Ethiopia has been leading the world in creating and developing an electronic commodity exchange for small farmers. Getting access to the price of crops and making sure you get the right price on the day is the concern of most farmers around the world. But if you lack resources it is all too easy to lose out on the best prices or even be duped.

But open data has played an important role in making the Ethiopian Commodity Exchange (ECX) work for smallholders and the result has seen increased income for thousands of growers while reducing the commission charges to dealers and middlemen.

Along with providing a physical and electronic trading platform, complete with a market information system, the exchange offers warehouse management and quality certification. Importantly, it also guarantees payment against delivery and where necessary it can help resolve any commercial disputes through a professional arbitration system.

“It's basically a way to coordinate all the buyers and all the sellers with the most efficient way of trading.”

Since the exchange began in 2008, it has proved a major breakthrough for Ethiopian smallholders. According to Hana Behaila, writing on behalf of the Ethiopian Commodity Exchange, small-scale farmers produce 95 percent of Ethiopia's agricultural output and they have been hungry for information linked to price and quality. They have wanted a fair mechanism to sell their crops and stay informed about the fluctuations in the market.

Over the subsequent years most smallholders have turned to the ECX to reverse what was once a dismal record of underachievement and poor returns. It was estimated that before the ECX, most farmers often received prices, on average, of only 35-38 percent of the full export price.

By 2012, Lauren Everitt writing in The Guardian Newspaper reported, “the Ethiopian Commodity Exchange reported that 70 percent of the 1.2 million monthly calls to the ECX data server came from rural areas. Improved knowledge about coffee prices reduced trader margins fell by almost half, with increased revenue going to farmers.”

“It's basically a way to coordinate all the buyers and all the sellers in a sort of most efficient way of trading,” says Eleni Gabre-Madhin, ECX's former CEO and former World Bank senior economist who championed the establishment of the exchange.

The United Nations Development Programme’s report on ‘Promoting African Commodity Exchanges’ stated that the “ECX now provides a secure, low-cost platform for farmers to trade agricultural goods, such as coffee, sesame, haricot beans, maize, and in an otherwise tradition-bound system
suffering from unusually high transaction risks and costs.”

The UNDP also recognised that the ECX could guarantee the integrity of the products traded, quickly and reliably circulating market price movements to all traders.

Previously, the farmers’ were selling their produce at low price to individual traders. Now our union is buying their products with better offers.

The ECX has come a long way from its formative stage in 2008, but at its core remains the use of open data, ensuring critical agricultural and trading information is available to all. On its website, the ECX describes its present array of communication channels: “The ECX allows market actors, including small scale farmers, to access real time pricing for commodities. Information is accessible via SMS text messages, an interactive telephone hotline, tickers using electronic displays at specific regional sites, the EXC.com website, and TV, radio, and newspaper dissemination in four languages.”

On the ECX website, Ato Yirdaw Alemu tells of the advantage of the exchange for his organisation. Ato is the general manager at the Wodera Farmers’ Cooperative Union and as a member of the exchange he says his cooperative buys crops from smallholders and trades in beans and coffee.

ECX has transformed the Ethiopian traditional trading system into a modern marketing system with technological advancement and transparency.

“Our participation in ECX is benefiting not only the members of the union but all the small holder farmers as well. Previously, the farmers’ were selling their produce at low price to individual traders. Now our union is buying their products with better offers,” he says.

Ato adds that because of help from the exchange the cooperative is expanding its business, “we have exported limited amount of chickpeas to Pakistan, India, Russia and UAE. We should be thankful about ECX. It has transformed the Ethiopian traditional trading system into modern marketing system with technological advancement and transparency. It has also created reliability among business community members who engaged in the agricultural commodity trade.”

Open data has played a pivotal role in bringing market intelligence to smallholders and cooperatives in Ethiopia, pointing the way for other countries to make farming pay and increasing the income of rural communities.

Source: http://www.ecx.com.et