

ACA World Cashew  
Festival & Expo 2016




Bissau, Guinea-Bissau  
September 19-22, 2016

# Cashew Market Workshop



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**Session 1 - 9.00-10.30 a.m.**  
**Understanding & Using Market  
Information**

**Session 2 - 11.00-12.30**  
**Risk Management and Decision  
Making**



# **Session 1 - Understanding & Using Market Information**

1. Market Research in the Cashew Sector
2. Market Intelligence Systems
3. Building a Market Information System
4. Making it Work in Cashews
5. What information services do you need



# Activity 1 – Groups of 4 people

## Categories

1. Market price information
2. Crop information
3. Buyers requirements EU
4. Trade Statistics
5. Quality Specifications
6. RCN Market Prices
7. Phytosanitary regulations
8. Processing Equipment

*Example – ACA “Splits” –  
Market Price Information –  
Quality 7/10.*

- Give 3 good sources of market information
- Put them in a category
- Give each a score for quality 1-10

Activity 10  
minutes



# Market Intelligence System for Cashews

Lets try to answer these questions:

- **Why** do we need a market intelligence system ?
- **What** is a market intelligence system ? What are the features of a good market intelligence system ?  
What factors do we need to take into account ?
- **How** can we build a good market intelligence system



# Lies, rumours, myth & reality

The Cashew market is:

- Lacking in reliable reporting systems.
- Information overview is in the hands of a very few .
- Circulated market reports often represent specific interests used to manipulate the market.
- Lacking in reliable specialist market information publications – there are only two international and independent.
- Adversarial relationship between suppliers and customers

**How can we develop strategies and systems to obtain accurate, timely and appropriate market information ?**



# Research vs. Intelligence

- Market **research**: **A proactive, focussed search for information** about how the market works, potential customers, their requirements, terms, packing and other needs.
- Market **Intelligence**: **The system or procedures for collecting information** from the market environment for use in decision making and **the information** we gather specific to our business or sector.



# Research vs. Intelligence

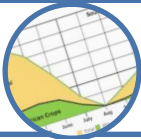
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# Why do you need Market Intelligence?



To understand the complex value chain



To discover prices and price trends



To identify emerging trends



To identify buyer requirements



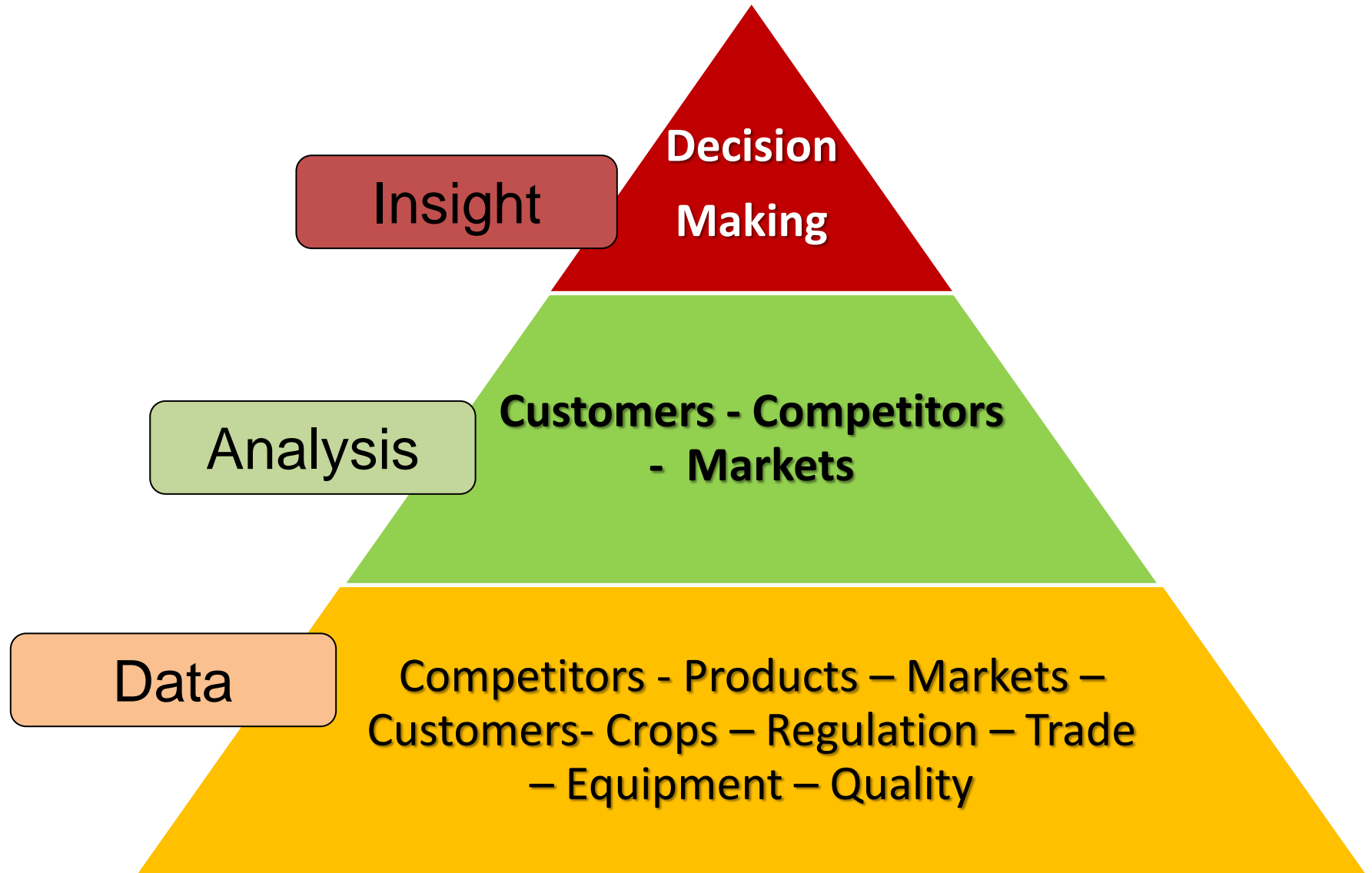
To identify and manage risk



*Market intelligence is an aid for decision making both in operational, control and strategic areas not just marketing.*

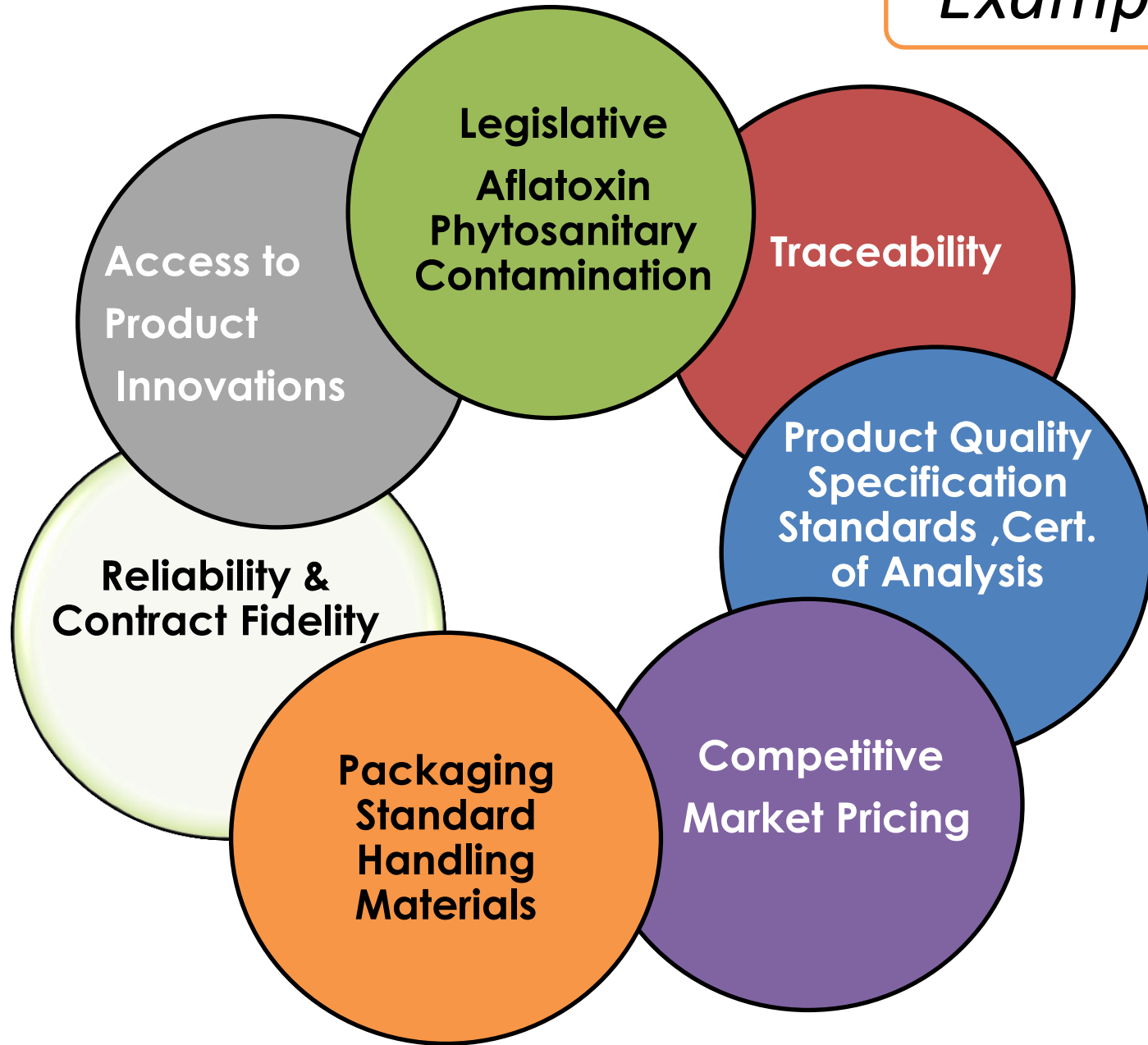
***Identify examples of how good market intelligence helps in control or operations?***

# Market Research Process

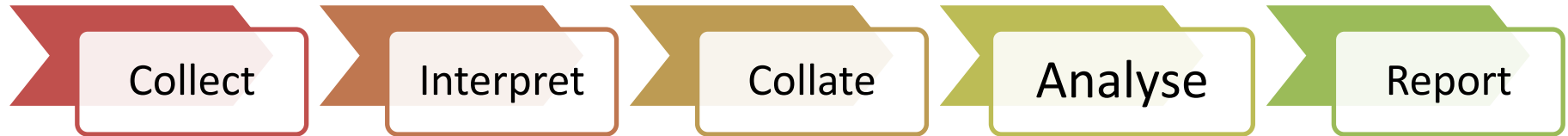


# Buyers' Requirements

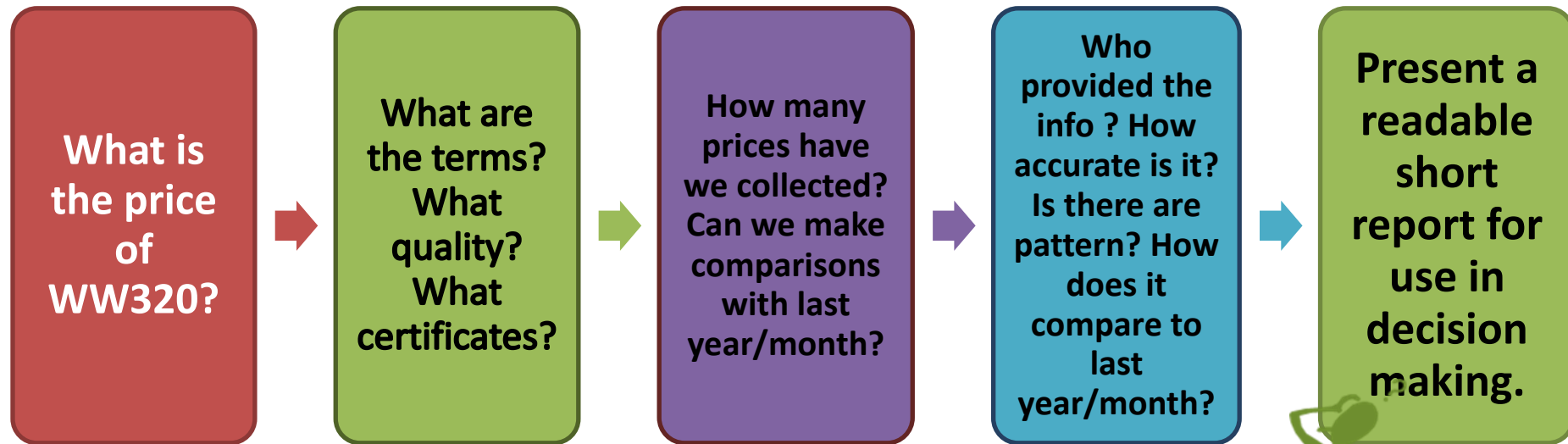
*Example*



# What is a market intelligence system in Cashews ?



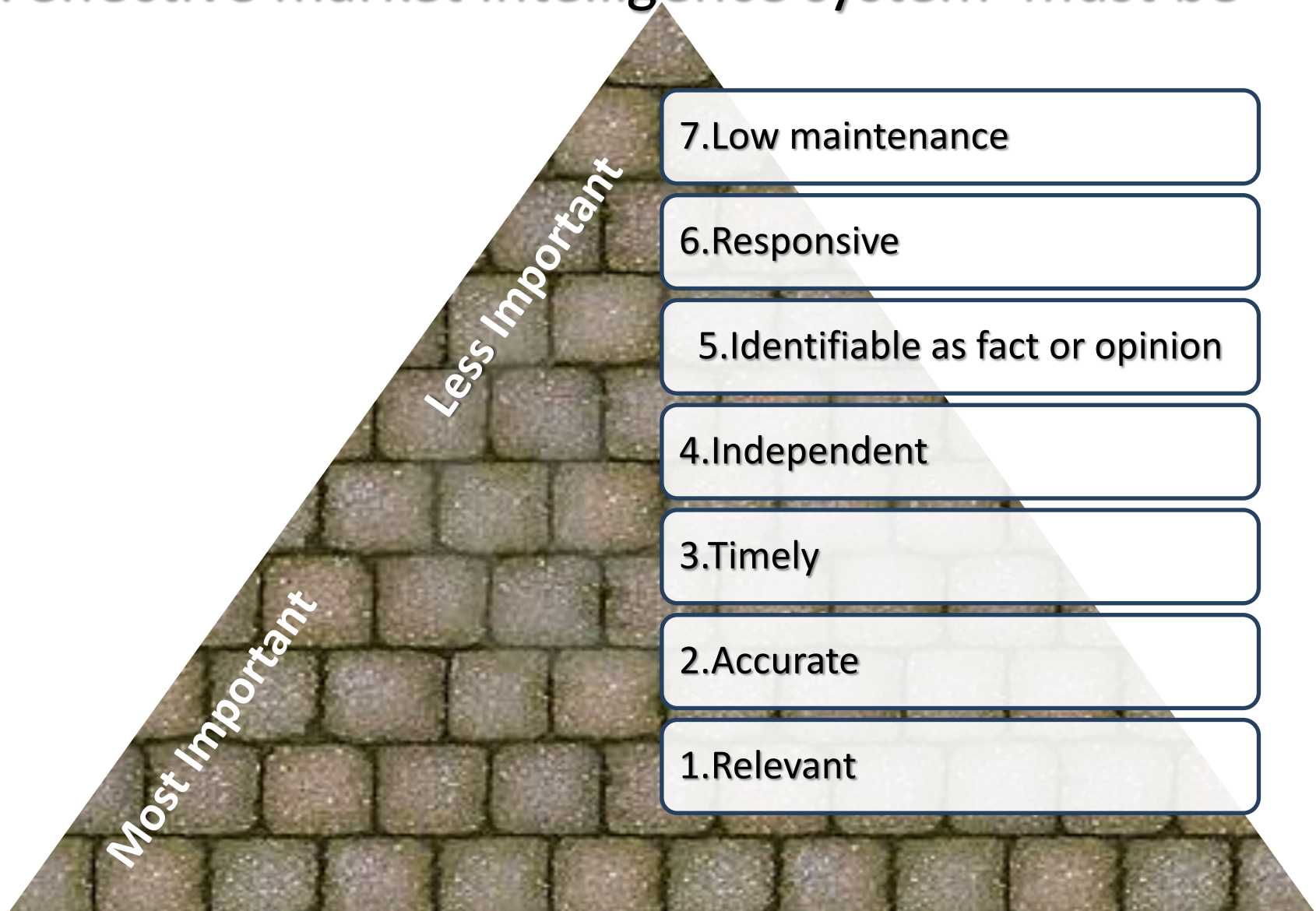
*A simple example*



*Any other examples ?*



# A effective market intelligence system must be







# Summary

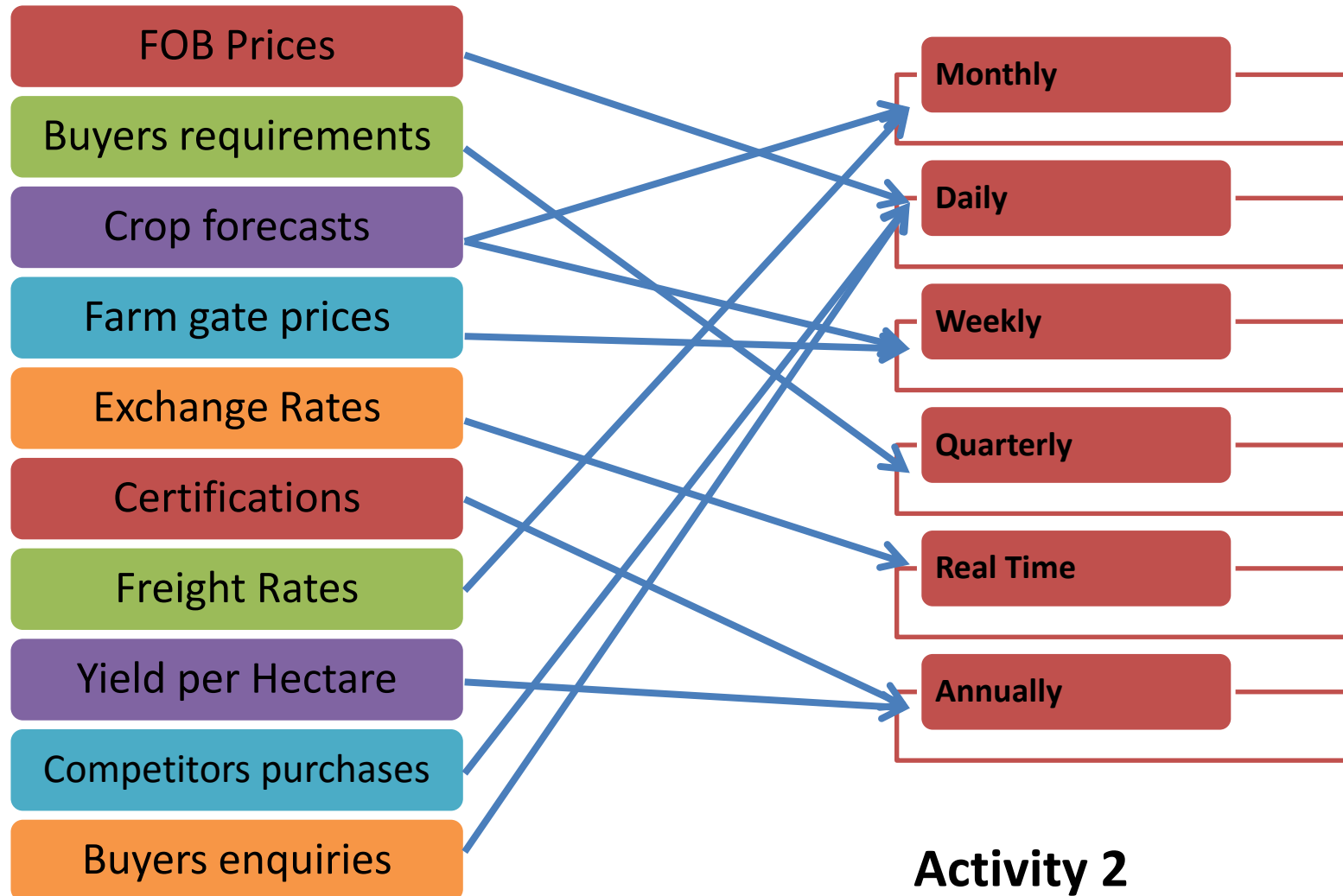
- Objective : An independent market intelligence system for ***collecting and interpreting*** market information.
- ***Regular and consistent collection of intelligence from defined sources***
- May feature “***trading of information***”
- Recorded, analysed and ***reported internally***
- Function as an **aid for decision making** in marketing , operational, control and strategic areas.

# Building a market information system



# Market intelligence shelf life

*Some needs to be updated often and some lasts longer*



**Activity 2**



# Problem creates an opportunity

Businesses which gather and collate market information in a timely manner have a competitive advantage.

Good information creates opportunity to develop a better relationship with customers .

Method for decisions implemented based on market intelligence e.g. that sales effort stops when the market looks as if it is about to climb rapidly

Good market intelligence is also an essential tool in developing efficient risk management strategies

# Conclusion

1. Market Information  
has a shelf life



2. Information is difficult to  
find and often inaccurate or  
biased



3. Good intelligence  
/research benefits our  
business



Need for a  
Market  
Intelligence  
System



# Building a System – Step 1

## Evaluation

- Evaluate current market information collection methods.

What do we do now ? Who do we know? Who is in our network?



- Inventory of existing resources , sources and relationships

### Trade contacts

- Brokers
- Customers
- Traders
- Competitors
- Coops
- Farmer Groups
- Local market
- Logistics

### Institutional

- Government
- Com Cashew
- ACA
- Associations
- Banks, shipping

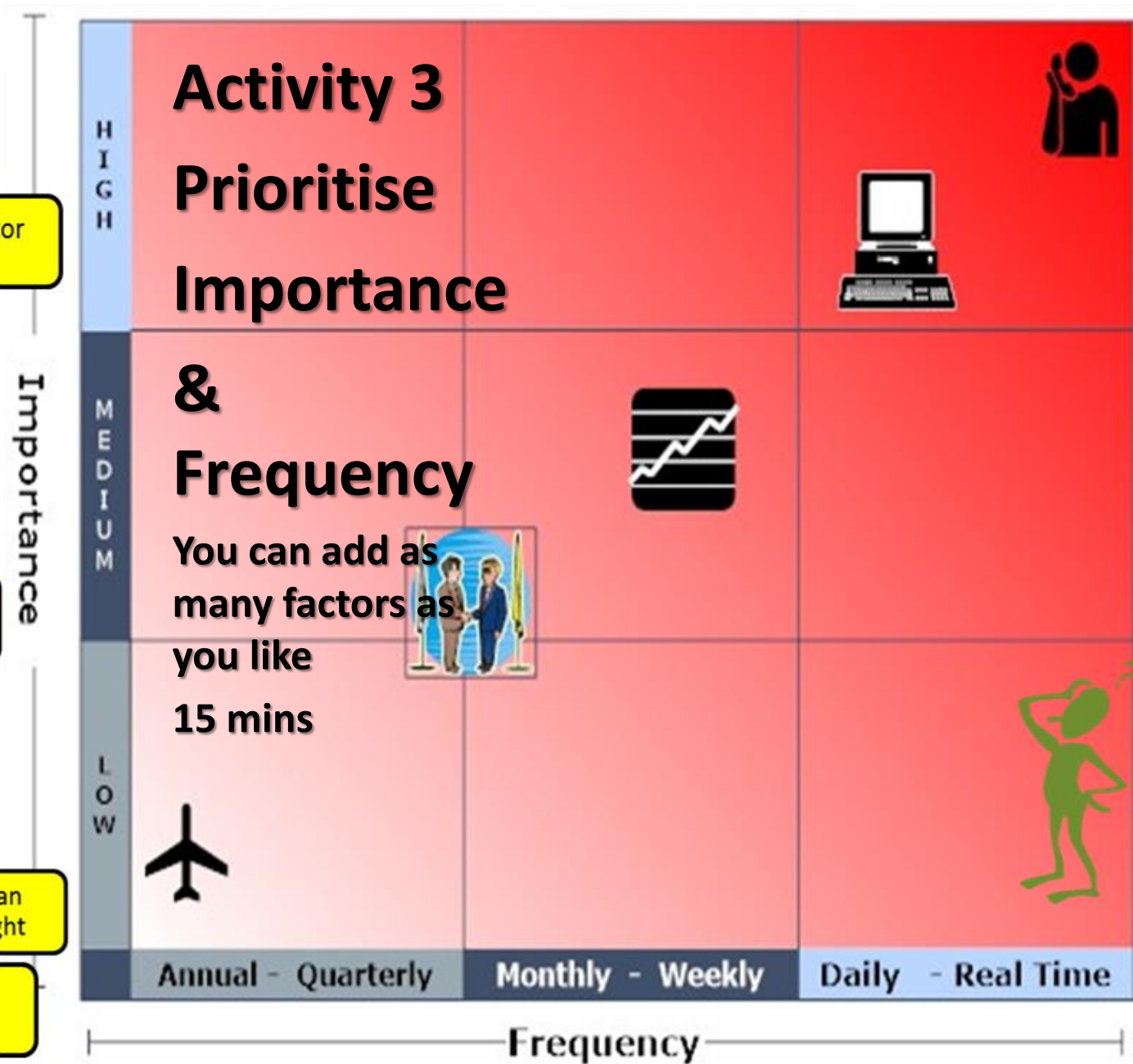
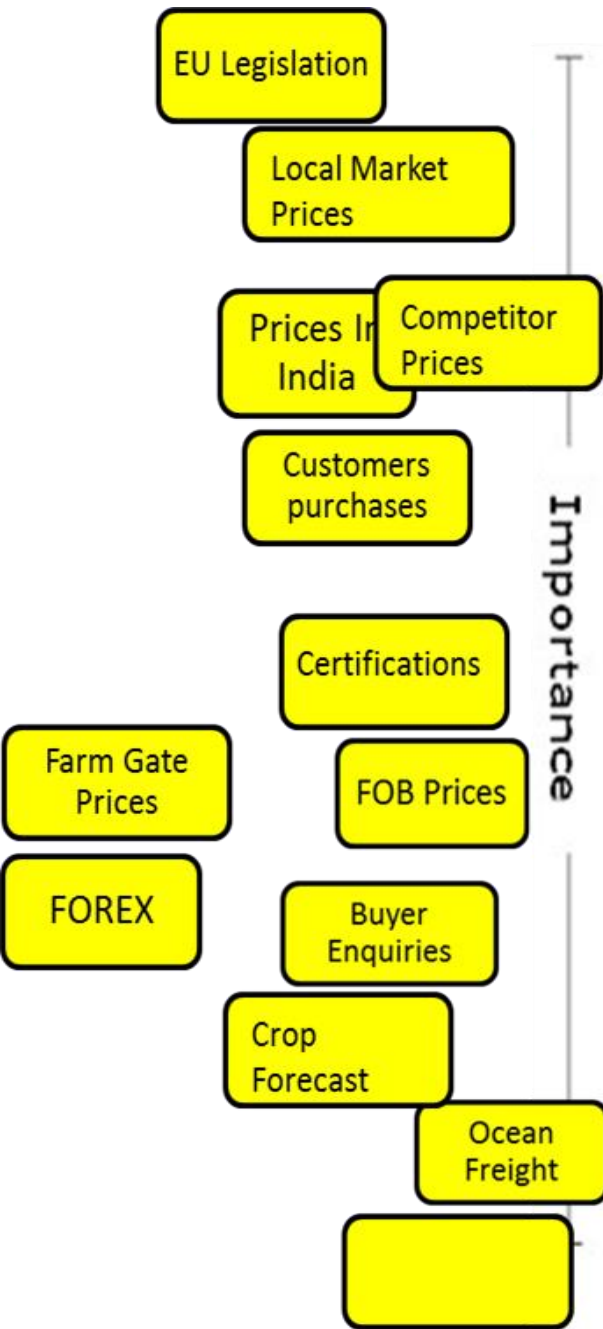
### Publications

- Trade Reports
- Journals
- ITC
- CBI
- Blogs
- LinkedIn
- Trade shows

## Step 2 What kind of information ?



*There are many types of information so a key decision is what **must** we have and what we can do without*



Importance

H  
I  
G  
H

FOREX

FOB Prices

Crop  
Forecast

Customers  
purchases

Competitor  
Trades

EU Legislation

Trucking  
Rates

Ocean  
Freight

Buyer  
Requirements

Farm Gate  
Prices

Certifications

Prices In  
India

Yield per  
Hectare

Local Market  
Prices

Customer  
Business

L  
O  
W



Annual - Quarterly

Monthly - Weekly

Daily - Real Time

Frequency





# What information can we not function without knowing?

H  
I  
G  
H

M  
E  
D  
I  
U  
M

L  
O  
W



Customer Business

Yield per Hectare

Certifications

Buyer Requirements

Trucking Rates

EU Legislation

Export Duty/Tax

Crop Forecast

Ocean Freight

China a Prices & Market

Customers purchases

Buy Enquiries

Competitor Trades

Prices In India

Farm Gate Prices

FOB Prices

FOREX

Local Market Prices

Annual - Quarterly

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Frequency



# Quality of Information

- Good sources and bad sources
- What are the alliances in the market?
- Who are sources of raw information and who are the sources of analysis?
- What is the cost of obtaining the information  
time? money? relationships?
- Can we build a market map?



# Step 3 Design & selection

We now know:

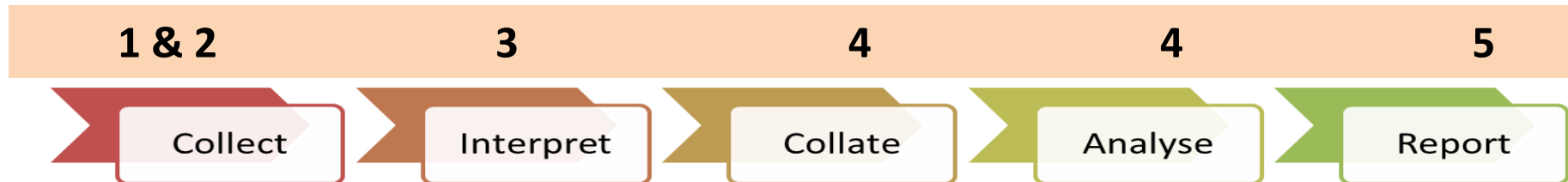
1. The information we need and its priority
2. How often we need that information
3. We have an inventory of information resources – people, companies, websites etc.
4. We have made some guesses on quality of information – we will only know the truth through experience
5. We have considered the cost in time and/or money



# Step 4 – match sources to needs

Methodology and system development

1. Domestic markets : Collection
2. International markets : Collection
3. Identification of key sources & quality
4. Storing / correlation / retrieval/analysis
5. Reporting



# Step 5 Going Live ! How to build the international network?

Information is a commodity that can be traded

1. Contacting key sources – Who ?
2. Set up of a routing – How do you contact the sources ?
3. Identify information to trade – What ?



# Matching needs to sources

Need	Source	Method
FOB Prices		
Buyers requirements		
Crop forecasts		
Farm gate prices		
Exchange Rates		
Certifications		
Freight Rates		
Yields per Hectare		
Competitors purchases		
Buyers enquiries		



# Four pillars

## Competitors

West Africa  
East Africa  
India  
Vietnam  
Brazil

## Product & uses

Snacks  
Brokens  
By products  
Trends  
Substitutes

## Markets

India  
Africa  
North America  
Europe  
Middle East

## Customers

Buyers  
requirements  
Our customers  
New customers

# Going Live ! How to build the international network?

Offer information as the first step: Building on existing sources and use those to offer something – trade information

Ask questions – “I understand that you are an expert what do you think etc.” “ Are you a buyer?”

Do not contradict or argue even if you do not agree (that’s your business)

If you offer an opinion make sure it is identified as an opinion and not put forward as a fact

Always quote prices in a range e.g. “Market is \$4.00-4.05 “ – that way you are less likely to be wrong and the counterpart is likely to comment.

# Step 5 Going Live!

## Interpretation & Analysis



1. Learn to recognise the signals.
2. Analyse price reports to same parity
3. Read the words not the emotions
4. What is the motivation of the reporter ?
5. Put yourself in their shoes and look for patterns.

# Market Report : Exercise 4

The market has been very steady during June with prices slightly higher than the lows seen in Apr/May. There was reasonable activity with all markets throughout the month – mainly for shipments till Aug/Sep but some for later positions as well. Indian domestic market which was quiet for several weeks is seeing some buying by traders but there has been no significant change in prices.

During the first half, we have seen a fairly stable kernel market moving within a plus/minus 5% range. We have seen a decline in raw material prices in all origins. Another reason has been the re-writing of parity calculations due to widening of grade differentials.

Overall, supply in 2013 is likely to be the same as 2012 despite the big shortfall in Brazil production. After a steady decline, RCN prices seem to have reached a tipping point – any further decline could affect collection.

Since the supply side factors are now known and factored into the market, it will be the demand side which will drive the market in the coming weeks.

With fairly stable prices in a narrow range for a reasonably long period, it is safe to expect improvement in offtake in most markets. There are signs of that with interest from some buyers for slightly longer spreads

What does  
this report  
try to say ?

What does it  
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# Report : Bias

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What does this report try to say ?

We are trying to infer that buyers are about to enter the market

What does it really say ?

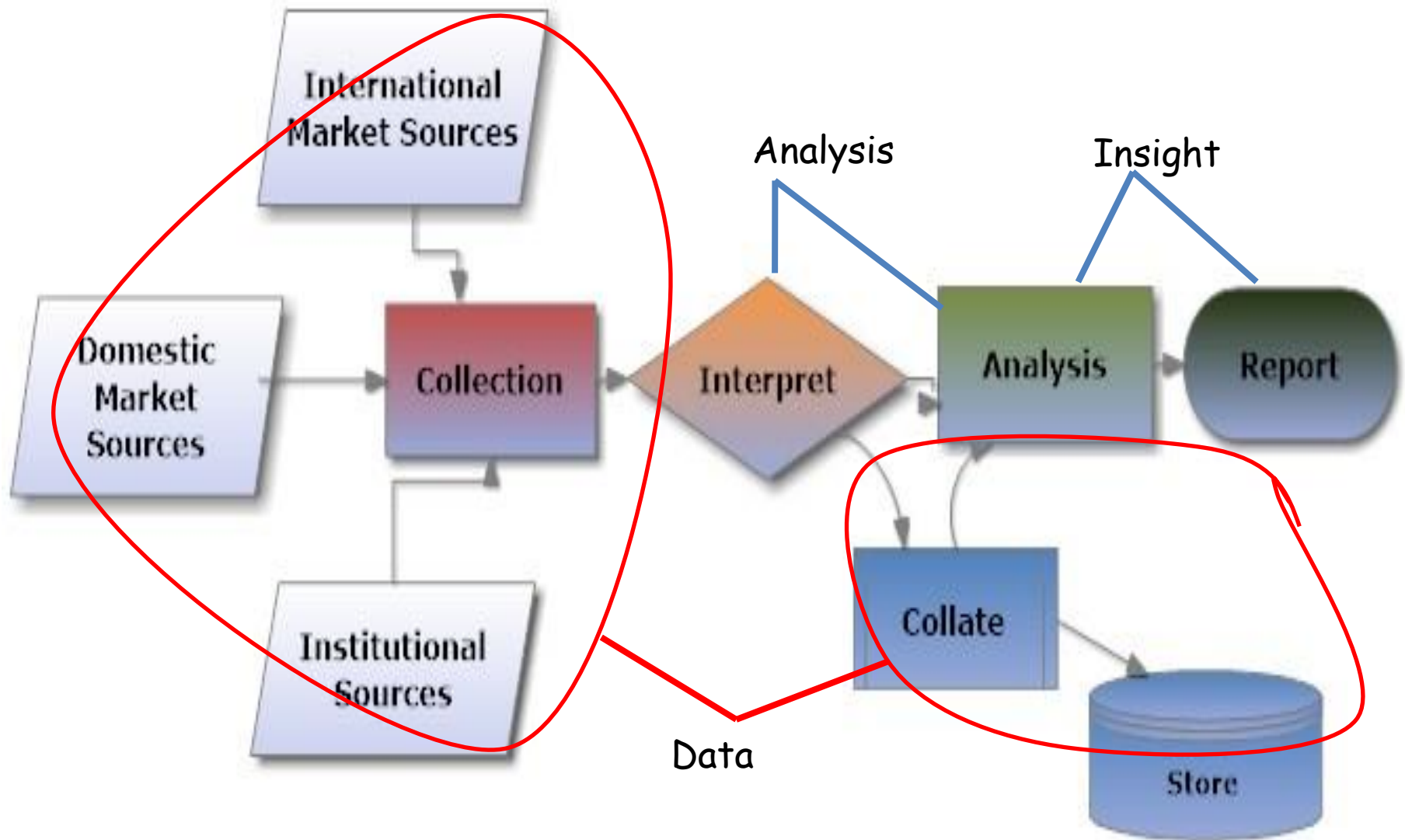
But we know that there are no buyers in the market

Brokers need to do business to make money

# Step 5 - reporting

- Correlate information on prices and qualities , prices and parities in tables or databases – this is 100% science
- Write a short monthly report with interpretation of the market and reports of events – this is a mix of a science and an art.
- Aid in decision making for companies and a basic function of a BSO in a commodity market
- Keep records of customer transactions, enquiries, questions to profile customers.
- Review the reports to see how accurate they were or where you went wrong.
- Maintain a database that is readily accessible

## Review: What could your system look like ?





# Some tips

- Failure to research the market is the single biggest reason for failure.
- Market intelligence needs daily thought and attention.
- The more you give away the more you will receive
- Its not rocket science but it does need work and intelligent interpretation.
- The more you do the easier it gets.

# Recap

## Five Steps to a Market Intelligence System

Step 1 Evaluation of current practice and sources

Step 2 What information can we not do without?

Step 3 Design & selection : Information and sources

Step 4 Match the sources to the needs

Step 4 Interpret, Analyse , Report and keep

What information services  
do you need?

Who should provide  
them?

Are you prepared to pay  
for them

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