A Broken Maize Marketing Policy

Important insights on the 2010 maize marketing policies from a recent FSRP Working Paper - Who Gained and Who Lost from Zambia’s 2010 Maize Marketing Policies?:

The two major GRZ maize marketing policies used to date in the 2010/11 marketing year are: (1) setting an FRA maize buy price of K65,000 per 50-kg bag, which is well above maize market prices and roughly comparable to the price of South African maize landed in Lusaka (the import parity price); and (2) progressively increasing the FRA’s maize purchase targets throughout the course of the Agency’s buying campaign and ultimately purchasing 878,570 MT or 83% of expected maize sales by smallholder farmers. These policies have resulted in the following outcomes.

First, the FRA has accumulated massive maize stocks that can only be sold domestically or in regional export markets at a major financial loss. Much of the FRA’s maize is at risk of spoilage due to inadequate storage facilities and marketing costs are added to the FRA price, millers could market prices for maize but

Second, the FRA’s activities have put upward pressure on market prices for maize but only a relatively small group of well-capitalized farmers have benefited directly from the high FRA buy price and large volumes purchased and/or indirectly from higher maize market prices. Despite the bumper crop, only 36% of smallholder farmers expected to sell maize during the 2010/11 marketing year and just 4-5% of maize-growing households (approximately 49,000 households) are likely to account for 50% of all maize sold to the FRA and private buyers.

Third, higher maize market prices as a result of the FRA’s activities have made maize grain and maize meal more expensive for urban and rural consumers than would have been the case in a bumper crop year without such heavy FRA involvement.

Fourth, because the FRA buy price is comparable to or greater than the import parity price once transportation and other marketing costs are added to the FRA price, millers could obtain maize more cheaply from South Africa than from the FRA unless the FRA’s sale price is subsidized by the Zambian Treasury.

Fifth, the FRA’s progressive ratcheting up of maize purchase targets caused private traders to delay their entry into the market, which in turn limited access to maize markets for
The Folly of Food Export Bans

Nothing out of the ordinary but always useful to have numbers in a single place:

Standard Chartered assessment of the economic outlook through to 2012. Nothing out of the ordinary but always useful to have numbers in a single place:

**Food, Copper and Kwacha, Amina Adewusi, Standard Chartered Global Focus, Market Intelligence (Subscription required):**

We remain constructive on the Zambian kwacha (ZMK) due to continuing strong fundamentals in Africa’s largest copper producer. Elevated copper prices and a sustained trade surplus backed by record agricultural output should support the ZMK throughout 2011. Notwithstanding elections, due by September 2011, we expect the ZMK to strengthen to 4,500 against the US dollar (USD) by year-end.

Our forecast is based on a number of factors. First, we expect ongoing support for copper prices this year, underpinned by tight supply and accelerating Chinese demand. The latest data from the Bank of Zambia (BoZ) shows that FX reserves stood at USD 2.16bn in October 2010, up 17% y/y. With copper earnings accounting for around 70% of Zambia’s FX reserves, a further rise is likely, underscoring positive sentiment towards the currency.

---

**The Folly of Food Export Bans**

*It is quite clear to me that if exports of staple agriculture products are not liberalised, the commercial farmers will only*