



# AfriCashewSplits

*The source of the latest crop and price information*

**Week 25: June 17 - 21, 2024 – N° 3**

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## The International Cashew Market

Recent volatility in the market has caused many kernels buyers to question their strategy and to stand back to take stock of the situation. The sharp rise in prices, well beyond even short-term sustainable levels, created a period of panic as cashew kernels prices hit \$3.80/lb FOB WW320 only to fall back quickly to levels around US\$ 3.25/lb FOB from Vietnam where they remain today. That fall has created a situation in which buyers may believe that further falls are imminent. Most are now waiting to see the next stage. Meantime many processors are renegotiating contracts as market rises from US\$ 2.40 to US\$ 3.30 / lb FOB WW320 are impossible to manage for processors that still need to buy their full needs of RCN. This scenario may cause a questioning by buyers of their cashew business and may well lead to lower demand in the second half of the year.

Why did it happen? It is a difficult question. There is no doubt among most analysts that cashew prices were unsustainably low since Vietnamese processors, in similar panic mode, dropped prices to 14 year lows in mid-2023. There was little logic for such a move then. It is difficult to explain now. RCN prices at the start of the 2024 season were not in line with the low kernels prices. Rumours of crop problems based on El Nino weather patterns started the rise in prices. The reality of a lower crop in Vietnam, some West African countries and probably India meant that a rise in cashew kernels prices became inevitable. Prices rose in March and April in a fairly orderly and healthy way. African processors were able to buy RCN at prices that farmers could live with and sell the resulting kernels on for forward shipment at a profit. Certainly, in some countries quality was lower and processing success, as always would be a challenge but it was workable.

Then the cashew “rumour mill” kicked in. Driven by short term expectations of quick gains, rumours of a crop failure in West Africa gained traction. Many processors in the Asian processing giants had only their suppliers’ information to rely on. Stories of 30 or 40% crop losses seemed to be confirmed by higher prices. A move to suspend export by the Ivorian authorities seemed to confirm the problem. The scene was set for the short-lived speculative bubble that has just been seen. Processors warned customers that shipments would be delayed or reduced. Some kernels buyers panicked and paid higher and higher prices that today look incredible. The focus came on the export suspension in Cote d’Ivoire as the cause. It was not the cause alone, but it certainly was a tool in the hands of the speculative RCN traders and the ill-informed processors. Its lifting was the catalyst for the market to regain some sanity and slip back down from some of the highs. Cashew kernels and RCN prices have been falling over the past week. Times remain difficult for processors. The relationship between RCN and kernels pricing has not been restored as prices have not adjusted fully to the lower quality that is available from many countries this year.

Where to next? There is no doubt that higher prices and market volatility will slow demand growth in some markets. We are already seeing some signs of demand contraction in China and the Middle East. Both are price sensitive markets that tend to buy only for prompt shipments. In Europe and North America, decision making is likely to slow as buyers cope with many requests for delays and the inevitable defaults. Their

customers and consumers may not be as heavily impacted as the lower prices of last year were often not passed on in lower retail pricing. Buyers' attitude is likely to mean that a further sharp rise in prices is unlikely in our view. However, even less likely is a return to the low prices of early this year. The market for WW320 is likely to stay well above recent averages possible settling somewhere just above US\$ 3.00 / lb FOB WW320 and perhaps 20 – 30 cents high in Africa based on quality, freight and sustainability. The argument in favour of diversifying buying of cashew kernels has never been stronger than now. That means supporting African processors.

And the crop? Looking at our reporters analysis below, it seems that most countries in West Africa have experienced some reduction from last years bumper crop. In Cote d'Ivoire this may be in the range of 10-12%. It is much more in Ghana and Togo. Improved supplies from Cambodia, Nigeria and a good crop in the SeGaBi sub region, albeit at high prices, seem likely to offer some counterbalance. Today, overall, it looks as if the World crop may be down by circa 7-10%. This will be accentuated by lower quality due to growing conditions especially in Cote D'Ivoire. However, there is a significant unknown. The Indian crop based on reports is 15% lower but it is not yet completed. Some people argue that it may be worse. It is too early to draw final conclusions.

Will there be enough supply? At this point, it looks as if there will. Vietnams imports of RCN are at record levels for the time of year. Cambodia's crop seems set to be the second highest in history. Demand is likely to slow down based on the sharply higher prices and especially on the price volatility. This will not be an easy year. There will be opportunistic trading on RCN and kernels, high levels of contract renegotiation/default and lower quality raw material to contend with. It would not be surprising if RCN prices slipped down as the year proceeds. Kernels prices should stay at levels that are workable as we look forward to next year but will be tested if the crop situation in January 2025 looks positive.

| <b>RCN FG prices offered in USD per MT</b>  |  |  |                 |
|---|--|--|-----------------|
| COUNTRY                                     |  | Calendar week 25<br>(June 17 – 21, 2024) |                 |
|   |  | US\$ per ton                             | Outturn in lbs. |
| COTE D'IVOIRE                               |  | 370-450                                  | 43-44           |
| NIGERIA                                     |  | 170 – 605                                | 43-45           |
| BENIN                                       |  | 991                                      | 48              |
| GUINEA BISSAU                               |  | 980-1200                                 | 52              |
| <b>RCN Cfr prices offered in USD per MT</b> |  |  |                 |
| COUNTRY                                     |  | Calendar week 25<br>(June 17 – 21, 2024) |                 |
|   |  | US\$ per ton                             | Outturn in lbs. |
| COTE D'IVOIRE                               |  | 1350-1450                                | 42-45           |
| NIGERIA                                     |  | 1200 - 1450                              | 43-50           |
| GHANA                                       |  | 1590                                     | 48              |
| GUINEA BISSAU                               |  | 1780                                     | 51-53           |

| Worldwide WW320 Exports FOB prices in USD per lb. |             |              |             |                                     |      |                        |       |                         |       |
|---|-------------|--------------|-------------|-------------------------------------|------|------------------------|-------|-------------------------|-------|
| COUNTRY   | 1 year ago, | 1 month ago, | 1 week ago, | Calendar week 23 (June 3 – 7, 2024) |      | This week vs last week |       | This week vs last month |       |
|   |             |              |             | Range reported                      |      | Variation              | Trend | Variation               | Trend |
| VIETNAM   | 2.47        | 3.05         | 3.60        | 3.30                                | 3.40 | -7%                    |       | +10%                    |       |
| INDIA   | 3.30        | 3.65         | 3.75        | 3.80                                | 3.85 | <b>+2%</b>             |       | +5%                     |       |
| COTE D'IVOIRE                                     | 2.70        | 3.20         | 3.50        | 3.30                                | 3.45 | -3.5%                  |       | +8%                     |       |

**Please note that markets are currently volatile – always check prices on the day**

## Country Reports

### Côte d'Ivoire

Raw cashew nuts (RCN) trading has picked up in the last two weeks following the partial lifting of the ban on exports by the Ivorian government. It is however unclear if the ban has been fully lifted as there has not been an official announcement. Reports indicate this is creating uncertainty among traders and exporters and slowing business-

Exporters are meanwhile preparing to export their warehouse stocks. Official sources indicate that an estimated 945,000 tons of RCN have already been commercialized by end of May. This includes an estimated 116,000 tons imported by Vietnam by May and India by April. Reports suggest that an additional 280,000 tons has already been shipped. During the ACA GME with Jim Fitzpatrick on June 19<sup>th</sup>, 2024, Jim estimated that 285,000 tons had been purchased by local processors based on discussions with them. Reports also suggest that an estimated 165,000 tons have been stocked by exporters with an estimated 30,000 tons available to local processor. These stocks cannot be exported until processors have sourced their requirements.

The RCN season market at the farmgate level is coming to an end. Smaller volumes trade during the second half of June and July. The official crop estimate for 2024 is 1 million tons. We estimate that production could be up to 1.1 million by the end of the season.

RCN quality has been a major issue this season. The rains have intensified in cashew growing areas making drying difficult and worsening RCN quality. KOR of between 38 – 42 lbs have been recorded in the last 2 weeks. The usual Ivoirian RCN quality at this time of year is 45-46 lbs.

Prices, however, remain steady at the lower end of the seasons range, despite the poor quality. Our reporters attribute this to the high demand for RCN at the farmgate. Farmgate prices range between 225 – 350 FCFA/kg (373 – 579 USD/t) for KOR of 41 – 42 lbs.

It remains unclear how the ban on RCN export helped local processors. Were they able to buy enough RCN to process throughout the year? We will keep an eye on this in the coming weeks.

### Nigeria

There are no major differences in the Nigerian cashew market. After 5 months of intensive trading, the season is almost over with fewer crops at the farmgate. The Nigerian season usually begins in January and ends by June. There is still no official estimate so far. Unofficial reports estimate a crop between 300,000 and 400,000 tons. This includes significant influx of crops from Benin where there is a ban on RCN exports.

There are different reports on RCN exported so far. Our reporters estimate that about 200,000 tons have been exported. Other reports show much lower quantities. They also report that some 60,000 tons of RCN

have been purchased by local processors. Local cashew processing has been on the rise in Nigerian in recent years.

RCN quality continues to drop, largely due to the unfavorable weather, which is affecting drying, but also because the season is ending. KOR between 42 – 43 have been recorded in the last 2 weeks with the best quality available mostly recorded in warehouses closer to farmgate. Nigerian RCN quality usually ranges between 47 – 53 depending on region or state with lower quality as the season draws to an end.

Farmgate prices meanwhile remain strong, reflecting the end of the season as demand increases. Exports prices for Nigerian RCN ranges between 1200 USD and 1,300 for KOR between 43 – 48 lbs. Export prices for Kernels WW320 remain good, still between USD 3.20 and 3.50 per lb.

## **Togo**

The cashew season is almost over in Togo. There is still no official estimate for 2024. The initial forecast at the beginning of the year was 40,000 tons. This was based on the 38,000 tons recorded last year. It is almost certain that the crop is much lower this year, with some reports suggesting it could be about three times lower than last year. This is due to the unfavorable weather conditions during the flowering stages of production. Like Nigeria, Togo is also at the receiving end of significant inflow from Benin. RCN quality has been lower this year, but prices remain stable, selling between 480- 500 FCFA/kg (782 – 815 USD per ton), depending on quality.

## **Guinea Bissau**

Reports from traders tell us that the crop is progressing well, and quality remains normal. Cost factors are keeping export offers steady around US\$ 1790/t Cfr. This is due to high farm gate prices – CFA 780/kg was mentioned in one report and high freight costs. This is expected to alleviate in the coming days. Buyers interest in Guinea Bissau origin continues due to its quality

## **Ghana**

The 2024 crop in Ghana is estimated at 25-30% lower than 2023. This makes Ghana the worst affected country by the weather conditions last year and early this year. There are signs that some minor volumes will continue to flow due to some late flowering, but the main crops are ended. Prices at the farm gate for well dried and bagged RCN were reported at GHS 12/kg (USD 790.65/t) last week but trade is thin. Crop estimation in Ghana is difficult as volumes continue to flow from landlocked countries to the north and from Cote d'Ivoire. Land border trade from Cote d'Ivoire was boosted this year by the export ban in that country. Exports through Ghanaian ports may not be any less than last year as a result.

## **Benin**

The season is drawing to an end. Supply of RCN is low. Processors may still need to acquire RCN, but the cross-border trade and a reduced crop appears to reduce access to supply according to reports but the position is far from clear.

*Compiled by ACA staff with data provided by national analysts and international contributors. Opinions expressed are those of our contributors edited by the ACA team. We particularly acknowledge the contribution of Azeez, Sekongo and Afiya.*

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