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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 international market remains quiet. Cashew kernels are finding only limited interest from buyers who are able to continue their buying strategy of covering a few months ahead as the market falls. Prices now have slipped to US\$4.15-4.50 per lb FOB for WW320. Processors are reluctant to reduce further as they know pressing buyers will only make the market weaker.

RCN prices are weaker too especially at the farm gate in West Africa where the combination of lower quality, lack of finance and warehousing have created a position whereby product stock is building up with nowhere to go. In some cases, farmers are holding on for a price rise that seems unlikely to come. For some, a season that promised so much may come to a difficult end as the bubble bursts. The international trade in RCN is also at something of an impasse as we the month when arrivals in Vietnam and India reach the highest of the year. To the end of April Vietnamese imports of RCN are at the same level as last year, heavy arrivals are expected and Vietnam had a much better crop than last year. On the other hand, exports of kernels are performing very well at 27% up by volume so processors may not be overly concerned by their current stock but they and their suppliers may be concerned about some high prices shipments arriving every week in a falling kernels market. It seems unlikely that the processors will be in too much of a hurry to buy more RCN in the immediate future.

Where have all those exports gone? If we look at imports in the two major kernels importing markets, we will find that US imports are up by about 5% but in Europe the tonnage imported is up by about 21% to the end of March. Other markets are probably less positive, as the new and emerging markets for cashews have been hit by the high prices as we saw last year. Meantime major buyers tell us that their offtake is down – imports are not necessarily sales. That suggests that stocks are building up at destination. There is nothing more likely to stop a buyer making more purchases than a high inventory tying up money.

At present then there are farmers in Benin, Guinea Bissau and Cote D’Ivoire with RCN to sell. There are stocks for export in the ports, in Vietnam for delivery or renegotiation and stocks of kernels at destination. All of these are high priced stocks and all are taking up money that could be used for other purposes. Too much product, not enough money can only lead to lower prices and that is what we have seen.

This could be an opportunity for African processors who have the RCN market to themselves for now. It has been disappointing to see African exports to Europe and North America static in the five years to 2017. Maybe this will change with new factories now operational and better management with more experience in the processing sector.

Looking at supply and demand in the longer term, it still looks as if all the cashews harvested this year will be needed but it may take some time and it may cost some money for holders of high priced inventory. It seems clear that the management of the position will need more care from governments in West African countries and of course better market information and analysis. For example, setting prices at levels like CFA1000/kg does more harm than good as do pricing policies which are not related to product quality. For now, it seems that the easy speculation party is over. In truth it has been for some time but some people found it hard to go home. It could be tough when they wake up in the morning.

Source: Jim Fitzpatrick from Ingredient Sourcing Solutions (ISS)

RCN FOB price in AFRICA (USD/MT)									8/6/2018
COUNTRY	Last year (2017)	Last Month (May)	8-Jun-18			This week vs last month			Tab 2: RCN FOB price chart USD/MT
	Average	Average	Min	Max	Average	Outturn	Variation	Trend	
NG	1,800	1,343	1,500	1,650	1,575	45-48lbs	0.15	↗	
BN	1,713	1,600	1,400	1,650	1,525	48-50lbs	-0.05	↘	
TG	1,650	1,400	1,300	1,500	1,400	45-47lbs	0.00	→	
GH	1,675	1,675	1,500	1,700	1,600	46-48lbs	-0.05	↘	
BF	1,750	1,570	1,300	1,550	1,425	46-48lbs	-0.10	↘	
RCI	1,500	1,650	1,100	1,650	1,375	44-47lbs	-0.20	↘	
ML	1,600	1,463	1,200	1,400	1,300	45-47lbs	-0.13	↘	
G.Con	1,510	1,278	950	1,200	1,075	44-47lbs	-0.19	↘	
SN	1,900	1,880	1,530	1,700	1,615	50-52lbs	-0.16	↘	
G.Biss	2,100	1,728	1,500	1,950	1,725	52-56lbs	0.00	↘	
GM	2,200	1,768	1,600	1,770	1,685	50-54lbs	-0.05	↘	

Cashew Kernel FOB prices in Vietnam								8/6/2018
Product	Last year (June 2017)	May-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	\$4.68	\$4.50	\$4.60	\$4.55	-2.86%	↘	
WW320	\$4.95	\$3.90	\$3.25	\$3.45	\$3.35	-16.42%	↘	
WS	\$3.80	\$4.40	\$4.05	\$4.25	\$4.15	-6.02%	↘	
LP	\$3.30	\$3.60	\$3.50	\$3.70	\$3.60	0.00%	→	

The Cashew Market in West Africa

RCN Farm gate price in AFRICA in US\$								8/6/2018
COUNTRY	Cur	Jun-17	May-18	8-Jun-18		This week vs last month		RCN Farm Gate Price by country
		Per T	Per T	Per T	Outturn lbs	Variation	Trend	
NIGERIA	US\$	\$1,746	\$982	\$696	38-45lbs	-41%	↘	
BENIN	US\$	N/A	\$1,073	\$1,071	47-49lbs	0%	↘	
TOGO	US\$	N/A	\$805	\$938	38-44lbs	14%	↗	
GHANA	US\$	\$976	\$1,084	\$949	45-47lbs	-14%	↘	
BURKINA FASO	US\$	N/A	\$1,250	\$536	46-48lbs	-133%	↘	
COTE D'IVOIRE	US\$	\$885	\$672	\$536	35-46lbs	-25%	↘	
MALI	US\$	N/A	\$1,117	\$402	40-46lbs	-178%	↘	
GUINEA CONAKRY	US\$	\$1,234	\$752	\$531	37-46lbs	-42%	↘	
GUINEA BISSAU	US\$	\$1,610	\$1,230	\$1,116	52-56lbs	-10%	↘	
SENEGAL	US\$	\$1,771	\$1,254	\$1,429	50-52lbs	12%	↗	
GAMBIA	US\$	\$2,000	\$1,600	\$1,479	50-52lbs	-8%	↘	

Country	Production Forecast in 2018	Weather/growing conditions past week
Nigeria	215,000	The rainy season is progressing and RCN quality is dropping
Benin	100,000	The rainy season is progressing in the various production zones. Sharp drop in RCN arrivals at the Producer levels
Togo	6,000	The rainy season is progressing in the various production zones; Sharp decrease in RCN quality.
Ghana	80,000	The rainy season is progressing in the various areas of production; High moisture content recorded. Most companies are no more buying
Burkina Faso	40,000	The rainy season is progressing in the various cashew production zones. Farmers are preparing their plantation for the agricultural season
Cote d'Ivoire	750,000	Quality has dropped but not as much as feared.
Mali	40,000	The rainy season is starting and RCN quality dropped
Guinea Conakry	20,000-30,000	The rainy season is progressing; Risk of High moisture rate at the producer levels
Guinea Bissau	200,000	Good weather for cashew production; Good flowering of cashew trees. No rains for the moment
Senegal	50,000	Good weather for cashew production; Good RCN arrivals but no exports for the moment
Gambia	8,000	Good weather for cashew production

National Analysts Comments

Benin

The cashew market has remained calm in Benin in the past 2 weeks, with almost no demand in all the 42 cashew production zones. The reason given is related to current level of RCN farm gate prices which is around 600 FCFA/kg. Although this price is lower than the minimum price set by the Government of Benin (650 FCFA/KG), buyers are not willing to buy at this price. In fact, this is the first time that the Benin Government has set the minimum price of RCN at this level, with the aim of attracting more Beninese in the cashew sector in order to substantially increase cashew production. Currently, the market is flooded with RCN of good quality (RCN Outturn of 47-49lbs) that cannot find buyers.

This week, the RCN farm gate price ranges between 500 and 700 FCFA/kg (0.89-1.25 USD/kg) against 500 and 550 FCFA/kg recorded last week. The RCN warehouse price in Cotonou is around 675 FCFA/kg (1.2 USD/kg). The region of OUEME PLATEAUX in the south-west and the BORGOU ALIBORI region in the north-west side of the country experienced a decrease of 100 FCFA and 25 FCFA/kg, respectively, for the past 2 weeks. This decline, although sharp in the OUEME PLATEAUX, unfortunately did not have an impact on the demand. However, only the region of Atacora Donga experienced an increase in RCN farm gate price of 25 FCFA/kg. The RCN FOB price is currently between 1,400 and 1,650 USD/MT for an average RCN Outturn of 48-50lbs.

Source: FENAPAB

Cote d'Ivoire

There are no major changes in the cashew market this week in Cote d'Ivoire. The rainy season is well established and the RCN quality dropped further (average RCN Outturn of 35-45 lbs). Most exporters held their purchases and prices dropped sharply in all production areas as quality has decreased.

Since the launch of the cashew season we estimate around 325,000 MT of RCN already exported; and approximately 100,000 MT of RCN are currently in the port warehouses. Approximately 100,000 MT of RCN are still at the local trader levels. Currently the supply to the local processing companies is around 75,000 MT of RCN while we still estimate around 100,000 MT of RCN remaining at the producer levels. We should also take into account the smuggling of RCN through the border to the neighboring country that is approximately 100,000 MT per year.

However, the cashew market remained quiet this week and RCN farm gate price remained between 200 and 400 FCFA/kg (0.35-0.71 USD/kg) for an average RCN Outturn of 35-44lbs. RCN FOB price is currently between 1,600 and 1,650/MT for an average Outturn of 45-47lbs.

Source: Koura Association

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