



ZAMACE

Zambia Agricultural Commodities Exchange

Facilitating the Development of a WRS in Zambia

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Outline



- Who and what is ZAMACE?
- ZAMACE Services
- History of Warehouse Receipts in Zambia
- ZAMACE and Smallholder Aggregation Model

ZAMACE Mission Statement



To provide an efficient and vibrant Zambian and regional agricultural commodity exchange, supported by a warehouse certification and receipt system to enhance market access, liquidity and credibility in the commodities market.

- *Established in 2007*
- *Response to the need for a market mechanism that addressed issues such as:*
 - *high transaction costs*
 - *poor market information*
 - *low levels of transparency and trust*
 - *Dispute resolution mechanism*



Ownership & Control

1. AAI
2. Afgri Corporation
3. Amagrain
4. Cargill Zambia
5. CHC Commodities
6. Dunavant Zambia
7. Export Trading Company
8. Food Reserve Agency (FRA)

9. Olam Zambia
10. Quality Commodities
11. Sakiza Spinning
12. Savanna Commodities
13. Seaboard Commodities
14. Simba Milling
15. Zdenakie

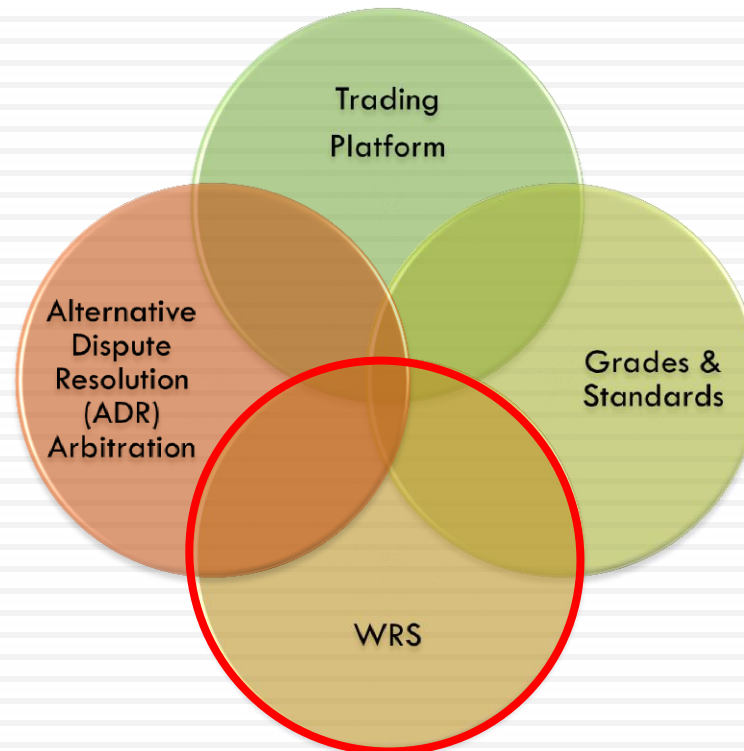
- Currently owned by 15 Member-Brokers (FRA joined as at 21st October 2010)
- Members governed by Exchange Rules & Regulations
- Board headed by an Independent Chairman and comprises 8 Member-brokers, 3 permanent institutional members (ZNFU, MAZ & BAZ) and 3 Ex-officio (PROFIT, ED & FD)
- Initial financial and technical support by USAID-PROFIT



What is ZAMACE?

- ZAMACE Ltd operates Zambia's sole commodities exchange
- An exchange is a market place where buyers/sellers interact under a clear set of rules and regulations
- It is a structured market which has set and industry accepted quality standards
- Standardised contracts are used and backed by a dispute resolution mechanism (mediation and arbitration)

ZAMACE SERVICES



History of Warehouse Receipts in Zambia



- Collateral Management Agreements (CMAs)
 - Been in existence in Zambia for years
 - Commodity under the management of a fully insured, fully liable collateral management company (SGS, ACE etc)
 - Used by large operators to secure finance
 - Ensures security to lending institutions but expensive
- Zambia Agricultural Commodities Agency (ZACA)
 - Donor-funded non-profit company promoting a warehouse receipting system established in 2000
 - Certification and inspection agency
 - Certified 26,000t of capacity, 17,400t of receipted commodity
 - Provided FRA with grain testing service
 - Ceased operations in 2006



Why didn't ZACA Succeed?

- *Focused on WR financing*
- *WR not recognised as document of title under Agric Credit Act 1995*
- *Limited 'buy in' from financial sector*
- *No linkage to a centralized marketing system for price discovery*
- *Therefore, perceived to be of little value to agricultural sector*
- *Focused on smallholder warehouse receipting – donor orientation*
- *Never found a place in the market*



ZACA Key Lessons

Strong and transparent market environment



Volume-based trade with long term outlook



Stimulation of storage industry

Need to increase trading efficiency



Demand for warehouse receipting system



Warehouse receipts recognised by trade



Warehouse receipts recognised by banks

A warehouse receipt system doesn't create an orderly market. It is a product of one



ZAMACE

Grain Marketing Expansion Program (GMEP)



USAID
FROM THE AMERICAN PEOPLE

COMPETE →
The Competitiveness and Trade Expansion Program



Chongwe Pilot 2008/09

- Collaboration with (PaViDIA)
- PaViDIA supported villages to build community sheds
- Sheds became idle as no linkage to market
- ZAMACE inspected +50 community sheds for storage of maize
- ZAMACE conducted training on grain grading, handling and storage
- 200mt of maize was placed on the Exchange by 4 sheds
- Identified need for district certified storage



ZAMACE and the Smallholder - Moving towards Smallholder Commercialisation (GMEP)



- ❑ Working with 18 first-level community aggregation points
- ❑ Farmers/co-operatives/traders are sensitized and trained in commodity grading and quality parameters
- ❑ Community aggregated commodity is throughput to ZAMACE district certified warehouses
- ❑ 8 district warehouses certified in 2010
- ❑ Interest by some financial institutions to potentially provide warehouse receipt financing



Basic ZAMACE Requirements for Certified District WO



- Incorporate business owning/leasing warehouse
- Working minimum of 200mt storage capacity
- Acceptable physical integrity of infrastructure as per Rules & Requirements for WO (Appendix 10 of R&R)
- Grading kits
- Insurance cover:
 - Theft, fire and material damage
 - Professional Indemnity
 - Fidelity guarantee
 - Performance bond
- Application on prescribed form


Community Aggregation Requirements



- ❑ Organised community groups (cooperatives)
- ❑ Management structure and membership register
- ❑ Encourage female representation (gender)
- ❑ Must own/lease storage acceptable sheds (typically up to 60mt)
- ❑ Train community on quality parameters, grading and handling and basic storage
- ❑ Sheds not certified but used for throughput to district certified warehouses



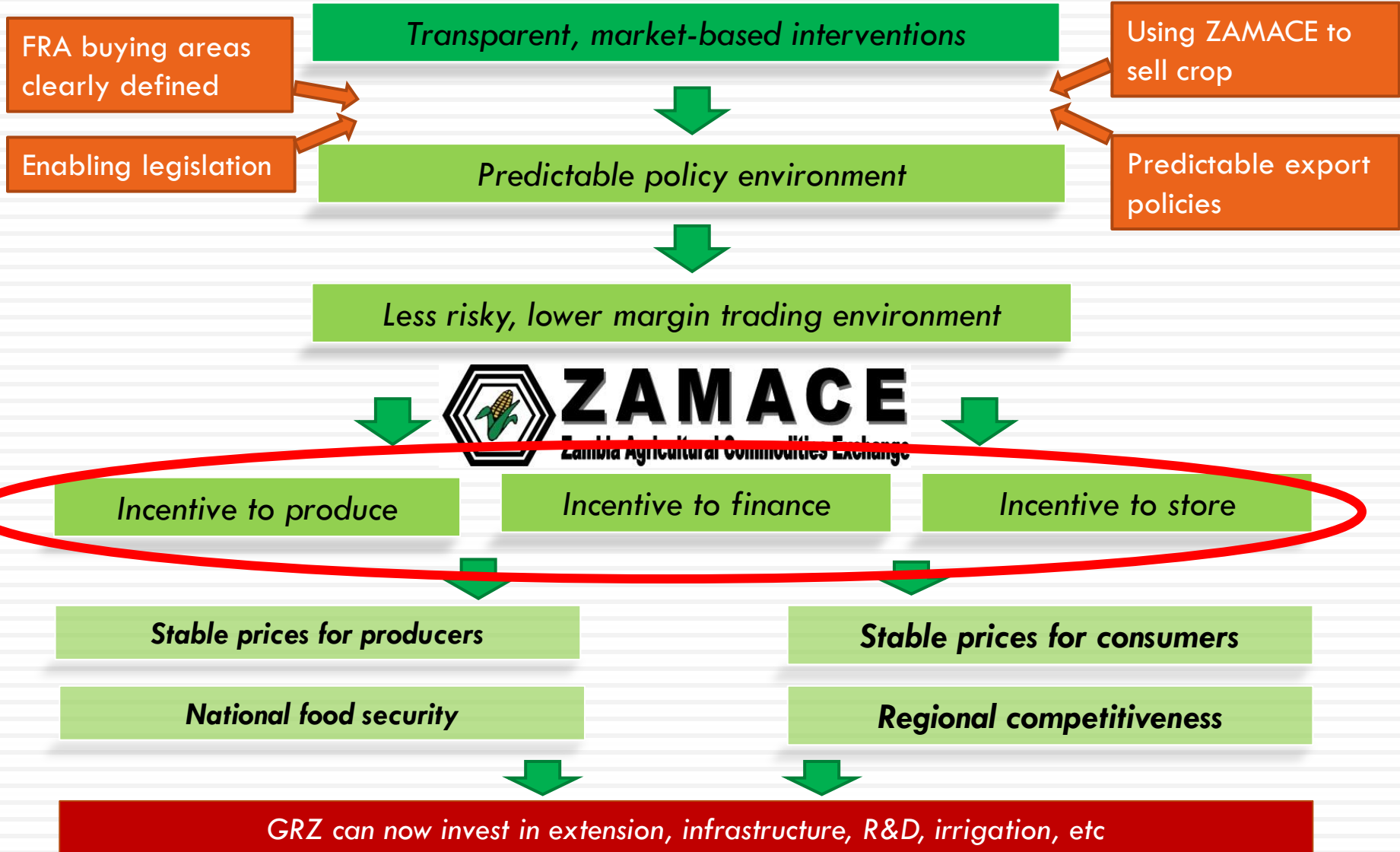
ZAMACE Model WR

	<h2 style="margin: 0;">ZAMACE</h2> <p style="margin: 0; font-size: small;">ZAMBIA AGRICULTURAL COMMODITIES EXCHANGE</p>	<h3 style="margin: 0;">ORIGINAL WAREHOUSE RECEIPT</h3>								
		No. _____								
RECEIVED FROM (FULL NAMES): _____		STORAGE AND HANDLING CHARGES								
CONTACT DETAILS: _____		MONTHLY STORAGE FEE: K Storage Fee Includes: a. Handling charges in and out of the warehouse b. Weighing and grading on intake c. Insurance charges d. Fumigation on intake NB: Storage fee does not include re-bagging and fumigation fees								
ISSUED BY: _____										
IN RESPECT OF: (WAREHOUSE NAME) _____ (WAREHOUSE PLOT NUMBER) _____		Other Outstanding Fees Re-bagging Fee: K Fumigation Fee: K								
<ol style="list-style-type: none"> 1. This warehouse receipt is issued subject to the terms and conditions below. 2. For storage in the above named warehouse of the commodity and grade indicated below for which this receipt is issued. The weight and grade are according to ZAMACE standards. In case of a dispute, rules and regulations of the ZAMACE dispute resolution mechanism apply. 3. The undersigned warehouse operator is not the owner of the said commodity either solely, jointly or in common with others unless otherwise stated herein. 4. Upon return of this receipt and after payment of storage and handling charges to the warehouse operator, the warehouse operator is obliged to release the said commodity from the above named warehouse. 5. The warehouse operator undertakes to deliver the commodity of the same quantity and quality as stated on the receipt. 6. The commodity in storage is insured against risks as per ZAMACE warehouse operator requirements. In case of damage or loss in storage, the warehouse operator shall deliver the commodity of a similar or better quality to the receipt pay cash amount calculated at the insured value of the lost / damaged commodity. 		Storage, handling and other charges have been paid on the commodity covered by receipt up to and including the last date endorsed below by the warehouse operator.								
		STORAGE, HANDLING AND OTHER CHARGES PAID UP TO AND INCLUDING								
		(DATE)								
		(WAREHOUSE OPERATOR'S AUTHORIZED SIGNATURE)								
PRODUCT DESCRIPTION		DATE OF ISSUE								
TYPE OF COMMODITY	GRADE	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">DAY</td> <td style="width: 25%;">MONTH</td> <td style="width: 25%;">YEAR</td> <td style="width: 25%;"></td> </tr> <tr> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> </tr> </table>	DAY	MONTH	YEAR					
DAY	MONTH	YEAR								
WHITE MAIZE	_____	QUANTITY (IN WORDS) _____ _____ _____								
SUNFLOWER	_____									
WHEAT	_____									
SOYA BEANS	_____									
		Depositor's Signature _____ Date _____ Shed / Warehouse Quality Manager's Signature _____ Date _____								

Trading through ZAMACE



Government still has a role: The Ideal Scenario





Take Home Message

- ZAMACE can be used as a conduit for secure smallholder “commercialisation”
- ZAMACE has started the ground work and has a comprehensive set of Rules and Requirements for WO
- ZAMACE embarking on a restructuring process to more effectively serve its clients
- Current status quo means ZAMACE can not effectively continue its WRS service without the “Licensing Authority” agency



Thank you!