



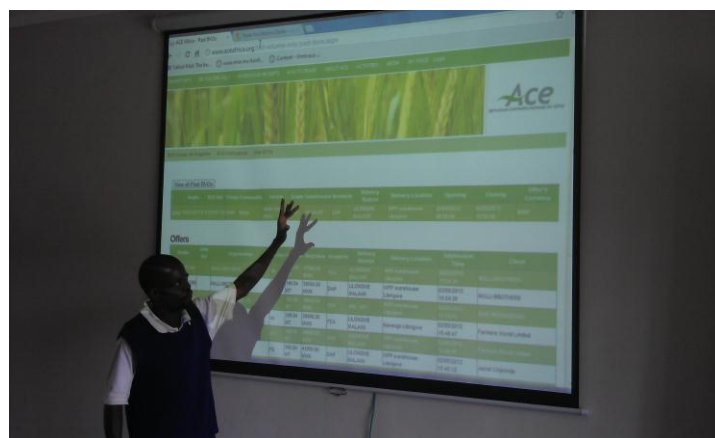
Agricultural Commodity Exchange for Africa



Capacity support for the Agricultural Commodity Exchange for Africa Trust Final Program report



Warehouse receipts financed and traded on ACE (Lilongwe Aug 2011)



Integration of BVO, Trade Info and WHR systems (aceafrika.org)



Expanding Farmer Outreach (Kafulu Mar 2012)



WFP Regional Procurement through ACE BVO System (March 2011)

14th January 2011 – 30th March 2012

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<i>P F Tracking Number:</i>	<i>ACE-STA-011-019</i>
<i>Title of Activity:</i>	<i>Capacity Support for Agricultural Commodity Exchange for Africa</i>
<i>Start Date of Reporting Period:</i>	<i>14th January 2011</i>
<i>End Date of Report:</i>	<i>30th March 2012</i>
<i>Date Report Submitted:</i>	<i>3rd May 2012</i>

Project Abstract

The Agricultural Commodity Exchange for Africa (ACE) was established in July 2004, with a grant from USAID through NASFAM who identified a need to bring more order to the market place. ACE has operated a live exchange trading platform since late October 2006 and has since then facilitated trade of 81,812.83mt of commodities worth USD 25,937,940.14 across the exchange.

ACE had been struggling for a long period with very limited funding and lack of support from the market. COMPETE awarded ACE in 2010 a bridging funding to help it set up necessary processes or baselines to generate agricultural commodity market access, encourage transparency and hence commodity price discovery. This bridging funding also enabled ACE to stay operative and only after a couple of weeks this proved to be very important. WFP decided to test procurement through ACE, which generated a much needed pull in the market. ACE is now enjoying the benefits of last year's pull with 6 registered traders now procuring through ACE, and has since generated trade commissions of more than USD 8,000 in 11 months. WFP regional procurement continues to grow with prospective delivery points in Lesotho, Mombasa, Cameroun. ACE expects the regional membership to grow beyond Southern and eastern Africa, with recent membership representation in Kenya, and Tanzania.

Compete awarded ACE a further capacity support grant in 2012; this fund further enhances farmer organization outreach, integration and expansion of BVO, Trade and warehouse receipting systems, and efforts to facilitate more regional procurement. The COMPETE funds, continue to enhance ACE capacity to undertake increasing procurement demands as well as means needed to develop the software applications necessary to fully harness benefit WFP and other commercial operators is bringing to the market. All necessary new integrated software functionalities are completed; the system has been fully integrated with BVO and trade platforms, the new developed web based software is fully operational as of early March 2012.



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1. Introducing ACE

Prior 2008 The Agricultural Commodity Exchange for Africa (ACE) was established in July 2004, with a grant from USAID through NASFAM who identified a need to bring more order to the market place. ACE has operated a live exchange trading platform since late October 2006 and has since then facilitated trade of more than 46,106MT of commodities worth over USD 15,756,000 million across the exchange.

ACE is one of several agricultural commodity exchanges in Eastern Southern Africa trying to establish how the theory, on which they are founded and motivated by, can be implemented and sustained. ACE is there to add value for the small farmer, but this has proven to be very hard to achieve.

Since ACE was established and started operating an online trading platform in October 2006, the scope was regional and ACE quickly got members from Malawi, South Africa, Zimbabwe and Zambia. The initial focus was sensitizing large traders in the region to buy commodities from Malawi through ACE. The sentiment was to generate a demand on ACE that small farmers and farmer associations in Malawi could supply.

Some of these stakeholders saw new opportunities and were interested in testing ACE, as an easy way for them to procure commodities from Malawi. At first it was a relative success. ACE generated a number of contracts, mostly small quantities serviced by small farming groups in rural Malawi. However, problems soon arose as farmers started to default on the contracts; either because a vendor had offered them more, or because they never had the correct quantities.

2008 to 2010 Interest from the newly found regional allies eroded and ACE was in 2008 forced to change strategy. Instead of creating a demand from the region, ACE focused on training of NGOs, extension workers and farming associations. The focal point was aggregation and structured trade. The task was substantial and ACE still depends heavily on a number of partners to incorporate ACE related activities in their strategy. The critical element is to get significant volumes traded on ACE so that timely, up to date and reliable market information can be published.

ACE soon experienced other hurdles. The capacity building and trainings did result in well organized farmer associations aggregating and bulking their commodities, to place them for offer on ACE. A few contracts were generated, but more often ACE couldn't find a market for the farming associations, leading to frustrated and disbelief in the whole concept amongst the farmers. It was really a catch 22 situation. No demand without performance guarantee, no supply without demand.

2010 onwards: The solution was not an easy one. ACE needed to lift the market out of its present void by simultaneously creating an initial demand to stimulate the farmer associations and introducing warehouse receipt securing performance. ACE approached WFP to create the initial demand that would enable the farmer associations to actually experience the benefits. Motivated farmer associations combined with commodities on warehouse receipts would revitalize the initial interest from the region.

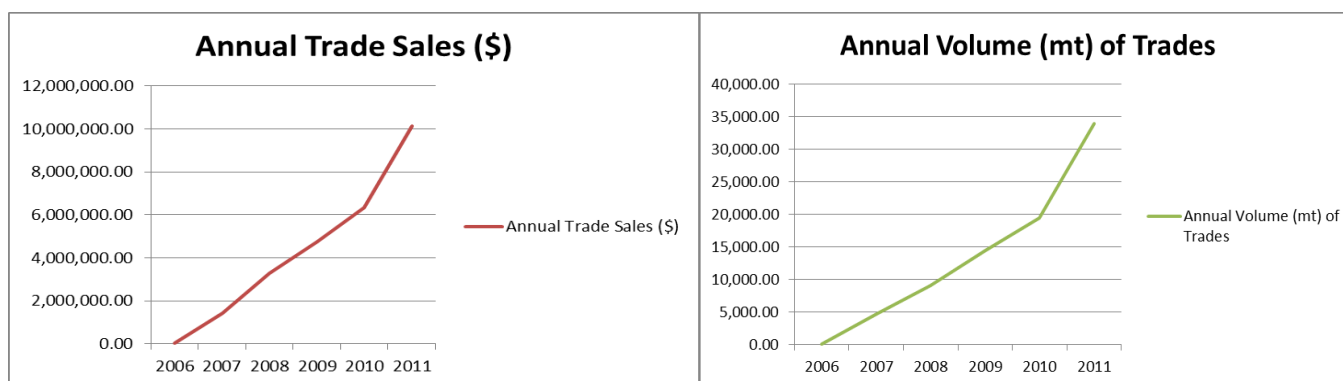
COMPETE awarded ACE bridging funding to help it set up necessary processes or baselines to generate agricultural commodity market access, encourage transparency and hence commodity price discovery. This bridging funding has enabled ACE to stay operative and has proved to be very important only after a couple of weeks of the grant, WFP decided to test procurement through ACE, which generated a much needed pull in the market. The market has since shown interest in ACE and we are certain that active WFP market involvement continues to have a great spillover effect.

The COMPETE funds, did not only rescue ACE, they also provided the means needed to develop the software applications necessary to fully harness benefit WFP is bringing to the market. It has also enabled us to prepare for two project proposals including a much needed Warehouse receipt system to secure performance of contracts.



2. ACE trade statistics

Trade Summary													
Quantities	Total	January	February	March	April	May	June	July	August	September	October	November	December
2006	60.00											30.00	30.00
2007	4,765.00	0.00	2,012.00	1,000.00	0.00	1,500.00	150.00	1.00	0.00	0.00	90.00	12.00	0.00
2008	9,049.00	90.00	0.00	0.00	0.00	0.00	200.00	1,206.00	4,005.00	0.00	1,820.00	0.00	1,728.00
2009	14,505.90	572.00	1,319.50	818.00	600.00	30.00	1,435.70	1,426.00	6,881.70	651.00	772.00	0.00	0.00
2010	19,476.05	1,016.00	0.00	2,462.90	780.00	270.00	3,224.45	798.00	1,860.00	2,172.20	4,207.00	1,870.50	815.00
2011	33,956.88	2,054.06	4,166.00	8,743.00	698.00	597.15	14,294.50	1,191.90	463.10	110.00	1,058.87	0.00	580.30
Total	81,812.83												
Value		January	February	March	April	May	June	July	August	September	October	November	December
2006	45,780.00											20,640.00	25,140.00
2007	1,413,144.00	0.00	225,640.00	730,000.00	0.00	330,000.00	112,500.00	1,570.00	0.00	0.00	8,550.00	4,884.00	0.00
2008	3,266,530.00	8,550.00	0.00	0.00	0.00	0.00	124,000.00	234,160.00	1,528,950.00	0.00	753,200.00	0.00	617,670.00
2009	4,749,844.00	192,900.00	485,915.00	274,916.00	195,000.00	46,070.00	584,222.00	494,168.00	2,004,765.00	199,345.00	272,543.00	0.00	0.00
2010	6,348,667.65	518,995.00	0.00	589,881.20	192,505.00	129,522.60	1,097,604.38	231,091.97	725,060.87	724,380.42	1,089,539.31	664,920.21	385,166.69
2011	10,113,974.49	559,615.82	983,345.50	2,324,471.83	337,226.30	191,776.01	4,420,689.94	340,944.62	137,990.07	62,275.00	418,768.03	0.00	336,871.37
Total	25,937,940.14												



3. Objectives set out in the Bridging fund to ACE

Result	Verifiable indicator
First regional procurement through ACE with Delivery in Zimbabwe. ACDI VOCA / World Vision application to USDA to procure food aid to ZIM has been finalized. (Please see cover letter attached)	1) 10000 MT of commodity contacted for regional procurement through the BVO system 2) USD 7000 in commission and fees to ACE
Integration of BVO system, trade platform and warehouse receipt system	1) Fully integrated trade system utilized by ACE and ZAMACE
Warehouse receipt system will start implementation in 2011. ACE will manage the registry and the first receipts will be financed and traded	1) Rural and Urban Warehouse receipt financed 2) Rural and Urban Warehouse receipt traded on ACE
Expanding the reach to farmer organizations	1) 30 farmer organizations to participate on ACE



4. Comparison of Accomplishments against Goals and Objectives

1) Regional procurement & USDA food aid procurement

ACE has managed to facilitate trade valued over \$3m in the region with deliveries in Mozambique, Zambia and Zimbabwe over the project period see image on the right. World food program regional procurement accounts for 60% of the volume traded (11253mt) on the exchange for export.

contract No.	seller	buyer	Commodity	volume (Mt)	total amount (\$)	DAP
2011/015	Export trading Co	World Food Programme	white maize	417.00	114,675.00	Maputo, Mozambique
2011/009	Pisu & Company	World Food Programme	white maize	389.00	95,110.50	Beira, Mozambique
2011/013	semwes LTD	World Food Programme	white maize	3,775.00	1,000,375.00	Beira, Mozambique
2011/007	Export trading Co	World Food Programme	white maize	1,794.00	534,612.00	Bulawayo, Zimbabwe
2010/050A	GWC Investments	Croplink	white maize	750.00	198,750.00	Harare, Zimbabwe (Jan)
2010/050b	GWC Investments	Croplink	white maize	750.00	202,500.00	harare, Zimbabwe (Feb)
2011/139	NASFAM	Holbud	white maize	3,000.00	765,000.00	Beira, Mozambique
2011/136	Export trading Co	World Food Programme	pulses(cow Peas)	378.55	264,606.45	Lusaka, zambia
				11,253.55	3,175,628.95	

ACE has also held trade sessions however without contractual success for deliveries in Lesotho (136mt Pulses), Mozambique (2332mt), Cameroun (1395mt), 12700mt Kenya.

Regional scope of ACE continues to grow with traders in Tanzania, South Africa, Italy, Kenya registered in 2012. This will be emphasized with recent impending partnership with Southern Trade hub to increase regional outreach within the SADC region.

It is however unfortunate that direct procurement by USDA for Food aid through the exchange was not successful, but has indirectly successfully done so through World Food Program P4P purchases into Mozambique.

2) Integration of BVO system, trade platform and warehouse receipt system

The new developed trade platform integrates functionalities of a warehouse receipt system; the new Bid Volume Only System (BVO) and trade platform. This allows stakeholders to see all trades listed on a warehouse receipt and therefore guarantee quality, quantity and availability. The new trade and bid volume only platforms are flexible to allow various forms of trade for instance trades on transport, insurance, storage as well as commodities. With new warehouse receipt initiatives, insurance and storage will become a key in the agricultural market. The new system restricts minimum floor prices or “farm gate prices” as required by the Ministry of Agriculture and food security in Malawi.

Integration illustration in pictures

The screenshot shows the ACE website interface. The top navigation bar includes links for MARKET INFO, BID VOLUME ONLY, WAREHOUSE RECEIPTS, HOW TO TRADE, ABOUT ACE, ACE EDUCATION, ACTIVITIES, MEDIA, MEMBER LOGIN, and Login. Below the navigation bar is a large banner image of green rice stalks. To the right of the banner is the ACE logo with the text 'Agricultural Commodity Exchange for Africa'. Below the banner is a section for placing new bids or offers, which includes a form with fields for Select group, Select currency, Type, WHR, Commodity, Variety, Grade, Bid volume, Bid value, Offer volume, Offer value, Incoterm, Delivery, District, and Currency. The form is currently populated with 'Rice', 'Faya', 'FAQ', '12.18 MT', '1,233.00 FCA', and 'LILONGWE MALAWI USD'.

System showing all the three systems (Market Info, BidVolumeOnly and Warehouse Receipt) integrated.

Place new bid or offer

Select group: Select currency:

Type	WHR	Commodity	Variety	Grade	Bid volume	Bid value	Offer volume	Offer value	Incoterm	Delivery District	Currency
Select	Offer	WHR	Rice	Faya	FAQ		12.18 MT	1,233.00	FCA	LILONGWE MALAWI	USD

System showing a warehouse receipt offered on the platform.

Screen for Projection ESOKO

Place new bid or offer

Select group: Select currency:

Type	WHR	Commodity	Variety	Grade	Bid volume	Bid value	Offer volume	Offer value	Incoterm	Delivery District	Currency
Select	Offer	Beans	Soya	FAQ			5.00 MT	130,000.00	DAP	LILONGWE MALAWI	MWK
Select	Offer	Beans	Soya	FAQ			10.00 MT	130,000.00	DAP	LILONGWE MALAWI	MWK
Select	BID	Beans	Soya	FAQ	500.00 MT	105,000.00			DAP	LILONGWE MALAWI	MWK

System showing Bids and Offers submitted to the platform

BVO Screen for Projection BVO Explained Past BVOs BVO Notifications BVO Rules and Procedure

BVO

Line id	BVO Ref. No.	Commodity	Variety	Grade	Volume	Incoterm	Delivery District	Opening	Closing	Buyer
BVOLO/2012/54	BVO/2012/29	Maize	White (non GMO)	FAQ	300.00 MT	FCA	BALAKA	13/03/2012 08:15:35	13/05/2012 08:15:35	ACE
BVOL/2012/55	BVO/2012/29	Maize	White (non GMO)	FAQ	400.00 MT	DAP	LILONGWE	13/03/2012 08:15:35	13/05/2012 08:15:35	ACE

Offers

Time left: 12 days 17:51:50

Closes on: 13/05/2012 - 08:15:35

Ref. No.	WHR	Org	Broker	Value	Volume	Inco	Delivery District	Delivery location	Submission Time	Client
BVOLO/2012/191		GTPA	pc	30000.00 MWK	300.00 MT	FCA	BALAKA	Suppliers wahouse	30/04/2012 11:10:19	WILLIAM ZULU
BVOLO/2012/192		GTPA	pc	35000.00 MWK	400.00 MT	DAP	LILONGWE	Silos	30/04/2012 11:10:19	WILLIAM ZULU
BVOLO/2012/198		GTPA	pc	39000.00 MWK	300.00 MT	FCA	BALAKA	Suppliers wahouse	30/04/2012 11:13:41	John Mpango
BVOLO/2012/199		GTPA	pc	40000.00 MWK	400.00 MT	DAP	LILONGWE	Silos	30/04/2012 11:13:41	John Mpango
BVOLO/2012/200		GTPA	pc	40000.00 MWK	400.00 MT	DAP	LILONGWE	Silos	30/04/2012 11:13:41	John Mpango
BVOLO/2012/187		ACE	PP	40000.00 MWK	250.00 MT	FCA	LILONGWE	Suppliers wahouse	30/04/2012 11:03:52	BAYITONI SOLOBALA
BVOLO/2012/189		ACE	PP	41000.00 MWK	300.00 MT	FCA	BALAKA	Suppliers wahouse	30/04/2012 11:06:02	BRUNO MATAPA
BVOLO/2012/197		GTPA	pc	41000.00 MWK	400.00 MT	DAP	LILONGWE	Silos	30/04/2012 11:12:08	E. MANNAN
BVOLO/2012/196		GTPA	pc	42000.00 MWK	400.00 MT	DAP	LILONGWE	Silos	30/04/2012 11:11:49	E. MANNAN
BVOLO/2012/193		ACE	PP	42000.00 MWK	300.00 MT	FCA	BALAKA	Suppliers wahouse	30/04/2012 11:09:01	CHRISTOPHER ZULU
BVOLO/2012/195		GTPA	pc	43000.00 MWK	300.00 MT	FCA	CHIRADZULU	Suppliers wahouse	30/04/2012 11:11:49	E. MANNAN
BVOLO/2012/194		ACE	PP	45000.00 MWK	400.00 MT	DAP	LILONGWE	Silos	30/04/2012 11:09:01	CHRISTOPHER ZULU
BVOLO/2012/188		ACE	PP	45000.00 MWK	250.00 MT	DAP	LILONGWE	Silos	30/04/2012 11:03:52	BAYITONI SOLOBALA
BVOLO/2012/190		ACE	PP	46000.00 MWK	400.00 MT	DAP	LILONGWE	Silos	30/04/2012 11:06:02	BRUNO MATAPA

System showing active BVO Details, Time Left and offers offered against the BVO.

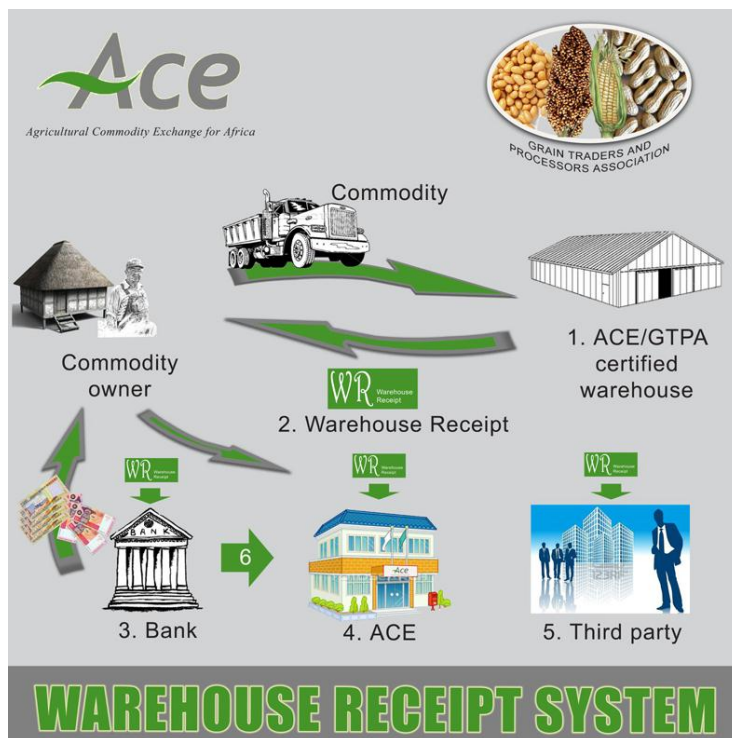
3) Warehouse receipts financed and traded on ACE

ACE worked tirelessly to implement a warehouse receipt project in Malawi in the summer of 2010; the objective was to develop a warehouse receipt concept trusted by all stakeholders, self-sustainable as well as value addition to all market players including a smallholder farmer.

The concept (**insert on the right**) was finally developed on three major pillars.

(1) Farmers are usually forced to sell their produce at low prices as soon as they harvest (high supply with relatively low demand) due to lack of storage as well as their immediate cash needs which prevents them to keep commodity till the price is right. (2) Commercial banks are not willing to lend to the smallholder farmers despite 80% of agricultural production is done by smallholder farmers due to the risks associated in that lending portfolio. (3) Contractual performance between smallholder farmers and organizations was very poor leading to numerous defaults on the exchange usually because the change in market price could have been higher than previously agreed contractual price, sometimes the quality and volume was never as specified in their respective agreements leading to more defaults and disputes. A warehouse receipt in such an environment perhaps is the answer to solve the above problems. Farmers are able to use their commodity on receipts as collateral to obtain a loan from participating banks during the high supply period in order to offset their immediate cash needs. Banks are willing to lend against this collateral up to 70% of the commodity value on commission that the commodity is in a third party insured warehouse which will in this case not release collateral unless the loan has been settled. Thirdly contractual performance is improved as a signature to sell the commodity by the depositor will mean an immediate invoice to the buyer and as soon as payment is made the buyer is guaranteed performance as the commodity is in third party hands.

The commodity Receipt (**insert on the right**) is given by Farming groups to their members as a receipt of their individual contribution towards a full volume of the commodity. ACE then provides the farming group with a receipt of the aggregated commodities by balancing up delivered volume with the individual receipts.



COMMODITY RECEIPT		OFFICIAL USE ONLY	OFFICIAL STAMP	
		Warehouse Receipt No:		
DEPOSITOR	WAREHOUSE	COMMODITY		
Farmer:	Warehouse name:	Commodity name:		
Village:	Warehouse No:	Variety:		
Mobile No:	Location:	Grade :..... Quantity (KG):.....		
Date of Deposit: / / 20....		Moisture level adjustment:		
DEPOSITOR SIGNATURE	WAREHOUSE MANAGER SIGNATURE	MARKETING COMMITTEE SIGNATURE		
.....				

In the year 2011 ACE certified the first warehouse to store Maize in the urban area of Lilongwe. 2011 was essential to prove that the whole concept is beneficial to all market players and get the first receipts issued and financed. 4 receipts were issued out of Farmers World Silo in Kanengo in August and September 2011 and financed by Opportunity International Bank of Malawi (OIBM). The receipts were later sold in October, December and January to the benefit of the depositor. A breakdown of profit calculations is on the (right insert).

Receipt No	WRS/2011/02	WRS/2011/03	WRS/2011/01	WRS/2012/04
Buyer	Senwes	UN WFP	UN WFP	C.H.Linde
Date Deposited	08/08/2011	11/08/2011	18/08/2011	18/08/2011
Date Contracted	08/10/2011	06/12/2011	06/12/2011	03/01/2012
Date Delivered	08/10/2011	15/01/2012	15/01/2012	03/01/2012
Volume (MT)	35.319	23.558	39.442	4.136
Amount financed	614,550.60	395,791.20	749,510.80	
Price at Deposit (MWK/MT)	29,000	28,000	28,000	28,000
Price Disbursed at (MWK/MT)	36,000	38,500	38,500	52,000
Sales Value before WRS	1,024,251.00	659,624.00	1,104,376.00	115,808.00
Sales Value after WRS	1,271,484.00	906,983.00	1,518,517.00	215,072.00
Added Value	247,233.00	247,359.00	414,141.00	99,264.00
COSTS				
Storage Period (in days)	65	137	137	125
ACE commission (0.2%)	2,542.97	1,813.97	3,037.03	430.14
Storage (12.86 MWK/MT/Day)	29,523.15	41,504.96	69,489.70	6,648.62
Handling (434 MWK/MT)	15,328.45	10,224.17	17,117.83	1,795.02
Bags/Bagging (1635 MWK/MT)	57,746.57	38,517.33	64,487.67	6,762.36
Interest (20% pa)	21,888.10	29,711.45	56,264.65	-
Total Cost	127,094.23	121,908.87	210,533.88	15,761.15
Profit after cost	120,138.77	125,450.13	203,607.12	83,502.85
Added Value in %	24.14	37.50	37.50	85.71
Added profit in % after cost	11.73	19.02	18.44	72.10
dis price - depos price / depos price * 100				
% of added value goes to				
Depositor	49%	51%	49%	84%
Storage operator	41%	36%	36%	15%
Bank	9%	12%	14%	0%
ACE	1.03%	0.73%	0.73%	0.43%
	100%	100%	100%	100%

4) Expanding the reach to farmer organizations

Expanding the reach to farmer organizations was one of the priorities at ACE for 2011; this was achieved through three fronts including Web to sms technology (Esoko), Sensitization workshops, and radio.

Web to sms technology (Esoko)

ESOKO is a new Technology that is used for sharing and managing information. It is an innovative mobile and web platform used by businesses, individuals and projects to push or pull market information in a quick and affordable way. It is based on the concept of Networks which can be associations, businesses, traders and any group that wants to exchange information. Organizations can create public or private networks to help manage communication with members and associates. Data is uploaded directly to the Network and redistributed via SMS push to all members of particular lists of members.

At first, Agriculture Commodity exchange (ACE) was disseminating information through E-mail. It was however difficult to reach out to farmers since they are located in the rural areas and they don't have access to online services. In 2011 profiled and added more than 2000 smallholder farmers and traders on its Esoko network and now provides regular price information through ESOKO. ACE is also using ESOKO to push trade opportunities to respective networks of farmers and traders. Response in 2011 has been very good and ACE has managed to link large number of small traders/farmers with larger buyers. Farmers have even started seeking advice from ACE on which commodities will be marketable or to invest in the next agricultural season. They also seek advice from ACE whether to sell or wait for better prices. ESOKO is therefore also acting as a tool for decision making as sellers are able to make right decisions before selling to any vendor that approach them.

Through ESOKO ACE managed to generate 96 contracts mostly small quantities serviced by small traders and farm groups. In addition other agricultural organizations dealing with farmers have expressed interest to work with ACE. Some of them have already asked ACE to sensitize their farmers and register them on ESOKO in preparation for the 2012 agricultural season.



Sensitization workshops

ACE has participated in different stakeholder forums as a general way of introducing its services to the market throughout 2011 and early 2012. This among others have advanced our brand in the eyes of smallholders in different regions of the country, however our lack of footprint limits farmer outreach in the most rural but vulnerable areas.

ACE has for the past two years participated in the National agriculture trade fair show casing available services to farmer groups visiting and this has proved successful with several contracts and partnerships developed through such initiatives.

Some of the Main organizations or stakeholders met over the project period are listed below.

Date	Beneficiary	Number of Participants	
		Male	Female
5th April, 2011	Cheka Cooperative Executive	7	3
15th April 2011	African Institute of Corporate Citizenship Farmers		
27th May 2011	Grain Bulking Centre Managers	13	2
12th July 2011	Farmers Union of Malawi	92	28
10th August 2011	The Wellness and Agriculture for Life Advancemnet (WALA) Farmer in Zomba	78	26
15th to 27th August	Farmers from different Associations at National Agriculture Fair	98	32
1st September 2011	Domasi Rice Scheme	11	8
2nd September, 2011	Nkhate Cooperative	8	5
14th September 2011	The Wellness and Agriculture for Life Advancemnet (WALA) Farmer in Luchenza	46	23
8th October 2011	Nathenje	3	22
13th October 2011	P4P Farmers	16	8
8th December 2012	Rumphi	12	0
5th January 2012	Chitsotsa Clubs - Simbi in Dowa	28	11
6th January 2012	Chitsotsa Clubs - Kasuntha in Dowa	77	20
7th February 2012	Simbi Association	16	5
22nd & 23rd February	Warehouse Managers	16	1
28th February	Kafulu Association	17	2
1st March 2012	Balaka Smallholder Farmers Association Executive Committee	8	1
19th March, 2012	Different Stakeholders	23	10
21st March 2012	Nathenje - Mpeni Association	13	5
21st March 2012	Nathenje - Nyanja Association	4	34
22nd March 2012	Balaka District Executive Committee	23	27
23rd March 2012	Balaka Smallholder Farmers Association - Ulongwe Chapter	37	8
23rd March 2012	Balaka Smallholder Farmers Association - Rivirivi Chapter	116	28
27th March 2012	Kafulu Communities	118	23
27th March 2012	Kafulu Communities	99	11
28th March 2012	Kafulu Communities	116	27
28th March 2012	Kafulu Communities	46	9
17th April, 2012	Mchinji Farmers	26	6
18th April, 2012	Gala Farmer in Ntchisi	120	64
19th April, 2012	WALA Executive Members	10	2



Farmer Radio Programme

Radio is the most common sometimes efficient way of reaching out to a farmer. Recent surveys have shown a 70% farmer outreach on agricultural messages through national and community radios.

ACE partnered with AIR (American Institutes for Research) a grantee from the Bill and Melinda Gates Foundation for Farmer Voice Radio, to promote ACE services including marketing via Radio. ACE has for the past years granted radio interviews, radio discussions on agricultural marketing and its services. Subsequent to success stories and farmer feedback, ACE now sits on a National Radio Agricultural Committee steering quarterly Agricultural marketing Radio agenda to be aired by all stations in Malawi up to 360hrs a week dedicated to agriculture.

5. Other Accomplishments

Warehouse Receipting in Malawi strategy:

The Agricultural Commodity Exchange for Africa (ACE) has advocated for a Warehouse Receipt System (WRS) as an integral part of agricultural trade and financing since its incorporation in 2005. There is a substantial need in the market for a system that will reduce risk of contract/performance defaults in agricultural trade and also facilitate competitive financing with agricultural commodities as collateral. Malawi does not have a regulatory framework for warehouse receipts, so the system has to be built on a contractual relationship between depositors, storage operators, financial institutions, and ACE. The success of the WRS is very much dependent on the active involvement from all participants and this is why it took 6 years before the first warehouse receipt (WR) was issued, financed and traded in Malawi. The benefit for the small scale sector is obvious and ACE anticipates that available third party storage capacity will soon become scarce as more depositors look to utilise space to improve their incomes. But the WRS will also add value to the large commercial operator. As the volume increases the WRS will become a very attractive vehicle for the flow of easy accessible competitive agricultural financing. Also, WR's from Malawi can be promoted regionally and internationally as a secure instrument, attracting more buyers and perhaps even agricultural investors and speculators that will ensure better prices of Malawian commodities secured on WRs.

The agricultural markets will experience an increased flow of more reliable and relevant market information available to all. The Government of Malawi (GoM) can use this information to better manage agricultural policies. As the registered storage capacity is utilized after harvest the GoM will know exactly what commodities are available and where. If export and export financing is done through the WRS, the GoM will know what tonnages are being exported and more significantly which commodities are meant for export, and thereby be in a much better position to introduce appropriate export/import policies. See full report [here](#).

Certified storage centers

Location	Capacity	Commodities	Open to third party storage
[location of storage facility]	[MT]	[Commodities that can be stored in the facility]	[capacity that could be promoted to third party against storage fees - MT]
Lilongwe	54000	Maize, Soya, Pigeon Peas, Ground Nuts, Sunflower	25000
Blantyre	52000	Maize, Soya, Pigeon Peas, Ground Nuts, Sunflower	11000
Mitundu	6400	Ground Nuts	Only excess capacity
Kafulu	500	Maize, Soya, Groundnuts	500
Mchinji	500	Ground Nuts	N/A
Balaka	500	Maize, Soya, Groundnuts	500
Natenje	500	Maize, Soya, Groundnuts	500

The central component of any WRS is the storage capacity available. The system is dependent on storage operators being willing to register their capacity with ACE and apply/integrate the terms and conditions in their storage operations. The two main conditions



are that stock on WRS is subject to inspection and audit and that commodity information (what is in store and where) will be public information. Ownership of a WR and underlying commodity will only be public information if the owner agrees to it.

The best WRS will have a good mix of commercial operators, Government/PPP and farmer organisations operating the storage facilities in both rural and urban areas. In Malawi, ACE has received expression of interest and will, in the coming months, look to register 114,400 MT storage capacity operated by commercial operators and National Small Holder Farmer's Association of Malawi (NASFAM). ACE anticipates that the total registered capacity for the WRS will reach 200,000 MT before the 2012 season starts.

Additionally, the National Food Reserve Agency (NFRA) has confirmed participation in the WRS. They will open the Kanengo Silos for third party storage and issue WRs to the depositors. NFRA has for some years now actually been the pivotal element in an unstructured WRS. Large operators have had some access to the silos and NFRA would, on request, confirm the deposits to the financial institutions which would enable finance to the depositor. A structured WRS, as described in the paper will ease the procedure and include more depositors. The vision is to include all NFRA storage sites, but this season operational procedures will be tested at the Kanengo silos.

ACE will seek a dialogue with ADMARC to investigate whether modalities for inclusion of some ADMARC storage facilities could be developed. ADMARC has ownership of a fine net of storage sites throughout the country. It is clear from the table above that registration of rural storage is much needed. It could really benefit the rural population if they could access secure storage, WRs and financing through commercial operated ADMARC sites.

Trade facilitation desks prepared

Ace has expanded its operations in terms of volumes traded through the trade platform since its inception in 2006. With the introduction of ESOKO in 2011 ACE has even increased its outreach to Smallholder farmers and this has created demand for its services in the rural areas. ACE, therefore, in partnership with Market Linkages Initiative and World Food Programme has embarked on an expansion programme of establishing trade facilitation centres in different districts in order to effectively serve its clientele. There will be 18 trade facilitation centres located in the three regions ie 6 in the South, 2 in the North and 10 in the Central region.

Each centre will have a trade facilitator who will be responsible for:-

- Raising awareness among smallholder farmers and traders on ACE operations, ESOKO and Warehouse Receipt System;
- Building and maintaining ESOKO database of farmer contacts;
- Provision of information on market opportunities to farmers and small traders;
- Linking farmers and farmer organizations to the markets;
- Conducting surveys on different.

ACE will locate its trade facilitation and price enumerators in the following areas as seen on the map on the left: (Mzimba, Jenda, Lilongwe, Madisi, Mponela, Chikhawa, Zomba, Balaka, Chimbiya, Lizulu, Mitundu, Limbe, Thondwe, Khamenya, Mvera, Mchinji, Ntchisi, Nkando, Phalombe).



AGRA; enabling small holder Farmers access to structured trade

ACE and GTPA formulated a two year market Access linkages intervention that was aimed at among others increasing smallholder farmer incomes through reduced post-harvest losses, increased access to markets, finance & information, improved quality of grain therefore premium price, and removal of key policy barriers in agricultural trade. The intervention relied upon training and workshops to teach farming organizations and small traders various ways they can bulk grade and market their commodity at a better price. The



training was combined efforts to actual link farmers to buyers and finance, sought active participation in trade sessions, integration in the ACE trading system and participation in the warehouse receipts system. The project would show that structured trade systems can benefit farmers and this requires a clearly defined approach and close communication with the target farmer organizations. Beneficiaries of this project accounted for 6328.5mt of various commodities facilitated by Agricultural Commodity Exchange for Africa over the period valued at USD 2,169,019.37 during the project period. This represents about 12% of trades on the exchange in the last 2 years.



Beneficiaries were trained on how they can access warehousing receipting system to encourage secure and affordable way of finance to various beneficiaries. 4 warehouse receipts were issued in August, a total of 116mt of commodities were deposited and accessed 70% finance at 22% pa in comparison to 26% pa they used to get before. This access also allowed the small traders to sale their produce at a better price 4 to 6 months after harvest.

Esoko MIS was implemented by Market Linkages Initiative (MLI), (a USAID funded project) during our project period to address lack of market information in the industry. Our project beneficiaries were quickly linked and trained on its access and benefits. ACE continuously sent market information and

opportunities during the marketing season to our registered project beneficiaries. Esoko market information system enabled ACE to disseminate market opportunities that generated 96 contracts of 2,752.4mt of commodities valued over USD1m. ACE prices disseminated through Esoko are now considered as a reference price for bargaining; critical to most rural farmers were price takers before the project intervention.

Quality of grain across project beneficiaries improved significantly, this was evident by more than 400mt sold to World Food Program's P4P (quality conscious buyer) over the project two years. Farmers who sold to WFP were generally paid a premium price for the quality of grain supplied, in some cases the prevailing price was 40 -70% higher than local market price.

GMAC council an agricultural trade advisory council to top government officials was formed and successfully negotiated some key policy issues. Among others the council successfully managed to lure government to lower minimum farm gate price paid for various commodities in 2010 in line with perspective export markets. This change enabled traders in Malawi export more commodities in 2011 (about 380,000mt 24,000mt more than last year) as the farm gate price was reasonable to export parity prices. GMAC council is in continuous liaison with Government on future policy direction in the sector.

6. Cost overruns

Despite a few approved revisions to the budget lines in January 2012 and a subsequent no cost extension there has been a no cost overrun during the project period. . ACE has used a total of \$95000 of the compete grant over the past 15 months, sharing the cost with ACE contribution totaling \$29300.



7. Summary

The market information now provided by trade platforms and BVO screen is the first building block to establishing an open and dynamic marketplace in Malawi. In support of these exciting initiatives various current projects are working to increase the number of certified storage facilities, especially in rural areas, that are designed to increase smallholder farmer's access to certified storage facilities and link them to other service providers for market information, access to financial services, insurance products and inputs.

WFP and ACE's effort to open up the market in Malawi will provide more opportunities for small operators and farmer organisations. However, these opportunities are not easily reached and it is up all agricultural organisations to implement activities and support structures that enable farmers to utilize this new marketing tool.

The BVO facility is creating local and regional price discovery and transparency in the market. We feel this is very important and an absolute necessity to Malawi's agricultural sector growth. ACE hopes our members and stakeholder will continue to support this new initiative.

ACE thanks COMPETE for the assistance over the last 12 months, which really have build momentum for ACE operations.



Appendix a: Details of unsuccessful regional tenders traded through ACE in 2011.

2) Delivery Details

- a) Delivery period: **15th April to 15th May 2011**
- b) Schedule: **Buyer to specify delivery period/schedule and load/uplift rate.**
- c) Location **FCA suppliers' warehouse
DAP Lusaka WFP's warehouse
DAP Maseru WFP's warehouse**

Quantity	Type of Pulses Required	Destination
136mt	Whole/Split Yellow or Green Peas only	Maseru, Lesotho
301mt	Any type of pulses except Pigeon Peas	Lusaka, Zambia

- d) Packaging **50kg pp bags marked as per attached specification**

2) Delivery Details

- a) Delivery period: **1st to 30th June 2011 or earliest delivery possible**
- b) Schedule: **Buyer to specify delivery Schedule.**
- c) Location **FCA suppliers' warehouse/DAP WFP's warehouse**

Quantity in MT	Destination
1,242Mt	Beira, Mafuia warehouse, Mozambique
1,090Mt	Maputo, STM warehouse, Mozambique

- d) Packaging **50kg pp bags marked as per attached specification**
- e) Origin **Sellers to specify in the offer the origin of commodity**

2) Delivery Details

- a) Delivery period: **15th June to 15th July 2011 or earliest delivery possible**
- b) Schedule: **Bidders to state delivery/shipping Schedule.**
- c) Location **FOB/CFR, NO FCA/DAP accepted**

Quantity in MT	Discharge Port	Destination
1,395Mt	Douala	Cameroon

- d) Packaging **50kg pp bags marked as per attached specification**
- e) Origin **Any, Except Indian Origin, Sellers to specify in the offer the origin of commodity**

2) Delivery Details

- a) Delivery period: **15 July to 15 August 2011, or earlier (at buyer's option)**
- b) Schedule: **Bidders to specify offered delivery period/schedule and load/uplift rate.**
- c) Location **FOB/CFR accepted; in the case of CFR offers, bidders must also offer on FOB terms**

Quantity in MT	Packing	Discharge port	Final Destination
12,700 mt	Bulk + empty bags as per section III. 17	Mombasa	Final destinations to be confirmed at award
12,700 mt	Bagged, as per section III. 17	Mombasa	

- d) Packaging **50kg pp bags marked as per attached specification**
- e) Origin **Any origin, except India. Offers with maize from Kenya must be accompanied by a guarantee of export to any country at the discretion of WFP**

