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# 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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Nairobi, November 2<sup>nd</sup>, 2009

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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

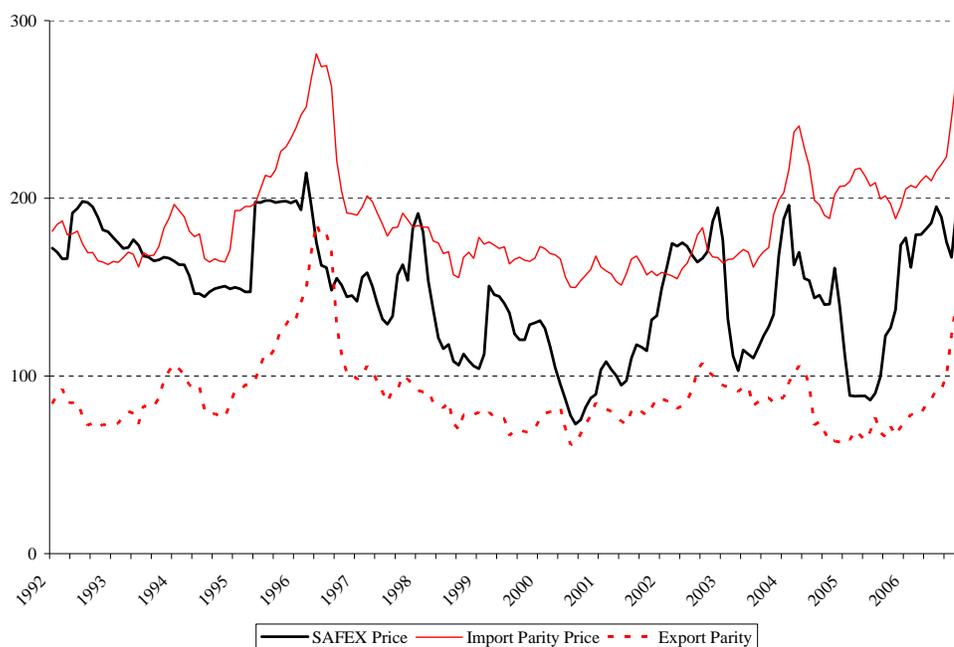
- Examine the role of food trade in
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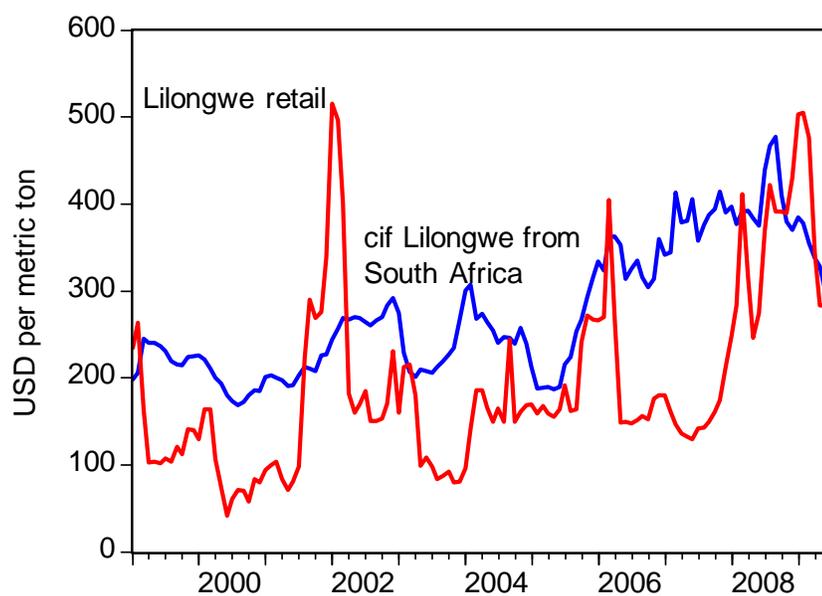
## Production and Price Instability

- 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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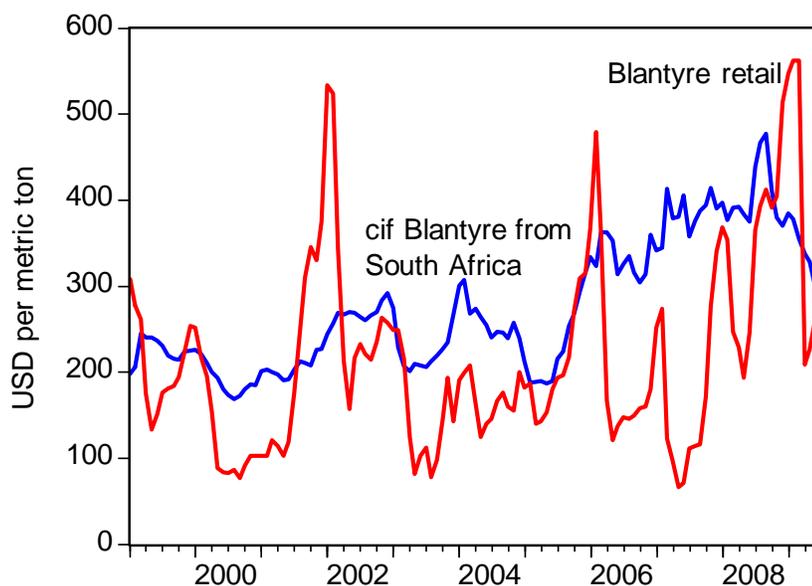
## Example: South Africa Maize Prices



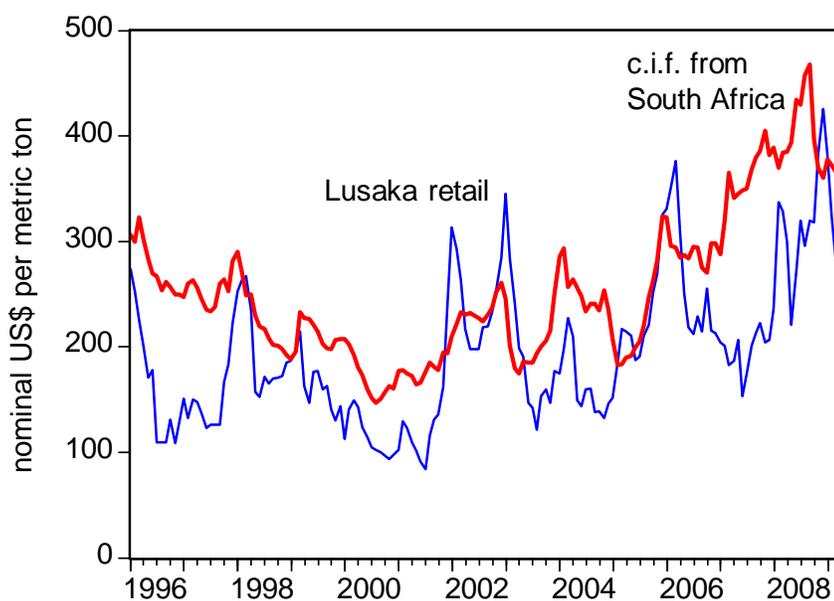
## Example: Lilongwe Maize Retail Prices



## Example: Blantyre Maize Retail Prices



## Example: Lusaka Maize Retail Prices



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## What Causes Such Price Spikes?

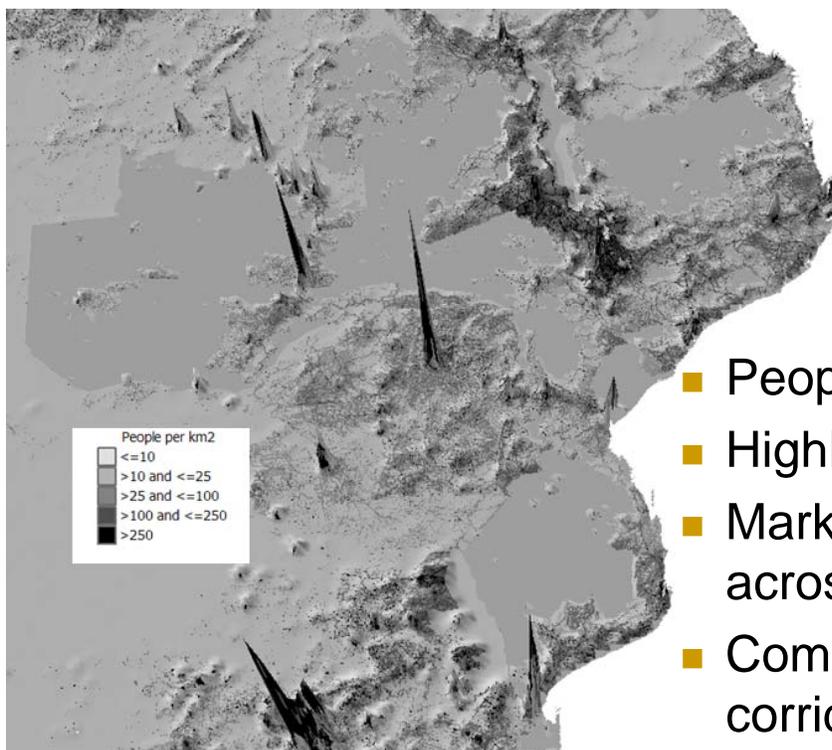
- Absence of trading activity – ‘market paralysis’
  - Various reasons:
    - Import restrictions
    - Export restrictions in source countries
    - Subsidy programs on imports or domestic supplies discourage private imports
    - Import programs delayed
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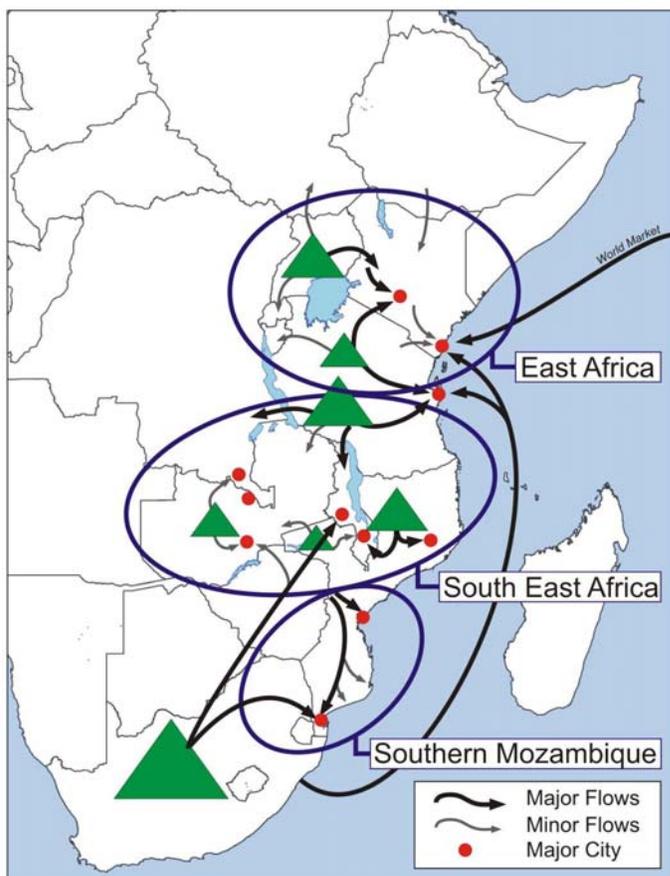
## Food Staple Trade to Double in Next Decade

- 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

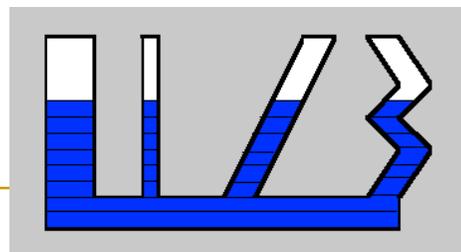


- People = Markets
- Highly concentrated
- Market opportunities across borders
- Compatible with corridor development



## Foodsheds

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



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## 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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