Regional grain trade, opportunities and constraints

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Private Public Partnership in Grain Marketing in Zambia

Outline

• COMESA vision
• Opportunities for trade in food staples
• Challenges /Constraints in regional trade
• Few considerations
COMESA Vision

• To attain a fully integrated internationally competitive regional economic community within which;
  • There is economic prosperity with high standards of living of people with political and social stability and peace
  • Goods, services, capital and labor freely move across borders

BUT PRESENTLY, OVERVIEW OF REGIONAL GRAIN TRADE

• NEGLIBLE REGIONAL GRAIN TRADE IN COMESA

• MAJOR COMMODITIES ARE TEA, TOBACCO AND SUGAR

• YET…….
IN COMESA

✓ USD20 billion is spent by COMESA Member States on food imports
✓ Only USD 30 million sourced from among M/S
✓ Great opportunities for trade – need to ensure smallholders, traders, processors, market institutions realize/take these opportunities

FAO HUNGER MAP: prevalence of hunger in the ESA region points to major problems with productivity but is a TRADE opportunity
Where did WFP purchase in 2008

North America
221,289 mt
US$ 99 million

Europe
557,163 mt
US$ 220 million

Africa
1,024,255 mt
US$ 427 million

Latin America
185,812 mt
US$ 236 million

Asia
846,148 mt
US$ 424 million

78% of all food purchased was from developing countries

Opportunities for trade in food in ESA single market

- Importance of food staples
  - 73% (US$50 billion) of value of production in SSA (2000) was from food staples

- Expanding single market
  - Population of 526 million will double in 15 years

- Cross-border opportunities/natural market sheds
  - low-cost food flows
  - Producer incentives to expand

- Competitiveness
  - Efficiency enhanced as producers compete for market
Opportunities for trade in food in ESA single market (2)

- Specialization
  - Reallocating resources to advantageous sectors
- Linkages with agribusiness
  - Input and output value addition
- FDI inflows attracted
  - Intra-regional investments enhanced
- Reduced imports from 3rd countries
  - US$20 billion spent annually on food imports but only US$30 million imports sourced from region
- Accelerated economic growth and development
  - Staple food sector a key driver for increased incomes and reduced poverty levels

Opportunities (3)

- 1. **Hunger** in ESA is a big business opportunity for ESA grain trade
- 2. **WfP** is a great partner in grain trade
- 3. **ACTESA** will help to coordinate
- 4. **COMESA/EAC/SADC Tripartite**
- 5. **Urbanization**
- 6. **One Stop Border Posts**....
ACTESA OPPORTUNITY – WHAT IS IT?

• A Specialized Agency of COMESA

• Initially launched by COMESA Ministers of Agriculture in September 2008

• Formally Endorsed (CREATED) by the COMESA Heads of State (COMESA Authority) in June 2009

KEY ACTESA OBJECTIVE

“INTEGRATION OF SMALL FARMERS IN NATIONAL, REGIONAL AND INTERNATIONAL MARKETS” – COMESA AUTHORITY, June 2009
BROAD ACTESA OBJECTIVES and GOAL

✓ (i) COMPETITIVENESS of the BROAD STAPLE FOOD SECTOR: POLICY DIALOGUE
✓ (ii) PROVISION OF SERVICES: COMMERCIAL INTEGRATION (MARKETS, FINANCIAL)
✓ (iii) COMMERCIALIZATION of SMALLHOLDERS: CAPACITY FOR ENGAGEMENT (CAPACITY BUILDING)

➢ OVERARCHING GOAL: TO INCREASE PRODUCTIVITY, INCOMES AND FOOD SECURITY OF SMALLHOLDER FARMERS

Surplus Zones and Deficit Markets in ESA

<table>
<thead>
<tr>
<th>Surplus Zones</th>
<th>Deficit Markets They Serve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Mozambique</td>
<td>Malawi</td>
</tr>
<tr>
<td>Southern Tanzania</td>
<td>Malawi, DRC</td>
</tr>
<tr>
<td>Eastern Uganda</td>
<td>Kenya</td>
</tr>
<tr>
<td>South Africa</td>
<td>Zimbabwe, S. Mozambique, Malawi, Malawi, Zambia</td>
</tr>
</tbody>
</table>
Challenges of trading in food staples in ESA

- Adequate infrastructure
  - Production wholly rain-fed
  - Transport capacity fail to meet demand
  - Storage capacity limited & high cost type
- Credible information
  - Timeliness, accuracy & comprehensiveness
- Trade impediments (health or security reasons)
  - Restrictions/bans on exports & imports
  - Import tariffs & export levies
  - Reduces prices for producers & increases cost for consumers
Challenges of trading in food staples in ESA(2)

- Non-predictable discretionary policies
  - Arbitrary decisions breed uncertainty, risks and adds cost to marketing
  - Discourages future engagements in commodity trade
- High cost of production & low productivity
  - Erodes competitiveness
- Sanitary and phytosanitary issues
  - A non-tariff barrier (region shares common disease regime?)
  - Food safety standards (genetically modified foods) a NTB

OTHER ISSUES IN TRADE POLICY

- In the US MCA criteria, most SSA countries failed trade policy indicator based on TBT (SPS capacity) and corruption in customs

- Export trade is hampered by bureaucracy in procedures (export and import permits)

- At the regional level, payment systems are still uncertain (particularly in the DRC)
Key Considerations

- Creation of politically autonomous multi-stakeholder regional forum
  - Regional marketing council
- Incentivize timely submission of returns by firms, farmers and marketing boards
  - Regional grain information service
- Continue trade liberalization & market reforms
  - Open markets key to market stability
- Develop regional agricultural policy
  - Domesticated in national statutes to instill adherence to rules
- Allocate public resources to priority investments
  - Infrastructure, research and extension