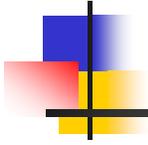
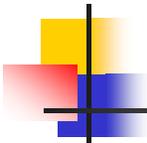


# Where Should Public and Donor Investments be Targeted?



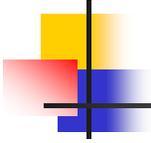
T.S. Jayne, A. Mwanauomo, J. Govereh,  
B. Zulu, and J. K. Nyoro

Presentation at 1<sup>st</sup> Regional Grain Trade Summit  
October 12-13, Nairobi, Kenya



## What is the Problem?

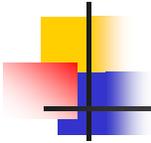
- Productivity growth elsewhere, but grain yields in region not increasing
- High production and transport costs:
  - Maize in Nairobi (1990-2003): US\$196 per ton
  - Elsewhere: \$75 - \$120 per ton
- Low profitability for farmers, but high prices for consumers
- Weak credit systems
- Unstable markets (weather, uncertainty of government actions)



## Greater commitment to agriculture.....

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- What does this mean in practice?

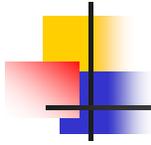


## Greater commitment to agriculture means investing in:

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- Agricultural science/tech.
- Rail-port-road infrastructure
- Farmer organizations
- Regional trade / predictable government actions in markets
- Development of local analysis capacity and public sector awareness of markets' potential

ALL THESE REQUIRE POLITICAL WILL



## Crop Science & Technology

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- Major payoffs to public investment in crop science
- Of Zambia's total budget to agriculture
  - 4% to crop science and extension
  - 68% goes to fertilizer subsidies and marketing board operations

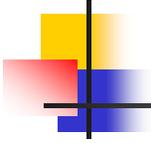
POLITICAL WILL



## Farmer Organizations

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- 50% of small farmers less than 1 ha
  - Small surpluses → high transaction costs for traders
- Farmer groups / outgrower arrangements can provide access to
  - management skills
  - market information
  - group provision of inputs
  - credit
  - output markets

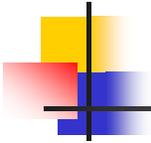


## Farmer Organizations

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- Can outgrower model work for grains?
  - Examples of how cash crop outgrower schemes can promote productivity growth of food crops
  - Encourage private investment in outgrower arrangements
    - Cotton, sugar, tree crops

POLITICAL WILL

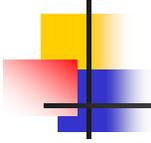


## Invest in Transportation Infrastructure

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- High transport costs in region
  - Rail system breaking down
  - Road costs
    - \$100/t from Durban → Lusaka
    - \$40/t from Mombasa → Nairobi
- Increasing fertilizer use on maize will require much lower transport costs
- Part of price instability problem is due to high transport costs

POLITICAL WILL

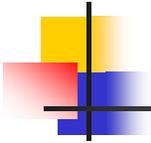


## Promote Regional Trade

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- Simplify / harmonize trade regulations
- Professionalisation of customs services
  - Should focus on promoting trade rather than extracting revenue from traders
- Reconsider export bans, import tariffs, government-coordinated imports

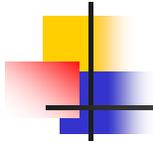
REQUIRES POLITICAL WILL



## *IF* Governments choose to remain directly in grain marketing

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- Operate under transparent rules governing when/how government enters the markets
- Clear rules for:
  - buying price
  - selling price
  - when
  - where
  - sell to whom
  - budget available



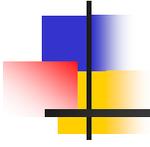
## The Main Challenge

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- Getting Political Will
  - This is the goal of NEPAD
  - Need long-term donor commitment for locally-driven initiatives
  - Donor countries also political will to change their trade policies - WTO



- In the long-run, policies will change only when there is a critical mass of local analysts and policy makers who understand the potential of markets and what government can do in collaboration with private sector to make them work better



Thank you

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