

ACE OVERVIEW

A Holistic Approach to Agricultural Marketing

August 2012



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1 In Short

The Agricultural Commodity Exchange for Africa (ACE) has experienced a rapid development during the last 3 years. The position of ACE in the value chain has been strengthened and the market has adopted ACE and the services the Exchange provides. The utilisation of ACE is still relatively small, but the structures are now in place and future activities can be focused on scaling up utilisation, rather than implementing new structures. ACE anticipates that this scaling-up phase will meet fewer obstacles and achieve quicker results than has been experienced in introducing structured trade into a highly fragmented and opaque market.

The ACE strategy will focus on 3 strategic components – The warehouse receipt system, trade facilitation and price information.

The warehouse receipt system has the potential to truly change agricultural marketing in Malawi and integrate and strengthen small farmers into the value chain. The system provides performance guarantees for buyers, maintains quality, reduces post-harvest losses and enables smaller operators access to financial services. In 2011 ACE started with 1 storage facility, 4 depositors, 116 MT in deposits and USD 13,500 of collateral financing. In July 2012 there were 7 certified storage facilities, 46 depositors, 4,000 MT deposits and USD 85,000 of collateral finance.

ACE will integrate market service providers with the warehouse receipt system. In July 2012 the first 5 Rab Processors Kulima Gold Depots (rural shops) will serve as warehouse receipt deposit points where small operators can receive warehouse receipts and financing. This approach dramatically increases the reach of the warehouse receipt system and will form a central point in the ACE strategy.

The ACE trade facilitation has in the past suffered from lack of information, communication and high levels of defaults. As the market develops these factors will improve and with performance guarantees through the warehouse receipt system, ACE anticipates that trade volumes will increase significantly. ACE has implemented a network of rural agents and as their capacities develop ACE will increase its rural reach. It is a clear priority to strengthen and expand the rural agent network together with increased access to those operating in these areas.

ACE has in the past done most of the outreach and capacity building activities independently and directly with beneficiaries. It will now be a priority to work more closely with farmer organisations and NGOs, and reach beneficiaries through these organisations. The knowledge and awareness of ACE is steadily increasing and these organisations are integrating structured trade activities into their programmes more and more. ACE will therefore be in a position to move towards a more support orientated approach to other organisations and thereby significantly expand its outreach and impact.

The price information is crucial for general transparency and communication. ACE started in 2011 with 450 farmers registered to receive ACE alerts with the best bid prices in the market. In July 2012 this has increased to 6500 recipients. With lower SMS costs in sight ACE wants to significantly expand this activity. ACE also collects market information from 28 rural markets and disseminates this information through the ESOKO market information system. ACE is now selling SMS subscriptions for this information and some NGOs and the WFP have already bought the information for their beneficiaries. In partnership with mobile operators these price information subscriptions need to be included in mobile services so it can be marketed to individuals and thereby expanded.

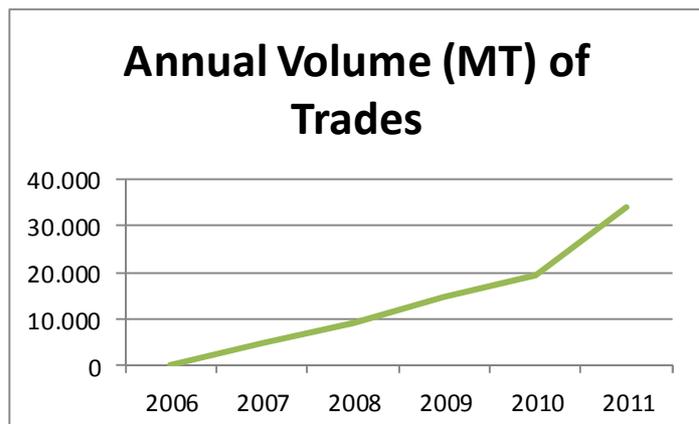
2 ACE in Context

The Agricultural Commodity Exchange for Africa (ACE) is an agricultural commodity exchange facilitating trade in the physical spot and forward markets. ACE has designed an online trading platform where market participants (from smallholder farmer to institutional buyers) can post “offers to sell” and “bids to buy” commodities; a price information system where market participants can receive market information on the internet and the mobile phone; and a warehouse receipt system that allow market participants to access finance and end markets.

As the name reveals, ACE has a regional and international scope. ACE welcomes regional and international trade partners to register and has currently 37 users in 6 countries. ACE is based in Lilongwe, Malawi where nearly all activities are implemented. To date the regional/international scope has been limited to sensitising foreign buyers and link them to Malawian suppliers; and actively linking with other exchanges in Zambia and Uganda.

In 2004 the National Smallholder Farmer’s Association of Malawi (NASFAM) took the initiative to establish ACE in an attempt to get better market access for their farmers. ACE started operations in 2006 in a very fragmented market characterised by a few buyers buying at low prices after harvest and selling at high prices in the lean season, Farmers did not have access to storage and were faced with the choice of selling after harvest at the prevailing prices / low farm gate prices, or trying to store at household level, which often resulted in very high postharvest losses.

NASFAM needed ACE to bring more buyers to the market to get better prices. Regional buyers registered with ACE to buy commodities straight from producers and small traders. However, defaults from the producers and small traders were common and quickly became a problem and since ACE was not able to guarantee performance the initial interest subsided. Without storage, brokers, or working market structures, ACE was really reduced from the idea of a



commodity exchange to a structured notice board. Confident that ACE had a place in the market, it continued to post “bids to buy” and “offers to sell” and although volumes of trade were limited, ACE still managed to increase yearly trades and provide the market with price information.

ACE took the lead to develop market structures and promote structured trade, to increase volumes on the exchange. Commercial operators had storage space, but were reluctant to offer space to third parties. Banks were keen to finance agricultural commodities, but risks outside the established companies were considered too high. The formation of ACE helped to break the traditional barriers and get market actors to support a new holistic trade system that integrates the whole value chain with benefits for all, especially the smallholder farmer. Rural economic development is a pivotal objective for ACE.

Many years have been spent on sensitising farmers and traders, explaining the warehouse receipt system and the associated benefits. USAID funded the setting up of the exchange structures including software. A wide number of donors funded sensitisation of farmers and trade facilitation activities. The EU and the

Common Fund for Commodities (CFC) facilitated the warehouse receipt system (WRS) structures. However, the greatest catalyst for progress was the decision by the World Food Programme's (WFP) in 2010 to start procuring through ACE. WFP wanted to support ACE as an emerging market structure and at the same time try to procure commodities from smaller operators. ACE utilised this increased demand to generate more interest in the market and developments started to accelerate.

In August 2011, ACE issued the first warehouse receipt. One of the first deposits was maize from members of the Paprika Association of Malawi (PAMA). They received immediate finance enabling them to hold on to their maize until prices increased. In December that year they sold part of their warehouse receipt to WFP, earning them 20% added net profit and in January 2012 they sold the balance to a medium sized trader, earning them 70% added net profit.

The warehouse receipt system is now the core activity of ACE and volumes are increasing. ACE is facilitating the value chain ecosystem, but a broad range of commercial partners: Storage operators, banks and trade partners are offering the essential services. The storage operators register with the warehouse receipt system to provide storage and handling service to the depositors, including small and rural operators. They receive the commodity; issue a warehouse receipt where quality and quantity are guaranteed. The banks trust that the storage operator can keep the commodity secure and will provide finance with the commodity as collateral. ACE's role is as a facilitator, software provider and registry.

ACE has registered seven storage sites operated by Farmers World, Grain Securities Limited, RAB Processors, KU Distributors, SENWES and Transglobe, totalling a capacity of 70,000 MT. All operators have agreed to take full liability for the commodity in store, enabling small farmers and traders to access finance and markets. This will undoubtedly lead to integration of the traditionally very fragmented agricultural market with the more formalised operations. ACE is in the centre of this development and is still sensitising farmers and traders to partake in the warehouse receipt system, as well as promoting the system to regional and international buyers. WFP have confirmed they will buy warehouse receipts and a large global buyer, Holbud Ltd, has just registered with ACE, also with the intention of buying warehouse receipts.

ACE has a network of 28 rural trade agents that brings ACE services closer to the farmers. The agents collect market data, issue contracts, facilitate transport and train rural participants. ACE is also registering rural service providers that will increase the reach of the warehouse receipt system. A large Malawian processor, Rab Processors has depots located all over the country covering nearly all local markets. ACE is in the process of integrating the depots, so a farmer can deposit the commodity at the rural depot and receive a warehouse receipt and immediate financing if needed. RAB will then transport the commodity to a registered urban warehouse receipt facility when they have free transport capacity. It makes sense for RAB Processors and it makes the world of difference to the farmer.

The whole principle of warehouse receipts is that the depositor maintains ownership of the commodity and therefore benefits from the seasonal price increase, facilitated by depositors receiving current price information on their mobile phones. ACE firmly believes that structured trade can contribute significantly to help lift Malawi's agriculture sector into a new era. The systems will ensure that farmers get a fair price and will provide incentives to increase yields and production. Malawi has been producing a surplus for some years, but the full commercial potential is still largely untapped.

ACE has developed the ACE trade system software where bids, offers, contracts and warehouse receipts are maintained. 37 trading partners from 6 countries have access to the system and ACE is in the process of

registering five banks in Malawi so they can manage and approve financing for the warehouse receipts on the system. ACE is using mobile technology to collect price information from the rural areas and disseminate this to farmers, traders and others in the agricultural industry. ACE has also just started using mobile banking to disburse financing for warehouse receipts in rural areas in partnership with Rab Processors rural depots and is eagerly awaiting the wider implementation of mobile money technology.

3 Vision

ACE will be a catalyst for rural economic development. Implementing structured trade will give farmers a better price for their produce. Some farmers will be linked directly with the upper part of the value chain and get a better price by cutting out the small trader; others will access the warehouse receipt system and financing and get a much better price later in the season; and the majority will get improved prices through the market information system enabling them to negotiate an enhanced price when transacting with a trader.

ACE believes that there are 3 choices for the farmers. When farmers contact an ACE rural trade agent, they will get information about prices at the rural markets close by, the best price in Lilongwe and Blantyre, and opportunities at the closest warehouse receipt deposit point or warehouse. The farmers can then make an informed decision and choose the option that matches their particular circumstances best.

The notion is that these 3 choices will compete to get required volumes; rural, urban, export, future and spot markets and this will lead to a fairer price to the farmer and hence increased economic development in the rural areas. Of course this is not a panacea for all problems, but ACE believes it has the potential to drastic change agricultural marketing and significantly drive rural development forward.

ACE does not intend to “squeeze” the small trader out of the value chain. On the contrary, structured trade offers the small traders many advantages. The warehouse receipt system will enable them to access finance and increase their liquidity, enabling them to handle more volumes than they are normally able to. This increased demand for more volume will of course also lead to fairer prices for the farmer. Through the warehouse receipt system the small traders can also access markets preciously unattainable to them and secure higher margins.

It is all about a structured transparent agricultural market. Price information is crucial and reliable and timely market information is only achieved through frequent contracts and a significant trade volume. ACE is not achieving this at the moment, but does collect price information from rural markets and buying prices from Lilongwe and Blantyre. By disseminating these prices, ACE does experience increased volumes of trade and the future vision is to be able to publish an ACE spot and forward market price index.

4 Sustainability versus profitability

ACE is a non-profit operation. Currently ACE is highly dependent on donor funding and grant support, Sustainability must be reached through commissions on trade and warehouse receipts and facilitation of price information, transport, finance and bags. Funding the current budget can be done with commissions from trading 150.000 MT of warehouse receipt trade plus commissions from affiliated finance and transport etc. which is not an unrealistic achievement.

ACE is confident that it can be a profitable business model, but has made the strategic choice to make the platform non-profit. The philosophy is that the users of ACE should make the profits by linking activities to the Exchange, i.e. brokering, storage, collateral inspections/management, transport and finance. The ACE platform will facilitate and enhance these services and charge commissions to reach sustainability. This model is intended to ensure that farmers and small operators can access the services of ACE at the lowest cost possible. Farmers can access the services of the large commercial operators if it makes economic sense, if not, they can choose to implement structures and access ACE directly.

It is not unthinkable that profit making components, such as a derivatives platform, a professional clearing house and/or other related services could emerge from or be attached to ACE. Different models and structures are possible, but it would make sense if ACE identified partners to operate these components and equity shares could contribute to the sustainability of the non-profit ACE platform.

5 Strategic Components

ACE will focus on three strategic components. The warehouse receipt system, trade facilitation and price information. These components are highly interlinked and interdependent. The slow development of ACE during the first 4 years can largely be contributed to the missing components. The warehouse receipt system was not in operation and the market information system was significantly lagging reach to those who most need it. One component will not succeed without the others and ACE therefore considers these to be the “tripartite pillars” of ACE.

ACE has grouped all operational activities under these components; crosscutting support activities such as Promotion, Arbitration and IT are grouped under general components 4 to 6. Each component has a budget figure attached which is derived from a percentage of the overall budget enclosed below.

5.1 Warehouse Receipt System



Component 1 is the warehouse receipt system. It is the pivotal component of ACE; the one with greatest benefit to the small operators and it is likely to become the most important income generator for the Exchange. Activities are concentrated on expanding and consolidating the system. The focus areas will be closer relationships with NGOs and farmer organisations ensuring that structured trade activities are widely spread. The National Food Reserve Agency (NFRA) has already committed their participation and it will be a priority to get them operational. The Agricultural Development and Marketing Corporation (Malawi) ADMARC has expressed interest and ACE will identify if a partnership can be implemented.

Quality standards, manuals and rules must be edited, published and be widely accepted. Banks need more sensitisation to ensure more participation and competition. Development of finance delivery vehicles such as mobile banking, mobile money and smartcard technology will also be a priority.

Training and sensitisation will be the most time consuming of all activities; the demand is huge and it is crucial that warehouse receipt awareness is widely spread. It will also be an important priority to target commodities other than maize. The system is already open to soya, peas and rice, but ACE needs to find a way to mitigate the aflatoxin risk before groundnuts can be included.

Certification of the receipt system by a reputable international body is a priority, but all the aspects of the system must be in place before this can be pursued. The certification will provide credibility to the system and will be used to promoted receipts internationally.

1 - WAREHOUSE RECEIPTS

Code	Activity	Action
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WR1.1 - Expand Number of Storage Sites

WR1.1.1	Certification of Storage for large operators	Communication with large operators Send Inspector
WR1.1.2	Map all suitable storage in Malawi	Develop TOR Employ consultant Team
WR1.1.3	Identify NGO/FO Partners to operate rural sites	Determine geographical area Determine funding needs Determine management needs Construct/refurbish/register Operations of site
WR1.1.4	NFRA Integration	Create NFRA operational Manual Support Implementation
WR1.1.5	ADMARC Integration	Investigate if some ADMARC Sites can be linked to the WRS Negotiate Modalities with ADMARC

WR1.2 - Quality Specification

WR1.2.1	ACE quality Specs	Revise and design Distribute to Warehouse operators / ACE users Call for meeting and adopt specs Publish the ACE Specs
WR1.2.2	Link to MBS	Share ACE quality specs Compare MBS and ACE specs and Identify differences Continued communication / meetings
WR1.2.3	Include quality spec from the region into ACE specs	Identify and obtain all used regional specs Integrate with ACE

WR1.3 - Warehouse Inspections and Audit

WR1.3.1	Develop operational guideline for inspections	Develop TOR Employ Consultant
WR1.3.2	Inspection Logistics	Identify a partner training institution Train team of inspectors Send inspection team on request Publish inspection reports

WR1.4 - WR Operations

WR1.4.1	Develop operational manual for WRS (Urban ACE logistics)	Identify all logistics
		Develop ACE operational Manual
WR1.4.2	Develop operational manual for WRS (Rural Operation and logistics)	Identify all operation and logistics
		Develop ACE operational Manual in English and Chichewa
WR1.4.3	Get groundnuts included in the system by moving risk of aflotoxin from storage operator to depositor or insurance	Stakeholder meetings
		Revision of the warehouse receipt rules
WR1.4.4	Development of best practices for warehouse management and physical requirements	Liase with MLI storage expert

WR1.5 - Service Providers

WR1.5.1	Develop operational guideline for Kulima Gold personel	Develop TOR
		Employ Consultant
WR1.5.2	Develop marketing material	Identify marketing channels
		Develop material
WR1.5.3	Develop and expand the service provider concept	Identify more service providers

WR1.6 - WR Finance

WR1.6.1	Bank Sensitisation	Bank Communication
		Sensitisation Meetings with Banks
WR1.6.2	Harmonise bank WR finance Procedures	Develop finance procedure and manual
		Facilitate training of bank staff
WR1.6.3	Link to mobile money and other technologies	Investigate ways to link
		Develop pilot strategies
WR1.6.4	Develop monitoring procedure	Map all finance steps
		Manual checks to avoid mistakes and fraud
WR1.6.5	Provide bridging finance to reliable ACE User for warehouse receipt deposits	Develop modalities and guidelines

WR1.7 - Warehouse Receipt System Rules and Certification

WR1.7.1	Finalise WRS rules and regulation	Adapt the WRS rules into ACE format
		Publish the rules
WR1.7.2	Certification of the system	Identify International recognised audit company
		Get the warehouse certified for international recognition

WR1.8 - Training		
WR1.8.1	Develop training material	Review and further develop training material for warehouse managers
		Review and further develop training material for rural communities
		Develop training material for Brokers and ACE agents
WR1.8.2	Training	Identify partners with beneficiaries targeted for WRS
		Identify users/stakeholder with knowledge gaps
		Conduct WRS trainings

5.2 Trade Facilitation



Component 2 is the trade facilitation. As described above, ACE has had many problems linking suppliers and buyers in the traditional agricultural market place. With the implementation of the warehouse receipt system, trade facilitation becomes more tangible and concrete. Warehouse receipts provide the buyer with a performance guarantee with which ACE will be able to facilitate contracts in an orderly manner in both the spot and forward markets.

The activities concentrate on expanding and strengthening the rural agent network. In essence, the rural agent is performing the same role as the brokers usually do, substituting the lack of commitment from the established traders to do so. The rural agent is the “focal point” for the farmers and small traders for market information; facilitation of servicing and collection of warehouse receipts and contracts.

Agricultural and marketing fairs organisation and participation together with regional and international demand create will be important activities. ACE anticipates a significant demand for warehouse receipt from foreign buyers and facilitating these exports will be a priority.

International demand creation will be very important as the warehouse receipt system gain volume. The receipts are perfect for export and ACE will need to create awareness and trust in these receipts. More efficient insurance or warehouse bond instruments that can protect buyers must be identified and evaluated.

The Bid Volume Only (BVO) system must be expanded. Although several buyers have used the BVO system it is really only WFP that uses it regularly. ACE needs to attract more buyers as the system is a great way to link small operators to large buyers. ACE would like to identify regional partners who can host BVO sessions. An international buyer can then place a BVO on the system and all partners will host simultaneous BVO sessions with regional competition and price discovery. In 2010/11 ACE and ZAMACE did this with great success. Of course a regional BVO system such as this will face potential performance difficulties from the small and medium sectors, but as has now happened in Malawi, a warehouse receipt system or similar can develop, built on the demand form the BVO system. It will take committed partners and ACE is eager to test feasibility.

2 - TRADE FACILITATION

Code	Activity	Action
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TF2.1 - Rural Agents

TF2.1.1	Agent Activities	Identify all agent activities
		Identify problems/challenges
		Develop an operational manual
		Develop agent document folder
TF2.1.2	Agent equipment/facilities	Identify each agent needs
		Develop guidelines for equipment and facilities
TF2.1.3	Monitoring of Rural Agents	Develop monitoring system
		Identify targets for agents / performance appraisal
		Map their activities
		Support the agents
		Visit the agent
		Agent motivation
TF2.1.4	Develop financial logistics	Contact farmers agent have sensitised to measure
		Cash transfers
		Expense/income conciliation
TF2.1.5	Rural agent expansion	Agent commission tracker
		Identify areas where we should be
		Identify potential agents
TF2.1.6	Training of rural agents	Strategy for large cities
		Develop training material
		Conduct training sessions
		Identify gaps in capacity
		Conduct follow up sessions

TF2.2 - Trade Request Handling

TF2.2.1	Trade Request logistics	Create internal procedure to capture request info (physical and phone)
		Create a call back list with missed calls and register the ACE response
		Create internal trade screen on Google drive
TF2.2.2	Create a designated visitor space	Receive area will be Trade Facilitators office
		Create service procedures for trade facilitators

TF2.3 - Contract Management

TF2.3.1	Pre-contract responsibilities	Develop guidelines from signing of contract of agency to Contract to establish Internal Broker/Contact responsibilities
		Continuously monitor bid/offer / feedback to Client
TF2.3.2	Post contract generation	Contract performance monitoring
		Settlement of contracts

TF2.4 - ACE Agricultural Fairs and Field Days

TF2.4.1	Assist organising WALA fairs	Organising meeting participation Fair participation
TF2.4.2	Identify areas and concept for additional fairs in 2013	Identify interested partners Conceptualise activities/location with partners Identify participants organise fair
TF2.4.3	Participation in National Fairs	Participate in the Agricultural Fair Participate in the International Trade Fair Participate in the IT Fair Identify smaller fairs such as NRC and FUM field days and evaluate if ACE should participate

TF2.5 - International demand creation

TF2.5.1	International event participation	Identify International buyer meetings, fairs and workshops Participate in selected events Link with Malawi Investment and Trade Centre
TF2.5.2	Links to international buyers	Identify regional and International buyers Develop a sensitisation campaign Frequent communication and sharing trade opportunities Visit regional buyers

TF2.6 - Trade Screen

TF2.6.1	Ensure updated buying prices	Make sure large buyers update their buying prices frequently Develop a scale so ACE knows what the rural equivalent prices are for each regular buyer
TF2.6.2	Ensure that active positions are in fact active and updated.	Monitor the trade screen and communicate with position holders
TF2.6.3	ACE Price Index	Invite for stakeholder meetings Identify and adopt methodology - what price and how to collect.

TF2.7 - BVO System

TF2.6.2	Promote BVO system	Sensitise national buyers Identify Regional and International buyers
TF2.6.3	Regional BVOS	Identify a partner in the region that can host regional BVO sessions simultaneously with ACE Sign MOUs and build capacity Partner with WFP and an international buyer to do several test BVOS Evaluate

TF2.8 - Trade Facilitation Training

TF2.8.1	Develop training material	Develop training material for Brokers and ACE agents Review and further develop training material for rural communities
TF2.8.2	Training	Identify partners with beneficiaries targeted for Trade facilitation Conduct trade facilitation trainings

5.3 Price Information



Component 3 is price information. This component has the widest reach and probably the greatest development impact of the three strategic components. Price information empowers the recipients; they are no longer vulnerable to traders taking advantage of fragmented markets. ACE can measure significantly higher selling prices with market participants receiving market price information than participants that do not. Also, ACE has observed an increase in the number of contracts generated when price information has been distributed.

A priority area will be profiling more farmers for market information dissemination. ACE will do profiling through the rural trade agents and sensitisation training. Also, registering farmers already profiled by NGOs and farmer associations will ensure a wide reach. Currently ACE has approximately 7000 farmers registered, but the target is set at 200,000. The USAID new value chain project “INVC” will introduce new satellite technology to Malawi. ACE will host one rural information station and create price and market content for the system.

Price information activities are related to 2 types of price alerts:



ACE alerts

are real trade opportunities collected from the ACE trade platform. ACE registers what prices the large buyers are buying and disburses an SMS with information of the best prices for the most traded commodities. The ACE alerts are pushed to a list of profiled farmers and small operators. At the moment ACE is subsidising the SMS cost, but the idea is that the added commission received from increases in trades will cover the SMS cost. The SMS is geographically determined, so the contact number in the SMS to a Mchinji recipient will contain the contact number for the Mchinji trade agent, where more information or the actual contract to supply can be collected.



esoko alerts

provide price information collected in local markets around Malawi. The prices are collected using the Esoko price collection methodology and uploaded directly from the market to the Esoko system. The information is free on the Esoko and ACE websites and it can be sent on weekly SMS' for a fee. Currently ACE is selling the price information to NGOs and associations, but will target individuals when an effective billing technology is in place.

ACE is also targeting both alerts to mobile operators. ACCESS and AIRTEL are currently designing a broader market service package, where market information will be an important part. ACE is also working with ACCESS to route SMS and calls from subscribers to the nearest rural agent for support; a decentralised SMS and call centre.

3 - PRICE INFORMATION

Code	Activity	Action
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PI3.1 - Enumeration

PI3.1.1	Enumerator Support	Weekly phone calls for support and monitoring
PI3.1.2	Verify collected prices	Monitor Price movements
		Call enumerators where there seem to be discrepancies
		Set up third party verifiers
PI3.1.3	Airtime management	send airtime to enumerators
		Monitor Airtime usage - ACCESS versus AIRTEL
PI3.1.4	ACCESS Phone Implementation	Implement ACCESS phone in areas with network (9 areas)
		Identify best billing scheme and network setup
		Test internet with ACCESS
PI3.1.5	Training of enumerators	Develop training material
		Conduct training sessions
		Identify gaps in capacity
		Conduct follow up sessions
PI3.1.6	Market expansion	Identify areas where we should collect prices
		Identify potential enumerators
		Identify potential partners to support inclusion of new markets
		Market characterisation

PI3.2 - Esoko Alerts

PI3.2.1	Create Alert	Connect subscription to an ESOKO profile
PI3.2.2	Monitor alert reports	Analyse alert delivery report
		Monitor fails SMS deliveries
PI3.2.3	Monitor Subscription	Manually deactivate expired subscriptions
PI3.2.4	Price Reports	Generate weekly price reports
		Create format that can be published
		Monthly reports to partners
PI3.2.5	Liasing with ESOKO Ghana	Frequently liasing and communication with ESOKO Ghana

PI3.3 - ACE Alerts

PI3.3.1	Price Collection	Sensitise large traders to provide ACE with buying prices regularly
		Regularly contact buyers to get buying prices
PI3.3.2	ACE alert dissemination	Weekly basis compile best prices
		Upload to Esoko and disseminate by geographical area
PI3.3.3	ACE market price reference scale	Organise stakeholder meetings
		Decide how to determine ACE market price
		Determine a scale so rural prices can be determined from a central reference point - minus transport.
PI3.3.4	Price trends	Register price trend in the trade system
		Display price trends graphs on website and trade reports

PI3.5 - Farmer Profiling

PI3.5.1	Registration/profiling of farmers	ACE HQ through sensitisation
		ACE agents through sensitisation
		Request farmers list from farmer NGOs, FO and Government
PI3.5.2	Create price dissemination guidelines	Guidelines should determine what to send to whom and when
PI3.5.3	Esoko Profile upload	Profiles for Esoko alerts must be uploaded

PI3.6 - Market Information Dissemination Methods

PI3.6.1	Newspapers	Resume talks with the Nation about weekly price information inserts
		Design a insert with Esoko and ACE alerts
PI3.6.1	Radio	Further develop partnership with Farmers Voice Radio
		Develop weekly price summaries for radio
PI3.7.1	Mobile Operators	Create partnerships with mobile operators for effective price information dissemination
PI3.7.4	ACE Website	Further develop the market information section on the ACE website,.
PI3.7.5	INVC Satelite technology	Create a station at Bucow Investment in Mchinji
		Create ACE Price, market and education content

PI3.7 - Price Information Training

TF3.7.1	Develop training material	Develop training material for Brokers and ACE agents
		Review and further develop training material for rural communities
TF3.7.2	Training	Identify partners with beneficiaries targeted for Price Information
		Conduct Price Information trainings

5.4 Promotion

Promotion is a very important cross cutting activity. Awareness in the market is crucial for any commodity exchange as the services are often unknown to the users and beneficiaries. This is probably is the determining factor why participants are not using ACE services on a larger scale.



“Do you call ACE before you trade” has become the ACE catchphrase. At this point it is really all ACE needs. Both farmers and traders are operating without knowing the real market prices. This season ACE had an approach from a sunflower trader, looking to sell at MK 90 /Kg. He got a contract to supply at MK 142 /kg. ACE can be pretty sure he will call the Exchange next time he trades!

The promotion activities are concentrated around creating relationships with Government, Media, NGOs, mobile operators and training institutions.

4 - MARKETING AND PROMOTION

Code	Activity	Action
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MP4.1 - Marketing and Promotion

MP4.1.1	ACCESS Promotion	Create material and provide to ACCESS team Visit selected promotion sites Monitor price information subscription progress Compile information in excel
MP4.1.2	ACE Marketing Materials	Decide what marketing material ACE needs Evaluate, improve eexisting material abd create new Create stock system so ACE always have material ready
MP4.1.3	ACE Signs and Posters	Create road signs and banners for ACE certified warehouses Create posters/banners for ACE rural agents
MP4.1.4	ACE information Screens	Develop a technical report how ACE can manage market information on remote screens (at warehouses, agents, stakeholder and Government offices)

MP4.2 - Government

MP4.2.1	Extension Services	Employ Bunda Extension office to train Government extension service and ensure that the concept of ACE are understood
MP4.2.2	Send weekly Ministerial Brief	Weekly price, trade and volume in stock briefs to relevant Ministries

MP4.3 - Media		
MP4.3.1	Media relations	Create a proper media network
		Get media more involved in activities
		Use advertising

MP4.4 - NGOs		
MP4.4.1	NGO sensitisation	Host marketing seminars for NGO marketing professionals
		Create database of all NGOs working in agricultural and maintain contacts
		Share more information of ACE activities

MP4.5 - Universities and Research Institutions		
MP4.5.1	Guest lectures	Actively pursue lecture at agricultural institutions
		Develop educational material for the institutions and the website.

MP 4.6 - ACE Website		
MP4.6.1	Further develop the website	Write and update the missing sections
		Develop the educational page
		Develop a proper statistic section
		Ensure all news/activities / articles are uploaded timely

5.5 Arbitration

ACE will use arbitration as dispute resolution. Arbitrators were trained in 2006, but ACE has not had any arbitration to date. There is a need for a refresher course as well as a more advanced arbitration course. Arbitration is not widely used in Malawi and ACE will register a commercial arbitration centre to promote commercial arbitration, thereby broadening the use of arbitration.

6 - ARBITRATION

Code	Activity	Action
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A6.1 - Registering Arbitrators		
AR6.1.1	Identify new potential arbitrators	Obtain CVs and create a shortlist
AR6.1.2	Conduct trainings	Organise an introduction/refresher course
		Organise an advanced course
AR6.1.3	Conduct mock arbitrations	Mock arbitrations at least once a year

A6.2 - ACE Arbitration Rules		
AR6.2.1	Review Arbitration rules	

A6.3 - Register Commercial Arbitration Centre		
AR6.3.1	Register Commercial Arbitration Centre	Identify strategic partners
		Incorporate a LTD company
		Promote arbitration in commercial contracts

5.6 IT

IT is a central component of all ACE operations. ACE decided to develop the trade system in-house and build and grow it as activities increase. It is obvious that ACE with 200 contracts and 100 depositors on warehouse receipts can do without a state of the art exchange system; however the system in use has been designed and built to meet the current needs of the Exchange with provision for future expansion built in. To achieve this, ACE has one Malawian developer and a part-time expatriate consultant for support and uses an SQL database with an ASP.NET interface.

The trade system has three parts.

The BVO System which is effectively a reverse auction system. This was developed for WFP as an alternative procurement method to the traditional WFP closed tender system. The BVO is an open platform where suppliers can post their offer prices, against bids for a volume of commodity posted by the buyer and are also able to see what prices other suppliers are offering. The BVO has a pre-determined closing time, but it can be extended if there is a lot of activity 2 min before closing time, at the discretion of the buyer.

The Trade System where ACE will post “bids to buy” and “offers to sell” and promote positions through the market information system. The system will generate contracts and create market statistics for the users.

The Warehouse Receipt System which is an electronic registry database that contains all relevant information about the receipts. It will calculate storage cost, finance cost and keep track of deposits, drawdowns and transfer of ownership.

All three parts are integrated so warehouse receipts can be traded on both the BVO and trade system and the trade system will generate contracts from the BVO system.

7 - IT

Code	Activity	Action
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IT7.2 - Farmer Database

IT7.2.1	Create a farmer database linked to ACE trade system and sms gateway	Investigate Agrotech database and decide whether to buy or design/create
		Identify priority functionalities - monitoring of trainings, trade, price information and farmer

IT7.3 - SMS gateway

IT7.3.1	Implement SMS gateway for ACE trade system alerts and ACE price information	Design communication between ACE server, Surftown server and gateway
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IT7.4 - Office Network / equipment

IT7.4.1	Software Licenses	Apply for reduced price licenses of all software
IT7.4.2	Optimise network security	
IT7.4.3	Review design of shared folder system and physical files	

IT7.5 - Access Partnership		
IT7.5.1	SMS	Design short code menus for interactive communication through ACCESS
		Ensure lowest possible rate
		Monitor free price information to access subscribers - how many buy after period ends
		Design geographical determined SMS so an sms request goes to nearest agent
IT7.5.2	Talk	Monitor talk between ACE ACCESS phones.
		Design so ACCESS subscribers can call directly to nearest agent
IT7.5.3	ACE branded phone	Determine whether ACE should pursue an ACE branded ACCESS phone that comes with market info, support, mobile money etc.
		Cost benefit analysis

6 Budget

YEAR BUDGET - Core Operational

Item	Unit	# Units	Unit Cost	Total
Human Resource				
Management	Per Month	12	10.000,00	120.000,00
Operational Staff	Per Month	12	8.000,00	96.000,00
IT	Per Month	12	4.700,00	56.400,00
Accounts	Per Month	12	3.000,00	36.000,00
Rural Agents	Per Month	12	4.000,00	48.000,00
Office/compound personel	Per Month	12	1.000,00	12.000,00
Office				
Rent	Per Month	12	2.500,00	30.000,00
Internet	Per Month	12	1.000,00	12.000,00
Communication	Per Month	12	1.500,00	18.000,00
Stationary	Per Month	12	300,00	3.600,00
Utilities	Per Month	12	400,00	4.800,00
Equipment	Lump	1	10.000,00	10.000,00
Operations				
Vehicle Maintenance	Per Month	12	500,00	6.000,00
Fuel (4000km /month)	Per Month	12	750,00	9.000,00
Travel Allowances (15 days per month)	Per Month	12	1.500,00	18.000,00
Promotion	Per Month	12	1.500,00	18.000,00
Total				497.800,00
Warehouse Receipt System		30%		149.340,00
Trade Facilitation Share		30%		149.340,00
Price Information		17%		84.626,00
Promotion		5%		24.890,00
Arbitraion		3%		14.934,00
IT		15%		74.670,00