NASFAM-FUM Study tour on Marketing Information Systems in Kenya

In July 2012, representatives of the Farmers Union Malawi (FUM) and the National Smallholder Farmers Association of Malawi (NASFAM) and Agrinatura researchers went on a study tour to Kenya on Marketing Information Systems (MIS), hosted by the Kenya National Federation of Agricultural Producers (KENFAP).

The main objective of the study tour was to learn the Kenyan experience in supporting the access to market information for the smallholder farmers through development of quality MIS based on the Kenyan experience. The following institutes were visited: KENFAP, Ministry of Agriculture, East African Farmers Federation (EAFF), East African Grain Council (EAGC), Alliance for Green Revolution Africa (AGRA), and the Kenya Agricultural Commodity Exchange (KACE).

The study tour was very useful to gain a better understanding of how MIS operate in Kenya, the potential roles of farmer organisations, the challenges of making MIS operational and financially sustainable, and best MIS practices. Managing MIS that provides relevant and timely market information is costly, and is only financially sustainable if it provides additional paid services to specific stakeholder groups (e.g. linking sellers to buyers, providing historical price data to development and research institutes). But farmer organisations can play a role by analysing and repackaging the market information into relevant information on market trends for its members, and advocate for useful and timely data provided through existing MIS. With these valuable insights, FUM and NASFAM concluded that a thorough needs assessment of potential users of MIS and a feasibility study need to be carried out, before making further steps on improving or establishing MIS in Malawi.

The learning points are summarized below:

Structure and sustainability of MIS: Four organisations (KENFAP, MoA, EAGC, KACE) carry out their own market information system. These organisations have monitors in selected commodity markets across the country where data is collected every day. Further, the EAGC has monitors in almost all the international border points of Kenya. These are aimed at tracking the volumes and the prices from both formal and informal cross border trade. Data collection is done once every day at a designated time mostly between 6 and 9 AM. This data is sent immediately to the headquarters in Nairobi where it is cleaned and processed before it is disseminated later in the day. The most common data which is collected is prices for various agricultural commodities from various market centres across the country. The other part of data which is collected is on volumes sold at the market especially cross border trade, which is used in forecasting demand in various countries. This is done mainly by the EAGC. KACE has also some innovations in linking farmers to traders and vice versa through a call centre which they operate.

Role of farmers' organisations:

According to the Kenyan experience, the role of farmers' organisations is two-fold: it can either venture into market information system or play the role of analysing the available information and disseminating it. In the first case, it means the farmer organisation establishing its own structures such as data collectors, buying equipments such as handsets (mobile phones) and meeting overhead costs such as buying airtime and paying for the service provided by the monitors. However, this may be costly. Further, the collected information must be able to meet the needs of different stakeholders (traders, transporters, international organisations, buyers) in order to increase sales of information to sustain the MIS. A proper feasibility study is needed where needs of various stakeholders other than farmers should be identified and cost benefit analysis done before embarking on establishing a MIS.

The second part of the role requires proper collaboration between stakeholders and the farmers. Farmers' organisations can leave the data collection exercise to the government. The data that is generated by government should be analysed and disseminated to members of the farmers organisations. In so doing farmers organisations reduce the cost and also become relevant since most of the information which is sent to farmers in not processed and has less value.

Public-private sector linkages:

The partnership between government and private sector players is limited to data dissemination. Government data is disseminated by KENFAP and Media houses free of charge. However, we still notice that several stakeholders do have their own market monitors who collect data all the time. The cost of collecting data could have been drastically reduced if this was done through one body which collects data on behalf of all stakeholders.

Given the diversity of players in the agricultural sector, it has been argued on who should provide the information since there are both state and private sector players. Both the Ministry of Agriculture and AGRA seem to agree that MIS is best provided by the government because the information is a public good in nature. However, from the visits we had, market information can indeed be a public good but its consumption can also be excludable. Until consumption is excludable the information becomes private good in nature. This means therefore that some information can be sold just like EAGC and KACE are doing.

Sustainability factors for MIS:

Sustainability of MIS providers has been noticed as a challenge among stakeholders. AGRA mentioned how some of the organisations it has funded have struggled to survive when donor aid is stopped. At the same time we found that most MIS initiatives are started with assistance from donors. Governments on the other hand must realise the importance of MIS and provide resources towards the same. Kenya has done it through the National Budget where every year government set aside some money which is targeted at developing and supporting the activities of MIS.

In the case of private sector players, it is important that value addition to the collected data must be considered if it to be for sale. This includes historical and further data analysis for organisation specific (requested) analysis etc. The money from the sales must be used to fund the operations of the MIS provider.

Tenets for smallholder utilization of MIS:

Usage of Market information is not very clear. Almost all the organisations could not estimate effective demand for their MIS. However, there are indications that many people use the information. This is due to the failure of the available systems to clearly identify users of the market information. It is important therefore that any commercial MIS must be accompanied by means of tracking the users/consumers of the service.

Best practices:

- Data in Kenya is collected and disseminated within a very short period of time. Sometimes you can find data of the same day available in Government and MIS service providers.
- The media in Kenya publish market information (prices) for free as one way of dissemination. This also shows strong networking and collaboration among MIS stakeholders.
- MIS must not operate as a project. It should form part of the core business of the farmers' organisations all the time. The more the MIS users progress with their business the more the require more and sophisticated Market related information.
- Market information must be part of the organised/structured market in the agribusiness. Where structured market cannot be achieved, it will be very difficult to provide credible market information.
- Establishing and operating market information system requires huge costs. As such there is need for cost sharing among stakeholders in the industry. Otherwise, the core business of collecting data can be left in the hands of government but other stakeholders can add value to the available information to meet the needs of their members.
- Conduct needs assessment of the users of the information before embarking on data collection and MIS in general.
- Do a cost benefit analysis before establishing MIS especially when you want to operate it under business principles.
- Collect more data other than prices if more people are to use the MIS. This data could be on transport costs, volumes traded, potential markets, Food Balance sheet, Cross border flow etc.

Challenges:

- High cost of establishing , operating and maintaining the MIS
- Unfavourable competition among MIS service providers
- Infrastructure challenges which makes trade very difficult sometimes. For example in Kenya not all areas have an access to either internet and or mobile network hence making data collection and dissemination a big challenge.
- Human resource capacity. To run an effective MIS an organisation needs a pool of specialized skills such as IT specialists, Statisticians, Economists who in a way they are expensive.
- Quality control of the collected and analysed information. This requires close supervision and monitoring of the process of collecting and analysing as well as dissemination of the information in order to make sure that the essence of the message is not lost along the way before reaching the intended beneficiaries for their maximum utilization.

Way forward:

- Conduct needs assessment of the potential users of the stakeholders (should include all main value chain players in the particular agricultural commodities)
- Conduct feasibility study on establishing MIS
- Continue studying and learning from others countries which have established MIS
- Be specific by targeting main or central markets with major agricultural commodities commonly found in that region for easy data collection and also general information to the users.
- Develop networking and collaboration mechanism for other stakeholders such government to understand and make their commitment right from the beginning of the entire process. This will minimize competition and promote complementation.
- The two Farmer Organisations should be ready to dedicate resources to finance all the activities involved in the entire MIS establishment