

Assessment of Learning Programme for Market Intelligence and Launching of MACs

(Deliverable No. 8 First Mile Phase 2, IFAD-Agridea)

Introduction

The ambitious “Learning Programme for Market Intelligence and Establishing MACs” from October 2007 (deliverable 4) had to be revised considerably due to the following three insights that have been gained since then:

- 1) The original set of people from AMSDP’s core groups who intended to launch MACs were mostly NGO staff and public servants, with little understanding of the requirements for launching a commercial venture. On top of this AMSDP stopped its financial support to these core group members. Thus core group members had to balance the return to their ‘real’ jobs with starting new commercial enterprises. Unfortunately, this resulted in a lack of time and energy for effective follow-through on setting up commercially behaving MACs. Activity in Hai, Same and Babati MACs came to a standstill. Muheza, Mufindi and Songea MACs struggle to provide services to their clients. We learned to focus on supporting truly commercially oriented entrepreneurs when starting MACs. This had implications for the learning programme, see below. This strategy is now being followed in five districts as follows: Same, Korogwe, Muheza, Mufindi and Songea. This means we now encourage some members of our ‘dormant’ MACs to reinvent themselves as ‘Trade Agents’.
- 2) The availability of the original set of people from AMSDP and the RKN project who provided technical support to the MACs was severely constrained. Since the districts we selected for learning on market intelligence were no longer supported by the AMSDP it became very difficult for AMSDP’s staff to provide technical support. Also the hoped for technical support from the RKN project did not materialize. It took some time to grasp that typical consultant contracts along the regular lines of FAO result in hiring people who don’t have an entrepreneurial outlook and therefore fail to support commercial viability of MACs. Indeed, the RKN project is only now identifying its ‘Regional Managers’.
- 3) Tradenet.biz, operated by Busylab in Accra, Ghana, emerged as an already available platform for market price information and online deal making. This has brought much of the market intelligence learning forward that was expected to happen later. The challenges of using this technology for market intelligence was therefore faced already now, resulting in new insights on what the learning agenda will have to be in order to make use of this potential.

This meant that, on the one hand, the expected infrastructure in AMSDP and RKN for technical support was slow in becoming operative, but on the other hand the challenge to use the internet and SMS for market intelligence emerged earlier than was thought. These developments allowed us to redesign the learning efforts.

The evolving operational strategy for the emergence of market access companies coupled with much weakened technical support required us to rethink the process of assessing our Learning Programme as well. Instead of putting most of our effort into online mentoring and conducting workshops we put our time into visiting our struggling MACs and potential Trade Agents. This

assessment of the Learning Programme is therefore based largely on trips through various districts (instead of the planned workshop) and contacts and discussions with Tradenet.

Information Boards

The original concept is still sound and valid (see deliverable 4). Experience with attempts to broker large deals have shown that sourcing produce of appropriate volume and quality for large buyers is a much more critical bottleneck than finding buyers for produce. Sourcing for big buyers is where the potential lies for both farmers and buyers. Reliable sourcing is therefore the critical competence that MACs or TAs must initially master. This, however, requires a fast-reaction information network throughout a large area like a district with all farmers and their groups (ie. not just special groups initiated by some programs like FFS), that goes beyond market price information and into offers to buy and sell produce and services. So Information Boards are still seen to be the most obvious, immediate and appropriate means to engage in building such a required network in a catchment area of a potential MAC.

However, so far no information boards could actually be seen in operation. This was due to the fixation on registered MACs as the owners and operators of Information Boards. The change to launching market intelligence through individual "Trade Agents" will reconfigure the ownership issues.

The learning agenda on Information Boards therefore at present looks as follows:

- What does a billboard look like? How can it evolve from simple beginnings?
Still an important agenda with no clear answers yet. There is a tendency to start information boards in "deluxe"-style, probably due to such boards always having been financed by some outside programs with grants.
- Who operates it? How is ownership arranged?
What is clear by now is that we cannot wait for full fledged MACs to emerge that can then own and install Information Boards. These must be operated and installed by TAs as their own effort. Ownership must probably be with the Information Board Managers themselves in order to ensure sustained operation. As a matter of fact, price information boards of AMSDP programs that have terminated a year ago have been found, grown over by weeds and in disuse. This issue of ownership must be further explored with sustained operations in mind.
- What are the efficient and effective mechanisms of ensuring updated commodity price information that is locally relevant?
The original concept for Information Board Managers to pool their local information and then redistribute it onto their boards is still valid. The new opportunity and challenge that is emerging is to use tailor-made SMS feeds available from Tradenet to do this.
- What kinds of advertisement can be attracted? Who comes forward to put up notices? How to approach such potential clients?
Still entirely valid. First contacts suggest that a much broader range of clients appear to be interested than originally thought
- How does it work out financially in a way that there is a sufficient incentive for Information Board Managers to keep the Boards updated, attractive and effective?
This agenda is somewhat diminished, as it becomes increasingly clear that Information Board Managers will need to be making money from dealings themselves, ie. the Boards become their own tools for making business and therefore the incentive becomes obvious. This becomes a monitoring effort.

- How can MACs maximize the use of the billboards for arranging and servicing deals for time-sensitive bulking operations, or as a conduit of other important information? What other kind of important information?

This agenda needs to be changed to start with individual Trade Agents, who themselves may also be Information Board Managers. Later they may evolve into full fledged MACs.

Brokering Deals

Brokering deals - on a commission basis - along all involved actors of a value chain is still considered to be the backbone of a future MAC business. However, this already needs to be the case for the individual Trade Agents who work towards becoming MACs. Transparency and reliability are core competencies that need to be developed. The arrival of Tradenet surfaced new opportunities for organizing the information flow for brokering deals, particularly through SMS feeds. This important new feature needs to be mastered. An important new challenge emerged with the need for trade credits to overcome the cashflow problems of traders. This is a further learning agenda that needs to be added.

Therefore:

- How to approach traders/processors and negotiate bulking deals that are interesting for local producers to contribute to?
Still very valid. The use of SMS feeds needs to be explored and tested to link large buyers with many small producers for organizing the time-sensitive bulking of produce.
- How to successfully organize the information flow to and from producers and transporters for such deals to become successful for all involved stakeholders on a win-win-win basis? Tracking transactions while they are happening is the challenge to be faced here. This now appears only to be possible through SMS interacting with data-bases. Again, the possibilities of using Tradenet for such in-time tracking needs to be explored and learnt operationally.
- How to ensure that the deals remain entirely transparent to all stakeholders, thereby building a reputation for the MAC as an independent and trustworthy broker?
Same as above. Accessible tracking of ongoing deals and track records of past deals shall allow to achieve transparency. How to do this with Tradenet is what needs to be learnt.
- How to ensure that payments for deals can be made at the right time at the right place?
New challenge. This is where financial institutions need to be involved in the learning. Of course security and risks are what keeps such institutions away from providing short term loans for ensuring enough cash for deals. The challenge is to learn how ICTs can help in the planning of deals and their online tracking (through SMS input), and thereby improve the security for short term trade loans. It is also conceivable that deals registered with the Tradenet system can also generate a "track-record" for individual traders because everything that went well and went wrong is archived. How to do this is the learning challenge to be faced.

Income Streams

The original reasoning still holds true: MACs must switch to a genuine 'fair trade' service to all stakeholders, by concentrating on transparency and reliability and thereby achieve trustworthiness in order to break through the vicious cycle that led to the present "everybody cheats everybody" along the value chains. However, instead of fully registered companies the learning for developing the income streams must be achieved by individual Trade Agents. A further required learning that has emerged is the role that District Councils can play in convening people to get their act together for generating local income with marketing. And again, a new income stream has been discovered with the possibilities of SMS-based organization of information and deals provided by Tradenet.

Therefore:

- How to discuss with various stakeholders their bottlenecks/headaches in marketing?
Remains valid, with a new focus on Trade Agents as learners
- How to bring stakeholders together and let them explain to each other the bottlenecks they face? How to facilitate arrangements among stakeholders along a chain so that they can help each other and mutually support each other to fairly maximize and stabilize their profits?
Remains valid, with a new focus on Trade Agents as the pushers and District Councils as convenors of such meetings.
- How to analyse the “headaches” and devise solutions that the MAC can provide as a service that clients are glad to pay for?
The learning for analysing the “headaches” remain valid, except that it is Trade Agents that will be the learners. With regard to devising solutions and services that clients are willing to pay, the focus will have to be on learning to use SMS-feeds to substantially increase the efficiency of sourcing. SMS-feeds are a disruptive technology that appears to be well placed to achieve this.

Starting up a MAC

This agenda is the one with the deepest changes in outlook and direction. It is now understood that aiming for a fully registered MAC is too high a hurdle to begin with. See also the introduction that points out that the original groups that intended to engage in setting up a MAC had members who were not suitable to develop a commercial venture.

In response a new strategy for nurturing the emergence of MACs has been developed. This strategy starts with identifying local entrepreneurs already active in trading in the district. We now support these entrepreneurs to become ‘Trade Agents’ for transaction security deals between big buyers and small farmer associations. Trade Agents operate individually as market intermediaries. Over time, as the volume of their business dictates, Trade Agents grow into Market Access Companies, hiring in or partnering with further people to be able to pick up the increased volume of work.

Therefore:

- What are the possible options for ownership of a MAC and which option fits which situation?
The learning has to change to: How can Trade Agents develop their own individual successful businesses, and grow and expand after they reach their individual capacity?
- How is the decision making process organized in the MAC?
This can be postponed or made dependent on the above new agenda
- What is the best procedure for easy and efficient registration, tax issues, etc.?
This too can be postponed. Some experiences already show that it is better to start informally and build a network of contacts, and only once business picks up to go through the effort of registration.
- What kind of business plans do MACs need to cover their start up costs and get them moving in the right direction?
This needs to be cut back to: What are the investments Trade Agents need to make to become efficient in their business as soon as possible (such as in internet access, mobility, etc), and how can loans be provided for such investments, and repaid.

Conclusion

In conclusion our assessment based on the last five months experience recommends that the original learning agenda is largely intact and suitable. Adjustments must be made to

- accommodate the main insight that it is the individual “Trade Agents” that need to do most of the learning,
- add the new focus on using the possibilities of Tradenet to organize the market intelligence and earn an income via SMS-feeds
- add in the learning agenda of District Councils in supporting the emergence of successful individual Trade Agents who will later grow into fully fledged MACs.
- add in the learning agenda for local financial institutions on how to use the possible market intelligence available through Tradenet (registered deals prepared beforehand, transparent tracking of ongoing deals, track record of traders and producers on past deals, etc) as a risk assessment for short term trade credits of up to 3 months.