

Dear Client

The market in cashews is still very nervous and we are all wondering why the price levels keep rising, instead of settling downer going down?

It seems we are all fulfilling our own undesired wishes, but one thing is for sure what's gone up will come down at a certain point.

There are a few reasons why this market keeps increasing, and one of the main reasons is that India really has declined in selling volume cashews due the fact of the changed rules in India with regards to importing RCN and exporting them accordingly, this limits a lot of trades for export. Also the domestic Indian market is growing and growing and actually paying better prices in comparison to export prices. I will try to see what export figures I can get to see whether I can substantiate this argument.

From 1st January 2017, it is likely that the government of India will introduce a General Sales Tax (GST) at 18% which importers will have to pay on importing raw seed – which on top of import duty will mean processors incurring ever increasing immediate costs (hopefully the GST will be refunded on processing and selling kernels but no-one knows how long this will take). This will put even more financial strain on the shippers and many are saying they will not open their factories in the new year as it will be impossible to run the factories without incurring substantial losses – even if they can get the bank to give additional finances. So next year could be a very difficult time for the whole of the cashew industry in India.

So one of the reasons of this market rising is the insecure Indian situation and this basically means all enquiries are directed to Vietnam as a supplier to the world market, when all enquiries of the world is directed towards Vietnam

In addition to this it automatically means demand from Vietnam is increasing and they increase their demand of RCN of the world and we can see today what s happening!

RCN Market:

Indonesia RCN reported to have sold U\$ 2.150, ==CFR and asking now U\$ 2.200,==CFR – Many Indian, Vietnamese, Chinese traders are reporting cheaper contracts at U\$ 1.850, //U\$ 1.900 traded in Augustus are being defaulted, although contracts at U\$ 1.950,== fro 53/205 from good sellers are still being shipped ad arriving end of September//early October 2016.

These days some business is traded to Indian processors at U\$ 2.360,== -U\$ 2.400 during last week and today traded some small bizz around several tons at U\$ 2,425,==CFR HCMN city for outturn 54/205 and at these prices processors expect to sell to China and Japan at good prices around U\$ 4,60- U\$ 4,70 per lbs. Due to the high raw seed prices, many Vietnamese processors have to wait and cannot buy Indonesian seed, they have to reduce processing capacity until the time later in the year when they can sell their Guinea Bissau//Conakry/Vietnam RCN.

World demand:

Demand still seems to be good, although hectic buying feeling in Europe has gone down and seems to be settling. Most bigger buyers have covered themselves until March 2017. Also the higher price levels have had a big effect on this demand, and only occasional demand for some Christmas business is still coming out, but no volume really

Especially demand for W 240 count from USA buyers is big, but supply is limited to scarce. Some business traded around U\$ 4,75 per lbs FOB, and from EU buyers there is still demand of W 320 and business traded there around U\$ 4,48 FOB

Chinese market is active, there is no stock in China then buyers rush to buy for their demand up to end of this year. Before they have waited and hope price would come down when Indonesian crop comes but up to now price of RCN is not coming down yet then they need to cover. They are buying W240 at 10.50, W320 at 10.00-10,10, W450/LBW/SW at 9.75-9.80, WB at 8.10, DW at 8.70 (prices are usd/kg tin packing and payment in advance)

In general all white whole grades W240, W320, W450 are moving well and not much offer available for Sep/Oct shipment. W450 is very short here and many shipment of W450 has been delayed.

Broken grades like WS is still moving but price is not up much. LP/SP grades are still in good stock to offer but not much demand for these grades.

Following grades are being quoted FOB HCMN as follows:

- W240: 4.70-4.75 (not much available)
- W320: 4.40 – 4.50
- LBW/SW: 4.30
- WS: 3.30 – 3.50
- LP: 3.05 – 3.15
- SP: 2.75 – 2.90

Aldebaran's advice:

1. We still feel there could be a sharp price reduction as from January 2017 onwards, our advice is to cover your needs until the end of 2016. For this particular period up to the end of December 2016 prices will remain high!!
2. We also feel price rises have gone to fast, and when prices go up quickly everybody joins in not to" miss the boat "(Dutch saying) and one should consider what really is happening, do remember the almond market !!
3. In case you can afford it adopt a wait and see attitude , only buy what you need for 2 months in advance no more! Forwards buying could also mean they will default forward and you have to start all over again.
4. Still insecurity rules and when you need additional information for specific demands do not hesitate to call, mail and also for organic cashew we are starting to offer on specific request.

Kindest regards,
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Please check our website for our weekly market reports

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