Toward Improved Maize Marketing and Trade Policies to Promote Food Security in Southern Africa

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Background: Maize Marketing in Southern Africa
- Maize marketing: 40 – 60% of the cost borne by consumers of maize meal
  - Farmers typically paid about $80 - $140 per tonne for maize
  - While consumers pay $150 – 250 per tonne for maize meal
  - Low income consumers pay as much as 30% of their income on maize / maize meal.

Background (Ctnd)
- Hence, public investments and policies that can reduce the cost of marketing and processing can simultaneously help farmers and consumers

Two maize marketing channels in the Southern Africa region:
- Formal grain marketing/processing system
- Informal, generally small-scale marketing/processing system

Partners
- FANRPAN
- Michigan State University
- Ministries of Agriculture:
  - Malawi
  - Mozambique
  - Zambia
- National Maize Marketing Council, Government of South Africa / Univ. Pretoria
- Rockefeller Foundation, USAID, DFID, WB
Informal Marketing Systems

- **Formal sector**
  - Well capitalized - holds most of the storage facilities (other than on-farm)
  - Strong ties to firms in South Africa and other industrialized countries (e.g., Seaboard, a US firm, owns many large mills throughout the eastern and southern Africa region)
- **Informal sector**
  - Under-capitalized, but
  - Usually lower cost services than the formal sector

**Problem Statement**
- Increasing maize deficits in SADC region
- These deficits are increasingly being filled by maize imports from South Africa or outside the region
- Smallholders in SADC need the support to efficiently grow surpluses and find market outlets, but.....
  - increasingly left out as requirements are sourced from South Africa and outside region

**Problem Statement**
- Future prosperity of small farmer maize production will depend on:
  - reducing costs and barriers to informal trade
  - better integrating informal and formal channels
- Importance of strengthening informal trade derives from the need to:
  - improve marketing incentives for small farmers
  - reduce the cost of food for consumers

**Principal regional trade flows in Southern Africa**
Initial Findings - I

- When maize supplies are available through informal channels:
  - Many consumers prefer to buy maize and take to local small mill for processing
  - Especially popular option among the urban poor and rural food deficit households
  - Why?
    - Because it is less expensive
    - Consumers can save up to 25% on maize meal costs as long as grain is available in local markets

Initial Findings - II

- But, when locally-produced surpluses are depleted
  - Informal channels become thinly traded
  - Small millers/traders tend not to procure grain from South African suppliers
    - Unable or unwilling?
  - Imports are coordinated between formal channel suppliers in RSA/USA and large millers
  - Much higher milling/retail margins
  - Relatively high maize meal costs to consumers (25 - 40% higher)

These findings and other issues were discussed at:

- MACO policy retreat in June, Chisamba
- Several actions emerging after this:
  - Reduction in inter-district grain levies
  - Ministry of Ag. announced waiving of maize import tariff, but not yet enacted

Continuing issues for policy makers to consider:

- During food shortfalls, how to ensure that grain remains available in local markets for consumers to be able to buy?
- If FRA is to import maize, can it sell in small lots to small traders in informal markets to ensure that grain is directly available for consumers and small mills?
- Allow large traders/millers to import for themselves?

Issues for policy makers to consider - II

- Export bans? What are their effects on:
  - Regional trade
  - Local production incentives
  - Investment in the grain marketing system

Issues for policy makers to consider - III

- Import tariffs:
  - If there are possibilities that the tariff is to be waived, no private imports will occur up to that point, which could cause shortages.
  - Markets need greater predictability about government position on tariffs and trade
  - This will allow markets to play a more positive role in importing adequate volumes during crises