

Learning Programme on Local Market Intelligence and Establishing MACs (Deliverable No. 4 of First Mile Phase 2, IFAD-Agridea)

Introduction

District core groups in Hai, Babati, Muheza, Mufindi, Songea where AMSDP has terminated its engagement, and Same where AMSDP's engagement will terminate this year, were visited in August to explore the challenges they face in setting up commercial market access services and gathering local market intelligence. Progress made by these groups in establishing commercial market access companies (MACs) are as follows:

- Babati: MARUSE (Manyara Rural Services) established and registered
- Mufindi: MURUMASECO (Mufindi Rural Marketing Services Company) under process of registration
- Songea: SUREDCO (Sustainable Rural Enterprise Development Company Ltd) under process of registration.
- Muheza: Some core team members considering to launch a MAC
- Same: Some core-team members intend to follow up on the MAC idea.
- Hai: Still not clear who will form a MAC that can operate independently from any stakeholders along the chain. MTAHUMAHASI a multi-stakeholder association established to take up the roles of market access.

In the discussions with AMSDP national coordination office and district groups, the learning agenda with regard to organizing the market intelligence and operations of the emerging MACs have been identified as follows:

Market Information Billboards

Billboards have been identified as the key for launching the information network of a MAC for being able to broker the deals between producers and buyers of various commodities and products. It also turned out that billboards can become a conduit of information for a wide range of locally relevant information.

The following features of billboards emerged:

- a) they are set up at local markets and central district town markets where many people regularly go for trading their products and buying things.
- b) they are managed by "billboard managers" who live and work at the locations of the billboards, and thereby ensure daily supervision and updating.
- c) Several such billboards are operated by a MAC throughout a district at strategic marketing points.
- d) Each billboard manager monitors the prices of important commodities in his/her market and reports them to the MAC. The MAC collects all this information and then distributes it back to all billboards. This results in trading prices of important key products on all billboards of all the important local markets. Prices from major national markets can be added. Care must be taken that this information is always updated, ie. maximum two days old. This information shall be the attraction for farmers to regularly return to these billboards for checking.
- e) Advertisements can be put up on billboards against a fee. Anybody can put up ads, such as for instance: Input suppliers, merchants, transporters, people wanting to sell something like a bicycle, organisations who are providing training, and of course the MAC itself when it informs about a major order and asks for producers to show their interest to contribute to fulfilling an order.
- f) Billboards can be operated in a way that costs nothing to the MAC by allowing the billboard managers to keep the fees for the advertisements. And yet the billboards are crucial for the MACs to maintain cost-effective broad and regular contact with the dispersed producers for arranging and organizing locally relevant deals.

It is now realized that operating such billboards is the entering point for MACs to be able to grow their network throughout their area and thereby be in a position to broker between large dealers, producers and local transporters for bulking operations and quality control. Such brokering is presently considered to be

the backbone of the MAC business to start with. What is more, beginning such billboards is considered to be possible with little or no up-front capital investments and therefore something MACs can start to do immediately. It has also been realized, that data on the internet and the use of SMS for information will follow the same mechanisms of information as on billboards. So these billboards become templates for information channels operated through ICTs. In effect, the SMS messaging will follow the same channels of information as on billboards, and make them much faster and reliably updated. The learning agenda on billboards will explore the following questions:

- What does a billboard look like? How can it evolve from simple beginnings.
- Who operates it? How is ownership arranged?
- What are the efficient and effective mechanisms of ensuring updated commodity price information that is locally relevant?
- What kinds of advertisements can be attracted? Who comes forward to put up notices? How to approach such potential clients?
- How does it work out financially in a way that there is a sufficient incentive for billboard managers to keep the billboards updated, attractive and effective?
- 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?

Brokering Deals

The backbone of the MAC business is identified at present to be the brokering of deals between large traders, producers (individuals as well as groups or associations and cooperatives), processors and transporters. MACs need to learn how to broker such deals in an effective, reliable and most importantly in a transparent way in order to build the trust with and among all stakeholders along the chain. This shall be achieved with a very open information strategy that counteracts the prevailing system of hiding information that creates a general environment of distrust. MACs need to stay clear of becoming an interested stakeholder in any operation along a chain, ie. avoid becoming a trading link in the chain, and truly remain independent brokers approachable by all stakeholders along the whole chain. The learning agenda for deal brokering has been considered to be as follows:

- How to approach traders/processors and negotiate bulking deals that are interesting for local producers to contribute to.
- 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.
- 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.

Income Streams

MACs need to develop early income streams that will help them build their business with as little initial capital investments as possible. They need to first concentrate on income streams that they can easily manage, no matter how small they may be. This is in order for them to build their operational competence and capacity and build their network. They must aim for early successes that build their reputation as trustworthy brokers who can ensure a transparent win-win-win for all stakeholders in a deal. The challenge will be to make the following switch: At present the market players usually always try to maximize their own profits when dealing with their partners, ie. It's a fight for profits and margins against their partners. A MAC must achieve a switch towards a different service oriented attitude in which it concentrates on increasing the profits of all its clients along a marketing chain and maintaining full transparency. This is because the commissions a MAC can make are directly dependent on the profits its clients can make. All clients must feel confident that the deals are fair for everybody along the chain, so that they will continue to make their deals via the MAC. So this means a switch to a genuine 'fair trade' service to all stakeholders. Fair trade is one of the unique selling point of the MAC.

A further reason why stakeholders in a chain will go to the MAC is that MACs do not ask for payments before they provide their service. They will only take their commission after the deal is successful. If there is

no success, the clients don't have to pay. No success, no commission, is another unique selling point. This means MACs must learn to explore what are the "headaches" which the producers, traders, processors, wholesalers and consumers have for improving their businesses, and devise "aspirins" for such headaches. The learning agenda for developing income streams therefore is:

- How to discuss with various stakeholders their bottlenecks/headaches in marketing
- 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.
- How to analyse the "headaches" and devise solutions that the MAC can provide as a service that clients are glad to pay for.
- How to judge what levels of commissions to accept from their clients.

Starting up a MAC

Most MACs are at present in the formative phase of designing their companies and registering them. Various options are being explored with regard to composition and ownership. Each MAC will have to be designed to fit its particular situation in its district, but exchange will help a lot to avoid repeating mistakes and learn from interesting arrangements. The learning agenda on starting a MAC therefore is:

- What are the possible options for ownership of a MAC and which option fits which situation?
- How is the decision making process organized in the MAC?
- What is the best procedure for easy and efficient registration, tax issues, etc.
- What kind of business plans do MACs need to cover their start up costs and get them moving in the right direction?

Procedure

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| <ul style="list-style-type: none">• Mentoring via Demand Driven Services (DDS) InstantTeam.• Preliminary assessment by end of 2007 and reorient or change priorities.• Assessment workshop in April 2008. |
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