Opportunities to Improve Household Food Security Through Promoting Informal Maize Marketing Agents: Experience From Eastern Cape Province, South Africa

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Partners

- FANRPAN
- Rockefeller Foundation
- Michigan State University
- University of Pretoria
- National Agricultural Marketing Council
Presentation Outline

- Study Objectives
- Data
- Key Findings
- Policy Implications
Maize grain and maize meal prices, 1996-2001, informal vs. formal channels
Study Objectives

To Determine:

- Consumer Demand for maize products
- Role that informal small-scale milling can play in household food security
- Barriers to expansion of small-scale trading channels
Data: Eastern Cape

Data: Commercial Millers

Source: Municipal Demarcation Board South Africa; www.demarcation.org.za 2005
Data: Consumer & Informal Miller Surveys

Key Findings: Consumers’ Willingness-to-pay

Percentage of hh’s Preferring Straight-run Meal at Given Discounted Prices

- Low-income
- Medium-income
- High-income

Price discount relative to sifted meal

0% 14% 29% 43% 57% never
Key Findings: Maize Grain Cost Build-up

<table>
<thead>
<tr>
<th>Commodity (R/12.5kg)</th>
<th>Maize Grain</th>
<th>Super-sifted</th>
<th>Special</th>
<th>Sifted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal Marketing System</td>
<td>11.08</td>
<td>36.71</td>
<td>30.54</td>
<td>24.30</td>
</tr>
<tr>
<td>Informal Production Miller</td>
<td>13.09</td>
<td>18.41</td>
<td>18.41</td>
<td>18.41</td>
</tr>
<tr>
<td>Price % Discount</td>
<td>15%</td>
<td>50%</td>
<td>40%</td>
<td>24%</td>
</tr>
</tbody>
</table>
Key Findings: Cost Savings to Consumers from Sourcing Maize from Informal Millers

Percentage of Monthly Income Spent on Super-Sifted Meal: Aug – Oct 2004

- **Poor**: Actual (9.00%) > Counterfactual (5.00%)
- **Medium**: Actual (3.00%) > Counterfactual (2.00%)
- **Rich**: Actual (1.00%) > Counterfactual (0.00%)
# Key Findings: Market Barriers

**Main Reasons Stated by Small-millers for not Engaging in Production Milling**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers bring their own grain</td>
<td>58.8%</td>
</tr>
<tr>
<td>Didn’t think of it</td>
<td>43.2%</td>
</tr>
<tr>
<td>Consumers prefer commercial meal</td>
<td>35.3%</td>
</tr>
<tr>
<td>No access to credit</td>
<td>15.7%</td>
</tr>
<tr>
<td>Not profitable</td>
<td>13.7%</td>
</tr>
</tbody>
</table>
Summary of Key Points

- Evidence of consumer demand
- Cost-savings Available through Informal Markets
- Information Gap
- Dumping Practice
Policy Implications

- Close Information Gap
- Dumping Practices
- Re-evaluate the impact of the Food Fortification Initiative
Thank You