

## The ACE Market Information System

This is the second out of seven articles published by ACE to mark 15 years of operation and celebrating the regulatory license recently acquired from the Registrar of Financial Institutions. The articles will be made available on the ACE website, as they are published by selected media.

The Agricultural Commodity Exchange for Africa (ACE) has labelled market information as the first step on the structured trade ladder. It is a natural start, being a manageable and cheap way to integrate and work with rural populations. The theory, research and practice on use of market information is plentiful and, although not unanimous, it points to the fact that access to market information benefits rural individuals. However, the main longer term problem with market information is that no one seems to have managed to make a market information system economically viable. ACE believed it had an advantage. ACE did not need to sell the information to farmers, ACE could give it for free. Eventually, all things being equal, ACE anticipated that providing market information would lead to increased trade, with the commission on the traded volume covering the cost of the market information. **The idea of a sustainable market information system integrated with the trade platform, made ACE jump at the opportunity, when the USAID market linkages initiatives (MLI) facilitated ESOKOs entry to Malawi in 2011.**

ESOKO was a technology platform out of Ghana and had spearheaded large scale distribution of market information through SMS in many African countries. ACE started collecting price information from rural and urban markets and uploading it to the ESOKO platform and then utilising the ESOKO technology to send out the information on SMS.

To pilot this, ACE registered 250 farmers on the ESOKO platform. The result was incredibly promising. Within 2 months over 70 contracts were signed on ACE, making the exercise very sustainable. An interesting personal story also emerging which was later published by USAID.

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### USAID SUCCESS STORY – SARA MAUNDA

*Sara Maunda lives on a two acre farm about 50 km outside Lilongwe. Sara would normally sell to traders who came to her farm. She assumed they were paying her market prices. In 2011 she registered with ACE and started receiving price information on her phone. She harvested 150kg of groundnuts that year and when the trader came to her farm she was shocked to find out that he was only offering her a fourth of the price she received on her phone. She rented a pick-up with her neighbours "... and there we were: off to Lilongwe with our bags of groundnuts" as she put it. Sara managed to get USD 130 after cost, compared to USD 27 she would have received from the vendor*

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**ACE immediately started plans to scale this – market information was seen as the key to scale trade volumes, integrate rural populations and develop a sustainable Exchange.** By the following season, ACE had registered 12,000 farmers and was preparing to significantly increase volumes of trade. Nothing happened... MIS related trades were nowhere close to the results of the pilot and commissions earned on trades could not cover the cost of sending messages to 12,000 farmers. This did not necessarily mean that the farmers did not benefit from the information, but the local and community impact of the SMS campaign was not captured at the time, as ACE focused our impact metrics on the volume of trade through the ACE platform.

In 2014 ACE entered into partnership with Avenir Technology, an experienced commodity exchange system designer and developer. The first module to be implemented was the client database

integrated with market information. ACE could register farmers and traders and share market information, but the clients could also access the warehouse receipt system and trade platform. The Avenir partnership meant ACE could integrate all functions. This new system also allowed ACE to provide partner organisations with access to the database, so they could register their beneficiaries and ACE would push information to them. ACE quickly signed up several partners and in 2015 Farmers Union of Malawi (FUM) launched their National Communication Platform using ACE/ Avenir technology.

Despite the early excitement and uptake, partners were unable to devote the time and staff to the effective management and maintenance of these farmer databases. Even ACE's own database showed an increasing number of inactive mobile users as there was no way to identify or automatically remove numbers that had been changed or discontinued.

When it comes down to it, the establishment, registration and maintenance of client databases for market information only, is not sustainable and therefore reliant on donor funding. Today, ACE has about 140,000 clients registered. This number is slowly increasing as more farmers are trained and more partners sign up. Due to the cost of SMS, ACE is very selective on what information is shared, to whom its shared, and the frequency of this. Ideally, ACE would be in a situation where market information could be shared with all actors, but that is not realistic or sustainable.

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#### **IFPRI ACE MIS STUDY**

*In 2018 IFPRI approached ACE with an idea to look at the impact of market information. Needless to say, ACE eagerly accepted. The study was conducted during the 2019 marketing season in 4 districts (Mchinji, Ntchisi, Dowa, and Kasungu). The aim of the study was to look at the impact of receiving market price information for farmers' sales of maize and soya. 2 Farmer Organisations in each district were selected. None of the Farmer Organisations had worked with ACE before and each district was assigned an intervention group, which was receiving weekly market prices for soya and maize, and a control group, which was not receiving market information.*

*The study found that, for the intervention group, the share of sales of both soya and maize through structured markets increased more than the share of sales through structured markets for the control group. The intervention group also saw more of an increase in the prices that they sold their maize and soya at, than the control group.*

*It was therefore concluded that receiving market price information is beneficial to farmers when they are making decisions about their trades. While anecdotal evidence showed higher prices and positive impact from the market information SMS, the conclusions of the study were statistical insignificant and therefore not conclusive.*

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**ACE concluded that it is crucial to provide additional support to the farmers who are receiving the price information** to ensure that they understand it, but also that they understand other requirements of quantity and quality, and the principles of structured markets and collective marketing.

ACE has in the recent years seen significant progress with a combination of market information and targeted training. Through support from GIZ's KULIMA MIERA, ACE was able to create a bespoke training service that provided farmers with the knowledge and skills to access structured markets. The ACE Marketing School (AMS) is a 3-day training for 30 members of a partner Farmer Organisation with modules on ACE services, market information, collective marketing and

aggregation, trade facilitation, an introduction to the warehouse receipt system, ACE's input supply model, and how to develop and follow a marketing plan. This intensive training is supported with ongoing engagement from ACE Rural Marketing Advisors who provide ongoing advice and support to Farmer Organisations, helping turn the newly acquired knowledge and skills into improved access to markets and higher prices for their commodities.

All trainees receive price information on SMS and this, coupled with the support of their local Rural Marketing Advisors, and the skills and knowledge gained from the AMS, help farmers to know that the price they are offered is a good one, and sell on that basis. After 3 years of implementation, ACE is seeing significant interest from farmers and steadily increasing adoption of ACE services and structured trade. In fact, ACE has seen farmer uptake increase by 450% and average volume traded by FO increase by 650% between 2017 and 2019.

In 2019, ACE started work on an agricultural extension app, named Zaulimi, with Welt Hunger Hilfe (WHH). In addition to disseminating market information, **the App will also be loaded with agricultural extension messages in form of audios, videos, pictures and books, so farmers can access information in different ways, suiting their literacy level.** In essence ACE is piloting whether the smart content in the App can in some way substitute elements of a 3 day AMS training, which is not cost efficient for nationwide scaling, despite small-scale interaction showing the largest impact on changing farmer behaviour and increasing access to structured markets. Furthermore, if the App can support the dissemination of market information, then that element is scalable to the extent farmers have smart phones of course.

There is no doubt that ACE still believes market information is beneficial and a critical first element of structured trade. ACE also acknowledges that we do not have the right model **yet** and that increasing adoption of structured trade models is much more complex than just sending an SMS with a price. ACE will keep registering farmers, keep pushing partners to sign up, keep piloting new methodologies and technologies **and first and foremost keep making agricultural market information readily available in Malawi.**