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## 4<sup>TH</sup> EDITION OF THE WORLD CASHEW CONVENTION & EXHIBITION 2018 - HIGHLIGHTS

**The 4<sup>th</sup> Edition of the World Cashew Convention & Exhibition 2018 was held in Macau between 1 and 3, February, 2018. Below is the summary of the conference.**

### 1.0: Inaugural session and keynote address



The Honourable Union Minister of Commerce and Industry, Government of India, **Mr Suresh Prabhu**, chief guest at the inaugural function, through a video message assured full support to the cashew industry and urged the CEPCI to prepare a comprehensive business plan for the Indian cashew sector- to grow exports, to increase value addition, to upgrade technology and to impart skill to employees.

**Dr R K Bhodes**, Chairman, Cashew Export Promotion Council of India, in his Special address emphasized that the international raw nuts trade needs to be well structured. **Standardization of RCN contracts/specifications/ arbitration is the need of the hour. A proper mechanism needs to be put in place to ensure smooth transition of shipments from RCN exporting countries. Quality issues need to be addressed properly, including mixing of nuts.**



**Mr Mahesh Patel**, Chairman, ETG Group, in his inaugural address stressed on the importance of attaining production adequacy of cashews. He advocated boosting local processing in Africa substantially by adopting cutting edge technology. **A three percent increase in local processing of RCN in Africa will boost the household income of African by at least USD 100 Million.**



**Dr Adama COULIBALY**, CEO of the Cotton and Cashew Council presented an overview of Cote D'Ivoire cashew sector.

The country is estimated to produce 750,000 tons of cashews in year 2018.

Council has taken training programmes for orchard restoration and distribution of improved plants. Quality improvement is the key to success. The Council is eying to increase processing to 100,000 tons.



## 2.0: Raw Cashew Crop 2018 and trade challenges in global RCN trade

### 2.1: Cote d'Ivoire RCN crop; export; local processing

In 2017, Cote d'Ivoire produced a record 711,236 tons RCN, surpassing the previous record of 702,510 tons produced in 2015. In 2017, Cote d'Ivoire processed 44,628 tons RCN, which is equivalent to 6.28 percent of their total production, while the installed capacity was 109,500 tons.

Considering good weather, 2018 Cote d'Ivoire RCN crop is expected to be around 750,000 tons. The government has provided 80+ processors with direct access to bush without any intervention to purchase the raw materials.

In 2016, the government has provided USD 3.7 million as subsidy to cashew processors for exporting kernels from Cote d'Ivoire.

Project to promote Competitiveness of the Cashew Value Chain (PPCA) - Start-up of the implementation in 2018, in particular, in the development of industrial zones dedicated to processing of cashews in Bouaké, Bondoukou, Korhogo, Odienné and Séguéla.

### 2.2: Nigeria RCN crop, export, local processing

In 2017, Nigeria RCN exports exceeded 220,000 tons as against 160,000 exported in 2016 (Source: NCAN). In 2018, Nigeria's RCN crop size is projected to increase by 10% to 242,000 according to NCAN and other export bodies.

The government, through the Ministry of Agriculture along with the private sector and other stakeholders, expects to increase RCN production to 500,000 MT by 2025. It also hopes to develop a cashew processing capacity of 70% of the total production.

Discussion is on-going with shipping lines to ensure that consignment gets to Ho Chi Min City in 33 days and to Indian ports in 35 days.

*Nigeria demanded a fair price for its raw cashew at par with other west African origins, in recognition of the huge improvements in quality of delivered raw cashews in the last three years.*

### 2.3: West Africa – Other countries crop and export

In 2017, Benin produced 125,000 tons RCN, out of which 15,000 tons were processed locally. The cashew campaign



VINACAS President **Mr Nguyen Duc Thanh**, (though could not come to conference, sent his presentation) has proposed collaboration programme among three countries, viz., Vietnam, Laos and Cambodia. Vietnam has its advantages on cultivation technique and processing technology and today the

biggest market for cashew nut products. Cambodia and Laos have much unoccupied land for expansion of cashew trees. In general, according to comments from VINACAS experts, the three countries have much more advantages for development of cashew trees.

In his key note address, **Mr Pratap Nair**, Board Member, Ambassador INC, highlighted the role, mission and vision of INC. Very specific to the cashew industry, the INC under its umbrella has very recently started Global Cashew Council. The INC has already completed a study on nutritional composition of cashew kernels from different parts of the world which includes West African countries of Cote d'Ivoire and Nigeria, Vietnam, Brazil, Indian states of Andhra, Karnataka, Kerala and Odisha. An information-kit on cashews has also been released.



opening is slated on March 15th, and the Ministry of Commerce declared 2018 farm gate price at 500 CFA per kg.

**Benin and Nigeria together is forecast to produce 300,000 to 350,000 tons RCN in 2018.**

**Guinea Bissau complex, which comprises Guinea Conakry, Senegal and Gambia, is expected to produce in the region of 300,000 and 350,000 tons RCN in 2018.**

**Overall West African RCN crop size is likely to be at around 1.65 million tons in 2018 as against 1.56 million tons in 2017.**

**INC estimated 2017/18 world cashew production at 3,429,696 tons (raw cashew in shell basis).**

## 2.4: East Africa RCN crop, exports and local processing

In the recently concluded East African cashew crop season, **Tanzania is estimated to have produced 300,000 to 310,000 tons RCN.** Local processing of cashew yet to gather momentum and is estimated at around 14,000 tons. The price for 53 lb/200 counts remains at elevated levels around USD 2400 per ton.

**In Mozambique, RCN crop size is estimated close to 105,000 tons as against the earlier assumption of bumper crop.**

Unfavorable weather conditions resulted in lesser than anticipated crop. Mozambique is likely to process more than 60,000 tons RCN (2017-18).

## 2.5: Cambodia

In 2017 Cambodia has produced 104,268 tons of RCN and exported 73,179 tons of RCN, out of which 72,248 tons of RCN exported to Vietnam alone and remaining small quantities to India, China and Thailand.

The challenges are limited investment in agriculture (including cashew), low productivity in cashew, and lower spending on research and development.

Future agenda includes (a) strengthening collaboration and access to market in the region, (b) access to finance for small holders/SMEs, (c) improving research and development in cashew farming and (d) promoting contract farming in agriculture.

## 2.6: RCN buyers Expectation

RCN business is growing at 15 percent CAGR. However, the pain point is no standard reference point for raw cashew contracts. How can we define the reference point? It should be based on past practices, precedent, next comes operational aspects- who should do what, which order where and why it has to be done, the procedures on how to

take samples, how to determine outturn etc, the programs, we need program for training, for reference, and policies. In summary, we need to have a codification, which could be arrived on the basis of dialogue, discussion, debate and through demonstrations.

In 2017 Vietnamese traders faced lot of problems while importing RCN. Initially the quality of imported RCN was good, but subsequently quality deteriorated. When the demand is more, Vietnamese faced too many quality problems, despite higher price. Lot of claims made by Vietnamese traders/processors are yet to be resolved. From the lessons learnt in 2017, the Vietnamese people will choose who the right supplier is; reliable partner; right seller to buy RCN, going forward. It is very important for the African countries/government to ensure that RCN is dried properly before it is shipped out, as Vietnamese buyers lost heavily, may be in USD millions.

## Risk assessment in cashew sector in Africa

Some of the key risks associated with the producers include price risk, lack of holding power, default, late payment, late collection, lack of knowledge and lack of tenure.

Some of the key risks associated with the processors are lack of management skills, high raw material and energy costs, inadequate working capital and low-cost competitiveness.

Some of key risks associated with the sector are fall in production due to drought, quality loss due to excess rains at the time of harvest, poor infrastructure, food safety non-compliance etc.,

## 3.0: Cashew Kernel market review and outlook and cashew kernel buyer expectation

### 3.1: India cashew kernel markets

India Food and Grocery Retail Industry is currently pegged over US\$ 593 billion and growing at 15% CAGR. Cashew is widely used as food ingredient due to its taste, affordability

and on positive health aspects. Cashew is widely consumed in India in the form of sweets, namkeens, gifting segment, and in curries/chutneys in the form of paste. In India, 60 percent of domestic production of close to 250,000 tons of cashew kernels is being consumed in the form of ingredients and 40 percent consumed as whole nuts. Of ingredients, 40 percent is consumed in the namkeen segment, 35 percent in sweets, 15 percent in biscuit industry, remaining in ice-cream and in food curries.

Technavio predict that the global chocolate and ice-cream market will grow at a CAGR of more than 5% by 2021.

### 3.2: US Cashew kernel market

There are reports that **US cashew consumption increased in 2017 when compared with 2016**. However, according to most of US retailers and roasters higher prices of cashews are hurting consumption. In 2016, US entered the markets with a lot of carry forward stocks. Normally in US market, if you sign a contract in Jan month, it will reach the consumers only after seven to 10 months. So, there is a lag time in retail pricing. Lot of new products such as mixture of nuts and unsalted nuts are gaining momentum in the markets. Growth is seen in cashew milk, cashew butter. Health awareness among consumers is creating space for lot of newer products in the markets.

### 3.3: European Cashew kernel market

In Europe consumers are willing to spend more for quality foods. Market trend is changing to healthy nuts with less salt, sugar and fat. Consumers are also seeking new products due to increased health awareness and nutritional facts. Rising price is challenge, but controlled by stronger euro against the dollar. **The major problem confronting the European industry is the quality issues such as high moisture, bad texture, high foreign material, bad smell and taste.**

### 3.4: China cashew kernel market

**China has announced reduction in import tariff on RCN and cashew kernel from the existing rate of 20 and 10 percent to 7 percent respectively effective December-2017.**

Chinese prefer roasted, flavoured cashew, more accurately oil-blanching, then added to main dishes. Cold weather makes it suitable for people to eat nuts in winter season. Major sales happen during Lunar New Year, Mid Autumn festival. E-Commerce has become an important way of selling and buying.

### 3.5: Japanese cashew market

**Japanese market is growing steadily over years and imported more than 10,000 tons of cashew kernels in 2017.** For the past 20 years, more than 90 percent of supplies are from India and Vietnam. Japanese buyers insist on three factors viz., quality, responsibility and sustainability in terms of stable supplies. Snack retailers are the largest channel of distribution of cashews in Japan, and retail sales of premium

quality nuts started to increase since 2010.

### 3.6: Hong Kong Cashew Market

**W240 is the most preferred grade by Hong Kong buyers and accounts for 80 percent of the market share.** The market for W320 is small and very negligible presence for other grades. They want quality to be supreme with no discolouring, free from insect damage, no infestation issues, etc., Also the size should be uniform. The government is very strict on food safety and quality control.

HK consumes 50% of cashews as snack food for home cooking, 30% as food ingredient and 10% used in Ice cream, bakery and confectionary industries.

Most of the imported cashews in Hong Kong are used for their local consumption. Hong Kong cashew kernel import ranges from 1200 and 1800 tons per year.

### 3.7: Cashew Kernel Buyer's Expectation and Gaps

**While machines brought in scale of operation, it also resulted in certain quality issues. Over The buyers understand this aspect and tolerate it within a reasonable limit. However, quality issues pertaining to hygiene, lack of food safety systems and non-compliance are not tolerated.**

#### 3.7.1: Requirement of UK / Europe kernel buyer

The demand for traceable and sustainable food supply chains is growing in the UK markets. To work with European buyers, cashew processing factories should have BRC or equivalent certifications. Moreover, the factories should work to become SEDEX approved as the goal is to create products that an ethically conscious consumer can trust. The general requirements for kernels buyers especially for US and EU include i) delivery commitments / no defaults ii) traceability and quality of the product, (iii) maintaining global food safety standards, (iv) GMP, and (V) Ethical trading initiatives.

While the most important things to be addressed are that of foreign matter contamination such as hair/stones/wood pieces, bangle piece and other grain contamination and infestation in kernels, receipt of poor quality and infested kernels for processing and unhygienic processing area / irregular plant fumigation.

**From the global cashew buyer's view point the need of the hour is reasonable and stable price of cashews and stability in supply.**

#### 3.7.2: Indian kernel buyer's requirement

India ranked first in 2017 in the Global Retail Development Index (GRDI), rapidly progressing from 20th position in 2014. The retail industry accounts for 10%+ of the country's GDP

and ~8% of employment.

In India, the GST- One Nation - One Tax, throws lots of opportunities for organized players with seamless integration of national market. No halting of transport on state borders- substantial saving in transit time.

Challenges as kernel buyer: (1) Lack of Standardisation- All Specifications need to be standardized across the industry for benchmarking. (a) All units in Metric Systems KG or Tonnes. (b) Package sizes should preferably be of 10 Kg. (c) Rates to be mentioned in Standard Metric Units - Like Kg or Metric Tonnes.

(2) Statutory compliances with respect to FSSAI still remain a challenge. Concerted efforts are needed to educate Consumers & Stakeholders by FSSAI.

The interpretation of rules is not uniform across the states causing heartburns for the processors such as labeling, health benefits, branding, and shelf life of the products. Clarity with regard to the size of Fonts, pack size and the minimum required information are needed.

#### Clinical Research Studies on Cashews

**Dr. V. Mohan** and his team (Madras Diabetes Research Foundation, India) assessed the changes in **glycemic and lipid profile among Type-2 diabetic subjects** after a daily supplementation of cashews in their diets. In addition, they evaluated the effects of daily cashew supplementation on blood pressure. This study was funded by the Cashew Export Promotion Council of India (CEPCI).

After consuming 30 g of cashews daily for duration of three months, the participants did not notice any change body weight, waist circumference and BMI. At the same time, observed decrease in blood pressure, and also increase in good cholesterol level.

The *American Journal of Clinical Nutrition* published the study "Cashew consumption reduces total and LDL cholesterol: a randomized, crossover, controlled-feeding trial" in March 2017. The results found that **daily consumption of cashews**, when substituted for a high-carbohydrate snack, in a typical American diet **may help decrease total cholesterol and LDL ("bad") cholesterol**. This study was funded by The Kraft Heinz Co.

#### Directions for future research

- Studies on the effect of cashew nut consumption in population at risk for diabetes (obese/overweight or prediabetes) would help to understand the preventive role of cashew nuts in Asian Indians
- Cereal – cashew nut matrix –newer avenues to develop products with lower the glycemic index

Development of FUNCTIONAL FOODS using cashew nuts: crackers, snack bars, beverages, meal replacers, pasta products etc.. suitable for all including population with diabetes



## Cashew Women meet

**Cashew women meet was held on the day-2 of the conference. Whatsapp group "CashewWomen" to support and generate discussions about the cashew sector, encourage mutual learning on occurrences in the cashew sector worldwide for over 300 + women along the entire value chain.**

**Publication of women's success stories to encourage others to thrive in their fields and revolutionize the cashew sector.**

**Volume 2 of 'Global Cashew Women Entrepreneurs' was released during the meet.**

### 4.0: New developments in Cashew sector

#### 4.1: Technology - Preservation of RCN quality in transit and storage

The Oltremare proposed system for post-harvest treatment and vacuum pack unit will clean RCN from heavy as well as light foreign matters, dry the RCN in a controlled way inside the warehouse controlling infestation, prevents the loss of KOR in transit as well as during storage and can pack one ton of RCN in vacuum packs. Some of the key advantages are minimization of manual labour, high volume in shorter duration, ability to dry RCN during rainy season, full traceability, prevention of theft, mixing of nuts etc., The pack is fully protected from moisture, air, dust, insects, condensation, and easy to stuff in a 40 feet container during transportation.

#### 4.2: Technology – Automation and Artificial Intelligence

Nanopix forecast that Automation with Artificial Intelligence (AWAI) will drive the future of cashew processing. The

AWAI essentially includes four components – Internet of Things (data collectors collect data from machines and store them securely in Cloud), Image Intelligence (analyses input through vision technology, Far IR, X-Ray and spectrometer imaging), Data Intelligence (Deep analysis of past data to predict future), and Machine Intelligence (self-learning and peer-learning machines). Artificial Intelligence for cashew processing would result in efficient faster processing, better food safety compliance, reduction in food wastage during processing, better food composing leading to intelligent recipes, and help in farm inspection and pollination (through drones).

### 4.3: Gujarat, the emerging hub of cashew processing

The Indian state of Gujarat is currently processing 30,000 tons of RCN and their goal is to achieve 200,000 tons of RCN processed in the next three years. Gujarat is a good market for broken cashews.

### 4.4: Technology platform for RCN trade

The information technology transforms the way in which we buy and sell agri commodities. By registering on the platform ([www.agribazaar.com](http://www.agribazaar.com)), a user (rcn trader / exporter) can get a lot of enquiries from across the globe for buying and selling. Farmers can get the right price for their produce and get instant payment. Traders and processors can get wider participants, assured of their quality, supply and their payment. Even lenders can be integrated on this platform and can finance the needy.

### 4.5: Integrated Trade finance option

Recognising 'access to finance' as one of the biggest obstacle to global trade, Maersk ventured into the business of extending trade finance of goods moved through its system. Specifically, for cashews, this is a big business opportunity for Maersk as over half a million tons of cashew are moved out from its vessel from Africa to India and Vietnam last year. From trade finance perspective, Maersk has funded 16,000 tons raw cashews giving loans of USD 17 million to its customers based in India, Singapore, Netherlands, US, UAE and Spain. The customers get timely access to capital, completely non-collateral loan; the solution is completely paperless and digital.

### 4.6: Farming in new origins

Korean government encourages overseas farming. Lao government has good cooperation with Korea government in agriculture area - "Saemaul Movement" (installing new

village), and good incentive system for foreign investment. G-Farm, after a three-year intensive feasibility study of Cashew-nut, invested in Laos cashew sector under PPCP agreement.

### 4.7: Why governments invest in Cashew sector?

GIZ's ComCashew is a part of larger umbrella of programmes. Agriculture for sustainable development (A4SD) regroups four value chain projects working in 15 African countries. An important principle of our approach is to work with partners along the entire Value Chain, not only on certain levels.

More than 420,000 farmers have participated in Good Agricultural Practice Training. Female participation rate is just at 22%, despite the fact that most of the On-farm labour in Cashew is provided by women.

The encouraging message for the cashew sector is as follows. The potential areas for cashew production increased significantly, in both Ghana and Ivory Coast. This makes Cashew a sound investment for longterm Development

### 4.8: What does financing companies look for while lending to cashew sector?

Wish that Cashew being traded on exchange in future. This will ensure better regulations and more traditional financiers will be attracted. Will provide a transparent price platform and may also provide some stability.

Expect further improvement in quality control across the cashew value chain. This is necessary to instil trust in contracts in order to finance the contracts.

### 4.9: Technology to eliminate microorganisms

Various machinery companies explained about their ways of controlling pests, foreign matter and infestations by using pasteurization methods.

Pasteurisation of cashew kernels is integrated with food safety treatment and vacuum packaging. The advantages of continuous process include more than 5 log reduction, 100% insect elimination, preserving sensory aspects, no change in appearance and no moisture loss.

### 4.10: Electricity from Cashew Shell

There was a presentation (TechnoServe) on how de-oiled cashew shell cake could be utilized for electricity generation.

As we are aware that 70% of RCN by weight is from cashew shell. In Benin by 2022, at least 24,500 tons of shell waste is anticipated, which could yield about 4 MW of electricity.

### Cashew Vision 2030

Cashew vision 2030 panel discussed some of the key challenges such as will there be enough cashews to meet the demand, how to tackle the food waste, to boost demand, to increase supply, which country would be the main producers of cashews by then, whether international RCN trade sustainable, how much of RCN would be processed as kernels in Africa by that time, role of government in the development of cashew sector, consolidation in the cashew sector, the role of financing – where the money is going to come in to the cashew sector, the role of women, and the interesting aspect of where do you see china in 2030-A supplier/consumer/grower.

By 2030 the global raw cashew production is likely to be around 6-6.3 million tons.

Food loss in industrialised countries is three times than that of developing countries. This trend is going on for quite some time and will continue in the future also. To minimize food loss, especially in cashew, we need to start utilizing cashew apple continuously across the growing origins.

Focus more on Africa to increase global cashew supply. All stake holders need to support Africa. If that happens lot of change would take place. Next important thing is access to affordable finance, which is vital to boost supply of cashews in terms of producers and processors; they must have access to finance from banks and financial institutions, which will incentivize the stakeholders. Next point is about inter-industry and country collaboration, which will play a key role towards supply boost and cashew future, hope to see improvement in infrastructure development, transport, logistics, public investment and education are required, more importantly skills are to be developed as per modern methods and technology at farm levels and each supply chain levels to ensure growth at all levels. The next priority is bureaucracy. Seamless dialogue between government and private parties is imperative in the development of the sector, as cashew is seasonal and varies from one country to other.

In 2030, Africa will produce 70 percent of Global cashew. In Asia, India is likely to be the key player. Some emerging countries such as Cambodia and Indonesia may produce

more cashews by then.

In the coming days, health and nutritional benefits will drive the cashew consumption apart from the traditional habitual consuming pattern. India will continue to retain the top slot as far as cashew consumption is concerned, may be followed by China, Middle East and the US.

The RCN market has all the features of a bubble. It has unqualified new entrants, too many experts, too little infrastructure.

Africa, slowly and gradually will increase the processing capacity, with the active support of public private partnership with the participation of government and their policies, Africa would at least process between 30 and 40 percent of their produce by 2030. By 2030, Africa may process over 1.1 million tons of RCN locally. There won't be any problem with RCN exports.

From farm to folk, the supply chain should be through the shortest possible transit. The road map for 2030 is participation of multi state stakeholders with the driving seat in hands of government of Africa who are the origin of cashew for 2030. Supply chain today, is very convoluted as production takes place in one place and the produce is then transported to another place for processing, the processed kernel is further transported to final place of consumption. The current scheme fetches less money to growers and also increases the cost to the end user.

Women will continue to play a very major role in the cashew sector. Currently about 60% of global cashew workforce in the production level comprises women and 90% are in processing factories. Foresee at least 15-20% of big factories will be owned by women; foresee more women managers in factories and in the supply chain.

Cashew market in China is really big, consuming more than 50,000 tons per annum now. The prices are competitive. Consumption of cashews in China is likely to grow by 3 to 5 percent per annum. Chinese consumption of other tree nuts such as almonds, walnuts and pistachios are in excess of 100,000 tons. Definitely there is a scope for increasing cashew consumption in a big way by the way of promotional activities.

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