

CASHEW MARKET BULLETIN



**AFRICAN
CASHEW
ALLIANCE**

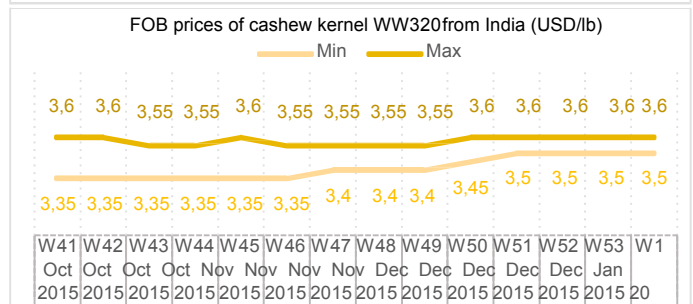
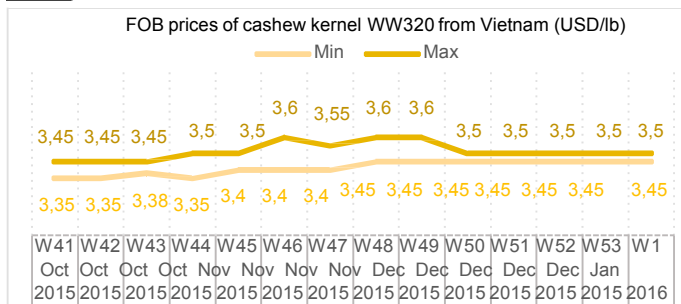
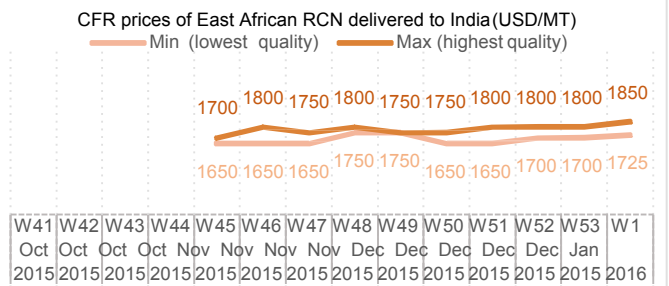
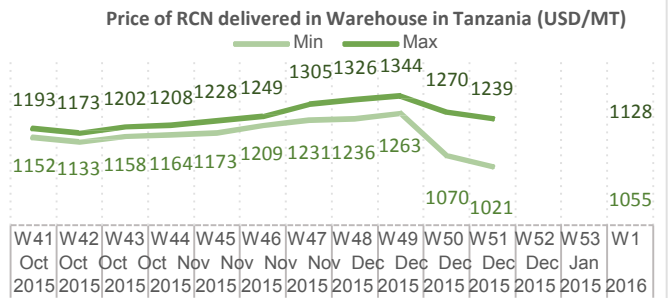
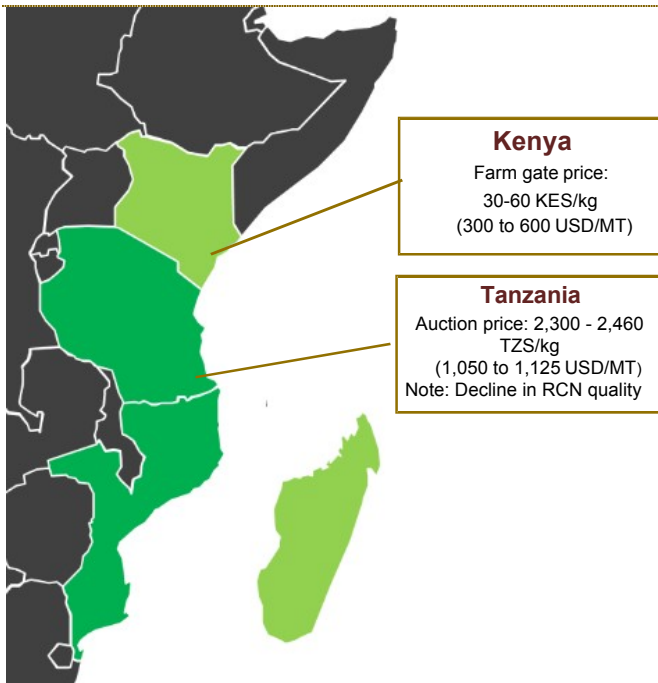
n'kalô
Service
d'information
et de conseil

January 15th, 2016 – N°001

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The Cashew Market Flash



The Cashew Market in East Africa

Kenya

In Kenya, the cashew harvest is continuing and most of the processors are disappointed by the poor harvest this year. Kenya has been facing significant issues due to aging trees and decreasing acreage, however the late rains of the El Niño phenomenon this year further worsened the harvest.

Kenyan processors' agents are buying cashew around 65 KES/kg (500 and 600 USD/MT) for their warehouses in the production areas. Middlemen are still paying between 30 and 60 KES/kg at farm-gate depending on the location.

Some processors are about to start processing the first stocks they already collected.

Tanzania

In Tanzania, after two weeks of closure during the festivals, the auctions restarted. The availability of RCN is now quickly decreasing as prices also decrease due to lower quality and few new business enquiries. Last week, auctions were done between 2,300 and 2,460 TZS (Between 1,050 and 1,125 USD / MT). This is almost 450 TZS/kg (200 USD/MT) less than in November, indicating that both quality and demand have strongly decreased.

It is important to note that production in Tanzania may not decrease as much as in Mozambique and Kenya because Tanzania has young cashew acreages with increasing yields that are able to better handle adverse weather.

Mozambique

In Mozambique, the production should be quite a bit below the announced figures. As in Kenya, Mozambique has very old cashew tree acreage and is facing difficulties in renewing it. With a very different weather pattern this year, old trees are reacting badly and the available quantities for export will be very few after supplying local processors.

The Cashew Market in West Africa

In general, the 2016 harvest should be late again this year in West Africa. During the past 3 years, the rainy season in cashew production areas tended to move from June-October to July-November. This meant the main cashew harvest period is moving from February-April to March-May (1 month later for Senegal, Gambia and Guinea Bissau).

Apart from this change, weather conditions are good and the young cashew acreage of West Africa is expected to quickly increase production again this year. In 2015, West African production reached over 1,500,000 MT, which was an increase of around 250,000 MT respective to 2014. As the growth of cashew production is still accelerating, we expect that this year West African production will reach over 1,800,000 MT. With the local industry damaged by high prices and growing more slowly than expected, a significant challenge will be exporting those huge quantities through saturated ports.

Nigeria

In Nigeria, the harvest is slowly beginning. Many foreign exporters are already on the field organizing their logistic for the coming season. No trade is happening in the rural areas, but negotiations for export contracts are already underway with export offers in place for March between 1300 and 1400 USD/MT, for quality around 47-48 lbs/bag.

Benin

In Benin, the minimum farm-gate price has been already set at 225 FCFA/kg (375 USD/MT) and the official launch of the cashew-trading season is planned for Thursday March 3rd. This minimum price seems very low in comparison to the current level in the international market and to the exchange rate between the Franc CFA and the US Dollar. Currently, first export offers for Benin RCN have been made between 1,450 and 1,600 USD/MT for quality between 48 and 50 lbs. With such prices the minimum price should be very quickly surpassed.

The International Cashew Market

After a slight increase of prices at the beginning of December, the cashew market has been quite steady.

With high prices of RCN and generally good consumption trends, most processors are refusing to decrease the price of cashew kernels, even if they still have good stocks to move.

Prices of RCN are slightly decreasing in Indonesia and Tanzania due to the poor quality.

First offers for West Africa RCN are higher than last year, which means the competition will be very strong again this year from the beginning of the season.

The Franc CFA is steady respective to the US Dollar but could decrease during the season which would increase the purchase power of exporters.

International quotations in India/Vietnam			
Cashew kernels FOB			
Description	Grade	Price USD/lb	Recent changes
Whole White 240 kernels/lb	WW240	3.65 - 3.8	Steady
Whole White 320 kernels/lb	WW320	3.45 - 3.60	Steady
Splits	FS/WS	3.15 - 3.3	Steady
Broken	LWP/LP	3.05 - 3.2	Steady

Raw Cashew Nut CFR India/Vietnam			
Origin	Outturn	Price USD/MT	Recent changes
West Africa (coming harvest, deliveries from end of March)	48-50	1400-1600	New offers
Indonesia (limited availability)	48-50	1700-1800	Slight decrease
Tanzania	48-49	1650-1750	Slight decrease

Exchange rate: 1 USD=			This week	Last Week	Exchange rate: 1 USD=			This week	Last week
WEST AFRICA	Franc CFA	XOF	605	610	EAST AFRICA	Tanzanian Shilling	TZS	2175	2180
	Nigerian Naira	NGN	200	200		Kenyan Shilling	KES	102	102
	Ghanaian Cedi	GHS	3.95	3.85		Mozambican Metical	MZN	46	47.5
	Gambian Dalasi	GMD	40	40	ASIA	Indian Rupee	INR	68.85	66.6
	Guinean Franc	GNF	7700	7750		Vietnam Dong	VND	22400	22500

The Analysts' Opinion

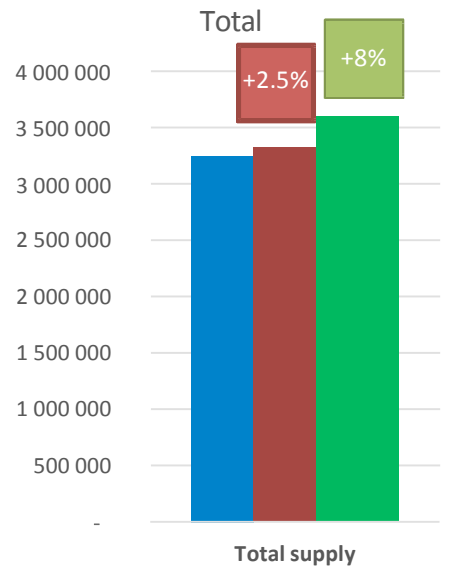
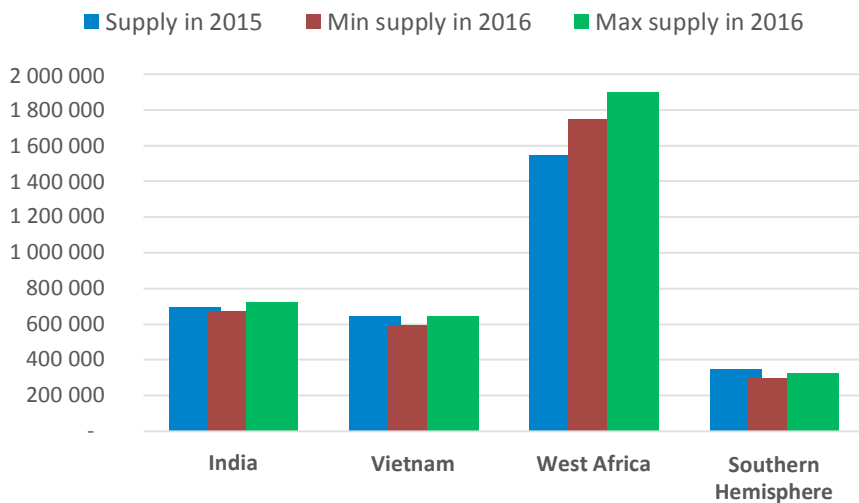
Your analysts: Pierre RICAU – international@nkalo.com and Achille OUEDRAOGO information@africancashewalliance.com

As the new cashew season in the Northern Hemisphere is yet to start, it is time to think and assess what we know and what we can expect in 2016.

On the supply side:

- ✂ Production is not expected to change too much in India and Vietnam, even if the El Niño phenomenon could have a negative effect.
- ✂ Production will increase strongly in West Africa
- ✂ Definitely, production will not be good in the Southern Hemisphere but this may not affect the international market too much.

Estimates of cashew production changes in 2016



Note: Estimates are based on data sourced from Customs Service publications (Vietnam, India and Brazil) and other information from ACA's partners around the world.

We cannot predict exact production figures but knowing the amplitude of changes we can estimate as showed in the graphs above, supply in 2016 should be between **2.5%** and **8%** more than in 2015.

On the demand side:

- ✎ In 2015, cashew imports increased by around 10% in the USA and by around 8.5% in EU (based on custom statistics January to November) in comparison with 2014.
- ✎ In India the growth in cashew consumption is probably over 10% per year if we look at the import-export balance.
- ✎ Cashews remain cheaper than almonds, hazelnuts or pistachios, but in some markets walnuts is now a little bit cheaper than cashew. Due to price stability, increasing availability and attractive prices, cashew uses and consumption should continue growing in 2016.
- ✎ The main tree nut growing area worldwide, California, is still facing a very adverse weather. As shown in the graph, the drought in the area is still extreme and may persist even if El Niño could bring some big rains this winter. Almond and pistachio trees will be impacted by this drought until 2017, so yields should not increase before 2018.

U.S. Drought Monitor CONUS

January 7, 2014
(Released Thursday, Jan. 9, 2014)
Valid 7 a.m. EST

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	46.64	53.36	33.22	17.12	4.13	0.37
Last Week 12/21/2013	48.24	51.76	30.95	16.67	3.96	0.37
3 Months Ago 10/10/13	42.23	57.77	38.59	19.60	2.91	0.29
Start of Calendar Year 1/1/2014	48.24	51.76	30.95	16.67	3.96	0.37
Start of Water Year 10/1/13	39.57	60.43	41.21	20.70	3.06	0.29
One Year Ago 1/6/2013	28.26	71.74	60.26	41.71	20.80	6.70

Intensity:
■ D0 Abnormally Dry ■ D3 Extreme Drought
■ D1 Moderate Drought ■ D4 Exceptional Drought
■ D2 Severe Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Almond and pistachio growing area

U.S. Drought Monitor CONUS

January 6, 2015
(Released Thursday, Jan. 8, 2015)
Valid 7 a.m. EST

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	55.85	44.15	29.10	16.76	8.84	2.49
Last Week 12/29/14	53.20	46.80	29.68	16.93	8.96	2.54
3 Months Ago 10/09/14	53.03	46.97	30.51	18.66	8.46	3.67
Start of Calendar Year 1/1/2015	53.20	46.80	29.68	16.93	8.96	2.54
Start of Water Year 10/29/14	52.23	47.78	30.57	19.66	9.41	3.65
One Year Ago 1/07/14	46.64	53.36	33.22	17.12	4.13	0.37

Intensity:
■ D0 Abnormally Dry ■ D3 Extreme Drought
■ D1 Moderate Drought ■ D4 Exceptional Drought
■ D2 Severe Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author(s):
Brad Rippey
U.S. Department of Agriculture

U.S. Drought Monitor CONUS

January 5, 2016
(Released Thursday, Jan. 7, 2016)
Valid 7 a.m. EST

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	68.57	31.43	18.39	10.83	5.16	2.70
Last Week 12/29/15	66.99	33.01	18.74	11.56	6.28	2.70
3 Months Ago 10/05/15	49.99	50.01	31.59	21.45	12.02	3.06
Start of Calendar Year 1/1/2016	66.99	33.01	18.74	11.56	6.28	2.70
Start of Water Year 10/26/15	44.91	55.09	31.36	20.09	11.45	3.00
One Year Ago 1/04/15	55.85	44.15	29.10	16.76	8.84	2.49

Intensity:
■ D0 Abnormally Dry ■ D3 Extreme Drought
■ D1 Moderate Drought ■ D4 Exceptional Drought
■ D2 Severe Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author(s):
Brian Fuchs
National Drought Mitigation Center

<http://droughtmonitor.unl.edu>

Conclusion:

- ☞ Consumption is growing at the same pace or faster than production: we think cashew prices should remain equal to the higher level than during past seasons.
- ☞ With current quotations for RCN in the international market, farmers, traders and processors should expect farm gate prices above 450 FCFA/kg (750 USD/t) in West Africa again this year.
- ☞ The main risk is that West African ports would be saturated by RCN production and that this situation can create local price volatility.

Under such conditions, our advices for this season are:

- To farmers: to sell progressively as soon as farm-gate prices reach 450 FCFA/kg or 150 NGN/kg or 3 GHS/kg or 35 GMD/kg.
- To local traders: to be ready for strong competition again this year, but to monitor the port situation closely as it could create punctual price decreases and blocking.
- To local processors: to anticipate high prices and to diversify supply strategies (direct supply with farmers and farmers' organizations, pre-funded local traders, deliveries from local traders which are not funded). If possible, negotiate higher prices for kernel deliveries during the second half of 2016 or the possibility of renegotiation of kernel prices during the season.
- To RCN exporters: to be ready for intense competition and logistical issues and to not commit for too large of a quantity for each batch.
- To RCN and Kernel importers: to cover your needs the earlier, the better!

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