

Template for change

How corporate initiatives are empowering women smallholder farmers in Malawi

*Women smallholder farmers form the backbone of Malawi's agricultural workforce, yet their average productivity per hectare still remains far lower than that of their male counterparts. In this article, Mike O'Hara and Nicola Tavendale of The Realization Group discuss with **Hirander Misra** of GMEX Group and FinComEco, **Kristian Schach Møller** of the Agricultural Commodity Exchange for Africa (ACE), **Saskia Vossenberg** of the Royal Tropical Institute (KIT) and **Alice Kachere**, a smallholder farmer in Malawi, how technology and other business initiatives can help redress the balance.*

**GMEX**
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Agricultural Commodity Exchange for Africa

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Introduction

Similar to most African nations, agricultural output is vital to the economy of Malawi and contributes to 39% of its GDP. Women farmers, mostly smallholders, in turn comprise nearly 70% of the country's agricultural workforce, according to data from UN Women, the United Nations entity working for the empowerment of women. But while smallholder farmers in general face a number of constraints and obstacles to growth, women farmers face additional productivity challenges due to systematic gender inequalities. However, as women smallholders are also responsible for producing 70% of their household food, this group plays a key role in the future food security of their country and its wider prospects for economic growth.

"Malawi is a very interesting case," agrees **Saskia Vossenberg** of the Royal Tropical Institute (KIT). "According to Malawi law, women and men enjoy full gender equality, but in practice the position of women in Malawi is actually quite marginalised. This is clearly evidenced in terms of customary land rights and access to land, as well as in the negotiation processes related to the implementation of land reform policies, for example." As part of her research, Vossenberg also explored how women smallholders used commodity exchanges and how they had benefitted from this. While she found that they generally shared many of the same constraints as their male counterparts, such as storage fees, transportation costs and limited access to credit, Vossenberg examined the areas where they experienced additional gender-specific challenges as well.

Among these were prevailing cultural expectations around 'being a wife and mother' which can greatly limit women's freedom in terms of financial decision-making, mobility and how they can use their time. "We found that some women smallholders did indeed benefit from the commodity exchange because it increased the availability of information which in turn supports them to control their harvest, ie to choose whether to sell or wait," says Vossenberg. "These women expressed that they are now financially more stable and independent." For some of the younger single women this means that they now experience better chances of delaying marriage, according to Vossenberg. Widowed women can also find that trading with ACE enables them to remain unmarried and so maintain control over their farm.

“However, clearly not all women benefitted from a better price as a result of trading with ACE, particularly those with limited agency,” Vossenbergh adds. “In Malawi, financial decision-making in the household is assigned to men, leaving women with limited control over how money that comes into the household is actually spent or invested back into the farm. Or in farm groups, mainly led by men, women’s ideas and demands are often silenced and ignored when decisions are taken.” Vossenbergh believes that these notions around what women can or cannot do greatly impacts women’s access to, and control over, resources. Ultimately, these are vital considerations when seeking to make improvements to their production methods - and in turn their livelihoods.

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Saskia Vossenbergh, Royal Tropical Institute (KIT)

Sharing knowledge

GMEX Group has developed and led a newly formed venture called FinComEco, which aims to tackle a number of these productivity challenges from the ground up by fostering the growth of a financial and commodities ecosystem. “The fundamental philosophy around this is that ultimately we are going to make that supply to demand chain more efficient, with the ultimate aim of improving the livelihoods of smallholder farmers,” explains **Hirander Misra**, CEO of GMEX Group and Deputy Chairman of FinComEco. “This in turn increases their productivity, allows them to expand into value added services and therefore also has the net impact of increasing GDP at the macro level in a country.” For Misra, fostering financial inclusion with social responsibility are key to improving food security and economic diversity and can only be achieved in collaboration with local stake-holders, development organisations, governments, research bodies and the private sector.

Over the past year, GMEX Group has been proving this concept in Malawi by working in close collaboration with Agricultural Commodity Exchange for Africa (ACE). According to Misra, many of the issues which ACE was attempting to address with a spot agricultural commodity exchange and electronic warehouse receipts were addressed through GMEX Group’s expertise in developing financial, trading and technology solutions, while in turn ACE shared its knowledge and deep understanding of the agricultural domain. “We are able to foster the knowledge learnt from the projects undertaken with ACE in Malawi and adapt it for elsewhere in Africa - and beyond through the FinComEco initiative. There is a great need for this in countries such as Nigeria, Ghana, Ivory Coast, Senegal, Angola, Mozambique, Egypt, Kenya, Uganda and Tanzania to name but a few,” Misra says.

Better pricing

He continues: “Ultimately, the biggest issue in agriculture are the inefficiencies created by what I call ‘bad middlemen’ in the system. Because of the lack of transparency, farmers don’t necessarily get the prices that their agricultural commodities are worth, because they don’t have the information flow to know what the right price is.” Yet Misra argues that there is still a requirement for reliable intermediaries in the ecosystem. The vast number of smallholder farmers makes it impractical for a larger buyer of agricultural products to approach each one individually, so there remains a need to provide an aggregated supply. But according to Misra, this should be done in such a way that the smallholder farmers are provided with better prices, which therefore increases their income, allows them better access to inputs such as fertiliser, pesticides and seeds and has a net-positive impact on GDP in any given country. In addition, good intermediaries should act as aggregators to collect and supply produce from the farm gate as many smallholder farmers do not have access to transport. This is creating business opportunities for some women smallholder farmers to act as that effective aggregator.

Linking the farmer to market information is a bottleneck in itself, agrees **Kristian Schach Møller**, CEO of ACE. As an institution, ACE provides commodity trading systems and infrastructure in Malawi and also acts as a development partner and private sector company to address the access issues faced by smallholders, which it has been doing now for over a decade. As part of its recently launched rural strategy, ACE has developed three steps to “structured trading” to further enable farmers to understand and use these systems, with enabling access to market information forming the first step. “In theory, it’s the easiest one to do,” says Møller. “It involves profiling the farmers who have phones, or profiling associations or village chiefs.” He adds: “You can push price information to the cell phones, even if that’s the price in the nearest town. They can then use that price to negotiate with the vendor directly.”

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Hirander Misra, GMEX Group and FinComEco



Access to credit

The second step is then to link the smallholder to that price. This involves ensuring that enough farmers have responded to be able to aggregate their goods to make it worthwhile to send out a truck to receive them. “But if you can’t respond to send a truck or facilitate transport for the farmer within a day, then they will sell to the vendor instead,” Møller explains. “This is actually a huge issue for us, because we can’t do that.” Instead, ACE organises regular auctions, where the buyers will advertise what they will be buying. ACE then send out an SMS message to let farmers know that they can contact one of its rural warehouses, one of its agents or that they can call ACE directly for a price. “You can be part of the auction, and then we aggregate in one go”.

However, ACE still finds that 98% of the time this system is only utilised by individual traders and a few farmer organisations, but only very rarely by individual farmers. So the third step addresses the warehouse receipt system, which is where ACE finds it has the most bottlenecks and which the expertise offered by FinComEco has addressed. “This is a way to aggregate and a way to guarantee quality and quantity to buyers,” Møller says. “We have rural warehouses as close to farmers as we can get. The warehouse operator will issue a warehouse receipt that will guarantee the quality and the quantity. It is this receipt that buyers can now buy, knowing that the commodity is safe.” In addition, farmers can use these receipts to secure financing from the banks. But according to Møller, banks are very conservative about lending and this in turn causes the bottleneck. “Farmers will not deposit and store their goods if they can’t access finance,” he says. “They all need money.”

“We have rural warehouses as close to farmers as we can get. The warehouse operator will issue a warehouse receipt that will guarantee the quality and the quantity.”

Kristian Schach Møller, ACE



Practical experience

For **Alice Kachere**, a smallholder farmer in Malawi, this barrier to credit is one of the key challenges she faces while trying to develop and grow her business. She started depositing her products with ACE in 2013 as it helps her to address issues such as lack of security, affordable prices and access to market information. “Having access to finance using warehouse receipts as collateral is also very useful,” she says. “But the only challenge with it is the high interest charge and other charges for savings. I think it’s only Malawi which has such high rates.”

Kachere adds that through ACE it is now easier for her to find the best markets and secure a good price, but this is countered by high interest and warehouse charges. She adds: “Mobile technology is very useful and it has informed me on how I can sell my products and made it easier to find markets.” The partnership formed between ACE and GMEX Group aims to address many of these issues through the FinComEco initiative by further developing and integrating systems and financial services, for example by utilising mobile technology. This in turn will be combined with improvements in physical infrastructure including warehousing and transportation working with partners. The first step was the development of trading software for ACE by GMEX Group. “Now we’re sitting on a system that is completely scalable” says Møller. “They actually came up with the idea of creating access to finance and technology on mobile payment systems and all these other innovations and then successfully delivered it.”

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Alice Kachere, a smallholder farmer

Further challenges

Vossenberg adds that all the women smallholders she spoke to were actually very proud that they were training with ACE. “It affirms their status as business women, which is atypical for a woman to be in Malawi,” she explains. “To be connected to a platform that treats you with respect and is transparent in terms of weighing and storage is empowering in itself.” By having access to this trading technology, working with their mobile phones and the fact that there were ACE officers talking to them seemed to provide support and demonstrate that they are business women among their male counterparts.

However, for female smallholders especially the profit margins can be very small, or even non-existent. And many of the issues which factor into whether they make a profit or not cannot be controlled by ACE, Vossenberg explains. “The warehouse storage fee and transportation costs eat so much out of their margins that it also becomes an issue of whether they can actually make the threshold to be able to trade with ACE or not,” she says. Of course, these are similar issues to those faced by their male counterparts, but Vossenberg adds that women also tend to have smaller plots, limited control over financial decision-making at home and normally do not own the title deeds for their land. As a result, they may be less able to generate farm inputs such as seeds and fertiliser.

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Saskia Vossenberg, Royal Tropical Institute (KIT)

Vossenberg also warns that corporate initiatives tend to assume that a better price for farmers leads to more income at the household level, automatically benefitting all its members – which in turn improves their livelihoods. But the reality is often more complex. “These farmers are actual people with real lives that are part of a social community, a family and a home that is governed by powerful social norms and cultural ideas,” she adds. “Finding a better price for a commodity does not necessarily guarantee that all members of the household will be able to satisfy needs or make decisions about the future without retributions, as that is mediated by pre-existing gender norms.”

When gender issues are not addressed by corporate initiatives, Vossenberg believes that they miss out on important contributions to the stability of food production. But initiatives such as those run by ACE can indeed support female smallholders to develop workable strategies to break free from the constraints of social norms, she adds. “For example, by training staff members on how to

engage with gender issues in smallholder farming they can learn what smallholder households wish to do to change their lives and relationships,” Vossenberg adds. “Or they could promote equitable participation and inclusive decision-making in farm groups, as well as collaborating with women’s organisations.” An effective way to achieve is by designing and implementing corporate Gender Action Learning Systems (GALs), she explains.

Initiative for change

Through its collaboration with ACE, GMEX Group also gained a sense of the life on the ground in Malawi and these troubles faced by smallholder farmers around access to finance, payment solutions and insurance products. In Malawi, it worked on proving the concept of FinComEco with a sub-set of smallholder farmers. “In our first year of operation during 2016, ACE has seen substantial benefits delivered to smallholder farmers with an average 31% increase in income from use of warehouse receipts and better price transparency with 47,000 farmers having the ability to receive the latest market prices on their mobile phones” explains Misra. “They financed nearly \$10 million worth of receipts last year, but really if they had adequate financing in place they could have achieved 10 times that.” He adds that the reason GMEX Group decided to launch FinComEco is to bring together an ecosystem where everything plugs in. This will involve everything from the spot exchange, the warehouse receipt programme and the core mobile banking platform while also bringing in expert partners on the banking, inputs, warehousing and logistics side to truly scale up the venture.

According to Misra, Malawi is a good test case to show how well this can work in practice. In conjunction with ACE, it implemented a platform which would enable price updates to be sent to all types of mobile phone, not just smartphones. This helps farmers to get real-time price updates as and when they are relevant, published from the exchange direct to their phone, thereby cutting out ‘bad middlemen’, while still retaining an integral role for reliable intermediaries. This first phase went live in January 2016 last year, followed by the introduction of the warehouse receipt system in May 2016. This opened the door to better access to finance for additional capital, allowing the farmers to forward plan and have better access to inputs, such as pesticides, seeds and fertilisers. Then in 2017, ACE and GMEX Group launched a module which allows the trading of those receipts, either directly by farmers but also intermediaries and others, including the banks. This in turn will ultimately provide farmers – women smallholders included – with better and cheaper access to finance.

Planning for the future

The additional challenges faced by women farmers, however, are also the focus of a number of development agencies in Malawi, according to Møller. When ACE goes out to train farmers he finds that there is actually a good level of participation from women. They are also active users of the warehouse deposit system. “But it’s often when the deal is done and the trade has happened, or the finance is dispersed, it’s often the men who get the cash,” says Møller. “That can cause some problems.” Yet by the end of 2017, Møller is hoping to see the first results of ACE’s rural strategy. “The results need to indicate that we have solved some of those hurdles that have prevented adoption of these systems by farmers,” he adds. “Then post-2017 is really about just scaling up the rural strategy activities to get as many farmers integrated and linked as possible.”

Similar to their male counterparts, female smallholders are also constrained by limited access to capital. Yet gender role expectations can additionally limit women’s ability to run a business. “The role of being a wife or being married comes with a lot of duties and a lot of obligations,” says Vossenberg. “That limits women in terms of what they can do or cannot do, such as their ability to sell at a market that requires travelling and an overnight stay. Some women explained that this makes their husbands suspicious and jealous so they don’t go, even though they know they will get a better price there.” While she found that working with ACE provides a number of benefits for these women, it especially benefitted those who already experienced a certain level of agency and control over their resources in terms of access to land, support and financial decision-making. Many of these women had supportive husbands that are willing to equally share the work and responsibilities, while others were divorced or widowed.

For Kachere there are also a number of practical changes which, if implemented, would tangibly help her with running her business. These include a reduction in warehouse charges, reducing the high interest rates charged by banks for lending and better explanations from ACE's account officers as to why a trade made a profit or a loss. She adds that it would also be helpful if the government could help farmers export their products. "It's four years now without making any profit and I don't know how to achieve this, but I have tried my best," Kachere explains. "My aim is to become a 'medium' farmer, not a smallholder farmer, but I need to have more capital for my business."



Due to the work of FinComEco in Malawi, Kachere's entrepreneurial aims and that of women smallholders in general are now being actively supported. The implementation of new technology has created tangible new benefits for smallholders, such as improving the supply chain, creating more reliable demand and enabling them to achieve a fairer and better price when buying and selling. In addition, this technology strongly encourages them to elevate their income as it opens avenues and provides opportunity for more e-commerce enterprise, adds Misra. Not only does this strengthen local businesses, but it also helps expand their market geographically. "This is how FinComEco will truly improve the living standards of farmers in developing countries: by supporting them to become self-sustained through running their businesses using ACE's protected system and enabling them to get the best use of the available technology," Misra explains.

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Hirander Misra, GMEX Group and FinComEco

This concept has already been proven in Malawi. For example, GMEX Group began assisting ACE two years ago and in that time commodity volumes on ACE have risen from just over 25,000 metric tonnes (MT) in 2014 to 55,000 MT traded in 2016. Furthermore, FinComEco has demonstrated that the model can be adopted rapidly and is easily duplicated and adaptable to a diverse range of economies, offering even wider improvements in the agricultural sector as a whole. "The aim is for FinComEco to become akin to an 'App Store' for agriculture in Africa and other developing regions," says Misra. "It will achieve this by matching exchange trading capability, including derivatives, to physical growers, and add additional value through enabling manufacturing, support services and delivery adding to local

employment.” FinComEco’s introduction of best of breed technology, standards and inputs - such as seeds, fertilisers and pesticides is already reaping benefits for smallholders. The specific challenges identified by Kachere as holding back women smallholders are also addressed through a unique agri-finance business model which solves their credit and financing issues, in addition to the success of initiatives to improve logistics and warehousing.

Conclusion

The collaborative efforts of GMEX Group and ACE are already generating tangible results in Malawi, effectively demonstrating that technology and innovation can be leveraged to tackle even these deep-rooted challenges facing smallholder farmers. Having proved the concept in Malawi, GMEX Group has since launched FinComEco and is now engaged in discussions to deploy this initiative in 12 other African countries with more to follow. Future initiatives are also likely to include making the warehouses investable, bringing in external investment and making the clearing and financing house investable as well. In turn, change on such a scale creates benefits for not just the end users but has a positive impact on providers, regulators and ultimately the end-user, creating a self-reliant interconnected ecosystem in the process. Ultimately, the development of the wider financial ecosystem will provide further benefits to even the most vulnerable group of African business owners, the female smallholder farmer. “Of course, agriculture has its own complexities,” concludes Misra. “Really what we’re putting in place in Malawi, and beyond, is this holistic supply-to-demand chain, with the exchange at the heart of it all.”

For more information on the companies mentioned in this article, visit:

www.aceafrica.org
www.gmex-group.com
www.kit.nl



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