

GAMBIAN CASHEW MARKET BULLETIN

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NOTICE

The 2015 cashew marketing season is practically ended in West Africa.

This special issue of the Gambian Cashew Market Bulletin presents a first appraisal of West African cashew supply, demand, processing, trade and price situation during the 2014/2015 season, in the frame of the international market context. An additional bulletin may be issued by end September 2015, updating mainly the international cashew market developments.

SUPPLY

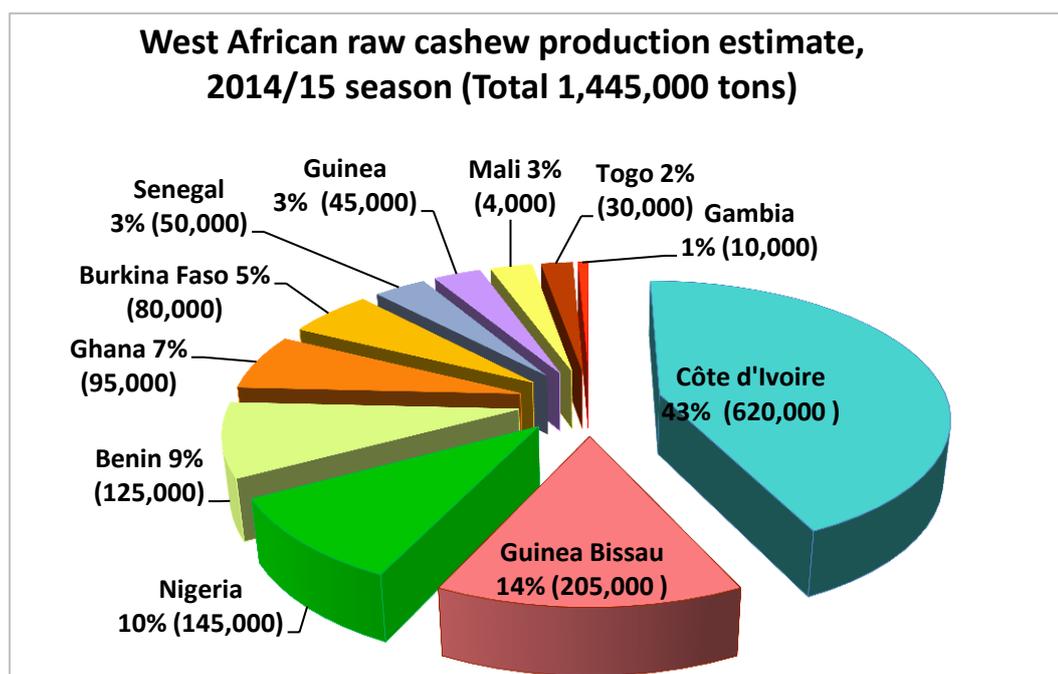
The raw cashew supply situation in 2015 is characterised by nervousness, a highly speculative market and the firmness of raw cashew prices, which reached the highest peak over the past 15 years. This situation was prompted, among others, by:

- Lower raw cashew yields following weather vagaries;
- Slightly delayed harvests due to the shift of rainy seasons in the major producing countries of the northern hemisphere (West Africa, India and Vietnam);
- The very important growth of the West African production and a relative stagnation of the Asian output;
- The stronger than expected Asian import demand due to the delayed harvest in India and a lower and delayed crop in Vietnam;
- The very high prices, sustained by speculation and the rumours about a lower than anticipated output in most West African countries, and by the devaluation of several West African currencies

According to end-July estimations, the world raw cashew output in 2014/2015 season should exceed 3.8 million tons, out of which about 51% produced in Asia, 45% in Africa (38% West Africa and 7% East Africa) and 4% in Latin America.

Although the harvest was delayed this year in most West African producing countries, the combined raw cashew production of the sub region is estimated to slightly exceed 1.44 million tons, a rise of over 10% above 2014.

The growth was driven by the keen interest, efforts and investments of cashew sector stakeholders (farmers, exporters and some governments) into cashew cultivation, because of good prices fetched for the crop over the past years. In addition, cashew cultivation is complementary to other annual crops (cereals, groundnuts, cotton), requires relatively little labour and the raw cashew is relatively easy to market given the strong import demand of Asian processors.



Source: Trade, FAO, Rongead

The medium term limitations of raw cashew cultivation in India, Vietnam and Brazil justify the recent growing interest of Asian and Brazilian processors and investors in West African cashew cultivation and processing.

About 1.5 million West African cashew smallholders produced the 38% of the world cashew output this season. The majority of these farmers struggle to earn as little as 150 USD/year from cashew production. Their low cashew income is a result of several factors including aging and low yields of plantations, poor quality of nuts (this year, cashew kernel outturn ratios were lower than usual) and a lack of business skills.

With a production of 625,000 tons of raw cashews in 2015 (18% of the world output), Côte d'Ivoire maintained its position as largest West African cashew grower and exporter, followed by Guinea Bissau and Benin. Guinea-Bissau has become the world's largest producer of cashew nuts "per capita", with an annual production in the range of 200,000 tons over the past two years.

The sustained demand and consumption of raw cashews and cashew kernels over the past 15 years and their high prices in 2015 and probably in 2016 are expected to prompt the West African farmers to continue cultivating cashews, maintaining plantations and increasing production.

In this context, the two largest West African producers of cashews, Côte d'Ivoire and Nigeria, may move steps towards increasing their cashew output in the near future. New high yielding cashew varieties developed by the National Agricultural Research Centre of Côte d'Ivoire, the Polytechnic Institute in Yamoussoukro and the Cotton and Cashew Board should enable the country to shift from extensive to intensive cashew cultivation.

The Ivorian government stated its plan to become the world leading cashews producer. To this end, cashew stakeholders are meeting to discuss and prepare

a roadmap for the implementation of representative, consensual and credible regional Cashew Inter professional Organizations.

Likewise, stakeholders in the Nigerian cashew sector called for the establishment of a Cashew Board and appealed to the Federal Government to assist farmers and processors in boosting cashew production and processing through the provision of a special support Fund.

DEMAND

The large West African raw cashew crop harvested this year is meeting the robust world demand. The season is marked by:

- The compression of cashew demand in Russia following the steep erosion in the value of Rouble and trade embargoes;
- The slightly lesser demand in the Middle East following lower crude oil prices and the decrease of purchasing power;
- A marginal decrease in the Chinese consumption of cashews due to the economic slowdown;
- The rising demand of raw cashews in Vietnam and India, where domestic supplies cannot match the needs of processing industries;
- The drop in consumption of raw cashews for local processing in most African countries because of its very high international price and competition of export market;
- Another expected decrease in Californian almond and pistachio production and market availability after four years of drought and over-reliance on highly salty groundwater. According to The Almond Board of California, the 2015 harvest is likely to not exceed 816,400 tons, nearly 4% down from last year's production of 846,900 tons. This should continue to prompt the rise in demand for cashews;
- The continuing growth of cashew kernels consumption in India, USA and Europe;
- The increasing awareness of the nutritional value of cashews in new markets such as South Korea, Latin American countries, Turkey, Scandinavian countries etc.;
- The reinforced safety and quality standards on import markets

On the assumption that no major economic crisis affects the major consuming countries, and supposing that cashew prices remain stable and more affordable than the substituting edible nuts, cashew demand should remain robust during the remaining of 2015 and 2016.

The current economic outlook for the three consuming areas covering over three quarters of the world cashew demand (India about 41%, USA 20% and Europe 15%) seems promising, as cashews consumption is developing mostly on the back of growing economies.

According to PricewaterhouseCoopers' economic projections of August this year, India should experience the world largest economic growth and the country's highest growth rate during the past decade. The real GDP growth is expected to reach 7.5% in 2015 and 7.9% in 2016, compared to the world average real GDP growth rate of 2.8% in 2015 and 3.2 % in 2016.

The lower energy prices have boosted growth momentum in the United States, where the economy has so far been resilient to the weaker external conditions and the strengthening of the dollar. The GDP growth is expected to attain 2.4% in 2015 and 2.7 % in 2016. Moreover, the rise of bank interest rates announced by the Federal Reserve by 2016 should

increase the value of the dollar and the purchasing power of Americans for imported cashews.

Europe is experiencing different economic growth rates between countries but overall, European consumers are regaining purchasing power. Now that a solution have been found for the debt of Greece, the growth of the real GDP for the Euro zone is expected to reach 1.5% for 2015 and 1.7% for 2016.

In conclusion, if no major incidents occur, the steady growing world demand for cashews, the strong development of Asian processing industries and the very low level of global stocks at the end of this season augur high prices for the next campaign.

PROCESSING

Cashew processing industries are of considerable importance for many Asian and African developing countries, both as source of export revenues and as a catalyst for their industrial development. Domestic processing adds value to the product and contributes to creation of employment and the diversification of the economy.

The limitations of raw cashew production and domestic supply availabilities in the three major processing countries, India, Vietnam and Brazil, justified the recent growing interest and investments of Asian and Brazilian cashew processors in the cashew cultivation and processing in Africa.

Vietnam and India are the world largest cashew processors and cashew kernels exporters. The two countries continue to invest heavily in the development of domestic processing, in particular in mechanisation, the rise of their price competitiveness and the improvement of product quality.

The current cashew processing industry situation in Vietnam and India and the short and medium term developments which impact directly on their raw cashew import demand and the evolution of African exports is resumed below.

Vietnam

According to Vietnam Trade Promotion Agency VIETRADE, the current domestic cashew processing capacity exceeds 1.2 million tons.

Vietnam invested in improving the productivity of cashew farming in particular over the past decade. High-density planting, commercial farming and seed programs aimed at insuring high yield levels and reducing the dependency on imported raw cashews for processing. The country invested also heavily in the mechanization of processing, to save on labour and raise the competitiveness of export-oriented kernels production.

The about 500 large and medium scale processing plants and 500 small scale units in operation produce and export branded and not branded, conventional and certified cashew kernels (raw or roasted, salted and honey or chocolate-coated). Many of the large scale processing units are fully automatized and GMP, ISO and HACCP certified.

Cashew processing costs are lower, workers are more productive than in India, and the cashew sector benefits of governmental support. A draft law on reforms of administrative

measures to improve the business environment and enhance national competitiveness is currently under discussion. The law is scheduled to be submitted to the National Assembly for approval in October, and take effect on July 1, 2016. Provisions in the new law deal with fighting smuggling and trade fraud, as well as with the protection of domestic production and the facilitation of exports - in particular goods with high added value. Cashew processing stakeholders are supportive of the new regulations on anti-dumping, anti-subsidy and safeguard duties to protect domestic production. They are also satisfied with the new provision on tariff exemptions on imports of raw materials and components for the production of export goods, as they import high volumes of raw cashews for local processing and export cashew kernels.

The greatest drawbacks of the sector are the current and future dependence on raw cashew imports, as the domestic production falls short of demand, and the difficulties to meet the international food quality and safety standards and regulations for kernels.

Many small and medium scale processors had to idle or close their units recently because of high labour costs, and difficulties to break even between the high prices of imported raw cashews and the insufficiently high kernels prices on the international market. This season, in addition, they have to face the problem of being left short of raw cashews and having to wait for the new Indonesian and Tanzanian crops in order to cover their raw material needs.

The FDA Food Safety Modernization Act signed into law since 2011 and regularly revised and supplemented since (<http://www.fda.gov/Food/GuidanceRegulation/FSMA/default.htm>) is mandatory for all exporters of food to US, including cashew kernel exporters. In addition, the new Voluntary Qualified Importer Program currently under consideration (<http://www.fda.gov/downloads/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/UCM448558.pdf>) mandates FDA to require hazard analysis and risk-based preventive controls at foreign and domestic facilities that manufacture, process, pack, and hold regulated foods including cashews. Cashew processors are required to maintain and implement a written preventive control plan. The timeline of implementation of foreseen rules are accessible at <http://www.ift.org/public-policy-and-regulations/fsma/fsma-rules.aspx>. Similar strict food safety laws and controls are applied in EU, Canada, India and several other processed cashew importing countries.

The noncompliance of cashew kernels with these food safety regulations and the quality standards in importing markets are resulting in frequent downgrading and rejection of Vietnamese cashew shipments.

India

The Indian cashew processing sector is growing, but the major difficulties encountered led to its overtaking by Vietnam.

The key constraints hindering its development include the heavy dependence on imported raw cashews (about 60% of the cashew requirements to keep processing units running have to be imported, mainly from Africa); the unpreparedness of many processors to deal with the changing needs and constraints of the market, the steady increase of labour costs and the subsequent increase of processing costs and decrease in international price competitiveness. The equipment of a large number of processing units is obsolete, they use labour intensive manual processes and the cost of labour is steadily hiking. This has forced some processors to divert investments and shift their base to

Vietnam and several African countries.

Business sources estimate that the current rate of manual to automatic and semi-automatic processing in India is 40:60. This rate of mechanisation suits the specificity of Indian cashew consumption and market conditions, which are different from the rest of the world. In other parts of the world, cashew kernels are mostly consumed as snack - wherefrom the demand and higher pricing of *Whole* kernel grades. In India, cashews are largely used as cooking ingredient, hence the high domestic cooking usage (around 50%) and good prices of *Broken* kernel grades.

The strong existing market for *Broken* grades explains the viability of Indian cashew processing, which is incurring higher processing costs compared to its competitors (manual processing is labour intensive, hence expensive in India). The manual processing cost in India is considered about 40% higher than the mechanical processing in Vietnam. However, this higher cost is compensated by the large domestic demand for *Broken* kernels: while *Whole* grades are exported, *Broken* grades find a ready and very lucrative local market, often better priced than the international one. Conversely, the mechanical processing of cashews, such as practiced in Brazil and Vietnam, yields higher quantities of *Broken*s than the manual processing, which have no domestic market and must be sold as by products at very low prices on the international market.

An advantage of the high percentage of manual processing units in India stems from the fact that the quality of manually-obtained *Whole* kernels is high and fetches very good international prices.

The soaring raw cashew prices, the steady rise in labour costs and the labour unrest affected very negatively the Indian cashew processing performance during the past two seasons. Imports of raw cashews decreased significantly because of their very high prices, creating a squeeze in the availability raw material for processing; many processors could not recover their processing costs. Kerala State is hardly hit by these constraints: a quarter of the processing units were reported closed during the April-July period this year, and 70% of the remaining ones were only partially functioning, with a significant fall in kernel output and exports. The 30 plants of the public sector Kerala State Cashew Development Corporation which remained shut until mid-August could reopen after having received a governmental allocation of nearly 5 million US\$, out of which about a half was spent for purchasing raw cashews and the other half to cover workers' wages and benefits. However, according to the Manager of the Corporation, the raw nut stock would not last beyond mid-September and, if not replenished, roasting activities would come to a standstill again.

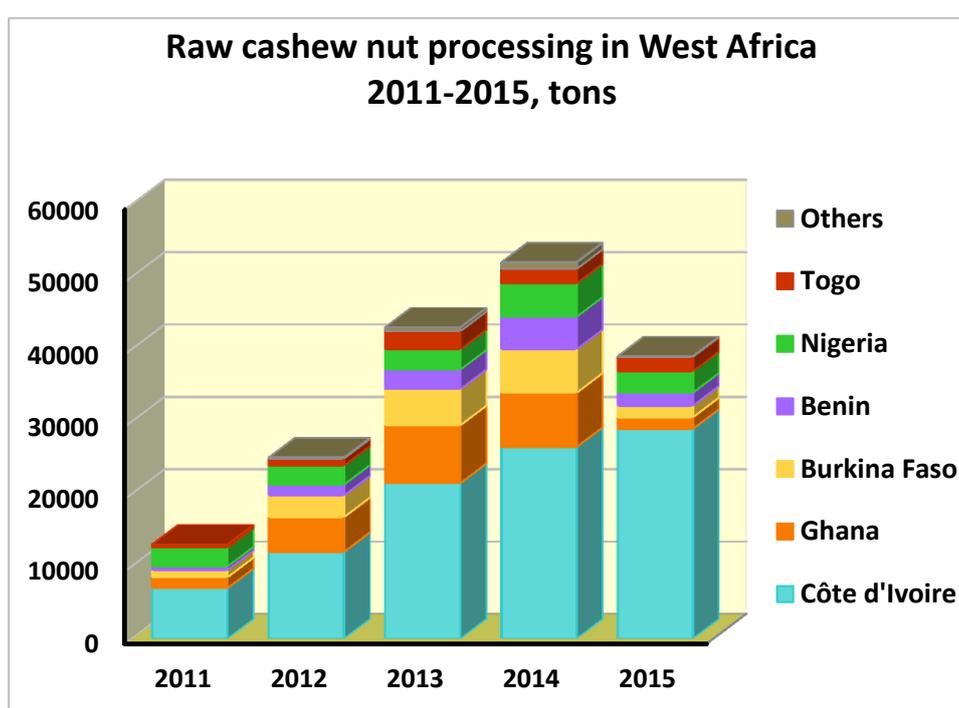
Africa and West Africa

Although Africa is the second largest raw cashew producing region in the world, benefitting of large availabilities of fertile land, favourable conditions for cashew cultivation and cheap labour, it remains at a competitive disadvantage to Asian processors as far as processing is concerned. Despite the scale of African cashew production the crop is exported in its raw form, letting the opportunities for job creation, local value addition and poverty reduction largely untapped. Nonetheless, foreign and local investments are contributing to the rapid increase of cashew processing; 8% to 10% of the sub regional output is now processed to kernels, mostly for the export market.

Côte d'Ivoire is the major West African cashew kernel producing country, followed by Ghana, Burkina Faso, Benin, Nigeria and Togo.

West African processing competitiveness is tricky: the main comparative advantage of processors is the local availability of raw cashews at lower costs than in Asia or Brazil. However, the profitability of their businesses is adversely affected by high depreciation costs of equipment, high financial costs, relatively low labour productivity and the non-utilization of processing by products. Therefore, when the raw cashew prices rise to the high levels of the past two seasons, most West African processors become uncompetitive.

According to Rongead estimations of end-July, the global amount of raw cashew processed in the sub region increased steadily, from 13,000 tons in 2011, to 25,000 tons in 2012; 43,000 tons in 2013 and 52,000 tons in 2014. The quantities processed dropped to 39,000 tons in 2015, which is 15% less than the previous year, in spite of the increase in the number of processors and installed capacities.



Source: Rongead service N'Kalô

In 2015, cashew kernel production increased in Côte d'Ivoire only, thanks to the significant investments of Olam group. The share of the country in the total volume of West African raw cashew processed increased from 52% in 2014 to 74% in 2015. Ghana and Burkina Faso shares dropped drastically over the same period, from 14% to 4% and from 12% to 4% respectively.

Two critical problems led to the sharp drop in kernels production and the temporary or total closure of processing units over the past two seasons. One of them was the undersupply of domestic processors with raw cashews, mainly because of insufficient funding and of farmers' preference to deal with foreign buyers and sell on spot payments at good prices, instead of dealing with local processors which delayed payments. The other one was the very high price of raw cashews, which rendered local processing hardly profitable; in

many cases, the processing costs could not be recovered at these price levels. The increase in raw cashew prices has been exacerbated by the devaluation of West African currencies, which enabled farmers to obtain price never achieved in the past.

West African processors were also hindered by other constraints including high electricity prices and intermittent power cuts, transport and storage deficiencies leading to crop wastage and costly and inefficient distribution, poor financial services and access to credit, high variability in interest and exchange rates, shortfalls of installed capacities in some countries and the low profitability of the existing ones, as well as the lack of knowhow and poor management of equipment, limited domestic and regional markets for kernels, and the absence of efficient mechanisms to ensure a sustainable development of the sector.

Faced with inadequate funding to ensure sufficient raw cashew stocks and the higher profitability of exporting raw cashews than processing locally, the majority of processors preferred to sell the collected inventories and idled or closed their factories. This was the case in particular in Nigeria, Ghana, Burkina Faso, Guinea, Guinea-Bissau and The Gambia.

The decline in processing profitability and in cashew kernel production and exports is expected to accelerate up to the end of this year, as the raw nuts processed from January to May came from the 2014 crop stocks at more affordable prices. Processors cannot benefit of 2015 crop stocks at acceptable prices.

The next year cashew processing outlook in West African is not encouraging. The growth of raw cashew import demand is expected to persist and compete with the domestic availability of cashews for processing. The raw cashew prices are foreseen to remain high and the evaluation of the West African currencies is expected to continue. Under these conditions, some processors are already thinking to abandon their activities, unless governments adopt adequate measures to protect the industry.

Nigeria

According to the Public Relations Secretary of the National Cashew Association of Nigeria, the country produced 145,000 tons of raw cashews this season. The combined installed capacity of the seven existing processing plants amounts to 48,000 tons, out of which less than 30% was utilised in 2015.

The main reasons stated were the too high prices of raw nuts, varying between 850 and 925 US\$/ton by end August, and the loss of processing profitability at these price levels. For comparison, at the same period of time cashew farm gate prices averaged 680 US\$/ton in Côte d'Ivoire and 890 US\$/ton in Burkina Faso.

The Nigerian processors requested without result a governmental subvention of 260 US\$/ton of raw cashew, to bring the average raw material price down at 590 to 665 US\$/ton (at Côte d'Ivoire level), arguing that the governments of Mozambique and India are subsidising the raw cashew for processing with respectively 126 and 83 US\$/ton.

Ghana

Ghana is estimated to have produced 95,000 tons of raw cashews this season and have an installed processing capacity of about 70,000 tons. Despite the very good crop, many cashew farmers refused to sell raw cashews to processing factories, preferring to get ready

cash from foreign buyers. The reasons were delayed payments, as well as the higher prices fetched on the ready market.

Short of raw material, processors were forced to close 11 of the 12 existing processing plants, and run the last one below its capacity. They asked the government to place a ban on raw cashew exports to solve the issue but the request was opposed by farmers and traders, who saw in it a processors' manoeuvre to control prices and not align with their international levels.

Guinea Bissau

An Energy and Industry Ministry source stated that more than 40 cashew processing units are currently registered, of which only 18 are operating. The main reason is similar to other West African countries: processing costs made prohibitive by the high raw cashew prices recorded over the past 2 seasons. In these conditions, it is more lucrative to export raw cashews than to process domestically.

In order to ensure the availability of raw cashews for local processing, exporters are kept by law to make a cash deposit at the State Treasury amounting to 30 % of the value of cashews to be exported. The sum should be returned when the processing unit confirms that the cashew nuts were actually processed.

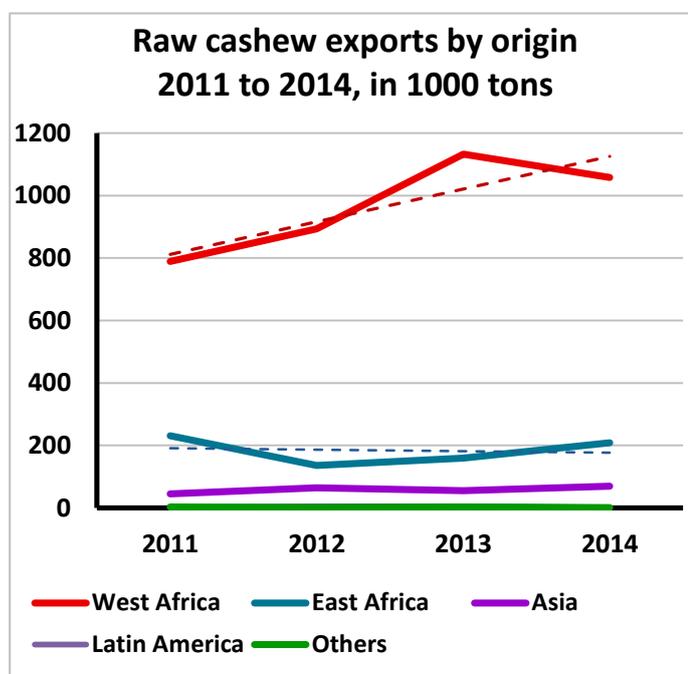
TRADE

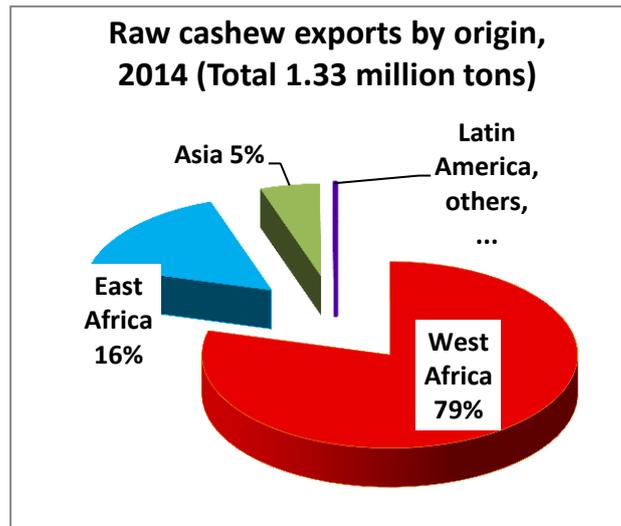
Raw cashews

According to COMTRADE statistics, the global raw cashew exports increased from 1.07 million tons in 2011, to 1.33 million tons in 2014, equivalent to 35% of the world output that last year.

The share of West African exports in the global export trade rose rapidly, from nearly 74% in 2011 to 79% in 2014, equivalent to nearly 1.06 million tons.

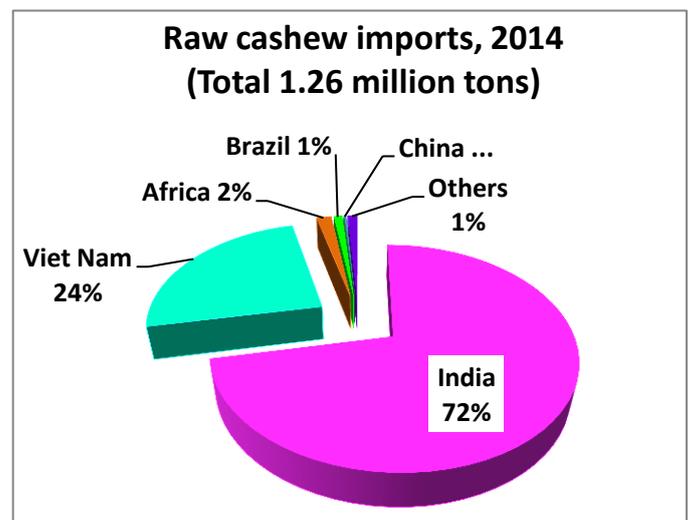
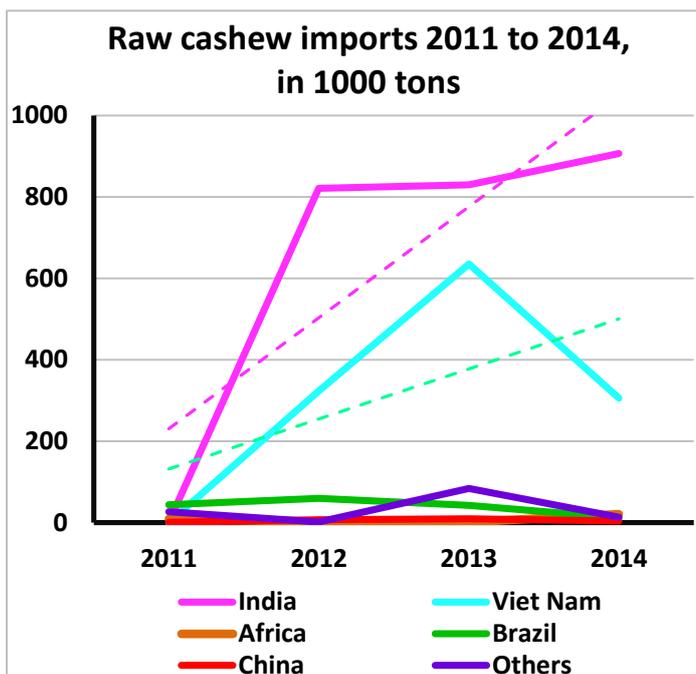
The major factors fuelling the steady rise of African raw cashew exports are the fast rising import needs of India and Vietnam and the rapid increase of cashew export availabilities in Africa. The level of prices of African cashews and the eventual competitive offers of other Asian producers influence the development of exports.





The global raw cashew imports increased from nearly 1 million tons in 2011 to 1.6 million tons in 2013, but decreased to 1.26 million tons in 2014.

The two major importers, India and Vietnam, covered respectively 72% and 24% of the global import trade in 2014, followed very far behind by African countries (2%) and Brazil (1%).



Source: Comtrade

- India

Indian production of raw cashew rose by only 4% over the past decade, matching less and less the domestic market demand for consumption and processing. As a result, imports of raw cashew have increased at a compounded annual rate of nearly 10% from 1990 onwards. The main import suppliers are the African countries. During the March to mid-July 2013 to 2015 periods, the imports of African raw cashews increased by 54%. The suppliers

were Cote d'Ivoire (23%), Nigeria and Ghana (19% each), Benin (10%), Tanzania (13%) and Guinea Bissau (9%).

African exports of raw cashew to India and Vietnam, March to mid-July, 2013 to 2015

Destination	Quantities in tons (% increase year on year)				
	2013	2014		2015	
		Total	Of which form West Africa	Total	Of which form West Africa
India	374,478	482,500 (29%)	388,000	576,042 (19%)	485,000 (20%)
Vietnam	289,000	307,000 (6%)	136,000	437,725 (43%)	260,000 (40%)

Source: Rongead

- Vietnam

The country sources a third of its raw cashew needs for processing from the domestic production and the remaining two thirds from imports. In 2014, its main West African raw cashew suppliers were Côte d'Ivoire (49%), Ghana (16%), Nigeria (14%) and Guinea Bissau (10%).

To ensure the import supplies of raw cashews, on which the Vietnamese processing sector depends, VINACAS signed in May 2014 a MoU with the Cotton and Cashew Council of Cote D'Ivoire. The MoU foresees regular supplies of quality raw nuts by Côte d'Ivoire, as well as the Vietnamese support to Cote D'Ivoire for processing 20% to 30% of its raw nuts through technology transfer, the setup of processing units, training of producers on cashew cultivation and post-harvest techniques, information exchange and the protection of trade between the two countries.

Shelled cashew

The global shelled cashew exports have almost doubled in less than ten years, reaching 437,223 tons in 2014. Viet Nam and India are leading the trade, having covered together just over the tree quarters of the total world exports between 2010 and 2014 and 83% in 2014.

Country	2014		Average 2010 - 2014	
	tons	% of world total	tons	% of world total
Vietnam	237,531	54	193,561	47
India	128,258	29	120,696	29
Brazil	21,194	5	32,546	8
Tanzania	8,000	2	11,755	3
Ghana	6,500	1	9,465	2
Côte d'Ivoire	6,060	1	5,000	1
Mozambique	4,109	1	3,800	1
Nigeria	3,500	1	5,327	1

Indonesia	3,998	1	5,166	1
Others	24,133	5	27,536	7
World total	437,223	100	414,852	100

According to trade reports, the Vietnamese exports from January to July 2015 exceeded by 17% the level of exports during the same period of 2014. The impressive growth in exports is likely to continue in 2016, with the adoption of the law on exemption of tariffs on imported materials to process exports; the draft law is scheduled to be submitted to the National Assembly for approval in October, and take effect on July 1, 2016.

The Indian exports of shelled cashews dropped by 16%, from 26,638 tons during January to July 2014 period, to 22,598 tons during January to July 2015 (source: Indian Cashew Export Promotion Council). The fall in exports was partly caused by cuts in export incentives, the high cost of imported raw nuts and the hike in workers' wages, which increased processing costs and decreased the price competitiveness of Indian kernels. India's loss has been the gain of Vietnam.

Although very small at present, the West African exports of shelled cashews are slowly increasing. According to trade data available, the total exports of cashew kernels from the sub region attained 3,230 tons during the first 5 month of 2015, a decrease by 15% compared to 2014 which reflects the critical state of the processing industries. As already mentioned, cashew processors in Nigeria, Ghana, Burkina Faso, Guinea, Guinea Bissau and Gambia reported idle capacities and closures of several plants caused mainly by the unavailability of raw cashews at acceptable prices, which prevented the profitability of processing.

Cashew kernel imports from West Africa, January to May 2013 to 2015, tons

Country	2013	2014	2015	% 2015/14
Benin to				
US	153	247	197	-20%
EU	34	48	170	256%
Total	187	295	367	24%
Burkina Faso to				
US	71	130	9	-93%
EU	249	315	141	-55%
Total	320	445	150	-66%
Côte d'Ivoire to				
US	722	1173	1292	10%
EU	528	786	743	-6%
Total	1250	1959	2035	4%
Gambia				
US	-	-	-	
EU	-	-	15	
Total	-	-	15	

Ghana to				
US	256	369	198	-46%
EU	311	229	-	-100%
Total	567	598	198	-67%
Guinea to				
US	78	32	-	-100%
EU	15	-	-	
Total	93	32	-	-100%
Guinea Bissau				
US	-	-	-	
EU	-	-	77	
Total	-	-	77	
Nigeria to				
US	176	159	16	-90%
EU	98	253	110	-56%
Total	274	412	126	-69%
Togo to				
US	102	53	121	126%
EU	-	-	141	
Total	102	53	262	394%
West Africa	2793	3794	3230	-15%

Source: Comtrade

The fall in exports is likely to follow at least until the end of this year, as most of exports to date come from the processing of 2014 crop.

PRICES

Raw cashews

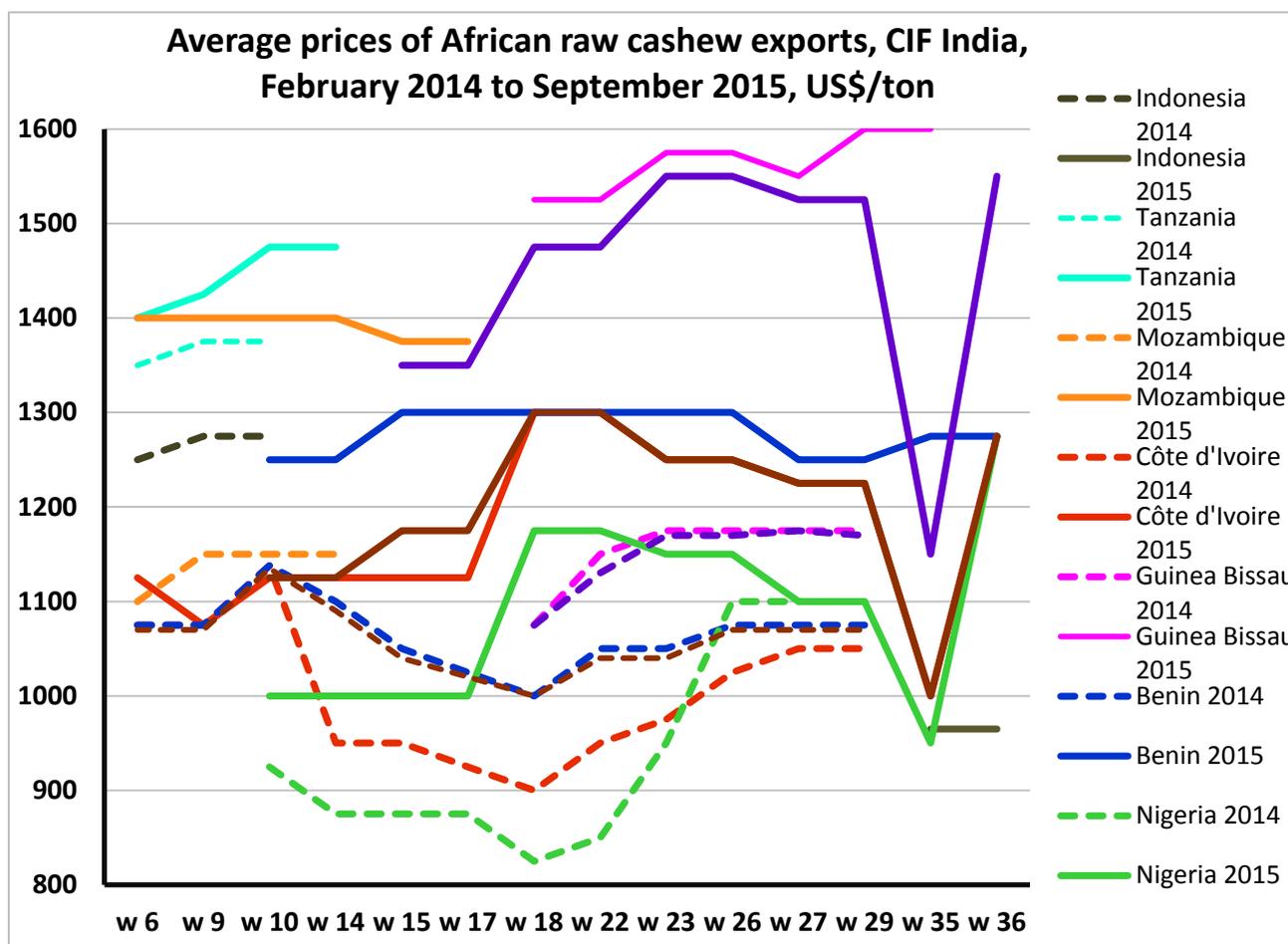
On an average, raw cashew prices in 2015 have been 20 to 25% higher than in 2014, and this holds true for West Africa; the majority of exports to date have been realised between 1200 and 1600 US\$/ton. Historically, the international raw cashew prices have already exceeded these levels: in 2011 when they peaked between 1400 and 1800 US\$/ton.

During the past two seasons, Nigerian cashews exports recorded the lowest CIF prices to India, followed by Côte d'Ivoire, Ghana and Benin. Exports from Guinea Bissau, followed by Senegal, Tanzania and Mozambique were the highest priced.

This year, the escalation of international prices is greatly amplified by the devaluation of West African currencies, and is reflected in the highest levels of farm gate prices ever achieved (see further below).

As of September 2015, raw cashew prices remain very firm and really high compared to kernel prices. Supplies from Côte d'Ivoire and Benin are priced in the range of 1350 to 1450

US\$/ton and prices for Guinea Bissau, Senegal and Gambia shipments average 1550 to 1650 US\$/ton.



Source: Rongead

Between now and March 2016, raw cashew supplies will come from Indonesia, East Africa, and Brazil – which account together for about 25% of world production.

The outlook for the upcoming Southern crop is yet unclear. In July, CONAB forecasted the Brazilian 2015 crop at 230,100 tons, the double of the 2014 output. Indonesia began a normal to good harvest and in Tanzania and Mozambique the harvest is starting.

Traditionally, Southern crop prices are higher than the Northern crop. As of now, offers from Indonesia and Tanzania are quoted between 1650 and 1800 US\$/ton for very good quality raw cashews (KOR 52 to 56 lbs. /bag). It should be noted that at 1800 US\$/ton, processors would need to sell W320 cashew kernels around 3.65 – 3.75 US\$/lb. to break even.

The stakeholders of the cashew sector Tanzania have fixed the minimum price for the opening auction that should start at the end of September at 1200 TZN/kg (0.60 US\$/kg) for good quality nuts (52-56 lbs. /bag) and 960 TZN/kg (0.48 US\$/kg) for the second choice of nuts (48-50 lbs. / bag).

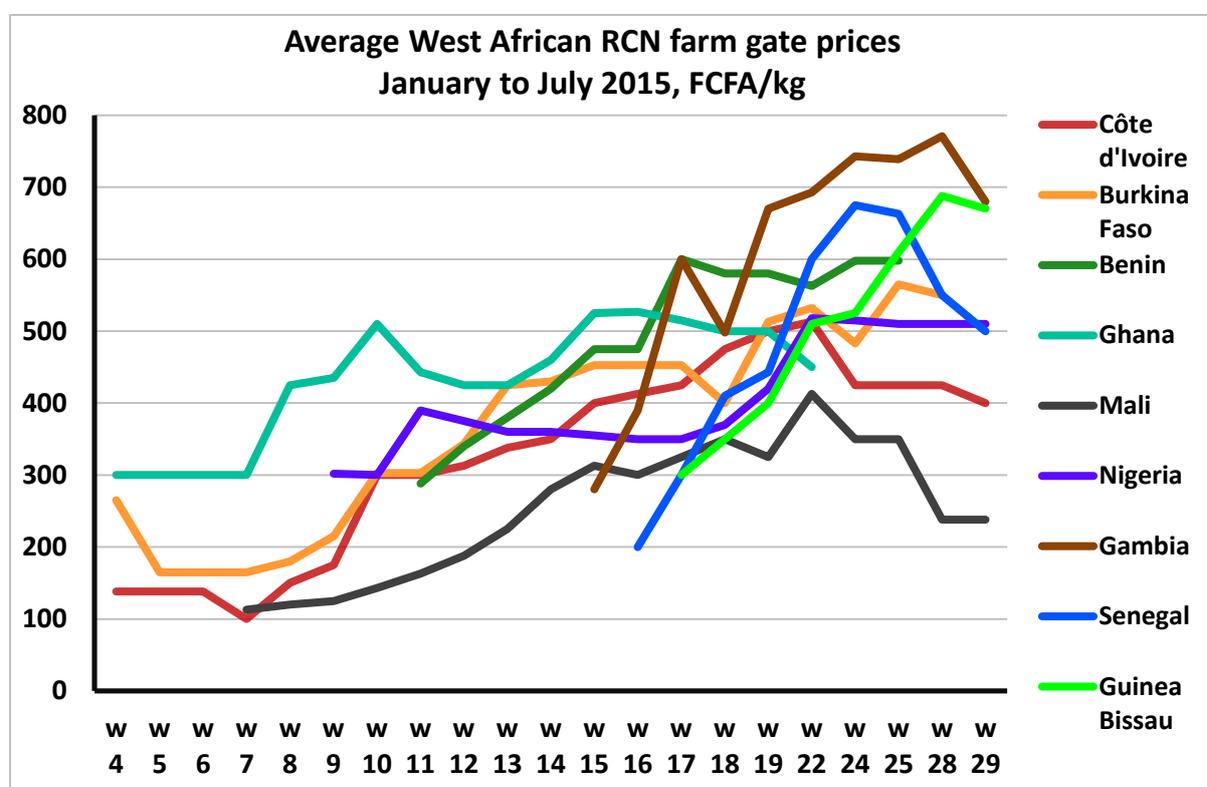
As cashews are likely to remain cheaper than almonds and pistachios, and the global

cashews consumption is expected to progress, it is unlikely that raw cashew prices would fall over the next 6 month. They are even likely to firm up from September to December, as buyers return to the market for Pre-Christmas purchases and the business picks up after the holiday period in Europe and USA.

Supposing that the West African crop will increase again in 2016, or that the cashew demand will slow down in the coming months because of a difficult global economic situation, cashew producers and traders may realise lower profits than in 2015, but processors would dispose easier of sufficient raw cashew supplies at more affordable prices.

Cashew farm gate prices

Over the past 15 years, the average raw cashew farm gate prices varied from 100 FCFA/kg during bad campaigns to 350 FCFA/kg through good ones. This year, the season started by end January/mid-February in Côte d'Ivoire, Burkina Faso and Ghana with farm gate prices of 235 FCFA/ton, 280 FCFA/ton and 510 FCFA/ton respectively.

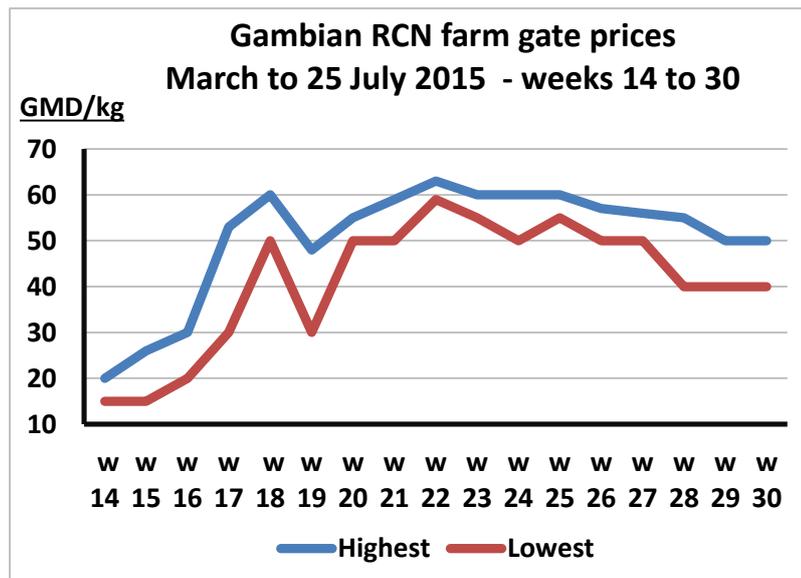


Source: Rongead, ITC

With the start of the marketing campaign in the other West African countries, the prices increased reaching high peaks of 350 FCFA/kg in Mali (beginning of June), 520 FCFA/kg in Nigeria (end May) and in Côte d'Ivoire, 525 to 530 FCFA/kg in Ghana (beginning to mid-April), 560 FCFA/kg in Benin (mid-June), 565 FCFA/kg in Burkina Faso (mid-June), 675 FCFA/kg in Senegal (mid-June), 690 FCFA/kg in Guinea Bissau (mid-July) and 770 FCFA/kg in Gambia (mid-July).

Gambian farm gate prices increased steeply, from 15-20 GMD/kg at the start of the marketing campaign (beginning of April), to 59-63 GMD/kg by end May. They further

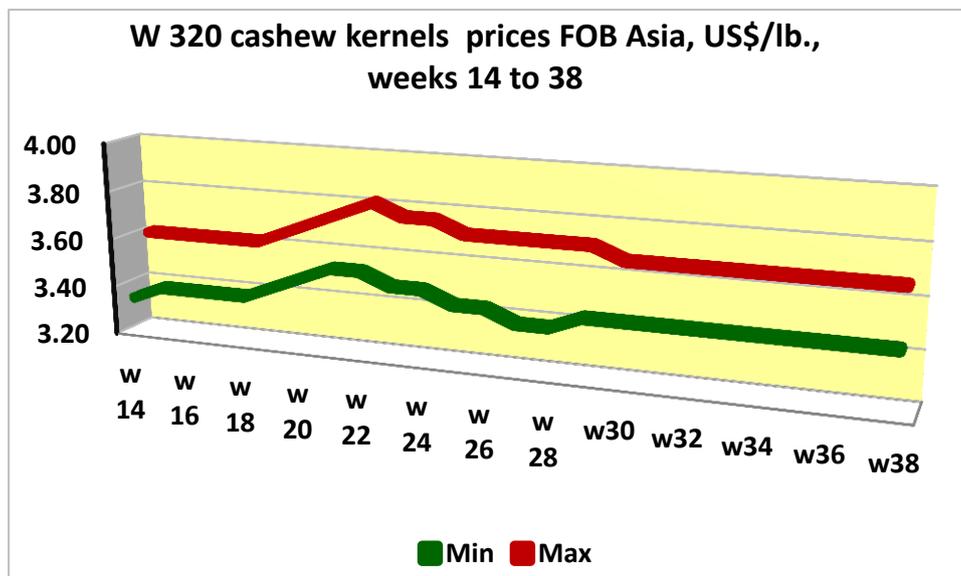
decreased slowly, stabilizing at 40-50 GMD/kg since mid-July.



Cashew kernels

Whereas raw cashew prices in 2015 exceeded by up to 25% their already high levels of 2014, kernel prices have been remarkably stable; their increase above the 2014 levels has not exceeded 5%.

Taking W 320 cashew kernels as reference, their prices remained flat during April this year, from 3.40/3.60 US\$/lb. They rose during May to a peak of 3.55/3.80 US\$/lb. by the end of the month and decreased during June and July, down to 3.45/3.65 US\$/lb. by the end of the month. Since the beginning of August to date they stagnated at this level.



Source: Rongead and Trade

China is active on the kernel market since August, while Western buyers multiplied enquiries

but ordered lightly, thinking that current prices are rather high. Meanwhile, many exporters with good financial situations manifested a limited selling interest, expecting a rise in prices in a short time. If this trend continues, price may move up gradually in the short term.