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Q1: Respondent details

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Q2: Country or Customs territory

UNITED KINGDOM

Q3: Organization

Public sector

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Q4: Title of case story

G-Soko market system – Linking small holder farmers to grain buyers across East Africa.

Q5: Case story focus

Trade Facilitation.

Q6: Case story abstract

GSoko (Grain Soko [Market]) platform is a flagship initiative of the DFID funded FoodTrade East & Southern Africa (ESA) programme and aims to link small holder farmers to grain buyers across East Africa. The Eastern Africa Grain Council (EAGC), in partnership with various industry stakeholders (grain traders and buyers; policy and research bodies; trade and information agencies) has developed this private sector-driven market platform. The system uses innovative technology to provide information on market opportunities, to track goods, enhance transparency and connect buyers and sellers. The GSoko platform will bring structure and consistency to trade in grains by facilitating title transfer, market transparency, and price discovery. In summary, GSoko will ensure that farmers growing grains have access to regional markets.

Q7: Who provided funding?

Bilateral donor

Q8: Project/Programme type

Regional

Q9: Your text case story

The origin of the project:

The principle aim of the GSoko platform is to ensure that farmers growing grains can sell their products across the region, through warehouses certified by the Eastern Africa Grain Council (EAGC). There are several challenges to the regional staple food value chains that the project is seeking to address. These include: fragmented smallholder farmers; fragmented buyers; lack of market information; and poor storage facilities.

How it was designed:

At the production level, the project is designed to help smallholder farmers improve the quality of their grain by integrating grades and standards approved through the East African Community (EAC). Farmers sell their product to EAGC certified aggregation centres and these centres provide the initial check on quality. Regional certification provides trade trust, ensuring that trade parties such as banks and buyers have confidence that irrespective of where the warehouse is, or the origin of the grain, uniform quality can be guaranteed. Warehouses that receive these products issue a Grain Receipt Note (GRN) which identifies the quality and origin of the grain, enhancing traceability. The farmers are issued with a warehouse receipt; these can be used as collateral to access financial services. They also protect smallholder farmers against selling at low prices because they can access safe storage facilities that can then allow them to sell at a future date when the price is favourable. Finally, it allows large scale accumulation of grain that can attract large buyers, unlike when the smallholder farmers are scattered and their output not aggregated for collective selling. All warehouses are linked to the single ICT based market platform managed by the EAGC. The technology facilitates access to all stock and grades at any one time, and it also receives offers and bids. Once parties agree on the offers, the platform acts as a transactional clearing house with banks, buyers and sellers, in a tripartite contract which is enforceable through the law of contract.

Who executed it?

The East Africa Grain Council (EAGC) took the lead in the development of the platform. EAGC is a membership-based organisation registered in Kenya. It was registered in 2006 at the request, and through the efforts of, key stakeholders in all three sections of the grain value chain; producers, traders and processors. Service providers are associate members. It operates as a non-profit, non-political, non-denominational organisation, which prepares, disseminates, and promotes the exchange of information on matters affecting the regional grain industry. Virtual City Ltd., a technology firm that develops and delivers mobile solutions across the Agri and Supply value chain, designed and built the GSoko ICT infrastructure. The Virtual City team has worked with EAGC to validate the system and incorporate feedback received from stakeholders. The FoodTrade ESA Programme Management Unit (PMU) is coordinating the efforts of private sector and development partners who will feed into the GSoko system. This will help secure the income and livelihoods of thousands of small holder farmers, while promoting structured trade in staple foods.

What it seeks to achieve:

- GSoko will improve farmer knowledge and use of quality grades and standards, allowing more farmers to sell these commodities regionally;
- Expand, enhance and certify 100 grain warehouses each linked to multiple village aggregation centres throughout the region, serving as a formal aggregation point for grain farmers;
- Automate certified grain warehouses and link them to an electronic trading platform that involves all grain buyers and sellers;
- Provide real time market, crop and trade information to inform buyers and sellers on spot market conditions regionally;
- Enable farmers utilising the certified warehouses with a mechanism of accessing local financing from participation banks. The project will eliminate inconsistencies in the staple foods value chains.

How it is delivered and managed:

FoodTrade ESA divided the implementation of this project into two phases:

Phase 1 increased the number of warehouses that were under certification in East Africa and supported the development of the market platform technology which linked up the regionally certified warehouses. EAGC also embarked on preliminary work on improving awareness of grades and standards amongst small holder farmers, as well as developing the structures for the market and price information systems. This phase focused on providing training and support to farmers on standards to enable them to sell products into the newly certified warehouses, and ultimately on the market platform, supporting certification of 100 regional warehouses. This was implemented alongside FoodTrade ESA's policy and influencing work which engaged relevant parties on emerging non-tariff barriers and EAC standards.

Phase 2 commenced in July 2015. The current phase focuses on testing and adjusting the trade platform as warehouse certification continues to ensure more warehouses are enlisted on the platform. The transactional platform will enable transactional player's especially financial institutions to trust a regional receipt for redemption and collateral purposes. Implementation under this phase aims to have 100 certified warehouses automated and linked to the electronic market platform. That way, all traders can access all grain that is warehoused and graded, and at a regional level and overcome the 'chaotic' market conditions that have up to date required physical inspection of commodities. The platform is forging linkages within the market eco-system by: aligning farmer and trader registration; matching buyers and sellers; promoting access to credit for small holder farmers; linking smallholder farmers to agro-input suppliers; and marketing to

promoting access to credit for small holder farmers, linking smallholder farmers to agro-input suppliers, and marketing to build trust. The EAGC is also focusing on removing and improving practices that hinder the adoption and enforcement of regional grades and standards. It continues to conduct public awareness campaigns on EAC Standards. The organisation is also developing a system for market and price information, as well as real time information dissemination capability to traders and farmers.

Short-term outputs and outcomes:

- Beneficiaries are already realising the benefits of accessing new markets by employing grades and standards into their farming and post-harvest practice.
- Village Aggregation Centres (VAC) affiliated to EAGC are also experiencing a drop in post-harvest losses, as well as increased profits from the sale of their produce at optimal selling periods. Across the region the smallholder farmers have embraced the VAC concept.
- Currently, 52 warehouses have been certified across the region. The number of EAGC certified warehouses installed with GSoko system stands at 38. The number of VACs automated under GSoko system and linked to EAGC GSoko certified warehouses is 16 (4 VACs per GSoko installed warehouse). The total number of VACs linked to GSoko certified warehouses is 132.

Medium-term impacts:

The benefits of being a part of the GSoko system is already been realised at the village aggregation centre and warehouse levels:

- For example, in Uganda, the Nyamahasa farmer's group VAC experienced a drop in post-harvest losses from 20% of total produce aggregated to 10%; this is attributed to the capacity building of farmers as well as provision of equipment to assist in post-harvest processes (moisture meter, tarpaulins, shellers, weighing scale).
- The increased uptake of produce has also been complemented by increased access to markets for the produce. Across the region, VACs have benefitted from access to proper storage solutions, enabling farmers to sell their produce at prices between 15 - 30% above current market prices, providing better livelihoods to farmers and private sector players.
- The structured trade system (STS) has significant benefits to women. Assessments indicate that women are strongly represented in the management of the Village Aggregation Centres and some instances there are women only VACs for example Cheptarit Star Women Group, Kinze women group and Maisha Bora.

Private sector partners within the GSoko system are already realising early benefits from aggregation and warehouse certification:

- NAFICS Grain Trading Ltd. (Nafics) has been a member of the Eastern African Grain Council (EAGC) since its inception. As a GSoko certified warehouse, Nafics is able to facilitate the route to market for farmers who have quality produce and want greater reliability of purchase and higher prices for their produce. In practical terms, farmers – normally as part of producer groups and farmer organisations, have their produce quality checked and stored at the warehouse for a few months before being sold at a higher price to our buyers. This waiting period is key as traditionally, mass produce is sold during harvesting time, which has a knock-on effect of lowering prices. By storing their produce at our warehouses, farmers are given the flexibility of when to sell their crops. Most notably, the system aggregates data, which is a departure from our previous reliance on handwritten Warehouse Receipts. In addition, GSoko has given millers greater transparency as to what stock is available, the quality and where it's located. The company recently sold over 20,000 bags of maize, approximately a quarter of their stock at the time, in one day and at a higher price.
- Several benefits accrue to certified warehouses over the long term; one such benefit is the improved access to finance for farmers. Banks come in once the quality of grains has been verified, received and stored in the warehouse. The banks uses RATIN (EAGC's market information system) to determine the prevailing value of the produce and the farmers will be given between 70% and 80% of that value. The grain is stored for about three months before getting the purchase price and once the produce has been sold, the loan and the storage costs are deducted and the balance is remitted into the farmer's account. Nafics only stores grade 1 grains. The company also has a wide supply of producers, making the system resilient against any market conditions, most notably shortages.
- The certification process has been beneficial in terms of the conservation of quality and also in improving the wellbeing of farmers who are now able to get better prices for their produce.

- Building trust is an incremental effort; the warehouse receipts will go a long way in increasing utility of the system, allowing farmers to take care of more immediate needs as well as any emergencies at home such as access to cash, medical care and also giving them access to farm inputs.
 - The private sector will play a bigger role in improving the broader infrastructure landscape, including providing bigger and better quality warehouses. Furthermore once the banks and agro input dealers come on-board the GSoko system, the farmers will have easy access to finances and agro inputs. In addition, the standardised and proven grading procedures reduce the need for farmers to carry out their own sampling to check quality checks.
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Q10: Lessons learnt

1. The Village Aggregation Centre (VAC) model is being embraced by small holder farmers across the region.
 2. VACs need to have a provision for upfront payments for farmers who deliver their produce in the form of crop advances. This reduces the need for farmers to sell produce immediately after harvest at sub-optimal prices in return for immediate cash. Some grantees are coming up with innovative models to increase buy-in from farmers; Raphael Group Ltd. has designed its project to co-own VACs with farmers, who will earn an income from these storage spaces both on and off-season.
 3. The El-Nino weather phenomenon has severely affected food security in the region; increased coordination activities among grantees, and their linkage to the GSoko system will promote cross-border trade and support ease in movement of produce from areas of surplus to areas of deficit. However, current reactive measures which include closing borders to the export of staple foods (e.g. Zambia) and revoking export licenses (e.g. Tanzania) will have a negative effect on food security and private sector investments in the staple foods value chains. Ad hoc policies such as the recent grain export suspension imposed in Tanzania affecting mostly maize and rice has had a negative impact on the programme, with effects trickling down to the smallholder farmers. Blockages in the flow of produce affects prices, as well as storage space available in the certified warehouses, affecting access to quality and quantity grains by buyers, and impacting the livelihoods of smallholder farmers. Consistent engagement with stakeholders will be critical to demonstrating the benefits of open regional markets.
 4. EAGC warehouse standards are sometimes too high for small village based warehouses. The PMU is working with EAGC to develop lower category certification that can contribute to making GSoko a success by having many rural warehouses automated and operational.
 5. Engagement with the private sector was critical to the success of the project; consultations with EAGC members resulted to redesigns in the system, which took into account concerns of smallholder farmers and optimized the GSoko platform for use by buyers and traders.
 6. Trust is key to encourage farmers to play an active role in the system. Ongoing training is conducted on grades and standards, with consultations taking place with farmer groups to build trust and awareness on GSoko.
 7. Impact of the way that National Strategic Food Reserves operate is also affecting the project as public sector intervention in the market affect predictability of market dynamics.
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