

Uganda Commodity Exchange:

CONDITIONS FOR SUSTAINABILITY

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10th December 2010



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European Commission in Uganda



Storyline

- Introduction
- Uganda's perspective
- The “Breakeven point”
- What has been achieved
- Future

Introduction

- **Different business environments**
 - Regulatory
 - Markets
 - Strategies

Introduction

- **UCE environment**

- Warehouse receipts law, but not exchanges
- Dominant few traders: – powerful in the market
- Basically only one major quality-oriented buyer
- Commodity quality rather law: - double edged
- Past exchange trading had delivery defaults:
“once bitten, twice shy”!

Uganda's Strategy

- **Build Trust!!**
 - Assure delivery for sealed deals:
Quality, Quantity, Dates and Payments
 - Warehouse keeper duty of care (outturn guarantee)
 - Showing that it works (depositors, buyers, sellers, banks, insurance, etc)
 - Critical mass (What's the minimum no. of warehouses? Deposits? and "fair" charges?)
- **Consolidate for sustainability**



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UCE Model – building trust



1. MINIMUM requirement for:

- Licensed warehouses
- Deposits



2. STOCK AVAILABILITY

- Quantity
- Quality
- Delivery time

3. EXCHANGE

- Quantity
- Quality
- Delivery time
- Settlement



“Breakeven point”

- 22 licensed warehouses, assuming
 - Each 5,000 mt (our model)
 - All deposits traded through the exchange
- Sources of revenue
 - Licensing fee
 - Deposit levy
 - Trading commission

Progress

- **Licensing of warehouses - on going**
 - 6 licensed (equivalent to six 5,000 mt warehouses)
 - 1 under renovation, 1 under construction
- **Linkages with financial and insurance services – on going**
- **Linkages with markets - on going**
 - eWRs
 - SMS
 - Brokers
- **Development of charges**

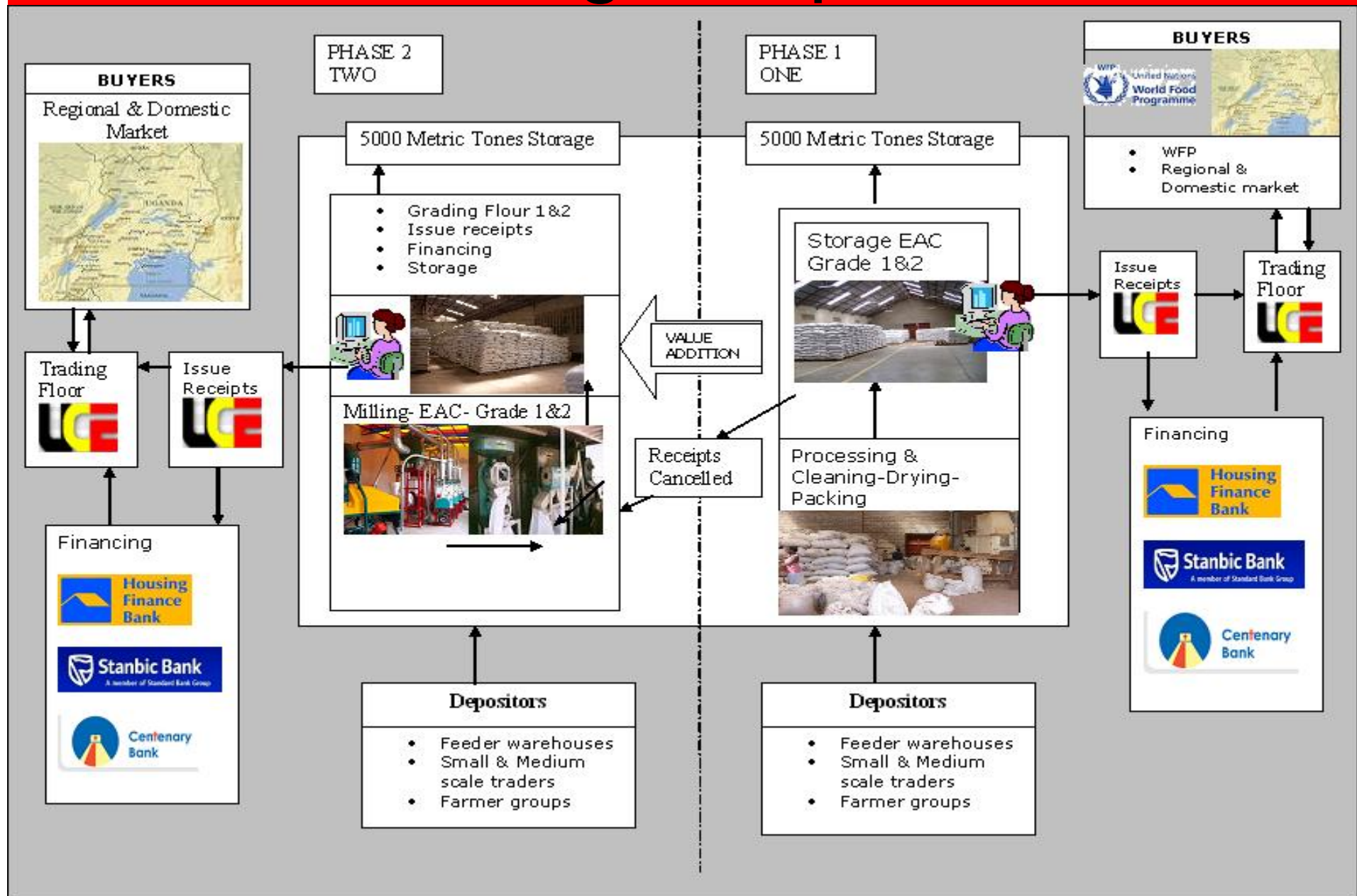
Medium term (3-5 yr)

- Plan for 10 model grain warehouses, each 5,000 mt
- Integration approach – link warehouses to grain millers
 - licensed in their own right
 - Interesting to note developments for import substitution in brewing industry
- Building internal capacity
 - Inspection
- Regional markets

Longer term (5 - 10 yr)

- At least 6 more model warehouses added (or Total of 22+ model warehouses)
- Integration approach – link warehouses to grain millers continues
- Team of inspectors
 - At least 4
 - Versatile (inspection, training, arbitration, coordinating with brokers, etc)
 - Each with the necessary transport
- Casting the net wider
 - Beyond maize, beans, paddy, rice, coffee
- Consolidate

The game plan



NOT “one-size-fits-all”!!

- This approach needs to be “borrowed” with care. The circumstances for other exchanges may be different!!
 - Legislation
 - Market situation
 - Resourcing
 - What about the social goals? Who meets the social costs?
- All these may inform another strategy

END



From the Nile

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