



Dear valued customers,

Again a report about the mystifying world cashew market.

Where will the market be in a few months, will the downward trend continue, will it be stopped at current levels or will we see an upward trend development?

In our report of the 6th of June 2018 we had the following points:

- 1) We feel that the current market levels could still go down even more, the first signs are already there.
- 2) We feel that the demand is less than previous years.
- 3) We feel that the demand from China is down.
- 4) We feel that the buyers buying power is delayed, possibly till August/September 2018.
- 5) Covering yourself at lowest levels –W 320 – 4,00 is possible for a longer period if possible, preferably until the end of December 2018.
- 6) We don't feel that levels below W 320 U\$ 4,00 are realistic.

All of the first 4 points have remained the same, but in point 5 and 6 we were wrong, the levels have crashed through the levels of U\$ 4,00 per lbs.

What will be happening as of today? What can be expected?

What are our expectations? We deducted in speaking with many origin suppliers, brokers, dealers and consumers and of course of all the reports which are sent by many organisations, the following new points.

- 1) The current market levels could still go down, maybe not to various signs in the cashew world but mainly that other more expensive nuts like almonds, brasil nuts, pecans etc. are going down in price.
- 2) We still feel the demand is down, or the supply is changing- more export from Africa and other new supply countries direct is influencing the world market.
- 3) Demand of China is still not up to previous years and continues to be weak, but could that change?
- 4) Most European buyers still give many signs they seem to be covered mostly to and including December 2018.

All origin suppliers, dealers and brokers want the market to stabilise and gradually increase in price, but is it realistic?

To be honest we feel nobody knows, and when nobody knows, nobody buys only when they really need the cashews. So in our opinion we could see still a steady decline in prices, although not so violent anymore – only to be interrupted by quick buying of major industries which could have an effect on spot availability mainly. There still will be some buying to be needed as from August/September onwards – but when will this take place.

Few points to be noted:

- 1) June 2018 exports Vietnam is for the first time lower than June 2017, will this trend continue?
- 2) In June 2018 Vietnam received 140,000 MT of raw cashew nuts, against more than 250,000 MT in June 2017. The cumulation of imports of raw cashew nuts is therefore in very strong decline over the first 6 months of the year.
- 3) Financial problems by both Indian and Vietnamese factories, because banks don't finance and shellers can't make any money.
- 4) Due to decline in market prices no buying of new goods are done by traders, creating a big gap in prices between origin and spot consumer markets like Europe and SA!!
- 5) The trend will continue and we don't see any quick firm upward trends, so you can keep buying 1-2 months forwards and wait for the market trend to switch to longer buying when trend changes go upwards.

A report of our Vietnamese agent:

Since last week the market is more active. Some roasters come to buy and have demand for Jul to Feb. Price range that buyer can pay to reliable packer for forward shipment around 3.80-3.90 for grade w320 and 3.55-3.65 for WS. There is not much demand for W240. Importers from US and EU also buy some quantity but price they pay lower like 3.60-3.78 for w320 and 3.80-3.95 for w240.

We also saw buyers from the Middle East and Russia active last week. When these buyers think the price is good, then they cover some quantity for Aug to Sep. Due to price of kernels is not stable and down trend then importers scare to buy big volume, they want to buy some quantity for their need and watch market and sell their stock right away. Some importer also can buy forward until Dec if they have contract with roaster/ retailer and they want to buy/sell back to back from good reliable packers to avoid market is up later. Some buyers think market price will be up a bit from Sep onward after pressure of financing for RCN is over.

Domestic supply for kernels is not much, many small processors stopped working. If they find out some cheap price RCN lot in domestic market or at port then they can process quickly and stop when they run out of seed. It is not a consistent capacity. This year some dealers who don't import RCN can buy kernels easier as less competitive though not big quantity. The reason is that some big kernels traders can't buy kernels in domestic these days, they need to keep money to pay for RCN, the bank doesn't accept to finance them 70% amount of RCN's value, it is max around 50% and only some bank can finance.

The Chinese are not active. They buy slowly and mainly they buy from their traditional good quality sellers. W240 they paid 4.49 usd/lb, w320 at 4.20 usd/lb tin can to very good quality seller. For normal quality seller they pay 10-15 cent/lb lower and a percentage of white whole grade occupied around 16-20% in their truck. As processing capacity from Vietnam since Feb to Jun is still bigger than last year while the Chinese consume is less than last year so we see there is quite some stock of lower grades kernels in Vietnam. White whole grades and broken grades are still moving well.

This year many people couldn't predict that the kernels price is coming down so much like this time. Before buyers thought it should be back 4.20-4.30 for w320 and then some buyers thought it comes to 4.00, but now it is 3.60 from small packer. The reason for the price to come down this much is that Vietnam has so many small processors whose financing is not strong, so they process and need to sell right away. When they have pressure on financing they have to sell kernels at much lower prices than other medium processors. The total supply is bigger than the demand to make the price go down. Another reason is that buyers see that the total RCN production over the world this year is higher than last year, around 3.6-3.7 million mts. Previous years the price went up so much, so then this year it should be down so they don't buy forwards. They concentrate on nearby biz to make stronger

pressure on kernels suppliers. Beside this, a financing from the bank is very tough this year while the banker saw that the price of RCN is too high and some companies went bankrupt recently. They stop financing for buying RCN from some packers. In some cases they finance about 50% of contract value with condition to see low prices of contracts like 1400 – 1500 usd/mt and packers need to submit export kernels contracts to show that the biz statement is good. For these reasons there is some default on RCN contract these days, or leave deposit and don't take docs, or asking supported price from 100 – 300 usd/mt. Some seed traders with good financing is helping buyers to bring cargoes to bonded warehouse and deliver later when packers have money from their exported kernels. This year will be big loss for African seed traders and processors in Vietnam. Last weekend, Vinacas had a meeting with bankers and they will send a letter on Monday to all banks which are financing the cashew sector to propose for help in financing more money to buy enough RCN for processing capacity this year.

According to Vinacas, estimated quantity of RCN imported to Vietnam in Jun around 80,000 MT and exported kernels around 39,500 mt. With these figures we think stock of RCN in Vietnam will reduce much compared to 2017.

We saw that the kernels price last week was firm and not coming down more and we think the market price may reach bottom now. At the end Jul/during Aug there should be more buyers who come to buy as they need to cover for their need from Aug to Dec. Some roasters saw the price now is attractive, so they may be looking for shipment up to 1st quarter of 2019.

There is quite a big stock of RCN in Africa that is mainly low outturn and these days it seems there is no interest from Vietnamese processors. For Guinea Bissau, good quality but at this stage seed traders in Vietnam are not active. They cannot get good finance from the bank so even when they saw that the price is good like 1800 usd/mt, they cannot buy.

Another report states:

Sequence of events during the present decline :

1) After a steady rise from 3.50-3.75 at the beginning of 2016 to 4.75-5.00 by the end of 2017 (with a peak of 5.40 in middle of 2017), the market remained in 4.75-5.00 range during Jan/Feb 2018 - up about 30% in 2 years.

2) Although overall availability has been comfortable for the last few years, excessive competition drove RCN prices to unrealistically high prices in last quarter of 2017 - range of 2300 to 2450 compared to average of 2000 for 2017 and 1800 for 2016.

3) End of 2017/Beginning of 2018, W320 was steady around 5.00. At this high levels, kernel buyers were not willing to buy for forward shipments. So, processors in Vietnam & India were not keen to buy RCN at the high levels at the beginning of 2018 harvest. After limited volume trading at higher levels, RCN prices started coming down in April.

4) In the declining market, banks in Vietnam and India reduced (some even stopped) financing processors because of the risks at the higher levels (in addition to strict enforcement of outward remittance rules in India due to some frauds in other industries). This reduced liquidity was probably the last straw on the camel's back and the tipping point for the present decline. It put a stop to the competitive bidding up of the RCN market. By mid/late May, prices came down to 1800-2000 and declined further to 1600-1800 by the end June.

5) During the present decline, 2 links in the chain have borne the brunt of the beating. Processors who over bought RCN at the end of 2017/beginning of 2018 and RCN traders who were forced to give discounts for sales made in Feb-Apr (in addition to holding stocks bought at high prices). Kernel buyers have been able to make good profits because of their short positions from the beginning of 2018. Growers (collectors) have not been affected much as they got almost the same price as 2017. Although they did not get the higher prices they were expecting before the 2018 harvest started.

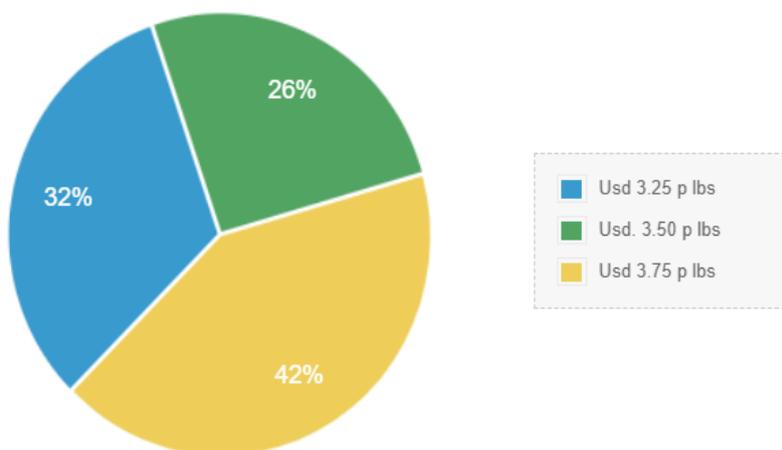
Raw Cashew Nuts Offers:

Origin	Outturn	Shipment	Price	Nut count	Port
Benin	47 Lbs.	July 2018	USD 1720 /MT CNF	195	Vietnam & India
Ivory Coast	46 Lbs.	July 2018	USD 1570 /MT CNF	200	Vietnam & India
Nigeria	47 Lbs.	July 2018	USD 1580 /MT CNF	200	Vietnam & India
Gambia	52 Lbs.	July 2018	USD 1880 /MT CNF	200	Vietnam & India
Bissua	52 Lbs.	July 2018	USD 1870 /MT CNF	220	Vietnam & India

Raw Cashew Nut imports in Vietnam:

	2016	2017	2018	
	Jan-June	Jan-June	Jan-June	Change
Côte d'Ivoire	144 674	195 074	126 998	▼ -35%
Cambodia	76 460	93 183	102 685	▲ 10%
Indonesia	25 863	12 727	7 225	▼ -43%
Others	158 727	385 658	288 175	▼ -25%
Total	405 724	686 642	525 083	▼ -24%

Question: The Vietnamese Cashew market came down significantly, more than 1000\$/mt, till \$3.80 for W320. Where is the bottom for W320 on FOB basis? Below is what you think:



Kindest regards,

Paul, Nurcan, Mark and Ronald
Trade department

Aldebaran Commodities B.V.
Rotterdam | The Netherlands

Direct +31-107620510 (Paul)
Direct +31-107620514 (Nurcan)
Direct +31-107620515 (Mark)
Direct +31-107603520 (Ronald)

Aldebaran Commodities B.V., Maasstraat 17, 3016 DB Rotterdam, P.O. Box 23053, 3001 KB Rotterdam
Phone +31 (0)10 436 4937, **Fax** +31 (0)10 436 4865, **Internet** www.aldebaran.nl
Chamber of Commerce Rotterdam 24271671, VAT no. NL 8055.08.181 B.01