

This is the start of a new year 2018 and we wish a happy New Year for all our readers/customers and suppliers of this market report.

2017 has been an extremely good year for Aldebaran and our sister company Antares, and we hope to increase our turnover in USD/mt in 2018 and with all your help I am sure we can achieve this.

Aldebaran's view:

- **Market has been extremely quiet for the period November/December 2017 and we foresee similar for the January/February 2018 market.**
- **General market demand seems down, stocks in especially Europe sufficient, no increase of any pressure to panic.**
- **RCN keep the level for good RCN, but will discount the bad quality RCN.**
- **Increased desire from buyers to have quality increased, therefore prices in our view will remain relatively high.**
- **Vietnam shippers (through Vinacas) have noted the quality issue, and intend to reduce their production.**
- **Vietnamese crop possibly delayed, might give some supply problems for March, April, May 2018**

RCN market:

Vietnam:

Market for RCN has been quiet during the second half of December 2017. Not many offers from good sellers available and not many buyers either. At the end of November the first vessel from Tanzania arrived and there is around 10,400 mt Tanzanian seed imported in November together with 10,850 mt from IVC and 10,340 mt from Indonesia, total imported RCN quantity in November is 48,677 mt.

Quality of Tanzanian seed is very good, almost all cargoes which have arrived here have an outturn of 53-55 lbs so even though the average price is high like USD 2,350-2,360/mt buyers still want to buy more because the processing cost is lower than processing other seed origin and easier to sell kernels than IVC origin. There are still some buyers who want to buy Tanzanian seed high outturn these days but due to kernels price is very low and quiet then buyer can pay around USD 2,350/mt for 53 lbs only, if higher they need to consider as it is risky range.

Indonesian seed this year is okay, not very good like Tanzanian origin, many cargoes arrived here with outturn lower than contract, almost cargoes have outturn around 50-52 lbs for good lots those in the contract should be 52-53 lbs. We are seeing some more offer for 49 lbs these days but buyers do not show much interest.

IVC seed arrived in November is almost with low outturn from 38-45 lbs. Price is cheap but buyers still don't like because kernels from these seeds are dark color and many spotted dots, not easy for peeling then processing cost is high and difficult to sell kernels in domestic market.

There is still some rain in Vietnam during these days as Vietnam still face some storms though it should be dry season. Last week as weather forecast there was Tembin typhoon come to Vietnam but at last it did not come direct to the South of Vietnam so not much affected to cashew tree. However up to now many cashew trees are still having young leaves, not giving flower yet, we think many areas in Vietnam crop be delayed.

We heard Cambodian crop arrive late as well, there is small area that has trees with ripped fruit already but very little, farmer can collect several ten kg per day only so not count to crop yet.

These days we also heard some sellers for IVC new crop seed intend to offer new crop seed around USD 2,100-2,200 but no official offer yet. Processors in Vietnam are watching market to see buying demand from kernels buyers then to calculate for what price they can pay for IVC new crop.

India:

We must be very cautious at the moment and we can only look at these limited quantities and shipments, due to

- 1) We cannot buy good quality raw seed. Tanzania arrivals are now finishing with around 265,000 mts and quality poor. Mozambique arrivals are increasing but prices dropping as quality (even on first arrivals) is reported to very poor. It is too early to have any ideas on West African new crop raw seed prices but Ghana and Ivory Coast are imposing increased export duty/levies so we do not expect initial prices to be attractive.
- 2) GST remains a massive problem – we still have no idea when reimbursement of GST due to us (and other cashew exporters) will be made, so cash flow is very badly affected.
- 3) We are concerned with any changes, which will be made in the March 2018 budget for the financial year commencing April 2018. There may be changes in Import Duty (talk of withdrawal of duty, which sounds beneficial but over the past 4-6 weeks many importers have taken raw seed under Advanced Licence which means that GST does not necessarily have to be paid) and also some are nervous that GST rates may be changed.

The local kernel market is maybe a touch firmer, but there is very little trading

We are also seeing some increased demand from Delhi for all whole grades, as the demand for the marriage season is expected to start again around middle of January 2018, and any unsold production of W180 W210 W240 W320 SW240 SW320 will be sold to Delhi

Tanzanian raw seed afloat to India has sole this week between USD 2,400-2,450/mt CF depending upon origin supplier and amount of prepayment requested.

Kernels market

It is very quiet during the second half of December, almost buyers are away for their holiday and they also said that they have covered enough for their need then showing no interest for offers.

Processors have brought some Tanzanian seeds that imported at the end of November into processing so in the first half of December they offer kernels at bit higher price than end of November, it is around 4,65-4,75 for W320 instead of 4,60-4,70 in November. Actually based on Tanzanian/Indonesian seed price they offer at these levels with loss but they still have to do so because the buyers cannot pay high price. However due to market is quiet during the second half of December so this week some packers have to accept to give lower price again to sell their stock,

small processor cannot keep stock long time in their warehouse. Some of them need money to pay for their imported RCN as well. Beside these packers, there is still many good financing packers don't want to sell low price and they reduce processing capacity, they need to sell around 4,70-4,75 for W320 these days.

We do not see big stock of RCN in Vietnam like some people saying but with low demand for kernels these days then it should supply enough for processing to perform pending contract of kernels in overall. As this reason there is still many people want to buy RCN but they need lower price than current price to make parity with kernels price. Price idea from processors for good quality RCN 52 lbs at USD 2,250-2,300/mt then they can buy for their processing after Tet holiday. From now on up to Tet holiday we think stock of RCN should be okay in Vietnam but some processors still looking for more RCN after Tet.

Chinese buyers are quiet as well, they follow Western market and if they buy they pay lower 10 cents/kg with small quantity, not big quantity like in November or early December. They bid small volume to top packer W320 at USD 11,20/kg instead of 11,30 as early December and medium good packers cannot sell even at lower level because they do not have much demand currently.

Processors in Vietnam are more concerned with the buying demand from buyers at the beginning of next year. In case more buyers coming to buy in January then price of kernel will be firm or up and then RCN price will be firm up again. As during conference of Vinacas, packers understood that kernels price should be around 4,50-4,60 to make good sale for kernels over the world so if at this price packer need to buy RCN around USD 1,900/mt for IVC early crop and this seems difficult to get this price next year.

Domestic market is not very active, price around USD 10,20-10,40/kg unpack for W320 and need reprocess to make decent quality for export. There is more kernels from Indonesian and Tanzanian origin so color and quality is better these days.

There is very few business done these days and at level below:

- W240: we had bid 4,85 for top packer unsold as seller ask 4,88
- W320: 4,60 - 4,70
- W450: 4,52
- WS: 4,36 - 4,60
- LP: 3,60 - 3,70
- BB: 1,62

There is still many offer available for January shipment and packers offer at below levels (for February-March people tend to offer higher due to RCN price is high):

- W240: 4,80 - 4,90
- W320: 4,60 - 4,75
- W450; 4,52 - 4,60
- WS: 4,40 - 4,65
- LP: 3,60 - 3,80
- SP: 2,65 - 2,80
- BB: 1,65

Global Cashew Market at a Glance reports:

India

India's RCN import in the month of November 2017 totalled 22,564 tons, with value being 50.58 million USD. In the first 11 months of 2017, RCN imports to India totalled 669,810 tons, valued 1,378 million USD as against 705,950 tons and valued 1126 million USD. Similarly, Cashew kernel exports from India in the month of November totalled 8,782 tons, valued 88.58 USD. In the first 11 months of 2017, Cashew kernel exports from India totalled 88,931 tons, valued 876.73 million USD as against 80,344 tons and valued 657.18 million USD. As we rightly mentioned in earlier reports, India's kernel exports for 2017 is estimated in the region of 94,000 and 95,000 tons as against 88,823 tons exported in 2016. This signal India is on course to recovery and in 2018, the figures once again could be in excess of 100,000 tons. Indian rupee In 2017, Indian rupee has gained by about 6 percent and settled the year 2017 at 63.86 against the dollar. Moreover, we have also mentioned in our ACA Special edition of cashew week (published in September 2017) that rupee depreciation is limited to 65.50 against the dollar and may hit 62.50-62 levels against the dollar before March 2018. During this period rupee traded in the region of 65.97 and 63.78 against the dollar.

Vietnam

Export volume of cashew nut in December 2017 is estimated (initial) at 30,000 tons with a value of 302 million USD, bringing the volume of cashew exports in 2017 to 353,000 tons valued at 3.52 billion USD, up 1.9% in volume and up 23.8% in value over the same period in 2016. The above figures are subject to change pending final estimates. This is the third successive year in which Vietnam was able export cashew kernel in excess of 300,000 tons and more importantly each year exceeding the previous year's total exports.

Source: Cashewinfo

with current market indications are facing losses. There are some reports from the market that trades have done by top and reliable packers for first quarter of 2018 shipments with reasonable prices, but we are however unsure about this development. The RCN market was weak and prices offered by traders are at high.

Source: Mr. Kim, Khiem Nguyen Co., Ltd, Vietnam

Tanzania

The cashew market in Tanzania reached its 10th Auction by 24th December 2017.

The prices of RCN were constant in all auctioning centres and were around Tshs 3,955/kg (USD 1,78/kg). The total amount of RCN sold through warehouse receipt system up to 24th December 2017 was 285,004 mt. Cashew marketing is still going on particularly in Coast and Tanga regions.

Source: According to the information from Cashewnut Board of Tanzan

We received the following from Vinacas.

"Dear all cashew businesspeople,

On the occasion of New Year 2018, the Standing Committee and Executive Board of VINACAS would like to wish you a new year of Success and Prosperity.

In view of the meeting minutes between the group of Vietnam leading cashew stakeholders on December 22, 2017 in Ho Chi Minh city, Vietnam and in accordance with the report on evaluation and assessment of cashew business market situation in 2018, the cashew businesspeople proposed

the whole sector would unify the objectives of "volume reduction and quality increase" in cashew processing this year as follows:

- *In regards to the export processing output, the total volume would be decreased from 350,000 tons of cashew nut in 2017 down to 300,000 tons in 2018.*
- *Correspondingly, the export turnover of cashew kernel would be decreased from USD 3.5 billions to USD 3 billions.*

The main reason is that we have not been able to source enough raw materials on the spot (Vietnam's local production) and import prices are too high in line with under-desired quality. Vietnam will focus on "volume reduction and quality increase", processing of value added products and development of the domestic market.

We kindly request all cashew stakeholders would agree on this orientation for the benefits of the whole industry in 2018.

With best regards!

T/L Chủ tịch VINACAS
VP VINACAS"

Kindest regards,

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