



Market Information & Support Service

RONGEAD
Commerce International & Développement Durable

Description and results

RONGEAD Ivory Coast experience in the cashew nut field

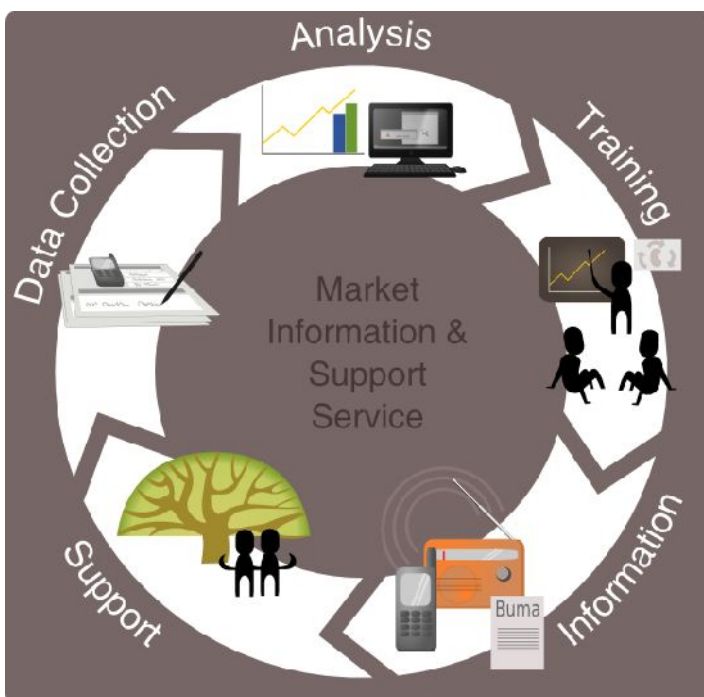
"Anacarde / Ivory Coast : helping professional cashew organizations to insert themselves into the global market"



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Operation of the service

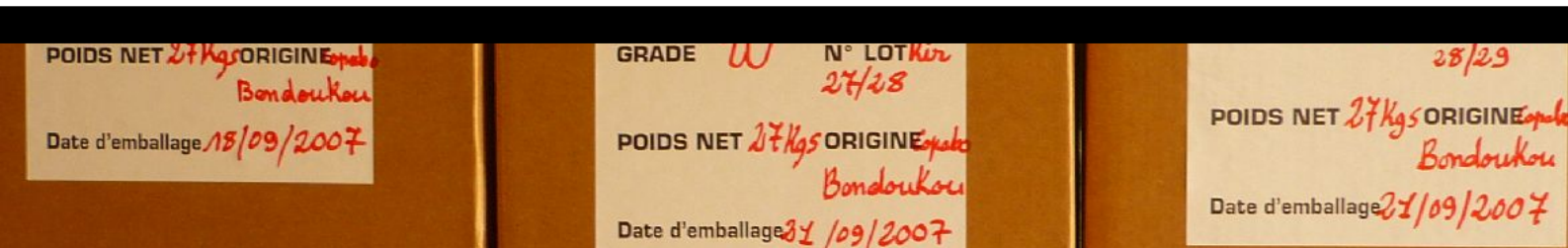


The strengths of our service:

- Quick** information transmission
- Independent** advice
- Diversified and verified** sources of information for better reliability
- Suitable training courses** for ivoirian rural environment
- Decisions made easy**
- Updated advices** every week
- Suitable strategies** for producers' needs
- Stimulation** of collective & solidary strategies

Gathering Information

More information for a better understanding

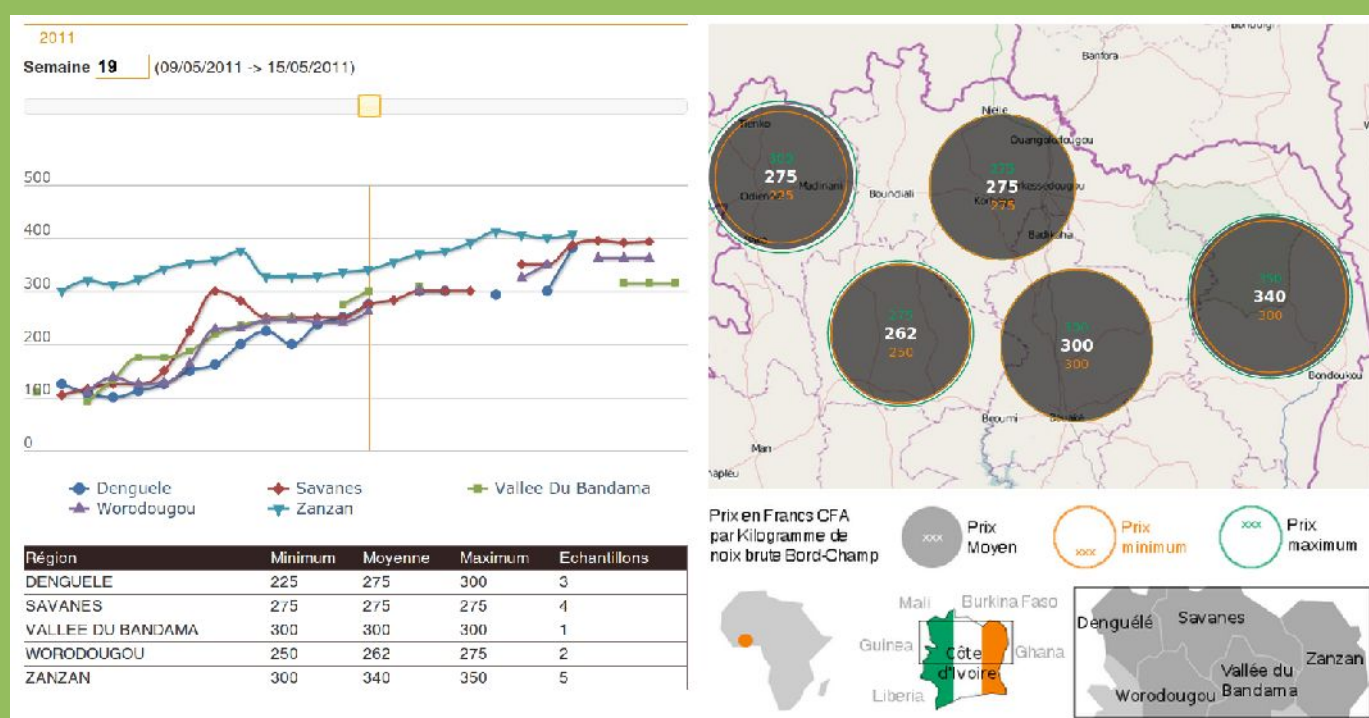


Collecting information helps **understanding a field as a whole**, and in particular :

- 1 to comprehend **local, national, regional and international** phenomenons of the market's evolution
- 2 to conduct analysis on **reliable facts** in order to anticipate prices variations
- 3 to transmit to the **national authorities** the understanding elements of the market and its interlocking within the international trade

Once a week, trainers collect **precise elements on the field**. They gather prices and information on the market situation among growers and various traders. They use standardized forms.

A list of more than 400 prices during the 2011 campaign gathered by 6 trainers in Ivory Coast enabled, week after week, to **generate a farm-gate prices map**¹.



On the national market, concerning the great exporting ports in West Africa, a market analyst studies the prices and the market situation in collaboration with public actors (especially CCI and ARECA) and the private sector (ACE, Indian and Vietnamese exporters, forwarding agents...).

This support mostly deals with stock levels and deliveries, contracts amount, supply and demand pressure, disturbing factors....

Concerning information on an **international scale**, it is collected among the other producing, exporting and transforming countries and/or the consumers of the West African, East African, Indian, Vietnamese, European, American, Middle Eastern, and Chinese area.

We have underlined a few key elements, picked up by the international analyst: CAF Conchon prices of raw nuts, FOB Cochin prices of cashew nuts, CAF Rotterdam prices and cashew nut retail price in France.

1. map and data available on www.anacarde.com, « resources » section

Market Analysis

Processing raw information : a comprehension pledge



The cashew nut market analysis relies on a deep knowledge of the national environment and of the international market. It enables to **synthesize all of the weekly available information** in order to produce advice on the handling of commercial risks (price variation, lack of partners, disrespect of contracts, etc...).

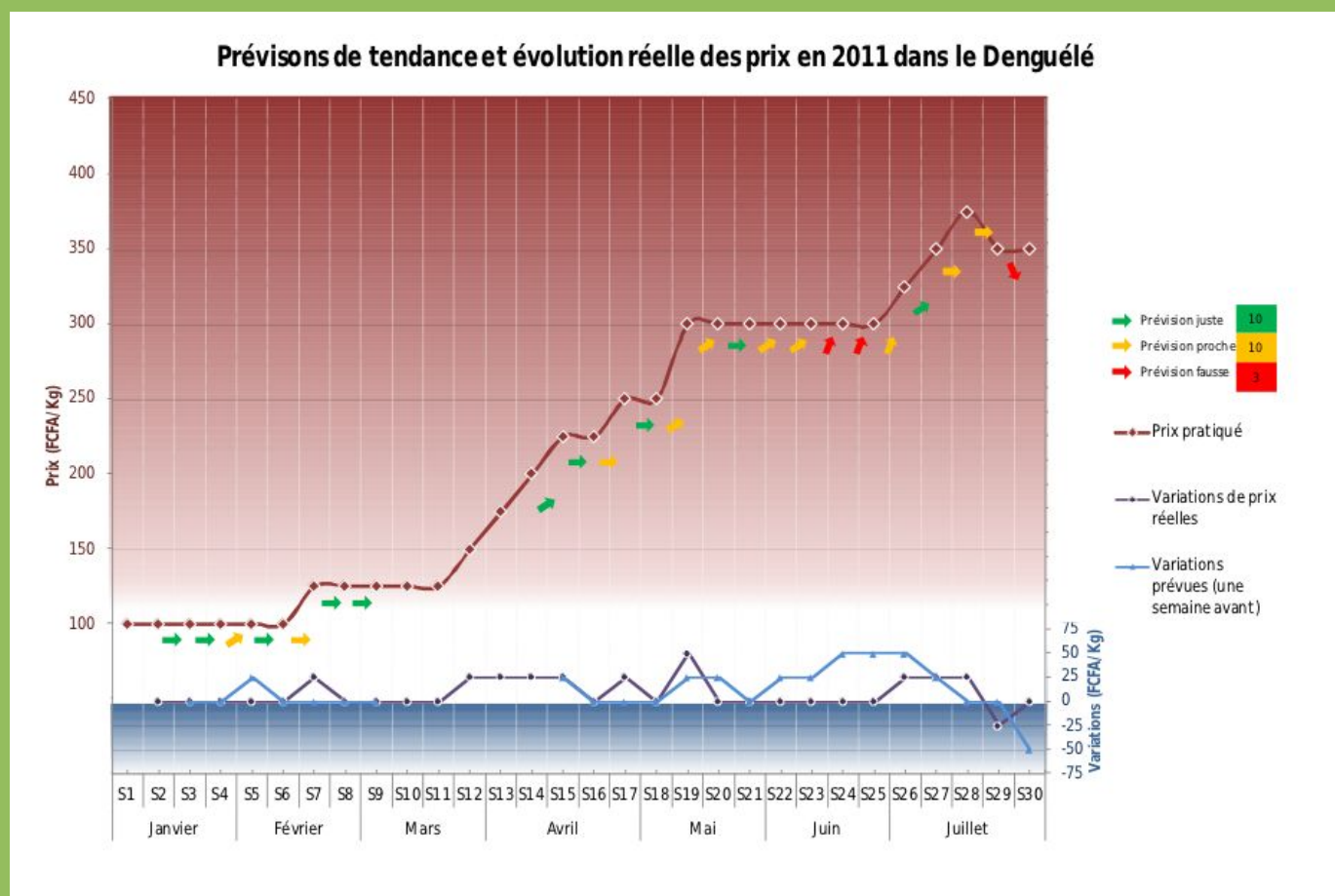
It relies on gathered elements, but also on non measurable and sometimes subjective information, depending on its origin. This precise understanding must enable to:

- 1** restore and train actors to **the market functioning** and to **the causes of the variations of prices**
- 2** supply individuals with a service capable of **anticipating the evolution of the cashew nut price** in the short term (week) and middle term (month)
- 3** **limit risk-taking** of actors present in this field during transactions

Our team of analysts then produces **agricultural advice SMSs** that have been sent so far to 3000 producers in Ivory Coast and Burkina Faso. Our analysts also produce a **watch report on the cashew nut market** every week. An entire blog is now dedicated to this report¹.

1. anacardebulletin.blogspot.com (in French only)

After every campaign, RONGEAD assesses the quality of the forecasting and agricultural advice. The chart below reflects for example the acuteness of the advice delivered by SMS during the 2011 period in the Denguélé area in North-East Ivory Coast :



Note: the period of time that has no forecasting (week 10 to 13), corresponds to the unavailability of the SMS service in this geographical area.

Training

... ensures a good impact



Trainings in a rural environment aim the acquisition of **knowledge, comprehension and action tools** in order to respond to the demands of the market. Trainings have been declined in 5 units :

- 1 cashew nut,
an international market
- 2 what makes prices fluctuate:
supply and demand
- 3 information: a tool to
help decision making.
- 4 how to negotiate
a better price for cashew nut
- 5 how to organize a grouped auction
in order to obtain better prices

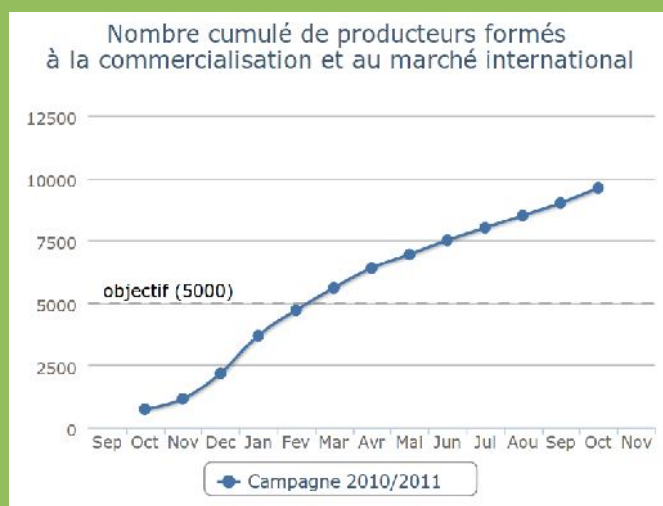
There is an additional unit designed for rural advisers :

- 6 How to train producers
on the marketing of cashew nut.

At the end of these trainings, frequently renewed, the producers, traders and transformers have to be able to understand the information they received and thus, **handle marketing better and diminish their risks.** .

For example...

In 2011, the training of more than **9000 producers** of cashew nuts in Ivory Coast was fulfilled by these 6 trainers. Moreover they lend a deeper training to more than **280 leader-peasants** and **150 traders**.



On a village level the leader-peasants have equally organized the transmission of information, they have regularly passed on the knowledge they acquired, they have sparked off group reflexions on price negotiation and they have made collective processes easier (grouped auctions).



Trainings and feedbacks relied on 8 teaching aids specifically developed for this field, and in particular 3 posters (250 units printed), a role game called «fictitious campaign» supposed to help the decision making, so as an «image box» explaining the internationalization of the field. Each leader-peasant has worked with an average of 25 producers.



Information

The market, right inside your pocket



The cashew nut market is subjected to important variations and the prices and tendencies evolve quickly, in particular for the producers. The transmitted information enables the actors of this cashew nut field to understand the situation at every moment and to draw from it the best benefits. It is not always about making the best financial return but it's rather about **securing their income** and limiting useless risk-taking. Knowledge of the market helps them to adopt a strategy on the long run that corresponds to their needs during the campaign, and that encourages them to a wise management of their funds.

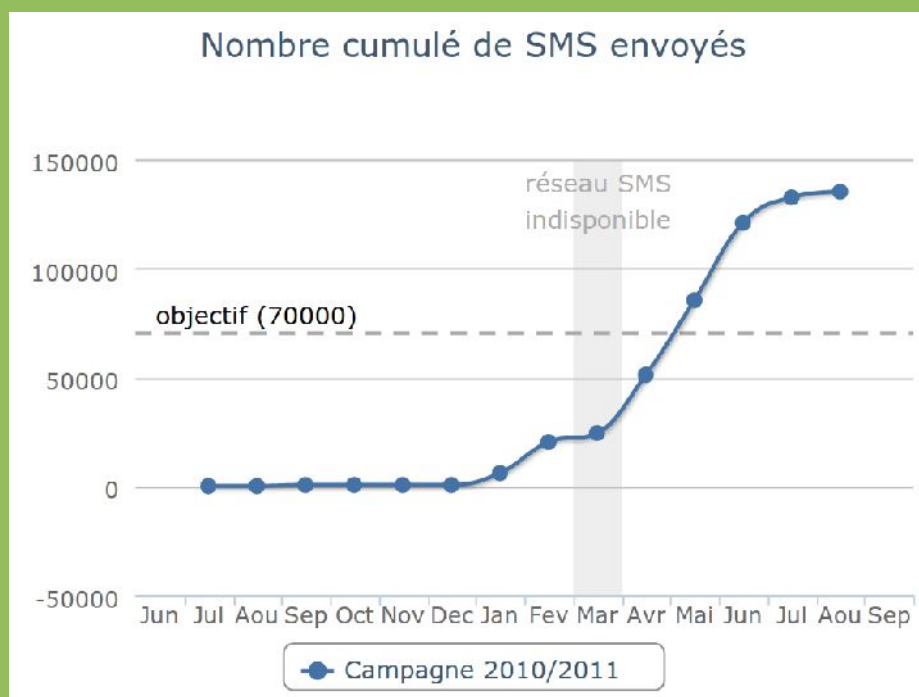
Information also enables the producers to exchange on what they have understood and what they intend to undertake. Reunions favor **collective processes** such as negotiating minimum price for the entire village or gathering the optimum quantity of product for a more profitable joint sale (volume effect and reduction of intermediate costs).

The service proposes to transfer market information through 5 principal channels:

- 1 a weekly report, which is e-mailed to a hundred of actors of the cashew and also transmitted on paper to certain cooperative societies with Internet access
- 2 weekly SMSs which are adapted to the country and the area.
- 3 local radio broadcastings
- 4 word of mouth between leader-peasants and the producers of each area
- 5 The permanent availability (physical or by phone) of the area trainer for personalized advice

These different means are all complementary and enable the transfer of suitable contents to the various regions and actors of the field (SMSs are made of general information directly usable by producers. As for the report, they are dedicated to the trainers, the cooperative managers, the wholesalers and the authorities of the field...)

More than 130 000 SMSs have been sent during the 2011 campaign.



Examples of messages

Sent to all on February, 9th for the Beginning of the campaign:

"Prices still high in India and Vietnam and increasing in Nigeria and Benin. The lack of financing for the buyers will slow down the beginning of the campaign and the increase of prices. Actual farm-gate prices: 100 to 150 XOF per kg. Week tendency: stable. Month tendency: increasing. Two months tendency: strong increase. "

Sent to all on April 27th, Campaign halfway

"Trading is picking up again in Abidjan. The first boats with Cashew nuts have left this week. Prices given at the port storehouse: between 340 and 390 XOF per kg. Farm-gate prices have stabilized during the last few days around 325 XOF per kg in the Zanzan region and 250 XOF per kg in the rest of the country. Week tendency: stable. Month tendency: increasing."

Sent to the actors of the Zanzan area on July 27th, end of campaign:

"Lack of boats near Abidjan. Lack of buyers everywhere. Farm-gate prices in Zanzan: 400 to 425 XOF per kg. Week and month tendencies: falling."

Support

A token of success



This support is also a service which we need to combine with an Information scheme of the market. Indeed, the trainers' supporting and advising role help to promote suitable strategies to each producer and transformer, making the decision process easier regarding a buying/selling operation, and encouraging thinking, information exchange and common marketing on a village level.

Personalized, suitable and binding advice

Support is particularly necessary because producers and transformers are merely equipped regarding the concepts of market analysis and more generally commercial activities.

It helps adapting information on a local level:

- 1 Leaning on very precise cases (for example: with a 100 kg, do I sell to this or that price?)
- 2 Adapting prices to local situation (for example: distance from the market, road conditions, product quality...)
- 3 Adapting to financial restraints that the family may encounter (buying health expenses, education...)
- 4 ...or adapting to the producer's personal choice which depends on th handles risk (for example the seek for optimum earning, manager care and attention» with an important security of incomes)

The project also enabled the producers to organize joint sales which are more profitable owing to a volume effect (the wholesaler or the cooperative seeks for important volumes in order to make their supplying easier and reduce grouping expenses).

The trainers have been available all along the campaign and have frequently been to the different villages (338 villages). Each trainer deals directly with approximately 55 villages in which they rely on one or two leader-peasants.

It's difficult to estimate the earnings made by the producers thank to the service¹. As for most of the MIS, it's hard to distinguish the effects of the service from other factors that affect the marketing in a complex and shifting commercial environment.

Therefore, our monitoring method allowed us to identify and quantify several earnings directly linked to the service effectiveness:

- Organization of joint sales thank to the supervision of trainers and the interaction between the leader-peasants and traders.
- Sales choices have greatly evolved in 4 regions out of 5 compared to the marketing campaign of 2010; the cashew nut price had evolved similarly as 2011.
- Great satisfaction of the beneficiaries regarding the security provided by the service. During the consultation workshops at the end of the campaign, several producers told us: «*This year, thanks to the SMSs we were not frightened*». Likewise the traders have confirmed «*Thanks to the SMSs we avoided endless discussions and our relationships with the producers are better*».

1. A study on impacts and results of the project follows.



Efficiency

measuring the quality of 2011 SIAM predictions

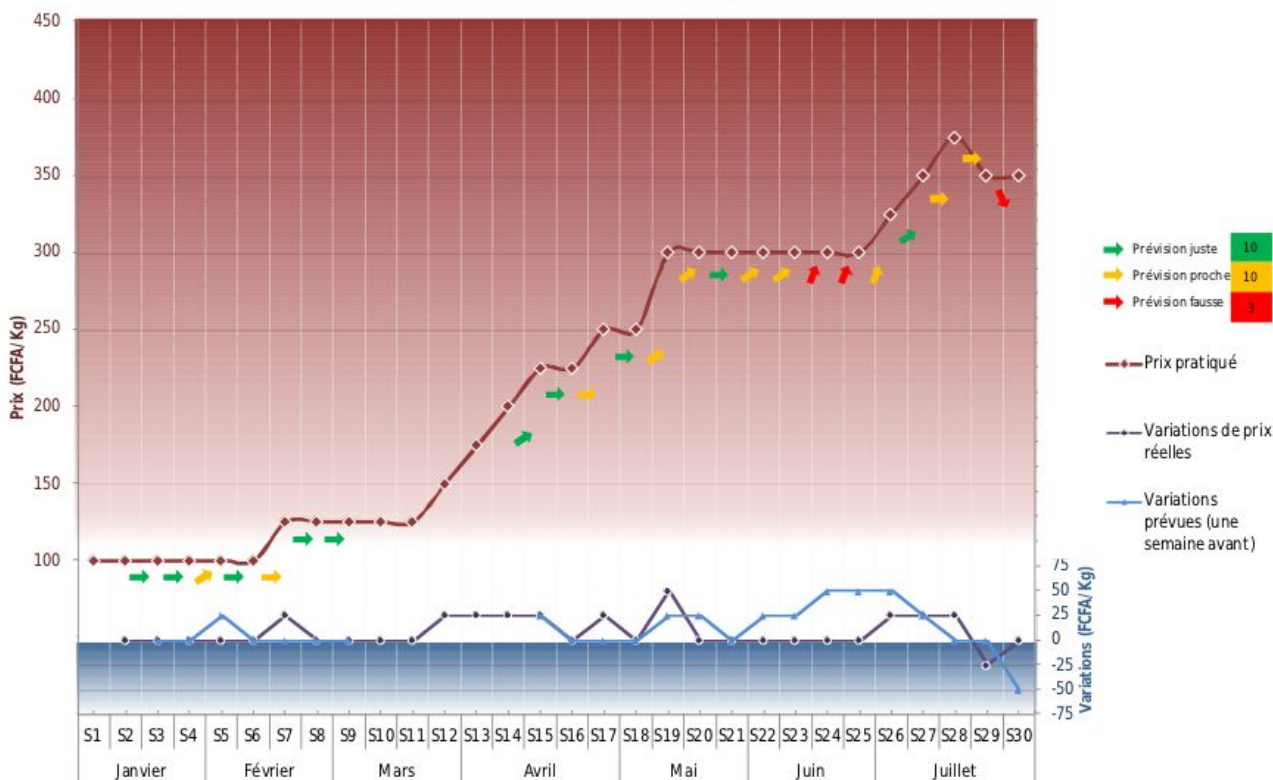
Our estimation shows that the recommendations to the producers **globally match with the market evolution**.

Number of accurate, close, false or missing forecasts, short and mid-term, throughout the 2011 campaign.

	Denguélé		Savanes		V. du Bandama		Worodougou		Zanzan	
	Week	Month	Week	Month	Week	Month	Week	Month	Week	Month
accurate	10	13	13	14	13	12	13	16	13	8
close	10	6	8	2	8	4	9	2	5	7
false	3	2	2	4	2	5	1	3	3	5
missing	5	7	5	8	5	8	5	8	5	8

Certainly there are still some «mistakes», but for the best our previsions took a little more time to be fulfilled. Indeed, the major difficulty was not about knowing what will be the tendency but knowing when it will become real on a Farm-gate level.

Prévisions de tendance et évolution réelle des prix en 2011 dans le Denguélé



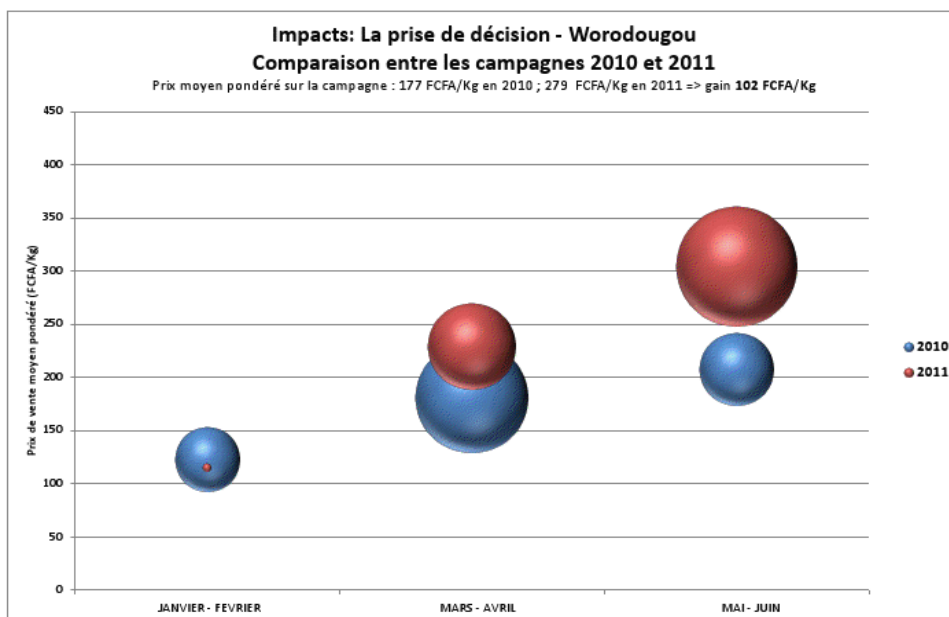
For example, in the Denguélé area, we can see 2 wrong predictions of increase at the end of June. Nevertheless they fulfill 2 weeks later. Likewise the prediction for decrease at the end of July became real a few weeks later.

Thus we can consider that the advice we provided were rather accurate and **useful to elaborate a sale strategy**. Insofar, were they taken into account by the producers and was the impact positive?

Effectiveness

Impact on marketing strategies

The improvement of the decision process is the major impact of the service. The chart below shows in ordinate the average sales price (weighted by the volumes sold) and the volumes sold (size of the circles) functions of the period in abscissa.



Those elements come from a survey carried out at the end of the 2010 campaign and from the monitoring of a sample group of producers during the campaign. The Worodougou area was chosen as an example as the evolution of prices in 2010 and 2011 were relatively alike.

January to February

In 2010, a large part of the producers we questioned had sold some small volumes as soon as the campaign began.

In 2011, only very small volumes were sold by producers who needed some pressing financing but the majority stocked their harvest.

March-April

In 2010, the producers have sold the majority of their production during this period. They were particularly fearing a decrease of prices at the end of the campaign like it had happened several times in the past years.

In 2011, producers have sold a part of their crops at a proper price (200 to 250 XOF per kg) to secure their incomes, as they had been advised or to respond to financial needs. Therefore, they kept between 40% and 90% of their products to take advantage of the increase of prices they were announced. We may underline that we clearly gave the advice in april on the radio, to sell big quantities only from 300 XOF per kg but to sell small quantities from 250 XOF per kg.

May-June

In 2010, only the biggest producers had continue to stock some products until the beginning of May and the great majority had sold around 225 XOF per kg. Though at the end of may prices had reach 300 XOF per kg and 350 XOF in June and nearly no producers had taken any advantage of it.

In 2011, the majority of producers waited for the second half of May for the prices to reach 300 XOF per kg so that they could sell, following the advice they had been given. At that time it was to sell 50 to 70% of the stocks to 300 XOF per kg and to wait 350 XOF for the rest. But only the big producers followed the advice.

The knowledge of prices and sales volumes allows to build a market indicator on the efficiency of the adopted strategy: it refers to the average sales price obtained during the campaign weighted by the volume of each transaction. Thus we can observe that the average sales price weighted by the volumes sold in the Worodougou area, increased by 102 XOF per kg between 2010 and 2011.

If we multiply these sales prices increases by the average production volume per producer in each region, we obtain a viable **estimation of earnings** per producers and per year.

	Denguélé	Savanes	V. Bandama	Worodougou*	Zanzan
Variation of sale price weighted by volume sold bw. 2010 & 2011 in XOF/Kg	+95	+72	+24	+102	+172
20% trimmed mean of sold volumes (in Kg) per year and producer. Data: ACI 2009-2010	714	768	671	671	783
Estimated additional profit in €uros per year and producer	103	84	25	104	205
Estimated additional profit in XOF per year and producer	67 830	55 296	16 104	68 442	134 676

*estimated data

It is therefore important to notice that the part of these earnings directly ascribable to the service is hardly measurable. Even if the 2010 and 2011 campaigns are comparable, they also have differences. In the Zanzan area in particular the increase of prices was quicker in 2011 than in 2010. It enabled the uninformed producers to benefit from the best prices.

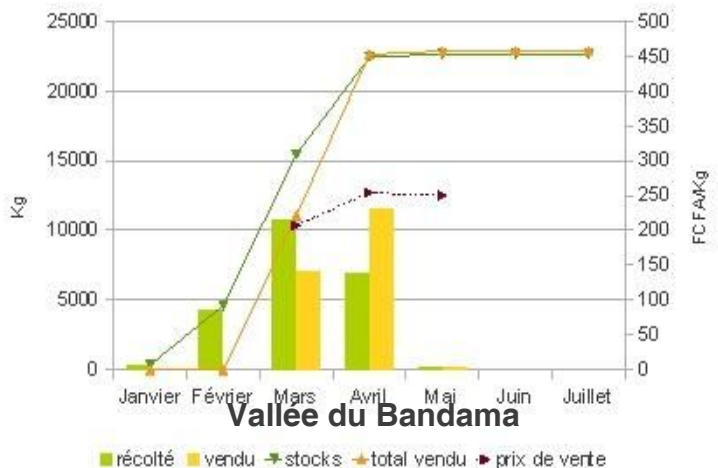
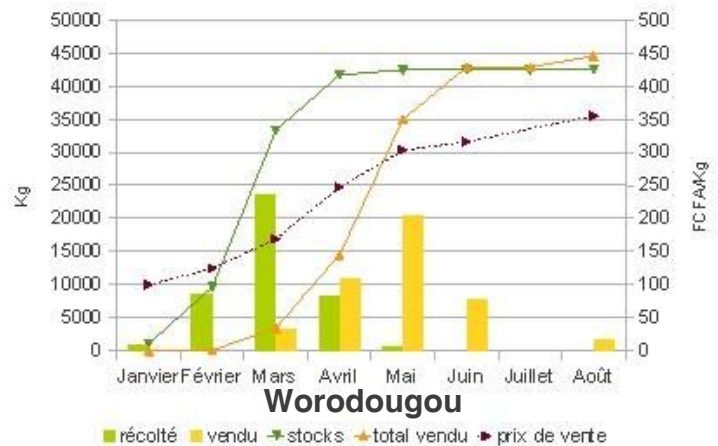
However, the overall evolution of the sales strategies was striking for the majority of the beneficiaries and in the areas where the 2010 and 2011 campaigns are the most comparable (Denguélé and Worodougou) the additional earnings are largely due to the service.

RONGEAD offers a service that enables, due to sampling, **to follow the producers' individual strategies**. Moreover it allows to draw a useful conclusion for the improvement of backing designed for producers.

During the campaign and the development of this service, **10 producers of each area** had their commercial transaction monitored exhaustively. The idea is to draft a “strategic profile” of the producers, by following the sales prices and the volume harvested and sold all along the campaign.

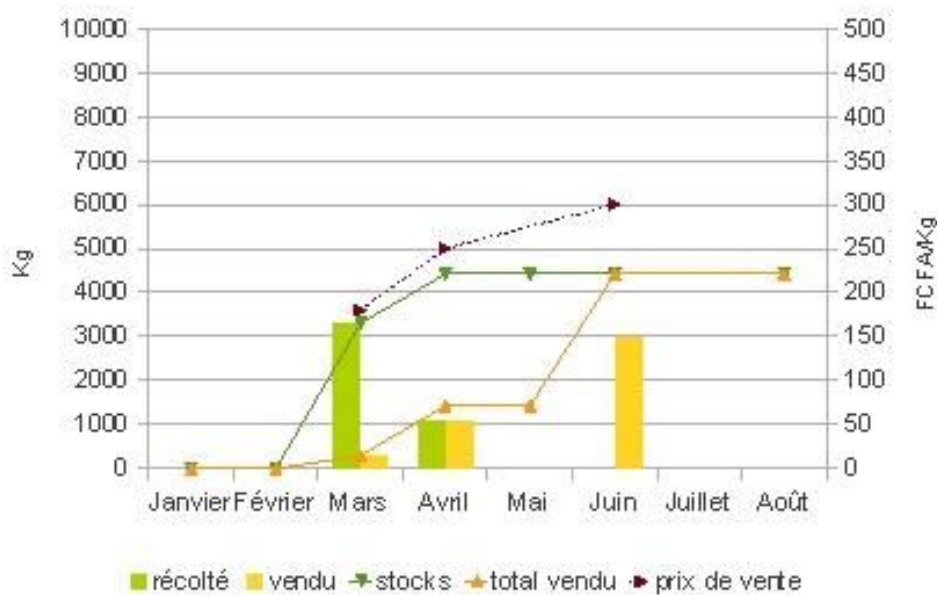
- 1 If the products are sold immediately after the harvest, we can deduce that the producer hasn't introduced any strategy, especially if it's a low price period.
- 2 If the sale has been moved back during a period when prices are higher, it shows that the producers are adapting their sales to the advice they are given.

Below you can find 2 charts that show particularly well these 2 good examples. In the Worodougou area the producers have waited for the prices to rise and they have sold their products around the month of May at 300 XOF per kg, 2 month after the harvest peak. In the Vallée du Bandama region, the farmers were eager to sell as fast as possible, with prices from 200 to 250 XOF/Kg.



In these 2 regions, close to each other, the monitoring of the 20 producers shows a difference in the average weighted prices of 88 XOF per kg (282 for 194). It seems that the MISS had a stronger impact on the Worodougou area than on the Bandama Valley, which underlines the need to intensify the efforts on the latter.

Above all, the study enables to observe individual behaviors and thus, to have a very precise vision of the market reality and the way producers adapt the advice to their constraints. For example below, there is the strategic profile of Mr Tiéné N'guessan in the Worodougou area. :



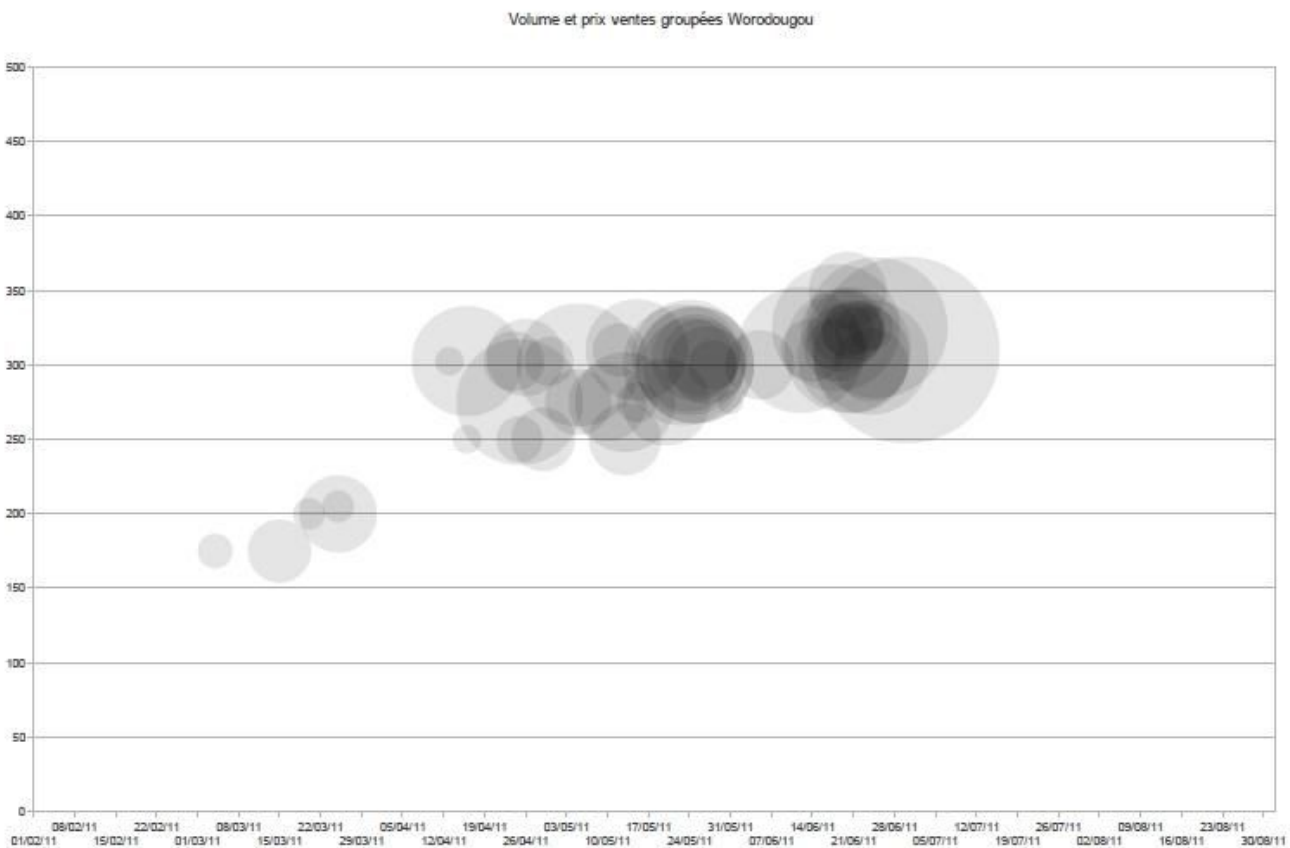
We can see that he has waited for 4 months to sell the majority of his production at a very high price (300 XOF): it conveys a good use of the MISS advice. He has also made some small sales in March and April showing he has certainly been needing some funds at this moment.

We can assume that the knowledge of the market brought by the MISS gave him the **opportunity to establish a strategy corresponding to his needs**: at first, selling a small quantity, reducing the risks and ensuring a prompt provision of money, and later on, keeping the biggest part to boost the profits. We shall notice that this strategy was more risky than the project advised: selling at least 50% of the volume harvested in May.

Promoting bonding strategies : the profitability of grouped auctions

The MISS advises the producers to gather during the sales to obtain better prices. This kind of operation is also favorable to the buyers; easing and reducing supply costs. Such **grouped auction strategies** contribute to improve the profitability and the efficiency of the whole field.

This service RONGEAD offers, allows to quantify joint sales in accordance with time, price and volume. These facts are gathered in a unique chart. An example is given in the chart below. It reveals the moment of the sale (date on the abscissa), the price (on the ordinate), and the joint sale volume (size of the circle). This representation is used to visualize the period when the sales are centralized (group effect), related with the obtained prices.



Finally, 3 different cases have been found depending on the regions. It shows the variations of the service efficiency according to its incentives to organize joint sales (see next page).

1 In the Savanes region, the service backed up very few joint sales but for some of them the support arrived at the appropriate moment (at the end of May when prices were reaching 300 XOF/kg).

2 In the Vallée du Bandama region, the joint sales mostly took place on the same period (beginning of April) at a reasonable price (230 XOF per kg). Though, 3 months later the price of the cashew nut had reached 350 XOF per kg; This shows a certain hurry in selling (probably due to the influence of easter celebrations in this area) against the advice given by SMS. We shall notice that, at that time, the SMSs were delivered with difficulty because of the post-elections crisis and telecom network blocking.

3 In the Zanzan, Worodougou and Denguélé areas we have some good collective strategies. Producers have been careful by spreading their transactions through time to reduce the risks; as the campaign went along, each group sold collectively medium quantities. They were able to adapt to the market situation in order to secure their incomes and to be assured, in the end, of a better price.

During the 2011 campaign, the service monitored an overall 4030 tons joint sale of cashew nuts, of which we had 524 tons in the Denguélé area, 967 in the Waradougou and 2388 in the Zanzan.

According to our estimations, joint sale helps releasing an additional 5 to 15 XOF per kg profit margin in comparison to the everyday price of the market, i.e. 4 to 8% additional benefit. Moreover, elaborating a collective strategy enables to chose an adequate moment for selling; it is easier to wait longer collectively as producers share the information received on market situation – it increases their confidence in the choice of an appropriate time to sell. Thus, like in the Worodougou area, the producers didn't sell all their harvest for 150 XOF per kg in March because they didn't fear either a decrease of prices nor neighbors competing against each other. Instead, they followed a collective and interdependent approach and waited until april or May for a 300 XOF per kg increase. They were able to make a major profit!