

Volume and Timing Requirements of U.S. Cashew Buyers

Volume Requirements

Processing and exporting cashew kernels to U.S. and other international markets requires large volumes. U.S. buyers and other buyers in the international market buy full 20 foot containers of cashew kernels, vacuum-packed in plastic bags and packaged in 50 pound cartons. Requests to ship less than a container are rarely accepted by buyers in the U.S. Filling one 20 foot container (6.1m) requires over 15 metric tons of processed cashew kernels (approximately 700 cartons). Cashew processors must process approximately 75 metric tons of raw cashew nuts in order to produce the 15 metric tons of cashew kernels required to fill a 20 foot container, since the kernels make up about 20% of the raw nut on average.

Significant processing capacity is needed in order for a cashew processor to consistently sell cashew kernels to U.S. buyers throughout the year. For example, a processing capacity of 1,000 metric tons of raw cashew nuts per year is the minimum required for a processor to fill and ship one container of cashew kernels per month.

Additionally, all the cashews kernels produced by a processor often cannot be sold in one container, as cashew kernels are sold in 26 different grades, and U.S. buyers prefer to have as few different grades as possible per container. U.S. buyers mostly accept containers with 1 to 6 different grades of kernels. Consequently, it is difficult for a processor with relatively limited volume to sell all 26 grades, while also fulfilling U.S. buyers' conditions to include a limited number of grades per container.

Timing Requirements

U.S. buyers normally sign contracts with cashew kernel processors for multiple containers of cashew kernels per month. However, U.S. buyers will sign contracts with some processors for a minimum of one container of cashew kernels per month. One of the primary reasons for this timing requirement by U.S. buyers is that free fatty acid content in cashew kernels increases with time leading to rancidity. The maximum free fatty acid content in cashew kernels tolerated by U.S. buyers is 1%, expressed as oleic acid, on the basis of extracted oil. An increase in the level of free fatty acid in cashew kernels exceeding 1% will result in the kernels no longer being able to meet the high quality standards regarding rancidity outlined by the Association of Food Industries (AFI) and required by U.S. buyers.

This volume and timing requirement of a minimum of one container per month generally ensures the cashew kernels being shipped will meet U.S. buyers' standards regarding free fatty acid content and rancidity because the kernels have not been processed and stored for a long duration of time prior to shipment, which is a known cause of high levels of free fatty acid and rancidity. Ultimately, it is in the best interest of U.S. buyers to purchase the freshest cashew kernels possible without incurring the risk of high levels of free fatty acid and rancidity. Therefore, U.S. buyers structure the timing requirements of their contracts to prevent this problem from occurring.

Consequently, it is difficult for cashew processors with processing capacity of less than 1,000 metric tons of raw cashew nuts per year to successfully sell to U.S. buyers due to the high quality standards required by U.S. buyers, particularly regarding levels of free fatty acid. Levels of free fatty acid may increase over 1% during the additional time it takes smaller processors to produce the 15 tons required to fill a container.

Some U.S. cashew kernel buyers may be willing to accept shipments of one container per 2 or 3 months. However, these buyers will require independent laboratory testing of the free fatty acid content of the kernels in order to verify the kernels meet their high standards for rancidity. Subsequently, the product will be rejected by these buyers if the free fatty acid levels are higher than the acceptable limits.