Small-Scale Maize Trading in Zambia.

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Background

- General policy uncertainty in the maize marketing system- What is long term strategy?
- Continued govt.supported marketing institutions still playing a vital role in maize marketing.
- Implementation of trade restrictive policies, e.g municipal grain levies, etc.
- General confusion of the potential role of the private sector.
Methodology/Sample Size

- 28 districts selected
  - survey sites selected from districts (markets/maize trading points)
- 309 traders selected in total- out of total population of 1,205 traders at the time of survey.
- Survey conducted-late in year- low number of traders on the market at the time.

Description of Trader Types

- ASSEMBLER/RETAILER
  - Primarily small volume traded
  - Sell to local/urban consumers-mostly within district
  - No storage facilities
  - No working capital

- ASSEMBLER/WHOLESAVER
  - Use Rural Assembly points
  - Use of Agents.
  - Sell primarily to large millers
  - Fairly large volumes traded.

- WHOLESAVERS
  - Primarily use agents to assemble grain
  - Sell to large millers & export market
  - USE of storage facilities-own/rented
  - Credit facilities available

- OTHERS
  - Small group
  - Trade in large volumes
  - Involved in other business activities
  - Sell primarily to export markets
  - Access to Credit and other facilities (transport), etc.
Small Scale Trading in Zambia

- Traders engaged in combination of marketing functions
  - 88% of traders combine assembly, retailing & wholesaling.
  - 84% of grain is traded by these traders.
- 61% of traders sell within district where grain was purchased.
- Trade is significantly rural-to-rural (within rural areas): 67% of total traded volume.

Factors affecting Small Scale Trading

- Poor rural infrastructure- including storage facilities at market places.
- Not enough maize with farmers- high assembly costs.
- FRA involvement-with set maize prices.
- Council Levies
- Unclear govt. intentions/policy.
Small Scale Milling

- 112 small millers interviewed in 28 districts - (small trader survey sites)
- No. of s/millers increasing
- 2 main products produced - Straight run mealie meal & Refined Mealie meal.
- 87% of grain milled - straight-run mealie meal - main product (Mugaiwa).
- Mainly - service milling (for consumers/traders)

Small Scale Milling: Factors Affecting Performance

- Lack of Financing to upgrade operations
- No grain consistently throughout year.
- High cost of energy/diesel.
Large Scale Milling

- 20 Medium and Large scale millers interviewed from Lusaka, Copperbelt & Central province.
- Large millers- 40 mt/day processing rate.
- Medium scale- 10-39 mt/day.
- Observed increase in the number as well as size of existing ones.- due to increase in maize production; liberalisation of sector; favourable interest rates.
- Grain supplied by farmers-directly; or by wholesalers; or traders.
- Own storage

Large milling: Factors Affecting performance

- Inadequate stocks throughout year.- supply variability
- Frequent govt shifts in policy
- Maize trade restrictions.
- FRA operations in market affect supplies and into-mill prices.
- High cost of financing
Policy Issues

- Strengthening/support of financing institutions
- Development of Risk management Institutions/programmes – e.g. Warehouse receipt systems.
- Increase investments in rural infrastructure.
- Promote rural transport services: reduce duty on spare parts/rural based vehicles, etc.

Policy Issues

- Ease on trade restrictions with clear indications on the duration - has potential to discourage traders & negatively affect farmers.
- Govt policy, i.e. export bans - profitable export markets not accessible.
- Design flexible import/sale mechanisms to ensure access to grain by small traders/consumers
  - e.g. prepare bids to import/supply maize in small lots for small traders/millers to participate.
Role of FRA in maize marketing—e.g. supplying grain to millers at prices below market price—affect traders; small millers and consumers.