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CASHEW

MARKET NEWS SERVICE (MNS)

TEN

International Trade Centre

Editorial

Last Quarter 2011

Issue No. 1 of November 2011

The development of a trade information system in the ECOWAS region is one of the components of the "Programme for building African Capacity for Trade" (PACT II), executed by the International Trade Centre (ITC) in collaboration with ECOWAS TEN and funded by the Canadian International Development Agency (CIDA). The trade information system will serve the business community needs for promotion, facilitation and development of regional and international trade in selected commodities including cashew, facilitate linkages and build exporters' knowledge about markets.

The Market News Service programme of ITC Trade Information Services in close collaboration with ECOWAS TEN Secretariat is implementing a regionally focused market news service. The publication and dissemination of customised quarterly market bulletins on cashew and other selected commodities is one of the key deliverables of the new ECOWAS trade information system.

This first cashew quarterly market bulletin is prepared by ITC and issued in November 2011. In 2012 the ECOWAS TEN Secretariat is planned to take over the preparation and dissemination of the quarterly market bulletins on cashew and mango, extend the coverage to palm oil, sesame and possibly shea butter, and strengthen their regional focus by sourcing the market information directly from each ECOWAS member country through national focal points.

The cashew quarterly market bulletins are aiming at keeping the cashew stakeholders abreast with developments in cashew markets, keeping up with news on topics including quality, business policies and regulations, situation of cashew industries in member countries, and informing about upcoming events.

We look forward to your collaboration in supplying information of interest to cashew community and your potential business partners. Your comments and suggestions for improving the quality of the bulletins are also welcomed.

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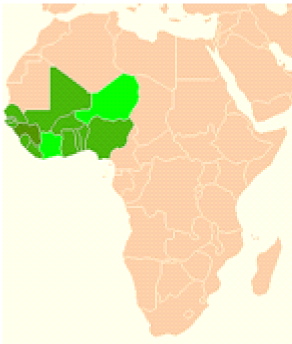
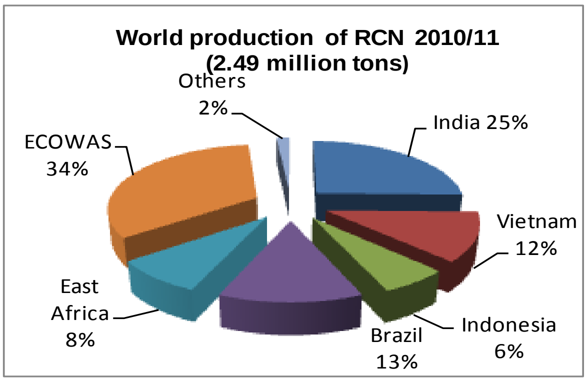


Index

Market Insights

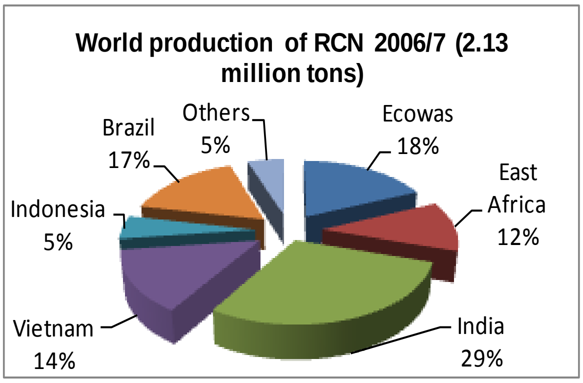
Global market situation and trends

World raw **cashew output** is estimated to have increased by about 3% per year over the past five seasons, from 2.13 million tons in 2006/2007 to 2.49 million tons in 2010/11. Very large investments (over 171 million USD between 2009 and 2010), as well as the African Cashew Alliance support to improving the productivity and quality of West African cashew have resulted in the significant increase of ECOWAS countries' shares in the world output, from 18% in 2006/7 to 34% in 2010/11, overtaking in importance India.



The sharp increase of ECOWAS shares was mainly at the expense of significant drops in the Brazilian and Eastern African outputs.
Côte d'Ivoire is the second largest producer of cashew nuts in the world, after India.

In 2010, the raw cashew production at most origins has been affected by climatic misfortunes and pest attacks. The tsunami that hit Indonesia devastated the cashew crop by about 30%, while in East Africa the crop has been hit by unseasonal rains.



The president of the Vietnam Cashew Association declared in August that the current crop has been nearly halved due to unfavourable weather conditions, while in Indonesia good weather has been favourable to cashew harvests.

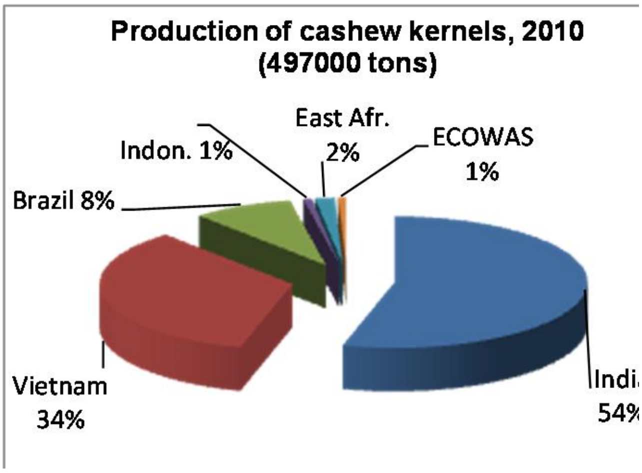
If favourable weather conditions continue throughout the next months, the improved cultivation conditions made possible by higher prices paid to producers and the development programmes for improving the quality of nuts bode well for the next West African crop. Likewise, favourable rainfalls following La Niña phenomenon indicate possible higher outputs in Brazil and the East African countries in 2012.

Country	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
India												
Vietnam												
Indonesia												
Brazil												
Kenya												
Tanzania												
Mozambique												
Cote d'Ivoire												
Guinea Bissau												
Benin												
Ghana												
Nigeria												
Burkina Faso												
Senegal												
Gambia												

Press reports that the **raw cashew stocks** in India and Vietnam are very low and would not fill the gap until the arrival of the crop from the Southern hemisphere. Some stocks are thought to be still available in Guinea Bissau, but traders are holding on for high prices. Cashew processors will have to depend on imports of raw cashew from Tanzania, Mozambique, Kenya and Brazil from January 2012 onwards.

Cashew production is very difficult to ascertain, as raw cashew seeds are not weighted until their transfer to processing. The crop size is assessed only after the raw cashew has been processed and an average kernel weight has been estimated. Moreover, the dynamic cross-border trade between West African neighbouring countries tamper the accounting by country. Information on cashew stocks is hardly made available.

Processing is the key steps in adding value to cashew. Cashew processing is estimated to have yielded 497000 tons of kernels in 2010. India, followed by Vietnam, and far behind by Brazil are world largest processors of raw cashew, having covered over 90% of the global kernel production. While the process is mechanised in Brazil, India and Vietnam industries are highly labour oriented.

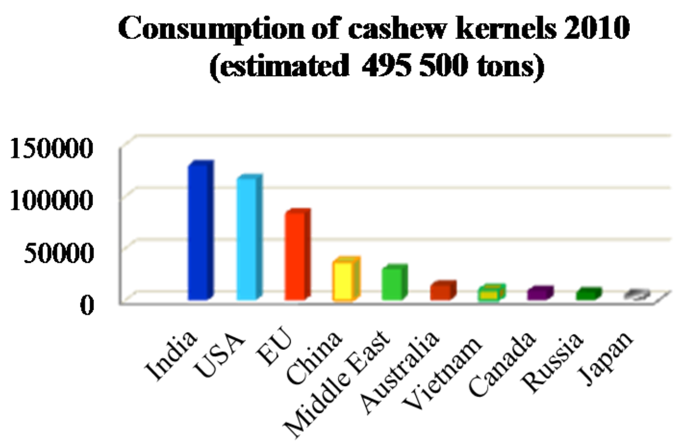


The domestic supplies of raw cashew of India and Vietnam cater to less than a half of the demand for processing, making the countries reliant on imports from ECOWAS region (mainly India) and East African countries (mainly Vietnam). East African and ECOWAS countries remain marginal processors. Cashew processors have faced a difficult 2011 year marked by high RCN costs, shortage of capital and labour. Several companies were forced to sell the kernels at lower prices to pay bank debts.

The current ECOWAS production of kernels is estimated at about 3200 tons (out of which Nigeria 1200, Côte d'Ivoire 1000, Burkina Faso 500, Benin 300 and Guinea Bissau 200). The West African processing capacity is however expected to grow fast. Asian processors are increasingly investing in plants located near the source of the raw cashew in order to save the cost of transporting bulky RCN by sea and ensure the supplies. A processing plant with a capacity of 25000 tons/year should start up at the beginning of 2012 in Bouake, Côte d'Ivoire, built by the Singaporean company Olam.The Indian processor, Rajkumar Impex, is building a fully mechanised plant in Ghana, expected to start up at the end of this year and process 50 tons/day of Ghanaian RCN in a first phase and extract cashew Nut Shell Liquid (CNSL) from the cashew shells. The company has preliminary plans to install additional factories in Ghana, Benin, Côte d'Ivoire, Tanzania and Mozambique.

Cashew consumption is distributed for three quarters in non-producing countries and for a quarter in producing countries. India is the world largest consumer, estimated to currently take in 170 000 to 190 000 tons/year, followed by the USA with about 125 000 tons/year.

In the main developed markets and the Middle East cashews are consumed salted and grilled as snacks, while in India and other Asian countries it is much used as a cooking ingredient.



Indian, Chinese and Middle East markets are growing very fast, while in the European Union and USA the demand tends to stagnate.

This year, demand for cashew was lethargic until October because of historically high prices; importers, packers and consumers manifested significant buying resistance and tended to look for alternative nuts. Although prices started falling by the end of October, and despite the fact from October to December cashew consumption reaches the highest peak, demand remains sluggish as buyers expect prices to lower further.

Cashew kernel trade in 2010 was estimated at about 350 000 tons.

India used to be the leading exporter of cashew (average of 100 000 - 125 000 tons of kernels per year), followed by Viet Nam and Brazil. However Vietnam overtook India over the ast three years and exported 196 000 tons of kernels in 2010, Indian exports dropped that year to about 92 000 tons mainly due to shortages of RCN, the slackening US and European Union demand for this origin and fluctuations of exchange rates.

The United States of America, the European Union, China, United Arab Emirates, Japan and Saudi Arabia are the main importers of cashew.

Quality issues

Quality is a determinant factor in cashew pricing; it depends heavily on weather conditions, cultural practices, time of collection of the crop and the types and efficiency of processing methods.

West African supplies of cashew are very often low-priced because of their lower kernel yields and high percentages of second and third grades, following inadequate post-collection handling, foreign materials contamination, poor manufacturing practices and delayed shipments. At the beginning of October this year, most West African cashew available for export was of low quality, fetching between 1200$/ton and 1500$/ton CAF Cochin, while better Indonesian qualities were selling at around 2000 $/ton.

The African Cashew Alliance is successfully undertaking projects and training programs for quality improvement and management in its member countries. The“ACA Seal” is a unique food safety and quality control and certification program under implementation, requiring processors to establish and maintain quality control systems that eliminate the major causes of buyers’ complaints and rejections. The ACA Seal, specifically tailored to African cashew supplies, is compliant with the new FDA Food Safety Modernization Act (FSMA). According to ACA, the significant cashew buyers Kraft and Intersnak are committed to purchase ACA s-seal certified cashew.

Quality improvement and the envisaged branding of West African cashew will directly increase the competitiveness of exporters and the shares of ECOWAS suppliers in the international markets.

Key conversion factors

One ton of RCN yields 200-240 kg of kernels after processing, depending on the country of origin. The average yields of exportable grade kernels vary with weather conditions, origin and quality of RCN, time of the season when the crop is processed and processor’s performance. Each ton of RCN produced and processed yields about 220 kg of exportable grade kernels in India (22%), 230 kg in Vietnam (23%) and 210 kg in Brazil (21%).

The percentage of wholes and broken grades depends mainly on the type of processing. Wholes average only 53% in Brazil (mechanical processing), against 75% in India and 80% in Vietnam (hand labour).

Evolution of USD versus currencies of producing countries

The sharp fluctuations and often severe depreciation of national currencies of most RCN producing countries against the USD until November 2011 (with the exception of XOF - CFA) had a negative impact on cashew imports and hampered the international trade in cashew. This was one of the factors which influenced adversely traders' decisions to take risks and be more active in the trade. The table below illustrates these fluctuations (exchange rates from XE - Universal Currency Converter).

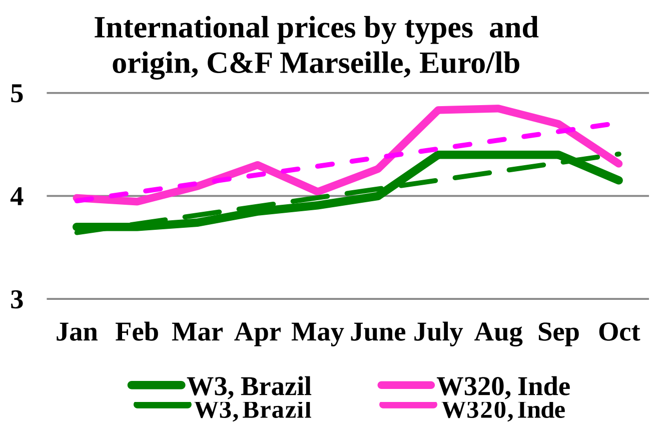
Exchange rates on 10 November 2011	Evolution of local currency versus USD, March to October 2011
1 INR (Indian rupiah) = 0.0199260 USD	Drop by 6% from the Mar to Aug average of 0.00013 USD to 0.000107 USD in Sept and further rise by 3.5% to 0.00011 USD at end-October
1.00 VND (Vietnamese dong) = 0.0000476190 USD	Stable average 0.0000487 from May to August and drop to an average of 0.000048 USD until end-Sep and to 0.0000475 USD until end Oct.
1.00 BRL (Brazil real) = 0.561798 USD	Steady drop by 19% from the average of 0.63 USD from March to August, to 0.53 USD at the beginning of October. Further rise by 14% to 0.60 USD at end October
1.00 XOF(CFA) = 0.00206256 USD	Continuous rise by about 4%, from 0.0210 USD in March to 0.0218 USD by beginning September. Drop to March level of 0.21 USD by end October.
1 GHS = 0.622084 USD	Steady drop by 7% from the average of 0.651 USD between March and August, to 0.61 USD at mid-Sep. Further rise by about 3%, to 0.6275 USD at end Oct.
1.00 TZS = 0.000573066 USD	Sharp continuous drop by 23 %, from 0.000653 USD in Mar to 0.00053 by mid-Oct. Rise by about 5% to 0.000558659 USD at end October.
1.00 MZN (Mozambican metical) = 0.0374532 USD	Steady growth by 12% between March and October, from 0.0033 USD to 0.00374 USD
1.00 KES (Kenyan shilling) = 0.0104210 USD	Drastic drop by 28%, from 0.012 USD in March, to 0.0095 USD by mid-Sep. Further rise by 7% to 0.0102 USD at end October.

Price Information

Prices of RCNs are directly dependent on crop output in all the major origins and the stock situation, which determine the availability of supplies. Other factors influencing their evolution include exchange rates, export duties, the global financial situation, etc. Raw cashew prices determine kernel prices, which in turn are a function of the demand and the processing costs.

Raw cashew prices have been on the upward move up to July/August this year for several reasons, comprising the drop in the global cashew availabilities, the low stock levels~~,~~ and the competition between Indian, Vietnamese and Brazilian processors for imports of their raw material. Stocks of raw cashew in Indiaand Vietnam are thought to be insufficient for filling the gap until next crop of March/April.

Prices started slightly declining in autumn due to the lack of demand; lower offers were firstly coming from financially weaker suppliers. However, major buyers and traders are likely to cover their needs until the end of the year and partly for the 1st quarter of 2012, waiting for more accurate information on new crops in the northern hemisphere for later positions.



The chart illustrates the evolution of prices of cashew imported in Europe from India and Brazil from January to October 2011.

Recent cashew prices, up are shown below:

International FOB, $/lb	25 July	10 Oct	10 Nov
W 240, FOB Mozambique, $/lb	4.25	4.25	
W 320, FOB Mozambique, $/lb	3.73	3.73	
W 240, India, spot UK, $/lb	5.15	4.9	
W 320, India, spot UK, $/lb	4.87	4.53	
W 240 premium			4.70-4.85
W 240, normal			4.35-4.50
W 320 premium			4.45-4.50
W 320 normal			3.90-4.15
W 450, premium			4.05-4.10
W 450, normal			3.75-3.85

International FOB, $/lb	25 July	10 Oct	10 Nov
RCN by origin			
48lb/80 kg, FOB Mozambique, $/ton	1384	1384	
44lb/80 kg, FOB Mozambique, $/ton	1300	1300	
Indonesia, 50-52 lb/100 kg, C&F Indian Western ports, $/ton (limited availability)			1750 - 1800
Indonesia, 46-47 lb/100 kg, C&F Indian Western ports, $/ton (last crop)			1600-1650
Ghana, $/ton			1400-1500
Côte d'Ivoire, FOB, $/ton (doubtful availability)			1275-1400
Guinea Bissau, FOB, $/ton (doubtful availability)			1650-1700
India domestic origin, Rupees/kg			80-100
India imported from Côte d'Ivoire/Benin, Rupees/kg			91-95
India imported from Guinea Bissau, Rupees/kg			91-95

Project and sector news

Mali: This spring has started the implementation of the 5 years project "Commercialisation et de transformation de l'anacarde dans la région de Sikasso - CTARS", financed by the Spanish International cooperation and Development Agency through a grant of 5 billion CFAF.

Tanzania: The 4 years project "Integrated value and supply chain development in key productive and innovative sectors" is funded by the United Nations Development Assistance Programme (UNDAP) for about 3.3 million USD. In the frame of the project, the implementation of the component "Integrated value and supply chain development in key productive and innovative sectors" starts this November; cashew is one of the chains considered.

USAID, ACA and ECOWAS possible partnership: On 2-3 August was held a collaborative meeting to discuss possible partnerships in the field of cashew, namely in improving access to finance across cashew industry. Previously, in December 2010, the ECOWAS Bank of Investment and Development and the African Cashew Alliance have signed a Memorandum of Understanding to address the access to finance issue.

ACA Quality and Sustainability Seal: ACA is offering this quality certification and management seal at a heavily discounted price on a promotional basis in 2011-12, thanks to the financial support of Intersnack, Kraft Foods, USAID and GIZ.

Rongead implements "Nut & NTIC Project - Creation of a NTIC- New Technologies of Information and Communication network" since 2009; its closure is scheduled by the end of this year. Information on the project and its achievements are found at http://www.rongead.org/Program-Cashew-Nut-NTIC-2009-2011.html.

Cashew resource links

Cashew resource links

RONGEAD has published two guides on cashew nut processing: cashew processing plants diagnosis (Diagnostic des unites de transformation danacarde 692.84 Kb) and cashew kernel marketing guide (Guide d'aide a la commercialisation des amandes 4.15 Mb).

Bulletin d'information sur la noix de cajou en Côte d'Ivoire http://www.rongead.org/Bulletin-d-information-sur-la-noix.html?var_recherche=bihma

Bulletin d'Information Hebdomadaire sur le Marché de l'Anacarde au Burkina Faso (BIHMA) http://www.rongead.org/Bulletin-d-information-sur-la-noix,445.html

Bulletin mensuel sur le Marché de l'Anacarde (hors campagne de commercialisation) http://www.rongead.org/Bulletin-sur-le-Marche-de-l.html?var_recherche=bihma

Highlights of the cashew sector by Red River Foods: RRF Cashew Brochure 2010 2.03 Mb and RRF Cashew Brochure 2011 2.84 Mb

Long Term Trends in the International Cashew Market and Implications for African Exporters - Horus 2005 1.08 Mb

African Cashew Processors Directory cashew processors directory 2011 web 1.34 Mb

Cashew fruit usage in Brazil: Draft Apple processing study Brazil 594.29 Kb

Distinguish quality of raw cashews Quality nut poster 281.96 Kb
AFI specifications and grade chart AFI Specification for cashew kernels 71.34 Kb, Cashew Grades 218.78 Kb

USAID EG and SENCOMEX SARL Training Manual on raw nut quality: Cashew Manuel - French 2.02 Mb

Cashew sector surveys:

Burkina Faso*:* Burkina Faso Etude de la Filière Anacarde - SNV 2006 186.40 Kb

Guinea Bissau*:* Guinea Bissau Cashew Sector Report - 2004 851.63 Kb, Guinee-Bissau Commerce du cajou et du riz - WFP 2007 1.06 Mb

Cote d'Ivoire: Cote d Ivoire Cashew Chain Analysis - 2006 344.60 Kb

Nigeria: Nigeria Cashew Strategic Framework - PrOpCom 2005 398.75 Kb
Nigeria Cashew Subsector Assessment - USAID 2002 1.61 Mb

Senegal: Senegal Cashew Value Chain - USAID 2007 922.98 Kb

West Africa: 22 Cashew Retail Market Study Dec 07 955.20 Kb, West Africa Regional Survey on Cashew Production Executive Summary - STCP 2001 53.67 Kb, West Africa Regional Survey on Cashew Production Part I - STCP 2001 118.81 Kb, West Africa Regional Survey on Cashew Production Part II - STCP 2001 151.58 Kb

East Africa: East African Cashew Plantation and Production Tour - Clive Topper & Biohybrids1999 132.90 Kb; East and South Africa Opportunities and Constraints for the Development of Cashew Exports - ITC & CFC 2002 176.38 Kb

Kenya: Kenya Markets Assessment of Cashew Nut Sector - USAID 2006 628.05 Kb

Mozambique: Mozambique Effects of Moisture on Conditions and Management on Cashew Production - 2004 1.95 Mb

China: China Assessing the Market Potential for Cashew Nuts - TechnoServe 2004 926.85 Kb

Europe: EU Market Overview Edible Nuts - CBI 2005 679.90 Kb; EU Market Survey Organic Food Products CBI 2005 3.89 Mb

India: India Power in Global Value Chains & Implications for Employment and Livelyhoods in the Cashew Industry - IIED 2006 615.83 Kb; India Cashew Pricing Policy and Export Taxation - ITC & CFC 2002 241.99 Kb

Events Calendar 2012

Month	Date	Event	Location	Website
Jan	13-16	Annual Convention & Trade Show of the Peanut and Tree Nut Processors Association - PTNPA in conjunction with the 2nd meeting of the Steering Committee of The Global Cashew Task Force,		http://ptnpa.org http://www.africancashewalliance.com
Feb	8-10	Fruit Logistica	Berlin, Germany	http://www.fruitlogistica.de/en/AtAGlance/DatesAndFacts
	13-17	PRODEXPO 2012, the 19th International Exhibition of Foodstuff, Beverages and Raw Stuff for Their Production	Moscow, Russia	http://www.exponet.ru/exhibitions/by-id/prodexpomo/prodexpomo2012/index.en.html
	15-18	Biofach 2012	Nuremberg, Germany	http://www.biofach.de/en
Mar	6-9	FOODEX JAPAN 2012	Tokyo, Japan	http://www.imexmgt.com/show/54/foodex-japan-2012
	26-29	Alimentaria	Barcelona, Spain	http://www.alimentaria-bcn.com/en/Alimentaria/Alimentaria-2012
	27-30	ANUGA FOODTEC	Cologne, Germany	http://www.anugafoodtec.com/en/aft/home/index.php
May	9	SIAL CHINA 2012	Shanghai, China	http://www.sialchina.com/fileadmin/user_upload/SHANGHAI/Brochures/GB2012.pdf
	18-20,	**31st World Nut and Dried Fruit Congress**	Singapore	http://www.yoursingapore.com/content/mice/en/apps/eventdetails.World-Nut-and-Dried-Food-Congress.html
June	27 – 30	22nd Taipei International Food Show,	Taipei	http://exh.packsourcing.com/exhibition/en/87
Sep	5–7	ASIA FRUIT LOGISTICA	Hong Kong	http://www.freshplaza.com/news_detail.asp?id=88134
	11-13	INTERNATIONAL FOODTEC INDIA	Mumbai, India	http://www.foodtecindia.com
	18-20	7th ACA Annual Conference	Cotonou, Benin	http://www.africancashewalliance.com
	20 - 23	GIDA – The International Food Products and Processing Technologies Exhibition	Istanbul, Turkey	http://www.ite-gida.com
Oct	21-25	SIAL 2012	Paris, France	http://www.sialparis.com