



AfriCashewSplits

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“Splits is back! We have listened to your comments, and we are still listening to you”

The International Cashew Market

The market continued in a quiet but steady mood over the past week. There has been buying of kernels in light volume steadying the market with prices in a range US\$3.80-4.00 per lb FOB WW320 depending on position and the processor. It seems that the market has found a range which works for now at least. Indeed, with processors continuing to renegotiate raw cashew contracts and kernels importers and smaller buyers still in need of cover for the last quarter it seems that there is no one who would like to see the market move upwards too far for now. The RCN position remains difficult. Vietnamese and Indian imports are behind last year's levels but ahead of 2016 at the same time of year. There have been many reports of factories closing for want of raw nuts in Vietnam but this does not add up as kernels exports are up by 15% on 2017 to end June. It seems more likely that what is going on is a rationalisation in Vietnam. Processors who suffered through the very high prices of last year are failing with the volume being taken up by larger processors often using small factories for satellite processing or partial processing. This has its own food safety and quality risks as we have seen in recent years. It may well be that the recently publicised stricter rules for the lending of working capital by banks to cashew enterprises in Vietnam is a result of last year's price mayhem and will lead to a more controlled approach by banks and eventually by their customers, the processors. The key to the next move in the market is in the short term RCN supply situation. Vietnam's imports are down on last year but up on 2016 (By mid- July Vietnam is 178,000 t down on imports compared to 2017). There are an estimated 100,000 tonnes either in warehouse or uncleared and not on the customs statistics as yet. This material is being negotiated or resold by importers and traders. If we add this figure to imports and the crop in Vietnam it looks as if Vietnam has enough RCN to process for 3-5 months. Now add in 100,000 t still to come from Guinea Bissau to India/Vietnam and perhaps 200,000 t in Cote D'Ivoire apportioned to Vietnam and India. Also bear in mind that there are still stocks of Vietnam's own crop trading. It looks to us as if there is an adequate supply of RCN until new crop in the southern hemisphere provided the inventories in West Africa continue to move to processors. Balances should move once the current logjam in the Vietnamese RCN trade is cleared probably with some expensive lessons. The difficulty and cost of clear the logjam is illustrated by a report that Guinea Bissau RCN has trade at \$1600 USD/T in Vietnam which could be a loss of up to \$ 500 USD/T for the seller. There is no doubt that this volatile environment is difficult for African cashew processors. Last year, faced with illogically high prices, processors may have decided to stay out of the market. This year the market opened in a similar fashion. It was clear that the levels quoted were not sustainable – processors in Vietnam and India recognised this and stayed away. The market came to a standstill and then eventually RCN prices started to fall both in absolute price and related to quality decline. A West African cashew processor could quite easily have become caught in the web - traders trying to sell high priced stocks, well intentioned governments promoting higher farm gate prices in a market which could not sustain them and Asian processors pushing for higher kernels prices. It was quite possible to be right about the market direction but still be wrong about sourcing strategy i.e. missing the better quality of the season. The need for good market intelligence has never been clearer just as the need for better post-harvest handling has never been clearer. It also seems to us that the future for successful processors must be in building closer multiyear/year-round relationships with growers. The 2018 season in West Africa looks as if it may have a long tail with shipment perhaps continuing into September or later. It may be that there will be some inventory left to compete with the new crops in East Africa.

Source: Jim Fitzpatrick from Inaredient Sourcina Solutions (ISS)

RCN FOB price in AFRICA (USD/MT)									27/7/2018
COUNTRY	Last year (July 2017)	Last Month (June)	27-Jul-18				This week vs last month		Tab 2: RCN FOB price chart USD/MT
	Average	Average	Min	Max	Average	Outturn	Variation	Trend	
NG	1,600	1,543	1,350	1,550	1,450	42-48lbs	-0.06	↘	
BN	1,650	1,525	1,400	1,650	1,525	48-50lbs	0.00	→	
TG	1,600	1,400	1,300	1,500	1,400	45-47lbs	0.00	→	
GH	1,700	1,600	1,500	1,700	1,600	46-48lbs	0.00	→	
BF	1,675	1,425	1,200	1,550	1,375	42-48lbs	-0.04	↘	
RCI	1,550	1,500	1,550	1,650	1,600	40-46lbs	0.06	↗	
ML	1,600	1,300	1,150	1,400	1,275	42-46lbs	-0.02	↘	
G.Con	1,510	1,138	1,000	1,400	1,200	38-47lbs	0.05	↗	
SN	1,800	1,605	1,500	1,690	1,595	50-52lbs	-0.01	↘	
G.Biss	1,900	1,688	1,700	1,800	1,750	52-54lbs	0.04	↗	
GM	1,900	1,685	1,600	1,750	1,675	50-54lbs	-0.01	↘	

Cashew Kernel FOB prices in Vietnam							27/7/2018	
Product	Last year (July 2017)	Jun-18	This week			This week vs last month		Tab 3: Kernel FOB price chart per grade in USD/lb
	Average	Average	Min	Max	Av	Variation	Trend	
WW240	\$5.35	\$4.28	\$4.00	\$4.20	\$4.10	-4.39%	↘	
WW320	\$4.95	\$4.15	\$3.80	\$4.00	\$3.90	-6.41%	↘	
WS	\$4.33	\$3.28	\$3.15	\$3.25	\$3.20	-2.50%	↘	
LP	\$3.68	\$3.60	\$3.40	\$3.60	\$3.50	-2.86%	↘	

The Cashew Market in West Africa

RCN Farm gate price in AFRICA in US\$							27/7/2018	
COUNTRY	Cur	Jul-17	Jun-18	27-Jul-18		This week vs last month		RCN Farm Gate Price by country
		Per T	Per T	Per T	Outturn lbs	Variation	Trend	
BENIN	US\$	N/A	\$985	\$887	45-48lbs	-11%	↘	
TOGO	US\$	N/A	\$758	\$577	40-44lbs	-31%	↘	
COTE D'IVOIRE	US\$	\$759	\$579	\$488	35-44lbs	-19%	↘	
MALI	US\$	N/A	\$706	\$332	38-45lbs	-112%	↘	
GUINEA CONAKRY	US\$	N/A	\$571	\$444	37-45lbs	-28%	↘	
GUINEA BISSAU	US\$	\$1,610	\$980	\$665	50-52lbs	-47%	↘	
SENEGAL	US\$	\$1,096	\$1,114	\$621	48-52lbs	-80%	↘	
GAMBIA	US\$	\$2,000	\$1,298	\$938	48-52lbs	-38%	↘	

Country	Production Forecast in 2018	Weather/growing conditions past week
Nigeria	215,000	Sharp decrease in RCN availability at the producers' level.
Benin	100,000	Sharp decrease in RCN availability at the producers' level
Togo	6,000	The rainy season is progressing in the various production zones. Sharp decrease in RCN quality. The RCN outturn for the remaining stocks at the producers' level is of 38-44lbs.
Ghana	80,000	The rainy season is progressing in the various areas of production; High moisture content recorded. Small availability at the producers' level. Most companies are not buying
Burkina Faso	100,000	The rains are intensifying and the growing season is well settle.
Cote d'Ivoire	750,000	Arrivals remain on target for the CCA prediction of 750,000 tonnes. Stocks are high for the time of year and to secure storing of these is essential. According to farmers between 150,000 and 200,000 tons of RCN are with producers, traders and exporters waiting for buyers.
Mali	40,000	The rainy season is progressing and RCN quality dropped. Buyers withdrawn from the market.
Guinea Conakry	20,000-30,000	The rainy season is progressing; High moisture rate recorded at the producer levels.
Guinea Bissau	200,000	Arrivals still good and shipment have started. Some pressure on prices at the farm gate.
Senegal	50,000	Shipments ongoing
Gambia	8,000	Shipments ongoing

Benin

The cashew market slowed down in Benin due to a sharp decrease in RCN availability in both the cooperatives and producers stores. The prices offered by buyers are not good for the producers, however they are currently giving out their RCN stocks.

This week the average farm gate price is 500 FCFA/kg (0.88 USD/kg) for an average RCN quality of 45-48 lbs, and representing a decrease of 150 FCFA/kg compared to the minimum farm gate price set by the government. The regions of Ka-lalé, Glazoué and Tchaourou are the only ones to record RCN farm gate prices higher than this average of 500 FCFA/kg. Finally, in Cotonou, the RCN warehouse price at the traders' level remains around 600 FCFA/kg (1.06 USD/kg). In the region of Borgou Alibori, there is no more RCN stocks available in the various villages except the locality of Ség-bana where 40 MT of RCN remain at the producers' level.

Source: FENAPAB

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