Rundown on current cashew sector situation and developments in Brazil

Information on Brazilian cashew sector performance is rather difficult to come by. ITC Market Insider presents the current cashew sector situation and developments based on both official sources and informal business reports.

Cashew value chain encompasses all activities related to cultivation and harvesting, as well as processing of raw cashew to cashew apple, kernels and other added-value derived food, feed and industrial products. These include snacks, cashew juices and spirits, confectionery and bakery products; cashew flour and meal used as feed ingredients; CNSL (cashew nut shell liquid); cashew skin used in tanning, or cashew shell used as fuel. Cashew value chain extends to import, export and local trade in cashew products.

Crop

Although cashew farms are distributed over several states, the Northeast region accounts for over 95% of the Brazilian production, with the largest orchards located in coastal and transition zones of Ceará, Rio Grande do Norte and Piauí states. The state of Ceará is home to over 50% of all native cashew trees in Brazil. Ceará and São Paulo provinces concentrated over 80% of the surfaces cultivated; cashew is generally intercropped with cane sugar.

Brazilian cashew flowering and harvesting seasons lasts from mid-August until end February the following year, with possible variations of several weeks depending on weather conditions.

Over the past 10 years, raw cashew production decreased by about 7% (see moving average trend line in graph), severely affected by adverse climatic conditions, in particular in 2008 and 2011.

According to the Brazilian Institute of Geography and Statistics – IBGE, in 2011/2012 about 764 500 ha have been under cashew cultivation, producing 231 000 tons of raw cashew. This would represent nearly 9% of the global RCN output in 2012 (estimated at 2.45 million tons), ranking Brazil as the 4th largest world producer.

The range of production estimates varied however largely, in particular in 2012. For instance, this spring IBGE estimated the 2012/2013 crop at a maximum of 76 000 tons, based on the continued drought over third consecutive years. In its end-September forecast, IBGE announced that cashew harvest could more than treble and reach 261,748 tons, out of which 68% in Ceará province. This official forecast could still be revised in the coming months, to take into account the effects of rainfall (or the lack of it).

Some international analysts estimated the Brazilian 2012 crop between 130 000 and 170 000 tons, equivalent to 5% to 7% of the world output.
EMBRAPA researchers warned that drought in the Northeast/San Paolo region is creating serious problems for cashew producers, who will have to install irrigation systems in order to avoid large swings in production. Several cashew processors and cashew juice producers are reported to have been practically idle from 2012 until now because of raw cashew shortages, while exports of cashew kernels are decreasing drastically.

**Processing**

Primary cashew processing yields cashew kernels, cashew shell and rejects used as feed ingredients, in addition to cashew apple harvested as fresh fruit. Cashew kernels are further processed and used as snacks and food industry ingredients, while cashew apple is processed to juices, spirits and jams. Cashew agribusiness provides now over 350 000 jobs and plays an important socio-economic role as provider of export earnings.

The structure of the processing industry changed rapidly between 2004 and 2009 (last year for which information is provided by Sindicato das Indústrias do Açúcar, Conservas Alimentícias e Castanha de Caju – Sindicaçu). The installed capacity of the eleven large and medium size cashew processors, together with the twenty mini processing units amounted to 270 000 tons of raw cashew in 2004. The largest processor, Iracema, owned a fifth of the national capacity (60 000 tons). The processing capacity of the three companies following in size (30 000 tons/year each) represented 30% of the Brazilian nameplate capacity. The following five processors with capacities comprised between 12 000 and 20 000 tons/year owned another third of the total processing capacity, while the twenty mini units covered together only 7 %.

Sincaju estimated that the national processing capacity in 2009 was a third higher than in 2004, amounting to 360 000 tons/year\(^1\), yielding 70000 – 75000\(^2\) tons of cashew kernels and 45 000 tons of CNSL. The sector comprised 12 industrial processing plants and a trebled number of small-scale units (80) compared to 2004. The seven major industrial cashew processors were/are:

- **Iracema Indústria e Comércio de Castanhas de Caju** ([http://www.iracema.com.br/](http://www.iracema.com.br/)) - installed since over 65 years and owning 4 plants – three of them located in Fortaleza/Ceará state and one in São Paulo do Potengi/state of Rio Grande do Norte. Until last year, the company was the largest cashew processor to cashew kernels, mixed nut products, cashew nut feed ingredients (flour, waste grains and pieces), cashew shell and Cashew Nut Shell Liquid (CNSL). Its rated annual capacity amounted to 90 000 tons of raw cashew nuts and the number of employees exceeded 2200. Besides leading the sector in Brazil, the company exports to over 40 countries and holds a prominent position in United States, Europe, Japan, South Africa and Kuwait.

However, short of raw cashew supplies since early this spring and liabilities of US$ 100 million obliged the company to fill for bankruptcy disable two of its four plants and lay off well over a third of its employees. On 17 September, the company has also been condemned by the Labour Court of Rio Grande do Norte to pay U.S. $ 5.2 million for mass layoffs. According to Iracema’s new CEO, the company was brought on the verge of collapse by errors in strategy over time and critical raw material supply problems

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\(^1\) This compares with an Indian installed processing capacity of 500 000 tons of raw cashew the same year

\(^2\) One ton of raw cashew nut is estimated to yield 210 kg kernels, 125 kg CNSL and reject by products out of which 54% used as fuel. Red River Foods company estimated that 53% of kernels produced by Brazilian processors in 2011 were whole grades and 47% broken grades
following recent adverse weather conditions and crop failures. He denied rumours about the complete closure of the company, which is reported to have been restructured and to have already received a capital infusion of US$ 5 million. In addition, Iracema changed its market strategy: in the current situation is more profitable to sell most of the products on the national retail market than to export. Therefore the company envisages directing 70% of its production to the domestic market and exporting only 30%.

- **Usibras - Usina Brasileira de Óleos e Castanha Ltda** ([http://www.usibras.com/](http://www.usibras.com/)) started its activities 34 years ago. Following substantial extensions during the past five years, the two cashew processing plants of the group (one in Mossoró/Rio Grande do Norte and the second in Aquiriz/Ceará state) reached a total rated raw cashew processing capacity of 60,000 tons/year and provides 1500 direct jobs. The company processes and commercialises locally and on export markets cashew kernels and CNSL. Its NUTSCO subsidiary has been setup ten years ago in New Jersey, United States, as a wholesaler of cashew kernels imported from Brazil and further packed (sole or as nut mixes), branded and commercialised on the American and Canadian markets.

Although raw cashew accounts for the largest part of the production cost, the company opted for non-cultivation of cashew trees in order to minimize risks related to agricultural activities. When its cashew supplies are not sufficient, the group imports raw nuts from West Africa. In order to further secure supplies, Usibras invested US$ 25 million in the setup of a large and modern cashew processing plant in Ghana, able to process daily 300 metric tonnes of raw cashew. Ghanaian plant is scheduled to start large-scale production in June 2014 and export to Brazil and USA.

- **Amêndoas do Brasil Ltda** ([http://www.amendoasdobrasil.com.br/](http://www.amendoasdobrasil.com.br/)), located in Fortaleza/Ceará state, supplies since over 20 years the domestic and export markets with all types and qualities of branded cashew kernels, CNSL, cashew shell and reject cashew kernels for animal feeding. The products are exported weekly through the 2 Fortaleza ports.

- **Companhia Brasileira de Resinas – Resibras** ([http://www.resibras.com.br/](http://www.resibras.com.br/)), founded in 1972, is producing and commercialising raw and roasted cashew kernels and CNSL. The company operates modern plants in Fortaleza and Forquilha/Ceará state, with a total annual processing capacity of 60,000 tons of raw cashew, generating over 1000 direct jobs. Resibras is a major a major cashew kernel supplier to wholesalers, distributors and domestic food industries, as well as a leading exporter - selling 85% of its production in more than 40 countries.

- **Cascaju Agroindustrial S.A** ([http://www.cascaju.com.br/](http://www.cascaju.com.br/)), part of Edson Queiroz group, is one of world’s leading cashew nut processors. Its plant in Cascavel/Ceará state has a rated annual capacity of 60,000 tons and employs some 2000 people. The company produces and commercialises retail and break-bulk branded cashew kernels, CNSL, cashew shell and cashew rejects. About 70% of Cascaju output is exported to over 30 countries.

Companhia Industrial de Óleos do Nordeste (http://www.cione.com.br/index.html) started cashew processing in 1963 in Fortaleza/Ceará. The company is involved in cashew cultivation and processing, domestic commercialisation and export of cashew products. Cashew farms covering 60 ha in Ceará and Piauí hold high-yielding dwarf cashew trees and supply the about 30 000 tons of raw cashew processed annually in the Fortaleza plant. The company employs up to 5,800 people during cashew harvesting and produces all types and qualities of cashew kernels, cashew flour and CNSL for the domestic and export markets. Currently over 90% of cashew kernel output is branded and exported, together with the CNSL destined solely to Cardolite Corporation in United States.

Domestic consumption

Being very sensitive to price increases which are directly passed on to consumers, consumption of cashew is affected by consumers’ purchasing power. When cashew prices are too high, consumers switch to other nuts or types of snacks.

According to industry sources, Brazilian cashew kernel consumption over the past ten years rose by about 4%, increasing steadily from 7000 tons in 2003 to a high pick of 14000 tons in 2007 and decreasing afterwards to 8000 tons in 2012 (see moving average trend line in graph). The decline since 2007 is reportedly reflecting lower production levels, cashew price increases and substitution with other nuts, as well as the significant Brazilian economy slowdown in 2011 and 2012 driven by both domestic and external factors (GDP growth of 7.5% in 2010 decelerated to 2.7% in 2011 and dropped to 0.9% in 2012).

Most of cashew kernels are consumed as roasted and salted in snacks and as ingredients in chocolate and ice cream manufactures. Consumption is actively promoted by scientific research and frequent reports on health value of nut consumption. Considerable amounts of cashew apples are also consumed fresh or processed.

Trade in cashew

- Cashew in shell

Sporadic exports of raw cashew were insignificant in quantity over the past decade: below 100 tons in 2007, 2008 and 2012 and 485 tons in 2009.
Raw cashew was imported only in 2008, 2009, 2011 and 2012 in order to complement domestic supplies reduced by consecutive drought years. Imports rose amounted to 9500 tons in 2008, 4500 tons in 2009, 43700 tons in 2011 and 59500 tons in 2012.

Brazil covered 4% of the total world imports in 2012, provided by Côte d’Ivoire (57%), Ghana (30%), Guinea Bissau (7%) and Benin (6%).

As imports are expected to continue over the coming years and processors are concerned about the quality of foreign supplies, Brazilian government has set up in 2012 quality requirements and regulations to be complied with.

- **Cashew kernels**

Imports of kernels are insignificant; they did not exceed 10 tons/year over the past decade, with the exception of 2007 (21 tons) and 2009 (43 tons).

Over 70% of the domestic production is exported to all major markets, mostly as natural cashew kernels of all grades and sizes, part of which are bio products.

**Brazil exports cashew kernels by destinations, 2012 (25 400 tons)**

Demand for cashew is expected to continue its growth, stimulated by the continuing trend towards healthier nutrition and strong preference for sustainably-produced foods and fuelled by the rapidly increasing request for snack products.

Given the strong correlation between cashew demand and prices, the price competitiveness of Brazilian exports will depend on cashew sector performance and the facility of adaptation to consumers’ requirements.
To this end, the Brazilian President enacted in June 2013 the Law on the set up of a Support Fund for Cashew Cultivation (FUNCAJU). A national Cashew Development Program is being elaborated in this framework, directed to financing the modernization of the sector, the increase of crop productivity and processing performance, strengthening exports and reviving research and development on cashew, as well as the advocacy on domestic and export prices and the improvement of incomes and living conditions of rural workers.