
Staple Food Trade in the COMESA Region

~~The Need for a Regional Approach to Stimulate Agricultural Growth and Enhance Food Security~~

by

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Background

- Food staples trade 30% of intra-COMESA trade
 - Agriculture is engine of economic development
 - Brings about food security and poverty reduction
 - Agriculture development involves:
 - Trade
 - Infrastructure
 - Private sector development and investment
 - Resolving food trade issues can have high economic pay-off – needs trade professionals
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CAADP Framework – Pillars 2 and 3

- Reduction of poverty and food insecurity requires
 - A favourable investment climate
 - Demand at the farm-gate – market access
 - Access to food at tolerable prices
 - Supportive public policies
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Objectives of Presentation

- Examine the role of food trade in
 - Mitigating food insecurity
 - Stimulating agricultural growth
 - Identify challenges in regional food trade faced by
 - Public sector
 - Private sector
 - Identify elements of a regional approach to enhancing food security through trade
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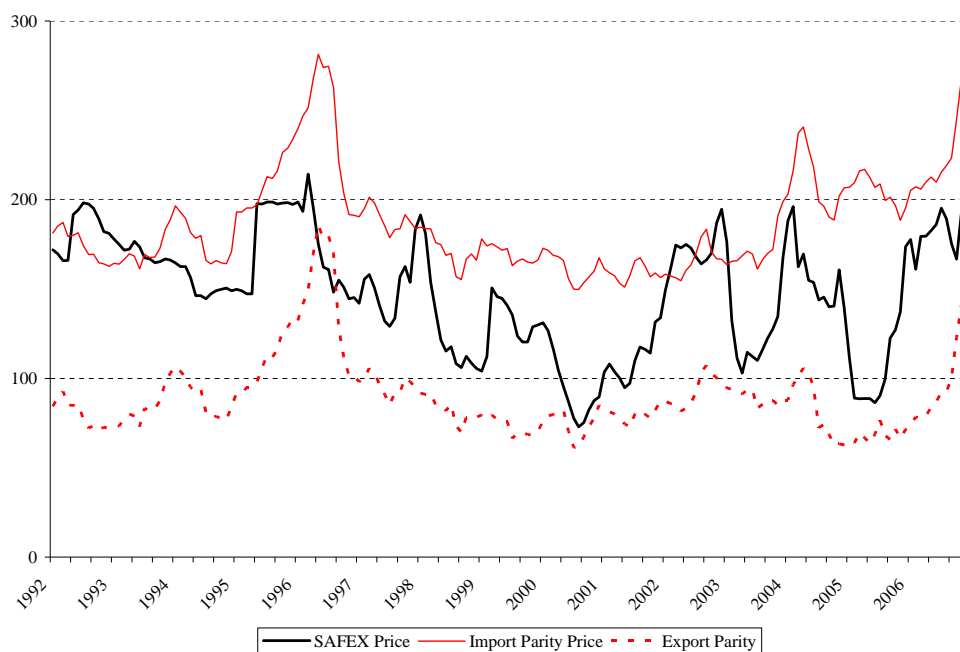
Outline of Presentation

- Examine the role of food trade in
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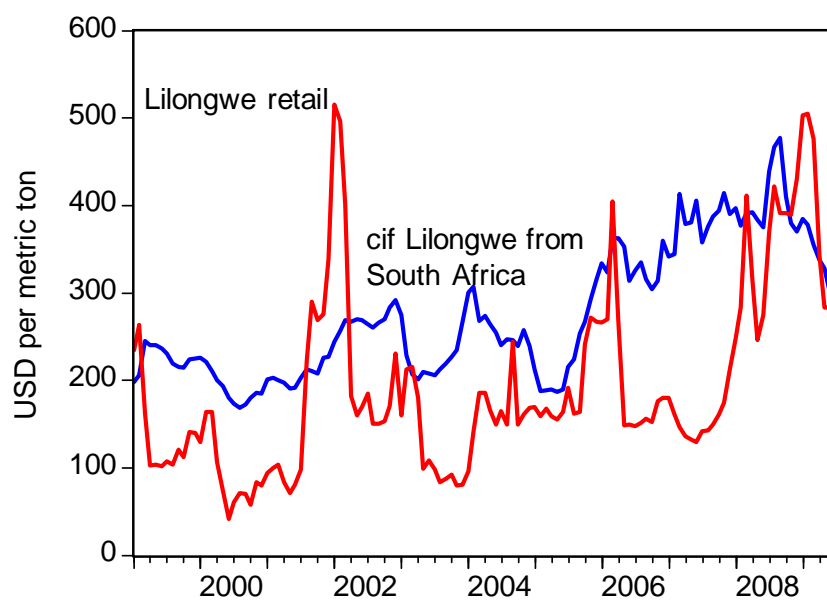
Production and Price Instability

- Production fluctuations substantial
 - Results in price volatility
 - Public investments (e.g., transport infrastructure) reduce marketing costs
 - Lower marketing costs shrinks gap between import and export parity
 - Import parity lower: Increases food access
 - Export parity higher: Encourages production
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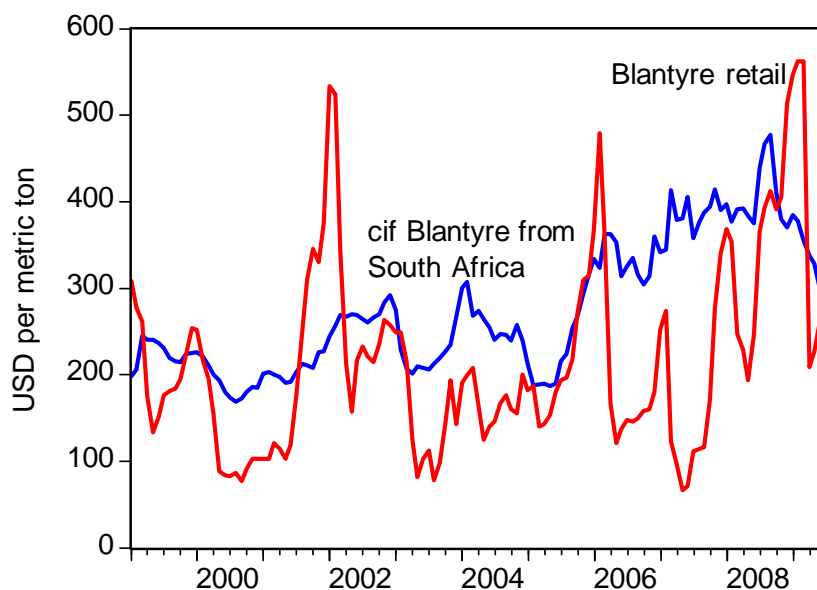
Example: South Africa Maize Prices



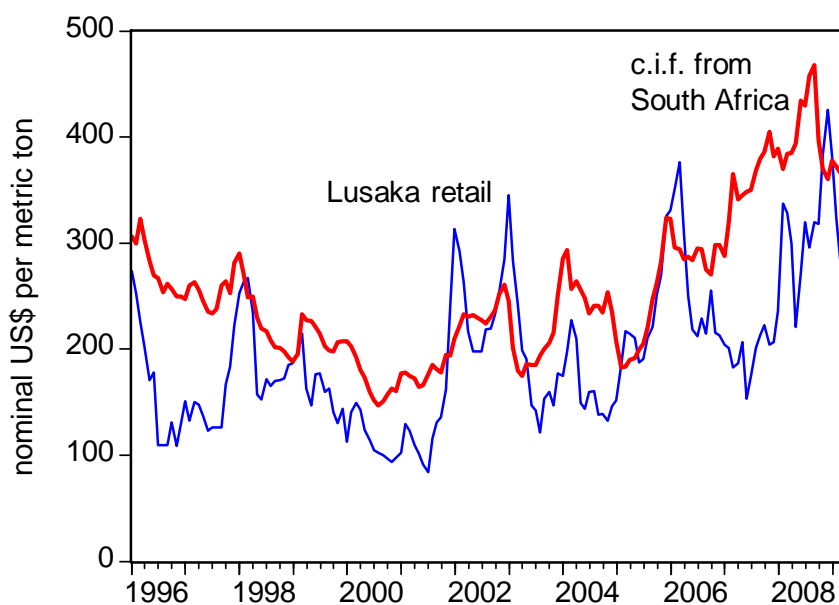
Example: Lilongwe Maize Retail Prices



Example: Blantyre Maize Retail Prices



Example: Lusaka Maize Retail Prices



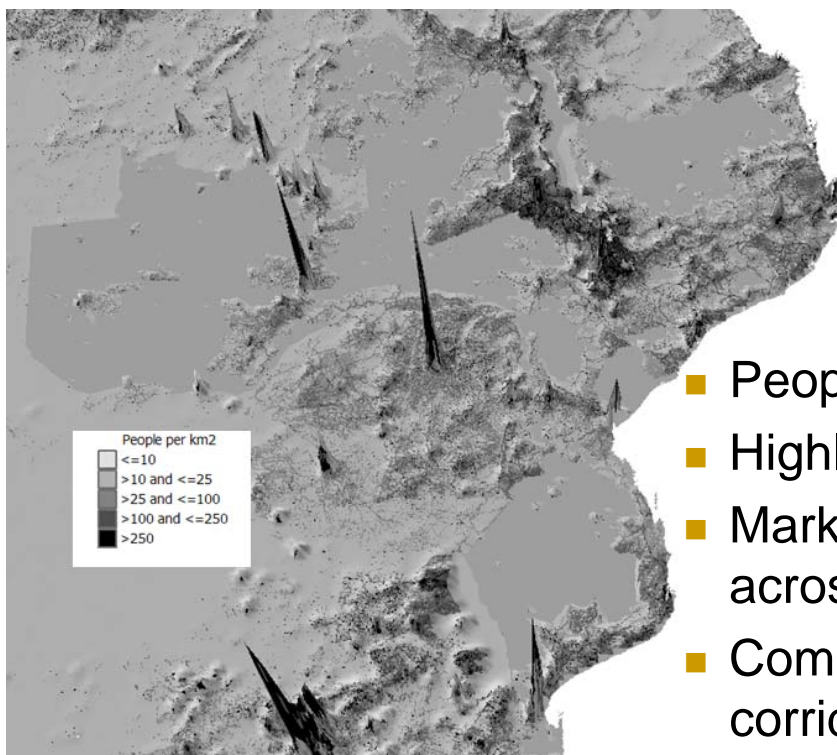
What Causes Such Price Spikes?

- Absence of trading activity – ‘market paralysis’
 - Various reasons:
 - Import restrictions
 - Export restrictions in source countries
 - Subsidy programs on imports or domestic supplies discourage private imports
 - Import programs delayed
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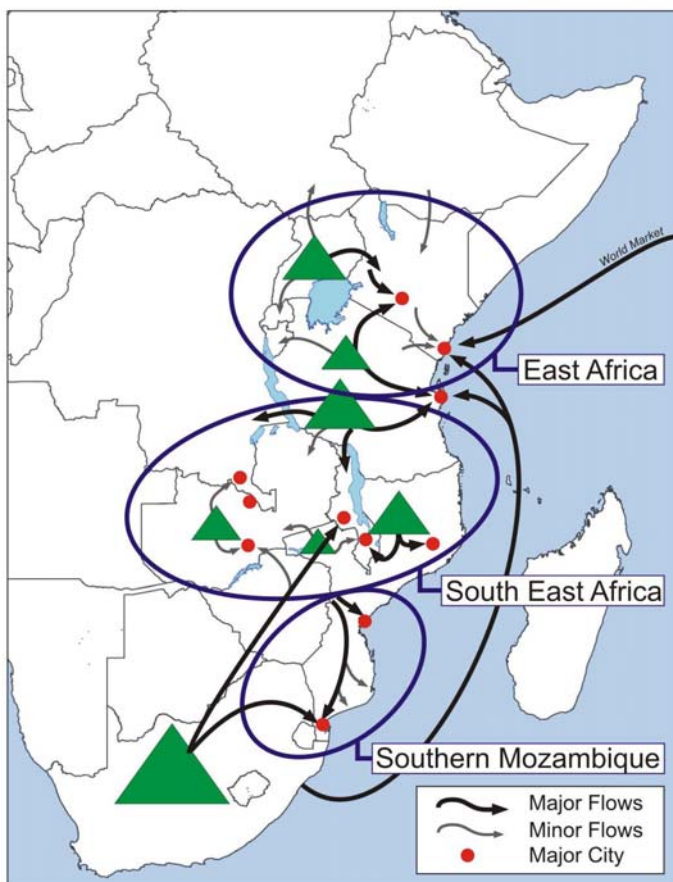
Food Staple Trade to Double in Next Decade

- Due to urbanization and population growth
 - Biggest growth opportunity for farmers
 - Surplus production zones supplying deficit consumption zones:
 - Requires well functioning markets...
 - ...often with borders between surplus and deficit zones
 - ‘Foodsheds’, or ‘market basins’ approach
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Population Density in SE Africa

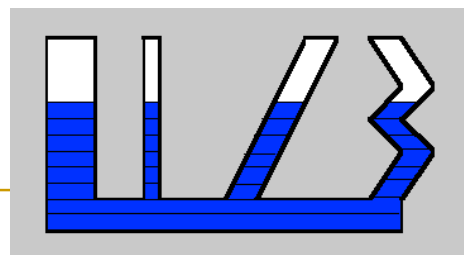


- People = Markets
- Highly concentrated
- Market opportunities across borders
- Compatible with corridor development



Foodsheds

- Market basins:
 - Major production zones linked to deficit zones - 'Natural markets'
 - Ideally, principle of Communicating Vessels:



Market Access Reduces Price Volatility and Spurs Agricultural Growth

- Regional food trade can
 - Reduce price spikes by 50%
 - Stabilize supplies
 - Regional market access will attract investment and boost production
 - Requires
 - Predictable and transparent marketing and trade policy
 - Public investment in infrastructure and services
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Staple Food Trade Barriers

- Examples:
 - Import restrictions
 - Variable and unpredictable tariff measures
 - NTBs
 - Export restrictions in source countries
 - Subsidy programs on imports or domestic supplies discourage private imports
 - Import programs delayed
 - Often unpredictable
 - Imposed for fear of a national food stock-out
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The Need for Public – Private Partnerships

- Food security requires public-private partnerships
 - But public and private sectors have different objectives and expectations...
 - ...and are unable to offer 'credible commitments' to one-another – lack of trust
 - Analysis and dialogue are needed to
 - Understand priorities and expectations
 - Reach policy consensus on food trade
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Public and Private Sector Objectives

- **Public sector**
 - Food security – avoid price spikes and stock-outs
 - Fair prices for farmers and consumers
 - Buy high, sell low
 - **Private sector**
 - Return on investment
 - Buy low, sell high
 - Minimize risks
 - Maximize turnover - working capital, liquidity
 - Competitiveness
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Ingredients of a Regional Approach to Enhancing Staple Food Trade

- Public sector:
 - Address national food security concerns
 - Address needs of vulnerable populations
 - Private sector:
 - Exploit existing and new trade and production opportunities
 - Competitive environment will reduce costs and enhance competitiveness
 - Production supply response to new opportunities
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Ingredients of a Regional Approach to Enhancing Staple Food Trade

- Manage national food stock-out risk, e.g.
 - Establish multi-stakeholder fund
 - Create portfolio of domestic and international call options
 - Conduct (sub-)regional market analysis and identify trade flows and trade opportunities...
 - ...thus contributing to a (sub-) regional policy consensus process that enhances food trade
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Recommendations

- Technical Committee on Trade and Customs to include staple food trade as a recurring item on its agenda. A detailed work plan is to be developed and submitted to member states by December 31, 2009.
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Possible Components of Work Plan

- The COMESA Secretariat, ACTESA, and its partners continue to identify and document current constraints inhibiting regional staple food trade.
 - ACTESA to design a program that aims to improve national and regional supply and demand estimates, information on trade flows, market price information, and relevant household-level data.
 - Develop a high-level regional working group that aims to reach short and long term policy consensus on regional staple food trade.
 - Development of alternative food security guarantee instruments are developed, in partnership with the private sector and cooperating partners.
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