

Dear client,

Please find below an update about the cashew market:

RCN:

East Africa

The crops in Mozambique and Tanzania are slowly coming out and will start soon in Kenya.

Tanzania – It is expected to produce in excess of 200.000 mt, due to rather good climatic conditions and improved yields of new trees. A lot better past year when the crop suffered from El Nino.

Mozambique: Climate conditions have been ideal, but an average production is expected.

Kenya: First nuts are already coming through, but main production should start at the beginning of November 2016.

West Africa:

The rainy season is still beneficial for a bumper harvest, rains decreased a lot in October and the weather has set off the blossoming of the trees. And therefore can expect an early production campaign.

Unsold stocks 2015 crop are moving to India/Vietnam, but 2016 crop should have a good increase in comparison to 2015.

West African cashews stocks are between us 1.250 and us 1.400 – Poor quality
Guinea-Bissau, Senegal, Gambia region between US\$ 1.800 and US\$ 1.950 - Quality Ok
Indonesia/Tanzania- good quality between US\$ 2.100 and US\$ 2.300

India spot market:

Not a lot of buying going on at the moment due to the fact that most shellers are concentrating in selling it just prior to the Divali festival, instead of buying it. Last level heard there were Guinea Bissau has traded on spot at 149 rupees per kilo ex warehouse – around \$2230 per mt, with buyers asking further quantities New crop Tanzanian raw seed has traded at \$2340/2350 CF for 52lbs out-turn and 200 count but there are some reports of higher levels - \$2375/2400 CF but not sure if true.

Brazil:

It seems that Brazil will start with their harvest by end of November, a bit late as it normally starts begin of November. For now, it seems they will finish it by early February, but this could be delayed due unexpected rain falls.

Though Brazil has boosted their export this year (increase from 28,2% to 11.117 ton), they find it still a disappointing year, mainly due to the lack of rain falls, which is continuing for many years. The crop becomes limited more and more and it has also decreased the number of players in the past few years. The USA is still their main export market with 5.923 ton, which is an upturn of

64% during January-August 2015. Number 2 is Canada, with 1.069 ton which shows an upturn of 43,2%. On the third place comes Rotterdam, covering 11,7% with its 953 ton.

Consequently, prices of kernels are extremely firm and quite on the high level. There is not much 2016 crop, only some mix loads of W2-320, W2-320 and W1-450, which are the most suitable whole kernel counts for Europe.

Brazil is also becoming more and more active in organic cashew, though the prices and volumes will be known by the beginning of December. But for those that work a lot with Brazilian packers know that it is very difficult to get firm prices, especially for shipment further than the next 2 or more months, and that you should build up the relationship in order to boost more movement in prices and availabilities. In case you have a question about this origin or have a firm demand for full container loads to your port of destination, do let us know.

International Market:

We can safely say that the international cashewnut market is in disarray, and all involved – RCN dealers, Shellers, Dealers and Manufacturers - are basically just wondering what will happen in especially the next 6 months- November 2016 through/incl April 2017.

And we think actually nobody really knows, because all relative reasons are in the hands of each part of the industry namely:

1. RCN have got the most knowledge of all the crops in the origin countries and also know when the problems can start.
2. Shellers know which costings they have, which offers they get for RCN and which defaults they might expect and which demand they really see.
3. Manufacturers see the constant demand coming through, but also know pretty soon when prices in the supermarket are outpriced and demand goes down.

Leaves us the dealers which should have an overview of all of the above, combine all information and can make a good assessment of the total market.

Our estimation is that the market has changed in such away, that basically all members in the string are short of knowledge. This can mean of course that when the market goes up it easily accelerates to higher than normal levels.

It automatically can mean that it also can come down at a quicker speed than normal, which leaves everybody/all involved gasping for breath.

And we as **Aldebaran** worry about that factor a lot, like we all do I suppose.

We actually have stopped buying, because every time we pay the new higher prices it is far more likely to get a default situation on our existing old contracts.

Apart from this there is a big decline in quality for that matter we as **Aldebaran** have stopped purchasing and first of all qualify all the goods which have been shipped and are in store and also the goods afloat. Once we have done so we will feel that first of all we want to sell all stocks we have and wait for the market to settle and decide as from there what to do.

Indication market prices are as follows:

India W 240 U\$ 5,10 W 320 U\$ 4.90 Splits//LP not being offered.

Vietnam W 240 U\$ 5,05 W 320 U\$ 4,80 WS 3,65 LP u\$ 3,30

Aldebaran's view is:

1. You need to have all stock in for your book until the end of January 2017.
2. Although we expect the market still to increase until beginning of December 2016, we also feel that as from January 2017 onwards it should come down somewhat.
3. To adopt a wait and see attitude for the period from January until /incl April 2017- this basically to see how RCN prices will develop.

Aldebaran have the following goods in Rotterdam:

380 cartons//19.000 lbs Indian W 320, crop 2016 at U\$ 4,90

700 cartons//35.000 lbs Vietnamese LBW 320, crop 2016 at U\$ 4,48

700 cartons //35.000 lbs Vietnamese LBW 330, crop 2016 at U\$ 4,46

145 cartons// 7,250 lbs Vietnamese SP, crop 2014 at U\$ 2,75

700 cartons//35.000 lbs Vietnamese W 320, crop 2016 at U\$ 4,85

700 cartons//33.600 lbs Vietnamese WS average quality, crop 2016 at U\$ 3,50

700 cartons//33.600 lbs Vietnamese WS tope quality, crop 2016 at U\$ 3,65

Kindest regards,

Paul, Nurcan, and Mark

Trade department

Aldebaran Commodities B.V.

Rotterdam | The Netherlands

Direct +31-107620510 (Paul)

Direct +31-107620514 (Nurcan)

Direct +31-107620515 (Mark)

www.aldebaran.nl | trade@aldebaran.nl

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