AGRICULTURAL MARKETS AND SMALL-SCALE PRODUCERS:

ACCESS AND RISK MANAGEMENT TOOLS

EuropeAid

Information Note

RURAL DEVELOPMENT, FOOD SECURITY AND NUTRITION

Market information systems (MIS)

Agricultural commodity exchanges (ACE)

Warehouse receipt / inventory credit (IC)

Contract farming (CF)

Index-based insurance - smoothing funds

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This document is based on a study conducted by Alec Bouchitté and Sylvain Dardel for HTSPE at the behest of the European Commission. It has been updated to incorporate recent studies and observations.

The aim of this note is to provide European Commission staff with background information and points to consider regarding support for small-scale farmers to help them access agricultural markets. This is a working document that does not represent the opinions or final recommendations of the Commission.

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CONTENTS

1. Introduction

This information note is part of the European Commission's *Agenda for Change*[1], in which sustainable agriculture is a priority. It begins with an executive summary (Chapter 2), followed by a discussion of the importance of smallholder access to agricultural markets in Chapter 3. Chapters 4 to 7 provide a review of some of the tools that help bring about such access:

- Market information systems (**MIS**)
- Inventory credit (**IC**)[2] or the warehouse receipt system
- Agricultural commodity exchanges (**ACE**)
- Contract farming (**CF**)

In addition to MIS, IC and CF, two risk management tools that have recently emerged are briefly examined in Chapter 8:

- Index-based insurance
- Smoothing funds

Chapter 9 deals with EU cooperation with regard to the aforementioned tools, and examples of measures are set out in Annexes 5 (a), (b), and (c). The paper concludes with a series of general recommendations (Chapter 10).

The study conducted for the Commission on which this information note is based is entitled *Review of some approaches to support small-scale producers in developing countries for the marketing of agricultural products, including market information systems (MIS), agricultural commodity exchanges (ACE) and contract farming (CF).* Available on the Capacity4Dev site, it contains case studies and observations that may be a useful complement to this document.

2. Executive Summary

The agricultural market access **tools** discussed in this paper, primarily market information systems (**MIS),** inventory credit (**IC)** and contract farming **(CF)**, may, **under certain conditions**, be **effective in improving global agri-food value chains in developing countries, achieving better food security (urban and rural) and increasing farmers' incomes**.

There is a **scale** of interconnections **between these tools**: a commodity exchange (ACE) requires local inventory systems linked to inventory credit mechanisms (IC), which are in turn more effective when buyers and sellers are informed (MIS). Risk management, for instance through index-based insurance, is an ideal complement to agricultural market access tools.

Widely **used** in industrialised countries, these tools are developing rapidly in emerging countries and more slowly elsewhere. Some southern and eastern African countries have become leaders in adopting these practices. To date, only MIS are truly widespread.

Use of these tools often yields mixed **results**, revealing the complexities of agriculture in developing countries. However, all are currently being researched as part of development efforts to adapt and fine-tune them.

When effective, these tools are often found to be more beneficial to downstream players and large-scale agricultural producers. In other words, unless small-scale farmers are particularly well organised, these tools have **relatively little effect on the asymmetries in value chains**. An inclusive approach to analysing and developing value chains enables optimum use of these tools[3].

The **key challenge** is **to empower small-scale producers to exploit these tools**.

[1] Increasing the impact of EU Development Policy: an Agenda for Change – COM(2011) 637 Final.
[2] Inventory credit was described in the study as a "type of intermediary market organisation" under the section on ACE. However, a separate chapter has been devoted to it in this information note due to its significance.
[3] See the Europeaid information note on inclusive value chains.

However, current trends and prospects vary widely **depending on the type of tool concerned**.

In developing countries, **MIS** have been in use for some twenty years and are now fairly widespread. A first generation of MIS, managed through public administration and focused on food security, was followed by a second generation aimed at commercial production and utilising new information and communication technologies (ICT). Too few of these managed to achieve financial independence. With MIS it is particularly important to provide useful economic data beyond pricing alone, to increase the speed at which information is processed and disseminated, and to strengthen the capacity of operators such as smallholder producers.

The **warehouse receipt** or inventory credit (**IC**) system is unarguably the most interesting and attracts the most attention, including from producer organisations. It can provide solutions in several areas: financing (seasonal), crop storage and income (when the market behaves as forecasted!). It can also be seen as an incentive and an introduction to saving and therefore to potential investment. It has been found that smallholder producers[4] struggle to use these services properly and that results vary according to the products involved. Nevertheless, this tool has potential because it is relatively easy to adapt.

Indian agriculture, which remains family-based with predominantly small-scale producers, has successfully used **ACEs** to boost income and risk management. This has been achieved by relatively good agricultural sector organisation and also by clustering production through cooperatives and farmers' organisations on the one hand, and a vibrant private sector on the other.

Before institutionalised ACEs can be set up in less developed countries where they are still few and far between, sector functioning must be improved and agents' capacities strengthened, including small-scale farmers and their organisations. A pragmatic, cautious approach is therefore recommended, drawing on the experiences of emerging and existing ACE embryos in Africa, particularly eastern and southern Africa.

Contract farming is a very promising means of linking producers to downstream sectors and is already widespread in emerging and industrialised countries. In developing countries, CF is most common in traditional agro-industries (cotton, sugar, tobacco, and rubber and palm production). In non-traditional sectors, however, (meat, milk, fruits and vegetables, flowers, etc.), CF often involves only the largest producers. Of the major initiatives, the 'agricultural growth corridors', set up by several large international private groups and some African governments, seek to promote CF through public-private partnerships.

In general terms, CF can enable small-scale producers to enter more lucrative sectors and gain quick access to technology, production facilities and related funding. However, it does entail significant risks because of the greater power wielded by downstream sectors. The potential risks pertain to the environment, the right to land and dependence on investors.

Risk management tools such as smoothing funds for price risks or index-based insurance for weather risks could be a way forward in developing countries. However, numerous issues have yet to be resolved: they are difficult to implement, financial sustainability remains problematic and access is selective (only some value chains are affected). An interesting type of index-based insurance for livestock has emerged, based on the state of the livestock.

EU development policy, which has traditionally supported agriculture in developing countries, is attaching increasing importance to this sector to achieve better results in tackling poverty and food security. Although the Commission and Member States have already set up many important measures, field activities and research into these tools, the issues are complex and technical and the results are often still uncertain. Therefore, efforts must now focus on greater understanding of current experiences and on harmonising support.

3. The importance of agricultural market access tools

The technical dimensions that are described here should not obscure the two key aims of this document (see points A and B below), namely to frame these tools in the context of development goals and to underscore the importance of tool design and implementation.

[4] Comments made by Mr Kiriro of the East African Farmers' Association

We know that **agricultural growth in developing countries reduces poverty**[5]**.** However, findings based on averages should not eclipse the overriding importance of the agricultural models utilised and the access that the poor have to resources and markets. In other words, **the more involved small-scale farmers are in finding solutions, the more effective agricultural growth is in reducing poverty**.

The difficulty in producing marketable surpluses of the right quantity and quality for agricultural markets lies in the fact that **family farming**, which is widely prevalent in developing countries, is often also a means of subsistence. However, this is not an explanation. Farmers' strategies are often prudent, conservative and can sometimes carry little economic logic, but one of the decisive factors is very likely access conditions to agricultural markets. Indeed, many examples have shown that under the right conditions, family farming can be extremely dynamic and maximise on its strengths (availability of labour, knowledge of the land, community solidarity, etc.). Furthermore, agricultural demand, especially for food, is high and rising inexorably: a 70 % increase in food availability is required by 2050. Africa, in particular, is forced every year to import food costing billions of Euros when it could produce much of this food on its own land, probably with positive knock-on effects on nutrition and agricultural biodiversity (by developing millet, cowpea, etc.).

This raises two important considerations:

(**A) Improving smallholder farmers' access to agricultural markets is therefore essential to reduce poverty and increase food security**.

The tools described in this paper are part **of a raft of mechanisms aimed at boosting market access**. One of the most significant of these is **value chain** analysis and development[6]**,** which attaches particular importance to demand.

Moreover, as we shall see below, it is vital for these tools to evolve and adapt. As such, **reactivity**, which is usually the prerogative of the private sector, and **interaction** with 'users' - the small-scale farmers - are very useful.

Strong, capable producer organisations (POs) are necessary to ensure proper **development, implementation** and **'maintenance'** of tools.

POs also have an important role to play in ensuring **the inclusive effect** of these tools, but public authorities must also show political will (consistency and compliance) and enforce good governance in the sector.

The State is key in making sure that agricultural supply meets demand. In particular, **significant productivity gains** must be made in terms of land[7] (inputs, irrigation and mechanisation) and work (training and organisation). This is possible if the **land status is solid**, **rural investments** are made and **efforts in research**[8] **and support of** producers are undertaken.

[5] Comparative studies in developing countries have revealed that growth in the agricultural sector is five times more effective in reducing extreme poverty (< USD 1/day) than in other sectors (grouped as "non-farm") [Luke Christiaensen (UNU-WIDER), Lionel Demery (Development Consultant) and Jesper Kuhl (Development Consultant) - UN presentation June 2010]. This statistic shores up the findings of the World Bank World Development Report 2008, which based its analysis on the continuing importance of agriculture to gross national product and employment in most developing countries (up to 50 % and 85 % respectively): "*For China, (...) growth originating in agriculture is estimated to have been 3.5 times more effective in reducing poverty than growth outside agriculture—and for Latin America 2.7 times more"*.

[6] See the EuropeAid information note on inclusive value chains.

[7] In family farming, land productivity (per ha) may already be very satisfactory, with plots operated almost optimally and a certain level of biodiversity maintained. However, for reasons of resources or motivation, because the amount of farmed land is small, productivity per person is low compared to intensive agriculture.

[8] For instance, as part of the African Union's Comprehensive Africa Agriculture Development Programme (CAADP), governments pledged to allocate 10 % of their budget to agriculture (Maputo Declaration – June 2004), showing that agriculture is once again at the top of the development agenda.

[B] Joint efforts that must be undertaken between public and private sectors[9] are improved when they are part of sector strategies[10].

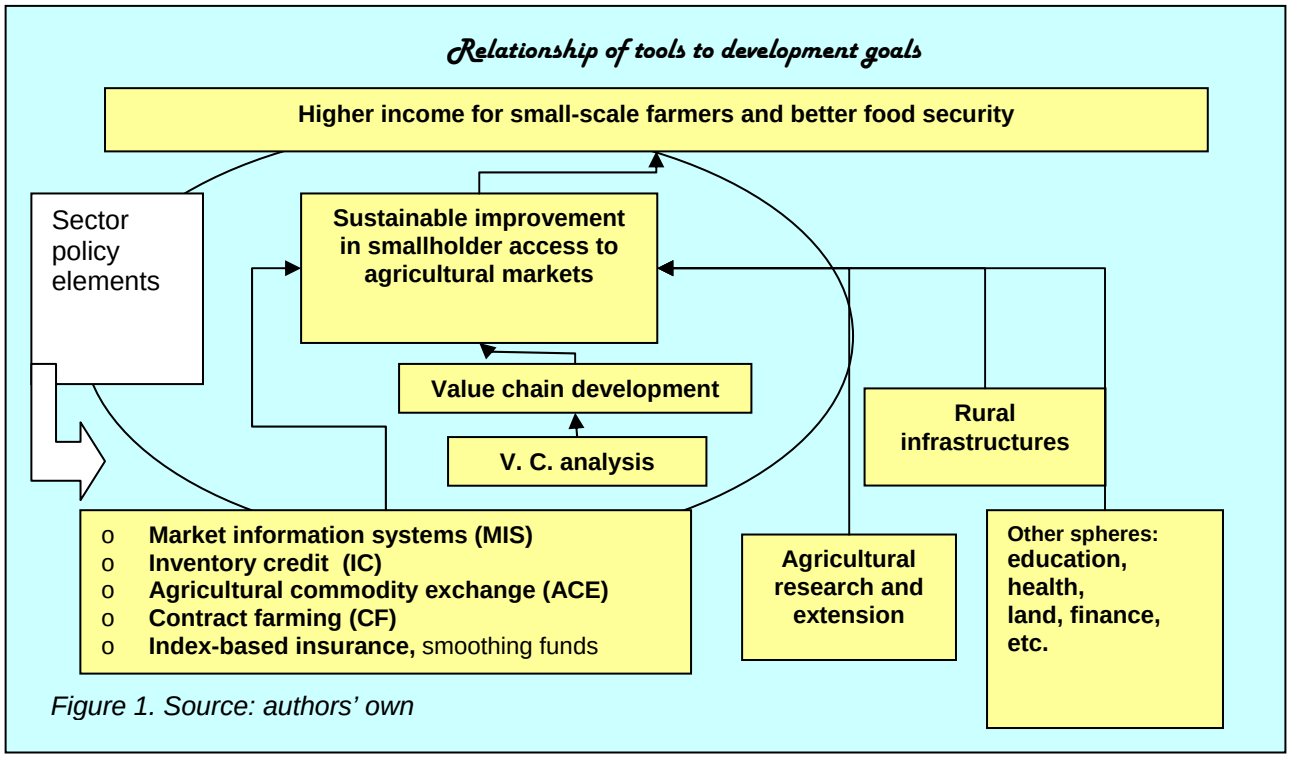

Figure 1. Source: authors' own

4. Market information systems (MIS)

4.1 Status

4.1.1 The MIS concept

In developing countries, access to information can be truly empowering and aid decision-making, especially in rural areas. Millions of smallholders, often illiterate, flounder when it comes to conducting business transactions, and their vulnerability[11] is sometimes exploited by consolidated brokers and traders.

Numerous efforts have been made to redress this.

Market information systems (MIS):

In 1995, the FAO defined an MIS as follows: 'A service, usually public, that is responsible for periodically collecting all information relating to wholesale and retail pricing practiced in rural markets... brought regularly and in good time to the knowledge of farmers, traders, officials of the Administration, governors and other economic players ... by disseminating it through the various available media.'

[9] "According to FAO estimates, over the 44-year period from 2006 to 2050, the cumulative global investments required in sub-Saharan Africa in agriculture and downstream support services amount to US$940 billion [in 2009 US$]. Of this amount, about 66 per cent will be required for agribusiness and agro-industries capital outlays, covering such items as cold and dry storage (US$78 billion), rural and wholesale market facilities (US$159 billion), first-stage processing (US$207 billion), mechanisation (US$59 billion) and other energy sources and equipment (US$115 billion). These investments will have to be made primarily by the private sector." *African agribusiness and agro-industries development initiative*. Framework Programme (2010) FAO UNIDO.

[10] See also EuropeAid Reference Document No. 5: Sector Approaches in Agriculture and Rural Development

[11] For example, if a nomadic pastoralist decides to take his herd to a distant cattle market, he can hardly refuse whatever price is offered to him, and stands to lose even more if the herd has lost weight on the way.

An MIS seeks to meet two major objectives:
1. Provide market monitoring indicators and decision-making support to devise and steer agricultural and trade policies;
2. Improve transparency and market efficiency by providing operators with information on prices and market conditions.

This paper will focus on the second objective, which is comparatively harder to achieve than the first.

Source: Summary of workshop on agricultural market information systems in Africa: renewal and impact - Montpellier, 29-31 March 2010 CIRAD, INRA (UMR Moisa), with financial support from the AFD and CTA, and in conjunction with Michigan State University.

An MIS therefore aims to:

- Redress the information asymmetry between players, to help poor farmers;
- Facilitate trade decisions for buying, selling and investing;
- Improve small-scale farmers' negotiating capacity;
- Improve market transparency, competition and trade-offs;
- Improve the strategic guidelines given by public and private institutions;
- Reduce transaction costs (access to information).

Market information systems have developed over the past fifteen years. They now engage private operators such as professional organisations and companies, include information on aspects other than pricing alone, and foster the emergence of inter-country MIS networks. These **'second-generation' or 2G MIS** are therefore more effective in improving trade relations. Operated privately and utilising new ICTs, they are more reactive to market developments than 'first-generation' MIS, and provide a wider range of information than merely pricing data.

In 1998, Egg and Galtier[12] stated that '*MIS (second generation) are intended to be lightweight, flexible tools. Their aim is to collect, process and disseminate information rapidly and they should be able to adapt easily to changes in information demand'.* These authors emphasised the need to adapt MIS to the socio-economic situation and to innovations, as well as to provide the necessary information in real time.

While further improvements can yet be made, public and private stakeholders regard existing MIS as **essential tools** in agricultural value chain performance.

4.1.2 Public MIS

In West Africa, the countries concerned are: Niger, Burkina Faso, Mali, Ivory Coast, Benin, Togo, Guinea Conakry, Senegal and Nigeria. The main aim of MIS in these countries is to ensure food security (food crops and livestock), and they are usually the responsibility of the Ministry of Agriculture. The institutions that host these MIS are sometimes responsible for managing food security reserves, and the data provided by market investigators may be supplemented with data from NGOs or projects.

The EU-funded DIAPER project (1984-2000) was the driving force in the emergence and development of MIS. **Between 2007 and 2010, the CILSS (Permanent Inter-State Committee for Drought Control in the Sahel) took over support of national MIS, providing training and IT equipment. The strongest MIS today are in Niger, Burkina Faso, Mali, and Senegal. In 2007, the CILSS performed an evaluation of MIS** with the following characteristics: (i) inadequate overall performance; (ii) limited human and material resources; and (iii) insufficient State support.

The areas for improvement include cutting information transmission times and adapting to the real needs of users.
The MIS that have worked relatively well to date are those that have managed to integrate subscription services: SMS surtax; research and special services; training, etc. Similarly, some MIS broaden the scope of information beyond pricing to include cross-border flows.

[12] Egg, J. & Galtier, F. (1998) *From price reporting systems to variable geometry oriented market information services*. CIRAD / INRA.

East Africa: In 1998, with backing from USAID, the **FOODNET** project set up a national MIS in Uganda for the country's cash crops. This MIS is part of the National Agriculture Modernisation Plan (AMP) and public funds are earmarked for it. According to a 2005 study conducted by the CTA (Technical Centre for Agricultural and Rural Cooperation), over 90 % of producers are satisfied with the MIS and would like it to develop into a public-private partnership. The FOODNET project also supported the creation of MIS in Tanzania, Kenya and Rwanda.

Caribbean: **NAMIS** (National Agricultural Market Information System), established in 2005 in Trinidad & Tobago, has been used as a model for a similar tool in Jamaica - JAMIS (Jamaica Agriculture Information System).

Oceania: The national MIS of Samoa has a system for collecting information that is overseen by the Samoan Central Bank (SCB) and the Statistics Division of the Ministry of Finance.

India: The **Agmarknet** MIS processes and distributes pricing for over 300 products in the plant, livestock and forestry sectors. It provides market analysis, surveys and so forth.

4.1.3 Private MIS

West Africa: The main private MIS were set up by the **MISTOWA** project (2004-2007)[13], which is based on the concept of Agribusiness Information Points (**ABIPs**), within professional organisations (POs) and service structures. Examples are as follows[14]:

- POs with their own ABIPs: DMDA (Nigeria), SOGEMAF (Mali), ASECAW (Senegal), and the shea butter sector (Burkina Faso).
- POs that share ABIP information and management: Ghana: GAPTO and GAIDA (trader POs), and APFOG (producer PO).
- ANOPACI (National Association of Organisations of Agricultural Producers of the Ivory Coast) coordinates a network of over twenty ABIPs.

The French NGO Afrique Verte, which works in Niger, Mali and Burkina Faso, contributes to the national public MIS[15].

Eastern and southern Africa:

- **AGRITEL** in South Africa. Established in 1989, this service company specialising in information on fruit and vegetable prices is subscriber only. It also sells services such as production chain studies and communications software. AGRITEL is presented as an example of a successful MIS because the products that are monitored are standardised (packaging, variety, weight, etc.), and transactions are carried out on a limited number of markets[16].
- **KACE**[17] (Kenya Agricultural Commodity Exchange), founded in 1994, centralises data from a network of local market information points (**MIP**). KACE has sought to finance itself through a system of paid subscription services (SMS and voice mail) and by encouraging MIPs to become autonomous (franchise system). This device has been replicated elsewhere in the region: MACE in Malawi, UCE in Uganda, ECX in Ethiopia, ZIMAC in Zimbabwe, and ZAMAC in Zambia.

[13] Market Information Systems and Traders' Organisations (USAID, CTA, ZADI)
[14] Source: ABIP Guide MISTOWA / USAID, 2006.
[15] The Commission is one of Afrique Verte's main donors.
[16] Egg & Galtier (2003).
[17] This MIS is a service provided by the KACE commodity exchange (see section on ACEs).

India

E-choupals, which are an interesting example of a private MIS, are commercial information points that were set up in 2000 by the Indian Tobacco Company[18]. There are 6 500 of these points in 10 states around the country. They aim to provide small-scale farmers with enough information to make more balanced business transactions with intermediaries (*mandis*) and thereby generate a higher income. Producers can get information on the internet about local and international pricing, technical tips, weather reports, inputs and other consumer goods. The Indian Tobacco Company plans to roll out this tool in a further 11 states.

4.1.4 Regional MIS networks

In West Africa, the main market information networks were developed in the mid-2000s with the support of the **MISTOWA** project (see above):

- **RESIMAO**: the West-African Market Information Network. Based in Bamako (Mali), it centralises data from some 400 markets in the region. The information published is free (internet, SMS and email). Recent assessments have revealed certain limitations: (i) limited expertise in new ICT and slow to adapt to technological progress; (ii) shortcomings in information quality and dissemination; and (iii) coverage limited to 8 countries and (almost) solely to grains.
- **ESOKO** is a business information platform for the onion, maize and livestock/meat sectors. Data is supplied by private operators in four countries: Afrique Verte in Burkina Faso and Mali, ANOPACI in Ivory Coast, and ESOKO in Ghana. Since 2009 this tool has been supported by the ATP project[19]. The website www.esoko.com, which operates on a paid subscription basis, publishes daily pricing information and business opportunities. More countries have plans to join: Cameroon, Benin, Madagascar and Togo.
- ECOWAS is currently working on setting up **AGRIS** (Agricultural Information System), described as a 'mega information system'. It is the first of its kind in the region and its secretariat is provided by CILSS in conjunction with WAEMU (West African Economic and Monetary Union). It aims to centralise all rural information for West Africa, including data from MIS.

Eastern and southern Africa:

- **RATIN** (Regional Agricultural Trade Intelligence Network), based in Kenya, was established in 2003 and provides MIS for grains in Kenya, Uganda, Tanzania and Rwanda.
- **LMIS** (Livestock Marketing Information System of the IGAD) was created in 2003 and provides MIS for animal sectors in Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan and Uganda.

Elsewhere in the world:

- In the Caribbean: **CAMID** (Caribbean Agro-industrial Market Information Development) was created in 2001 and is based in Trinidad and Tobago. It processes information from the 13 member countries of the Caribbean Common Market (CARICOM).

[18] A large conglomerate involved in many activities.
[19] Agribusiness and Trade Promotion Project, funded by USAID

- In Latin America, **SAFRAS** in Brazil[20]: Established in 1984, the Safras & Mercado agency claims to be the biggest provider of agricultural market information in the continent. It provides pricing data for a wide range of products: grains, oilseeds, fresh and processed fruits, cotton, livestock, inputs and so forth.
- There are also other MIS information portals with global coverage: **UNCTAD's INFOCOMM**, ITC's MNS, **FAOSTATS**, FAO **GIEWS**[21], ASARECA's **FOODNET**, and others.

4.2 Outlook and possible improvements

It is now accepted that **price data alone**[22] are **not enough** to understand the complexity of markets and to make decisions, and that **auxiliary services are required,** such as: business opportunities, analyses, weather reports, studies and training. The common thread between national and regional MIS networks is **use of new ICT**. The Forum for Agricultural Research in Africa (FARA) introduced the concept of 'e-Agriculture'[23], which links MIS to private information technology companies and disseminates information via SMS, voicemail, and so forth[24].

Mobile phones can be used to transfer both information and payment. One such scheme is the m-pesa system in Kenya and Tanzania ('m' for mobile and 'pesa' meaning 'money' in Swahili), which is supported by the DFID and others. When the parties involved trust one another, remote transactions can be conducted even when a buyer has not actually seen the products. This is a development that may prove to be significant for agricultural markets.

The area where most existing MIS in developing countries can improve is their ability to provide **adequate, timely information** to the first link in the product value chain**: small-scale producers**. For information to be of use to them it must be up-to-date, comprehensible and directly usable for trading. Many MIS are still struggling to fulfil this requirement, not only because tools are cumbersome and inadequate or means of communication are poorly harnessed, but also because the intended beneficiaries (farmers) are inadequately trained or supervised in using the data.

In addition, many MIS have not yet reached their **financial sustainability** threshold and are still seeking **long-term institutional anchoring**. Nevertheless, financial viability is gradually improving as users, producers and downstream players agree to pay for the service when the MIS is deemed sufficiently effective. Furthermore, creating **MIS networks** between several States and obtaining support from regional economic institutions should contribute to solving the problems of MIS financing and sustainability, classing them as public services.

4.3 Recommendations for MIS

- For MIS design and implementation: (i) draw up a status report and operational diagnosis of existing MIS; (ii) assess the relevance of MIS compared to other information tools (such as market observatories); and (iii) take a realistic and pragmatic approach.
- For MIS to operate well, efforts must be made in the following areas: (i) rigorous selection and monitoring of those responsible for collecting and processing data; (ii) simple, inexpensive and readily reproducible tools for data processing; (iii) regular evaluations of tools; and (iv) regular diagnosis of data transmission modes to players, especially small-scale producers.
- For MIS sustainability: (i) find an appropriate method of institutional anchoring (public, private or mixed); (ii) secure a funding mechanism involving national, or even regional, public and private stakeholders as far as possible.
- Finally, MIS viability can be strengthened by: (i) engaging strong professional organisations; (ii) standardising measurement units; and (iii) fostering collaboration between farmers and the media.

[20] Source: UNCTAD Infocomm service: www.unctad.org/infocomm

[21] The Global Information and Early Warning System, which gathers data from information points set up by the FAO in Africa (48 information points), Asia (25), Latin America (18) and the Caribbean (3).

[22] That said, price data is the main concern and is not necessarily easy to provide: are producers more interested in prices on local markets, retail prices or wholesale market prices?

[23] Gakuru, M. et al (2009) *Inventory of Innovative Farmer Advisory Services using ICTs*. FARA.

[24] TradeNet (Ghana, Uganda and Honduras); Agrilog (Burkina Faso); Trade to Hand (ITC/UNCTAD); AppVenture (Jamaica); Agrimarket (FAO); Manobi (Senegal); Namis (Trinidad and Tobago), and others.

5. Inventory credit (IC) / warehouse receipt system

5.1 Status

5.1.1 The inventory credit concept

Warehouse receipt financing has long been in use in Europe[25] but there is renewed interest in this system, which is also known as: inventory credit, warehouse inventory credit or the warehouse receipt system (WRS).

In practice, warehouse receipt financing takes place in two phases:

- **After harvesting**, producers deposit a quantity of goods at a warehouse. The warehouse manager issues the producer with a receipt (the guarantee). The producer takes the receipt to a bank (or MFI) and uses it as collateral for a loan of up to 100 % of the value of the merchandise on the day (although to reduce risk, more typically it is 80 % of the value). In exchange, the financial institution keeps the receipt as a guarantee. This initiates **the transaction.**

- **Prior to harvest** (or on an agreed date), the producer identifies a buyer for his product and together they go to the financial institution to pay for the goods and present the certificate of deposit that allows the buyer to take possession of the stock. The financial institution draws up the statement for the producer, deducts the interest on the loan and the storage charges and pays the producer the remainder. This settles **the transaction.**

Source: PAAR capitalisation project financed by AFD

In addition to **securing the stock** for the buyer, the advantage of the procedure is that before selling, **the trader can take out a short-term loan for a percentage of the stock value from a commercial** bank using the warehouse receipt as **collateral**. When the buyer acquires the product, he pays the seller through the market institution and the bank, which charges a fee and recovers the principal and interest on the loan granted to the seller. If the seller defaults on repayment, the bank can sell the stock to a third party.

In addition to the security advantage, the system is also seen as a more aggressive way for smallholder farmers to take advantage of market fluctuations, freeing them from the age-old constraint of having to sell goods at a time when their abundance on the market drives prices down.

5.1.2 Inventory credit (IC) / WRS in developing countries

Warehouse receipt financing provides concrete solutions for protecting produce, securing transactions and financing producers in POs to buy in agricultural products. In rural areas, banks rarely accept land or property as collateral for loans because from a social and practical standpoint it is extremely difficult to use this type of asset if the borrower defaults. If the agricultural commodity exchange system discussed in the next chapter were to develop, it would also be vital to provide the necessary guarantee for derivatives on futures markets.

With numerous positive experiences up and running, producers are enthusiastic and the rate of repayment has broadly been good in Africa. More information about West Africa can be found at the FAO site: http://www.capitalisation-bp.net, which includes case studies from Niger and Burkina Faso. One of the advantages highlighted by one of these relatively new schemes (of the three campaigns launched since 2008) is that WRS is also an incentive to save and an appropriate method of doing so.

It is therefore easy to understand why numerous development bodies, governments, international institutions, research agencies and producer organisations have recently shown an interest in the warehouse receipt or inventory credit system. For example, in the February 2011 edition of *ROPPAVEILLE* (available online), ROPPA (West African Farmer Organisations and Producers' Network) expressed growing interest in these methods and stressed that they are now recommended in sub-regional agricultural policy (ECOWAP for West Africa).

A study conducted by UNCTAD[26] analysed various warehouse receipt models in eastern and southern Africa, drawing a distinction between two kinds of approach: commercial and farmer-focused. The aim of the latter is to

[25] Although it became widespread in the late nineteenth century, similar methods can be dated back to the seventeenth century in England.

bulk surpluses to be marketed and to ensure local availability of food. It is divided into three sub-categories: 3(A): cooperative approaches to warehousing; 3(B): microfinance-linked approaches, and 3(C): improvements in rural storage of agricultural commodities. The study cites the case of rice marketing in Madagascar (approach 3(B)) with approximately 55 000 tonnes of paddy per annum in various deposits of several tonnes.

5.2 Outlook and possible improvements

The UNCTAD study on the warehouse receipt system in eastern and southern Africa underscores the following:

- The importance of training competent operators while taking a pragmatic approach in the pursuit of social (inclusive) objectives. The example of social objectives cited in the study is Tanzania, which first set up WRS for export crops with a view to eventually focusing on more 'politically' sensitive food crops.
- The need to support savings and credit cooperatives by integrating them into a national network of well-managed microfinance.
- The importance of approach 3(C) (see above), which prioritises finding suitable methods for reducing post-harvest losses (according to the FAO this can range from 15 % to as much as 50 %).

The terms of warehouse receipt systems can vary: warehouse formalities, allocating ratios between stored products and credit; modes of storage; the role of 'collectives' and farmers' organisations; the extent of formality of financial intermediaries, and so on.

WRS can readily be adapted to address some of these issues. In the Burkina Faso project, for example, to overcome the problem of farmers having to wait until a joint deposit is completed before receiving their credit, an innovation now allows deposits to be made and credit paid out in three phases. A ceiling will also be placed on the number of farmers who can join the system to ensure that a handful of more advantaged producers do not monopolise the benefits.

Warehouse receipt systems are highly promising as they enable a fairly flexible approach to key aspects of agricultural output for trade purposes. However, three conditions must always be considered:

1. The right infrastructure is needed to store goods. At present, storage capacities are still very low.
2. For the operation to be profitable, markets of stored products must react with sufficient price increases between the harvest and the sale. A recent study by Afrique Verte International[27] revealed that this is not always the case and that the system can work at a loss. When this happens, the risks are primarily borne by producers or their organisations[28]. The study also shows that in some cases the potential benefits are not particularly attractive[29]. The study conducted in Burkina Faso also found that when the State imports reserve grain stocks to ensure food security, the warehouse receipt system may be jeopardised because there are no price increases.
3. Design, implementation and sustainability are only possible if strong, capable farmers' organisations are actively engaged and if the financial intermediation system is appropriate.

Capitalisation of the experience in Burkina Faso[30] also raises the question as to what happens if a warehouse burns down, as indeed, to save money, the system is not yet insured.

5.3 Recommendations for inventory credit

- Preliminary studies are still needed to adapt the system to markets.
- The technical aspects require high professional standards, in terms of storage and financial intermediation.
- The conditions required for WRS to work are:
    1. Adequate storage infrastructures.

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[26] Coulter, J. (2009) - (draft) Review of Warehouse Receipt System and Inventory Credit Initiatives in Eastern & Southern Africa - UNCTAD, funded by the Commission under the All ACP Agricultural Commodities Programme (AAACP),

[27] Addoh, S.L. et al. (2010) *Strengthening the capabilities of agricultural organisation networks through analysis of the evolution of local grain prices in Burkina, Mali, and Niger, during the period 2001-2010 and its repercussions for warrantage in Niger*. Afrique Verte International [AFD/Inter-réseaux/ADPRINA]

[28] This is why it is not recommended to grant a loan for the full value of the stored goods.

[29] Afrique Verte found this to be true for millet and other dry grains (such as sorghum and maize), but noted that the overall results for cash crops (cowpeas) could be positive.

[30] Somda, M. D., Kabore, S. Bastard, G. & Broutin, C. Case study on the WRS in the southwest of Burkina Faso presented at the regional training workshop for capacity-building of producer organisations to respond to changes in modern agriculture. The experience received EU funding on several successive occasions.

2. Relatively regular markets with predictable seasonal variations (hence the need for a good MIS), i.e. markets on which the price of stored commodities rises when they are sold to cover warehousing costs.
3. Financial intermediaries who accept the terms of the IC and farmers' organisations that support the operation (technical assistance, organisation of agricultural years, etc.).

6. Agricultural Commodity Exchanges (ACE)

6.1 Status

6.1.1 The commodity exchange concept

Significantly boosting agricultural production by making trading as easy as possible was the next stage that led to a rise in ACEs in Africa. The underlying aim is to centralise transactions and 'dematerialise' them. The system was largely inspired by donors, particularly the United States, and was part of the liberalisation process of the 1980s.

Notes on exchanges

An exchange is a private or public institution (brokerage firm), which allows **standardised goods or assets** to be exchanged and therefore for prices to be set, **without the physical presence** of the traded goods (unlike traditional physical markets). A distinction is usually made between:

- Stock exchanges, on which company securities are traded, and
- Commodity exchanges, on which goods are traded, which is of particular relevance to agricultural trade and therefore to this information note.

On spot markets, a contract is signed between a buyer and a seller at a given price for delivery immediately or soon after (depending on transport constraints). On a futures exchange, a contract is signed at a set price for delivery at a later date. This method gives rise to numerous derivatives, such as futures contracts[31], options[32] and forwards[33], which are primarily used for basic goods known as underlying assets (such as crude oil, metals, grain, oil, meat, sugar, coffee and tea).

The main economic **functions** of agriculture commodity exchanges are as follows:

- Risk management, by using futures markets and derivatives.
- Liquidity of securities due to the possibility of trading before the end of operations.
- Price transparency and information because the quotes made on exchanges make it possible to measure the value attributed by the market to a commodity or product, in this case agricultural, at different time horizons. This information can be disseminated, particularly via **MIS**.

Futures markets are advantageous for sellers, especially farmers, because they can secure their income and balance their operating account by obtaining a guaranteed sale price before or during the agricultural year, thereby averting several risks (exchange rates, lower selling prices and so forth).

Exchanges therefore provide **cover for economic risk** and are also an ideal place to **speculate**. Almost all contracts (purchase and sale) from organised markets are sold before completion and are eliminated in pairs (purchase and sale). The number of contracts that are physically completed (delivery of the product) is low compared to the number of transactions on securities.

Source: study report by Bouchitté & Dardel

[31] A standardised contract for an agreed quantity, delivery date and price.
[32] A financial instrument that specifies a contract between two parties to buy or sell an asset at a reference price. There are several variations.
[33] A non-standardised contract for purchase at a future date and price.

6.1.2 Agricultural commodity exchanges in developing countries

Although formal **ACEs are still lacking or embryonic in many developing countries,** they are **booming in emerging countries**. India is a prime example with numerous sustainable, large formal ACEs (around thirty), many of which have an international standing, and most of the products and commodities traded come from small family farms.

Table 4.15 : Turnover on commodity futures markets

(Rs. Crore)

Exchanges	2004-05	2005-06	2006-07*
Multi Commodity Exchange, Mumbai (MCX)	165,147	961,633	1,621,803
National Commodity Derivatives Exchange, Mumbai (NCDEX)	266,338	1,066,686	944,066
National Multi Commodity Exchange, Ahmedabad (NMCE)	13,988	18,385	101,731
National Board of Trade, Indore (NBOT)	58,463	53,683	57,149
Others	67,823	54,735	14,591
All Exchanges	**571,759**	**2,155,122**	**2,739,340**

* Till December 31, 2006
Source: Forward Markets Commission.

EUR 1 million = 57 million Rupees = 5.7 Crores
Source: http:/indiabudget.nic.in

Compared to French-speaking west Africa, **eastern and southern Africa are relatively advanced** in this area, with national ACEs undergoing institutionalisation and several development programmes in place for regional ACE networks.

There are a number of **preconditions** to setting up formal agricultural commodity exchanges, many of which constitute major obstacles in developing countries and to family farming:

- The traded goods must be **standardised**, with a nomenclature that is recognised by the various sectors involved.
- The quality of each standard must be sufficiently defined and guaranteed by an independent, recognised **monitoring system**.
- The **lots sold must have a minimum size**, taking into account business practices and technical and economic constraints.
- Farmers must comply with the agreed **delivery time and mode**.
- **Collateral** should be used against the traded products to guarantee the physical transactions (see the section above on inventory credit).

For these reasons, ACEs are more likely to benefit certain sectors that already have existing quality and group production standards, primarily commodities for export to world markets (**coffee**, **cocoa**, **cotton** and so forth).

However, a recent study[34] provides **a very mixed report** of commodity exchanges set up in eastern and southern Africa (Ethiopia, Kenya, Malawi, Uganda and Zambia). This approach was predominantly pushed forward by donors and, contrary to expectations, the exchanges have ended up virtually under the control of a few large trading companies. According to this study, only the Ethiopian coffee exchange seems to be working well, due partly to the key role played by the Government in making the exchange the only channel on which to trade this commodity. The report notes that the proposed pyramid system with MIS and IC at the bottom has failed to maintain MIS (the information gap between traders and smallholders has even widened) or to develop inventory credit systems.

There are also **numerous market organisation initiatives that display some features of ACEs which could constitute the beginnings of a structured market**, potentially streamlining implementation of formal and institutionalised exchanges in the future. Some such systems have been classed as exchanges (such as grain exchanges in Mali) or as mini-exchanges (packaged sales of bananas in Guinea).

[34] Robbins, P. in cooperation with Catholic Relief Services (2011) *Commodity Exchanges and Smallholders in Africa*. International Institute for Environment and Development / Sustainable Food Lab

The MIS/ACE/CF study report is based on a literature review and a study trip to Tanzania[35] and describes eight case studies on which it has been possible to gather enough information on characteristics and results. A summary of each case is shown in a table in the Annex to this document, in ascending order of complexity and formalisation of each agricultural exchange.

6.2 Outlook and possible improvements

The **socio-economic setting and current level of sector development in Africa, especially in sub-Saharan countries, does not yet seem conducive to formal agricultural commodity exchanges**. It will probably take several more years to fulfil the preconditions for setting up ACEs, and development aid should contribute to this objective. Nevertheless, experiences in setting up national and regional ACEs in **eastern** and **southern Africa** are a very useful **test bed**, helping to pinpoint opportunities and operational implementation difficulties. Nevertheless, India is probably the most thorough point of reference.

The Indian example

A new generation of exchanges is being used to systematically identify and redress gaps in commodity supply chains. A slew of innovative and imaginative solutions has been applied, including:

- exchanges using satellite systems to improve access for smallholders;
- national electronic networks to disseminate information on markets, including to remote areas;
- creative distribution partnerships allowing access to exchange services from the most remote villages;
- national online stock exchanges offering cash transactions to integrate previously fragmented markets;
- collateral management organisations providing a wide range of services that allow warehousing and logistics infrastructures to be set up;
- provision of customised risk management and other consultancy services;
- large-scale human resources development programmes.

Source: UNCTAD

Formal exchanges must be implemented **prudently and realistically**, according to the rate at which the preconditions are effectively met. ACEs should be developed as part of national and regional sector strategies and shored up by solid business value chains.

6.3 Recommendations for ACEs

- The key factor in determining the approach is capacity to engage smallholder producers.
- Adopt a pragmatic, gradual approach, focusing on sectors that are sufficiently organised and that already have standardised products and a network of efficient intermediaries (associations and/or private).
- Promote the regional approach to set up ACE networks, so that a mass effect contributes to developing south-south exchanges. With regard to supporting ACEs, coordinate EC and Member State policies and programmes at the sub-regional level, particularly in the context of regional economic communities and financial institutions (ECOWAS, CEMAC, SADC, etc.).
- Capitalise on international expertise in emerging countries, particularly India, to help mobilise ACEs and specialist consultants from those countries.

[35] Reminder: the study report on which this information note is based is available at Capacity4dev []

7. Contract Farming (CF)

7.1 Status

7.1.1 The CF concept

Contract farming[36] is agricultural production governed by an agreement made between a buyer and a producer regarding the production and marketing conditions of one or more agricultural products. Generally, a farmer agrees to provide certain quantities of an agricultural product in accordance with quality standards established by the buyer and at a time and place determined by the buyer. In return, the buyer agrees to purchase the product at the predetermined price and, in some cases, to support production by providing credit, inputs, land preparation and technical advice, for example.

7.1.2 Characteristics

Contract farming can be applied to all types of agricultural product. Examples abound of successful contract farming arrangements for most crops and livestock. It has also worked well in the forestry, aquaculture and fibre production sectors as well as for flowers and tobacco. Although it is possible to use **contract farming** for virtually any product, it has been most successful **in products with high added value and products for processing and/or export**. The risk of side-selling and non-compliance with contracts is higher when the products are in strong local demand and traded by traditional methods.

Indeed, CF buyers often prefer to draw up a contract with **medium- and large-scale farmers** to ensure compliance with technical standards and delivery times, and to reduce transaction costs.

However, contract farming can work against small-scale farmers in the case of cost differentiation strategies, by exploiting lower labour costs and transferring part of the market and production risk onto the farmer, potentially resulting in **asymmetric trade relations**. This is particularly true of sectors traditionally linked to exportation such as cotton, rubber and palm oil. **However, this imbalance can be redressed if small-scale farmers are organised into POs with economic objectives** (grouping sales, input supplies, negotiating pricing and contractual conditions, lobbying, and so forth). Support from the State and NGOs in these areas is essential to strengthen the capacity of small-scale farmers and their organisations and to ensure compliance with contracts and regulations.

7.1.3 Main advantages and risks of CF

The table below provides an overview of the benefits, risks and disadvantages of contract farming, as opposed to subsistence farming, for producers and buyers.

[36] Much of this chapter is based on *Contract Farming - A Guide*. FAO, 2002.

For **producers** under contract	
Benefits	Disadvantages and risks
➢ The promoter often provides the inputs and production services. This is usually paid for on credit with money that the promoter/buyer pays the producer up front. ➢ Broadly, it is easier to secure financing (and directly purchase inputs and other services if necessary) because banks deem the risk to be lower. ➢ Contract farming often utilises new technology and also allows farmers to learn new production methods. ➢ Farmers often face a lower price risk because prices are pre-agreed in many contracts. ➢ Contract farming can afford new opportunities that would otherwise be out of reach for small-scale farmers.	➢ With new crops in particular, farmers face the risk of market failure (a fall in demand) or technical production difficulties. ➢ Ineffective management or marketing problems can lead to buyers manipulating quotas to avoid buying the entire production under contract. ➢ Buyers can be unreliable or exploit a legal or de facto monopoly. ➢ Buyers' staff may be corrupt, particularly when it comes to allocating quotas or purchase assessment procedures (such as weight, quality and recording data). ➢ Farmers can fall into debt due to production accidents and/or excessive advance payments that they cannot repay.

*For **buyers***	
Benefits	*Disadvantages and risks*
➢ Contract farming in partnership with small-scale farmers is more politically acceptable than production on plantations, for example, where workers' wages are often pitifully low. ➢ Working with small-scale farmers may overcome difficulties related to land access for major producers (known as the outgrower scheme). ➢ Production is more reliable than purchasing on the open market (quantity and quality). ➢ The company transfers part of the production risk to family farmers. ➢ Production volumes are more readily adapted to the market, due to smallholders' subsistence capacity.	➢ When the land status of smallholders is precarious it may be harder to sign long-term contracts (conflicts, possible eviction). ➢ Cultural or social obligations may affect farmers' ability to produce according to buyer specifications. ➢ Poor management and lack of dialogue with farmers can lead to breaks in supplies and poor contract enforcement. ➢ Farmers may side sell to competing buyers, reducing the production flow to the processing industry.

7.1.4 Examples of CF and lessons learnt

In the case of cotton, the situation has changed drastically for smallholders and ginning plants, particularly in west Africa, because the price-fixing mechanisms that were previously in use and that resembled administrative measures have all but disappeared. Because the supply of seed cotton to the plants is often critical, framework contracts are now being drawn up on the basis of negotiations between plants and producer organisations regarding prices and other production and transaction aspects. This makes it possible to set down pricing conditions, extension services and credit for inputs (see the section on risk management for more on smoothing funds).

Contract farming is widely used for sugar production in Africa, through outgrower schemes that link sugarcane farmers to the sugar factory. The set-ups are varied and changing, as shown by a 2010 study in Mozambique[37], which seems to have been positive in expanding cotton growing, increasing production and overall satisfaction on the part of smallholders involved. However, these findings are too recent to draw definitive conclusions. The extent of the power imbalance between plant managers and farming communities can depend on how organised and educated small-scale farmers are. The fact that only part of the village population has the opportunity to participate in the outgrower system can cause divisions within the community. Other aspects such as land resources, particularly communal land use rights, are also potentially conflictive. Although outgrower organisations do exist, these were created under the auspices of the factory and are practically company-driven. Broadly speaking, they do little to defend members' interests and contracts appear to be unclear. The interests of both parties (factories and outgrowers) are 'globally' similar and factory management has expressed its willingness to strengthen associations by setting up a secondary association. Clearly, however, this would not necessarily resolve the issue. The authors of the study recommend that smallholders' low level of independence and poor representation be addressed, stressing that NGOs or other development agencies should play a key role in training smallholder organisations. They also note that the State, which to date has had no involvement, could play a useful role at the local level through support agencies and by providing legal assistance in negotiations between the parties.

Some governments (Mozambique and Tanzania, for instance) have recently shown signs of seeking to extend contract farming over vast areas with high agricultural potential, with a view to creating public-private partnerships (PPPs) that could significantly boost agricultural production by reducing rural poverty. These agricultural growth corridors can generate considerable economies of scale, promote employment, increase income for rural people and improve food security, but they also entail sizeable risks and challenges for land and natural resource use, among other issues. The recommendations of the sugarcane production study in Mozambique seem salient to address this, particularly in terms of stressing the support given to producer organisations and the role of local authorities. Although these are private investments that by nature cannot be legally enacted, they pose questions that go beyond the purely contractual and demand clear political commitment. These include issues of fair access to such opportunities for all villages, individuals, genders and lifestyles (sedentary/nomadic), access to natural resources, investment security, and so forth.

The analysis of these case studies[38] and specialist literature show that contract farming is burgeoning in developing and emerging countries, and on the whole seems to equate to progress for small-scale farmers, provided that it complies with the principles of economic and social equity.

This compliance depends largely on:

- the authorities regulating and controlling the system;
- transparent and balanced contractual arrangements;
- the balance of power between the company and farmers, for which strong producer organisations are vital;
- the degree of agricultural development and producers' ability to utilise competition between buyers.

The possibilities are numerous, not only relating to the above criteria but also according to the type of channels involved and the profile and strategy of companies.

[37] Jelsma, I., Bolding, A. & Slingerland, M. (2010) *Smallholder Sugarcane Production Systems in Xinavane, Mozambique: Report from the Field*. Wageningen University.
[38] See the MIS/ACE/CF study

Impact on the situation and on farmers' income

Broadly speaking, case studies on contract farming show that it is positive overall, particularly with regard to the following dimensions:

- contract farmers have a higher average income than independent farmers of the same products;
- income is stable and secure;
- the company bears some of the market risk;
- small-scale farmers have access to channels, products, markets and production techniques that may otherwise have been impossible;
- significant activity and income is generated for producers with limited land, particularly intensive above-ground production (for livestock: ostriches, milk, chickens).

Risks related to asymmetric contractual relations

Certain risks are generally noted in the case of captive production (as is often the case), leading to lower margins for farmers and potentially weakening their position. The main reasons for this are:

- scant transparency in contractual arrangements;
- the company overcharges for agricultural inputs;
- the company downgrades the quality of products they purchase;
- the company offers lower purchase prices to farmers;
- companies can reduce the amount they buy from contract growers without prior notice or negotiation.

However, in the cases studied, these practices do not seem to be widespread, mainly because of the long-term strategy of companies[39] that want to maintain a viable and sustainable sector. This is a key challenge and is demanding for all concerned. One of the conditions for successful contract farming in developing countries is to establish trust between parties who have little in common at the outset, who are culturally far removed from each other and who must commit to transactions that entail risk.

Another aspect that is more difficult to demonstrate (according to a feasibility study[40] of a smallholder scheme in Zambia) is that as farmers leave some of the work to the plant and specialise in certain tasks (weeding and irrigation on the plot), they can find themselves 'tied' to their new situation. Because outgrowing often boosts household income (up to twofold), members of the wider family sometimes come to work for the contract farmer, even though there is not enough work for all. When this occurs, income per adult becomes very similar to that of farmers tending their plots freely.

According to the **UNCTAD World Investment Report 2009**, foreign players can participate in agriculture in a number of ways. The two most significant are **foreign direct investment (FDI) and contract farming**. The main stimuli to agricultural investment are the availability of land and water resources in the targeted areas and the rapid rise in demand in FDI source countries. Many of these countries have seen a spike in food commodity imports.

FDI in agriculture is on the up, with annual flows increasing threefold to USD 3 billion per annum between 1989-1991 and 2005-2007 (...). Furthermore, **transnational corporations (TNCs)** in the agri-food and retail sectors also invest in agriculture **and** contract farming (for instance, besides having a stake, a supermarket chain or foreign food processor might buy food through a suitable agreement on price, quantity, quality and other specifications), which increases the effective involvement of TNCs in this sector. For example, after rapid growth in the early 2000s, FDI flows in the food and beverages industry alone surpassed USD 40 billion in 2005-2007.

Contract farming is a major way to achieve TNC involvement in agriculture from various perspectives: geographical distribution, intensity of activity in the country, product coverage and types of TNC involved. TNCs are involved in contract farming and other forms of non-equity activities in over 110 countries in Africa, Asia and Latin America. Contract farming is also significant in many emerging and poor countries such as Brazil, Kenya and Vietnam. It is also applied to a wide range of products, from livestock to crops and food staples. For example, Olam (Singapore) is a TNC that sources globally for 17 agricultural products, including cashew nuts, cotton, spices, coffee, cocoa and sugar.

[39] For more on this see: Cotula, L. & Leonard, R. (Eds) (2010) *Alternatives to land acquisitions: agricultural investment and collaborative business models.* IIED/SDC/IFAD/CTV.

[40] McKersie, B. & Hichaambwa (2011) *Socio-Economist Feasibility Study for the Enhancement and Extension of Kaleya Smallholder Scheme*. Study financed by the EC and conducted by Cardno Emerging Markets.

The World Investment Report and its database are available at the following websites: http://www.unctad.org/wir and http://www.unctad.org/fdistatistics

7.2 Outlook and possible improvements

In sub-Saharan Africa, although contract farming is still rare in the food and livestock sectors, it may gradually develop into a very promising means of organisation in agricultural value chains because it often gives smallholders quick access to markets and products that they could not otherwise achieve. For farmers, the main advantages of CF are access to new technologies and credit, access to equipment and specific expertise, and, to some extent, guaranteed prices and distribution and sale of their output.

The clear risk of CF is a high imbalance in economic relations, putting isolated smallholders at the mercy of powerful buyers who can generally exert pressure, which may lead to offshoring. To mitigate these effects, governments, with support from donors, can support producer organisations to help them achieve more clout in the value chain.

The United Nations Special Rapporteur for the Right to Food, Olivier De Schutter[41], has recently broached the issue of contract farming. Some of the salient points of his analysis are:

- **Governments** are called upon to meet their obligation to 'respect, protect and fulfil the right to food'. In this context 'respect' requires that governments refrain from taking any action that would adversely affect peoples' existing right to food; 'protect' requires governments to ensure that third parties do not take any action that adversely affects indigenous peoples' right to food; and 'fulfil' requires governments to take positive action to facilitate the capacity of indigenous communities to feed themselves. As such, governments must monitor agreements between smallholders and buyers and must provide the former with tools to improve their standing in value chains.
- There are **pitfalls** (and side effects): farmers can become trapped in cycles of debt; gender inequality; child labour (under pressure to honour contracts, the family head may utilise the rest of the family); the farmer shifts all production to cash crops, etc.
- The **seven areas highlighted for improvement** are:
    1. A long-term outlook underpinned by mutually beneficial understandings between both parties.
    2. Support for producer organisations in negotiations and monitoring.
    3. Gender equality.
    4. Clear, transparent pricing mechanisms.
    5. Quality standards that are as clear, specific and straightforward as possible.
    6. Environmental sustainability (particularly ensuring soil fertility in the long term rather than fertilisation in the short term).
    7. Arbitration mechanisms with mediators (NGOs).
- Differing **models of association** that already exist **may be alternatives to contract farming, in addition to other options such as** cooperatives (or other forms of association), joint ventures or associations between organised small-scale producers and firms in the value chain working on an equal footing[42], and organised production aimed at the local market[43].

7.3 Recommendations for contract farming

- A period of reflection based on reliable, focused research and experience exchange is probably necessary in many countries. Moreover, small-scale producers and their organisations need a greater overall capacity to understand and eventually overcome the challenges entailed.

- Cooperation could also contribute to maximising on the opportunities to engage agricultural industries and private companies with promising markets that are seeking to forge stable, fair relationships with their agricultural suppliers.

[41] O. De Schutter (August 2011) *The right to food.* Note by the Secretary General to the members of the General Assembly.
[42] In the fair trade sector, Divine Chocolate is an example of this: http://www.divinechocolate.com/default.aspx
[43] Some interesting schemes related to this have been carried out in Brazil, involving local authorities.

- With public-private partnerships, support could include setting up structures to facilitate investments (business environment, etc.), regulations that are both incentives and protection for small-scale farmers, and capacity-building schemes for farmer organisations, which are a necessary interface with agricultural industries.

8. Risk management

Tools for management of risks (weather and pricing) are more at the research phase than the promotion and expansion phase, compared to other tools that have been variously tried and tested (especially MIS, WRS and CF).

8.1 Index-based insurance

Pilot programmes on index-based or parametric insurance systems[44] have been in operation for over ten years, both nationally and regionally. The basic principle is to provide **ex ante payments** to producers affected by weather disasters to anticipate adverse events based on weather forecasts and complex indexes[45].

The indemnity amount is predetermined and automatically paid before the impact of the disaster as soon as predefined **weather parameters** reach a preset threshold (long dry periods, intense rainfall, water level, etc.). The tool involves a panel of public and private institutions, such as insurance companies, banking institutions, the government and meteorological services.

Implementation entails all manner of difficulties, particularly technical issues, since it relies on the quality of available meteorological data and studies of crop yields under various conditions.

In practice, once established, the system often comprises an insurance company, a product distributor and policyholders. The product distributor may be a microfinance institution, a bank that grants agricultural credit to producers or an input supplier.

Although at an experimental stage, many lessons can be learnt from institutional risk management tools. Two examples of such insurance systems that have already been implemented are in Kenya and the Caribbean, at the regional level. The main drawbacks of index-based insurance found with these systems have been complexity and cost. A recent study by CIRAD-NRI underscored the need to reach a 'critical mass of beneficiaries' through partnerships with microfinance institutions and by networking insurance tools.

According to a study undertaken by GRET for the AFD[46], some current experiments separate risk coverage from the premium at the outset so that part is paid to the manager of the insurance index and the rest paid into a solidarity fund managed by producer organisations.

The EC has allocated EUR 24.5 million in co-financing to the Global Index Insurance Facility (GIIF) managed by the World Bank.

An interesting livestock-specific variation on this tool was tested in Mongolia and Kenya[47]with nomadic pastoralists, providing index-based insurance against cattle mortality. Beyond a certain threshold, in this case a predetermined mortality rate, farmers can claim for all dead beasts at a predefined price. In Kenya, the mortality index is not based on individual findings but on cross-checked data to determine an average rate over a defined area. To achieve this, field reports on the overall status of herds are correlated with reports from pastoralist farmers as well as satellite imagery showing the index of photosynthetic activity as a proxy for cattle mortality.

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[44] Several terms are used for this, most commonly 'index-based insurance' but also 'weather index-based insurance'.

[45] The potential mismatch between the payout and the actual loss is known as the 'basis risk'. The challenge is to find an index that is sufficiently correlated to the yield of the insured output to mitigate this risk, and that is reasonably straightforward to implement and use.

[46] Duffau, A., Lagandré, D., Chetaille, A., Rozenkopf, I., Horréard, G. & Oggeri, B. *Assurance indicielle et warrantage: quelles perspectives en Afrique de l'Ouest? (*"Index-based insurance and the warehouse receipt system: prospects in west Africa"). Published in the minutes of a November 2010 seminar and a 2011 report of the same title in Etudes et Travaux No. 28 – GRET.

[47] Mude, A., Barett, C.B., Carter, M.R., Chantarat, S., Ikegami, M. & McPeak, J. (2010) *Index-based livestock insurance for Northern Kenya's arid and semi-arid lands: "The Marsabit Pilot".* International Livestock Research Institute.

8.2 Smoothing funds

A form of contract farming (see above) that earned the trust of small-scale producers was one of the main reasons behind a rise in cotton production in west Africa. However, its price-fixing mechanism bled dry public resources (bailed out by cooperation) when prices collapsed. When this mechanism was abandoned, many producers withdrew from the sector but could not find alternative sources of income.

Until the 1990s, governments ensured price-risk management through stabilisation funds and support funds. However, economic liberalisation and an end to public subsidies have eroded these mechanisms, often leaving farmers alone and discouraged by the volatility of international prices. The smoothing fund set up in Burkina Faso several years ago with support from the AFD aims to help producers by curbing year-to-year fluctuations in world cotton prices. It uses a system of levies and refunds, including setting a guaranteed floor price that is agreed on annually by all stakeholders in an interprofessional organisation.

The greatest differences between this and earlier stabilisation funds are **management of private funds as part of the interprofessional organisation** and **pricing, which is transparent and negotiated between players and in relation to market trends**. The viability conditions for these funds include solid interprofessional consensus and markets that are not in a state of structural decline.

8.3 Recommendations for risk management tools

- With regard to weather index-based insurance, the most appropriate approach is to facilitate exchanges among sector players about risk management in agriculture, allowing for regular and informed observation of programmes (in particular with GIIF).

- In terms of smoothing funds, target sectors must be selected (in particular markets), and regional agreements should be made to bear the financial impact in the long term and support the level of professionalism among players. The following dimensions should all be ensured: dialogue; creation of interprofessional organisations; training; information, and engaging beneficiaries in decision-making.

9. EU Cooperation and MIS, IC, ACE and CF tools

9.1 MIS, ACE and CF tools and EU cooperation

9.1.1 The European Consensus on Development

The European Consensus on Development is the most recent and thorough articulation of EU policy[48]. Of the nine action areas covered, we will look at two where the tools discussed here (MIS, ACE and CF) may be used. With regard to this information note, the first area, trade and regional integration, is essentially aimed at international trade[49], while the second, rural development, territorial planning, agriculture and food security, focuses more on domestic markets.

The green paper[50] on increasing the impact of cooperation underlines the importance of agriculture, notably family agriculture and food security: '*Development and food security go hand in hand; experience demonstrates that agricultural reform and the capacity to feed a country's population is a precondition to wider development and poverty reduction. Most of the poor and hungry in the world live in rural areas where agriculture is the main economic activity. In these areas, small-scale farming is dominant. (...) agriculture also holds great potential in stimulating widespread income growth'.*

The document also puts forward a practical way to provide support to this sector: *'production should be seen in a value chain context with adequate access to financing, processing and markets. In this regard, public-private partnerships could play an important role'.*

9.1.2 Trade

With regard to development, aid for trade aims to help recipient countries formulate and implement their trade policy (known as trade-related assistance) and also to more widely increase the productive and trading capacity of the country by providing facilities and means of production and processing to improve their market position, for instance (referred to as wider aid for trade). This is where intervention is likely to generate or support tools such as those addressed in this study[51]. This is also the case in the regional approach. The most striking example of this is arguably the All ACP Agricultural Commodities Programme (AAACP), which has a budget of EUR 45 million, of which EUR 15 million is earmarked for the Cotton Partnership). Lastly, aid for small and medium-sized enterprises as well as interventions for certain basic commodities (bananas, sugar and cotton) may also lead to implementation of the tools considered in this study.

9.1.3 Rural development, territorial planning, agriculture and food security

It is worth breaking this area down into sub-categories. With regard to rural development in developing countries, a communication entitled *Fighting Rural Poverty*[52] focuses on six priorities, two of which are significant to MIS, IC, ACE and CF tools: '[ensuring] more equitable access to productive assets, markets and services', and, 'managing risks and providing safety nets'.

On the issue of agriculture, it is worth mentioning aid for agricultural commodities (which overlaps with aid for trade in basic foodstuffs discussed above), in this case focusing on agricultural products[53].

Finally, market risk management tools are being considered for agricultural foodstuffs under the Food Security Thematic Programme (FSTP) and the Food Facility. The recent communication on food security and agriculture[54] sets out very clearly what is at stake.

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[48] http://ec.europa.eu/development/policiesgen_en.cfm

[49] Albeit not exclusively: the Wider Europe Aid for Trade scheme boosts national production capacities and transport for uses other than exporting.

[50] Full title: *EU development policy in support of inclusive growth and sustainable development. Increasing the impact of EU development policy.* COM(2010) 629 final.

[51] A collection of interesting trade-related assistance case studies can be found at: http://ec.europa.eu/development/icenter/repository/tradoc_118805_en.pdf

[52] *Fighting Rural Poverty.* COM(2002) 429 final http://ec.europa.eu/development/icenter/repository/COM_2002_0429_F_EN_ACTE_en.pdf

[53] The issue of aid for commodity-dependent economies is addressed in the 2009 communication (089).

The tables in Annexes 5(a) and 5(b) **show a sample of measures funded by the Commission to develop MIS, IC and ACE**.
Annex 5(c) provides an overview of some measures with Member State cooperation in this area.

[54] 'The FSTP will help to capitalise on the lessons learnt from the experience gained in establishing safety nets and food security in reserve management; it will also assist in improving and expanding, where appropriate, the use of such market-based risk management tools to reduce vulnerabilities, mainly those associated with adverse weather conditions.'

10. Recommendations

Specific recommendations are given for each tool (MIS, IC, CF, ACE and risk management) at the end of every chapter above.

Recommendations for all tools

- Efforts must be integrated in each context and considered as part of an agriculture sector policy in each country. For some tools (notably MIS, ACE and index-based insurance), a regional approach (within regional economic organisations, for example) or a global approach is recommended.

- With regard to ACE, WRS (IC) and CF, analysis of value chains is essential to avert failure. This must engage all players, particularly representatives of small-scale farmers.

- Approaches, strategies and methods are more complex matters to resolve than the pertinence issue because of the many potential pitfalls. These include under-utilisation of resources (example: some unfortunate experiences with first generation MIS led to waste); exploitation or subjugation of farmers (example: contract farming with unfavourable or unfair conditions); exclusion of smallholders (example: warehouse receipt systems without information support and training), and tool management problems (corruption and incompetence).

- In any event, an essential component of any effort to support these tools is **boosting producers' and their organisations' capacity** to understand the economics of the sectors so they can negotiate fair contracts, where necessary, and comply with them in a sustainable fashion.

Harmonisation within the EU

For all of these tools, **harmonising EU cooperation** could help to extend and scale up current programmes and dynamics (geographically and in volume). The relative complexity of access to the agricultural market for small-scale rural producers and the importance of this issue should give rise to increased dialogue and coordinated studies and field activities. Support areas abound, including basic infrastructure, institutional development and capacity-building for farmers' organisations.

Given the wide scope of stakeholders, initiatives[55] and mechanisms that have been proven to a greater or lesser extent in trade aid for small-scale producers and organisations, harmonisation in this area requires preliminary consultation and close coordination between the EC and Member States. Ideally this should take place in developing countries (in fora for sector cooperation, for example), but also under aid programmes[56], actively seeking the support of specialist research centres.

Below are some practical suggestions:

- Draw up a comprehensive, final diagnosis of trade aid practices aimed at farmers in developing countries similar to those in progress for MIS (AFD, CTA, CIRAD).
- Foster cooperation with specialist agencies (World Bank, CTA, FAO, AFD, USAID, etc.) to harmonise approaches and concepts.
- Put in place a monitoring tool for each area: MIS, commodity exchanges, warehouse receipt systems, contract farming, insurance, etc.

[55] For example, French cooperation has opted for a cautious approach to ACEs and, in sub-Saharan Africa at least, seems to be focusing first on support developing warehouse receipt systems, which make a major contribution to structuring and creating efficient, equitable agri-food sectors. Another representative example are M4P (Markets for Poor) programmes, supported by the DFID and Development Banks in several parts of the world (English-speaking Africa, south Asia and east Asia).

[56] The issue of trade and smallholder farmers (market access, tools, etc.) was discussed at the 3rd European Forum on Rural Development in Palencia, Spain in April 2011 (report available on the website).

- In countries and regions with experience in and/or operational mechanisms, observe practices and results, share observations (create a network of the information on Capacity4dev, for example), evaluate the conditions needed to establish them, and support implementation.
- Promote exchanges between players and institutions from countries where mechanisms are up and running, with their counterparts in countries that are considering market access or risk management tools.
- Select countries and regions to pilot tools based on the findings of the aforementioned diagnosis.
- Focus on regional approaches (MIS network, WRS, etc.).

Annex 1. Acronyms

AAACP	All ACP Agricultural Commodities Programme
ABIP	Agri-Business Information Point
ABIP	Agri-Business Information Point
ACE	Agricultural Commodities Exchange
AFD	French Development Agency
AFDL	Smoothing Fund Association
AGRIS	Agricultural Information System
ANOPACI	National Association of Agricultural Producer Organisations of Ivory Coast
APFOG	Apex Farmers Organisation of Ghana
ASARECA	Association for Strengthening Agricultural Research in Eastern and Central Africa
ATP	Agribusiness and Trade Promotion Project
BF	Burkina Faso
BMZ	Federal Ministry for Economic Cooperation and Development (Germany)
BRIC	Brazil, Russia, India, China
CAMID	Caribbean Agro-Industrial Market Information Development
CARICOM	Caribbean Community
CBS	Central Bank of Samoa
CEMAC	Economic and Monetary Community of Central Africa
CF	Contract Farming
CFC	Common Fund for Commodities
CGIAR	Consultative Group on Agricultural Research
CICID	Interministerial Committee for International Cooperation for Development (France)
CILSS	Permanent Interstate Committee for Drought Control in the Sahel
CIRAD	Agricultural Research for Development Centre (France)
CMA-AOC	Conference of Agriculture Ministers of West and Central Africa
Cotlook Index	Cotton price index
CTA	Technical Centre for Agricultural and Rural Cooperation
DFID	Department for International Development (UK)
DIAPER	Improving permanent diagnostic tools for regional food security programme
DMDA	Dawanau Market Development Association
EC	European Commission
ECDPM	European Centre For Development Policy Management
ECOWAS	Economic Community of West African States
ECX	Ethiopia Commodity Exchange
EDF	European Development Fund
EPA	Economic Partnership Agreements
EU	European Union
FAO	Food and Agriculture Organisation
FARA	African Forum for Agricultural Research
GAIDA	Ghana Agricultural Input Dealers Association
GAPTO	Ghana Agriculture Producers and Trade Organisation
GI	Geographical Indication
GIEWS	Global Information and Early Warning System
GIZ	German Agency for International Cooperation
GSP	Generalised System of Preferences
IBLI	Index-based livestock insurance
ICAC	International Cotton Advisory Committee
ICT	Information and Communication Technologies
ICTSD	International Centre for Trade and Sustainable Development
IFPRI	International Food Policy Research Institute
IGAD	Intergovernmental Authority on Development
IICA	Inter-American Institute for Cooperation on Agriculture
ILRI	International Livestock Research Institute

IMF	International Monetary Fund
INRA	National Institute of Agronomic Research
IRAM	Institute of Applied Research in Development Methodology
ITC	International Trade Centre
ITC	Indian Tobacco Company
JAMIS	Jamaica Agriculture Information System
JSE	Johannesburg Securities Exchange
KACE	Kenya Agricultural Commodity Exchange
LARES	Regional Laboratory for Analysis and Social Expertise
LDC	Least Developed Countries
LMIS	Livestock Marketing Information System
M4P	Making Markets Work Better for the Poor
MACE	Malawi Agricultural Commodity Exchange
MCA	Moshi Coffee Auction
MCX	Multi Commodity Exchange (India)
MDG	Millennium Development Goal
MIP	Market Information Point
MIS	Market Information System
MISTOWA	Market Information Systems and Traders' Organisations in West Africa
MNS	Market News System
MS	Member States
NAMIS	National Agricultural Market Information System
NCDEX	National Commodity and Derivatives Exchange (India)
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
NRI	Natural Resources Institute
OECD	Organisation of Economic Cooperation and Development
PMA	Plan for Modernisation of Agriculture
PO	Producers' Organisation
PRCC	Trade Capacity-Building Programme
RATIN	Regional Agricultural Trade Intelligence Network
RCS	Rural Cooperative Society
RIP	Regional Indicative Programme
RSA	Republic of South Africa
SADC	South African Development Community
SAFEX	South African Futures Exchange
SDC	Development and Cooperation Agency (Switzerland)
SF	Smoothing Fund
SIDA	Swedish International Development Cooperation Agency
SME	Small and Medium-Size Enterprises
SMS	Short message service
SOGEMAF	Société de Gestion du Marché Frontalier (a border-market management company)
TDC	Trade for Development Centre
TLU	Tropical livestock unit
UCE	Uganda Commodity Exchange
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Programme for Development
UNICEF	United Nations Children's Emergency Fund
UPBM	Banana Producers' Association of Macenta (Guinea)
USAID	United States Agency for International Development
WAEMU	West African Economic and Monetary Union
WFP	World Food Programme
WRS	Warehouse Receipt System
WTO	World Trade Organisation
WUR	Wageningen University and Research Centre
ZAMACE	Zambia Agricultural Commodity Exchange
ZIMACE	Zimbabwe Agricultural Commodity Exchange

Annex 2. References

Reminder: the study that formed the basis of this information note is:
*Bouchitté, A. & Dardel, S. (2010) Revue de quelques approches d'appui aux petits producteurs des pays en développement pour la commercialisation des produits agricoles, notamment les systèmes d'information des marchés (SIM), les bourses de produits agricoles (BPA) et l'agriculture sous contrat (ASC). ('*Review of some approaches to support small producers in developing countries for the marketing of agricultural products, including market information systems (MIS), commodity exchanges (GAP) and contract farming (CSA*')*. Study commissioned by the EC.

Title	Publisher - Author	Year	Content
The right to food - Note by the Secretary General to the members of the General Assembly	O. De Schutter	2011	Report on the right to food with an analysis of contract farming and alternative models.
Renforcer les capacités des réseaux d'organisations agricoles par l'analyse de l'évolution du prix des céréales locales au Burkina, Mali et Niger durant la période 2001-2010 et ses incidences dur le warrantage au Niger	Addoh, S.L. et al. Afrique Verte International [AFD/Inter-réseaux/ADPRINA	2010	The advantages and limitations of the warehouse receipt system including case studies from West Africa.
Etude de cas sur l'expérience de warrantage dans le sud ouest du Burkina Faso	Somda, M. D., Kabore, S. Bastard, G., Broutin, C.	2010	Summary presented at the Regional Training Workshop on capacity-building for producer organisations to react to changes in modern agriculture under the EC-funded AAACP programme.
Commodity exchanges and smallholders in Africa International	Robbins, P. in cooperation with Catholic Relief Services Institute for Environment and Development / Sustainable Food Lab	2011	The status (somewhat critical) of ACE in Kenya, Ethiopia, Uganda, Malawi and Zambia.
Smallholder Sugarcane Production Systems in Xinavane, Mozambique: Report from the field, Wageningen University	Jelsma, I., Bolding, A., Slingerland, M.	2010	A fairly thorough study of an outgrower scheme.
Assurance indicielle et warrantage: quelles perspectives en Afrique de l'Ouest?	Duffau, A. Lagandré, D. Chetaille, A. Rozenkopf, I., Horréard, G. Oggeri, B. - Etudes et Travaux No. 28 - GRET	2011	Report of the November 2010 seminar and analysis results available online since 2011.
Index-based livestock insurance for Northern Kenya's arid and semi-arid lands: 'The Marsabit Pilot' International Livestock Research Institute.	Mude, A. Barett, C.B., Carter, M.R., Chantarat, S. Ikegami, M., McPeak, J.	2010	Adapting index-based insurance for livestock and pastoralists, using satellite imagery.

The potential for scale and sustainability in weather index insurance for agriculture and rural livelihoods	P. Hazell, J. Anderson, N. Balzer, A. Hastrup Clemmensen, U. Hess and F. Rispoli, IFAD	2010	A report on knowledge of weather index-based insurance.
Evaluation of EC Cooperation in the field of rural and agricultural development	Commission - ADE	2007	Very general assessment: disaffection by the EC; low efficiency and impact but relevance of the sector if improvements made.
Alternatives to land acquisitions: agricultural investment and collaborative business models, McKersie, B. and Hichaambwa, M. 2011 –	Cotula, L. and Leonard, R.- IIED / SDC / IFAD / CTV.	2010	A few cases of contract farming with an inclusive goal.
Socio-Economist Feasibility Study for the Enhancement and Extension of Kaleya Smallholder Scheme.	Study financed by the EC and conducted by Cardno Emerging Markets.	2011	An overview of the outgrower scheme.
Marketing extension guide.	FAO - Andrew Shepherd	2000	Practical guide to agricultural trading aimed at agricultural developers.
Accroitre le pouvoir de marché des agriculteurs- Instruments et contraintes - Séminaire	Collectif Stratégies Alimentaires (African NGO and POs)	2009	Minutes of talks. Practical experiences in Europe and developing countries. Not very structured.
Making market systems work? For the poor?	Jorg Meyer-Stamer in Small Enterprise. Development Vol. 17. DGCID and DDC	2007	A rather theoretical summary of critical analyses of M4P.
Making Market Systems Work Better for the Poor - Summary of introduction to the concept.	DFID / SDC	2008	Summary of the inclusive markets approach.
A synthesis of the making markets work for the poor (M4P) approach	DFID / SDC	2008	Justification and introduction to M4P.
M4P Approach - Lessons Learnt.	DFID / SDC	2009	Experience acquired is provisional as M4P projects are still incipient.
Comparing M4P and SLA frameworks: complementarities, divergences and synergies - Discussion paper.	SDC – Ike Abu	2007	Interesting on the differences and complementarities between the two approaches.
Diverse realities of interprofessional organisations (IPO) in West Africa.	CTA and Inter-réseaux	2008	Summarised descriptions of West African IPOs.
Expert consultation on MIS and agricultural commodity exchanges: strengthening market signals.	CTA - Expert Meeting in Amsterdam	2005	ACE and SIM scheme presentations from India, RSA, Kenya, Malawi, Zimbabwe and Afrique Verte.
Accès au marché et commercialisation des produits agricoles – Valorisation d'initiatives de	Inter-réseaux AFD/CTA – Anne Lotoré and	2009	Lessons from participatory analyses of OP initiatives to improve trading in francophone

producteurs.	Patrick Delmas		sub-Saharan Africa.
Study visit on the warehouse receipt system and ACE - trip report.	Gideon E. Onumah - NRI	2009	Very useful information about ACEs and WRS in South Africa and Tanzania.
Contract farming - Practical Guide.	Eaton, Charles and Shepherd, Andrew W. - FAO	2002	Advantages and problems, typology, practical tips, management and monitoring of projects.
Contract farming in Indonesia - Smallholders and agribusiness working together.	Dr Ian Patrick – UNE / ACIAR	2004	Case study of ACE in Bali and Lombok (melons, maise and rice seed, tobacco, cashew nuts, and seaweed). Positive outcomes.
Contract farming in developing countries: an overview - Working paper.	Jos Bijman - Wageningen University	2008	Positive and usable findings. Bibliography of case studies and problems.
Improving farm-to-Market Linkages-through contract farming - A case study of Smallholder Dayring in India (Rajasthan state).	Pratap S. Birthal and others - IFPRI	2008	Positive findings for small-scale producers. Interesting lessons learnt.
Potential of contract farming for smallholder agriculture – The Zimbabwe case study.	John J. Woodend - FAO	2003	Concrete description of ASC in Zimbabwe and various countries in East Africa. Problems and recommendations.
Contract farming for smallholder livestock producers in developing countries – Working paper.	Maria Angeles and others - Pro poor livestock initiative - FAO	2008 ?	Review of specialist literature.
Case studies of agri-processing and contract agriculture in Africa.	Denis Sautier and others	2006	Case in South Africa, West Africa and Kenya.
Empowering Smallholder Farmers in Markets - WP 1 - Context – Summary.	ESFIM (inception phase) - Jos Bijman and others	2007	Main challenges for smallholder farmers to join international, regional and local markets - response of national and international policies.
Empowering Smallholder Farmers in Markets: Changing agricultural marketing systems and innovative responses by producer organisation – WP 2.	ESFIM (inception phase) - Gideon E. Onumah and others	2007	Description of different types of improved relations between OPs and markets – Issues.
Empowering Smallholder Farmers in Markets: Ongoing and planned development initiatives in support of rural producer organisations and their role on making markets work for pro-poor development – WP 3 - Part 1: Background and key findings	ESFIM (inception phase) - Felicity Proctor	2007	Analysis of a selection of 22 bilateral or multilateral programmes / projects to support the organisation of pro-poor markets and POs, mainly in sub-Saharan Africa.
Empowering Smallholder Farmers in Markets: Ongoing and planned development initiatives in support of rural producer organisations and their role on making markets work for pro-poor		2007	

development – WP 3 - Part 2: Donor and development partner programmes			
Making value Chains work better for the poor – A toolbook for practitioners of value chain analysis.	M4P / DFID	2008	A practical, well-made guide to detailed analysis of agri-food sectors (organisation, governance, costs, income and jobs) and improvements to help small-scale farmers.
Les bourses aux céréales: la commercialisation des céréales locales en réponse à l'insécurité de l'approvisionnement alimentaire.	Inter réseaux – Grain de Sel – M. Haidara	2006	History, concepts, organisation and impact of grain exchanges in Mali.
Système de commercialisation de la banane de l'UPBM – Guinée.	INADER and UPBM	2007	History, concepts, organisation and impact of mini-exchanges.
Exchange traded Agricultural derivatives in South Africa.	JSE / SAFEX	?	Practical short guide to use of commodity exchanges (derivatives): definitions, procedures, etc.
NCDEX Spot Exchange - Mumbai, India.	NCDEX - National Commodities Derivatives Exchange	?	Brochure presenting the commodities spot market, including agricultural commodities.
Agriculture and poverty reduction: unlocking the potential.	DFID Policy Paper	2003	Brief note describing DFID policy, with some examples.
Agricultural Trade.	GTZ	2008	Description of the programme to support agricultural trade in developing countries.
'Trade policy and trade promotion' funds.	GTZ	2007	Description.
Spanish Agency for International Development Cooperation.	AECID	?	Overview of Spanish cooperation, including trade support.
Contract farming and smallholder farming in Nigeria.	Emmanuel Nabuguzi, in Politique Africaine	?	Analysis of the tobacco industry. Example of vertical integration by multinational BAT.
Overview of the grain marketing system based on agricultural commodity exchanges in South Africa.	Gideon Onumah	2008	Organisation of the cereal sector and role of ACEs.
Ethiopian ACE.	Bemmet Aschenaki	?	PowerPoint presentation of the future agricultural exchange and WRS Started in 2010.
Reducing Marketing Constraints and Enhancing Producer Incomes through Warehouse Receipt Systems: Cases from Coffee and Cotton Sub-Sectors in Tanzania.	Gideon E. Onumah and Fidelis Temu	2008	Impact of WRS on the liberalised coffee and cotton sub-sectors.
India: developing a new ecosystem for agricultural trade, risk management and finance.	Lamon Rutten joint Managing Director MCX FAO - UNCTAD	2007	PowerPoint Presentation - Role of ACE MCX (Mumbai) in the evolution of Indian agriculture (ACE, WRS, MIS, etc.).
Innovative Mechanisms in Latin American and	Ms. Leonela Santana-	2007	PowerPoint Presentation - Role of ACE,

Caribbean commodity exchanges.	Boado, FAO - UNCTAD		WRS, MIS, etc. - Brazil, Argentina, etc.
The Developments of Commodity Exchanges in China.	Li Xigui China National Grain & Oils Information Center FAO - UNCTAD	2007	PowerPoint presentation - List of commodity and agricultural commodity exchanges in China.
Commodity exchanges and derivatives markets – The new world.	Ann Berg FAO - UNCTAD	2007	PowerPoint presentation comparing ACE and derivatives markets.
Pan-African Multi Commodity PACDEX Exchange.	Anthony Adendorff PACDEX	2007	PowerPoint presentation, presentation of the proposed Pan-African exchange currently being implemented.
Market-based Risk Management and Insurance for Developing Countries.	Alexander Sarris Director, Trade and Markets Division, FAO	2007	PowerPoint Presentation - Presentation and usefulness of different types of agricultural insurance in developing countries.
Improving the functioning of commodity markets in developing countries: Practical experience.	Common Fund for Commodities CFC	2007	PowerPoint Presentation - Role of CFCs in the development of ACE, WRS, and PRM (Price Risk Management).
Commodity Exchanges: The Indian Experience and Its Relevance for Central Africa.	Adam Gross Director of Strategy - Bourse Africa	2009	PowerPoint Presentation Description of agricultural exchanges in India. Interest and adaptation needs for a Central African ACE.
Bourse Africa / Central Africa Exchange.	Comex Central Africa - Yaounde	2009	PowerPoint Presentation - Central Africa exchange project, as an antenna for the Pan-African exchange based in Botswana - ACE Support MCX Mumbai.
Establishing an African commodity exchange: Lessons from the Indian experience.	Girish Raipuria, Head of Operations - Bourse Africa	2009	PowerPoint Presentation Description of agricultural exchanges in India. Interest and adaptation needs for a Pan-African ACE.
The Kenya Agricultural Commodity Exchange Limited (KACE): Linking Farmers to Markets.	A. Mukhebi and J. Kundu	2009	PowerPoint Presentation Development of second generation MIS but not yet true ACE - Rockefeller, F. and Kofi Anan.
Project to create a regional commodities exchange (CEMAC).	Goura B. Dang - SOKARIS CONSULTING, INC.	2009	PowerPoint Presentation. Background, objectives and components of ACE project for Central Africa.
Zambia Agricultural Commodity Exchange - ZAMACE - A case study.	Various authors	2009	PowerPoint Presentation. Presentation of ZAMACE and operational difficulties (ACE and WRS).
Recent commodity market developments: trends and challenges.	Note by the UNCTAD secretariat	2008	Recent developments and trends in commodity prices.
Commodity Exchanges: Facilitating trade and empowering farmers in the developing world.	Leonela Santana-Boado Economic Affairs Officer Special Unit on	2009	Summary of the role of UNCTAD in ACEs in developing countries.

	Commodities UNCTAD, Geneva		
Overview of the grain marketing system based on agricultural commodity exchanges in South Africa.	Gideon Onumah	2008	History, current situation and trends in the grain market (ACE, WRS, etc.).
AGRA Warehouse Receipt Support.	AGRA - Anne Mbaabu	2009	PowerPoint presentation of the methodology and role of AGRA in supporting WRS.
Agricultural Marketing Systems Development Programme AMSDP - Report and recommendation of the President.	IFAD	2001	Project Document.
Rural markets - FERT and MIVWATA experience in Tanzania.	FERT - various authors	2009	Presentation of objectives, methods, activities, results and lessons learnt from the rural market support programme.
Review of Warehouse Receipt System and Inventory Credit Initiatives in eastern and southern Africa.	Jonathan Coulter	2009	Analysis of various WRS approaches and results – recommendations.
Support Project to Strengthen Commercial Capacities of Agricultural Producers in Tanzania - Final external assessment.	Match Maker Associates Ltd.	2009	Ex-post evaluation and recommendations for the FERT / MIVWATA programme.
Major lessons from the FERT / MIVWATA programme in Tanzania.	FERT	2009	Lessons learnt from the rural market support programme.
Market Information Systems (MIS): Effective mechanisms to improve market transparency?	CTA, Inter-réseaux	2008	Review of concepts, presentation of some MIS.
The ideal ABIP (version 1).	MISTOWA / USAID	2006	Description of ABIP, setting them up, management and examples.
Diverse realities of interprofessional organisations in West Africa.	CTA, Inter-réseaux	2008	Presentation of some IPOs, interprofessional agreements.
Market information services - theory and practice.	FAO	1995	Report on MIS.
Markets information systems. Are they useful? For whom? Why?' Report of the 9th Conference of 'Mardis du BAME'.	Senegalese Institute of Agricultural Research, ISRA	2005	Reminder of concepts and the usefulness of MIS.
Producer organisations and organisation of market spaces. Cross-sectional analyses from the Inter-réseaux Working Group 'Market access and agricultural product marketing'.	CTA, Inter-réseaux	2009	Report of PO agricultural marketing measures.
Compétitivité de l'agriculture : l'information de marché, vecteur determinant.	Amadou Fall (journalist)	2009	Advantages and limitations of MIS and observatories.
Systèmes novateurs de conseil agricole utilisant les TIC : essai d'inventaire.	L'actualité des services aux entreprises, No. 18	2009	Review of ICT to support MIS.
Intérêts et limites des Observatoires et des filières agricoles pour les politiques de sécurité	BF. Dupaigre, IRAM	2002	Concept of the Observatory, distinction with MIS.

alimentaire et de réduction de la pauvreté dans les pays en développement.			
From price reporting systems to variable geometry oriented market information services.	J. Egg / F. Galtier	1998	History of MIS, current status and ideas for development.
The '*paradox*' of *market information systems*: a reading guide derived from institutional economics and communication theory.	J. Egg / F. Galtier	2003	
Le Système d'information sur les marchés (SIM): condition nécessaire à la réussite de nos opérations de commercialisation. Expérience de l'ANOPACI.	S. Kouaou, I. Sindikubwabo	2007	MIS implementation experience of a producer organisation in Ivory Coast.
Vegetable market information and consultation systems in the Mekong Region.	H.B.An (RIFAV), P. Moustier (CIRAD)	May 2005	The MIS concept and presentation of MIS in Indochina.
SIMs : rétablir l'équilibre.	PCI Bulletin Update CTA, No. 47,	February 2009	Brief presentation of reporting experiences.
Warana: The Case of an Indian Rural Community Adopting ICT.	Simone Cecchini Monica Raina	2002	Sugarcane production cooperative MIS in India.
Inventory of Innovative Farmer Advisory Services using ICT.	Mr. Gakuru, K. Winters, F. Stepman, FARA,	2009	A review of MIS and ICT.
Background paper on UNCTAD activities regarding information market systems, commodity exchange, supply chain finance in eastern and southern Africa.	UNCTAD, All ACP Agricultural Commodities Program,	June 2008	Evaluation of existing tools.
Kenya: Dealing with drought.	IRIN News	February 2010	Description of drought mechanisms for livestock in Kenya.
Améliorer le fonctionnement des marchés agricoles en Afrique de l'Ouest.	IRAM / LARES B. Dupaigre Faivre, P. Alary, R. Blein, B.G. Soulé	February 2008	Analysis and suggestions to improve trade, including insurance and MIS.
The need for public intervention to stabilise prices.	F. Galtier, CIRAD, Bulletin Perspectives No. 2,	November 2009	Theories and examples of price intervention measures.
Empowering Smallholder Farmers in Markets: National and International Policy Contexts. Summary.	*WUR - CIRAD - NRI*	*August 2007*	Analysis of various support tools, including insurance.
The effectiveness of stabilisation policies in food prices in West Africa - *The experience of Mali.*	F. Galtier (CIRAD), L. Diakite (IER), S. Diarra (OMA)	*November 2009*	Strategies in West Africa to cope with price fluctuations.
How to manage food price instability in developing countries?	F. Galtier, CIRAD	November 2009	A review of price/risk management mechanisms.
L'économie cotonnière des pays africains de la	A. Schwartz, IRD	February	Smoothing funds.

zone franc dans la tourmente de la mondialisation. Une illustration à partir de l'exemple du Burkina Faso.		2010	
Fonds de lissage burkinabé: Depuis la campagne 2006-2007, le mécanisme fonctionne	Lasserre, D., Momagri Article	2009	Smoothing fund, experience of cotton BF / SFM.
Mid-term Evaluation of the EU-Africa Partnership on Cotton.	N. Gergely, F. Bioche, N. Zanfongnon,	June 2009	Smoothing funds and other risk management practices, cotton sector.
Abondement initial du fonds de lissage de la filière cotonnière burkinabè.	AFD Ouagadougou	February 2010	Details of smoothing funds in the cotton sector in Burkina Faso.
Can Financial Markets Be Tapped to Help Poor People Cope with Weather Risks?	*World Bank / J. Skees, P. Varangis, D. Larson, P. Siegel*	March 2002	Conceptualisation and examples related to weather insurance.
The performance of index-based livestock insurance: ex ante assessment in the presence of a poverty trap.	World Bank / USAID / ILRI	November 2009	Description of IBLI for disasters related to animals.
Livestock Insurance for Pastoralists in Kenya.	ILRI www.blip.tv	January 2010	Introduction to the concept of IBLI.
Information note on the establishment of the regional facility of smoothing funds for cotton prices.	WAEMU Commission	March 2010	Proposals for a support mechanism for smoothing funds in the cotton sector.

Annex 3. Useful websites

SITE NAME	INTERNET ADDRESS	KEY AGENCIES INVOLVED / FINANCING	CONTENT
AAACP - All ACP Agricultural Commodities Programme -	http://www.euacpcommodities.eu	EC and ACP countries EU Action Plan on Commodities, Dependence and Poverty	Programme description (logical framework, activities, etc.); progress; documentation related to the issue of 'pro-poor markets'.
AECID Spanish Agency for International Development Cooperation	http://www.aecid.es/export/sites/default/web/galerias/programas/Vita/descargas/hambre_resumen_fra.pdf	Ministry of Foreign Affairs	Information on Spanish cooperation objectives, themes, activities and resources. Direct link to the fight against hunger strategy paper.
Afrique Verte - International Portal	http://www.afriqueverte.org/	NGOs: AcSSA, AMASSA, APROSSA and Afrique Verte,	Security and food sovereignty in the Sahel – grain commodity exchanges.
AGRICORD - Network of 7 international NGOs supporting agricultural POs in developing countries	http://www.agricord.org/about	AFDI, Agriterra, FERT, Trias, SCC, UPA-DI, IDACA	Trade capacity-building of agricultural POs in developing countries: advocacy, trade, partnership, summaries, training, etc.
AGRITRADE - CTA Portal dedicated to international trade in agricultural products as part of ACP-EU relations	http://agritrade.cta.int/	CTA	Information and analysis on key issues for the ACP including (EPA, WTO, CAP and food security) and on major commodities.
World Bank	www.worldbank.org	World Bank	Experiences in agricultural insurance and support funds.
United Nations Newsletter	www.irinnews.org	UNDP	Description of the Kenyan experience of weather insurance
Contract Farming Resource Centre	http://www.fao.org/ag/ags/contract-farming/index-cf/en/	FAO	Library, Toolkit, FAQs and List of Links.
International Trade Centre / UNCTAD	www.intracen.org	UN, various donors	Promoting cash crops.
CFC - Common Fund for Commodities	http://www.common-fund.org/	UN EM UN funding	Funds to finance projects to aid small-scale producers of basic commodities.
CTA - Technical Centre for Agricultural and Rural Cooperation	http://www.cta.int	EU and ACP countries - the Cotonou Agreement	Information, studies, funding and support in agriculture for developing ACP countries
CTB - Belgian Cooperation Agency	http://www.btcctb.org/trade-development	Federal Ministry of Belgian Cooperation	Information on Belgian cooperation objectives, topics, measures and resources. Direct link with pro-poor trade aspects.
DANIDA - Danish Cooperation	http://www.um.dk/en/menu/DevelopmentPolicy/DanishDevelopmentPolicy/Tradegrowthanddevelopment/	Danish Ministry of Foreign Affairs	Information on Danish cooperation objectives, topics, measures and resources. Direct link with pro-poor trade measures.
SDC - Swiss Cooperation Agency	http://www.ddc.admin.ch/en/Home/Themes/Rural_development_Food_security/Rural_production_and_service_systems	Ministry of Foreign Affairs	Information on Swiss cooperation objectives, topics, measures and resources. Direct link to support for rural initiatives and innovations.

DFID - UK Department for International Development	http://www.dfid.gov.uk/Global-Issues/How-we-fight-Poverty/Agriculture-and-food/Agriculture/	UK Government	Information on British cooperation objectives, topics, measures and resources. Direct link to agriculture.
ELDIS	http://www.eldis.org/	IDS	General e-platform and portal on development issues.
ESFIM – Empowering Smallholder Farmers In Markets (programme)	http://www.esfim.org/	FIPA, ECART CTA, IFAD, AGRICORD	Policies, regulations and institutional arrangements for inclusive markets. Diagnostic documents (inception).
EUROPA - EC Development and Cooperation - International Trade	http://ec.europa.eu/europeaid/what/development-policies/intervention-areas/index_en.htm	EU	EC international trade measures and support for developing countries in this area.
FAO - Rural Infrastructure and Agro-Industries Division	http://www.fao.org/ag/ags/en/	FAO	E-platform and information and advice centre, particularly regarding the links between farmers and markets. Numerous case studies.
GTZ - German Development Agency	http://www.gtz.de/en/themen/laendliche-entwicklung/14850.htm	Federal Ministry for Economic Cooperation and Development (BMZ).	Information on German cooperation objectives, topics, measures and resources. Direct link to aspects of value chains.
Hub Rural: support of rural development in West and Central Africa	www.hubrural.org	EU, MAE France, IFAD, CTA, ECDPM	Information centre on initiatives in the rural sector, training, etc.
IDS - Institute of Development Studies	http://www.ids.ac.uk/	UK institute of research and training (Sussex) DFID, EU, EC, UN	Information, publications, blogs, etc.
IFPRI - International Food Policy Research Institute	http://www.ifpri.org/	A wide range of public and private funding, including EC	Information, publications, blogs, etc. Direct link to documents on pro-poor insurance.
INFOCOMM - Market information for commodities	http://www.unctad.org/infocomm	UNCTAD French financing and AAACP	Global network, summaries of commodities, information on emerging agricultural exchanges, and public-private partnerships.
INRA - National Institute of Agronomic Research (France)	http://www.inra.fr/	Ministry of Agriculture Ministry of Research	Information, publications, blogs, etc. Some programmes tackle pro-poor markets.
Inter Réseaux -	http://www.inter-reseaux.org/	AFD, CTA, SOS Faim, MAAP	Discussions and experience exchanges on rural development in a network covering the South (POs, NGOs, donors).
International Center for Soil Fertility and Agricultural development	www.ifdc.org	USAID	Description of MISTOWA activities in trade information.
Jamaica Agriculture Market Information System	www.ja-mis.com		Market information for Jamaica.
JSE / Grain Futures and Options **RSA Johannesburg Stock**	http://www.jse.co.za/Products/Commodity-Derivatives-Market/Commodity-Derivatives-	Johannesburg Stock Exchange	Information, prices, list of traders and brokers, contacts, and statistics.

Exchange	Market-Product-Detail/Grain_Futures_Options.aspx		
Livestock Insurance for Pastoralists in Kenya	www.blip.tv	ILRI	Description of weather insurance scheme in Kenya (film).
M4P Network - Resources, Information, Exchange to build sustainable Markets That Work for the Poor	http://www.m4pnetwork.org/	DFID	Information about the M4P, examples of best practice, blogs and documentation.
MISTOWA - Network of Regional Market Information Systems and Traders' Organisations of West Africa	http://www.mistowa.org/en/index.php	USAID / IFDC	E-platform for information exchange on development of agricultural trade - Privatised (ESOKO).
NCDEX - National Commodity and Derivatives Exchange Ltd. - Mumbai, India	http://www.ncdex.com/	NCDEX	Information, prices, list of traders and brokers, contacts, and statistics.
Regional observatories monitoring agricultural sectors in West and Central Africa	www.observatoires.org	USAID	Centralises the observatories for onions, fruits and vegetables, and tubers implemented by the CMA / WCA.
ONASA: National Office for Support to Food Security in Benin	www.onasa.org		National MIS in Benin, responsible for collecting and processing prices of basic necessities.
Trading information platform ESOKO	www.esoko.com	ATP (USAID)	Central database for market prices in four countries of West Africa: Ghana, Burkina Faso, Mali and Niger.
Focal Point Rural Development - Swiss Cooperation	http://www.sdc-ruraldevelopment.ch/en/Home/Book_Shop	SDC	Internet portal on Swiss measures, particularly in terms of pro-poor markets.
RATIN - Regional Agricultural Trade Intelligence Network	http://www.ratin.net/	EAGC SIDA, USAID, FSD-Kenya,	Regional MIS and early warning system for eastern and southern Africa.
RESIMAO - West-African Market Information Network	http://www.resimao.org/html/en/region/home	EU, CTA, USAID, IFDC, MISTOWA	Sharing and dissemination of information on national MIS prices. Support in developing these MIS.
ROPPA - Network of Farmers' and Agricultural Producers' Organisations of West Africa	http://www.roppa.info/?lang=en	POs from ten countries of the WAEMU	Improving working conditions for rural families: sub-regional integration, decentralisation, and globalisation.
Agricultural market information system of Niger	http://www.sima-niger.net/	EU, CTA	National grain and livestock MIS of Niger.
Tanzania Coffee Board	http://dreamweaver.co.uk/tcb/about.html	Tanzania Coffee Board	Summarised information.
Trade Development Centre - Belgium	http://www.befair.be/	Federal Ministry of Belgian Cooperation	E-platform focusing on fair and pro-poor trade.

Annex 4. Examples of Agricultural Commodity Exchanges

Country	Sector(s)	Name	Description	Promoters / Shareholders	Type of exchange
(a) Guinea	Bananas	Mini-exchange for bananas	Joint negotiating of prices and volumes - programming cuts and delivery - controlled weighing.	UPBM - Union of Banana Producers of Macenta	Physical market Cash payment
(b) Mali	Grains	Grain exchanges	Organisation of PO/traders contacts and contracts.	Afrique verte PO / Gie Jeka Feeré	Physical market Cash payment
(c) Malawi	Grains Other	MACE - Malawi Agricultural Commodity Exchange	Regional Stock Exchange - SADC level - project stage.	Non profit-making	Physical market Deferred payment
(d) Kenya	Grains	KACE - Kenyan Agricultural Commodity Exchange Private enterprise	MIS and local information points - matching supply and demand.		Physical and electronic market Cash payment
(e-1) Tanzania	Coffee	Moshi Coffee Auction Tanzania Coffee Board	Organisation and regulation of arabica and robusta coffee market - functional collateral management.	Tanzania Coffee Board Banks	Electronic auction market on samples
(e-2) Ethiopia	Coffee, sesame, maize	Ethiopian Commodity Exchange	Organisation and regulation of the coffee market, sesame and maize + MIS.	Sector players involved; State	E-platform Spot and futures market
(f) South Africa	Maize, wheat, soybean, sunflower	Johannesburg Stock Exchange (JSE / Commodity Derivatives (SAFEX Ex) Private Entity	Real commodity exchange with clearing - Minimum lots 25 to 100 tonnes - Certificates of deposit.	Banks Enterprises Unions of large-scale farmers	E-platform Futures and derivatives market
(g) India	All commodities including agricultural	NCDEX - National Commodity and Derivatives Exchange Ltd. - Public Ltd company	Real multi-commodity exchange based in Bombay - Clearing house Minimum lots 25 to 100 tonnes - Certificates of Deposit.	Banks, NSE, cooperatives	E-platform Futures and derivatives market
(h) India	All commodities including agricultural	NCDEX SPOT Public company Ltd.	Electronic market. Secure transactions and payments.	NCDEX (subsidiary)	E-platform Cash payment

Annex 5a. Examples of measures funded by AAACP

Action Area	Name of measure	Region / State	Expected outcome	Major activities supported by AAACP	Executing agency	AAACP contribution (EUR)	Duration
MIS	Improving the INFOCOMM portal (global system for MIS on commodities)	ACP countries	Sector stakeholders have timely access to relevant economic information. Market transparency. Reduction of information asymmetry. Enhanced analysis capabilities.	• Utilisation of ICT and user-friendly system • Translated into three languages • Extended to strategic information	UNCTAD	150 000	January 2009 to December 2011
ACE	Development of an ACE	Ghana	Facilitating marketing. Transparency of markets and pricing. Liquidity of players. Reduction of information asymmetry.	• Support for existing ACE project • Capacity-building • Specialised workshop	UNCTAD	30 000	December 2008-December 2010
ACE	Development of a regional ACE network	Caribbean	Facilitating exports. Transparency of markets and pricing. Liquidity of players. Reduction of information asymmetry.	• Study of ACE potential • Support for ACE in the Dominican Republic • Capacity-building and workshops • Dissemination of best practices	UNCTAD	70 000	December 2008-December 2011
ACE	Support for the creation of an ACE - cashew sector	Tanzania	Improved efficiency and equity in the cashew sector.	• Feasibility study of establishing a specialised ACE	UNCTAD	30 000	2010
ACE	Support for the establishment of an ACE	Cameroon	Facilitating exports. Transparency of markets and pricing. Liquidity of players. Reduction of information asymmetry.	• Pre-feasibility study with focus on coffee • Awareness-raising and consultation of policymakers and sector players • Action Plan	UNCTAD	70 000	2009 and 2010

Annex 5b. Other EU funded measures with a direct link to MIS, IC and CF

Name	Content	EUR (million)	Duration	Operators	MIS	ACE	CF	General
AAACP - All ACP Agricultural Commodities Programme	Strengthen agricultural industry players.	45	2007-2012	CFC, FAO, ITC, UNCTAD, World Bank.	Support the development of MIS to aid small-scale producers.	Prepare to set up ACE (workshops, studies, training and monitoring). Establish grades and standards.	Support for capacity-building in trade to producer groups.	Sector structuring. Consensus building. Develop agricultural insurance.
PIP-2 Quality and compliance fruits and vegetables second phase	Adapt agricultural producers/exporters in ACP to international market (fruit and vegetables).	32	2009-2014	Exporters, producer groups, sector organisation.			Strengthen technical and organisational capabilities linked to compliance with regulations and standards.	
CTA - Technical Centre for Agricultural and Rural Cooperation	Facilitate access of ACP countries to information and expertise in agricultural sectors.		Permanent		Support the development of MIS: information, studies, workshops and study trips.	Prepare to set up ACE: information, studies, workshops and study trips.	Quality labels and geographical indications. Food safety standards.	Agricultural food marketing.
DIAPER - Technical Partner: FAO	Support for national MIS.		1984-2000	FAO	Improved diagnostic tools for permanent regional food security.			
Support for rural markets in Tanzania - MIVWATA	Improve infrastructure and operation of six local markets.	1	2006-2009	FERT and MIVWATA	Implement a regional MIS for food crops.	Prepare for an ACE: structuring and functioning of food chains.		Agricultural food marketing.
TASP - Trade and Agricultural Support in Tanzania	Support the competitiveness of tea and coffee sectors. Prepare support for other sectors.	9.4	2010-2015	Partially decentralised management in the competent authorities.		Reinforce existing marketing systems (coffee auction).		Draft and implement trade policies. Improve quality and traceability standards.
Development of SMEs in the Agro Industry sector in	Create a favourable business	8.9	2007-2012	Ministry of Industry, Mines and Energy	Develop MIS.			Favourable policies and regulations for SMEs

Name	Content	EUR (million)	Duration	Operators	MIS	ACE	CF	General
Cambodia.	environment. Technical and financial support for SME.							Structure and develop sectors (rice, fruits and cashew).
Market Information Systems - Phase II in Yemen	Improve and strengthen national MIS.	0.9	2004-2007	Ministry of Agriculture	Develop MIS (fruits and vegetables).			Agricultural policies analysis unit.
Development of lychee exports in Madagascar	Support producers and processors in adapting to European markets.				MIS for import conditions in Europe and emerging countries.		Contractual relationships between producers and agro-industry.	Structure the sector. Traceability and adapting to European standards.
Development of the organic cotton sector in Paraguay	Support small-scale cotton producers and companies in organic certification and market research.				MIS for niche market opportunities for products made from organic cotton fibre.		Contractual relationships between producers and agro-industry.	Structure the sector. Adapt to standards and traceability.

Annex 5c. EU Member States cooperation on MIS, IC, ACE and CF.

Although this list is by no means exhaustive[57], it aims to briefly illustrate Member States' interest in trading among small-scale producers in developing countries.

German cooperation: The GIZ has an Agricultural Trade programme, addressed at supporting agricultural trade to benefit the poor and family farming. This programme includes drawing up the concepts, methods and tools needed for capacity development in agricultural trade. These aspects are mainstreamed in development cooperation projects, in strategies and programmes in partner countries and in the work of the Federal Ministry for Economic Cooperation and Development (BMZ).

Belgian cooperation: Belgian cooperation funds the Trade for Development Centre (TDC), which aims to promote fair trade, sustainable trade and aid for trade, both in Belgium and in developing countries. This programme is a 'skills cluster' set up by the Government.

British cooperation: 'Markets for the Poor' (M4P) is an innovative and structured development approach aimed at boosting participation among poor farmers (men and women) in economic growth by making market systems and agro-food sectors more favourable to them. This inclusive market development focuses on incentives for private companies to invest more, creating more jobs and extending the access that the poor have to goods and services markets.

Danish cooperation: During the Danish Presidency of the EU in 2002, the Government of Denmark launched the 'Trade and Development - Tackling Poverty' initiative. The Danish approach involves integrating its bilateral cooperation into international WTO negotiations and EU cooperation. Denmark supports a world trade organisation that is beneficial to the poor, based on liberal principles, explicit rules and transparency. In addition, through the projects it funds in various partner countries, Danish aid contributes to developing the private sector and enables grassroots players, particularly family farmers, to better exploit regional and international market opportunities.

Spanish cooperation: The AECID (Spanish Agency for International Development Cooperation), under the Ministry of Foreign Affairs, is responsible for implementing cooperation. Its pro-poor trade measures are primarily addressed at post-harvest management, promoting local markets, promoting rural non-farm employment, and information and early-warning systems.

French cooperation: Implemented by the AFD, the Trade Capacity-Building Programme (PRCC) and other approaches allocate EUR 25 million (2005-2008) to support diversified and innovative trade-related development projects and sector studies, which aim to improve the export capacity of developing countries and improve their knowledge of international trade.

Swedish cooperation: SIDA is the executing agency of the Swedish Government for International Development, under the Foreign Ministry. One of the five strategic priority areas of development implemented by SIDA is to develop production and pro-poor agricultural markets.

[57] It may be expanded in a future version.