Import/Marketing Policy Options for Consumer Price Mitigation Actions in the 2008/09 Maize Marketing Season in Zambia


Extract from a Draft Concept Paper
By The Food Security Research Project

Research and Outreach Supported By:

[Logos of ACF, MACO, Michigan State University, Central Statistical Office Zambia]
Outline

• What is the 08/09 seasonal maize price story?
• Possible explanations of higher maize grain seasonal prices
• Challenges underlying policy choices
• Options for discussion – win/win ways forward
What Story do Zambia Market Prices Tell for the 2008/2009 Maize Marketing Season?

- SAFEX futures + $145 transport
- SAFEX futures + $200 transport from Nov. onwards
- 2008/09 market prices
- 2008/09 FRA floor price
- 2005/06 mkt. season
- 5 year average
What Explains Higher than “Expected” Prices Between Harvest & Lean Season 2008/2009?

• Smaller 07/08 crop than was estimated
• Increased domestic demand, feed & brew
• Private grain trader’s aggressiveness to acquire stocks earlier than normal
• Rising regional/world grain prices & import needs in the region, eg. Malawi/Zimbabwe
• Underlying problems of rising fuel and electricity prices, and electricity instability
Challenges Underlying Policy Choices

- Keep incentive prices for farmers to help stimulate supply response in the 2008/2009 production season, **AND**
- Protect urban/rural net buyers of maize grain against much greater than normal seasonal prices increases for maize meal
- Keep maize grain supplies available in rural markets during the lean season for rural grain consumers and traders
- Find options for positive roles for both GRZ & private traders
- Avoid very high costs to government and consumers of delayed action to import
- Opportunity – GRZ & Donors cover the cost of special safety net to keep consumer prices of roller meal from raising unacceptably high in Jan-March, 2009
What Are The Options?

1. Allow private imports-various alternatives?
2. Dedicate FRA stocks for Chigayo custom milling clients in the Provinces?
3. Only allow FRA to import maize & sell to millers?
4. GRZ/Donor special emergency fund to subsidize costs of milling roller meal?
5. Patrol borders to prevent exports?
6. Combination of 1, 2 and 4 above for win/win