

# Export Marketing Company (ETG) Business Case

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**USAID**  
DO POVO AMERICANO

## Description of the Business



**Name:** Export Marketing Company - ETG



**Market Actor Type:** Large-scale produce buyer/exporter



**Market System:** Supply Chain



**Size of Business:** Large scale



**Regions Served:** Nampula

### Customer Types

- Aggregators
- Smallholder farmers

### Value Chains

- Cashew Nut

## Implementing the Innovation

Identification of potential cashew spray service providers to become aggregators

Introduction of Suppliers Clubs model to service providers and identification of raw cashew producers

Adoption of raw cashew aggregation in Supplier Clubs

Sale of raw cashew nuts meeting high quality standards to ETG

## Summary of the Opportunity

**The market does not consider raw cashew nut quality standards. All raw cashew nuts are purchased at the same price, which discourages producers from investing in production quality.**

The spraying service helps ensure a better quality of raw cashew nut production, but smallholder farmers do not comply with good spraying practices, which directly impacts the quality of production

Most cashew producers do not perform the three recommended treatments per tree

There is no distinction between high-quality and low-quality raw cashew nut produced by smallholder farmers. The market does not pay more for a better-quality raw cashew, which results in the lack of motivation on the part of producers to invest in high quality production

Smallholder farmers do not have strong incentives or support to improve production in terms of quality and quantity

Low yields in terms of production

Lack of incentives for high quality production

## Innovation Overview

**FTF Inova worked in partnership with Export Marketing Company (ETG) to co-invest in increasing the quantity and quality of cashew nut production by organizing producers into Supplier Clubs and facilitating access to spraying services**

### ETG Vision

- Have access to a market system that values raw cashew nut quality standards in order to increase the value of the product.
- Create the opportunity for smallholder farmers to produce this quality product by facilitating access to a high-value and reliable market.

### Inova's Support

FTF Inova co-financed the innovation as a way of minimizing risk or sharing the risk in implementing the spray service providers/product aggregators initiative with incentives and awards to best spray service providers and best producers/suppliers of quality raw cashew.

## ETG has now adopted the following 3 tactics:

1

**Sign contracts with spray service providers** to create and manage raw cashew nut supplier clubs to ensure, through pre-agreements, quality production for ETG

2

**Provision of technical assistance, transport and bags** to spray services providers to aggregate and transport quality cashew to ETG facilities

3

**Establish aggregation points** to collect/store the raw cashew aggregated by the spray service providers

## Innovation Overview

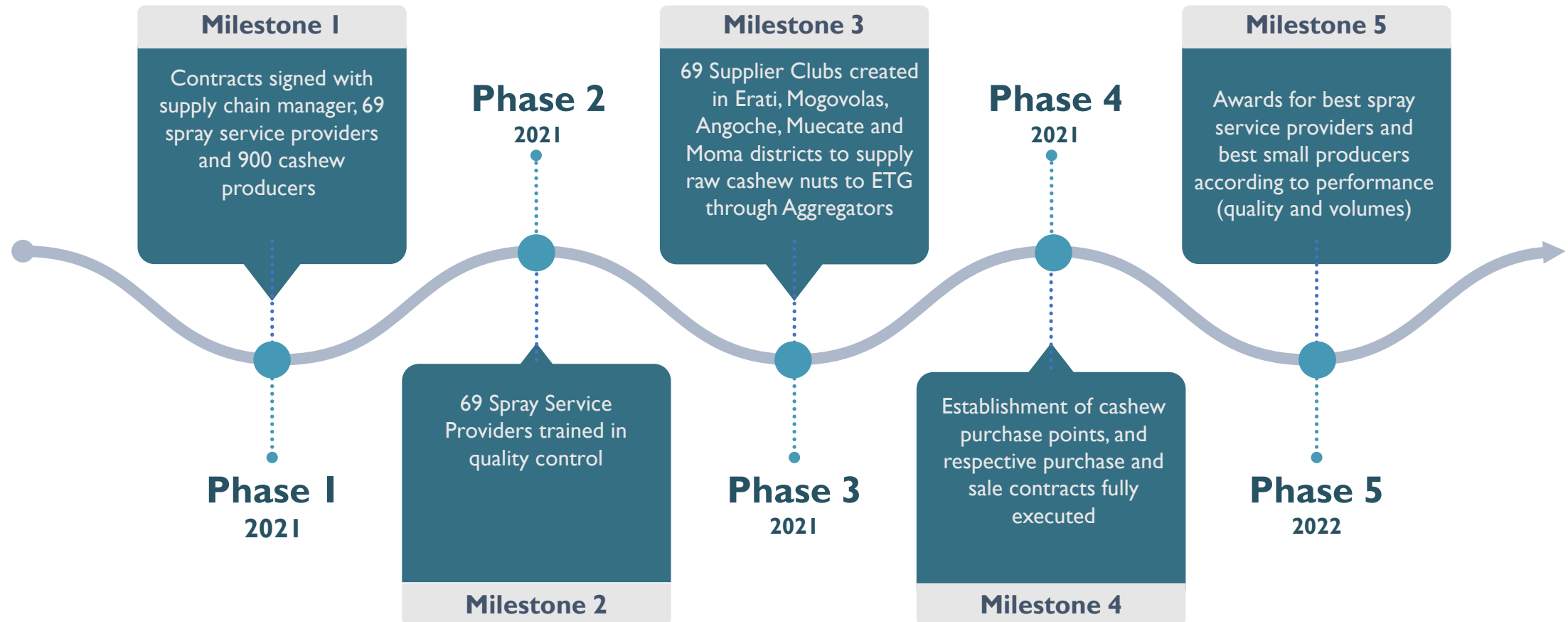
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69 Spray Service Providers/Aggregators across 5 districts (Erati, Mogovolas, Angoche, Moma and Muecate) signed a contract with ETG. Each of these 69 SSP/Aggregators assists a group of producers, amounting 1,343 producers who are members of ETG's raw cashew nut Supplier Clubs.



## Innovation Overview

### Timeline of implementation



# Value Proposition to Customers of the Innovation – Spray Service Providers / Aggregators



**Customer Type:** Spray Service Providers (SSP) / Aggregators

**Customer Activities:** Sale of cashew spraying services and purchase of raw cashew nuts

**Size of Business** (volume for each SSP on average is 500USD) Medium-scale

## Reasons for Buying / Consuming Product or Service

Spraying services improve the quality and quantity of the cashew nut produced and smallholders increase their income.

## Why is this new business practice adding value to the customer?

- Greater access to chemical products to spray
- Increased number of producer customers
- Possibility of working as aggregators of a greater amount of production

1

### Increased number of customers

As a result of the ETG's initiative, the SSPs have a greater number of cashew producers to serve

2

### Additional payment due to this role as ETG's buyer/aggregator.

They benefit from being aggregators, that is, they take on a new role and there is compensation for providing this quality service. Before, they did a quality service, but they didn't benefit from it

3

### Recognition of the quality of the spray service provided

There is a recognition of their quality of service/work. It has a quality ranking in the IAM and ETG system

# Value Proposition to Customers of the Innovation – Cashew nut producers



**Customer Type:** Cashew nut smallholder farmers

**Customer Activities:** Produce cashew nuts and sell through Supplier Clubs

**Size of Business** Small-scale

### Reasons for Buying / Consuming Product or Service

By having access to a spraying service, small cashew nut producers have been able to increase the quantity and quality of cashew produced, thereby resulting in increased incomes

### Why is this new business practice adding value to the customer?

- Access to spray service
- Increase in volumes of cashew nuts produced
- Increased quality of produced cashew nuts
- Organization in clubs that facilitate the sales process
- Fairer price and agreed beforehand

1

#### Access to market information

Increased access to information about types and grades of cashew, as well as information about grade-based pricing and good agricultural practices.

2

#### Guarantee that the product will be purchased

Partnership/confirmed buyer of cashews throughout each season. Producers don't have to worry about applying the three treatments required

3

#### Access to spray services

Producers don't have to worry about contracting spray service providers. They have access to SSP trained to apply this and the products applied are of good quality



## Financial Overview



### Change in procurement

The tripartite agreement between ETG, SSPs, and producers not only resulted in increased volumes of quality cashew, but also created opportunities to expand the provision of services to other commodities. This innovation also improved procurement and quality control practices due to increased traceability.



### Change in Profit

Profits will likely increase as with the increase in quality of raw cashew and improved logistics efficiency that will lead to reduction of operational costs



ETG also saved around \$138,000 by not installing buying stations - they didn't install them due to the work done by the aggregators.

### Summary of Other Key Metrics

The credit recovery rate rose to 100% as SSPs had control of production until the moment of sale due to aggregation and sales points and a secured premium market with possibilities to expand to other crops.



### Operational Costs

There is a possibility that operating costs have decreased, because the company did not have to manage additional buying posts, with all the costs involved, higher control on the quality of cashew received (no need for selection) and no need to manage a network of thousands of farmers (which is not their core business).

### Key Data Points



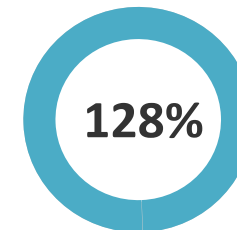
**\$321,136**

The total purchase value was 20,295,836. MTs



**479,882 Kg**

The amount of cashew nuts procured from smallholder farmers



**Increase in terms of procurement volume**  
(before, an average of 3.5 kg of cashew nuts was obtained per tree, now 8 kg of cashew nuts per tree are obtained)

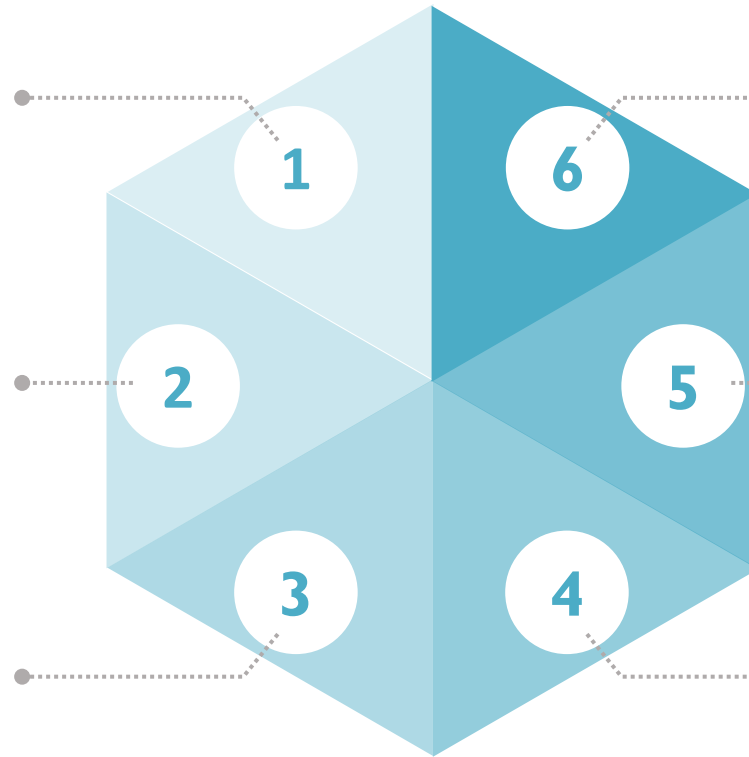
# Recommendations and Way Forward

## Opportunities

Follow up with the plan to deliver awards to the best small producers and best spray service providers according to their performance

Repeat the initiative of supplier clubs/aggregation in the coming seasons

Expand the number of small producers served by the SSP and that join supplier clubs



Adopt a product tracking tool - a registration system that can authenticate the origin of the raw material

Test SSPs as input distributors

Establish a relationship of trust between the company (ETG) and its customers by demonstrating how this innovation is mutually beneficial

## Risks

- Create a relationship of dependence on producers, which can increase logistics costs
- The possibility of the existence of a weak responsiveness to suppliers, due to high demand



An approach to mitigate these risks is to maintain and strengthen dialogue with producers through fair and transparent formal agreements. These need to clearly stipulate the responsibilities of all parties involved in the contractual arrangement. In the long run, this can lead to better terms and increased benefits (through increased volumes, diversification of produce supplied, and higher quality) for all parties.

## Methodology and Assumptions

### Methodology

#### **Information provided by the partner**

During the activity's implementation, there was constant dialogue and sharing of information between the FTF Inova team and ETG.



#### **Some data presented are estimated**

The innovation was still being piloted while this Business Case was developed. Consequently, profits and other financial figures presented in this document are estimates and projections.