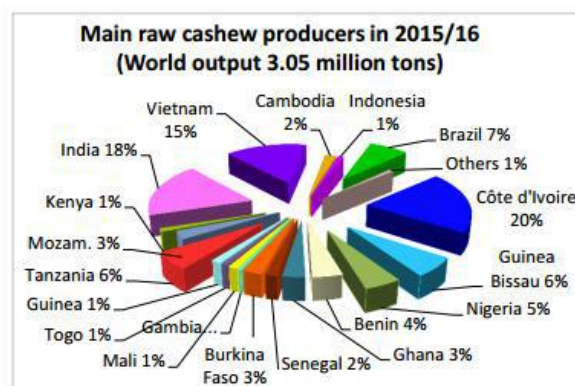


## Vietnam Cashew Nut Processing Industry



### I. Cashew Production in Vietnam

Cashew(hạt điều in Vietnamese) is an important income source for over 200,000 farmer households in Vietnam. The country has 300,000 ha of cashews in the southern provinces of Binh Phuoc, Ba Ria Vung Tau and Dong Nai; Phu Yen and Binh Dinh provinces in the central region; and the Central Highlands province of Dak Lak. The average productivity is 1,000 kg/ha. Binh Phuoc accounts for half of the total cashew production in the country. Cashew is traded in the market through both small and big traders. Farmers sell their cashew to traders.



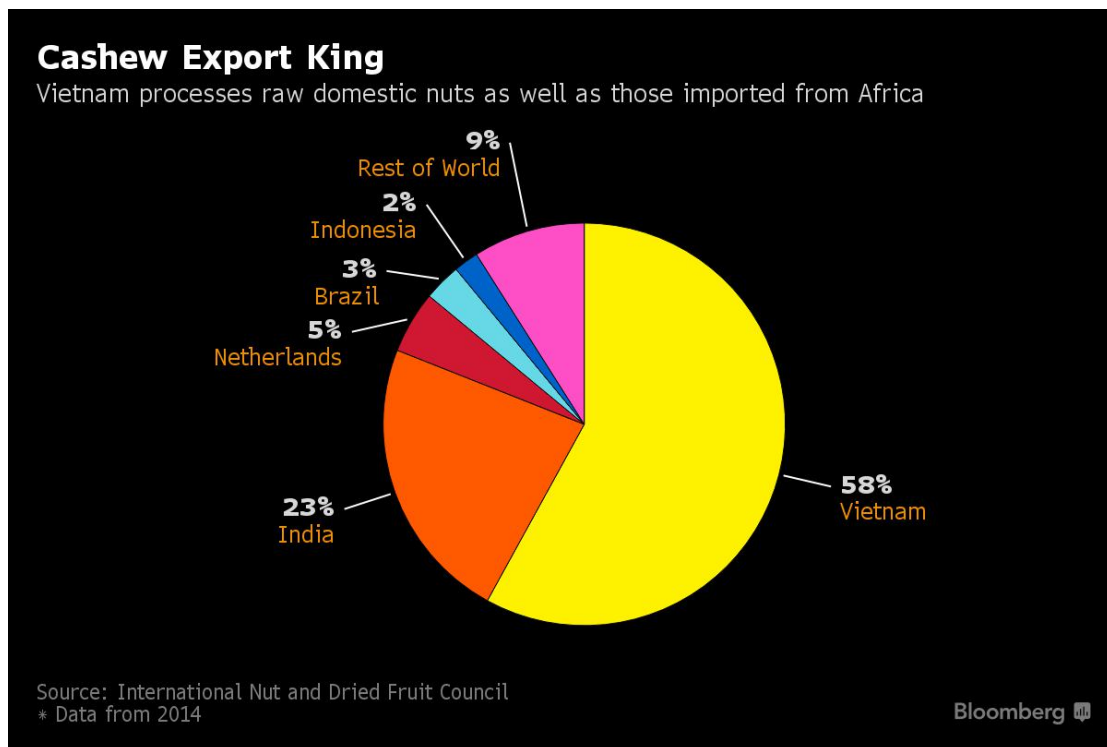
Source: ITC

### II. Development of Vietnamese Cashew Industry

Cashew was introduced into Vietnam in the 19th century. Since 1990, Vietnam has emerged as a main producer of cashew nut in Asia. Originally grown in home gardens as a shade tree, the crop was recognized by the government as an industrial crop in 1989 and came under the Ministry of Agriculture. Vietnam Cashew Association (VINACAS) was established in 1990 to promote the development of Vietnam cashew industry.

Cashew processing industry began to develop since the emergence of the cashew exporting market. In 1988, the country started to process export cashew nut. The country has only 3 cashew processing factories then with total capacity of 1,000 tons/year; while in 1999 the number increased to 62 factories with the total capacity of 250,000 tons/year.

Till now, Vietnam has evolved as the world's second largest cashew processor, with an annual processing capacity of 1.2 million tons, which make up 40 percent of the world's total capacity. There are about 500 large and medium scale processing sites and 500 small scale ones, as well as 371 export companies.



### III. Vietnam Cashew Market

#### 3.1 Export and Import

Vietnam exported 328,819 tons of cashew nuts with export turnover of \$2.4 billion in 2015. The country maintained its world leading cashew nut exporting position for the 10th consecutive year since 2006, accounting for half of the global cashew nut trade value. Vietnamese cashew is exported to over 50 countries, with the United States, the Netherlands and China being the three largest importers.

Since Vietnam overtook India to become the world's largest cashew nuts exporter in 2006, the country has been dependent on crude cashew from other countries. The country produces 400,000 tonnes of cashews per year, while it could process about 1.2 million tonnes. About two thirds of the demand for processing are imports, mostly from Africa and Cambodia, especially the Ivory Coast. In 2015, Vietnam imported 853,000 tons of raw cashew worth \$1.12 billion, up nearly 48% in volume and 73% in value year-on-year. The heavy reliance on imported raw materials may lead to some difficulties in quality and food safety control, affecting the reputation and brand of Vietnam cashew nuts.

The Ministry of Agriculture and Rural Development wants the cashew sector to quickly increase productivity in order to ease the heavy dependence on imports. Vietnam is currently focusing on increasing the productivity from 1,700 kg to 2,000 kg per ha, as it gets more complicated to allocate more land to grow cashew. Vinacas is encouraging enterprises to restructure their models and upgrade the plants towards the international standard ISO - HACCP - BRC - FSSC 22000 - SA 8000, etc. Vinacas is also building the brand for Vietnam cashew nuts and encouraging the enterprises to participate in the program to build the national brand. There are only 160 large-scale cashew processors in the country and less than one third have begun to invest in brand building and applying international food hygiene standards.

### **3.2 Cashew Marketing**

Despite being the world leading cashew nut exporter, 90% of the country's cashew export volume consists of raw nuts. To increase export revenue, Vietnamese cashew

industry plans to raise the value of cashew products and is focusing on product diversification and investing in processing technology. A number of local firms have invested in modern technology and machines to make more value-added cashew products for export and domestic consumption.



Over the years, enterprises have concentrated more on export of packaged cashew nuts than domestic marketing, and the domestic consumption market is still slowly expanded. The amount of cashew kernels consumed domestically was very little and mainly concentrated in some big cities including Hanoi, HCMC, Da Nang, etc. The country has identified the

importance of the local demand and is keen on improving the domestic demand of cashew kernels. Vinacas promotes the domestic consumption demand with the target that in 2020, the domestic consumption demand will be about 30,000 tons, compared to 15,000 tonnes in 2015.

The Ministry of Agriculture and Rural Development expects value-added products will make up 20% of total processed cashew nuts, according to a master zoning development plan for the sector until 2020 with a vision towards 2030, approved by the ministry in 2015. The aim for 2030 will be 40-50%.

#### **IV. Cashew Processing in Vietnam**

Cashew season extends from February to May in Vietnam. Cashew trees produce an oval-shaped fruit called the cashew apple with a single nut on the outside. Cashews are harvested when both the forged fruits and kernels are ripen. They can be harvested when the fruits are still in the tree or have dropped on the ground. After harvesting, the pulp is removed and the pip is rinsed with water, then sun-dried for 2-3 days, pre-classified, packed, and preserved in dry and cool place.

Cashew nut processing includes many phases in which shell cracking is the most difficult and labor-consuming. Vietnam has established a cashew nut industry that primarily uses machine processing and domestic technology to significantly cut production costs and ensure quality.

The shells are first softened by steam and then cracked.

The kernels are dried, peeled by [cashew peeling machine](#) and sorted by size and quality

Vietnamese cashews are good quality and much favoured by foreign markets. The kernels

can be either scorched or

unscorched, wholes or piece, free from oil of cashew shell and silk.

In the past, [cashew nut processing machines](#) were mainly sourced from China, Italy and India. However, these have been replaced with domestically made ones.

Vietnam's processors now only have to pay VND250 million for a sheller made in Vietnam.

Vietnam-made machines are used in eight out of nine processing stages. The price is 40-50 percent less than in other countries, with the rate of broken nuts at only 10 percent.

Vietnam's cashew processing technology is favored in the world. The country has several cashew processing machine brands, including Khuong May Viet, Hong Hai, Phuc Thang, Cao Phat, My An An and Mekong. Dryers, moisture meters, metal detectors, sterilizers, grading and [packing machines](#) have been exported to many countries.

