



AfriCashewSplits

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The International Cashew Market

Following a period of very little buying in international markets, some life has returned in the past two weeks. During September and October prices for WW320 in the international market fell to thirteen-year lows as Vietnamese processors offered lower and lower prices in a quiet market driven by their cash flow needs and kernels inventories. Buyers were attracted by the low prices but were fearful that they could not buy from their preferred reliable suppliers for forward shipments at the lowest levels. The availability of reliable forward shipments at slightly higher prices caused trade to pick up from the lows of US\$ 2.45 per lb. to levels of US\$ 2.60+ per lb. FOB. Prices are still highly attractive at 15% below the same period last year and 13% below the two-year average. The premium for African cashew kernels remains in place with prices between US\$ 2.80 and US\$ 3.00 per lb. FOB based on higher quality, lower freight, shorter transit times and the benefits of traceability and impact that sourcing in Africa offers to buyers.

The lack of buying during the middle period of the year was due to several factors. It applied to markets in Europe, North America, and China. In Europe and the US, the imports in the first half of the year were strong continuing a pattern of growth throughout the pandemic. Buyers built inventories expecting strong demand this year. All the major drivers of demand for cashew remain strong for consumers – health, snacking, taste, and sustainability. The positive first two quarters were interrupted by the impact of the financial implications of the war in Ukraine. Post-COVID and conflict-driven price inflation in Europe and the US caused consumers to adjust their buying patterns and roasters adjusted purchasing accordingly. This was especially evident in Europe as the US dollar strength wiped out much of the advantage of lower prices in the market. Imports fell. Buyers in some cases asked their suppliers to delay shipments. This played into the already crisis-hit Vietnamese cashew sector. Processors dropped prices.

In China, demand recovered following a poor period early in the year but it has been stopping/starting all year as the continued policy of Zero Covid causes lockdowns and disruption in ways that are no longer seen in other parts of the World.

The largest market, India, showed a different pattern. Its RCN imports have reached record levels in 2022. Demand has returned to pre-pandemic levels and appears to be growing quickly again. India is the most important market, but its demand is for RCN to be processed in India. Import of kernels is not a feature due to the regulation of kernels imports to protect jobs in processing and growers of cashew nuts. Strong Indian demand supported RCN prices and caused difficulty for Vietnamese processors that RCN prices are higher than the equivalent kernels prices.

In the RCN market, there are contrasting situations. In India, demand remains good and stocks are low. Imports are at record levels. Continued demand is likely without there being any likelihood of buyers chasing new purchases. In Vietnam, the situation is that inventories are building and buying interest is low. There are stocks to be cleared. But also processing volumes are lower than in earlier years. This could help to strengthen export pricing as the year comes to an end. These factors have played into the progress of the Tanzanian export auctions where buying interest has been lower than expected for the time of year. It could also have repercussions for Mozambique's export trade of RCN as we move into December and January.

The southern hemisphere crops are now being harvested. Early estimates from Tanzania and Kenya have been marked down due to weather conditions. In Tanzania, the initial estimates of 400,000 tonnes are marked down to 230,000 – 250,000 tonnes according to trade sources. CBT is a little more optimistic. This

means that the crop would be similar in size to recent years. The auction has started slowly but there should be sufficient demand to buy this level of volume. Kenya also reports a lower crop than expected. From Brazil, the crop estimate as of the end of September was a disappointing 110,660 tonnes (Sidra-IBGE).

As you can read below, the Cashew Institute in Mozambique forecasts a good crop at 150,000 tonnes. It is difficult to explain how this crop is commercialized by looking at the RCN and kernels figures from 2021. However, the Institute also reports promising development in tree rehabilitation and spraying. It has been a tough period for processors in Mozambique and hopefully, this year's good crop and more reasonable farm gate prices will support a good recovery.

Is this a sign of things to come as the La Nina phenomenon continues into an unusual third year? There are certainly unusual weather patterns in India and SE Asia. Whether or not this materializes into a similar impact as last year will be seen during late November and December.

As the end of the year approaches it seems that the international market has moved off its low prices. In previous years lows that are found in October often take some time to disappear. However, the market this year has been driven by market sentiment. It appears to have turned more positive for now. This may not spark the kernels market immediately, although it could, low prices and strong underlying fundamentals are likely to kick start demand sometime in 2023. The possibility of a recession in the West is a moderating factor but cashew demand has tended to weather recessions strongly in the past.

Longer-term research by all kinds of consumer research bodies suggests that the key factors of health, sustainability, taste, and convenience are still very strong. Growth in kernels demand is predicted by virtually all research. Indian demand has the potential to keep RCN prices steady, but buyers will be cautious. A careful approach is likely in a market that should have enough supply to meet needs until new crops.

RCN FOB export prices offered in USD per MT			
COUNTRY	1 year ago	Calendar week 44 (October 31 – November 06, 2022)	
		US\$ per ton	Outturn in lbs.
BENIN	1,375	NQ	49-50
GHANA	1,300	1,150	46-48
COTE D'IVOIRE	1,275	1,150-1,170	48/49
Guinea Bissau	1,425	1,300	51/52

Worldwide WW320 Exports FOB prices in USD per lb.									
COUNTRY	1 year ago	1 month ago	1 week ago	Calendar week 44 (October 31 – November 06, 2022)		This week vs last week		This week vs last month	
				Range reported		Variation	Trend	Variation	Trend
VIETNAM	3.05	2.50	2.50	2.50	2.70	4%	↗	4%	↗
INDIA	3.70	3.40	3.40	3.40	3.50	1%	↗	1%	↗
COTE D'IVOIRE	3.20	2.90	2.80	2.70	3.00	2%	↗	-2%	↘

Country Reports

Kenya

RCN production forecast for the season was around 9000 tonnes as reported by AFAK. However, it is now reported that the actual production could be lower due to the prolonged drought experienced across the production zones causing poor flowering. The Cashew season is underway in Kenya. RCN quality is reported between 45 – 48 lbs.

RCN farm gate prices range between Kshs 35 – Kshs 55 per kg (USD 289 – 454 per tonne). The highest farm gate prices (up to Kshs 55 per kg) are being recorded in Lamu County while lower prices (as low as Kshs 35 per kg) are being recorded in Kilifi County despite high quality (48 – 50 lb.). The low prices are attributed to the small available quantity in these areas. WW320 kernels are being sold between USD 2.80 – 3.00 per lb.

It is reported that over 80 tonnes of RCN have been purchased by local processors since the start of the season. The ban on the export of RCN since 2009 remains in place.

Mozambique

The 2022/2023 cashew season is scheduled to be launched on the 17th of November 2022 in the Nampula Province. This season's crop is estimated at 150,000 mt. It is reported that the overall weather condition is good.

The official reference farm gate price is set at MZN37 per kg (0.57 USD per kg) against MZN43 per kg (0.7 USD per kg) in the last season.

Tanzania

The RCN production of the 2022/2023 season was initially forecasted by CBT at 400 000 tonnes but this figure could drop due to unfavourable weather. It is also reported that the crop is later than normal.

The auction, which was scheduled for 21st October 2022 was delayed as it is reported some farmers were not willing to sell their products at the time. The official auctioning started on 28th October 2022.

So far, over 22,600 tons of RCNs have been traded, according to official figures. The highest price recorded so far is TSH2,200 while the lowest recorded price is TSH1,650.

RCN quality is good so far in a range between 50 – 54 lbs.

The Government is taking measures to promote investment in processing in Tanzania. A key initiative is to allow the cashew processors to purchase RCN directly from AMCOS and other farmer groups. It is hoped that this will enhance their competitiveness although there are many official charges and costs that mean that cost prices will remain above other countries and make them competitive in the market with other processors.



Thank you to all our network of reporters and analysts for their contribution to this report.

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