

Regional Trade in Food Staples: Using Trade Policy to Improve Farmer Incentives and Food Security

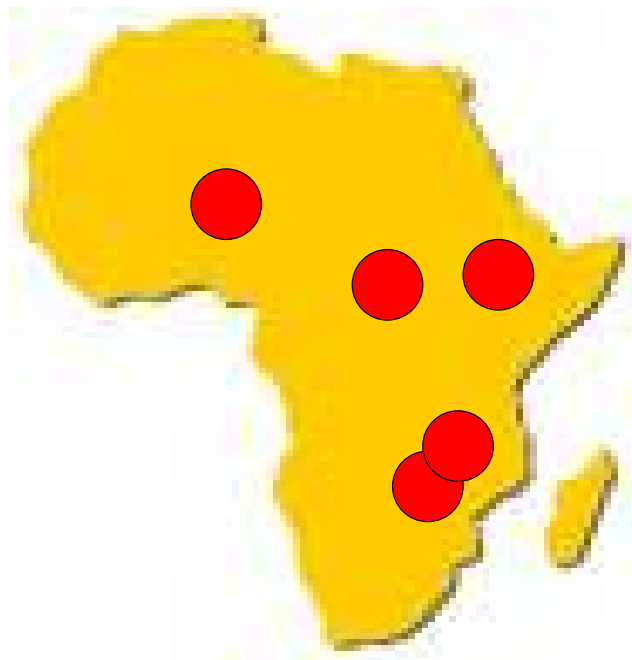
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Conference on Strengthen and Widening markets and
Overcoming Supply Side Constraints for African
Agriculture

June 3-5, 2007

Africa's hunger hot spots are
well known.



→ Africa's unenviable reputation as:

- Chronically food insecure
- Dependent on massive inflows of food aid

Today, Africa spends \$19 billion per year on food imports

Attracts the majority of worldwide emergency food aid.

Less well-known are
Africa's highly productive, regularly
surplus food production zones

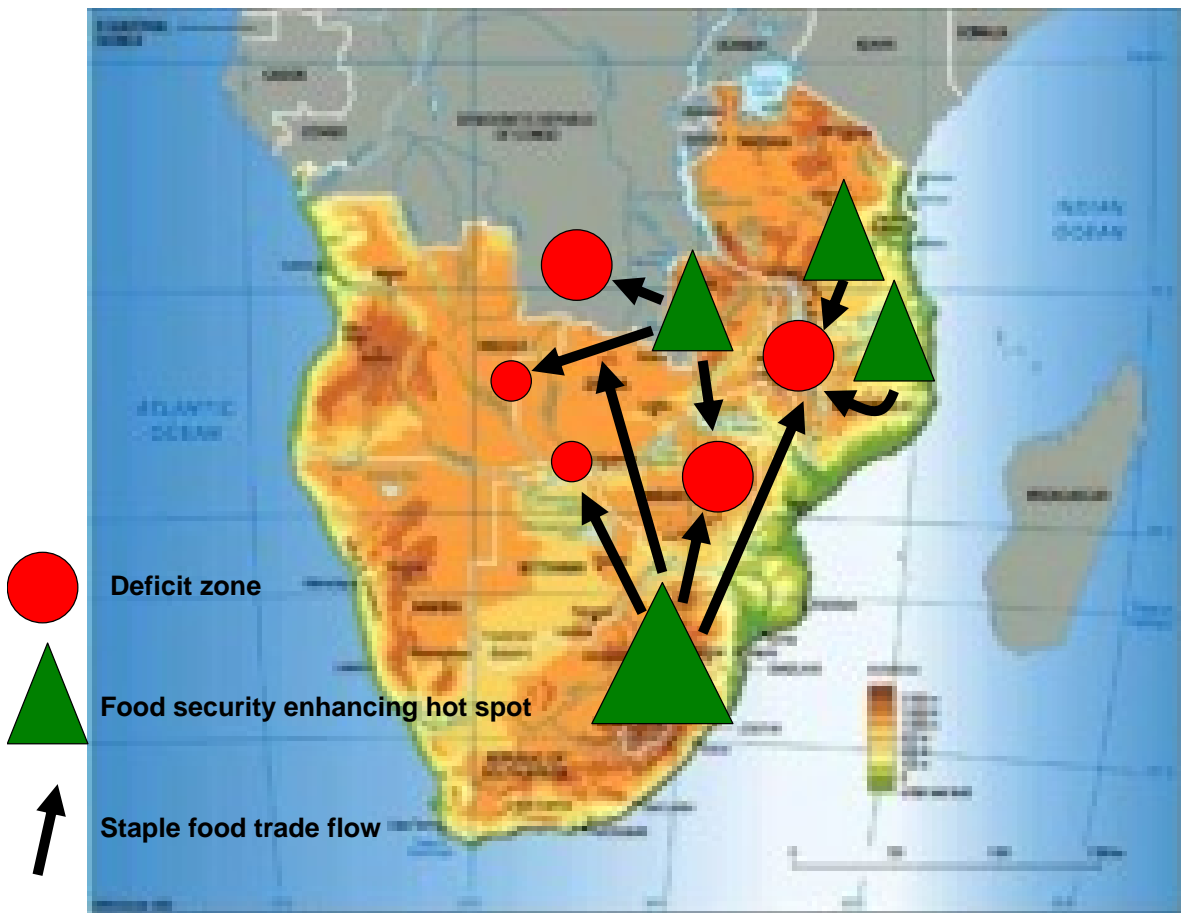


These food security-enhancing hot spots (FSEHS) are of 2 types

- Areas of favorable rainfall or economical irrigation
- Multiple-staple zones
 - cassava & maize (N. Zambia)
 - banana, cassava & maize (Uganda)
 - irish potato, cassava & maize (Mozambique)
 - cassava, rice, maize (S. Tanzania)

Perennial food staples: cassava, banana

- Can be harvested any time of year
- Over multiple years
- Drought resistant
- → Dual staple zones allow farmers in these flexible FSEHS to expand cassava/banana production for local consumption and export maize to deficit zones in times of stress



Linking surplus (FSEHS) zones with deficit zones

- Improves food security in deficit zones
- Reduces price volatility
- Improves producer incentives in surplus zones
- Accelerates agricultural growth

Despite regional trade agreements, many governments restrict cross-border trade in food staples

- Malawi and Zambia (strict controls)
- Kenya (progressively lifted restrictions)
- Mozambique, S.Africa and Mali (open border policy)

Trade restrictions

- Increase price volatility
- Raise transaction costs → lower farm prices and higher consumer prices
- Diminish farm prices and producer incentives

Trade restrictions

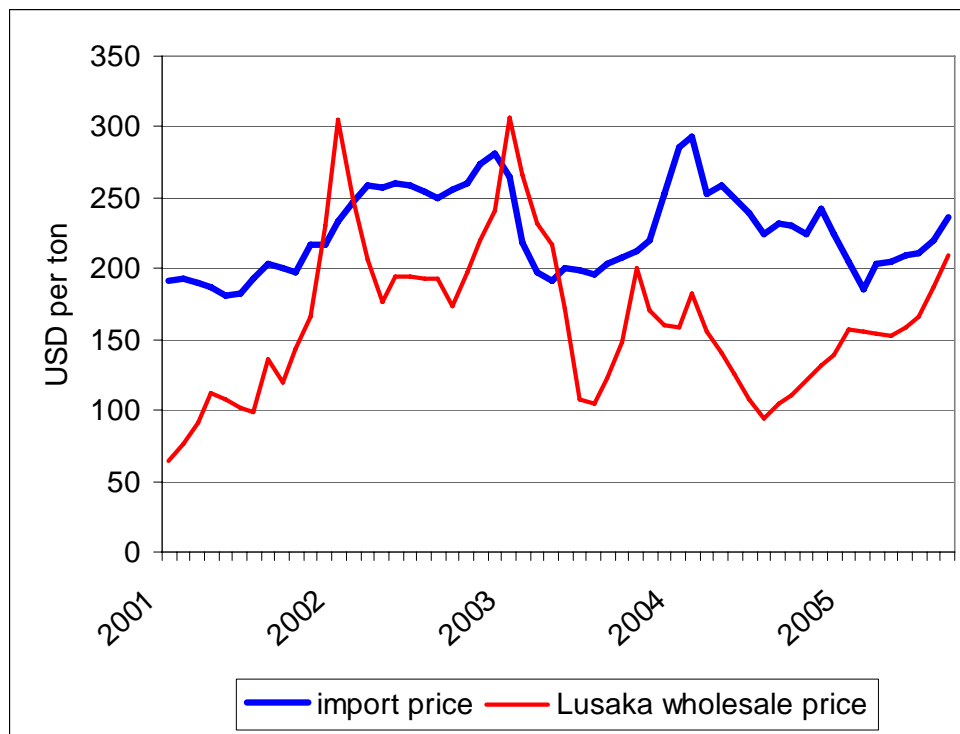
- **Increase price volatility**
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Price volatility

- Maize grain prices **more unstable** in countries that restrict grain trade than in countries with open borders
- Empirical finding on maize price instability
 - Highest in Malawi and Zambia
 - Moderate in Mozambique and Mali (maize)
 - Lowest in Mali (rice) and Kenya

Source: Chapoto and Jayne (2007)

Open borders limit price volatility



Trade restrictions

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- **Raise transaction costs → lower farm prices and higher consumer prices**
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Trade policy impact on maize prices in Zambia

	Maize price under alternate trade regimes (% change from normal)	
Maize harvest	Closed border	Open border
Bumper harvest (30% above normal)	-50%	-26%
Drought (30% below normal)	+ 150%	+ 36%

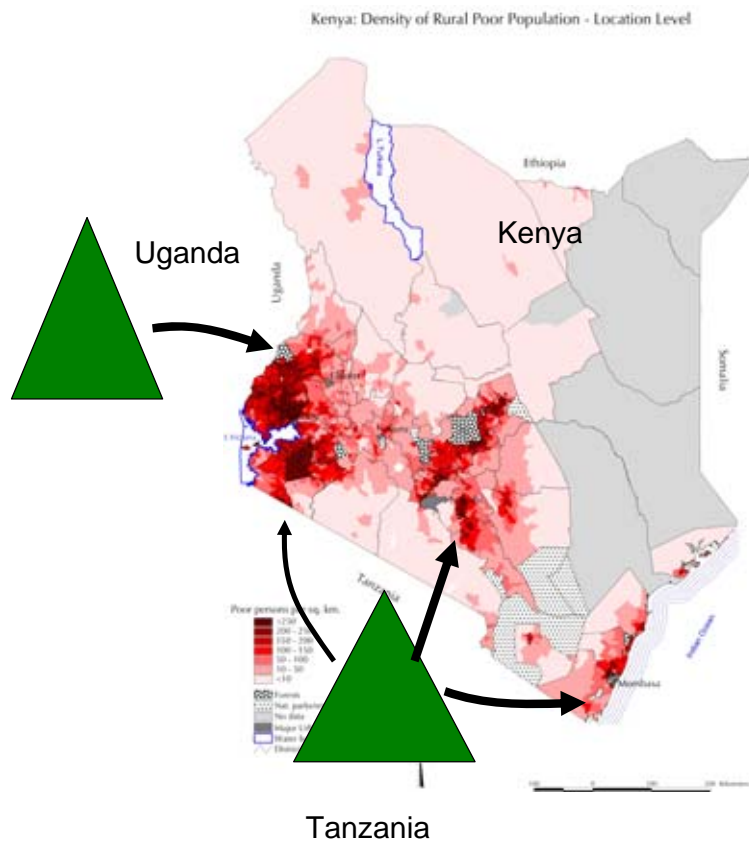
Source: Dorosh, Dradri and Haggblade (2007)

Open borders open market potential

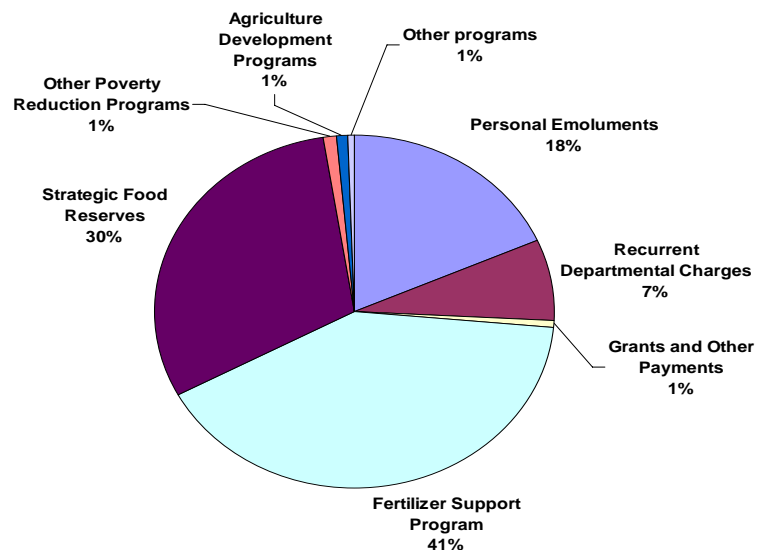
- Given small countries, surplus supply often needs to satisfy cross-border demand
- Requires cross-border trade to link surplus (S) with deficit (D) zones

Open borders

- Reduce price volatility
- Lower transaction costs → higher farm prices and lower consumer prices
- Improve farm prices and producer incentives



Public Expenditures for Min of Agriculture & Coops, 2006



COMESA-MSU Regional Trade in Food Staples (RTFS) Initiative Goals

(launched June 2007 with World Bank Trust Funds)

- Expand regional trade in food staples
- → moderate lean season hunger in deficit zones
- → accelerate agricultural production and income growth in FSEHS

Empirical agenda

- **Mapping market sheds** (production, prices, trade flows, consumption)
- **Measuring** (production, counter-cyclical cassava harvest, release of maize from FSEHS)
- **Modeling** (production, prices, trade flows, consumption under alternative policies)
- **Monitoring impact** (production, prices, trade flows, consumption)

Conclusion:

- Expanded regional trade in food staples is necessary to accelerate agricultural income growth and reduce poverty in Africa.
- COMESA-MSU-partners' RTFS work provides analytical, predictive, empirical evidence to promote cross-border trade.
- Work began June 2007
- Partners: We look forward to working with all of you.