



## **REGIONAL DEVELOPMENT BRIEFING N° 5**

### **Rural Development Briefing in Eastern Africa A series of meetings on ACP-EU development issues**

**Improving investment and stimulating agricultural growth to achieve food security in East Africa  
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### **Market Influences and Problems/Barriers in Agricultural Marketing**

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#### **Executive Summary**

The title for this meeting is a topic that has been discussed and debated and had numerous papers presented on the subject at many forums at national, regional and international levels over many years. Regrettably, whilst some consensus has been reached as to what the problems are, the same probably cannot be said about potential solutions to the myriad of problems being faced.

My presentation focuses on four main issues namely, factors which influence markets, characteristics of African markets, major constraints in African markets and touches briefly on information on innovative financial interventions. Information regarding the first three topics has been derived from training courses, workshops and visits to the field and has been obtained from a wide variety of sources, including small scale farmers, traders, warehouse operators, transporters, government employees, NGO's and donor funded projects amongst others. The details gathered from these meetings, involving some 1 500 individuals, is considered to be significant and whilst some of it is not new, it is significant in that it has come from operators in the agricultural industry and reflects many of the problems and frustrations they have and continue to be exposed to. They are crying out for attention to be paid to them, to be taken seriously, for their problems to be addressed and for their standard of living to be improved.

I then move on to briefly discuss some possible solutions, including interventions by both the public and private sectors. The final part of the presentation discusses the use of some of the risk management tools available, a few of which are in use already to a larger or lesser degree, but I hasten to add that I have not covered this in great detail Due to time constraints. I will wrap the presentation up with some final thoughts.

Cognisance needs to be taken of the fact that many other countries in Africa have economies that are based and rely primarily on agricultural production. In the past, these countries established a name for the quality of the commodities produced, from tea and coffee, to groundnuts, rice and chillies to mention but a few. However, more recently, owing to a lack of discernable markets, both the volume and quality of these products has fallen.

These countries also face many economic and market challenges. Perhaps first and foremost of these is the total lack of reliable and accurate market information. Whilst steps have been taken to address this, a great deal still needs to be done and although there are a number of initiatives on the Continent, there are none that have been successful at this stage. There is a need to generate more transparency in the market, which will also provide an opportunity to many who are currently disenfranchised to compete in the market. Some of the problems experienced include the method of dissemination of the information, the cost attached to it and, probably most importantly, the lack of accuracy of the information.

Through the establishment of quality standards for each commodity, it will be much easier to do business as the market will be able to identify the grade being offered for sale, attach the known characteristics to that parcel and bid against the offer price on this basis. The introduction of a viable warehouse receipt programme will help in this endeavour.

Many small-scale farmers have no option but to sell their produce, whether they want to or not, because they have nowhere to store it. The use of warehouse receipts system will provide an opportunity for them and others to do so and will also bring the prospect of generating much needed liquidity into the agricultural sector. These documents will afford an opportunity to producers, as well as traders and end users, to store their goods in a registered storage facility and to be issued a Warehouse/Silo Receipt. This document can then be used to secure a loan using the commodity in store as the collateral.

Banks are still extremely circumspect about the use of warehouse receipt as financial documents and work needs to be done to change this perspective. Innovative solutions are needed and experience shows that when a few banks “buy in” to the system, others soon follow!

Contracts and dispute resolution mechanisms are another area for support. Many farmers are short change because of the way buyers, traders, processors and other purchase their goods, using their own quality standards to “discount” the price, instead of using common quality parameters used widely in the market. To address this, enforceable contracts need to be more widely used, in tandem with a method of dispute resolution.

There remains much to be done, but with the concerted effort of all, particularly the market participants, change can be achieved!