



CASE SUMMARY

## Kenya Agricultural Commodity Exchange (KACE): Linking small-scale farmers to markets

**Country:** Kenya

**MDGs addressed:**



**Sector:** Agriculture, ICT

**Author:** Winifred Karugu

**Inclusion of the poor:** Consumer

**Lead organization:** MSME

**Theme(s):** Environmental impact, Climate Change, Public-Private Partnerships

### Abstract



Photo credit: KACE

KACE is the first and only national agricultural commodity exchange in Kenya, and it differentiates itself by dealing with a variety of commodities of which maize and beans are the most heavily traded. KACE acting as an intermediary further empowers rural farmers with market information and provides capacity enhancement, business training and technical assistance. In contrast, the Nairobi Coffee Exchange and the Tea Auction each trade one commodity each.

Prior to the formation of KACE, small scale farmers lacked access to mainstream markets for agricultural produce, leaving them vulnerable to the forces of the market, as well as to exploitation by country buyers. Small scale farmers were offered very low prices because individual farmers generally produce small amounts that translate into poor bargaining power. Small scale farmers were characterized by small farms, low education, low levels of technology, lack of access to quality markets and low levels of organization. In addition to this, for any one crop, the marketing chain consists of multiple middlemen, each taking a margin at every stage between producer and consumer and to have a competitive final price the small scale farmer bears the losses. The country buyers took an additional part of this margin, and were not above squeezing prices to the extent that the subsistence farmers at the bottom of this chain were often forced to sustain losses. In the long term this was clearly not sustainable, as evidenced by rising poverty levels.

The main activities of KACE include linking farmers and mainstream buyers by collecting information on the prices in different markets of various commodities on a daily basis from market vendors then availing them to the farmers in real time. Modern information communication technology (ICT) makes this possible through mobile phone handsets and personal computers. Trades are made through competitive bids and offers, once a buyer and a seller agree to trade, KACE acts as a clearing house and arranges the financial and logistical aspects of the sale thus giving the farmers options as well as bargaining power. KACE's services include: a mobile phone short message service (SMS), interactive voice response (IVR) service, daily radio bulletins, a live radio auction service and online computer services.



## Quote

*“The quality of my life changed for the better after joining KACE because I was able to increase the volume of produce from my farm and obtain better prices for my produce through access to daily market information, as well as by the marketing and trade links facilitated by KACE.”*

Victoria Mutuku, Female farmer and user of KACE services

## Strategy Matrix

	Adapt products and processes	Invest in removing constraints	Leverage the strengths of the poor	Combine resources and capabilities	Engage in policy dialogue with government
Market information					
Regulatory environment					
Physical infrastructure		Relatively high costs of mobile phone calls, SMS and IVRS to users Organizing farmers into groups to buy mobile phones, while co-financing it with them			
Knowledge & skills	ICT illiteracy among smallholder farmers	Limited human and financial capacity to scale-out and scale-up			
	Offering services through radio, interactive voice response, marketing information centers, SMS, or online subscriptions	Providing capacity enhancement, business training and technical assistance to the franchisees			
Access to financial services					

## Actors

- **USAID:** partnered with KACE through the Kenya Maize Development Programme whose purpose to improve maize production provided funding for the improvement of maize yields.
- **Rockefeller Foundation:** assists in food security programmes in Western Kenya through provision of quality inputs to small-scale farmers, and the development of information-systems in KACE and its franchises.
- **CTA Netherlands:** also helped develop information systems.
- **Alliance for a Green Revolution in Africa (AGRA):** partnered with KACE on programmes on soil fertility, quality input and marketing,



- **Hans Seidal Foundation:** organizes workshops across the country for helping small-scale farmers cope with liberalization.
- **Africa Harvest:** to market tissue culture bananas and subsequently set up ripening chambers.
- **Commonwealth Agricultural Bureau International (CABI)** has assisted in the evaluation of users of the information system
- **Ministry of Agriculture** has assisted in the identification of poor farmers who can benefit from subsidized inputs through a voucher scheme

## Results

- **Economic:** KACE reaches 1 million farmers a day through radio, SMS or direct contact. In addition to this, an estimated 250,000 small-scale traders in agricultural commodities access their services on a daily basis.
- **Social:** enabled more women to improve agricultural-based incomes or to trade in agricultural commodities. KACE has also impacted on employment in the agricultural sector. By opening up markets for small-scale farmers and improving profitability, more of the rural poor are engaging in farming.
- **Environmental:** Poor farmers are prone to degrading the environment by depleting soils of nutrients, contributing to soil erosion and destroying natural vegetation. But when the farmers obtain fair prices and make a reasonable living from improved yields in their activities, they become interested in sustainability, and thus actively participate in protecting the environment.

## Research Fellow



**Winifred Karugu** is Managing Director (MD) of Jomo Kenyatta University of Agriculture and Technology (JKUAT) Enterprises (JKUATES) in Kenya, a company that is 100% owned by the University. The Company is the commercial wing of JKUAT and engages in direct linkages with industry through training, consultancy and related activities. She served as a director of the JKUATES for three years before her appointment as MD. Prior to this appointment, Winifred was the Director of the School for Human Resources Development. Winifred also lectures in economics and marketing courses at the university and also engages in research and consultancy. She has published several articles in refereed journals and written several business cases both teaching and analytical. Her research interests include pro-poor business models, SME growth strategies in emerging markets and gender & technology transfer. Winifred is a member of: Academy of Management, International Association of Agricultural Economists, African Association of Agricultural Economists, Africa Technology and Policy Studies Network and Kenya Association of Business and Management Professionals.

## Citation

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