



The Ethiopian Commodity Exchange (ECX)

An overview

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1 Introduction

Linking small producers to markets is widely recognized as a valuable development trajectory. It is for this reason that the DGIS-WUR partnership "Globalization and Sustainable Rural Development" comprises a thematic research programme "Value Chains for Pro-poor Development" related to value chains in the context of sustainable development and poverty reduction. One of the targets of the program is to contribute towards a more efficient sesame value chain with a focus on how to improve livelihoods for all chain partners. An important element in making value chains more efficient is to reduce transaction costs and risks. In this regard, the Ethiopia Commodity Exchange (ECX), which was officially opened May 2008, is expected to play an important role as a platform for transparent and cost effective marketing.

In Ethiopia at present, the presence of high transaction costs, related to the lack of sufficient market coordination between buyers and sellers, the lack of market information, the lack of trust among market actors, the lack of contract enforcement, and the lack of grades and standards, implies that buyers and sellers operate within narrow market channels, that is, only those channels for which they can obtain information and in which they have a few trusted trading partners. Despite market liberalization in the early 1990s, the persistence of high transaction costs and contract risk have resulted in limited arbitrage and weak investments by private traders, leading to limited market volumes, weak responsiveness to price signals and high price volatility, all of which have a negative impact on smallholder producer livelihoods.

The initiative to establish the Ethiopian Commodity Exchange was based on a simple concept. If markets function in such a way as to reward quality, reduce transaction costs of market participation thus increasing returns to market activity, enable quick capital turnaround thus increasing market volumes, and reduce risk of market participation, then markets will serve the needs of buyers and sellers and contribute to the well-being of all who participate in the market economy (ECX, 2006). Thus, it is anticipated that ECX will reward quality to producers; reduce transaction costs of market participation thus increasing returns to market activity; enable quick capital turnaround thus increasing market volumes, and reduce risk related to counterparty default and prices, thus increasing market participation; increase information and transparency for all market actors, thus empowering smallholders and other disadvantaged actors.

1.1 Research question addressed in this report

The objective of this research report is to document experiences in commodity exchange in neighbouring countries; to review the roles of the key market actors in the ECX; to analyze the role of the ECX in reducing transaction and coordination risks and related costs of different key actors; and to identify the main bottlenecks and potential solutions of the ECX in reducing transaction risks.

1.2 Structure of the report

The report is organized into six parts. The first part provides an overview of the production and marketing systems of sesame in Ethiopia. The second part documents the experiences with commodity exchange in Kenya and Uganda. The third part summarizes the overall functions and modalities of ECX followed by its role that can be played in the sesame value chain in terms of

reducing transaction costs and coordination risk. The fifth part discusses the major constraints and opportunities in empowering all market actors including smallholders in the sesame value chain and the last part presents the summary and conclusions.

2 Sesame production and marketing system in Ethiopia: an overview

1.3 Sesame production in Ethiopia

Sesame is produced in around 75 countries of the world. The production of sesame seeds in the world is dominated by a few countries that lie in the African and Asian continents. All the major producers of the seed produce a total of around 30 million tons annually. China produces the maximum out of them sharing approximately 25% share in the total world's production. The 5 topmost producing countries contribute to around 70% of the total production in the world. The production level has grown steadily over the last decade and is still rising the same way. The top ten sesame producing countries are China, India, Myanmar, Sudan, Uganda, Nigeria, Pakistan, Ethiopia, Bangladesh, and Central African Republic (FAOSTAT, figures for 2008)¹.

The production seasons in the stated countries vary considerably, which can be used as marketing strategy. For instance, during the main marketing season of Ethiopian sesame i.e. late November to early February, the Indian sesame is at its peak production season.

The production and marketing of sesame is concentrated in selected areas in Ethiopia following the production potential and tradition (Figure 1). The major sesame growing areas are located in the Northwest; in Humera area in Tigray near the border with Sudan and Eritrea; in Metema in North Gondar and in Wollo area of Amhara region, Chanka area in Wellega of Oromiya, and in Pawi area in Benshangul Gumuz region.



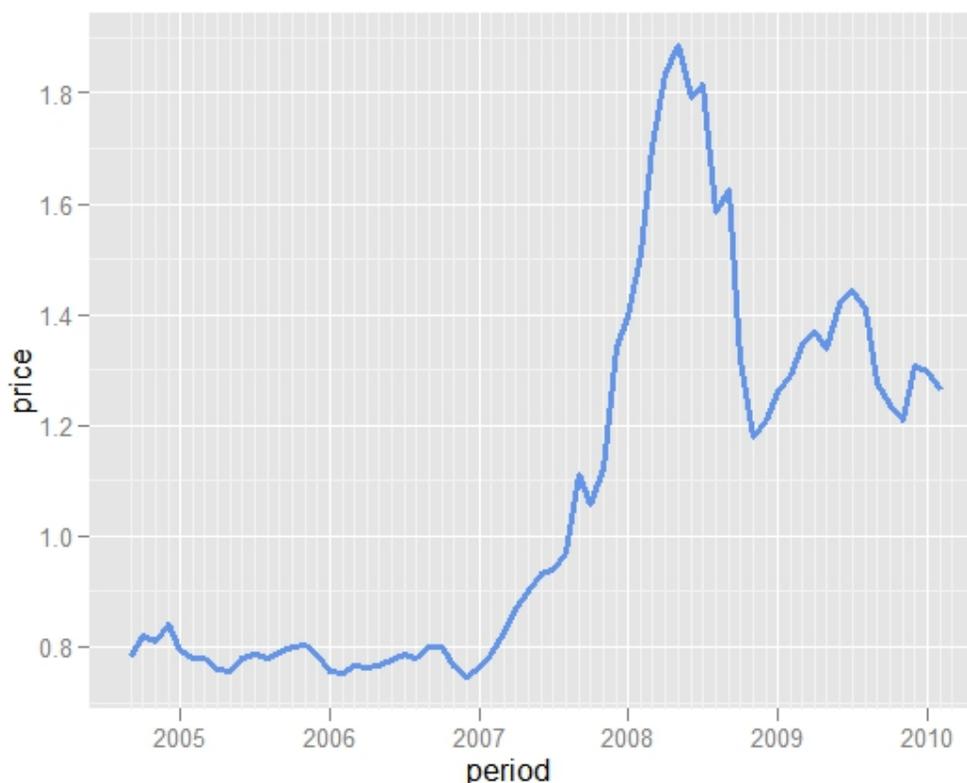
Figure 1: Main sesame growing regions in Ethiopia

¹ Available at <http://faostat.fao.org/>

In general, farmers produce different varieties of sesame with white seed colour especially in Humera and Metema areas. For instance, in Metema areas, three types of sesame varieties i.e. *Tej-Arab*, *Gojjam Azene* and *Hair-Hair* are grown either solely or in combination. In terms of price linked with demand, the *Humera* type is much more demanded, followed by *Metema* and *Wellega* types. Commonly, sesame is threshed starting from early October to Mid November and the major marketing season starts from late November and end early February each year.

1.4 Sesame marketing in Ethiopia

Sesame markets in Ethiopia are highly linked with the international market and highly volatile following changes in the supply and demand in the international arena. As can be seen in Figure 2, prices of sesame peaked in the first quarter of 2008 and are still relatively high in 2009.



Source: Ethiopian Customs Authority

Figure 2: Export prices of sesame in Ethiopia, September 2004-February 2010 (in US\$ per kg)

The major actors in the Ethiopian sesame market are exporters, wholesalers, brokers/agents, local traders (Assemblers), primary cooperatives and their unions, commercial farms and small-scale farmers. A recent study conducted in Metema area revealed that about 34% of the production is directly purchased by wholesalers from the farmers, followed by assemblers (22%) and cooperatives (18%), which shows the important role of wholesalers, assemblers and cooperatives in the sesame market chain (see Figure 3 for details).

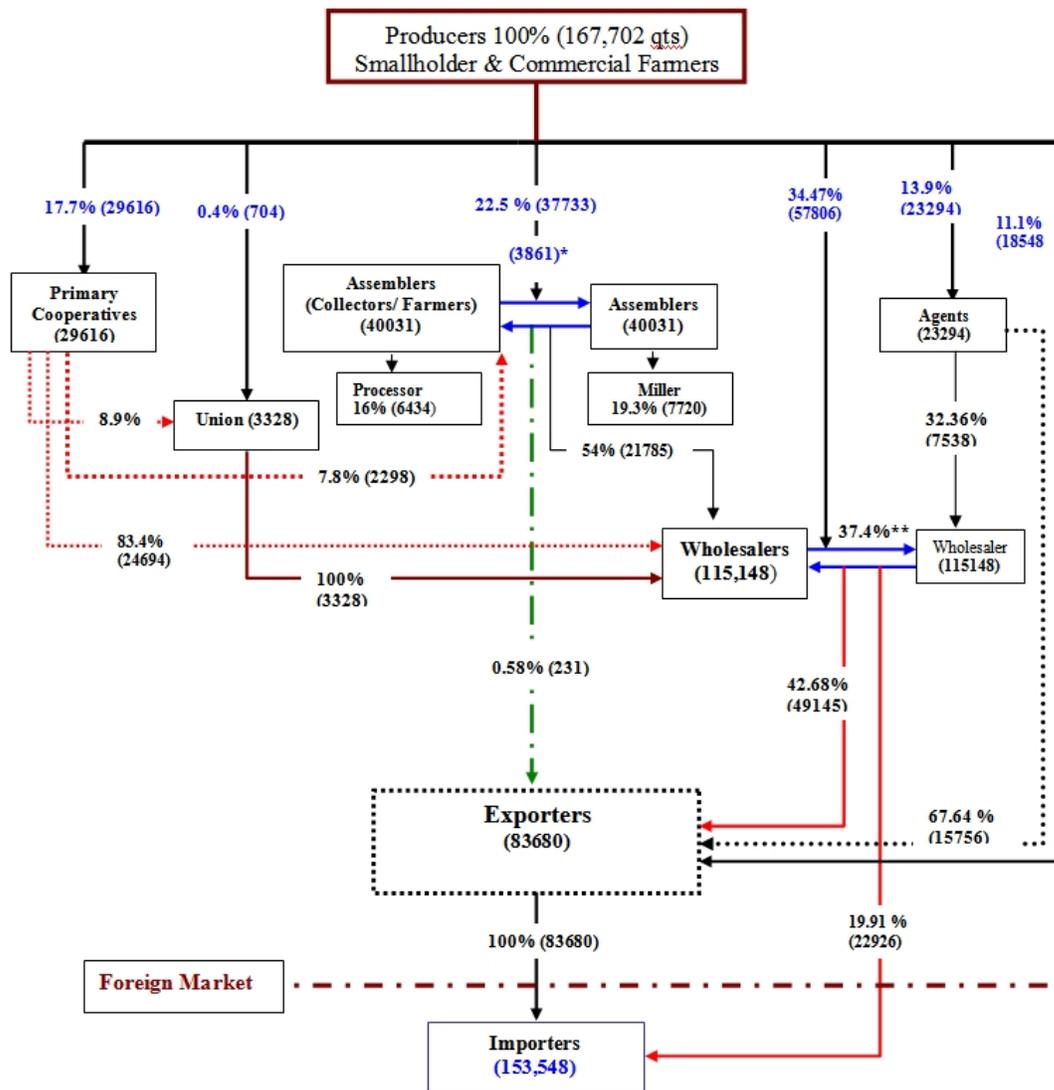


Figure 3. Metema Sesame Market Channels
 Adapted from Kindie et al. 2007. NB: one quintal (qts) is approximately 100 kg.

Because of the scattered and small-scale nature of the Ethiopian production system, the role of aggregation in improving the agricultural marketing system is emphasised in the national agricultural marketing strategy. Cooperatives and their respective unions are expected to play an important role in this. The two most important cooperative unions for sesame marketing are the Setit-Humera agricultural marketing union in Humera areas and Metema agricultural Marketing union.

The Metema cooperative union has six primary cooperatives under it. As in the other cooperative unions, the union is governed by the seven executive board members that are elected by the general assembly which is composed of nine delegated from each primary cooperative. The day-to-day activities of the union are run by an employed manager based on the orders and decision of the executive board. In the production season 2007/08, the union was engaged in the

purchase of sesame from member farmers through the primary cooperatives. It purchased more than 7000 quintals² with the price range of 1080 to 1300 birr/quintal.

Normally, cooperative unions receive support from regional cooperative promotion offices in the form of technical advice and provision of market information. The Amhara bureau of agriculture and rural development through its cooperative promotion office has been providing market information, taking into consideration the time of harvest of the Indian sesame and its impact on the international sesame market. The price offered to the union using the information provided by the coop promotion office was about 2650 birr/quintal (2860 USD /MT³). However, the cooperative union was not prompt enough to sell at that price and waited while the price in the domestic and the international market was declining rapidly, which forced the union to store the purchased sesame until the end of 2008 (Figure 2). This implies the weak marketing skills and ability to understand the international market trends and behaviour.⁴

This shows the importance of a reliable market information system to provide up-to-date price information. In fact, sesame markets in Ethiopia sometimes show highly diverging prices, reflecting the fact that the sesame market cannot be assumed to be perfectly competitive. Figure 4 shows that prices in Humera were much higher than the international export prices in March 2009. The reason underlying this discrepancy was the large-scale purchase of one major buyer, who was willing to offer much higher prices.

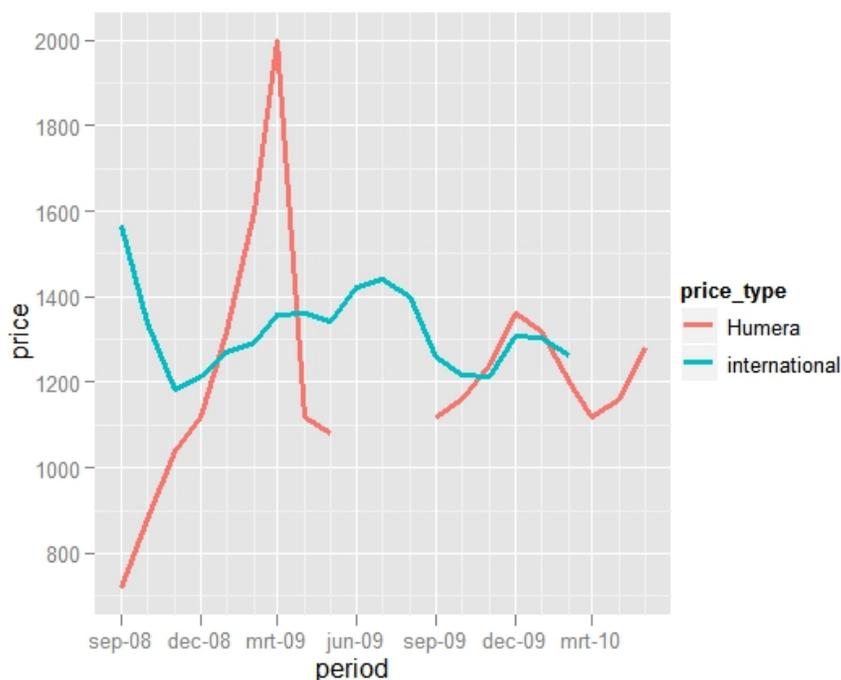


Figure 4: sesame prices (US\$ per tonne) for export and as paid to farmers in Humera (September 2008-April 2010).

NB prices in Humera were collected by an informal survey, as part of the VC4PPD project, 2009-2010

² 1 quintal is 100 kg . 7000 qts is 700 tonnes.

³ In 2007/2008 1 USD = 9.25 birr. Thus, the price was US\$ 286 /quintal, which is US\$ 2860 /MT

⁴ The Setit-Humera cooperative union is relatively in a better position due to its direct link to an international importer, which was reportedly created through a market agent. This cooperative union exports directly.

There is a new trend in the sesame value chain of value addition through processing which was started in Humera area by a private company Sheba PLC. The processed product is called “sesame Tahina”. There are also other companies, which have already licensed to process sesame seed.

2 Experiences in commodity exchange in neighbouring East African countries

The gradual liberalization of agricultural trade combined with the reduction of government support to agricultural producers outside the OECD, heightened the interest in the use of risk management and other modern financial instruments, including commodity exchanges, in the developing world (UNCTAD, 2006). In recent years, there is substantial growth in emerging commodity markets driven by the continued growth of existing exchanges, particularly those in China and India, and also by the rise of other exchanges situated in emerging markets.

In Africa, the Pan-African Commodities and Derivatives Exchange (PACDEX) initiative has stimulated the development of national exchanges in a number of countries, including Nigeria, Ethiopia, Kenya and Uganda (its establishment has been strongly supported by the African Union). The PACDEX model comprises a hub in Botswana managing a common exchange, as well as a back-office platform that links together various national exchanges and warehouses to facilitate regional trade in contracts across the agricultural, metals, energy and currency sectors. The experiences with the commodity exchange in Kenya and Uganda are reviewed below

2.1 Kenyan Experience in commodity exchange

Currently, Kenya has three commodity exchanges: The Nairobi Coffee Exchanges dealing with coffee, the Tea Auction in Mombasa, and the Kenya Agriculture Commodity Exchange (KACE), a spot exchange that deals with a variety of commodities but mostly maize and beans.

The Kenya Agricultural Commodity Exchange (KACE) is a private sector firm that has been in operation in Kenya since 1994. KACE has been an important private sector initiative that has made significant contributions to agricultural marketing in the country, and to smallholder farmers in particular in two ways: linking producers and buyers of agricultural commodities, and provision of market information for commercial actors within the subsector.

However, KACE faces several challenges among which the following two are the most important: (i) the poor quality of produce that farmers deliver combined with the fact that most small-scale farmers find it difficult to deliver in bulk which is ideal for an exchange; and (ii) most of the commodities in Kenya are heavily regulated by boards and are grown and marketed in an environment of struggling cooperatives, which are inefficient, mismanaged and have cumbersome internal bureaucracies. (Mukhebi, 2004).

To overcome the stated challenges, KACE is supporting smallholder farmers to organize themselves into marketing associations in order to cost-effectively access market and information services provided by the exchange. This allows them to consolidate supplies of marketable quality commodities for offer through the exchange, and purchasing of inputs in volumes to achieve economies of scale. In addition, KACE's electronic market information system, the Regional Commodity Trade and Information System (RECOTIS), is providing market information throughout the eastern and central Africa region to promote regional trade.

In general, faced with fragmented markets, government intervention and significant infrastructural deficiencies, trade through KACE has always been minimal. Instead, focus has been on

information dissemination with KACE acting as a provider of paid-for price information, a business model supported by private sector partnerships and aid donor funding.

For June 2010, the Nairobi bourse plans to launch a commodities exchange by a joint effort of the National Cereals Produce Board (NCPB), the Kenya Agricultural Commodities Exchange (KACE), Eastern African Grain Council (EAGC) and Nairobi Stock Exchange. It will consist of a platform where futures can be traded. The market will initially trade major grains produced in East Africa, including maize, wheat, rice and beans but will ultimately trade other agricultural commodities, including inputs such as fertilizers and seeds.

The plans have met with some criticism. Kenya Coffee Planters and Traders (KCPT), the association that runs Nairobi Coffee Exchange, said the country has not established the fundamentals for a credible commodities exchange. Experts reckon that for a commodities exchange to work in Kenya, the government needs to back the initiative with sound legal and regulatory frameworks such as enacting a Commodities Exchange Act and a Warehouse Receipts Act. The system also requires major improvements in road networks connecting farms and a substantial investment in NCPB facilities to fit them with modern equipment like sievers and driers to enable hold grains for longer periods (Omondi 2010).

2.2 Ugandan experience in commodity exchange

Uganda Commodity Exchange Limited (UCE) is a corporate entity registered in 1998 through the initiative of private sector players with four founding shareholders namely, the Ugandan Co-operative Alliance, Ugandan Coffee Trade Federation, National Farmers Association and Commercial Farmers Association. The UCE became operational in 2002. The commodities currently traded at the exchange are coffee, sesame, maize, beans, soya beans, and rice with quantity specification of minimum 10 tons per lot for every commodity.

UCE aims to serve several objectives. One objective is to help link producers and buyers easily and cheaply and to make the process of price discovery more transparent. A second objective is to ensure that only standard commodities are traded. The commodity exchange is linked to the Warehouse Receipt System and UCE has been delegated the regulatory function of warehouse receipts. Standards are being developed to ensure that farmers produce what the market requires to avoid wastage that currently characterizes production of rural producers. Once standard commodities are available in the rural areas, exporters will be assured of supply and farmers will get good prices through the exchange.

There have been a few auctions on the floor of the exchange with encouraging results, but operations had to be suspended to improve the system with the assistance of the European Union. There are several initiatives aiming at enabling farmers to access markets and have better bargaining power through bulking. One of these initiatives includes the formation of Area Cooperative Enterprises (ACEs). These ACEs are formed by primary societies to handle input distribution, bulking of farmers agricultural commodities, which they sell to most the competitive buyer. In order to ensure predictable quality, some have started value addition. It has been mainly the ACEs that have utilized the services of both the UCE and WRS so far.

A quick survey between 18 May and 8 June 2010 of the UCE shows the level of activity of the UCE⁵. The UCE appears to trade only in maize. On 18 May 2010, the total amount of maize open for sale was around 1.620 tonnes of maize (32 bids) with an average price of 562 USh. One week later, the total amount for sale was 465 tonnes with an average price of 433 (21 bids). Finally on June 8th, the total amount for sale was 1.335 tonnes with an average price of 473 USh (32 bids). So it seems that the UCE is active, but that its trading activities are limited.

⁵ Available at <http://www.uce.co.ug/commodities.php>

3 ECX and its modalities

The Ethiopian Commodity Exchange (ECX) is designed to be a marketplace where buyers and sellers meet to trade, assured of quality, delivery and payment. The ECX is a national multi-commodity exchange with the aim of providing market integrity, by guaranteeing the product grade and quantity. It will manage a system of daily clearing and settling of contracts. It will enhance market efficiency by operating a trading system where buyers and sellers use standardized contracts. Market transparency will be achieved by disseminating market information in real time to all market players. Finally, the ECX will facilitate risk management by offering contracts for future delivery, providing sellers and buyers a way to hedge against price risk. However, contracts for future delivery will only be implemented after the ECX spot market trading has shown to be successful. After its establishment in 2006, The Ethiopia Commodity Exchange (ECX) commenced trading operations in April 2008. and subsequently opened trade for white and mixed maize, hard and soft wheat, processed and unprocessed pea beans, coffee and sesame.

The establishment of the ECX was funded by a consortium of financing partners including UNDP, the World Bank, American development agency USAID, Canadian Development Agency CIDA and the World Food Programme and is co-financed by the Government of Ethiopia. Since 2006, UNDP has financed more than USD 3.5 million of the total USD 24 million needed to establish the exchange. In addition, UNDP support included initial project start-up, capacity building, and technical advisory services over four years. UNDP would like to replicate the experience in other African countries. Among these, Tanzania, Kenya, Zambia and Uganda are considering replicating, customizing and scaling up the ECX model.

On 24 February 2010 UNDP helped organize and supported ECX in organising a forum "The Making of a Market: Global Learning from Commodity Exchange Experiences" with over 300 representatives including Africa- and India-based exchanges as well as the international and donor community, federal and regional government officials, and private traders. The Forum has resulted in the establishment of the African Commodity Exchange Association.

The World Bank has dedicated about seven million dollars to set up the ECX while supporting and modernizing its operations through the Rural Capacity Building Project. The information dissemination system is part of the Bank's funded projects and includes software to introduce the Short Message System (SMS) and an Interactive Voice Response (IVR). It further includes 200 Price Tickers or electronic display boards, in major market places across the country, which will provide farmers and traders with real-time prices of commodities as transacted at the central exchange place. In June 2009 the ECX installed about 12 Price Tickers in major towns and in May 2010, the ECX reported to have 12 price tickers (ECX Website). Finally, the World Bank will finance the development of new IT systems to make the current home-made IT system more sophisticated in order to support future trading whereas currently it supports real-time trading prices (Wendifraw 2009).

3.1 ECX governance

There are three bodies governing the ECX: (i) the Ethiopian Commodity Exchange Authority (ECEA) as a state regulatory body, (ii) the Exchange, and (iii) the national association of market actors.

The ECEA is a public institution, which approves and regulates contracts, membership, trading, clearing, and other ECX rules. It safeguards the interests of society. Its specific objectives are to promote innovation, access to market information by all market participants and fair competition among markets and market participants; to deter and prevent price manipulation or any other disruption of market integrity; to ensure the financial integrity of all transactions and the avoidance of systemic risk; and to protect all market participants from fraudulent or other abusive trading practices and misuses of customer assets. The ECEA is accountable to the Prime Minister. Moreover, in a unique governance structure, the ECEA is governed by a Board comprised of a Chairman, and a member from each of the following relevant government bodies: Ministry of Finance and Economic Development, Ministry of Trade and Industry, Ministry of Agriculture and Rural Development, and the National Bank of Ethiopia. The operations of the ECEA are executed by a Director General, who is also an ex-officio member of the Board.

The ECX is designed as a Public-Private Partnership enterprise. The Government of Ethiopia is the owner of the ECX, while the ECX offers the sale of Membership seats, which are privately owned, permanently and freely transferable rights to the stream of earnings from trading on the Exchange. ECX is established as a demutualized corporate entity with clear separation of Ownership, Membership, and Management. Thus, owners cannot have trading stake, members cannot have ownership stake, and the management can be neither drawn from the owners nor from the members. There is a joint Board of Directors drawn from relevant public institutions (state) and ECX members (private).

The National Exchange Actors Association (NEAA) is an institution established by members and their Authorized Representatives and Associates, is recognized by the ECEA for the purpose of upholding and maintaining the standards of integrity, professionalism, and skills of all exchange actors. It is expected to maintain a database of Exchange Actors. The NEAA became active only at the end of 2009.

3.2 Membership

ECX Members are the core actors of the market. Membership is acquired through the purchase of a Membership Seat, provided other requirements are met. A Membership Seat is a permanent and transferable right to trade on the Exchange. Members are required to follow the rules of the Exchange and thus maintain the integrity of the ECX marketplace. Members are liable for the transactions they conduct through ECX. ECX offers two classes of Membership:

1. Trading Member (TM) trades only on his or her own account
2. An Intermediary Member (IM) trades either on his or her own account or on behalf of Clients

Every Member is required to hold two settlement accounts (Pay-In and Pay-Out) with an ECX designated settlement bank. Every member is also required to authorize power of attorney⁶ to the ECX Clearing House to issue Pay-In transfer instructions on his or her behalf. An Intermediary Member is required to hold separate settlement accounts for client trading and is expected to maintain a system for reporting on payment to clients.

⁶ authorization to act on someone else's behalf in a legal or business matter.

There are various requirements for both classes of Membership. The financial requirements include:

- Payment of Membership Seat price Birr 50,000 ⁷
- Net Worth: an audited financial statement (by an authority-approved auditor) should certify the maintenance of minimum Net Worth requirement according to membership category. i.e. Birr 500,000 for a trading member and Birr 1,000,000 for an intermediary member⁸
- Provision of a refundable security deposit in the ECX Settlement Guarantee Fund for the duration of membership, according to membership category i.e. Birr 200,000 for trading Member and Birr 300,000 for intermediary Member⁹

After the first year, payment of annual Membership maintenance fee: Birr 5,000

The financial requirements are necessary to ensure that all trade through the ECX can be paid for and that payments are cleared immediately. Other requirements include the recognition by the Ethiopian Commodity Exchange Authority (ECEA) as an Exchange Actor. Members should have a tax registration and maintenance of tax clearance according to Ethiopian law, where applicable. For different entities (individual, private limited company, cooperative, public enterprise etc) there are different requirements. Members are required to successfully complete an Authority-approved ECX Certification examination. Finally a personal interview with the Exchange, and in the case of Share Company, with all authorized signatories is held.

The ECX started selling 150 membership seats in September 2009 at its annual member's forum. The initial price was set at 50,000 Birr for a seat. Initially, there was not much interest and the first 100 members needed a lot of convincing to join the ECX at this price. However, the membership value significantly increased since then. For instance, the Oromia Coffee Farmers Cooperative Union Ltd bought a seat for 200,000 birr and one businessman in the coffee business was reported to have paid 3.3 million Birr by the end of 2009. The 150 members include 69 suppliers, 45 exporters, 24 local traders and 12 cooperatives and commercial farmers .

3.3 Trading procedure

3.3.1 Warehouses

Commodities are deposited in warehouses operated by ECX in major surplus regions of the country. At the ECX warehouses, commodities are sampled, weighed, graded and certified. The ECX guarantees the grading of the commodities and maintains a central registry of warehouse receipts. ECX warehouses issue an *Electronic Goods Received Note* and provide the depositor or his/her representative with a signed print copy. The depositor has to get an *Electronic Warehouse Receipt* issued by the ECX Central Depository in order to establish legal title to the deposited commodity. ECX warehouses are insured at maximum coverage to protect against loss and damage of deposits.

The ECX provides standardized ECX commodity-based contracts, which specify grade, delivery location, lot size, and other contract terms. The contracts can be either for immediate delivery or at a pre-specified date in the future.

⁷ 1 US\$ is around 13 birr and 1 euro is around 16.9 birr (May 2010), so Birr 50,000 is around US\$ 3,760 or €2,955.

⁸ US\$ 37,543 or US\$ 75,086; €29,550 or €59,100

⁹ US\$ 15,017 and US\$ 22,526; €17,730 and €11,820

3.3.2 The Exchange Central depository

ECX maintains a Exchange Central Depository or Registry of warehouse receipts. It issues Warehouse Receipts, prints copies of receipts, transfers legal titles (transferring Electronic Warehouse Receipts between holders), and cancels receipts. It also maintains separate accounts for every depositor. ECX is currently working towards introducing the use of Electronic Warehouse Receipts for the purposes of securing collateral finance or also known as inventory financing in the near future.

3.3.3 ECX Trading system

The ECX trading system includes a physical trading floor located in Addis Ababa, where buyers and sellers may participate in “open outcry” bidding for commodities. During regular business hours, the ECX trading floor holds various sessions for transacting different commodity contracts¹⁰. Trades are made on the trading floor by bidding or offering a price and quantity of contracts, by using a physical representation of a trader's intentions with his hands¹¹. Market prices can thus change throughout trading hours. These prices are transmitted in real time to producers and consumers by electronic price tickers located in 21 locations around the country, although the ECX plans to increase these to 200. The prices are also shown on the ECX website (<http://www.ecx.com.et>) and can be obtained through a mobile phone service.

Once a transaction has been made, the transaction orders are recorded on Order Tickets in standard lot sizes of standardized commodity grades (referred to as contracts). The ECX automated back office system ensures the existence and validity of the Warehouse Receipt backing the sale, the availability of buyer funds in a deposit account, and where applicable the validity of the Member-Client agreement. This automated reconciliation takes just minutes.

The ECX guarantees payment against delivery through an internal system for clearing and settlement of contracts, in collaboration with partner banks¹². Every trading day, ECX clears the net obligations of all of the market participants and transmits orders to partner banks and warehouses to settle transactions through transferring funds in one direction and warehouse receipts in the other direction.

The ECX provides additional layers of security through the Arbitration Tribunal that has licensed arbitrators who assure the speedy and professional resolution of any commercial disputes that may arise. Additionally, the ECX maintains a system of market surveillance where experts monitor the behavior of market actors to protect the market from manipulation, excessive speculation, fraud, or other malpractice.

3.3.4 Warehouse Receipt Financing

At the end of 2009, the Ethiopian Commodity Exchange (ECX) and its partner organization, the International Finance Corporation (IFC), which is a member of the World Bank Group, were preparing to introduce Warehouse Receipt (WHR) financing for producers and traders to access bank loans (Abiye 2009). This will allow producers and traders to access bank loans by pledging their Warehouse Receipts issued by the ECX for commodities held in ECX warehouses.

¹⁰ Grain s are traded on Wednesdays, from 9:00 to 9:30; sesame is traded daily from 10:00-11:00; local coffee is traded on Tuesday, Wednesday, Thursday from 11:30-12:30; export coffee is traded daily from 14:00 – 18:00.

¹¹ For instance, if a trader wants to buy ten contracts of grade 1 of Jimma A, at a price of three hundred, he would yell "Jimma A1 at three hundred" and turn his palm inward toward his face (buy) or show one hand with the palm facing outward (sell)

¹² Currently ECX is working with seven settlement banks: Commercial Bank of Ethiopia (CBE); Dashen Bank S.C; Awash International Bank S.C; United Bank S.C; NIB International Bank S.C.; Wegagen Bank S.C.; Bank of Abyssinia S.C.

3.4 Direct Specialty Trade

In February 2010 the ECX launched Direct Specialty Trade (DST), a new platform in which producers of specialty coffee can transact directly with international buyers seeking to purchase premium beans on a fully traceable basis. The DST facility was established because the normal trading procedures of the ECX cannot take into account various specialty coffees (that there are 256 to 781 coffee variety grades). Coffee exports fell as a result.

DST is established as a monthly bidding session in which small farmer cooperatives and commercial growers deposit specialty grade coffees in advance in ECX warehouses. International buyers pre-register for the DST session and are able to order samples and to participate in a cupping session prior to the bidding. A condition for participation in DST is that farmers will receive a minimum of 85 per cent of the final export price, which is higher than the price received normally, which is below 40 per cent (Daily Ethiopia 2010).

The ECX (ECX 2010) defines specialty as: "*coffee, from a known geographic origin, that has a value premium above commercial grade coffee due to its high quality in the cup and to particular attributes that it possesses*". This definition imbeds four major concepts. The first is geographic origin of production which is important for quality differentiation, social and community identification, environmental aspects and market branding. The second is the value premium in the market price above the standard of commercial grade. The third is high quality using recognised industry standards. The fourth is that in addition to high quality, there can be identifiable and measurable or certifiable attributes that are the basis of the value premium. These attributes can be environmental, health-related or social and are often used in fair trade produce.

A prerequisite is a traceability system linked to certification. This can be done by recognized and accredited third-party certification entities who can partner with the Exchange to obtain this traceability information and to ensure its consistency and integrity. The DST is, however, not suitable for high value markets in for instance Europe that require produce (e.g. sesame) to adhere to GlobalGap requirements (Mheen-Sluijer).

The second DST Session (April 29, 2010) included 432 tonnes of specialty coffee (58 lots) of which only 15% was sold to various international buyers by May 18th, 2010. The reasons for low sales are not clear.

4 ECX and Sesame: the role in reducing transaction and coordination risks

4.1 Transaction and coordination risks in the sesame market

The key actors in the current sesame marketing system are producers (small-scale and commercial farms), agricultural marketing cooperatives and their unions, agents/brokers, wholesalers, and exporters. Even though the commodity exchange has been operational since May 2008, sesame has not yet been traded. This is mainly due to the seasonality of the production and marketing. The critical period for sesame sales and purchases is in the months of November, December, and January. It is expected that sesame will be traded in the 2009-2010 season.

In order to identify the role of ECX in reducing transaction costs and coordination risks, it is important to understand the possible costs and risks of the current marketing system. The following are the most common feature of the current sesame marketing system:

- Lack of reliable and timely market information in the system. This hinders the different market actors to make decisions based on supply, demand and prices. In turn, this has lead to:
 - The existence of many unlicensed traders and unfair competition with licensed traders and other licensed market actors
 - Non-competitive price setting mechanisms, reducing the competitiveness of the Ethiopian sesame in the international market
- There is an increasing preference of Ethiopian sesame in the international market. However, exporters in Ethiopia face several quality problems in terms of adulteration especially by mixing sesame seed of different origin (Humera, Metema and Wellega) and also addition of other materials, which considerably reduces the quality of the sesame. This has lead to
 - Difficulty in setting prices for certain quality grades
 - Additional costs incurred in improving the quality through cleaning and grading.
- The export procedure in Ethiopia requires phytho-sanitary certification from the Bureau of Agriculture and Rural Development (BOARD) as well as quality and standard certification from the Ethiopian Quality and Standard Authority (EQSA), which has been reported to take a long time as well as prone to corruption.
- The limited marketing capacity of cooperatives and their unions which makes it difficult for them to compete with local traders.
- High transportation cost due to long distances over poor roads.
- Considerable amount of default and cheating leading to mistrust (see also FFARM, 2009).

Gabre-Madhin (2001) has estimated empirically the transaction costs for grain traders under the normal trading practices in terms of search time, cost of labor time invested in search, tied up working capital in the form of grain for the time required to search. She also estimated traders' social capital by the number of trusted contacts. Results showed that on average, a trader searched for 1.5 days (search for market information and the search for a trading partner). Search labor measured by the number of persons employed by the trader to help in searching for

buyers and sellers and the number of persons responsible for purchasing and selling activities, was estimated to be 1.7 persons.

Traders' search labour measured by the amount of time spent daily consulting with other traders to obtain market information, identifying and negotiating with potential partners, and carrying out transactions was estimated on average to be 39 minutes daily and the average number of persons consulted was 5.2 persons. The results also indicated that traders try to avoid transaction risks in long-distance trade by trading with partners they know. Social capital, defined in both quantitative and qualitative terms as the number of trustworthy trading contacts, enables traders to carry out long distance transactions. Thus, traders can reducing search costs by increasing their social capital.

4.2 ECX mechanisms of reduction of transaction costs and coordination risks

The ECX marketplace aims to address several transaction costs and risks of the current markets in Ethiopia. These transaction risks are reduced by brining market order, integrity, transparency, and efficiency to the sesame and traded commodity markets.

Market order is established through an organized trading platform, formal rules and procedures, standardized contracts and standardized products, a system of Membership based participation, monitoring and enforcement of compliance to the rules, and managing risks to the market.

Market integrity is achieved through grading and certification of the quality and quantity of products traded, warehouse receipting of commodities traded, enforcing fair competition and ethical business conduct, and clearing all payments between buyers to sellers.

Markets become transparent through a system of industry-accepted product grades and standards, rapid and reliable dissemination of market information to all actors, and enforcing disclosure and audit reporting requirements for its Members.

The market efficiency is ensured through use of information technology to automate the End-to-End system from warehousing to trading to clearing and settlement of payments to delivery of commodity, and through a centralized trading platform offering low-cost service to all market users.

Specifically, the major bottlenecks that have created high transaction and coordination risks in the sesame market chain can be addressed through trading through ECX due to the following specific features of ECX:

- (1) Warehouse and receipt with quality and standards is an integral part of the system. For the 2009-2010 production season, two warehouses at Humera and Metama are ready with the capacity of 50000 quintals each.
- (2) The physical transfer of the product is made once the product is sold, which reduces the transportation cost
- (3) A market information system is already established within ECX accessible to different markets and also to the general public through different media. This is expected to put all market actors on equal footing and creates fair market competition and help cooperatives and their unions in improving their timely market decision making.
- (4) The ECX guarantees payment against delivery through an internal system for clearing and settlement of contracts, in collaboration with partner banks.

4.3 Current status of sesame trade through ECX

Beginning 2010, the ECX offered 25 types of contracts for four types of crops i.e. maize, wheat, sesame, and haricot beans. Trading on the ECX trading floor is based on standardized ECX contracts for each commodity according to class (type) and grade. It is believed that standard contracts eliminate the costs and risks associated with contract negotiation and enable a maximum number of buyers and sellers to bid on known contracts, thus increasing market liquidity and enabling a better “discovery” of true market prices. For sesame there are three classes by origin i.e. Humera, Gonder and Wellega sesame classes. The Humera class includes two grades i.e. Humera sesame 1 and 2 (HS1 and HS2). The Gonder class includes Gonder sesame 1 and 2 (GS1 and GS2). Finally, the Wellega class includes Wellega sesame 1, 2 and 3 (WS1, WS2, and WS3) (see Appendix 1).

Sesame was not traded through the ECX during the sesame market season of 2007/08 because the required arrangements (mainly warehousing and quality certification of ECX) were not ready.

During the marketing season of 2008/09, two warehouses—one in Humera and the other in Metema—with a combined capacity of 50,000 quintals and the required facilities became ready. The two storage facilities are capable of storing sesame for 6 months without any loss of quality. There is expectation that there will be a marketable surplus of about 5 million quintals of sesame this production season (2008/09). In addition, there is will be on average a daily turn over from 2000 to 3000 quintals of sesame from each warehouse.

As of August 2009, the ECX had 496 Trading Members (99% private), 12% participation by smallholder cooperatives (representing over 250,000 farmers), 7 partner banks integrated into a new electronic national payment system. Since its opening, it achieved US\$ 300 million trade (coffee, sesame, beans, wheat, maize) without single default (Gabre-Madhin 2009). Beginning of 2010, there were about 100 registered members of the ECX for sesame trade with buy and/or sell licenses. Most of these members are large traders or farm owners in the major sesame production areas (Humera, Metema, and Wellega). There are also some members in Gonder and Addis Ababa.

4.4 Costs of trading through ECX

The costs of trading through ECX are related to warehousing costs (storage and handling) and an ECX service fee. However, there are costs that are incurred during the pre-ECX trade, which consist of brokerage costs that are based on the agreement between buyers and their brokers and transportation to ECX warehouses.

Pre-ECX trade

Any market actor needs to store the product in ECX designated warehouses to trade in the ECX. All the costs incurred before storage are related to the aggregation, cleaning, packaging, and transportation of sesame to ECX designated warehouse. If the client is not a member of ECX, then all these costs are negotiable between the client and ECX member and will need to be put in the client-member agreement.

ECX trade

The costs of trade in the ECX are related to warehousing costs (storage and handling) and the ECX service fee:

- Exchange fee for ECX: 0.002 % of the value of each transaction
- Warehouse Storage cost: 0.04 birr/day/quintal (1.20 birr/month/quintal) (includes fumigation, crop rotation, and other storage services)
- Handling and product certification fee: 1.45 birr/quintal (Handling fee includes sampling, grading, weighting, loading and unloading)
- Re-bagging cost if there be a need.

Once the product intended for sale in the ECX is stored in the ECX designated warehouse, the product is insured by ECX. The physical structure where the product is stored is also insured but by the warehouse owner. Currently, all the warehouses designated by the ECX are owned by the Ethiopian Grain Trade Enterprise (EGTE). Thus, the warehouses are insured by the EGTE.

5 Conclusions

Sesame is mainly produced for sale on relatively large farms and it is mainly exported. These features are expected to minimize the role of non-ECX trade. The potential for expansion of sesame production and productivity are other opportunities. Similarly, the difference in the marketing season of sesame compared with the major international producers like India and China seems to boost the demand for Ethiopian sesame, which will require improvement in marketing system (Wijnands et al., 2007; 2009). In addition, the huge commitment of the government and development partner to improve the country's agricultural marketing system through the ECX is another opportunity.

The current sesame marketing system is characterized by lack of reliable and timely market information, limited quality assurance, bureaucratic phyto-sanitary certification, limited role of cooperatives and their unions and their limited ability to compete equally with local traders, high transportation cost due to the existence of physical movement of the product before transaction are made, and considerable default in case of mistrust among market actors. In other words, the sesame marketing system is characterized by high transaction and coordination risks along the chain. Following the global trend in promoting the establishment of commodity exchanges for agricultural market development, the ECX was established as a public-private partnership initiative unlike in Kenya and Uganda where the initiatives are private sector driven.

It will be a challenge for the existing sesame assembly networks geared towards export, which are linked to local cleaning facilities, to trade through the ECX. Another challenge is the limited ability of market actors, especially producers, to be able to quickly understand and interpret market information that is disseminated by the ECX. Using such market information requires a certain amount of skill and knowledge. There are plans to install instant price tickers in the major sesame production areas, to improve access to market formation. The cooperatives and their union are also expected to play an important role. The limited availability of international market information in terms of prices and production levels, which is reflected in poor linkage / transmission of price trends with the national market, is expected to be another challenge considerably affecting the competitiveness of the Ethiopian sesame in the international market. This is expected to create disincentives for sesame exporters to engage in the sesame market through ECX.

As in the case of coffee, the quality issues due to origin and also agro-ecological specifics are very relevant to sesame. It is reported that within each ECX class and grade of sesame, there are sesame specialties that market actors usually consider. Thus, this will be a challenge that will considerably affect sesame trade through the ECX unless these issues are considered by ECX (see Mheen-Sluijer).

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7 Appendices: ECX Contract specifications

7.1 Contract Specifications for Gonder Sesame Seed 1 and 2

Description	Gonder Sesame Seed Grade 1 and 2
Symbol	GSS1 and GSS2

CONTRACT AVAILABLE FOR TRADING

Trading unit	50 quintals (referred to as one contract)
Maximum order size (In 50Quintal increments)	Maximum order size represents the maximum number of contracts that a Member may transact in a single transaction 20 contracts or 1000 quintals
Tick size (minimum price movement)	Minimum price increment or decrement that price may be quoted: 1 Birr
Daily Position Limit	10,000 Quintals for members 2,000 Quintals for clients The Daily Position Limit is the total quantity a member or a client is allowed to buy or sell during a trading session.
Daily price filter	The daily price filter is the maximum percentage range, relative to the previous day's closing price, outside of which offer and bid prices may not fall or rise. ECX may change these limits from time to time, on a pre-announced basis. Sesame Seed: 6%
Warehouse Receipt Number	All transactions must refer to an ECX Warehouse Receipt number, indicating that commodities are in deposit in an ECX warehouse prior to trade.
Contract quote basis	All prices will be quoted "arrived Addis Ababa," regardless of actual deposited location, exclusive of taxes, fees and charges. A location differential will be applied after the order is executed.
Quotation Factor	Prices are represented in Birr per Quintal
Trading session	Monday through Friday: 8:00 am to 12:00 pm, with the exception of public holidays.

QUALITY AND STANDARD FOR GSS 1 and GSS 2

General Requirements		
Sesame Seeds shall have a good natural color, free of objectionable odor, free of oilseeds other than sesame seeds, free of non-edible seed such as castor seed, contain no live or dead insects, contain not more than 10% moisture by weight and shall comply with the following requirements:		
PARAMETERS	GSS 1	GSS 2
• Damaged, Shriveled, Weevil bored, % max.	1.0	3.0
• Foreign matter, % max.	3.0	4.0
• Contrasting class	1.0	1.0
COLOUR CLASSIFICATION		
	Color of these seeds ranges from cream to white, with a mixture of 3% reddish sesame seeds	
PACKAGING		
	Each grade of sesame shall be packed in clean and sound polypropylene (PP) bag that containing approximately 100 kg per bag. Delivery will be effective on gross weight basis, which implies that weighing of sesame will be done on inclusive of bags basis and no additional payment will be given for the cost of bag.	
SAMPLING PROCEDURES		
• Sampling and analysis at time of deposit and delivery	Conduct sampling analysis using ECX standards	
• Sampling procedure	Sampling procedure based on ECX standards	
• Failing of sample	Owner of the commodity has the right to request an	

	<p>appeal of the sample and/or grade:</p> <ul style="list-style-type: none"> to the Warehouse Manager for the first failure to the ECX Warehouse Operations for the second failure to independent analyst appointed by QSAE for the third failure
<ul style="list-style-type: none"> Dispute settlement 	If agreement is not reached on first two analyses, QSAE will be the final arbitrator
SETTLEMENT PROCEDURE OF Sesame Seed	
<ul style="list-style-type: none"> Pay-in of Funds (Time when funds will be withdrawn from buyer pay-in accounts). 	On trade date (T)
<ul style="list-style-type: none"> Pay-out of Funds (Time when funds will be deposited into seller pay-out account) 	Next working day (T+1)
<ul style="list-style-type: none"> Weight Tolerance Adjustment 	The tolerance for difference between exact weight recorded and the contract standard weight is adjusted at settlement
<ul style="list-style-type: none"> Location Differential Adjustment 	A location differential, based on transport tariffs between Addis Ababa and the delivery center, will be pre-announced and updated by ECX, and adjusted at settlement.
<ul style="list-style-type: none"> Exchange transaction fee 	0.002% of transaction value
<ul style="list-style-type: none"> Handling and Product Certification fee 	Birr 1.45 per quintal (Handling fee includes sampling, grading, weighting, loading and unloading)
<ul style="list-style-type: none"> Warehouse Storage charge 	Birr 0.04 per quintal per day (includes fumigation, crop rotation, and other storage services)
DELIVERY PROCEDURE OF SESAME SEED	
<ul style="list-style-type: none"> ECX Delivery Locations 	Initial locations are: Addis Ababa, Nazareth, Shashemene, Bure, Nekemte, Humera (to be expanded on regular basis)
<ul style="list-style-type: none"> Delivery Period 	Number of days the buyer will have to pick up the commodity from the warehouse without paying additional charges: Trade date plus ten days
<ul style="list-style-type: none"> Delivery Notice Date 	Central Depository issued Notice to the Warehouse indicating transfer of title from depositor to buyer: Next working day after the trade day
<ul style="list-style-type: none"> Pick Up Notice 	Notification by Member as to date and agent undertaking pick up of commodity from the delivery location: Within delivery period
<ul style="list-style-type: none"> Failure to pick up 	Buyer is responsible for making arrangement to pick up commodity within the delivery period (T+10). There will be a 1% charge of value of commodity per day if buyer fails to pick up goods from warehouse after the allotted time. The charge will be doubled every week until the expiration of the warehouse receipt. The charge will be based on total contract value.
<ul style="list-style-type: none"> Extension of Delivery Period 	As per the Exchange decision due to force majeure
DEFINITION	
Moisture Content	The moisture content, expressed on a wet weight basis, shall be determined using an approved moisture meter calibrated according to a method prescribed by the Quality and Standards Authority of Ethiopia (QSAE). (ES ISO 6540)
Impurities	Means damaged or defective grains, foreign matter and other cereal grains
Broken grains	Grains which have been cracked, or chipped beyond the pericarp and horny endosperm or in the embryo area and which pass through the appropriate size round hole sieve. <ul style="list-style-type: none"> Maize: 5.0 mm Wheat: 2.0 mm

	<ul style="list-style-type: none"> • Sesame Seed: 0.7 mm • Haricot Bean: 7.0 mm
Foreign matter	Anything other than maize grains which will pass through the appropriate size round hole sieve and any mineral, animal or plant matter which will not pass through the appropriate size round hole sieve.
Defective grains	Means grains or pieces of grain that fall into one or more of the following categories: Immature grains, Diseased grains, Insect/pest damaged grains Other damaged grains
Immature grains	Grains or pieces of grain that are light and thin and not fully developed.
Diseased grains	Grains which are obviously rotted by fungi, bacteria or other organisms of decay
Insect/pest damaged grains	Grains that have been damaged by any insect or animal pest.

7.2 Contract Specifications for Humera Sesame Seed 1 and 2

Description	Humera Sesame Seed Grade 1 and 2
Symbol	HSS1 and HSS2

CONTRACT AVAILABLE FOR TRADING

Trading unit	50 quintals (referred to as one contract)
Maximum order size (In 50Quintal increments)	Maximum order size represents the maximum number of contracts that a Member may transact in a single transaction 20 contracts or 1000 quintals
Tick size (minimum price movement)	Minimum price increment or decrement that price may be quoted: 1 Birr
Daily Position Limit	10,000 Quintals for members 2,000 Quintals for clients The Daily Position Limit is the total quantity a member or a client is allowed to buy or sell during a trading session.
Daily price filter	The daily price filter is the maximum percentage range, relative to the previous day's closing price, outside of which offer and bid prices may not fall or rise. ECX may change these limits from time to time, on a pre-announced basis. Sesame Seed: 6%
Warehouse Receipt Number	All transactions must refer to an ECX Warehouse Receipt number, indicating that commodities are in deposit in an ECX warehouse prior to trade.
Contract quote basis	All prices will be quoted "arrived Addis Ababa," regardless of actual deposited location, exclusive of taxes, fees and charges. A location differential will be applied after the order is executed.
Quotation Factor	Prices are represented in Birr per Quintal
Trading session	Monday through Friday: 8:00 am to 12:00 pm, with the exception of public holidays.

QUALITY AND STANDARD FOR HSS1 and HSS2

General Requirements		
Sesame Seeds shall have a good natural color, free of objectionable odor, free of oilseeds other than sesame seeds, free of non-edible seed such as castor seed, contain no live or dead insects, contain not more than 10% moisture by weight and shall comply with the following requirements:		
PARAMETERS	HSS1	HSS2
• Damaged, Shriveled, Weevil bored, % max.	1.0	3.0
• Foreign matter, % max.	3.0	4.0
• Contrasting class	1.0	1.0
COLOUR CLASSIFICATION		
Color of these seeds ranges from cream to white, with a mixture of 3% reddish sesame seeds		
PACKAGING		
Each grade of sesame shall be packed in clean and sound polypropylene (PP) bag that containing approximately 100 kg per bag. Delivery will be effective on gross weight basis, which implies that weighing of sesame will be done on inclusive of bags basis and no additional payment will be given for the cost of bag.		
SAMPLING PROCEDURES		
• Sampling and analysis at time of deposit and delivery	Conduct sampling analysis using ECX standards	
• Sampling procedure	Sampling procedure based on ECX standards	
• Failing of sample	Owner of the commodity has the right to request an appeal of the sample and/or grade: <ul style="list-style-type: none"> to the Warehouse Manager for the first failure to the ECX Warehouse Operations for the second failure 	

	<ul style="list-style-type: none"> to independent analyst appointed by QSAE for the third failure
<ul style="list-style-type: none"> Dispute settlement 	If agreement is not reached on first two analyses, QSAE will be the final arbitrator
SETTLEMENT PROCEDURE OF Sesame Seed	
<ul style="list-style-type: none"> Pay-in of Funds (Time when funds will be withdrawn from buyer pay-in accounts). 	On trade date (T)
<ul style="list-style-type: none"> Pay-out of Funds (Time when funds will be deposited into seller pay-out account) 	Next working day (T+1)
<ul style="list-style-type: none"> Weight Tolerance Adjustment 	The tolerance for difference between exact weight recorded and the contract standard weight is adjusted at settlement
<ul style="list-style-type: none"> Location Differential Adjustment 	A location differential, based on transport tariffs between Addis Ababa and the delivery center, will be pre-announced and updated by ECX, and adjusted at settlement.
<ul style="list-style-type: none"> Exchange transaction fee 	.002% of transaction value
<ul style="list-style-type: none"> Handling and Product Certification fee 	Birr 1.45 per quintal (Handling fee includes sampling, grading, weighting, loading and unloading)
<ul style="list-style-type: none"> Warehouse Storage charge 	Birr 0.04 per quintal per day (includes fumigation, crop rotation, and other storage services)
DELIVERY PROCEDURE OF SESAME SEED	
<ul style="list-style-type: none"> ECX Delivery Locations 	Initial locations are: Addis Ababa, Nazareth, Shashemene, Bure, Nekemte, Humera (to be expanded on regular basis)
<ul style="list-style-type: none"> Delivery Period 	Number of days the buyer will have to pick up the commodity from the warehouse without paying additional charges: Trade date plus ten days
<ul style="list-style-type: none"> Delivery Notice Date 	Central Depository issued Notice to the Warehouse indicating transfer of title from depositor to buyer: Next working day after the trade day
<ul style="list-style-type: none"> Pick Up Notice 	Notification by Member as to date and agent undertaking pick up of commodity from the delivery location: Within delivery period
<ul style="list-style-type: none"> Failure to pick up 	Buyer is responsible for making arrangement to pick up commodity within the delivery period (T+10). There will be a 1% charge of value of commodity per day if buyer fails to pick up goods from warehouse after the allotted time. The charge will be doubled every week until the expiration of the warehouse receipt. The charge will be based on total contract value.
<ul style="list-style-type: none"> Extension of Delivery Period 	As per the Exchange decision due to force majeure
DEFINITION	
Moisture Content	The moisture content, expressed on a wet weight basis, shall be determined using an approved moisture meter calibrated according to a method prescribed by the Quality and Standards Authority of Ethiopia (QSAE). (ES ISO 6540)
Impurities	Means damaged or defective grains, foreign matter and other cereal grains
Broken grains	Grains which have been cracked, or chipped beyond the pericarp and horny endosperm or in the embryo area and which pass through the appropriate size round hole sieve. <ul style="list-style-type: none"> Maize: 5.0 mm Wheat: 2.0 mm Sesame Seed: 0.7 mm Haricot Bean: 7.0 mm
Foreign matter	Anything other than maize grains which will pass through the appropriate size round hole sieve and any mineral,

	animal or plant matter which will not pass through the appropriate size round hole sieve.
Defective grains	Means grains or pieces of grain that fall into one or more of the following categories: Immature grains, Diseased grains, Insect/pest damaged grains Other damaged grains
Immature grains	Grains or pieces of grain that are light and thin and not fully developed.
Diseased grains	Grains which are obviously rotted by fungi, bacteria or other organisms of decay
Insect/pest damaged grains	Grains that have been damaged by any insect or animal pest.

7.3 Contract Specifications for Wellega Sesame Seed 1, 2 and 3

Description	Whitish Wellega Sesame Seed Grade 1, 2 and 3
Symbol	WSS1, WSS2, and WSS3

CONTRACT AVAILABLE FOR TRADING

Trading unit	50 quintals (referred to as one contract)
Maximum order size (In 50Quintal increments)	Maximum order size represents the maximum number of contracts that a Member may transact in a single transaction 20 contracts or 1000 quintals
Tick size (minimum price movement)	Minimum price increment or decrement that price may be quoted: 1 Birr
Daily Position Limit	10,000 Quintals for members 2,000 Quintals for clients The Daily Position Limit is the total quantity a member or a client is allowed to buy or sell during a trading session.
Daily price filter	The daily price filter is the maximum percentage range, relative to the previous day's closing price, outside of which offer and bid prices may not fall or rise. ECX may change these limits from time to time, on a pre-announced basis. Sesame Seed: 6%
Warehouse Receipt Number	All transactions must refer to an ECX Warehouse Receipt number, indicating that commodities are in deposit in an ECX warehouse prior to trade.
Contract quote basis	All prices will be quoted "arrived Addis Ababa," regardless of actual deposited location, exclusive of taxes, fees and charges. A location differential will be applied after the order is executed.
Quotation Factor	Prices are represented in Birr per Quintal
Trading session	Monday through Friday: 8:00 am to 12:00 pm, with the exception of public holidays.

QUALITY AND STANDARD FOR WSS1, WSS2, WSS3

General Requirements			
Sesame Seeds shall have a good natural color, free of objectionable odor, free of oilseeds other than sesame seeds, free of non-edible seed such as castor seed, contain no live or dead insects, contain not more than 10% moisture by weight and shall comply with the following requirements:			
PARAMETERS	WSS1	WSS2	WSS3
• Damaged, Shriveled, Weevil bored, % max.	1.0	2.0	3.0
• Foreign matter, % max.	3.0	5.0	7.0
• Contrasting class	1.0	1.0	1.0
COLOUR CLASSIFICATION			
Color of these seeds ranges from cream to white, with a mixture of 3% reddish sesame seeds			
PACKAGING			
Each grade of sesame shall be packed in clean and sound polypropylene (PP) bag that containing approximately 100 kg per bag. Delivery will be effective on gross weight basis, which implies that weighing of sesame will be done on inclusive of bags basis and no additional payment will be given for the cost of bag.			
SAMPLING PROCEDURES			
• Sampling and analysis at time of deposit and delivery	Conduct sampling analysis using ECX standards		
• Sampling procedure	Sampling procedure based on ECX standards		
• Failing of sample	Owner of the commodity has the right to request an appeal of the sample and/or grade: <ul style="list-style-type: none"> to the Warehouse Manager for the first failure to the ECX Warehouse Operations for the second 		

	<p>failure</p> <ul style="list-style-type: none"> to independent analyst appointed by QSAE for the third failure
<ul style="list-style-type: none"> Dispute settlement 	If agreement is not reached on first two analyses, QSAE will be the final arbitrator
SETTLEMENT PROCEDURE OF Sesame Seed	
<ul style="list-style-type: none"> Pay-in of Funds (Time when funds will be withdrawn from buyer pay-in accounts). 	On trade date (T)
<ul style="list-style-type: none"> Pay-out of Funds (Time when funds will be deposited into seller pay-out account) 	Next working day (T+1)
<ul style="list-style-type: none"> Weight Tolerance Adjustment 	The tolerance for difference between exact weight recorded and the contract standard weight is adjusted at settlement
<ul style="list-style-type: none"> Location Differential Adjustment 	A location differential, based on transport tariffs between Addis Ababa and the delivery center, will be pre-announced and updated by ECX, and adjusted at settlement.
<ul style="list-style-type: none"> Exchange transaction fee 	.002% of transaction value
<ul style="list-style-type: none"> Handling and Product Certification fee 	Birr 1.45 per quintal (Handling fee includes sampling, grading, weighting, loading and unloading)
<ul style="list-style-type: none"> Warehouse Storage charge 	Birr 0.04 per quintal per day (includes fumigation, crop rotation, and other storage services)
DELIVERY PROCEDURE OF SESAME SEED	
<ul style="list-style-type: none"> ECX Delivery Locations 	Initial locations are: Addis Ababa, Nazareth, Shashemene, Bure, Nekemte, Humera (to be expanded on regular basis)
<ul style="list-style-type: none"> Delivery Period 	Number of days the buyer will have to pick up the commodity from the warehouse without paying additional charges: Trade date plus ten days
<ul style="list-style-type: none"> Delivery Notice Date 	Central Depository issued Notice to the Warehouse indicating transfer of title from depositor to buyer: Next working day after the trade day
<ul style="list-style-type: none"> Pick Up Notice 	Notification by Member as to date and agent undertaking pick up of commodity from the delivery location: Within delivery period
<ul style="list-style-type: none"> Failure to pick up 	Buyer is responsible for making arrangement to pick up commodity within the delivery period (T+10). There will be a 1% charge of value of commodity per day if buyer fails to pick up goods from warehouse after the allotted time. The charge will be doubled every week until the expiration of the warehouse receipt. The charge will be based on total contract value.
<ul style="list-style-type: none"> Extension of Delivery Period 	As per the Exchange decision due to force majeure
DEFINITION	
<ul style="list-style-type: none"> Moisture Content 	The moisture content, expressed on a wet weight basis, shall be determined using an approved moisture meter calibrated according to a method prescribed by the Quality and Standards Authority of Ethiopia (QSAE). (ES ISO 6540)
<ul style="list-style-type: none"> Impurities 	Means damaged or defective grains, foreign matter and other cereal grains
<ul style="list-style-type: none"> Broken grains 	Grains which have been cracked, or chipped beyond the pericarp and horny endosperm or in the embryo area and which pass through the appropriate size round hole sieve. <ul style="list-style-type: none"> Maize: 5.0 mm Wheat: 2.0 mm Sesame Seed: 0.7 mm Haricot Bean: 7.0 mm
<ul style="list-style-type: none"> Foreign matter 	Anything other than maize grains which will pass through

	the appropriate size round hole sieve and any mineral, animal or plant matter which will not pass through the appropriate size round hole sieve.
<ul style="list-style-type: none"> Defective grains 	Means grains or pieces of grain that fall into one or more of the following categories: Immature grains, Diseased grains, Insect/pest damaged grains Other damaged grains
<ul style="list-style-type: none"> Immature grains 	Grains or pieces of grain that are light and thin and not fully developed.
<ul style="list-style-type: none"> Diseased grains 	Grains which are obviously rotted by fungi, bacteria or other organisms of decay
<ul style="list-style-type: none"> Insect/pest damaged grains 	Grains that have been damaged by any insect or animal pest.