

Toward Improved Maize Marketing and Trade Policies to Promote Food Security in Southern Africa

Dr. S. Mundia

Permanent Secretary, Ministry of Agriculture and Cooperatives
Government of Zambia

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Partners

- FANRPAN
 - Michigan State University
 - Ministries of Agriculture:
 - Malawi
 - Mozambique
 - Zambia
 - National Maize Marketing Council, Government of South Africa / Univ. Pretoria
 - Rockefeller Foundation, USAID, DFID, WB

Background : Maize Marketing in Southern Africa

- Maize marketing : 40 – 60% of the cost borne by consumers of maize meal
 - Farmers typically paid about \$80 - \$140 per tonne for maize
 - While consumers pay \$150 – 250 per tonne for maize meal
- Low income consumers pay as much as 30% of their income on maize / maize meal.

Background (Ctnd)

- Hence, public investments and policies that can reduce the cost of marketing and processing can simultaneously help farmers and consumers

Two maize marketing channels in the Southern Africa region:

- Formal grain marketing/processing system
- Informal, generally small-scale marketing/processing system

Formal, large-scale marketing system

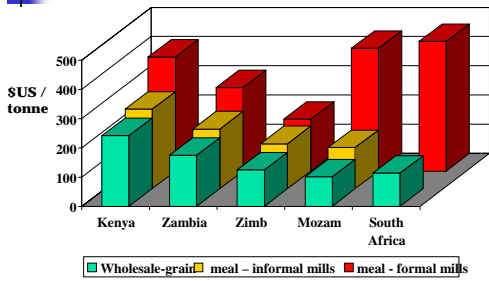


Informal Marketing Systems



- Formal sector
 - Well capitalized - holds most of the storage facilities (other than on-farm)
 - Strong ties to firms in South Africa and other industrialized countries (e.g., Seaboard, a US firm, owns many large mills throughout the eastern and southern Africa region)
- Informal sector
 - Under-capitalized, but
 - Usually lower cost services than the formal sector

Maize grain and maize meal prices, 1996-2001, informal vs. formal channels



Problem Statement

- Increasing maize deficits in SADC region
- These deficits are increasingly being filled by maize imports from South Africa or outside the region
- Smallholders in SADC need the support to efficiently grow surpluses and find market outlets, but....
 - increasingly left out as requirements are sourced from South Africa and outside region

Problem Statement

- Future prosperity of small farmer maize production will depend on:
 - reducing costs and barriers to *informal* trade
 - better integrating *informal* and *formal* channels
- Importance of strengthening informal trade derives from the need to:
 - improve marketing incentives for small farmers
 - reduce the cost of food for consumers

Principal regional trade flows in Southern Africa



Initial Findings - I

- When maize supplies are available through *informal* channels:
 - Many consumers prefer to buy maize and take to local small mill for processing
 - Especially popular option among the urban poor and rural food deficit households
 - Why?
 - Because it is less expensive
 - Consumers can save up to 25% on maize meal costs as long as grain is available in local markets

Initial Findings - II

- But, when locally-produced surpluses are depleted
 - informal channels become thinly traded
 - small millers/traders tend not to procure grain from South African suppliers
 - Unable or unwilling?
 - Imports are coordinated between formal channel suppliers in RSA/USA and large millers
 - Much higher milling/retail margins
 - Relatively high maize meal costs to consumers (25 - 40% higher)

These findings and other issues were discussed at:

- MACO policy retreat in June, Chisamba
- Several actions emerging after this:
 - Reduction in inter-district grain levies
 - Ministry of Ag. announced waiving of maize import tariff, but not yet enacted

Continuing issues for policy makers to consider:

- During food shortfalls, how to ensure that grain remains available in local markets for consumers to be able to buy?
- If FRA is to import maize, can it sell in small lots to small traders in informal markets to ensure that grain is directly available for consumers and small mills?
- Allow large traders/millers to import for themselves?

Issues for policy makers to consider - II

- Export bans? What are their effects on:
 - Regional trade
 - Local production incentives
 - Investment in the grain marketing system

Issues for policy makers to consider - III

- Import tariffs:
 - If there are possibilities that the tariff is to be waived, no private imports will occur up to that point, which could cause shortages.
 - Markets need greater predictability about government position on tariffs and trade
 - This will allow markets to play a more positive role in importing adequate volumes during crises