

13<sup>th</sup> ACA Annual Cashew Conference



# FOSTERING SYNERGIES INFLUENCING MARKET DYNAMICS



**Dar es Salaam & Zanzibar  
Tanzania**

7-9 November, 2019



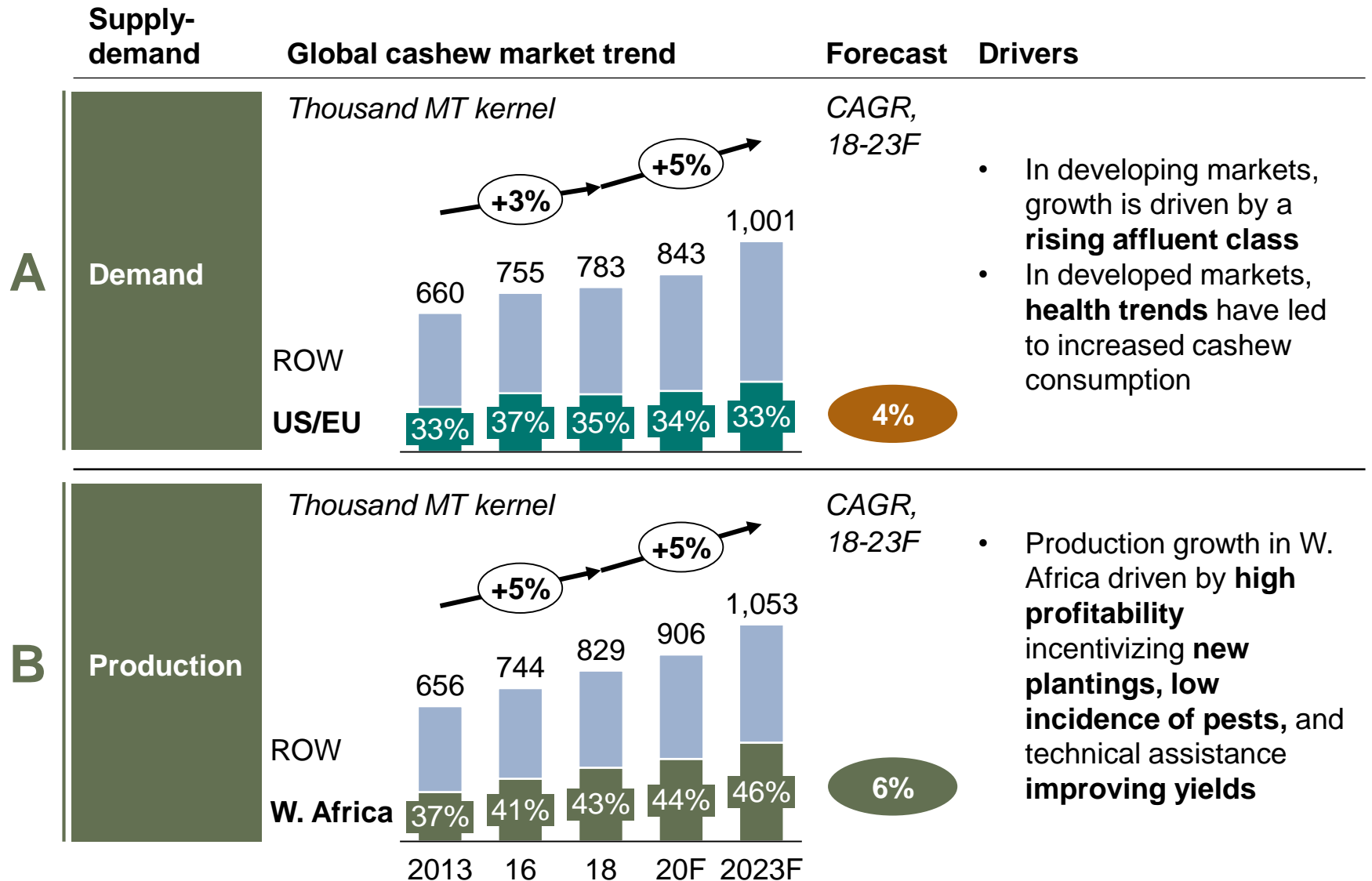
Plenary Session 1 – 2018/2019 Cashew Season  
in Focus – a behavior change or price correction?  
*Market Collapse of 2018*

Suraj Rao

# Proposition to answer

- *“Will traders be able to sell all that is produced in Africa or will RCN trade focus on quality?”*
- *“How do they see RCN trade policies in the region for a robust market?”*

Global demand for cashew is expected to grow 5% annually and supply growth will continue to be driven by West Africa over the next 5 years



# Imports – Aug

COUNTRY	2017 - August				2018 - August				2019 - August			
	India	Vietnam	Brazil	TOTAL	India	Vietnam	Brazil	TOTAL	India	Vietnam	Brazil	TOTAL
Origin												
Côte D'Ivoire	110,542	381,128	21,805	513,475	128,748	333,768	6,503	469,019	108,328	381,797	-	490,125
Benin	60,620	-	-	60,620	103,293	11,999	-	115,292	138,673	21,939	-	160,612
Burkina	19,467	-	-	19,467	28,900	27,960	-	56,860	22,438	40,909	-	63,347
Tanzania	112,071	-	-	112,071	96,769	118,763	-	215,532	1,810	180	-	1,990
Guinea Bissau	40,726	-	-	40,726	14,634	4,538	-	19,172	23,200	18,873	-	42,073
Ghana	44,128	-	-	44,128	78,554	76,085	-	154,639	101,446	195,619	-	297,065
Nigeria	31,286	-	-	31,286	45,041	67,790	-	112,831	35,616	128,315	-	163,931
Indonesia	3,821	13,533	-	17,354	2,661	9,555	-	12,216	4,240	16,703	-	20,943
Senegal	11,593	-	-	11,593	7,867	3,858	-	11,725	12,771	7,311	-	20,082
Guine	9,767	-	-	9,767	8,085	7,470	-	15,555	34,982	28,832	-	63,814
Gambia	11,561	-	-	11,561	7,058	4,202	-	11,260	16,027	1,831	-	17,858
Mozambique	51,682	-	-	51,682	10,336	11,106	-	21,442	10,980	2,853	-	13,833
Togo	10,580	-	-	10,580	18,079	9,081	-	27,160	29,394	25,994	-	55,388
Cambodia		95,378	-	95,378		113,565	-	113,565	491	174,847	-	175,338
Others	517	583,501	-	584,018	65,868	97,516	-	163,384	156,411	67,060	-	223,471
<b>TOTAL</b>	<b>518,361</b>	<b>1,073,540</b>	<b>21,805</b>	<b>1,613,706</b>	<b>615,893</b>	<b>897,256</b>	<b>6,503</b>	<b>1,519,652</b>	<b>696,807</b>	<b>1,113,065</b>	<b>-</b>	<b>1,809,872</b>

- Demand is healthy. Price elasticity remains a major concern as high prices may create unnecessary volatility. It is important to let prices reflect the natural demand
- Timing of inventory is crucial. Current trends indicate that we could be looking at imports being at all time highs. If prices run away from us we could have another inventory build up situation
- Quality and demand are not mutually exclusive. High quality at fair value can reinforce demand

# Policies & Trends

## MARKETS

- India consumption growth driven by a **rising middle class** and **increased use in Indian cuisine**, e.g., sweets, snacks, cooking
- Western markets experiencing an increase in **healthy snacking**, where cashews seen as high protein & low fat
- Consumers increasingly focused on **food safety, sustainability, and traceability**
- China and ME have a **rising middle class** and increasing use in cuisine

## ORIGINS

- W. African farmers continue to **plant more hectares of cashew**
- Recent price spikes in RCN **led to an acute decline in demand** as kernel prices rose above consumer willingness to pay
- Buyers and exporters require to acquire license for buying from IVC, BF, TZ and GB
- Informal trade across borders from countries with different RCN Tax regimes

## OVERALL SCENARIO

- Traders and buyers have become more cautious in forward trading, **allowing prices of both RCN and kernel to stabilize**
- **Recovering demand for cashew kernel** after recent volatility create stable upward pressure on kernel prices as traders and buyers are more cautious moving forward
- West African nations have **improved RCN quality** (outturn) by an average of 1–2 lbs/bag over the last decade, improving the regional kernel price toward the global average
- Policies are not harmonized and implementational challenges are there at multiple levels
- Policies must be announced way before the start of the season.
- Lack of a hedging mechanism (no commodity exchange)
- Restrictions on outward remittances in India
- Lack of a formal global body
- Limited focus on farmgate quality
- Government mandated MSPs often disconnected from market rates
- Cost of production in West Africa needs to be known to set the Minimum Fixed Price



Thank You