

Dear Client,

Please find below our latest update on the cashew market.

1) Raw Cashew Nut Market.

Since the new Indian policy about the cash situation the buying power of the people in general has diminished altogether. Cash is getting short in the Indian domestic market, and traders are less active to buy RCN for Indian processors. Also all processors thought the price of U\$ 2.450 for Tanzanian crop was too high and risky, and did not buy. During the Vinacas conference in November all buyer's informed the processors that the price of the kernels was too high – Levels of U\$ 4,80 per lbs for WW 320 is far too high, resulting in lack of buying from most buyers. Even Vietnam processors are short of RCN they cannot buy at these high prices. These days sees traders are selling aggressively, and lowering their prices in order to get out of their position. Tanzanian traded at U\$ 2.100 for 52/200 and Indonesian at U\$ 1.900 50/200 CIF HCMN- Heard some business was done at U\$ 2.000 for Tanzanian 52/200. Also defaults on high price sale contracts and traders are trying to sell to other buyers. At U\$ 2000 there seems to be some buying interests from processors, although kernels market dictates that at even these levels they are facing a loss. Best option seems to reduce processing capacity or stop working until better RCN appear.

Domestic Vietnam RCN market is quiet because processors cannot make parity between kernels and RCN price, so they stopped working. Only some small business done for good quality Tanzania and Viet seeds that packers roast for domestic and Chinese consumption in coming Tet. Price of RCN in domestic reduced from 55.000 VND to 50.000 which is parity U\$ 4,52 for W 320 and world market is being offered now at U\$ 4,30 FOB from the cheapest sellers.

Domestic RCN or kernels market

Will be further factory closures in Kerala and other processing states due the various difficulties being faced by the cashew industry which are well documented

- 1) Introduction of import duty on raw seed
- 2) In Kerala increase in wages
- 3) Reduction in export incentives
- 4) The demonetization of 1000 and 500 rupee notes – which is putting immense pressure on the companies as most of the payment of wages is by cash and the government is still restricting the amount of cash which can be withdrawn each week

2) Kernel Market

More or less the same as RCN market situation, the Indian domestic market is very quiet due to lack of cash, so the Indian processors turn to the export market to get U\$. Prices are very much reduced to levels for W 320 around U\$ 4,30 which in effect creates stiff competition for Vietnamese shippers. They have to follow the levels of India, but buyers remember the default situations from Vietnam shippers and of course the very bad quality Vietnam have been shipping and prefer to buy from India at the moment.

Business at level below:

- W240: at 5.15 since last 2 weeks and at 5.00 - 5.05 last 1 week and now we have bid at 4.75 without seller yet
- W320: at 4.50 – 4.60 since last 2 weeks and at 4.45 -4.46 last 1 week and 4.35 last weekend. This week there is bid at 4.25 but we don't have seller yet
- W450: at 4.42 from top packer with small quantity
- WS: at 3.38-3.45 for top and good packer
- LP: 3.12-3.16 from top packers

Following levels being offered today from decent to top packer:

- W240: 4.85 – 5.00
- W320: 4.30 – 4.45
- W450: 4.25 – 4.30
- WS: 3.30 – 3.40
- LP: 3.00 – 3.10
- SP: 2.60 – 2.75

We gave on the 10th of October 2016 the following advice namely:

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 too 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.

This seems an advice well given and proven to be completely right and our next advice is to:

1. Buy Indian for quality reasons, inform Vietnamese shippers to start increasing their quality before you buy additional from Vietnam.
2. Buy cashews around middle or the end of December 2016 only for the Jan Feb 2017 positions and after this adopt and wait and see attitude.
3. Delay your decision to buy when market increases to go to lower levels.

Kindest regards,
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