Grain Traders Association of Zambia

• Established in October, 2005
• GTAZ is a self regulating traders association

Objectives:

➢ To promote commodity trading
➢ To develop sound trading rules and regulations
➢ To encourage the development of small and medium traders
➢ To work with government and other stakeholders to improve the agriculture sector in Zambia
Grain Trades Association of Zambia

- GTAZ has diverse membership both Zambian and International companies
  > Local Zambian companies
  > Multinational cotton companies
  > Regional players

Services offered by GTAZ members

- Procurement
- Selling
- Storage
- Fumigation
- Logistics
- Commodity Brokering
- Input finance
- Cross border trade
List of Members

- CHC Commodities
- Zdenakie Limited
- Quality Commodities
- Seaboard
- Amagrain Limited
- Cargill
- Nachel Distributors
- Farmers Builders Suppliers
- Afgri Corporation
- Agricultural Commodity Trading
- Export Trading
- Dunavant
- Olam Zambia
- Nyimba Filling Station
- Bulero General Dealers
- Napire General Dealers

GTAZ Operating Locations

- Chipata
- Katete
- Petauke
- Lundazi
- Mumbwa
- Lusaka
- Kabwe
- Kapiri Mposhi
- Mkushi
- Kalomo
- Choma
- Mazubuka
- Gwembe
- Monze
Commodities Traded

- Maize
- Soya beans
- Wheat
- Beans
- Groundnuts
- Sunflower
- Rice
- Sorghum
- Cowpeas
- Soya/Cotton cake

Non Grain

- Fertilizers
- Seeds
- Agrochemicals
- Cement

GTAZ contribution to the Sector

- Employment Opportunities
- Liquidity in the market
- Bridging the market (producer – processor)
- Moderating influence (producer – processor)
- Infrastructure investment (New storage)
- Tax contribution & forex generation
- Multiplier effect:
  - Major clients to FRA (Sheds)
  - Transporters
  - Fumigation companies
Challenges

• Uncertainty in the market:
  ➢ Export & import bans
  ➢ Quantity to be procured by FRA vary in season
  ➢ Government interventions (FRA)
• Exchange fluctuations
• Road infrastructure
• Legislation (credit act)

Results of intervention

• FRA uniform buying price
  > Results into crowding out private sector from buying along the line of rail

• Current FRA sales of maize:
  - FRA price K1,400/kg - $297/mt
  - GTAZ/ZNFU , - $320/mt prior to FRA sales
  > Resulted in reduced sales for private sector
  > Impact negatively on early maize prices
Example

- FRA procurement price K65,000/50kg bag or $275/mt farm gate
- Maize bought July/August 2009
- Stored, Financed for 6months
- Transported from satellite depots to district holding depots & main consumption areas
- Associated costs: Interest 1% per month, storage, handling, fumigation, transport & shrinkage

Illustration

<table>
<thead>
<tr>
<th>FRA procurement price</th>
<th>Maize per metric ton</th>
<th>$275</th>
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<tbody>
<tr>
<td>Cost of holding grain</td>
<td>Rate</td>
<td>Months</td>
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<tr>
<td>Interest 1% per month</td>
<td>2.75</td>
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<td>Transport</td>
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<td>Grand total</td>
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<td>Realistic Market Price</td>
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Alternatives

• FRA to procure limited maize from areas that are not economically viable for private sector to operate (i.e. 50,000mt)
• Contract private sector to procure maize and hold in stock on its behalf
• Buy an option at SAFEX or (ZAMACE in future) for supply of maize in case of need
• Use ZAMACE for the sale of FRA maize:
  > Price discovery
  > Transparency
• FRA to adopt a more supervisory/regulatory function
  > Assess stocks & quality in the country

Benefits

➢ Government use less resources to achieve same objective
➢ Use private sector resources & expertise to secure strategic reserve
➢ Remove uncertainty
➢ Encourage private sector participation
Government

• Government to concentrate on developing conditions that can enable private sector function in a predictable & competitive way

➢ Good monetary policies, low interest rates & stable exchange rates

➢ Consistent imports & export policy (open borders)

➢ Implementation of AMDP

➢ Continued dialogue with industry stakeholders

➢ Improve infrastructure to enhance trade activity at the borders

➢ Open up government fertilizer supply program to more players

Private Public Partnership

GTAZ maintains that FRA has a role to play in the market, however GTAZ proposes that FRA considers working with the private sector, by using market instruments to secure and maintain strategic grain reserves in a more cost effective way and with least impact on the market.
Thank you

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