Forces Shaping Food Markets in East and Southern Africa

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BFAP AGRICULTURAL BASELINE 2011
WESTERN CAPE LAUNCH, WEST SOMERSET
15 AUGUST 2011
1. The return of the “Development State” (e.g., Malawi, Zambia, Kenya, Tanzania) – largely responsible for surplus maize production in several countries. Is it sustainable?
2. Policies on land are resulting in allocation to local elites and large-scale interests
3. Most governments are not investing sufficiently in the public goods required to catalyse broad-based agricultural growth
4. Major reduction in interest rates in southern Africa over past 10 years → local private investment in storage and short-distance transport
5. Massive shortage of long-distance transport north of Limpopo
6. Result: national food production may be rising in some cases, but it is not resulting in broad-based income growth or poverty reduction.
Forces shaping food markets in the region

- The return of the “Development State” (e.g., Malawi, Zambia, Kenya, Tanzania) – largely responsible for surplus maize production in several countries.
  1. Input subsidy programs
  2. Marketing board price supports
  3. Favorable weather

- Is it sustainable?
  1. Future of donor budget support
  2. Shifting crop area from other crops to maize
  3. Transport bottlenecks – Zambia can’t logistically offload its surplus even to neighboring deficit countries
Forces shaping food markets in the region

2. Policies on land are resulting in allocation to local elites and large-scale interests
Most smallholder farms lack the land and other resources to produce a surplus.
Access to land raises small farm incomes.

<table>
<thead>
<tr>
<th>Country</th>
<th>Per Capita Land Access (Ha)</th>
<th>Log(Per Capita Income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETHIOPIA</td>
<td>5.4</td>
<td>5.8</td>
</tr>
<tr>
<td>KENYA</td>
<td>9.0</td>
<td>9.4</td>
</tr>
<tr>
<td>RWANDA</td>
<td>3.0</td>
<td>3.5</td>
</tr>
<tr>
<td>MOZAMBIQUE</td>
<td>3.2</td>
<td>3.4</td>
</tr>
<tr>
<td>ZAMBIA</td>
<td>3.8</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Note: The vertical lines are drawn at 25th, 50th, and 75th percentiles of per capita land owned for each country. The top 5 percent of observations are excluded from the graphs because lines are sensitive to a few extreme cases.
3. Most governments are not investing sufficiently in the public goods required to catalyse broad-based agricultural growth.
2010 Allocation of Public Budget to Agriculture

- Poverty reduction Program (FRA), 8.2%
- Poverty reduction Program (FSP), 35.3%
- Poverty reduction Program (All Other), 1.8%
- Agricultural development Programs, 20.3%
- Recurrent Departmental Charges, 10.8%
- Personal Emoluments, 12.7%
- Allocation via other ministries, 6.9%
- Other MACO expenditures including capital expenditure, 4.0%
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Total Budget Allocation: 100%
2010 Allocation of Public Budget to Agriculture

Poverty reduction Program (FRA), 8.2%
Poverty reduction Program (FSP), 35.3%
Poverty reduction Program (All Other), 1.8%

Agricultural development Programs, 20.3%
Recurrent Departmental Charges, 10.8%
Personal Emoluments, 12.7%
Allocation via other ministries, 6.9%
Other MACO expenditures including capital expenditure, 4.0%

Actual 2010 FRA allocation: 57%
4. Major reduction in interest rates in southern Africa over past 10 years → local private investment in storage and short-distance transport
Treasury bill, inflation, and commercial lending rates, Zambia
Treasury bill, inflation, and commercial lending rates, Kenya

- 91 day T-bill rate
- Inflation rate: GDP deflator (% annual)
- Commercial bank lending rates
Number of traders buying maize in the village (indication that transport has improved)
Impacts on food markets in the region

1. Emerging land constraints and rural population pressures are precluding 70% of rural population from participating meaningfully in markets
## Disparities within smallholder agriculture, Zambia - 2008

<table>
<thead>
<tr>
<th>Category</th>
<th>N</th>
<th>Farm size (ha)</th>
<th>Asset values (US$)</th>
<th>Gross rev., maize sales (US$)</th>
<th>Gross rev., crop sales (US$)</th>
<th>Total hh income (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 50% of maize sales</td>
<td>30,150</td>
<td>7.2</td>
<td>3,703</td>
<td>3,199</td>
<td>3,354</td>
<td>7,624</td>
</tr>
<tr>
<td>Rest of maize sellers</td>
<td>467,320</td>
<td>1.9</td>
<td>257</td>
<td>172</td>
<td>252</td>
<td>1,272</td>
</tr>
<tr>
<td>Households not selling maize</td>
<td>1,010,014</td>
<td>1.1</td>
<td>129</td>
<td>0</td>
<td>57</td>
<td>756</td>
</tr>
</tbody>
</table>

Source: CSO Supplemental surveys, 2008
Impacts on food markets in the region

1. Emerging land constraints and rural population pressures are precluding 70% of rural population from participating meaningfully in markets.

2. National food production may be rising in some cases, but it is not resulting in broad-based income growth or poverty reduction.

3. Rapid urbanization is raising food import demand over time (urbanization).
Net grain exports for Eastern Africa, 1975-2008
Net grain exports for Southern Africa (not including South Africa), 1975-2008
4. Consumer demand for supermarket services rising, but not as fast as previously imagined
### Table 16: Retail channels used for staple food purchases by adult equivalent expenditure terciles

<table>
<thead>
<tr>
<th>Retail channel</th>
<th>Lusaka</th>
<th></th>
<th></th>
<th>Kitwe</th>
<th></th>
<th></th>
<th>Mansa</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overall</td>
<td>low</td>
<td>medium</td>
<td>high</td>
<td>Overall</td>
<td>low</td>
<td>medium</td>
<td>high</td>
<td>Overall</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Market stand / stall</td>
<td>31.82</td>
<td>32.52</td>
<td>34.70</td>
<td>27.92</td>
<td>41.47</td>
<td>43.16</td>
<td>45.29</td>
<td>35.18</td>
<td>48.47</td>
</tr>
<tr>
<td>Mobile and street vendors</td>
<td>8.02</td>
<td>9.09</td>
<td>7.95</td>
<td>7.08</td>
<td>6.91</td>
<td>8.23</td>
<td>6.51</td>
<td>5.94</td>
<td>9.61</td>
</tr>
<tr>
<td>KaSector (Katable/ Kantemba/Kashop (kiosk)</td>
<td>18.32</td>
<td>22.86</td>
<td>19.34</td>
<td>12.83</td>
<td>13.85</td>
<td>17.56</td>
<td>12.41</td>
<td>11.56</td>
<td>9.85</td>
</tr>
<tr>
<td>Retail/whole grocer / general dealer / shop</td>
<td>30.33</td>
<td>30.89</td>
<td>29.92</td>
<td>30.25</td>
<td>25.79</td>
<td>22.97</td>
<td>27.74</td>
<td>26.52</td>
<td>14.37</td>
</tr>
<tr>
<td>Mini-mart / small supermarket</td>
<td>1.45</td>
<td>.28</td>
<td>.70</td>
<td>3.40</td>
<td>.26</td>
<td>.07</td>
<td>.06</td>
<td>.68</td>
<td>.04</td>
</tr>
<tr>
<td>Large supermarket, independent</td>
<td>.63</td>
<td>.00</td>
<td>.15</td>
<td>1.77</td>
<td>.15</td>
<td>.09</td>
<td>.00</td>
<td>.39</td>
<td>.00</td>
</tr>
<tr>
<td>Large supermarket, chain</td>
<td>6.76</td>
<td>1.24</td>
<td>3.94</td>
<td>15.18</td>
<td>5.88</td>
<td>1.18</td>
<td>2.30</td>
<td>15.11</td>
<td>9.60</td>
</tr>
<tr>
<td>Bakery</td>
<td>.61</td>
<td>.71</td>
<td>.68</td>
<td>.44</td>
<td>2.55</td>
<td>2.46</td>
<td>2.61</td>
<td>2.59</td>
<td>5.54</td>
</tr>
<tr>
<td>Private household</td>
<td>1.55</td>
<td>1.95</td>
<td>1.76</td>
<td>.93</td>
<td>2.48</td>
<td>3.36</td>
<td>2.38</td>
<td>1.64</td>
<td>2.34</td>
</tr>
<tr>
<td>Other</td>
<td>.52</td>
<td>.48</td>
<td>.84</td>
<td>.20</td>
<td>.68</td>
<td>.92</td>
<td>.70</td>
<td>.40</td>
<td>.18</td>
</tr>
</tbody>
</table>

Retail channels used by urban consumers for staple food products, 4 cities of Zambia, 2008

- Informal retailer
- Marketplace
- Small supermarket
- Chain supermarket

Income levels:
1st (lowest income)
2nd
3rd
4th
5th (highest income)
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4. Consumer demand for supermarket services rising, but not as fast as previously imagined.
Thank You
Maize meal and maize grain prices, Lusaka, Zambia

Wholesale maize grain

Trend wholesale grain: -4.23

Retail roller meal
Trend (roller meal): -11.92

Retail maize grain
Trend retail (grain): -5.08

Retail breakfast meal
Trend breakfast meal: -13.07

Constant 2010 Kwacha per kg
Maize meal and maize grain prices, Nairobi, Kenya

The graph shows the price trends of sifted maize meal and wholesale maize grain from 1994 to 2010, with linear trend lines for both. Prices are measured in constant 2010 shillings per kg.
Table 1. Land-to-person ratio (10 year average) in selected countries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>0.501</td>
<td>0.444</td>
<td>0.333</td>
<td>0.224</td>
<td>0.218</td>
<td>43.5%</td>
</tr>
<tr>
<td>Zambia</td>
<td>0.643</td>
<td>0.607</td>
<td>0.398</td>
<td>0.342</td>
<td>0.297</td>
<td>46.2%</td>
</tr>
<tr>
<td>Kenya</td>
<td>0.462</td>
<td>0.364</td>
<td>0.305</td>
<td>0.264</td>
<td>0.219</td>
<td>47.4%</td>
</tr>
<tr>
<td>Uganda</td>
<td>0.655</td>
<td>0.569</td>
<td>0.509</td>
<td>0.416</td>
<td>0.349</td>
<td>53.3%</td>
</tr>
<tr>
<td>Malawi</td>
<td>0.480</td>
<td>0.466</td>
<td>0.357</td>
<td>0.304</td>
<td>0.307</td>
<td>64.0%</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>0.613</td>
<td>0.550</td>
<td>0.452</td>
<td>0.420</td>
<td>0.469</td>
<td>76.5%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>0.212</td>
<td>0.213</td>
<td>0.195</td>
<td>0.186</td>
<td>0.174</td>
<td>82.1%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>0.356</td>
<td>0.337</td>
<td>0.320</td>
<td>0.314</td>
<td>0.294</td>
<td>82.6%</td>
</tr>
</tbody>
</table>

Source: FAO STAT (2010)