



## Towards workable markets

**S**uccessfully enhancing trade growth and development goes beyond regional attempts at integration and gaining audience in world trade negotiations. It entails strengthening the basic structures of trade rural markets, and building on to them to create strong trading mechanisms that can be transformed into viable national and regional instruments that have presence in the world markets.

**There** is no doubt that the concept of free markets and fair trade is taking off in a number of African countries. At least for Malawi and Kenya, the cliché of market inefficiencies that were created following the liberalisation of trade and collapse of a number of public marketing institutions is almost fading. It is generally agreed that a market driven economy is a spring board for trade development and the private sector players in Malawi and Kenya are proving it. The private sector is redefining agricultural marketing and setting pace for the future of agricultural trade. They have given birth to a totally new agenda for the agricultural markets

The concept being used by the private players to promote trade is not new and initial successes are encouraging. Agricultural commodity exchanges are the tools at work. For Malawi, the Agricultural Commodity Exchange for Africa (ACE), and Malawi Agricultural Commodity Exchange, (MACE) have been set up as vehicles for promoting agricultural trade. In Kenya, the Kenya Agricultural Commodity Exchange, (KACE) has taken responsibility for agricultural marketing and just as in Malawi, is commanding progress in the sector.

Commodity Exchanges are operating on the principles of correcting information imbalances by creating price and commodity transparencies, efficient brokerage of agricultural commodities and guidance through value addition chains in forward markets.

Enormous leaps of faith have been taken by private sector agencies to create a new direction in trade. Despite the challenges being faced, trade is beginning to work better for both the rural and commercial agricultural producers.



## COMMODITY EXCHANGES- MAKING MARKETS WORK BETTER

**O**ne of the most striking examples of how commodity exchanges are working to enhance agricultural marketing, is the improvement of information availability and access for the small holder farmers.

Commodity Exchanges are harnessing the latest developments in information technology to extend agricultural markets and improve market efficiency and access. Through a uniquely designed range of services the face of agriculture is changing as the small holder farmers are beginning to embrace wireless technology in their marketing strategies.

## THE KENYA AGRICULTURAL COMMODITY EXCHANGE

**I**n Kenya one of the tools at work is the radio. Through a special radio program popularly known as the SOKO HEWANI, physical trading is slowly losing its relevance. On the SOKO HEWANI program an electronic trade platform is created where small scale producers can place offers for sale of various agricultural commodities and bids to buy available commodities.

Over 30 agricultural commodity announcements are made and weekly sales reports record over 500 purchases through the program. Each commodity announcement includes information on quality, quantity location and offer/bid price.

The program has a wide coverage, including the western and rift valley provinces of Kenya and the eastern parts of Uganda. It has an audience of over 4.5 million people, creating a bigger economic space for the traders.

The information broadcast on the radio program is collected from the Market Information Points (MIP'S), spread throughout the country. The information points are rural centers where the small holder farmers are able to post information on commodity offers for sale and receive information on commodity bids to buy. This information is then transferred



*KACE market information point*

to centers in the major markets, where consumers can access through the website or through radio programs.

At the MIP 's, the information is also displayed on the black boards where the rural traders can easily access and place bids to sell and offers to buy available agricultural commodities.

KACE has also designed an interactive voice response system through which traders can get more information on commodity offers. To ensure credibility of sales only registered farmer groups and associations can trade through the program. Through these initiatives KACE is reaching out to millions of traders and making markets work better for the rural farmers.



*Listening in on a SOKO Hewani program*

# Malawi Agricultural Commodity Exchange, MACE

In Malawi, MACE is also championing the cause of small and medium scale agricultural producers. Established in 2004, MACE has a vision of making markets work better for the small holder farmers through the provision of reliable market information and improving transparency in trade.

Working on this vision, MACE has brokered a deal with a local telecommunications provider TNM company to disseminate market information to the small holder farmers throughout the country. The information is transmitted through the Short Messaging System, SMS, at a minimal charge equivalent to the normal SMS text charge.

By dialing a special number, small holder farmers are able to access information on available commodities, prices, quality and quantity descriptions anytime and anywhere in the country.

The information disseminated by the telecommunication company is obtained from the MACE central HUB which processes all the information obtained from the rural market information points, that serve as data posts for the small scale



*Harnessing the use of mobile phone technology for information dissemination*

traders and farmers. MACE has also gained recognition by the Ministry of Agriculture which supports part of its activities in the collection and dissemination of market information. The private—public partnership was established to facilitate and improve the co-ordination of information dissemination to the small holder farmers throughout the country.

MACE is also spear heading a horticultural marketing project, through which it supplies chain stores and supermarkets with fresh farm produce. The products are graded and packaged before supply to the major stores, including schools and hospitals.

The project also markets vegetable seed and other inputs such as insecticides at very competitive prices at their rural market information points. Other market information tools used by the exchange include the internet based virtual library, the interactive voice response system and a weekly radio program.

MACE and KACE hopes to strengthen their hold in the agricultural markets and pull small holder farmers forward in the agricultural markets.

## Agricultural Commodity Exchange for Africa (ACE)

Regional market facilitation is the ultimate goal. The aim is to link national marketing institutions to create free information flows and facilitate regional trade growth. COMESA welcomes a new player, the Agricultural Commodity Exchange for Africa. (ACE).

Launching its operations in October 2006, ACE is setting its bait on regional agricultural commodity marketing. The idea is to improve access for people operating in Africa, not only by providing price information but supplying relative real time market information. It is designed specifically to assist both the small holder producers and traders and the commercial traders and processors to more efficiently and effectively buy and/or sell their commodities at a more regional level.

Though a relatively new exchange, ACE has attracted the interest of 11 companies in Malawi, 6 companies in Zimbabwe and a growing number of members from South Africa, who are also members of the South African Futures Exchange, SAFEX.

Trading with ACE is relatively simple. Commodity offers and bids are placed on the ACE website and members can make sales and purchases following the rules and procedures set by the Exchange, on behalf of their clients.

ACE has plans to establish links to MACE, KACE the commodity exchanges in Uganda and Ethiopia, as well as the

and one that is being established in Zambia.

The world is getting smaller with ACE, it can facilitate agriculture trade in various commodities throughout the region and anywhere in the world. ACE is at the top of the game and pushing the regional trade agenda forward.



*Standing ACE Executive Director with IPPSD Director, Dr. Chungu Mwila and Kristian Schach Moller at the ACE trade floor*

## Shaping the future of trade

In terms of value, global trade is increasing and today is worth over US\$ 71 billion. Participation by developing countries has grown impressively and trade expansion has coincided with increasing non-traditional exports to the European markets. However the total share of agricultural trade by the region is declining. A result of developed country subsidies that flood world markets with surplus food supplies that hinder African exports. This has been accentuated by a decline in prices of African traditional exports, a worrying trend for COMESA since a majority of Member State economies are agricultural based. The trends are conflicting and unsustainable. Even if the latest round of the protracted world trade negotiations broke down, it is imperative for the region to deepen trade among its Member States and develop its intra regional market structures. Much however depends on the success of efforts to improve the local and national marketing strategies that can then be integrated in strong regional markets that have presence in the world markets. Commodity exchanges are likely to become increasingly important in filling this gap. Their role in commodity marketing is vital. They are instrumental in the improvement of information dissemination to key participants in the agricultural markets and create market transparency which improves competitiveness among traders. Market transparency ensures fair prices and improved decision-making for both the producers and buyers of the agricultural commodities, add to the advantage of reduced transaction costs.

The development and improvement of commodity exchanges is key to improving market efficiency and growth in the region. With a focus on improving market access for small holder farmers they are a vital element for the region's social and economic development. Improved market access translates into improved farmer income, increased productivity and growth for the region's key sector.

COMESA recognizes the important role of commodity exchanges and the private sector in trade development. Through the Agricultural Marketing Promotion and Regional integration Project, AMPRIP, COMESA hopes to support and strengthen the operations of Commodity exchanges in the region. This will be achieved through the creation of linkages among Exchanges in Member States where they

exit. COMESA will also Endeavour to encourage countries within the region that do not have Commodity Exchanges to establish them and create links with other established commodity exchanges in the region.

Through these linkages COMESA hopes to stimulate trade information exchanges among Member States. Other support initiatives include capacity building and training to ensure efficiency in operations. It shall also support the procurement of software and computers to facilitate price and commodity data collection and dissemination amongst the Member States. Ultimately the goal is to integrate the operations of the commodity exchanges into a Pan African Commodity Exchange. This should strengthen intra regional trade and promote growth in the world market.

## Spot on the Regional markets

The agricultural marketing year 2005/2006 saw tremendous improvements in regional coffee and cotton exports to the European markets. Increased international demand for sugar and non traditional exports in horticultural commodities also spurred increased export growth in the sector.

In the grain markets, maize prices have remained stable at around U.S \$ 180 per metric tonne on the Zambian markets for cash purchases and contract prices ranging between U.S.\$190 to U.S.\$200 per metric tonne. About 350,000 metric tonnes of maize acquired by the Food Reserve Agency, (FRA) in Zambia, re-entered the maize market though intentions were indicated of acquiring a further 50,000 metric tonnes to reach a seasonal target of 400,000 metric tonnes of maize.

With most purchases having ceased towards the end of december for most strategic grain reserves in the region, maize grain prices have remained stable with a low of U.S \$165 on average throughout the region. In Malawi and Kenya, maize was traded in a narrow band with december contracts running at a low of U.S \$160 per metric tonne and a high of U.S \$ 195 per metric tonne. Enquiries for the export of maize were being fielded from the Congo DRC and from NGO's seeking to supply Congo DRC and Zimbabwe.

Wheat Prices firmed up on the Zambian market with highs of U.S.\$340 per metric tonne being achieved for parcels of 1,000 to 5,000 metric tonnes. Reports were also received of huge maize purchases by South Korea, Israel and Taiwan reflecting increasing demand for the commodity. Sorghum prices have strengthened slightly although demand remains static. *The Soya market has been quiet, with low demand and mainly cash purchases at lower price levels.*

*Increased demand for wheat and maize grain are projected for the 2007 marketing season. The vanilla markets are also*

*flourishing with Egypt emerging as the major buyer of the agricultural commodity.*

### Upcoming Events

#### SPS TRAINING SEMINARS

*Food safety focal points  
08 - 19 January 2007*



*Animal health focal points  
29th January - 02 February 2007*

*Plant protection training  
19 February - 4 March*

This edition of the AMPRIP publication was drawn from the experiences and contributions of the Agricultural Commodity Exchange, ACE, the Kenya Agricultural Commodity Exchange, KACE and the Malawi Agricultural Commodity Exchange, MACE.

ACE, CHC commodities Zambia, KACE and MACE are able to help to facilitate the trade of any commodity with an agricultural leaning. For more information, please contact the Exchange offices.

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