

## Growth of the Agricultural Commodity Exchange for Africa (ACE)

At the NRC field day in April Honourable Professor Peter Mwanza told journalists how ACE is trying to assist farmers find markets and the Honourable Minister even said that anyone, who produced a crop, should get in contact with ACE.

So why is this good advice?

In 2006 the National Small Farmers' Association of Malawi (NASFAM) took the initiative to establish ACE as an attempt to ease the marketing effort for small farmers. ACE managed to attract members from Malawi, South Africa, Zimbabwe and Zambia in its first year, but any early optimism was quickly overshadowed by problems inherent in the agricultural industry. Attempts to link farmers to markets were largely disrupted by performance defaults and attempts to provide market information were deflated by small volumes of trade.

From 2006 to 2009 ACE facilitated trade of 28,000 MT of agricultural commodities valued at USD 9,500,000. In 2010 the World Food Programme (WFP) decided to procure commodities through ACE, as part of efforts to reach smaller farmers and operators. This initiative gave ACE much needed traction in the market and trade volumes started to raise. In 2010 ACE traded 20,000 MT valued at USD 7,000,000 where WFP was responsible for about half. The growth seems to continue in 2011 where ACE to date already has facilitated trade of 30,000 MT.

ACE is now trading regularly in the major commodities and is in a position to provide the market with reliable price information. At the time of writing the price for maize is 26 kwacha per kg in Lilongwe. It therefore seems strange that farmers still are selling as low as 18 kwacha per kg just out of Lilongwe. ACE needs to reach these farmers. ACE is sending out SMS with prices and trade opportunities through the newly launched ESOKO system. Response has been very good and ACE has managed to link large number of farmers with buyers who are paying a premium price compared with what rural vendors are offering.



Ms Chamgwera (left) assisting Women in Agriculture at ACE trade session

This season ACE and the Grain Traders and Processors Association (GTPA) are starting a warehouse receipt system where farmers and traders can deposit their grain in professionally operated storage facilities. The depositor will keep ownership of the grain and be able to access financing using the grain as collateral. This means that a small farmer can keep ownership of the grain and sell in the lean period at a premium; or that the small trader can refinance the grain and purchase even more increasing profits. The warehouse receipt

system also provides a much needed performance guarantee in the market. Any buyer can buy multiple warehouse receipts from numerous depositors knowing that the grain is safe and that both quantity and quality is guaranteed. The system provides all the safety mechanisms, which will undoubtedly attract more regional and international buyers to Malawi.

ACE is working towards an integrated structured agricultural marketing system. Warehouse receipts should be issued from multiple storage sites throughout the country. These should be integrated with regional sites and holders of warehouse receipts should be able to take delivery from any facility of choice, provided they pay a premium covering transport and handling. The effect of this will be that a small farmer association can deposit 300 MT of maize in a Lilongwe storage facility. An international buyer can buy this receipt (and maybe many more) but decide to take delivery FOB Beira. The system will then transport the maize to a warehouse receipt site in Beira from where it will be loaded on a vessel for FOB delivery. The farmer association has in effect done a deep water export ensuring the best possible price.

Mr Chibweya, Chairman of Chiambi Cooperative has said that their cooperative will never sell outside ACE again. He continued: "ACE is there to help us and we have gotten much better prices selling through ACE".

If farmers get a good price for their produce, they will produce more leading to increased export, which will benefit Malawi. ACE has now proven that the concept works, but ACE have only had the capacity to scratch the surface of the need for training, capacity building and sensitisation. The Government of Malawi has included ACE in the National Agricultural Policy joining efforts for a strengthened impact. ACE integrates naturally with the Governments vision for agriculture with the ASWAP, the green belt initiative, fertiliser subsidy, increased public storage and improved infrastructure.



Training of farmers

The best price a producer can get is by market produce with all other producers. That is why it makes sense to follow the advice of Honourable Professor Peter Mwanza and contact ACE if you have produced anything this year!!