

Dear Client,

We will start with our advice with regards to the market from now until the end of December 2018.

There is a full uncertainty with regards to which direction this market will go forward, due to various factors of which we have the following:

- Declining demand in comparison to previous years or the growth has stopped.
- Declining prices since last year when we had the Vinacas meeting, with some temporarily blips upwards but continuing trend downwards.
- Declining prices of the RCN which seems to be the trend and cannot be turned around.
- Potential more export business from Africa as an origin to Western countries as well.
- Doubt of sellers that with current RCN prices they will make a profit in selling the kernels at current market levels.

Advice:

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

A report from one of our agents in Vietnam indicating the market to come.

(Quote)

During the last two weeks, the market has been firming up to the level U\$ 4.20-4.30 for W320 nearby shipment from small to big packers. All sellers want to increase the prices bit. We saw good and top packers can sell at a bit higher price than last two weeks while small/medium packer cannot sell at higher level which they expected. Many buyers want to buy w320 at 4.30-4.35 for forward

shipment Sep to Dec from medium good packer and top packers but most of these packers asked higher prices because they feel the market is not stable and future delivery should achieve higher prices than the current market.

US, Australian, Asian buyers are more active than EU buyers these days. They concentrate to buy for nearby shipment Jun to Jul while some EU buyers and one US roaster are looking for forward shipment offer. Not many biz done with these buyers as price cannot meet with sellers' idea which cannot decide due to the fact future RCN prices are very insecure.

There is quite a lot of offer for big kernels like w180, w210, w240 which buyers do not show much interest for.

Recently US//EU importers purchased w320 at the range 4.20-4.25, stock for this grade is limited for Jun shipment.

W450 is not much available in the market and price is nearly same like w320

WS is still available to offer but not much in stock, price around 4.05-4.20

LP grade seems much less offer and price is not down, even a bit higher compared to early Apr, demand is good. Price around 3.55-3.65 for decent quality.

Chinese buyers are buying slowly as they hesitate the price may come down more. They watch the Western market very closely and beside that they also have some stock at a high price they bought from FH Apr and need to clear stock before covering more. They are paying 9.85 – 10.30 usd/kg packing in tin can for w320 to various processors. They want to take more quantity for lower grades than white whole grade, price of lower grades like SK,SL, TWP, DWG is not coming down much like w320/w240 recently.

After INC congress many buyers think the price may be down more due to less demand. There is more pressure to sell from processors and supply of RCN over the World is higher than last year while demand should be the same or less than 5% compared to last year. Beside this there are also many buyers who think that the current price is already the bottom price. Though RCN production is higher than last year but due to quality from IVC, Vietnam crop is bad so the total production of white whole grade may not increase. If demand is down then there will be stock of bad quality RCN from IVC, all good quality RCN still can be sold easily.

At present all people bought RCN from Jan to Apr are losing money, many cargoes arrive now and buyer put in their warehouse, don't want to sell in domestic market at current low price. People also think that later quality of RCN from West Africa may not be good as early crop seed they bought, so they prefer to keep this stock for their own processing. Many small processor close factory or do toll processing for medium/big processor. Supply of kernels in domestic market is tight, price is firm at around 9.20 usd/kg unpack and defective around 20%, need to reprocess for export. Almost medium/small processor now depend on imported seed as they run out of Vietnamese and Cambodian seed already. Only big processors still use good stock of Vietnamese and Cambodian seeds.

Due to heavy congestion at Cat Lai port in Vietnam, many cargoes have been delayed 10-20 days from Cai mep to Cat Lai. Quite some processors have to stop working 10-20 days as no RCN.

This year the bank is very strict on watching RCN contract prices. If it is high they do not finance much. They will finance about 50%- 60% of the invoice amount and it takes a long time to get approval for financing. This will cause difficulty and late payment for medium and small processors. Some packers feel pressure to sell kernels for a cheap price to get USD paying for RCN. Top and good financing packers have no problem as they did not buy big volume and also good financing, they have property to put as collateral to get finance quickly.

We think the price is up a bit next week for prompt shipment because we saw some buyers asking offer for nearby shipment from decent packer, but they well sold and cannot give more offer. Domestic supply is much less compared to the same time last year. If there is still pressure to sell kernels, then that mainly comes from small/medium packer/trader who wants to sell for nearby. Top and big processors concentrate to sell to difficult market for higher prices like Hong Kong, Japan, China, Middle East, EU and US Roasters. Some of them reduce capacity much as they work under profit. They cover less RCN so not in hurry to increase processing when the price does not support. These packers can sell W320 at 3.35 – 3.37 to Western market and 4.50-4.65 tin can for Asian countries.

Biz traded at level below to Western market:

- W180: 4.75-4.80
- W210: 4.50-4.65
- W240: 4.37-4.50
- W320: 4.20-4.30
- W450: 4.15-4.20
- Ws: 4.05 – 4.22
- Lp: 3.50 – 3.60
- Sp; 2.62

(Unquote)

Quote from “ Cashewinfo sources

Demand is slow and some processors have to lower their price to get their product sold and pay off their loans.

Over the last five to eight days, we have seen stable prices while demand remains slow. Couple of remarks:

1. What will happen to the ‘expensive’ stocks in the ports of India and Vietnam and how big are those stocks?
2. The prices of RCN in Guinea Bissau are going up day by day. Although this is very good quality product it is still contradictory to the current market developments
3. When will buyers start to cover for 3rd and 4th quarter?
4. With the heavy shipment months ahead for all the holidays towards the end of the year, the limited processing capacity (as a lot of factories closed because the current RCN and kernel prices were not feasible for them) might cause troubles
5. In India we see a confused market. Processing in Kerala becomes too expensive so either factories close their doors or have to move to other states. Also local demand is hit by the high prices
6. World demand is still growing although prices are higher

All in all a number of question marks. Our recommendation would be to buy hand to mouth unless contracts committed. There is still a chance that prices might come down a bit. Having said that, please keep in mind that the cents the market might come down are much less than the potential price increases when we look to RCN prices.

Source: Kees Blokland, The Netherlands

GUINEA BISSAU

The weighbridge price that had touched 800 cfa has returned to a more reasonable level of 725 cfa towards the end of last week. This has prompted the intermediaries, mainly the Mauritians, to choke supply in an effort to maintain higher prices. So the exporters and intermediaries are engaged this week in what is known as a Mexican Standoff – 2 parties staring at each other and waiting to see who blinks first.

Meanwhile the farmers also seem to be holding their goods, selling only the bare minimum they need to sell, and hoping that the elusive 1000 cfa price that was promised to them pre-season finally becomes a reality.

The rains are expected next week; will likely to instill a sense of urgency in all stakeholders.

The commerce ministry has started accepting applications for issuing alvaras (export licenses). The first sets of alvaras are expected to be issued during this week and the first vessels are also expected to berth around the same time.

So to sum up: alvaras, vessels and rains are all expected to arrive around the same time. No wonder exporters are feeling dizzy!

Source: John Rao, Bijagos, C omerciais, S.a.r.l.

COTE D'IVOIRE

Currently, the cashew nut market is weak in Côte d'Ivoire. The Ivorian government has ordered that farm gate purchases should not be made below the minimum guaranteed price of 500 fca/kg. So some buyers have decided to stop purchases for the time being, however, small transactions are taking place. There are still enough stocks available on the ground, but purchases are low.

Source: Karim C oulibaly, Katiola, Dabakala, SC O O P C O O PADA, C ôte d'Ivoire.

CNSL Market Report

Market	CNSL	C ake	Shells	Cardanol
Mangalore	28.5-31	5.30-5.40	8.90-9.00	60

Courtesy: Kanco Venkatesh and Santhosh Silva, Karnataka

- The long expected thing has happened. Cashew shell prices have crashed and there is a drop in the prices of cashew cake also.
- CNSL prices are relatively steady due to bulk buying of furnace oil consumers in Gujarat. Daily about one/two containers are lifted by them at INR 28.50 per kg. Cashew shell is now quoted at around INR 9.10 per kg and the decreasing trend persists.
- Cashew cake is not fetching more than INR 6 per kg and it is difficult to sell it at that rate too. If these trends continue, then there is every chance of C NSL dropping further.

Source: O.N. Phadnis, Panruti, Tamilnadu

International Prices of Nuts

Table-1: Cashew Kernel FO B prices in major ports as on 06/01/18

Grades	Tuticorin (USD/lb fob)	Kollam (USD/lb fob)	Ho C hi Minh (USD/lb fob)
W240	4.55 - 4.90	4.70	-4.55
W320	4.35 - 4.70	4.40	4.30 -4.40
W400/450	4.25 - 4.55	-	4.20 -4.25
SW320	4.25 - 4.50	-	4.25 -4.30
SW360	4.00 - 4.25	-	-
LWP	3.60 - 3.75	3.55	-
WS/Splits	4.15 - 4.35	-	4.20 -4.25
LP	3.60 - 3.75	-	3.60 -3.70
SP	4.15 - 4.35	-	2.65 -2.70

