

Developmental Challenges of Commodity Exchanges in Africa

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A Presentation by

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Characteristics of Markets in Africa

- Poor market information/intelligence.
- Lack of identifiable/available markets.
- Lack of competition.
- No quality standards.

Characteristics of Markets in Africa

- Poor communication.
- Lack of transparency.
- No enforceable contracts/dispute resolution mechanisms.
- Very conservative approach.
- Lack of understanding of market fundamentals.

Characteristics of Markets in Africa

- Unsophisticated and underdeveloped markets.
- Very little reliable data on trade flows.
- Much of the trade is informal.
- No quality standards, quality control or transparency as a result.
- Lack of identifiable or available markets

What Else can a commodity exchange bring to the Market?

- Risk mitigation through: -
 - “Clearing facility.”
 - Deposit by buyer performance bond by seller.
 - Collateral management of goods in store.
 - Correct grading certified by recognised grading company.
 - Warehouse receipts.

Potential of Commodity Exchanges

- ZIMACE in Zimbabwe traded: -
- Commodities worth US\$1.1 million in 1994/1995.
- Commodities worth US\$677 million in 2000/2001.
- ACE has in five months traded commodities to the value of US\$2.5 million.

What can African Governments do to facilitate Agricultural Commodity Exchanges?

- Create an enabling environment in which an exchange can operate.
- Promote an understanding of how markets work.
- Remove remaining tariff and non-tariff barriers as soon as possible. COMESA.

What can African Governments do to facilitate Agricultural Commodity Exchanges?

- De-regulate markets.
- Allow the free movement of agricultural produce.
- Expand marketing opportunities.
- Encourage use of the exchange and support the transparency and market information an exchange brings to the marketplace.

What can African Governments do to facilitate Agricultural Commodity Exchanges?

- Procure governments requirements across the exchange floor.
- Investment in infrastructure, specially in rural areas.
- Foreign currency availability.
- Promote the use of warehouse receipts.
- Above all, reduce the number of meetings and put in place all that has been agreed.

ACE (Agricultural Commodity Exchange for Africa)

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