Crop Marketing Policy Issues

Preview

• Characterization of smallholder farmers
  – Using participation in maize markets
• Some policy implications
• Suggestions for ensuring food security
Few farmers sell maize!

Maize sales highly concentrated

- In a normal season
  10% of smallholder farmers sell
  90% of all maize sold
- If there was a policy to raise prices
  - All benefits to these 10%
  - Most will be worse off
    - Urban households
    - Rural net buyers
What kind of households sell staples

• The relatively better off:
  – Larger land holding, cultivated land area
  – Higher incomes
  – More educated heads and members
  – Located closer to market infrastructure
  – Have greater access to govt credit
• Higher proportion of male-headed households

Autarkic households not all desperate!

- Staple self-sufficient or autarkic: 57%
- Non-buying staple sellers: 24%
- Staple net sellers: 5%
- Staple net buyers: 1%
- Non-selling staple buyers: 13%
Maize deficit does not mean shortage of food

- Some people have maize surpluses
- Some can buy commercial maize
- Some have other staples

The 2001/02 example

Maize surplus 37%

Maize deficit and cannot pay for the shortfall 32%

Maize deficit but can pay for the shortfall 31%
Relief vicious cycle

• The vicious cycle
  – Govt and aid agencies distribute relief food
  – Relief food could compete with private sector
  – Can depress incentives for private sector to participate in the market

Do food security reserves have a role?

• Yes, if fully integrated in free market structure
• But pose the following challenges:
  – High procurement, management and financing costs
  – Sale-replenishment price differentials
  – Stock rotation challenges:
    • Tend to disturb normal market operations
    • Discourages traders from investing in remote markets
  – Stock releases even when need not so evident
  – Could be subject to abuse!
**Food reserves cont’d**

- Large reserves not practical
  - RSA does not keep food reserves
- Small buffer stocks for emergencies and social support
- Private sector stocks could be substantial

**Alternatives for food security?**

- Effective early warning system
- Financial reserves
- Contract farming for relief food
- Insurance schemes (Options, warehouse receipts)
- Open markets and borders
  - World-class traders left, thanks to export bans
  - No crop levies
  - Mozambique-Malawi-RSA example
Some implications

• Policies to raise maize prices will hurt many people, help a few
• Welfare programmes may benefit the not so needy
• In times of crisis, let's
  – Be ready and detect the crisis early
    • Insurance
  – Recognize private stocks
  – Recognize the role of the market