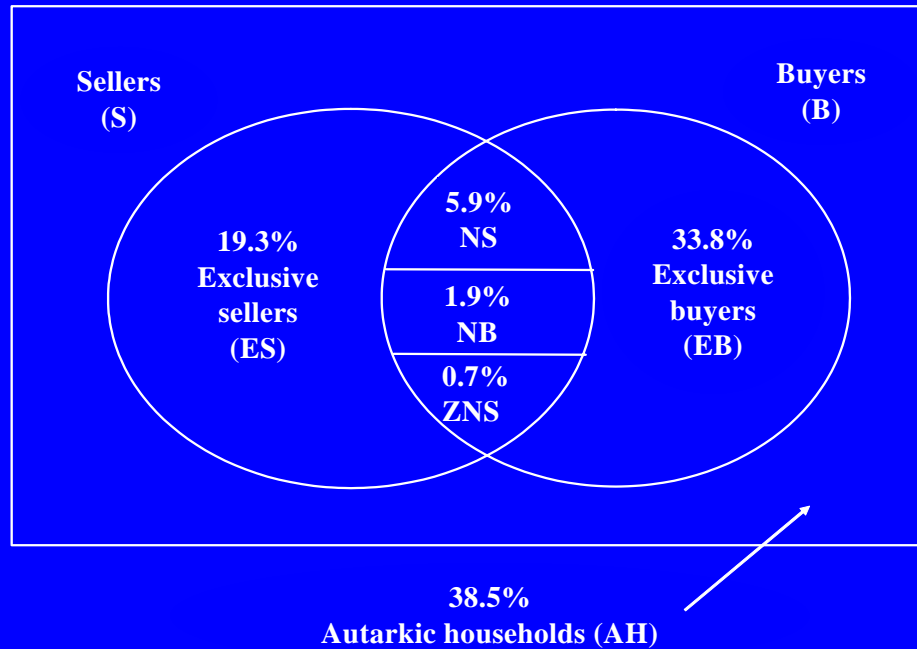


Crop Marketing Policy Issues

Preview

- Characterization of smallholder farmers
 - Using participation in maize markets
- Some policy implications
- Suggestions for ensuring food security

Few farmers sell maize!



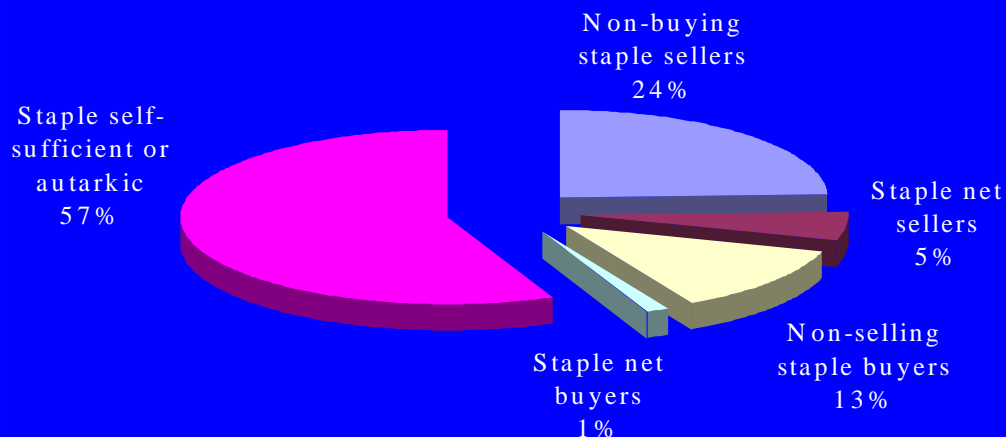
Maize sales highly concentrated

- 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

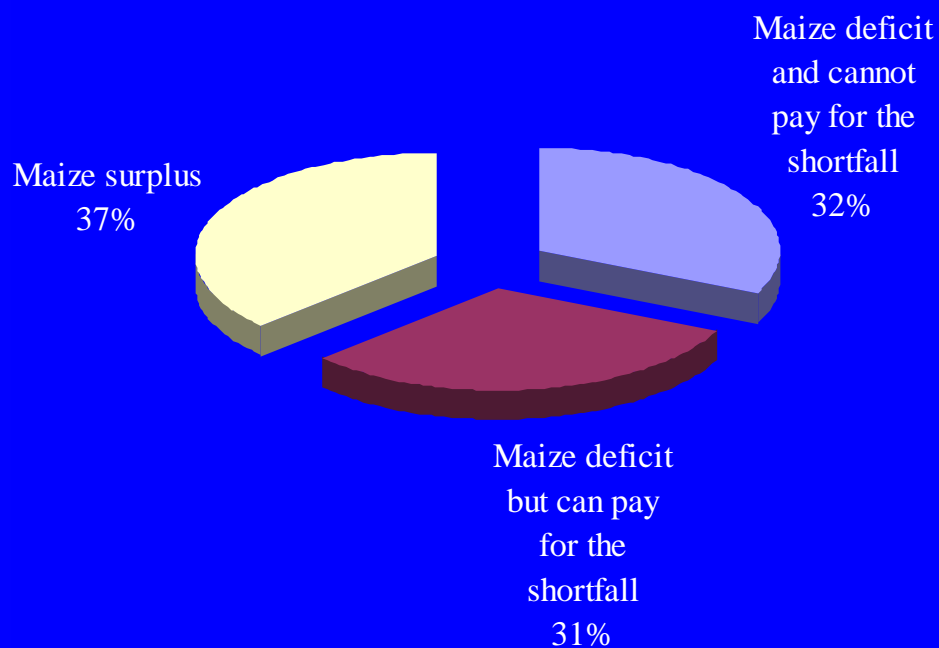
Autarkic households not all desperate!



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



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, lets
 - Be ready and detect the crisis early
 - Insurance
 - Recognize private stocks
 - Recognize the role of the market