

Dear client,

Please find below our update on the cashews.

This report was issued of the Vinacas meeting held on 6th April 2016.

Respectfully to: African Cashew Alliance (ACA)
The Cotton & Cashew Council of Ivory Coast (CCA)
The Cashew Exporters' Association of Ivory Coast (AEC-CI)
Nigerian National Cashew Association (NCAN)
Benin Cashew Exporters' Association (CoNEC-Benin)

According to reports of Vietnamese raw cashew nut importers at a meeting on 06th April 2016 in Ho Chi Minh city, Vietnamese enterprises are facing a number of difficulties in business production. **The major reasons are caused by the delayed shipments of imported raw cashew nuts from African countries. Especially, some raw cashew nut sellers required an increased price support before shipping. This occurrence has greatly affected to the production and delivery plan of cashew kernels of Vietnamese enterprises; on the other hand, it may also seriously affect the reputation of Vietnam cashew industry.**

In view of this situation and according to the proposals of major raw cashew nut importers of Vietnam, we are pleased to inform you the followings:

1. The increased price supports for the cargoes which depart in April and May 2016 are impossible because these shipments will be served for the schedules of production and delivery of cashew kernels. On the other hand, this kind of support is not a fair trade for raw cashew nut buyers (Vietnamese companies) and may create a bad precedent in performance of cashew sales contracts in the following years.
2. This year, Vietnam will evaluate and classify worldwide raw cashew nut suppliers (including brokers) under a new ranking/ appraisal system.
3. At the end of this year, VINACAS will announce a blacklist of raw cashew nut suppliers (non-shipments) who badly performed the contract signed with Vietnamese enterprises.
4. The raw cashew nut importers in the meeting agreed that they will not continue to buy raw cashew nuts from the bad suppliers in the coming time.

VINACAS also suggests Vietnamese cashew kernel exporters the followings:

1. The enterprises are requested not to sign any new cashew kernel contract if their warehouses are empty or do not have any B/L of the imported raw cashew nut cargoes.
2. The enterprises must try to arrange and punctually deliver according the signed contracts. In case of too difficulties, they have to actively negotiate with the buyers, not to refuse delivery.

In the spirit of constructive cooperation, we hope that you will actively cooperate with us to resolve the above occurrence.

Thank you very much!

VINACAS President(Signed & sealed)

Nguyen Duc Thanh

With this statement we have entered a period of high insecurity with regards to the cashewmarket, shipments and prices. It indicates already that problems have appeared in the supply of RCN to Vietnamese and therefore also Indian shellers.

The tax on the import of RCN in India has been maintained and it is now clear that the exemptions for processors who reexport will not be systematical neither simplified. Knowing the final conditions, many Indian processors have started to look for import contracts for RCN but the current price with the added tax is making imports unprofitable so very few new contracts have been signed. With the lack of raw material in India, many processors are now refusing to sign new export contracts for cashew kernels and some are even facing problems in fulfilling the contracts that have been signed.

A report of a week ago states as follows:

1)RCN

The arrival of seed in Vietnam and Cambodia is in peak season during the last few weeks, price is still very high, even higher than early crop due to demand for local RCN is huge. Before almost medium to big processors waited for lower price but up to middle of March, price of RCN was not down then they have to buy slowly to supply to their processing factory. Though medium and big processors do not buy heavily like they did last year but because there are many other small processors are also buying then it still make market of RCN hot and the price cannot come down as prediction of many people. Since than price of RCN in Vietnam and Cambodian was even going up 500 – 1000 VND/kg and with lower outturn. This make many processors turn to ask offer from Africa. Price of Vietnamese RCN is traded at around 1750 – 1800 usd/mt dried seed for outturn 30 – 31% and Cambodian seed traded at 1659 – 1704 USD/MT for outturn 29 – 29.5% last week. At these levels packers need to sell W320 around 3.55 – 3.65 (medium to top packer) to make parity.

For Africa RCN, almost reliable sellers concentrated on covering in domestic market to fulfill shipment of their signed contract, they do not offer at this stage because they even have not covered enough seed for their pending contract yet. Some other sellers who did not sell much before then are offering these days at price 1430 - 1450 usd/mt cif for IVC 48/200 and 1480 USD for 49/200, these levels seems a bit higher than price we traded in Feb.

We heard that competition for buying RCN in Africa is still very strong though not much Indian processors buy African seed now. We also heard many farmers in IVC keep RCN at home, do not sell to seed traders as they expect price will be higher.

In general, we do not see any signal for price comes down from Africa, Vietnam and Cambodia at this stage.

We have been visiting many factories last 2 weeks and saw that up to now the quantity of RCN that factories have covered is much less than last year, up to now almost medium/big packers covered about 30% RCN compared to their capacity last year so even there is still 1 month more for buying local seed (but arrival in Apr must be less than in Mar as it is nearly come to end of crop) th

packers may cover about 50% local seed compared to last year only. Even there is many small processors and farmer who keep RCN but we still think crop will be short about 15%.

2/ Kernel market

There are quite a lot of buyers need to cover for nearby shipment and have to buy for April to May or even up to Aug because buyers think that kernels price may not come down up to Aug due to high price of RCN and less stock in US and EU, Australia. We saw buying demand from almost market for white whole grades and some broken grades from US market. Business is traded at level below:

Domestic market is active and white whole grades are moving well at high price. W240 is traded at 8.10, W320 is traded at 7.70 – 7.80 (usd/kg unpack and need to regrade to make decent quality)

The chinese are still buying these days W240 at 8.60, W320 at 8.30, W450/LBW/SW at 7.85 from good quality processors. (price is usd/kg tin can ex-factory, payment in advance)

As price in domestic and sold to China is good as above then small processors still can buy local RCN at high price as mentioned because their processing cost is much lower compared to medium/top processors. They still can make a little profit when selling raw material to domestic market and medium/good processors can make small profit for selling to China market.

There is some disadvantage for cashew processors in Vietnam is that from 1st Apr, all the bank is going to stop financing in USD to the processor who do not use USD to pay for imported seed. They imposed financing in VND for processors who use financing money for buying local RCN. Banking interest for USD is only 3-4% per year but for VND is 8.5% per year. For this regulation processors who buy local seed will have to put more banking charge to their cost, beside high price of local RCN, it will be very difficult year to these processors.

We also heard that many banks do not accept to discount shipping docs by USD, they only accept to discount docs in VND then the shipper cannot use discount money for their payment to imported seed or have to buy USD from the bank at higher exchange rate, they need to wait for payment from their kernels buyer to get USD for paying imported seed to avoid higher selling exchange rate from their bank. This will cause much trouble and difficult for processors who are importing RCN and depends much on financing from the bank.

Top packers have sold

W240 at \$3.90/3.95 per lb fob for June and July

W320 at \$3.75 per lb fob for July

W450 at \$3.55 per lb fob for May and June

WS at \$3.15 per lb fob for April through July

LP at \$3.00 per lb fob for May and June

Good quality medium packers have sold

W240 at \$3.85/3.88 per lb fob

W320 at \$3.65/8 per lb fob

Mostly for May and June

And smaller, but acceptable packers have sold for April and May

W240 at \$3.80/2 per lb fob

W320 at \$3.63/5 per lb fob

WS at \$3.12/5 per lb fob

LP at \$2.90/5 per lb fob

Aldebaran's market view:

Spot market EU is empty and prices might increase to very high levels and we do not know whether buyers will continue buying them.

Afloat goods are mostly sold, hardly any unsold goods available.

Quite large possibility, due to the difference in market in RCN and contracted goods, defaults are very nearby!

Default situation will create another unknown market, with no boundaries.

Market might be temporarily overheated, with not normal increased price levels.

Aldebaran's advice:

- 1. Secure your needs for period April, May, June and July 2016.**
- 2. Secure the shipment of your contracted goods.**
- 3. Stay quiet and don't follow the possible highly increased offer's.**

Kindest regards,

Paul, Nurcan, and Mark

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