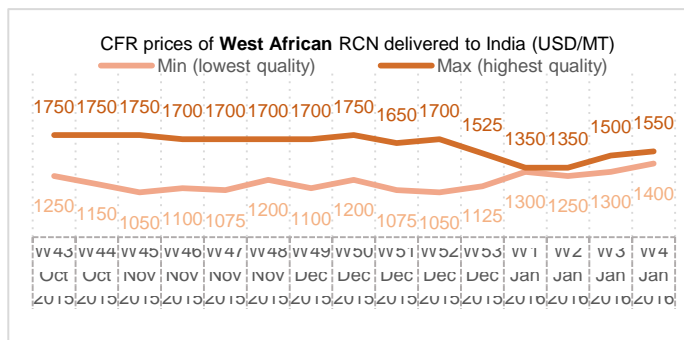
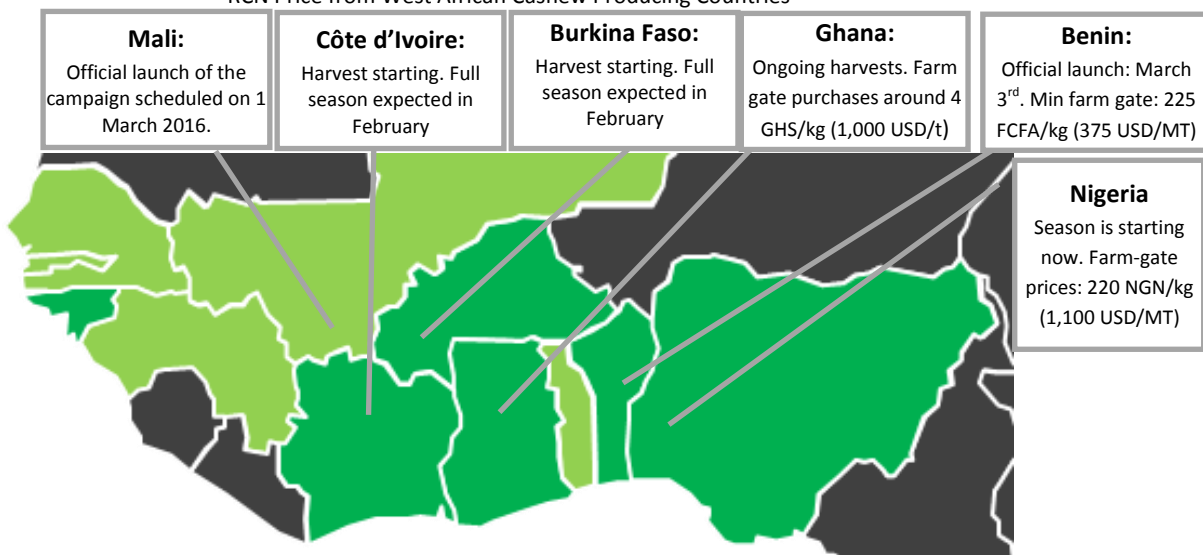
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The Cashew Market Flash

RCN Price from West African Cashew Producing Countries



The Cashew Market in West Africa

Nigeria

In Nigeria, RCN prices increased significantly in Kogi State. Small quantities of raw cashew nuts (RCN) are bought around 220 NGN/kg (1,100 USD/MT), an exceptional high level.

Under these conditions, the National Cashew Association of Nigeria (NCAN) announced that the largest factories in the country planned to shut down in 2016 after operating with less than 30% of capacity in 2015 because of the difficulty to source RCN. The NCAN uttered a warning cry to the Nigerian authorities to quickly improve the policy of protecting and promoting the local cashew processing plants. If nothing is done, more than 2,000 jobs created in the factory in Kwara State could disappear.

Other countries in West Africa

In the rest of the West African cashew producing countries, crops are slowly beginning but apart from Nigeria and Ghana, marketing has not started yet.

The Cashew Market in East Africa

The cashew-marketing season is gradually ending in East Africa. Available stocks are very low. In Kenya, some farm-gate purchases are still done between 50 and 60 KES/kg (0.5-0.6 USD/kg).

The International Cashew Market

This international cashew market was relatively quiet this week. The celebration of Tet (Lunar New Year) is about to start in Vietnam and during the next two weeks, the processors and traders of cashew nuts will be on holidays.

Export offers for the West African RCN remain relatively stable between 1,300 and 1,600 USD/MT for C&F deliveries to India and Vietnam for the end of March and early April.

In Vietnam, small quantities of raw cashew nuts are being harvested and the current prices are particularly high in average \$1.75 USD/kg).

Exchange rates of West African currencies against the US dollar are relatively stable so far this week compared to last week.

International quotations in India/Vietnam

Cashew kernels <i>FOB</i>			
Description	Grade	Price USD/lb	Recent changes
Whole White 240 kernels/lb	WW240	3.7 - 3.75	Stable
Whole White 320 kernels/lb	WW320	3.5 - 3.6	Stable
Splits	FS/WS	3.2 - 3.3	Stable
Broken	LWP/LP	3.10 - 3.2	Stable

Raw Cashew Nut *CFR* India/Vietnam

Origin	Outturn	Price USD/MT	Recent changes
West Africa (coming harvest, deliveries from end of March)	47-50	1300-1600	New offers
Indonesia (limited availability)	48-50	1650-1700	Stable
Tanzania (limited availability)	48-49	1650-1750	Stable

Exchange Rate: 1 USD=			This Week	Last Week	Exchange Rate: 1 USD=			This Week	Last Week
West Africa	Franco CFA	XOF	600	605	East Africa	Tanzanian Shilling	TZS	2180	2190
	Nigerian Naira	NGN	200	200		Kenyan Shilling	KES	102	102
	Ghanaian Cedi	GHS	4	4		Mozambican Metical	MZN	47	45
	Gambian Dalasi	GMD	40	40	Asia	Indian Rupee	INR	68	68
	Franco Guineén	GNF	7700	7700		Vietnam Dong	VND	22300	22300

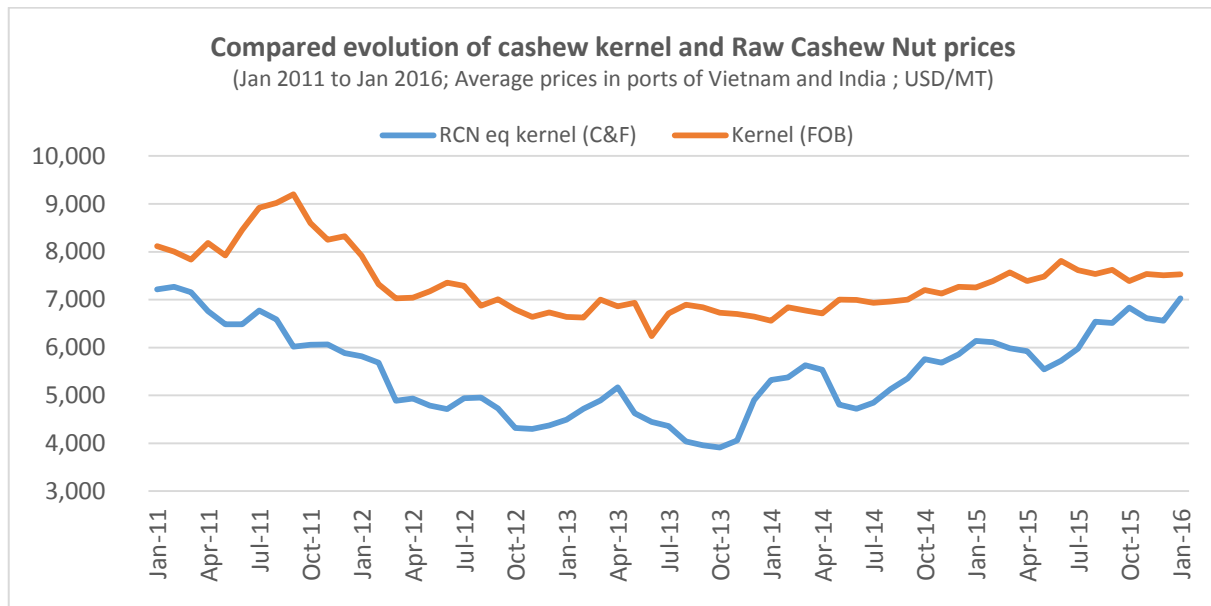
The Analysts' Opinion

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After reviewing, the market trend during the past weeks and the latest customs statistics available. This week it will be interesting to compare the evolution of RCN prices and cashew kernels prices.

Many processors from India and Vietnam tend to complain each year about the reduction in their working margin with prices of RCN increasing compared to cashew kernels prices.

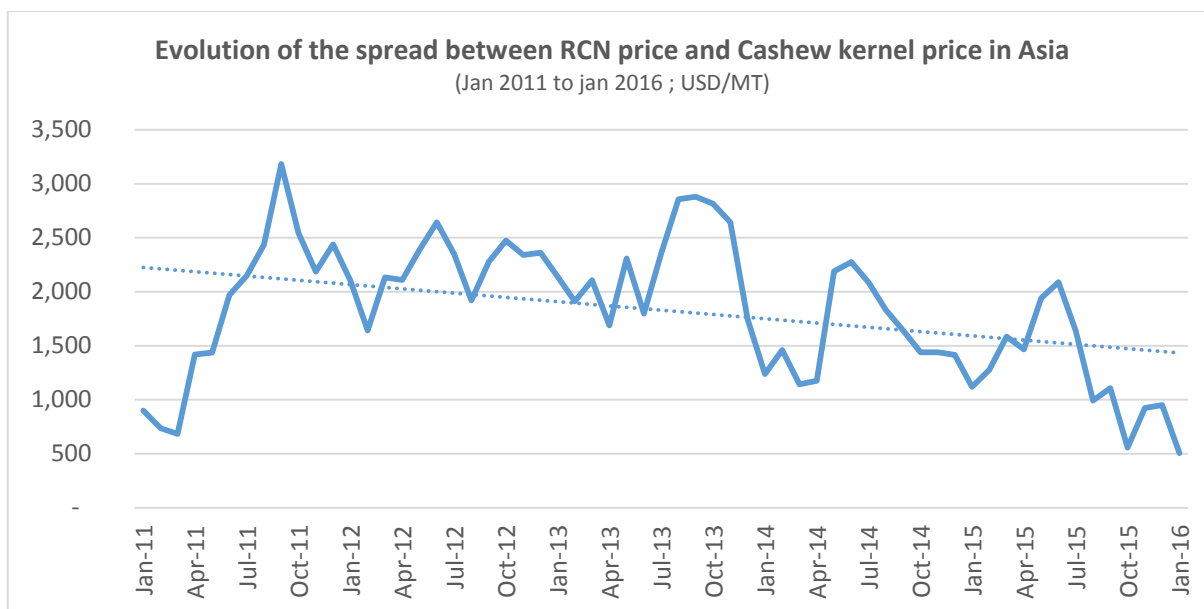
Below is the evolution of the average monthly price of cashew kernel from Asian ports (all grades) and that of the average monthly price of RCN entering Asian ports converted into cashew kernel equivalent, that is multiplied by a coefficient of between 4.1 and 4.8 depending on the time of year and therefore on average outturn



As shown in this graph, the gap tended to grow during the years 2012 and 2013, years where about 40% of the total West Africa due to the political crisis in Côte d'Ivoire the supply of RCN from Africa was a bit tight 2011. The release of the available stocks after the crisis in 2012 the cashew price went down. The tight price of raw material compare to kernel in 2014 and 2015, years' competition was very high between exporters and local processing plants in Africa. However these figures represent an overall estimation without consideration of the detailed processing cost by automation processing, which reduce considerably processing cost...

This gap corresponds to three elements: (1) processing costs + (2) processor margins + (3) resellers and packers margins in Asia. It is therefore quite logical that the years of less competition for access to raw material, processors and Asian intermediaries were able to enjoy bigger margins.

Looking more closely at the gap in the graph below, there is a significant decrease over the last 4 years related to periods of availability and scarcity of raw nuts.



In January 2016, this gap reached a historical low record of around 500 USD/MT of kernel, meaning just over 100 USD/MT of raw cashew nuts processed. This is actually quite understandable that Asian processors (but also African processors because they compete with them) complain of not being able to work with current price levels.

Several factors can explain this situation:

- 1) The number of middlemen who compete on the import of raw cashew nuts have increased strongly and forced all cashew traders to reduce their margins; But this situation not real because processor are buying more RCN with middlemen than ever.
- 2) Processing costs have been reduced by automation; especially during the last two years since the price of broken/scorched kernels rebounded, and automatic processing is more efficient; while the price of w320 was narrowed in spread.
- 3) The processing capacity in India as well as in Vietnam have grown fast, which has increased competition between processors and has encouraged a strong reduction in their margins

However, despite these explanations, it is clear that this level of difference between cost of RCN and kernels selling price is not sustainable in the long term, even for the most competitive Asian factories.

It is likely that over the next few months the price of raw cashew nuts could experience a greater decline than what is caused by the difference in quality between the West African raw nuts and that of Tanzania and Indonesia, because few processors will be able to pay high prices for raw nuts if kernels prices do not increase significantly. A re-adjustment of RCN prices from West Africa is very likely between 1,100 and 1,400 USD/MT C&F Asia according to the quality.

The decrease in world prices of raw cashew nuts is even more probable as in the last two months the almond, the main competitor product of cashew kernel experienced dropping in prices as well as Walnut.

Nevertheless, given to current exchange rates and even with RCN prices decreasing, competition will be fierce during this campaign, and prices will probably be in the same range with those of last season at the beginning of the season.