Commodity exchange to create market

By Benon Ojiambo

Lack of sufficient co-ordination among players in Uganda's agricultural sector and agribusiness value chain has been blamed for the sector's poor performance, with each player in the agricultural value chain operating independently.

There is need to enhance collaboration among different players such as farmers, buyers and sellers to realise the sector's full advantages, Gideon Badagawa, the chairperson of the Private Sector Foundation Uganda, said recently.

"We are not talking to each other. Each one of us is operating in their own silos. We need to create institutional and technical collaboration across all sectors and value chains," Badagawa adds.

Weak links

In a recent interview, Christian Baine, the chief executive officer of the Uganda National Commodity Exchange, described Uganda's agricultural sector as one with weak links, where farmers and buyers are not aware of what is happening in the market.

"Our markets are weak in terms of integration. Sellers and buyers are not in contact with each other and nobody knows what is available in the quantities and quality," Baine explained.

"If a farmer is in the village, the best he can do is to sell to the next village or town. In Uganda, it's the small traders, who more from stage to stage aggregating commodities from the farmers," he adds.

Baine cites an example of a woman in Kamuli district selling a cluster of bananas at sh300 while the same cluster costs sh4,500 in Kampala.

He says this woman could earn the sh4,500 if she pooled resources with others to sell at the commodity exchange.

Producer organisations

Baine advises farmers to form producer organisations to market their produce collectively through secured storage facilities in order to earn more.

However, there seems to be light at the end of the tunnel for creation of linkages in the agricultural sector as the Government is in the process of reviving the National Commodity Exchange (UNCE).

Governments should help strengthen the link between farmers and buyers

New system

The Government is in the process of reviving the UNCE. It will be responsible for structured trading of grains in the country.

The commodity exchange shall be owned by both the private sector and government in ratios of 80:20% respectively. UNCE is currently in the final process of testing their electronic trading system that shall link the warehouse receipts. It is expected to start operations during the next harvest, which starts in January next year.

Baine describes the commodity exchange as a village market, where sellers and buyers shall come together with specifications of products they are selling and buying respectively.

"This is a marketplace that provides a platform for people in the commodity sector to buy quality-oriented products between themselves. It is now possible for traders and farmers to interact with each other, regardless of their locations," he said.

Previously, the commodity exchange efforts that the government and private sector had put in place were not successful because the exchange could not guarantee delivery of quality the buyers wanted and the sellers were not able to guarantee payment.

The system shall facilitate unseen transactions in that buyers and sellers who are not physically in contact can take delivery of commodity.

Linkages

Through the system, there will be links developed with the warehouse receipt system.

"If your produce meets quality, a warehouse receipt shall be issued, confirming the quality and quantity of the commodity and the information is captured electronically, before it is linked directly to the exchange, where everyone can see," he explains.

"Buyers, wherever they are, will be able to verify the quality of the products without being physically there and can make an offer for the products. The exchange guarantees quality and delivery,for the buyer and payment to the suppliers," he says.

There will be brokers at the exchange representing both the suppliers and the sellers.

Reduced losses

Currently, 90% of the grain produced in the country is traded informally without any documentation like contracts, quality standards for warehousing and bagging.

Through the warehouses, the system is also expected to reduce on the losses of agricultural produce that are incurred by farmers during the peak harvest seasons due to poor post-harvest handling challenges.