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Mid-Season Evaluation of the 2011 Cashew Campaign in Cote d'Ivoire

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Cashew Crop Production in Cote d'Ivoire

Very good rains from July to October 2010 provided good water reserves, and moderate temperatures from October 2010 to February 2011 favored remarkable flowering. These excellent weather conditions, combined with natural yield increases expected from the majority of Ivorian orchards due to their young age (nine to 16 years), resulted in early predictions of harvests of 410,000 - 430,000 MT, much better than the 360,000 MT in 2010. However, violent storms in March in three of the five main producing regions - Zanzan, Worodougou and the Savanes - destroyed many flowers and caused fruits to fall before reaching maturity.

The current production estimates are as follows:

1) Lower volume for the crop than first estimated due to the destruction of many flowers that would have fruited in April-May. National production estimates are now for an average year - 370,000 - 390,000 MT.

2) Poor quality nuts, characterized by a) an extremely high rate of immatures among nuts harvested after the storms in March b) an elevated percentage of rotten nuts among those harvested after March and among those harvested earlier but stored in bad conditions. Some KOR measured at 36 lbs in March in all of the three regions, though the average has increased and now reaches 45-46 lbs (versus a usual average around 47-48 lbs).

Cashew Marketing in Cote d'Ivoire from January to April 2011

A political crisis following presidential elections blocked most economic activities in the country in the first semester of 2011, negatively impacting the 2011 cashew marketing campaign.

While international demand was high for West African cashew at the beginning of the year, Cote d'Ivoire's marketing value chain system of the product was delayed due to the complex and instable context. The day after the second round of the presidential election, most usual exporters were in Cote d'Ivoire to arrange purchasing, though they lacked confidence in Cote d'Ivoire's stability. Though the Cotton and Cashew Regulation Authority (ARECA) even increased the number of export agreements compared to the previous years, political tension was increasing from mid-January, and the slowness and nervousness of the international buyers was perceptible. Soon after, the European Union and then the United-States banned shipping from Cote d'Ivoire, effectively blocking the two main Ivorian ports - Abidjan and San Pedro - where



Cote d'Ivoire cashew production areas and main marketing roads

dozens of thousands of tons of cocoa destined for the European and American market waited for exports.

On February 7, Intercajou (the Ivorian cashew industry body) and the Minister of Agriculture of Laurent Gbagbo's government announced without notice the launch of the official cashew marketing campaign and set a very high minimum farm gate price at 280 FCFA/kg (0.57/ US\$ kg). One week later, the Cashew and Cotton Follow-up Committee (CSCA - the organization in charge of regulating the industry in the zones under the New Forces supporting Alassane Ouattara) announced a minimum farm gate price at 300 FCFA/kg (0.60/ US\$ kg). and a ban against cashew exports from Abidjan port. Thus, the beginning of the cashew campaign was marked by the absence of marketing activities in Abidjan and a re-orientation of exports through two axes: one east through Ghana and the other north through Burkina Faso.

A notable difference appeared between the northeast Region of Zanzan near the Ghanaian border and other parts of the country starting from mid-February. In Zanzan, many traders based in Ghana have been buying Ivorian cashew since the 2002-2003 crisis. The FOB costs from Tema are lower than the one from Abidjan and even in peaceful times some Ghanaian exporters can offer better prices than the Ivorians. Thus, sales began quickly in Zanzan: prices increased from 150 to 300 FCFA/kg (0.30 to 0.60 USD/kg) in February and reached between 375-400 FCFA/kg (0.80-0.85 USD/kg) in March. In Zanzan, at least two-thirds of the production was already marketed by the end of April.

In other parts of the country, it took more time to set up an alternate marketing system. The reversal of the usual system in which Burkina Faso exports part of its production through Cote d'Ivoire was not easy, especially because of the lack of international exporters in Burkina. Financing coming from Burkina allowed the marketing campaign to really start in mid-March. Increases in prices have also been slower: prices varied from 100-250 FCFA/kg (0.21-0.53 US\$/kg) with an average of 25 FCFA (0.05 USD) increase per week between mid-March and the end of April.

Due to the low prices offered in the Zanzan region, selling important volumes began late in the campaign. Estimates at the beginning of March were that producers had sold less than a tenth of national production. Increases in prices and financial pressure caused by the necessity to accommodate more and more refugees coming from Cote d'Ivoire, important volumes started to be sold the last week of March.

From the second week of April, the Ivorian cashew nut inflow provoked important logistical problems. Lack of trucks and little availability of warehouses increased traders' costs, as well as saturated Tema and Lome ports, since they have been transferred the major part of the flow of goods (and not only cashew) that usually transit via Abidjan.

At the same time, the beginning of the Indian and Vietnamese harvests relieved part of the Asian processors' demand. In this context, prices started to go down and stabilized around FCFA 250/kg (0.54 USD/kg) in the whole country.

At the end of April, estimates stated that producers had sold about half of national production, i.e. about 180,000 MT. Of this, about 100,000 MT probably left the country - about 30,000 MT through Ghana and 70,000 MT through Burkina. The rest of production remains stored in the country, often in precarious conditions with both producers and traders. port level. However, it's unlikely that big volumes could be exported before June due to a) insecurity in the port and b) the complexity of re-starting the banking system nationalized by force by Laurent Gbagbo in February.

Outlook on Cashew Processing in Cote d'Ivoire for 2011

Most Ivorian cashew processors suffered from the political crisis and were not able to take advantage of relatively good raw nut compared to kernel prices in the international market. Also, some processing factories were wrecked during the armed conflict. Only Olam's factories in Bouake and Dimbokro will be able to process significant volumes of cashew this year - 10,000-15,000 MT of raw nuts. OlamIvoire has already secured important stocks of raw material in its factories and will be able to start its activities as soon as the situation is stabilized.

West Africa Cashew Update

April 27, 2011

Benin and Nigeria crop production is now slowly tailing off: balance estimates are that 10-15% of the crop is now left. This year, overall quality is 1-2 lbs lower, which will likely result in an overall white wholes deficit for the kernels market. Nearly the entire crop from both Nigeria and Benin has been traded. Cross-border flow has been restricted between Benin and Nigeria this year due to a) increased monitoring by Nigeria and b) overall reticence of the Mangalore market to buy Beninese cashews at high prices. Our estimates of the crop size are:

- Nigeria – 80,000 MT
- Benin – 80,000 MT

Given the current political situation in Cote d'Ivoire, shipments from



Sampa (Ghana): piles of cashew bags coming from Cote d'Ivoire waiting to be loaded in trucks for Tema

Abidjan are unlikely to begin before June. The central bank (BCEAO) is expected to open only next week, and the priority shipments will be in cocoa. Logistic challenges, lack of availability of containers, and the fragile security situation in Abidjan will allow RCN from the Ivory Coast to be shipped only in spurts and intermittently.

Ghana has thus far exported 75,000 MT from its port in Tema, and **Togo** has exported 20,000 MT from its port in Lome.

Due to poor picking, the balance crop available for both Vietnam and Indian requirements is estimated to be 200,000 MT, a relatively low amount. The low balance crop is also due to the fact that certain large multinationals have opened up domestic processing capacities, utilizing significant volumes that were exported in previous years.

In **Guinea-Bissau**, initial loadings have begun and trading started at USD 1575. Arrivals are trickling in. There is a high possibility that the Bissau crop may finish prior to Cote d'Ivoire.

Current local arrivals in Vietnam and India have started. The resulting drop in the RCN market has caused Vietnamese processors to default on their contractual commitments. In turn, many reputed processors have reneged on signed contractual commitments, thereby creating stress on selling side.

Current prices:

- Nigeria (47 lbs) - \$1200
- Cote d'Ivoire (47 lbs) - \$1300
- Benin (47 lbs) - \$1350
- Bissau (52 lbs) - \$1525

Some softness in the market is predicted, but long-term expectations remain bullish on prices due to poor pickings in Cote d'Ivoire and the market moving into significant deficit.