

Toward a Regional Framework for Effective Policy Responses to the Emerging Food Crisis in Southern Africa

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OUTLINE

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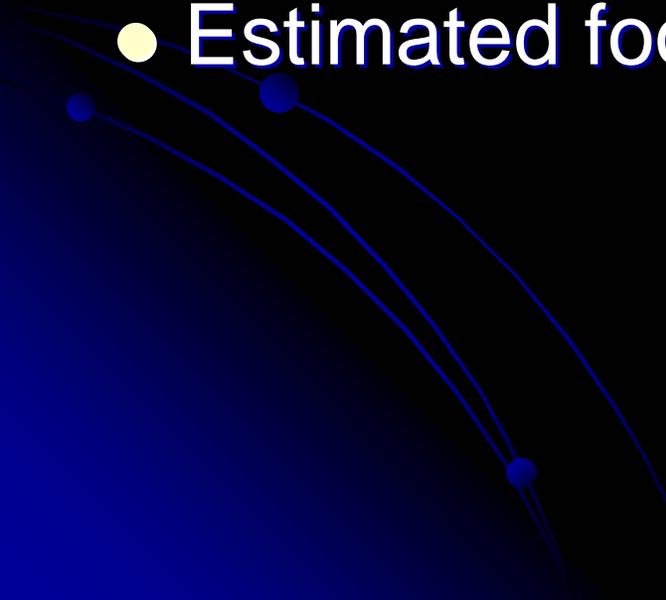
1. Background

- FANRPAN/MSU joint research and policy outreach activity on regional maize marketing & trade in SA region.
- identify policy options for promoting small farmer welfare and national food security
- Focus countries Malawi, Mozambique, South Africa, and Zambia.
- Interim regional workshop held in Pretoria South Africa on June 21-22, 2005

Background (contd)

- policy issues with a critical influence on the region's ability to address food security challenges:
 - greater investments in basic publicly-provided goods to support small farmers' agricultural productivity and access to markets; and
 - Policies that ensure better coordination between the large-scale "formal" and small-scale "informal" marketing channels
 - Promote clarity and transparency in governments' involvement and reduce uncertainty

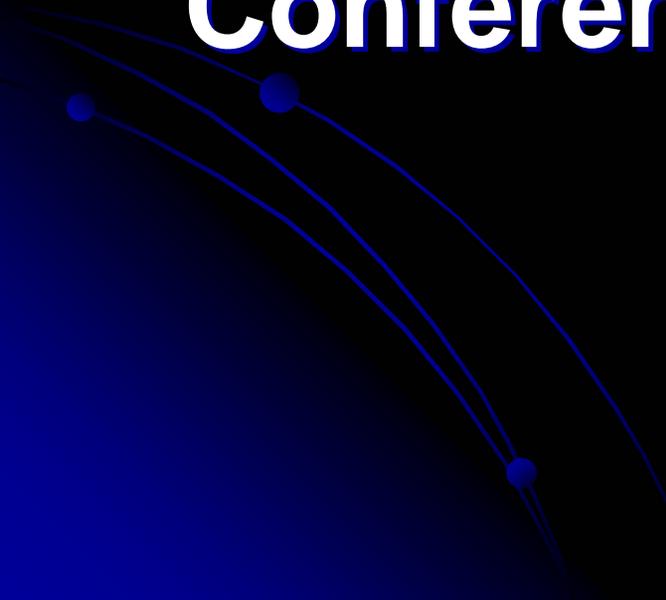
2. The Emerging Food Situation in . 2005/06

- Overall cereal deficits, 100,000-1,620,000 mt
 - Affected population 9,710,000
 - Estimated food aid 730,000 mt
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The Emerging Food Situation in 2005/06 (contd)

- Govts in the region increasingly recognize importance of harmonizing regional food trade policies and I /ments:
 - Better respond to transitory food crises,
 - Means to promote small farmer income growth and food security over the longer run.
- regional trade is becoming an important component of national food security
- “trade without borders” difficult to achieve, instead inhibit private maize trade through export bans, import tariffs, and state monopolies on trade.

Country Based Focus

- **3. Country Level Follow-up Processes After the June FANRPAN Pretoria Conference**
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Zambia

- 1. Substantial reduction and harmonization of agricultural levies to US\$0.05 per bag from the high of 10% of value.
- 2. Temporary lifting of 15% duty on maize from non-COMESA countries in September 2005:
 - Provides a clearer signal to the private sector to import maize
 - improve country's ability to respond to the food crisis available commercially in Lusaka \$242-263 vs \$277-300 per tonne

Mozambique

- Danilo Abdula - Mozambique Case Study
- Domestically-produced maize grain exempted from the 17% value added tax (VAT) when sold to the domestic processing industry
- Simplified licensing and border procedures for food imports.
- Some traders petitioned the government for removal of VAT on imported grain, even if it is meant to be sold as grain into wholesale and retail markets.
 - could have positive effects on consumers by improving supply and reducing prices of grain during the hungry season
- Maintained its open borders policy on maize trade,

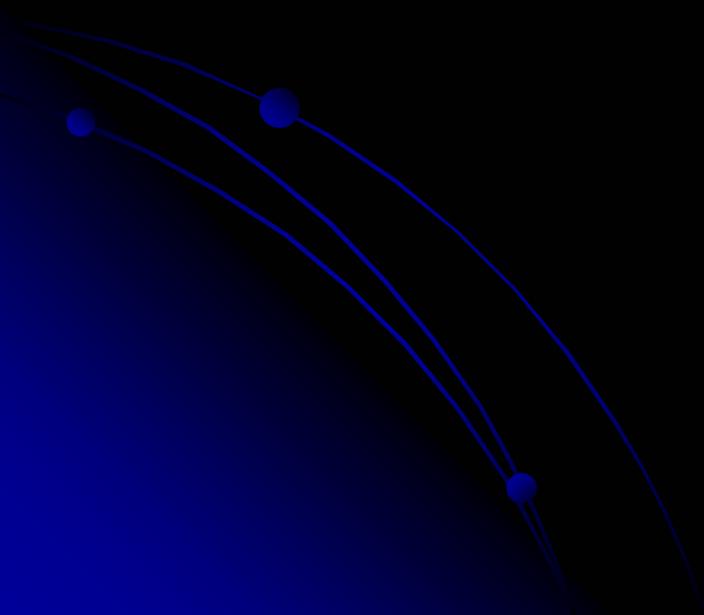
South Africa

- Lulama Ndibongo Traub –South Africa Case Study



Cross-Country Learning from Prior Experiences in Southern Africa

- Pedro Arlindo Cross-country case study
- 2002/2003 food crisis
- Lessons for the current year



4. Major Policy Challenges for Countries and the Region



- ***Raising the Productivity of the Small Farm to raise household incomes***
 - greater public investment in crop science
 - extension systems, physical infrastructure,
 - health care,
 - education,
 - communications,
 - farm finance.
 - greater donor funding critical but a function of government commitment to reallocate a greater portion of their own budgets to these important investments as in NEPAD

Response In Local and Regional Improving Competition and Timely Markets

- In time of national food shortfalls, most rural and urban poor rely more on markets than on emergency distribution
- Well designed targeted food assistance programs crucial to maintaining food security in upcoming 6-8 months.
- Cost and logistical difficulties of such programs can be prohibitive if markets do not move food efficiently to consumers with effective demand.
- Comprehensive food security strategy in SA requires maize grain and meal, and other food staples such as cassava or rice, are accessible at affordable prices through the mkt.

Response in Local and Regional Improving Competition and Timely Markets

- Strengthening the performance of the marketing system serving small-scale farmers,
- Integrating the informal marketing system with the more developed “formal” marketing channels
- Simplify Licensing and border procedures to encourage participation by small traders in regional trade;
- Most govt imports be released onto public markets rather than channeling than exclusively to large commercial millers.

Reduce Policy-Related Market Uncertainty

- Predictable and transparent rules governing state involvement :
 - Reduce the risks facing private traders,
 - facilitate greater coordination between private and public decisions,
 - result in more stable and predictable staple food prices.
- Government interventions need to be consistent with the resources that are available.
- Overstating government import intentions:
 - private sector to conclude that it had no role to play in importation,
 - contribute to price rises above import parity levels ie Malawi in 2001/02 and Zambia in 1999/00
- Well-intentioned but poorly implemented government actions can exacerbate food price instability rather than reduce it, Malawi/ADMAC 2001 experience.

Make it Easier for Small-Scale Traders to Participate in Grain Trade

- Formal trade regulations, can make it difficult for small traders to participate in regional trade.
- Minimal regulations:
- Trade can move very large volumes of grain very quickly,
- Major impacts on markets, as illustrated by the regular maize trade between northern Mozambique and Malawi.
- Benefit of revising simplified trade regimes for small traders and expanding them to accommodate more and somewhat larger traders
- Measurable effect on the availability of grain in markets,
- More grain into the informal marketing at low cost to consumers

Coordinating Markets and Food Relief to Improve the Response to Food Crisis

- What to consider in using markets as one of the tools of relief:
 - (1) private sector moves the bulk of food in normal, as well as in a crisis year
 - (2) Conceive and operate emergency food and income assistance programs for crisis years that:
 - are effective, but also strengthen the role and reduce costs for the way private markets functions in both normal and crisis years.
 - (3) devise ways to deal with the shorter-term crises that also contribute to alleviating chronic malnutrition
 - and answer lies in incorporating the private sector as a key part of the strategy, because a well-functioning, low-cost food marketing system is essential for a economically sustainable assault on chronic food insecurity.

Coordinating Markets and Food Relief to Improve the Response to Food Crisis

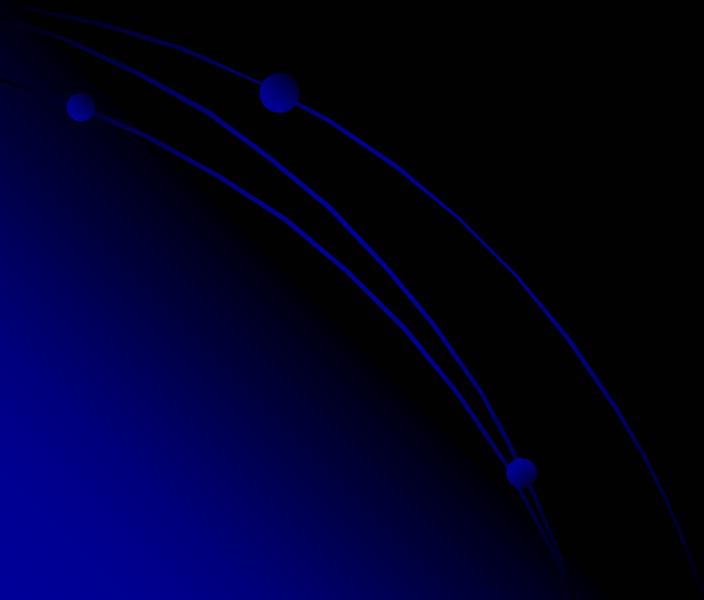
- A market-friendly strategy to deal with crisis would include the following elements:
 - Actions to reduce uncertainty and facilitate private-sector in-country arbitrage, as well as regional and international imports;
 - Making information widely available to all actors :
 - Nature of the problem,
 - Current market conditions,
 - Production and import outlook.
 - Clear statements by government of its willingness to work in partnership with the private sector to facilitate private-sector imports and trade flows internally

Coordinating Markets and Food Relief to Improve the Response to Food Crisis

- Government be transparent in its actions ie subsidized sales or limited free distributions of food in some markets,
- Avoid swamping the whole system with relief flows that are uncoordinated with what the private sector is doing, creating great uncertainty and undermining private sector
- Marketing extension, both information about prices and volumes, and basic analysis that is widely “extended,” as important as any research that is done.
- Market information systems are steady partners of the private sector in bringing transparent information and analysis to the public policy debate ie Mozambique.

5. Conclusion

- The three-step process for emergency operations



Step 1. Focus on markets.

- Volume of additional grain they can bring to the country through commercial imports (both formal and informal),
- Geographical areas
- Proportions of the pop. with sufficient purchasing power, at expected price levels, to ensure a minimally adequate diet.

Step 2: Facilitate Market Response

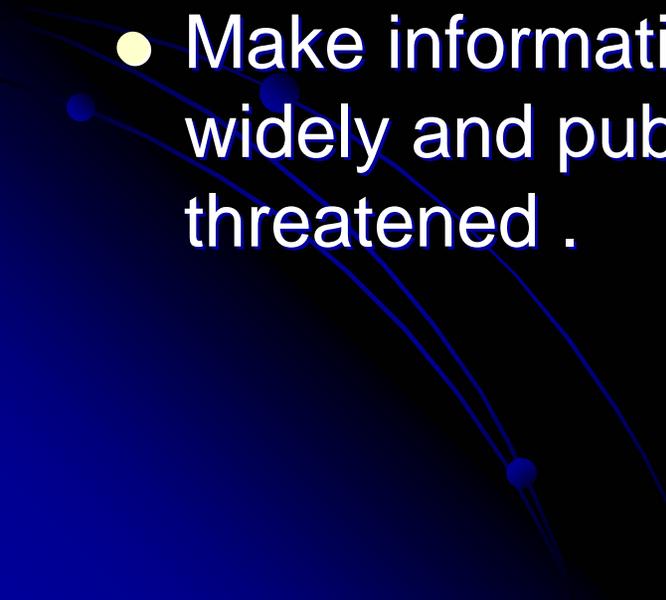
- ***Facilitate market response.***
- *Govts should, with selected assistance from donors, put in place temporary and L.T. to increase ability of markets to respond to crises.*
- *Eliminate policy barriers to trade*
- *Ensure more transparent statements and actions regarding food imports, Mozambique experience*
- *If import needs threaten macroeconomic stability.*
 - *Additional balance of payments support from donors*
 - *Foreign exchange credit facility for use in importing food staples*

Facilitate market response

(contd

- *Additional measures :*
- *Direct cash transfers to affected households where markets could work but purchasing power may be limited,*
- *Cash for work done early*
- *Temporary transport subsidies on specific routes.*
- *Publicize direct cash transfers and cash for work projects for traders to be aware of increased purchasing power in the area.*

Step 3. Turn to food aid IFF

- Food aid programs be designed to cover only those geographical areas and populations that markets are not expected to cover.
 - Vulnerability assessments to assist in targeting, as was done in Southern Africa in 2002/03,
 - Make information about the food aid program widely and publicly available so traders not threatened .
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THANK YOU

