

Web discussion on “Dealing with supply side disruption in global cashew markets”

Cashewinfo organized a web discussion on the above subject on Saturday, April 11, 2020 between 3:00 pm and 5:00 pm India Standard Time. It was attended by more than 200 participants from cashew industry across the world. The objective of the discussion was (1) to get an update on raw cashews industry in various origins; and (2) to offer support, where possible. The summary of the discussion is given below.

Mr Diaby Aboubakar, AEC-CI, IVC:

In IVC, the number of Covid cases is on the rise. Abidjan is under curfew everyday from 9pm to 5am. Cashew market players are working only half a day.

Since the beginning of the 2020 season, about 200,000 tons already brought in to different ports of the country. Of which 60-70 percent is owned by five to six players. The first crop is good and so far the quality of the produce is very good. The moisture of new RCN is between six to eight percent and in very rare case, it is about nine percent.

However, the second crop is pretty bad. This may affect the overall production quantity of IVC.

Shipments are very slow with a lot of vessel cancellations as well as shortage of containers. Later in the day, the government of IVC is scheduled to have meeting with cashew exporters association of IVC. The government may consider reducing the export tax but may not reduce the minimum guaranteed price of RCN. **Official announcement in this regard is expected soon.**

Vu Thai Son, Longson, Vietnam

Vietnam at present is not buying much from West Africa owing to good local crop in both Vietnam and Cambodia. Moreover, the prices are very cheap as compared to prices in African countries. Here virus is not a big issue and cashew processing factories are working. There is a bit of logistics problem. Vietnam is doing well in terms of cashew kernel exports.

Cambodia 2020 RCN crop is likely to double compare to last year. The combined crop of Vietnam and Cambodia is likely to be 750,000 and 800,000 tons.

China is slowly returning to normalcy after the containment of covid-19. However cashew purchases by China is very slow.

As on date (April 11th), kernel price for W320 is between USD 2.60 and 2.80 per lb.

Already we are getting requests from African buyers to cancel or renegotiate the existing contracts.

Future is uncertain as no one is sure when the virus is going to be contained. Demand for kernel is showing signs of slowdown. Sales in supermarkets in US/Europe are not happening or very slow as of now due to closure of markets.

Dr R K Bhodes, Chairman, FICI:

In India, cashew factories are closed and not sure when the lockdown will be lifted. Both RCN and kernel prices are coming down. Most of the processors prefer to have hand to mouth buying/selling based on the needs. Production as well as demand is likely to take a hit. If price parity is there, then RCN buying may happen.

Lockdown is likely to continue till the end of April. Even processing is allowed, one has to operate the factory with 50 percent work force. However, transporting the kernel to market places/cities is a big issue. Already lots of trucks are stuck on the highway due to lockdown without reaching the distributors.

It is too early to figure the impact on kernel demand due to the current scenario. If Covid spread is contained within three months, then cashew industry will back to normal in the next one year. Overall cashew demand is likely to be hit by one-third during 2020.

Hari Nair, Western Cashews: This is an unprecedented situation. The vaccine for Covid- 19 may take at least 12-18 months. Cashew processors may not go back to normal business any time soon. Even if processing factories are allowed to operate, one has maintain social distancing, need to invest on hand washing, separate toilet facilities, transporting employees/labours from their place to factories. But the silver lining is that cashew demand in Western world is good.

Rahul Kamath, KCMA: Cashew factories are closed since March 22nd. Ports are functioning technically but practically closed. Couriers are not functioning and hence we are unable to send or receive documents. Closure may continue for a month or so. Even if allowed to work, social distancing is nearly impossible to implement in factories. May be factories can work with 25-50 percent of the processing capacity. India's RCN requirement will be very less in 2020. Farmers are advised to dry their RCN properly before they store it. Not sure about the RCN crop size in India. Kernel exports are going on. But domestic demand may take a hit due to closure of hotels, ice cream shops, postponement of marriages, etc.,

To summarize, there is no clue about the state of cashew industry. RCN crop may be short, no market place, harvesting not happening, and curfew in some places. So going to farms to pick cashews is practically difficult. If it rains cashew may be damaged and may not able to harvest fully. India can harvest 3/4th of the crop and remaining 1/4th may get affected/ damaged.

Ramakrishnan, TNCPA: Cashew processors are affected the most in the current situation. About 75 percent of the export orders cancelled. But, unable to cancel cargos of imported RCN. RCN traders should consider market realities and be ready for renegotiation of the contract.

Adeyeme Murtada Adenji, Star Link Global, Nigeria:

In Nigeria, quality during the initial stages was good. Moisture was well within eight to nine percent. But due to current scenario arising out of Covid-19 and subsequent price crashes in the market, second crop may not be good. Farmers are unable to dry the crop due to lockdown and keeping the same in jute bags. One can expect deterioration in quality of the crop.

More congestion at Nigerian ports as it is operating at 50 percent or less due to lockdown. Shipments to India and Vietnam may take at least 60 days which is not going to help the Nigeria cashew exports. Owing to poor second crop, Nigeria overall output is likely to be affected. In general, things are not looking good.

Nigerian lockdown in the cities of Lagos, Abuja and Ogun which is supposed to end on April 12th has been indefinitely extended by its president Mr Buhari so as to prevent the spread of corona virus.

Ernest Minta, ACA on Ghana:

In Ghana, the price during the initial campaign was good. From the Jan high of USD 1.80 per kg, RCN price has crashed to USD 0.80 in Feb after the commencement of Cote d'Ivoire season. Now it has plummeted to USD 0.40 per kg due to situation arising out of Covid-19.

The Minister of Agriculture has announced some guidelines for purchase of RCN in Ghana, but the measures may not be implemented during this campaign. Ghanaian farmers are not willing to sell at current prices.

ACA feels that it is time for Ghana to increase the local processing of raw nuts. But due to sharp decline in kernel prices, practicing social distancing arising out of COVID and transportation issues (hiring buses to ferry labourers) may lead to higher cost of kernel, which is not feasible under the current circumstances.

According to Renjith, Mahavishnu Cashews of India, in Ghana still one can procure nuts at bush and it is going on. Moving goods from one city to another is problematic due to lockdown. Moreover moving trucks/goods to port is also problem due to shortage of labourers for stuffing. This has led to congestion at ports. Hence, he suggested Mr Minta of ACA to facilitate a dialogue with the government on issuing passes to exporters and labourers to handle the operations uninterrupted.

On the price crash Mr Renjith is of the view that it was purely based on the market dynamics from time to time.

Mr Ernest Minta has acknowledged that processing countries were also affected and they understood the recent behind sharp fall in RCN price.

Vasudev Barkur, ETG Group: Middle East total demand is 50,000 tons of which UAE imports around 30,000 tons and 50 percent of which is re-exported. Currently borders with neighbours are closed and there could be some loss of demand due to continued problem in Iran. UAE ports are operating normally but we do not see much arrival from India but Vietnam arrivals are continuing. We would anticipate a demand impairment of eight to 10 percent.

John Rao: Bissau is under lockdown till tomorrow (April 12th). Commerce Minister of the country has told the market participants to wait and watch the current scenarios and expect things to improve soon. The president during his campaign has promised higher support price for cashews.

Chen, China: In China, sesame and peanut price in the markets has increased by 15-20 percentage in the past two to three weeks time period. Every one fears for supply side disruption. There is a view that the same scenario may happen for cashews. Supply of RCN may be delayed from Bissau and Senegal, which may result in price increase of kernel.

But when pointed out, **Mr Vu Thai Son** is of the view that the prices of cashews are falling each time they sell the produce to China.

James, TechnoServe, Benin:

In Benin, borders are closed and business is quiet. In Cotonou, some restrictions are in place. Last week sudden crash in rcn prices was observed. But this week prices have stabilized and the same were traded in the region of 250 and 275 FCFA per kg, for 46-48 KOR. The traded volume was very thin. Right now difficult to get the produce from farmers owing to lower prices. Harvest season seems good as of now. Benin is estimated to produce 130,000 tons of RCN. But the concern is RCN may not be harvested fully. In the last few weeks number of buyers from Asia dwindled considerably.

Baubacar Konta Sow, Senegal: Crop is ready for sale. The incidence of Covid-19 is very low. Ports are operational. We are ready to do business with any importers.

Prakash Kalbavi, India:

Everyone is caught unaware midst peak of the RCN season. Although the crop is huge globally, there is a delay in shipments. India is locked down and not sure when it will be lifted. Indian state of Karnataka may allow purchase of RCN from farmers; already we have advised farmers to dry the produce in proper sunlight before storing the same.

On being asked by **Rajiv Kumar of Radsons, India**, about the practice of social distancing in Vietnamese processing factories and whether they will buy more in Q2 and Q3 of this year, **Vu Thai Son of Longson** replied as follows.

“In Vietnam, cashew factories are running normally and exports are increasing, as India is not present in the market. Social distancing is a bit problematic but we have provided masks, sanitizers and other safety norms in place. Vietnam will buy more RCN as their processing capacity is huge. But it depends on kernel RCN price parity. Will buy more if there is parity or near to that. When the parity eludes will prefer to wait as we have stocks to process for few more months thanks to higher domestic crop.”

Rita Weidinger, Comcashew: “I am from development sector. Comcashew works closely with the stakeholders in African cashew sector. I gather that the demand for cashew kernels in Europe and USA has been pretty good and inventories are fast depleting. The highest priority for Africa now is to ensure smooth export of raw cashews to processing regions as quick as possible. Towards, that Comcashew can work with other stakeholders and organize testing and quality checking services, if buyers are not able to come in person.”

When being asked by **Prakash Kalbavi** on the present state of affairs of Indian sweet segment **Ravinder Mehta of IFNO** replied that the sweet making companies were at big loss due to sudden lockdown. Non availability of workers (returned to their respective states) is hampering the functioning of big factories like in Bikanerwala and Haldirams. More than in all 3.5 lakhs trucks (carrying all form of goods) were struck in the highways without reaching the distributors place due to existing lockdown. Moreover one month inventory is there in factories. Marriages are either being postponed or being conducted with less number of people, religious festivals being curtailed. Sweets business is going to get hit very hard. It is unlikely to come back to normal scenario any time soon.

Experts opined that the Indian price for broken and pieces are likely to go down further in the near term and then it is likely to stabilize.

Editorial:

It is unfortunate that Covid-19 peaked during the northern hemisphere raw cashew crop season. The entire supply chain has come to a near halt in some of the major raw cashew producers of West Africa and in India for close to a month. This could delay movement of RCN and delay processing and movement of kernels. On the other hand, kernel demand during Covid-19 is reported to be very good in USA and Europe. Inventories are depleting fast in these countries. China which has recovered from Covid-19 shocks is expected to increase its cashew off-take. However, currently, ‘fear’ and ‘uncertainty’ is so overpowering in the market. What is most needed is ‘optimism’ and willingness to listen and support customers and suppliers.

Cashew is a very valuable food. Demand for food, especially healthy options such as cashews would not go away post-Covid. Yes, one may have to lower prices in the short term to sustain demand. Second, the employment generating aspect of cashew industry is very crucial for governments in post-Covid phase. **Thus, cashew industry is part of the solution as it is relevant for both government as well as citizens in the current Covid times.** So, Covid has caused havoc. But that too will pass soon.