



AfriCashewSplits

The source of the latest crop and price information

Week 22: May 27 - 31, 2024 – N° 1

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The International Cashew Market

AfriCashewSplits could hardly have returned at a more interesting time in the cashew market. There is an old adage in markets that goes, “Buy on rumour, sell on fact”. It means that traders adopt a strategy of buying in anticipation of news and then, as buying interest is exhausted, sell on the confirmation of that news hoping for a profit. This “Buy on rumour” has been going on in the cashew sector for the past few weeks. Prices have spiked upwards in Vietnam from a low of US\$ 2.40/lb FOB to today’s levels which are over US\$ 3.00/lb FOB. RCN prices have followed with levels from US\$ 1250/t (Cote d’Ivoire 44/45 lbs) to US\$ 1650/t (Guinea Bissau 51 lbs) quoted in the market. Reluctantly processors have been buying to cover their needs. RCN prices have now gone beyond the corresponding cashew kernels price meaning that processors cannot buy RCN today and make a profitable *back-to-back* calculation on the international cashew kernels market.

The roots of the sharp price rise are in the market trends of 2022/23 and the structure of the cashew supply chain. Firstly in 2022, based on a good crop and failing demand in Europe and the US, Vietnamese processors pushed cashew kernels prices to the lowest levels for 14 years. RCN prices followed. In 2023 demand recovered but prices did not. The 2024 season opened with cashew kernels prices at unsustainably low levels as was discussed in various editions of the *ACA GME with Jim Fitzpatrick*. (You can catch the next instalment this Wednesday – using this [link](#) or via ACA’s official [Facebook page](#) and [YouTube channel](#).) At the same time, processors in Vietnam who must sell large volumes for forward shipment in order to meet customer needs and maintain market share were in need of large volumes of RCN to cover their open positions. In effect, forward sellers were running “short” positions at 14-year lows in a market where demand was recovering strongly. There were rumours and doubts as to the 2024 harvest. The facts were difficult to establish. Harvest data collection systems hardly exist and where they do are slow. The level of production in a country is often seen as a sign of national prestige leading to exaggerated claims. Market information is widely seen as a tool to influence buyers and sellers. Short-term thinking rules. The fuel for a price spike was in place. Only a spark was needed to ignite it.

It started back in February as reporters assessed the impact of a strong El Nino weather phenomenon on SE Asian Cashew producers. A poor Vietnamese crop (6% of World production) led to speculation and rumours that Cambodia (15% of World production) would experience similar fate. These crops are important sources of raw material supply for Vietnamese processors who lead the World in processing and have a 60% international market share. RCN prices increased in Cambodia. Cashew kernel prices moved up slowly at first. Rumours continued. Vietnam’s imports from Cambodia were very strong. By the end of April, Vietnam’s imports were up by 20%. The rumours did not match the facts.

Meantime Vietnam’s cashew kernels exports were up by 13%. Strong demand from China and other Asian countries was matched by resurgent buying from the US which had been very low key in 2023. European and Middle East demand continued its growth supported by low prices and receding inflation. Demand

remains strong. Although *how* buyers will react to the higher prices remains to be seen. In countries that buy forward (Europe, US), the prices for 2024 are already decided by forward contracting. In countries that buy for shorter periods or seasonally, the price rises may have some impact.

The beginning of the West African season was late. There were many estimates of lower crops due to the weather conditions. Some people pointed out that there had never been a crop disaster in the cashew crop in West Africa. The first crops arrived slowly. Quality was lower. RCN prices started to gather upward momentum. The pot was simmering. The all important market sentiment changed. Then the Cote d'Ivoire government decided to suspend the export of RCN temporarily to allow national processors to buy RCN. Traders and buyers in Vietnam reacted as if the word "temporarily" meant "forever". Market prices got a second surge. Processors marked up their prices. Despite big imports from Cambodia, they still had much RCN to buy. Sales contracts were in place at what were by then low-price levels. Reports of crop delays and reduced forecasts fuelled the price fire. Big numbers for crop deficits were thrown around. The "rumour" was well and truly bought.

As you can read below the reports from ACA analysts and the volume of RCN arrivals/shipments, the facts, do not reflect the rumours. Certainly the 2024 crop in parts of West Africa e.g. Ghana and Cote d'Ivoire is lower than last year. But then last year was a record crop. In other countries, Nigeria, Benin, Guinea Bissau, production looks better. In some it may even be up on last year. Quality is certainly lower than last year and the average of recent years. The World crop, depending on which estimates are used, could be down by 8-14%. That would not actually mean a serious shortage. The supply/demand has been in surplus production for the past three years. It would be a tighter balance between supply and demand.

There are other factors of the cashew supply chain that now impact. RCN contracts will be defaulted on. There are offers in the market for material already shipped that must also have been sold. Some cashew kernels contracts made at the low end of the price trend i.e. up to 60 cents per lb lower than today or US\$ 21,000 per container will be defaulted on. Buyers will need to replace these contracts causing more buying.

The impact of the temporary suspension of the export of RCN from Cote d'Ivoire will be most felt by processors in Asia in July. About 300,000 tonnes had been shipped for May and June arrivals but no new buying for export has taken place since May 7th. RCN buyers have been more active in alternative sources but the absence of the Worlds largest producer for a month or more will impact supply. The suspension is not without risk. Cote d'Ivoire currently has the lowest farm gate cashew prices in the World. Farmers may decide not to gather late into the season as they did in 2022. It does not have an infrastructure that allows RCN to be dried and stored in the growing areas. The authorities in Cote d'Ivoire will be closely studying the impact of the suspension on the entire chain and considering if a month is enough time for processors to buy their RCN.

Clearly as the 2024 season started, cashew prices were too low. The question was when not if cashew kernels prices would rise. The low price strategy that had allowed Vietnams cashew exports to grow remarkably in 2023 was clearly not working for processors. RCN prices were low but due to farm gate price minimums, RCN export taxes and increasing logistics costs were unlikely to fall further. Only higher kernels prices could restore profitability for hard pressed processors. Rumours of a poor crop fitted the need.

Are cashew kernels prices today too high? They have risen quickly. That is often followed by a correction. But they have also been at these kinds of levels before. Demand has grown based on these kinds of prices in

the past but not as quickly as in 2023. Demand for cashew nuts is strong but it has not yet been impacted at wholesale level by the new price range. Longer term, these prices can be sustained by demand. Shorter term, they may be pushed higher by defaults. RCN prices, as they stand today, are less sustainable based on current kernels prices but this has happened before.

What is clear is that with farm gate prices as they stand today and with kernels prices having risen, there is an opportunity for some African cashew processors to have a profitable year.

RCN FG prices offered in USD per MT			
COUNTRY		Calendar week 22 (May 27 – 31, 2024)	
		US\$ per ton	Outturn in lbs.
COTE D'IVOIRE		373 – 497	44-45
NIGERIA		624 – 656	43-45
BENIN		660 -825	45-46
GUINEA BISSAU		-	45

RCN Cfr prices offered in USD per MT			
COUNTRY		Calendar week 22 (May 27 – 31, 2024)	
		US\$ per ton	Outturn in lbs.
COTE D'IVOIRE		1200-1250	44-45
NIGERIA		1050 - 1200	43-45
GHANA		1400	48
GUINEA BISSAU		1650	45

Worldwide WW320 Exports FOB prices in USD per lb.									
COUNTRY	1 year ago	1 month ago	1 week ago	Calendar week 22 (May 27 – 31, 2024)		This week vs last week		This week vs last month	
				Range reported		Variation	Trend	Variation	Trend
VIETNAM	2.47	2.80	3.00	3.00	3.10	-	→	+11%	↗
INDIA	3.30	3.58	3.58	3.50	3.60	-	→	0%	→
COTE D'IVOIRE	2.70	2.85	3.00	2.95	3.15	+3%	↗	+9%	→

Country Reports

Côte d'Ivoire

Production estimates range from 900,000 – 1,100,000 for 2024. Different actors' opinions show a wide range of estimates. No official estimate is available as it is too early. It seems almost certain that the crop will be lower than last year but by how much?

Cote d'Ivoire had a remarkable production in 2023, with a record crop of over 1.35 million tons. The estimates indicate that, this year, due to unfavourable weather conditions affecting flowering, production could be in a range of 8 -15% either side of the five-year average of 970,000 tonnes.

Reports from both government and private sector sources indicate that RCN quality has, so far, been lower than usual. This has been attributed to the unusual rainfall in major cashew production areas giving an outturn yield (KOR) of between 44 and 45 lbs. The usual range for Ivorian RCN is 46-48 lbs with lower levels toward the latter part of the season.

The Ivorian government's decision to temporarily suspend the export of RCN to support processors has been topical since 7th May when it was announced. The decision divides opinions on its effectiveness and implications for the industry. It remains unclear how long the ban on RCN exports will last and how the market will react. In the past, export suspensions have lasted 2-3 weeks. Reports meanwhile indicate that about 300,000 tons of RCN had already been exported this year which, if true, is similar to the same time last year.

RCN farmgate prices ranged between 225 -325 FCFA/kg (373 – 497 USD/t) this week. They were relatively stable despite the export suspension. However, international RCN prices increased. In the international market the Cfr asking price for Cote d'Ivoire 45 lbs outturn increased from between 1100-1150 USD/t to between 1200-1250 USD/t. Cashew kernels prices for WW320 range from \$3.00 – 3.10 per lb FOB Abidjan. There is good buying interest for all grades. There appears to be a shortage of certified products such as organic and Fair Trade.

It is difficult to predict the final crop outcome. Opinions vary widely and are often related to actors' own interests. The harvest continues to come in. Processors and traders continue to buy. We should have a better estimate of the crop by the next edition of AfriCashewSplits.

Nigeria

Nigeria's production estimates for 2024 ranges between 350,000 and 400,000 tons. Like Cote d'Ivoire, there are varying estimates of cashew production this year. There are no official estimates so far. However, several reports from unofficial sources project a larger crop than last year. This may include RCN coming across the border from Benin.

Nigeria has seen significant growth in Cashew production in the last few years, becoming the second largest producer in West Africa. In 2023, Nigeria produced an estimated 300,000 tons of raw cashew nuts (RCN). There have been increased government interest in cashews. Development partners' investment in the Nigerian cashew sector has also been significant, especially in seedlings distribution, capacity building and policy development. There seems to be high optimism that production will continue to grow.

Reports suggest that RCN quality has been generally good this season but, as usual, outturn yield (KOR) has fallen as the season comes toward a close. Unfavourable weather conditions are making drying difficult, affecting quality in the last few weeks. KOR between 43 and 45 lbs have been recorded in some States in the last two weeks. The usual range of Nigerian RCN quality ranges between KOR of 47 – 53 lbs depending on region or state.

Launched on 24th January 2024, the cashew season in Nigeria is already in its fifth month. There are therefore fewer crops at the farmgate. Some actors believe this also accounts for the drop in quality.

While there are no official estimates yet, reports from unofficial sources indicate that an estimated 260,000 tons of RCN have already been traded in Nigeria, out of which about 200,000 tons have been exported, with an additional 60,000 tons purchased by local processors. If true, this is an increase in exports same time last year.

RCN farmgate price ranges between NGN850 and NGN900/kg (571 - 605 USD/t) for KOR 46 – 49 lbs this year, remaining stable for a large part of the season. In the last two weeks however, prices have increased to between NGN950 and NGN1000/kg (624 – 656.82USD/t) for KOR 43-45 lbs in some States. Reports indicate that lower availability at the farmgate is causing RCN demand to exceed supply, hence pushing prices up. Meanwhile, Cfr asking price for Nigeria 45 lbs outturn ranges between 1150 USD to 1300 USD/t for KOR 46 – 49 lbs.

Though there are fewer crops at the farmgate, our analysts in Nigeria are anticipating more RCN trading in warehouses in the coming weeks. Will prices remain higher at the farmgate even at relatively lower quality? We should find some answers in the next edition of AfriCashewSplits.

Benin

RCN production estimates in Benin range between 160,000 and 200,000 tons in 2024. There are still no official estimates as it is too early. It appears almost certain that this year's crop will be similar in quantity as last year. Unfavourable weather conditions during the flowering stages of production affected yield.

In the last five years, Benin's RCNs production estimates have ranged between 140,000 – 200,000 tons, averaging an estimated 160,000 tons. Last year's crop estimates of between 190,000 – 200,000 tons is the highest within the period.

Reports indicate that RCN quality in the last two weeks ranges between KOR of 45 – 46 lbs. Our analysts in Benin attribute the drop in quality to the weather during drying of nuts from the second harvests. Benin is known for its good RCN quality. The usual range of RCN quality is between 47 – 49 lbs.

The Government of Benin has, effective April 2024, banned the export of RCN as part of its 100% local cashew processing policy. The implementation of this decree began in April and is already impacting cashew trading in the country. Reports indicate that exporters who had already stocked RCN prior to April are being asked to sell to local processors at a price of 400 FCFA/kg. Meanwhile RCN prices at the farmgate ranges between 400 – 500 FCFA/kg for KOR between 45 – 46 lbs. An estimated 20,000 tons have so far been stocked by exporters while 25,000 tons have been purchased by local processors.

The Government in 2023 passed a decree to ban RCN exports from April 2024 to promote local cashew processing. The decision received mixed reactions from local actors and international industry stakeholders and analysts, with concerns over how this will be implemented and whether the local processing subsector would have the capacity to process all the country's production. Reports indicate that the local cashew processing subsector of Benin currently has an annual installed capacity that could reach 135,000 tons as the new factories develop but is expected to be much lower this season. In addition to the ban on export, Benin has also decided to stop setting minimum prices, allowing the free market to regulate itself.

Local processors have begun initial processing. If the reports on RCN traded are true, then based on the estimates for the year, about 100,000 tons of nuts are still in the market.

There has been large volume cross border trade of RCN to Togo and Nigeria. The enforcement of the ban on land borders is a major challenge. Recently the authorities have raided warehouses and other facilities said to be engaged in that trade.

Is Benin ready for a total ban of export, and how effective will it be? Still too early to tell. We should have better understanding of the situation in subsequent editions of AfriCashewSplits. The 18th ACA Annual Cashew Conference and Expo to be held in Cotonou from 17th to 19th September 2024 will delve deeper into the policy.

Togo

As a result of poor climatic conditions, cashew production has been poor this year in Togo, both in terms of yields and quality. The season is therefore already ending. RCN prices remain stable, selling between 480-500 FCFA/kg (782 – 815 USD per ton), depending on quality. RCN Export is still ongoing in smaller quantities. There are, however, no official figures. Reports suggest that significant volumes are flowing from Benin to bypass the export ban and from land locked countries to Lome.

To ensure a proper organization and regulation of the cashew sector in Togo, the Government, through the Ministry of Agriculture continues to support stakeholders and actors in drafting regulations.

Guinea Bissau

The cashew harvest has started in Guinea Bissau. So far arrivals have been good. Initial indications were that the crop might be lower than last year, with figures up to 15% lower estimated are not, so far, justified. Changes in Government policy that improved access and reduced cost for traders to buy in the growing areas and export via Bissau port increased farm gate prices. These have now stabilised in a range of 585-600 CFA/kg (970 USD/t – 986 USD/t). The authorities have also tightened the border crossings (the land export of RCN is illegal in Guinea Bissau). This has restricted smuggling although not eliminated it and increased volumes flowing to Bissau port. Buyers, especially from India, have been active. International Cfr prices have reached levels last seen early in the 2022 season. Trade is reported at US\$ 1625/t Cfr with offers subsequently marked up. Traded volumes have been good.

Ghana

The season in Ghana would usually be drawing to a close by now. However, this year in some areas a later flowering has been observed and harvesting still continues. A reliable source indicates that initial estimates from a range of actors said that the national crop could be down by 30-35% from a very good crop in 2023 due to weather conditions. The additional flowering will increase the overall crop.

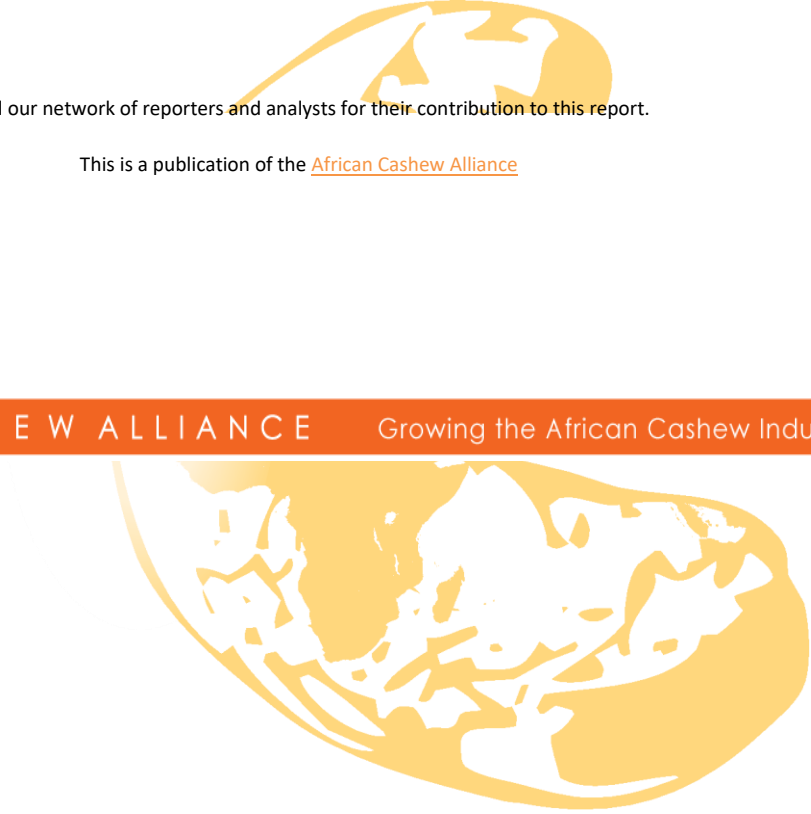
Traders in Ghana also report a large increase in arrivals from Cote d'Ivoire this year. This will at very least mean that exports will meet last year's levels according to sources.

Offered prices for RCN on Cfr basis have been marked up substantially in recent weeks with the current standard quality at 46 lbs. priced at US\$ 1350 -1400/t Cfr.

Senegal

Arrivals into Ziguinchor have been good if a little lower than last year. Quality is normal. The crop in Senegal is increasing annually. It is estimated at 60,000 tonnes. 35-45,000 tonnes have arrived. Some of this may be from Guinea Bissau but cross border trade, a major factor in 2023, is less this year. There has been large influx of traders this year in anticipation of the cross-border trade. Registered numbers have more than doubled. This has created a situation in which demand exceeds supply causing a technical shortage and higher farm gate prices.

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, Dr Tokore, Sekongo and Afiya.



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