



FANRPAN

Food Agriculture and Natural Resources Policy Analysis Network



Maize Marketing Policy Strategy for Swaziland



Prepared by the Food Agriculture and Natural
Resources Policy Analysis Network (FANRPAN)

For The Ministry of Agriculture and Cooperatives in Swaziland

February 2003

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**CURRENCY EQUIVALENTS**

Currency Unit	-	Emalangeneni (E)
Rand 1.00	-	1.00 E
US\$1.00	-	8.08 E

ABBREVIATIONS AND ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
CCU	Central Cooperative Union
CMA	Common Monetary Area
CSO	Central Statistical Office
ESRA	Economic and Social Reform Agenda
EU	European Union
ETF	Enterprise Trust Fund
FANRPAN	Food Agriculture and Natural Resources Policy Analysis Network
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HIV	Human Immuno Virus
ITF	Individual Tenure farms
MMIP	Maize Marketing Improvement Project
MOAC	Ministry of Agriculture and Cooperatives
NAMBOARD	National Agricultural Marketing Board
NDS	National Development Strategy
NEWU	National Early Warning Unit
NDTF	National Disaster Task Force
NMC	National Maize Corporation
SACU	South African Customs Union
SADC	Southern African Development Community
SAFEX	South African Futures Exchange
SMC	Swaziland Milling Company
SNL	Swazi Nation Land
SNGPA	Swaziland National Grain Producers Association
STE	State Trading Enterprise
TEBA	The Employment Bureau of Africa
TDL	Title Deed Land
TOS	Times of Swaziland
WTO	World Trade Organisation



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The participation of the stakeholders during the information gathering and in the workshop is greatly appreciated. The stakeholders represented the maize smallholder and commercial producers, the Ministry of Agriculture and Cooperatives, Ngwane Mills, the National Maize Corporation, Maize Marketing Advisory Committee, Swaziland National Grain Producers Association, Central Cooperative Union, Cooperative Development Education Centre, Universal Milling, Nkonyeni Milling and Dalcrue Agricultural Holdings.

This document is a reflection of the views expressed by various stakeholders involved in the maize industry in Swaziland. Views expressed in this document are not necessarily those of the Ministry of Agriculture and Cooperatives in Swaziland, or those of the Rockefeller Foundation or FANRPAN.

Map Of Swaziland



Total land area	17 364 square km
Population	980 722
Population growth	2.9%/annum
Arable land	11% of total area
GDP (2001)	1.8%
Share of agriculture in GDP	12%



Executive Summary

Maize is the staple food for Southern Africans. The maize industry and marketing policy in Swaziland and most Southern African states is often faced with conflicts. This scenario has necessitated the implementation of this study. The conflicts emanate from the current maize marketing policy, which gives the National Maize Corporation (NMC) a monopoly in the importation of maize, the staple food in Swaziland. NMC is also a buyer of last resort for maize. During the 2002 maize marketing season, some millers challenged this, and the National Agricultural Marketing Board (NAMBOARD) was inundated with applications for maize import permits. NAMBOARD is a statutory organization responsible for regulating imports of maize and other agricultural products.

The monopoly status of NMC was challenged because locally produced maize was priced at more than Southern African Futures Exchange (SAFEX) prices, resulting in millers desiring to import cheaper maize. The net result of the escalating maize prices, was that consumption patterns were shifting in favour of other cereals.

In order to resolve these conflicts, the Ministry of Agriculture and Cooperatives (MOAC) requested FANRPAN (Food Agriculture and Natural Resources Policy Analysis Network) to conduct this urgent study, so that government could formulate a maize marketing policy strategy that would provide a lasting solution to these problems. It transpired during the course of the study that the issues go beyond maize marketing and include production issues as well. The recommendations therefore cover some production issues as well.

The study was successfully carried out and recommendations were presented to stakeholders at a workshop held on 19th February 2003 at Esibayeni Lodge. The recommendations presented to the stakeholders were as follows:

Recommendations for the long term restructuring of the maize industry (4-6 years)

The main features of the long term restructuring of the maize industry should be the elimination of the single channel importation of maize grain, the commercialisation and privatisation of NMC, the restructuring of the agricultural regulatory structures in Swaziland and the phasing out of the levy on maize and maize products.

1.0 Elimination of the single channel importation of maize grain and gradual relaxation of maize meal import restrictions

This will involve the removal of NMC's monopoly on maize imports to allow millers and other parties to import maize grain and the lifting of restrictions on maize meal imports. The importation of maize grain would not be totally without restriction, because it would be prudent to maintain some level of maize import control in order to protect local maize producers. The millers would be issued with import quotas by NAMBOARD based on the size of the local maize crop. The specific mechanism of implementing this type of control would have to be worked out in consultation with all stakeholders.

2.0 Privatisation of NMC

The commercial aspects of NMC should be privatised completely. This is in keeping with the government's privatisation strategy, and it would free the corporation to conduct their business without undue interference from government and also provide an avenue for the empowerment of stakeholders, particularly maize producers. The privatisation of NMC should be strategic in that local farmers and other industry stakeholders, should be given a stake in the company, through some empowerment schemes affordable to local stakeholders. A consortium of maize producers and indigenous business could be formed to take advantage of this opportunity.

NMC needs to find a niche for itself under these new arrangements, which could include both horizontal and vertical integration. The diversification of NMC's business to milling is a possibility and the inclusion of other cereal grains and legumes in their portfolio of products are other possibilities.

3.0 Restructuring of the maize regulatory framework

The regulatory framework for maize should be restructured in order to accommodate the changed role of NMC, foster self regulation by the industry, offer some protection to local maize producers and create a system for resource mobilization, research, provision of market information, and the promotion of the industry. The regulatory body should therefore have no commercial interests, but have a purely statutory role.

The regulatory body should implement quantitative controls of maize imports in order to ensure that local maize has a market. The regulatory board should issue import and export permits for maize and maize products on condition that millers purchase local maize at prices related to SAFEX. The regulatory body in collaboration with the MOAC, should publish SAFEX prices and provide market-related information for the benefit of the maize industry as a whole. Stricter border controls must be effected.

At the beginning of the season, the regulatory body should, inform the industry of price projections for the year, to serve as a guide to the producers, and encourage millers to have production contracts with the producers. The Swaziland National Grain Producers Association should be the link between millers and smallholder farmers.

The Board of the regulatory body should be truly representative of the stakeholders: i.e producers, millers, traders, consumers etc., supported by a team of qualified technicians from government for proper analysis of policies and the trading environment. The Maize Marketing Advisory Committee (MMAC) should be reconstituted into a stakeholder advisory committee that will advise the regulatory board on maize industry related matters.

NAMBOARD should be restructured in order to be able to carry out the functions suggested for the regulatory body, or a separate organisation could be established for this purpose.

Maize levy

The maize levy should be phased out gradually in the time allowed for the liberalisation process. Funds generated by the levy should finance the maize development strategies suggested above. Otherwise the industry and stakeholder forums should mobilize resources in order to support the industry.

Recommendations for addressing short term policy constraints (1 to 3 years)

Whilst putting into place the structures for the new policy regime, the following is recommended in the short term.

- **Single channel importation of maize**

Maintain the single channel importation of maize grain for the next year or two, and continue to restrict maize meal imports. At the start of the 2003/2004 season, and subsequent maize production seasons, MOAC in collaboration with the stakeholder advisory committee and NMC should establish and publicise the gazetted price, a projected SAFEX price for the year and a projected Swazi Farmer price. Any adjustments on the pre-season price projections should be announced at least quarterly to producers. These prices should guide the farmers on what to expect during the course of the season.

The NMC should conduct its business in a transparent and industry related manner. Presently there is a lot of enmity between NMC and the biggest miller. Cordial relations must be restored and NMC and its customers should enter into back-to-back contracts in order to guide NMC in procurement of maize.

NAMBOARD should continue issuing import permits for maize to NMC, and making the levy available to support liberalisation of the maize market, particularly in researching and publication of market information, and in supporting the formation of the stakeholder forum.



- **Restructuring of NMC**

Restructure NMC with a view to prepare the corporation for operation under the proposed liberalised environment and to prepare it for privatisation, taking into consideration the recommendations of the Task Force that was established at the end of 2002 to look into the operational and structural problems facing the NMC. The Task Force was set up at the same time that this study commenced, and unfortunately the report has not been released, yet it would have provided an insight into NMC's operations, and thereby influenced the recommendations made here.

- **Promotion of maize production**

The government should in the short-term speed up the development of the agricultural policy in order to address issues related to the fragmentation of land on SNL, low soil pH, and the risk associated with rain-fed agriculture.

In spite of the fact that most Swazis are net buyers of maize, rural dwellers still benefit from cultivating maize, and their food security position is enhanced. Because of the high percentage of unemployment and therefore the lack of disposable incomes, most people in the rural areas do not have much in terms of resources, but the land and their labour. Therefore the support of smallholders in maize production would directly promote the food security of the majority of people in Swaziland.

- **Stakeholder forum**

A stakeholder forum should be established as a matter of urgency, in order to advise government on policy issues in the maize industry. The liberalisation proposed here will need to be monitored and fine-tuned during implementation. The forum can serve as a barometer for government to quickly get feedback on developments. The forum can also lead the policy debate at the industry level. The forum should be composed of producer representatives, both large and small. The Swaziland National Grain Producers Association (SNGPA) could well represent the smallholder farmers in the forum. The forum should also be comprised of millers, traders (wholesale and retail), input suppliers, consumers etc. FANRPAN could be requested to assist in this exercise because they have experience on how other countries have set up similar bodies.

Recommendations by stakeholders

Following presentation of the study, stakeholders brought up the following issues and recommendations:

- a) The stakeholders expressed concern on the consistent failure by the country to meet local maize requirements, due to low yields, poor crop husbandry practices, lack of access to finance and reliance on rain-fed production.

The stakeholders recommended that all parties concerned should address this matter and reverse the decline in maize production. Government was particularly urged to review the proposals that have been made in the past, such as the implementation of the liming programme.

- b) Maize is the staple food of Swaziland and therefore it is a strategic commodity, and as such policy recommendations should ensure that smallholder farmers remain on the land, productivity of maize increased in order to eliminate the food deficit, reduction of maize imports, ensure availability of maize and household food security.

- c) There was concern on the lack of a comprehensive agricultural and national land policy that addresses the development and commercialisation of smallholder farmers on Swazi Nation Land and land fragmentation, loss of agricultural land due to poor planning, urbanization and other uses.

Stakeholders recommended that the MOAC should speed up the development of the agricultural policy and the establishment of the land policy.

- d) The stakeholders strongly advocated for the maintenance of the single channel importation of maize by the NMC in the short to medium term (2-5 years). The rationale for this position was that maize is the staple food and very strategic to the food security requirements of the Swazi people, and therefore could not be left entirely in the hands of the private sector. The stakeholders felt that it was government's responsibility to ensure that the nation was fed properly.

- e) Stakeholders noted that single channel importation of maize benefited from economies of scale, the maintenance of quality standards and made the collection of statistics on stock levels easy. On the other hand, single channel importation may have led to inefficiencies in procurement, lack of competition for imported maize which may lead to higher prices for the consumer and foster a lot of mistrust from other stakeholders, particularly the millers.
Stakeholders recommended that the price setting mechanism under the single channel importation system should be transparent and information should be disseminated to all stakeholders.
- f) Stakeholders were aware of the inevitability of liberalisation, given the developments within SACU, SADC, COMESA, EU/ACP trade agreements. Therefore they urged both the government and the private sector to prepare the nation for this eventuality.
- g) While preparing for liberalisation, NMC should be commercialised and NAMBOARD restructured in order to respond to the demands of the liberalisation process. The process would transfer all maize regulatory functions to NAMBOARD.
- h) Stakeholders advocated for the establishment of a stakeholder forum that would be fully representative of the maize industry. They further suggested that the Ministry of Agriculture and Cooperatives should appoint a task team to formulate the forum and develop its terms of reference. In order to deal efficiently with maize industry issues, the stakeholder forum needed to have statutory powers.
- i) Stakeholders felt that it was undesirable to have unresolved disputes among themselves, and therefore recommended that efforts be made to reinstate cordial relations and that an arbitration process be established to resolve the current dispute and any other that may arise in the future.
- j) Stakeholders were cognisant of the ever increasing costs of production which contribute to the reduction in the production of maize and recommended that government seriously consider targeted subsidies to smallholder farmers on SNL as a short term mitigation measure.
- k) Stakeholders noted examples of countries, which implement the strategic food reserve policy (Malawi, Zimbabwe, Zambia), and in the formulation of the overall agricultural policy, Swaziland may want to examine the implications of implementing a similar policy.



Impact of recommendations

Recommendations Short term (1-3 years)	Impact
<ul style="list-style-type: none"> a) Single channel importation of maize b) Restructuring and commercialisation of NMC c) Promotion of maize production d) Establishment of a stakeholder forum 	<ul style="list-style-type: none"> ● In the short term the maintenance of the single channel importation will ensure that maize grain trade benefits from economies of scale, quality standards are easily maintained and that statistics on stock levels are easily kept; ● The farmers will be assured of a market for maize at the gazetted price; ● On the other hand, the single channel importation of maize may promote inefficiencies in procurement, lead to higher prices for the consumer due to lack of competitiveness in the procurement of maize, and continue to foster misconceptions among stakeholders, particularly the millers; ● As a buyer of last resort, NMC will have to receive a government subvention in order to fulfill all obligations associated with that role; ● The establishment of a stakeholder forum will: <ul style="list-style-type: none"> - improve relations between NMC and the other stakeholders resulting in millers advising NMC of monthly maize requirements so that it can make informed maize procurement plans, and reduce stockholding costs; - and a restructured NMC may be more efficient and in a better position to keep maize prices close to regional levels - foster self regulation of the maize industry
<p>Medium to long term (4 to 6 years)</p> <ul style="list-style-type: none"> e) Elimination of single channel importation of maize f) Privatisation of NMC g) Restructuring of maize regulatory framework h) Phasing out of maize levy 	<ul style="list-style-type: none"> ● Importation of maize by other millers may improve competition for imported maize leading to lower prices to the consumer; ● Maize stock levels will be difficult to determine and local maize producers will not be assured of a market; ● The maize stakeholder forum and the SNGPA will have to aggressively market maize and maize products and stay competitive within the region; ● Strategic privatisation of NMC will free it from government control, and generate support from the stakeholders who may obtain a stake in it; ● The restructuring of the maize regulatory framework and phasing out of the maize levy will: <ul style="list-style-type: none"> - take a step closer to compliance with WTO regulations, regarding elimination of STE, and with SADC, SACU regulations with regards liberalisation of trade.

At the conclusion of the study, FANRPAN expressed a willingness to assist the Ministry of Agriculture and Cooperatives and the other stakeholders, particularly the National Maize Cooperation and the National Agricultural Marketing Board in order to restructure and align the organisations for liberalisation, the establishment of information systems, and the development of a national agricultural policy.



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I.0 Introduction

The maize marketing study was undertaken by the Food Agriculture and Natural Resources Policy Analysis Network (FANRPAN) to assist the Ministry of Agriculture and Cooperatives to formulate a new maize marketing policy strategy in order to address maize marketing problems that were facing the country.

Maize is the staple food crop in Swaziland. The current marketing policy for maize suggests that the National Maize Corporation (NMC) as a statutory organisation is the sole importer of maize and buyer of last resort. The National Agricultural Marketing Board (NAMBOARD) which is also a statutory marketing organization, issues maize import and export permits. During the 2002 maize marketing season, private traders inundated NAMBOARD with applications for permits to import maize into the country, which is contrary to current policy, which has conferred a monopoly to NMC to be the sole importer of maize.

During the 2002 marketing season, maize prices increased to unprecedented levels in the Southern African region, and in Swaziland, locally produced maize was priced at more than the prevailing SAFEX prices. The increase in maize prices affected consumers very negatively, which brought about a shift in consumption patterns in favour of other cereals, such as rice. The millers were also faced with the high maize prices and the biggest miller, Ngwane Mills stopped buying maize from the National Maize Cooperation (NMC) and purchased maize directly from farmers and also applied for an import permit from NAMBOARD so that they could import cheaper maize than NMC could supply. Prior to this, millers bought most of their requirements from NMC. Incidentally Ngwane Mills is also NMC's biggest customer, buying about 80% of NMC's maize stocks. During this period, Ngwane Mills withheld an outstanding payment due to NMC for maize bought on credit, due to conflicts regarding the maize price. During the season the price of local maize went up to E2060 per tonne, with Ngwane Mills and NMC competing for local maize and constantly bidding higher prices to out compete one another.

The net result of this situation is that these organisations began to experience serious cash flow problems and at one point, NMC stopped buying maize from farmers, and an unsuccessful attempt was made to export maize to other countries in the region, due to the current policy that maize cannot be exported yet Swaziland is in deficit position. The organisations resorted to lawsuits in order to resolve some of the conflicts. NMC took Ngwane Mills to court for failure to settle the outstanding debt, and Ngwane Mills took NAMBOARD to court for failure to issue them with an import permit. The courts ruled in favour of NAMBOARD in the latter case, whilst the first case is still pending.

Quite obviously the whole maize industry is in a crisis due to the current policies and there is need to address the inherent conflicts that exist in the policies for maize production as they may continue in the future seasons. In light of this, FANRPAN engaged the services of two consultants to assist in formulating the country's maize marketing policy strategy that would provide a lasting solution to these problems.

The objectives of the study were to:

- a) Provide a brief background on the agricultural sector in Swaziland and an overview of its structure and performance in the last five years;
- b) Examine current policy strategies and institutional framework for the agricultural industry;
- c) Undertake a detailed analysis of the maize industry in Swaziland, including an overview of the key stakeholders (traders, producers, exporters, parastatals, consumers, transporters, processors input suppliers, etc), as well as major constraints affecting the industry.
- d) Following interviews with key stakeholders, provide recommendations for addressing short-term policy constraints and long term restructuring of the maize industry.
- e) Using the short term maize and farm input supply studies undertaken in other countries (South Africa, Malawi, Tanzania, Zambia and Zimbabwe) and the Oxford Policy Management study (1999), make a comparative overview of marketing policies and strategies in the region.

The methodology employed was to conduct a desk study of available documents on the maize industry and the agriculture sector and conducting interviews of the key stakeholders including the Ministry of Agriculture and Cooperatives. A draft report with recommendations was presented to a stakeholders' workshop on 19th February 2003.

2.0 Background

The Kingdom of Swaziland is a small landlocked country located in Southern Africa and is bordered by Mozambique and South Africa. Swaziland has a total land area of 17364 square kilometres with a population of 980,722 (1997 Census) and an annual population growth rate of 2.9%. Arable land constitutes 11% of total land area.

There are two major divisions in land use type and ownership, the Swazi Nation Land (SNL) and Title Deed Land (TDL) also known as Individual Tenure Farms (ITF). Swazi Nation Land is communal and is allocated by Chiefs to individual Swazi families for their use. Agriculture on SNL is mainly subsistence in nature. Title Deed Lands are owned on freehold or concessions and include commercial forests, farms, estates and ranches. Farming in this sector is mainly commercial.

There are four agro-climatic zones in Swaziland which run longitudinally north-south, they are the highveld, middleveld, lowveld and the Lubombo plateau. The climatic conditions of the zones are summarised in table I.

2.1 Agricultural Sector Overview

The economy of Swaziland is largely dependent on agriculture. The agricultural sector employs 70% of the population and agriculture contributes 12% of Gross Domestic Product (CSO, 2000-2001).

The share of agriculture in GDP has however been declining in recent years. The share of agriculture in GDP fell from 21% in 1985 to 9% in 1995, and in 2001 it was 12%, whereas the contribution of the manufacturing sector has increased from 16% to 36%. Agriculture does remain the key sector in Swaziland's economy directly and indirectly via agro-processing industries. The top three exports in total value over the last five years are edible concentrates, sugar and wood-pulp.

The heavy reliance on agriculture renders economic growth vulnerable to climatic shocks. For example, growth of real GDP per capital fell from 6% in 1990 to a negative rate in 1991/92 during a severe drought that was experienced in the country.

Agriculture in Swaziland is largely dualistic, with mainly subsistence agriculture on Swazi Nation Land and commercial agriculture on Title Deed land. Exports are largely derived from the production of the commercial agriculture sector on TDL which is characterised by relatively high capital intensive, cash-crop production (mostly sugar-cane, citrus fruits and timber), irrigation, leasehold tenure and corporate ownership. In contrast, the traditional smallholder agriculture sector on SNL consists of about 90 000 household-operated farms with an average size of about 1.3 ha, communal tenure, rain-fed technology and an over-concentration on maize production for subsistence.

Sugar cane is cultivated on 44 000 ha in the country and more land is being developed for irrigated cane. Sugar has over the years fetched good export prices, but prices have fallen recently, and this could halt this development.



Cotton, which has been another major cash crop, particularly on SNL, was planted on 11 000 ha in 2000/01. Cotton plays an important role as a cash crop in the drier middleveld and lowveld. Production is however, declining due to poor prices. For example in 1998/99 cotton was produced on 35 000 ha compared to the current 11000 ha.

Other crops grown are citrus fruits (grapefruit, oranges and the soft citrus), pumpkins, sweet potatoes, beans, peanuts, cowpeas, cassava, sorghum, juko beans and vegetables.

Livestock production is a major agricultural activity and cattle are the prime investment asset in much of Swaziland. According to the Annual Statistical Bulletin, cattle numbered 586 367, whilst there were 296 000 goats, 15 700 sheep, 36 700 pigs and 1.7 million poultry. Farmers, particularly on SNL are however, reluctant to sell good quality cattle unless forced by economic or climatic conditions. Swaziland has a quota to export 3360 tons of beef to the EU, however it only manages to export a small fraction of this. In 2000 exports of beef to the EU amounted to 665 tons.

2.2 Economic Performance

The Swazi economy performed strongly during the 1980s, averaging nearly 6% per annum growth between 1985 and 1990, with a peak of about 13% in 1986/87 (IMF 1997). Strong economic growth was based on favourable conditions for foreign direct investment (FDI), including the country's political stability, tax incentives, liberal regulations and profit remittances, and the existence of sanctions imposed on South Africa that resulted in the relocation of businesses to Swaziland.

Swaziland is a member of the Southern African Customs Union (SACU) and the Common Monetary Area (CMA). SACU members include Botswana, Lesotho, Namibia, South Africa and Swaziland and membership permits the free movement of goods and services through the Union. The CMA is identical except for Botswana, and it allows the free movement of capital throughout the area. SACU receipts constitute about 50% of total Swazi government revenues (16% of GDP in 1997/98).

After a number of years of economic growth and prosperity, the country now faces the challenge of slow growth, characterized by stagnating investment and a high rate of population growth and unemployment. Government revenues are falling while expenditure continues to grow in real terms. Over the past few years average real GDP has hovered close to the population growth rate estimated at 2.9% (CSO 2001). In other words, real per capita incomes have remained stagnant in the mid 1990s.

Swaziland is classified as a lower middle income country with a per capita income of US\$1 360. However per capita income of the poorest 40% of the population is only US\$230, and 66% of the population live below the poverty line. The income distribution is skewed, with about 43% of the total income received by only 10% of the population.

Growth in foreign direct investment (FDI) has fallen from 22% in 1992 to 0.5% in 1997 (IMF 1997). A marked slow-down in new FDI in Swaziland has followed the peaceful political transition and removal of sanctions against South Africa as many businesses redirected savings and investment to directly access the South African market. SACU revenues which have supplied about 50% of total Swaziland's government revenue are also projected to decline.

The budget for fiscal year 2002/2003 projects a deficit of E654.4 million, which is 5.5% of GDP. Total revenue including grants is estimated at E3 329.6 million, and total expenditures at E3 984 million. The total external debt at the end of fiscal year 2001 was US\$314 million. Swaziland's balance of payments recorded an overall deficit of E45.9 million in 2000 after 5 consecutive years of surplus.

The average unemployment rate in Swaziland (1995) is estimated at 22% with the problem being seriously worse for the age group 15-49 as their levels are above 40%. The problem is worse in rural areas (25%) than in urban areas (15%). The closure of major manufacturing companies in the urban areas, retrenchment in South African mines, and limited domestic employment opportunities are some of the key causes of such a high unemployment rate. The employment Bureau of Africa (TEBA), the recruitment agency for South African mines, secured jobs for only 650 Swazis in 2001, compared with 11 500 in 1997.

The average inflation rate in 2001 was 7.5%, with a peak in December to 10% due to a sharp depreciation of the Rand against major currencies. It is expected that the rising oil and food prices will add more pressure on consumer prices and push the inflation rate to higher levels.

Swaziland's currency, the Lilangeni, pegged at par with the South African Rand has continued to decline against the dollar since 1998/99. During the fiscal year 2001/02, it fell over 38% against the US dollar.

Furthermore Swaziland is facing a serious HIV/AIDS epidemic, the highest in the region. The national prevalence rate is estimated at 34.2% amongst pregnant women for the year 2000. The highest infection rates are found among the 15-49 years age group, who form the skilled and productive segments of society, particularly within the agricultural sector.

The government of Swaziland's remedial measures to the ailing economy are contained in the National Development Strategy (NDS) and the Economic and Social Reform Agenda (ESRA).

3.0 Current Policy Strategies and the Institutional Framework for the Agricultural Industry

3.1 Agricultural Policy Thrust

Since independence in 1968, the main goal of Swaziland's agricultural policy was to achieve food security and self-sufficiency (maize being the main focus), as well as to increase the exports of sugar and forestry products. The implementation of this policy has largely been in the form of 3-year rolling National Development Plans designed to provide flexibility to the Government in responding to changes in the internal and external economic circumstances.

The net negative impact of the implementation of the agricultural policy has included:

- a) The persistent and wide gap in the contribution of SNL and TDL agriculture, especially in terms of cropping pattern, marketing orientation, access to inputs and productivity;
- b) Limited involvement of the private sector in output and input marketing as well as the provision of agricultural services;
- c) Insufficient attention paid to rural infrastructure;
- d) Crowding out of the private sector due to the establishment of marketing and import monopolies;
- e) Widespread food insecurity due to high administered price of maize.

The MOAC is in the process of reviewing and developing the agricultural policy. The Director of Agriculture indicated that the process has already commenced and that it is projected for completion in 2004.

In 1995, Government adopted a Livestock Development Policy to promote greater contribution of the livestock sub-sector to the nation's wealth and prosperity. The policy advocated commercialisation of the livestock sector; intensive and cost effective measures of livestock production and health care as well as improvement in range management practices. The policy also advocated for the formation of community livestock groups, including schemes by women and youth as the main vehicle for development.



The Forest Act was enacted in Parliament in 2001. This policy advocates for ensuring sustainable management and conservation of forest resources and products; promoting soil conservation and diversity of forest management and products; and utilisation of wattle plantation and indigenous forests on a sustainable basis.

In 1993, the Government started the preparation of the National Development Strategy (NDS) and completed it in 1997 in order to provide a long term (25 year) macro-economic and development strategy covering the whole range of the national economy. The NDS included governance and public sector management, economic management, physical infrastructure, agriculture and rural development as well as other social and economic services. Specific to agriculture, land and rural development, the NDS addressed the root causes of agricultural stagnation in the smallholder sector. To this end the NDS focuses attention on:

- a) Creating appropriate conditions for the emergence and strengthening of smallholder farmers as a commercially oriented sub-sector;
- b) The role of the public sector in supporting, facilitating and catalysing smallholder and community initiatives relating to agricultural diversification, intensification and commercialisation, notably including promoting access to and the sustenance of private sector services;
- c) Community involvement and participation in the management of natural resources, including wildlife and game parks, soil conservation, appropriate land use and effective water use management;
- d) Maintenance of essential and sustainable public sector functions in support of smallholder development, but on a cost-recovery basis and with a number of service activities devolved to competent private sector and civil society agencies;
- e) Support to private sector service operations through the elimination of price distortion, institutional separation of regulatory and commercial functions, as well as the removal of direct responsibility of non-commercial functions from public commercial enterprises.

Major elements of the agricultural policy in Swaziland are food security at the household and community levels; commercialisation of agriculture on Swazi Nation Land; efficient water resource management; and rational land allocation and utilization (National Development Strategy, 1999).

3.2 Institutional Framework

Swaziland's principal institutions for agricultural development are the Ministry of Agriculture and Cooperatives and its associated parastatals (the National Agricultural Marketing Board, The National Maize Corporation and the Cotton Board), as well as the Swazi Bank and the Enterprise Trust Fund (ETF) for their involvement in agricultural credit.

Private sector companies largely supply agricultural inputs.

3.2.1 Ministry of Agriculture and Cooperatives

The mandate of the MOAC covers the overall policy and development of the agricultural and livestock sectors. The technical services of the ministry are organised into two departments (Agriculture which include extension services) and Veterinary Livestock Services, three major divisions/sections (Agricultural Research, Land Use Planning and Economic Planning and Analysis), and a Directorate of Cooperative Development.

The Ministry of Agriculture and Cooperatives (MOAC) also provides farmer services to promote maize production, which include extension services, research, soil testing services, and grain storage extension services.

Maize mills in the country are licensed by the MOAC, whilst the Marketing Advisory Unit which is part of the Economic Planning and Analysis (EPAS) section has the responsibility of recommending the producer price and the National Early Warning Unit (NEWU) makes crop forecast for maize.

3.2.2 National Maize Corporation

The National Maize Corporation is a parastatal organisation which was established in 1985 under the Companies Act of 1912 and, unlike most parastatals, there is no special Act of Parliament which established it. The two major shareholders of NMC are the Ministry of Agriculture and Cooperatives and National Agricultural Marketing Board. NMC is classified as a "Category A Public Enterprise" according to the Public Enterprises (Control and Monitoring) Act of 1989, and it generates enough income to cover its running costs and therefore receives no annual subvention from Government. The NMC was established for the purpose of guaranteeing a market for local maize farmers and of providing good quality maize meal to the Swazi people.

NMC purchases local maize, which amounted to slightly over 5500 tons during the 2001/2002 marketing season, and imported the balance of its requirements, which in 2001/2002 amounted to about 41 000 tons.

Presently the NMC enjoys a monopoly of being the sole importer of maize grain. NMC currently procures imported maize through the South African Futures Exchange (SAFEX) by tendering for supplies. The efficiency with which NMC conducts this maize procuring exercise determines the wholesale maize price in the whole country, given that they are the sole importers of maize grain. Some stakeholders have questioned the degree of NMC's efficiency and transparency in the procurement of maize, more especially after NMC increased the price of maize by 25% from E1865/ton to E2330/ton in April 2002. This led to Ngwane Mills demanding an import permit from NAMBOARD in spite of the current policy set up. This matter is presently in court, where Ngwane Mills is seeking redress on it.

3.2.3 National Agricultural marketing Board

The National Agricultural Marketing Board (NAMBOARD) was established by the Act of Parliament number 13 of 1985 for the purpose of regulating imports of scheduled agricultural products. Products included in the schedule are maize and maize products, rice, fresh vegetables and fruits, wheat and wheaten products, poultry and poultry products. The functions of NAMBOARD are:

- Registering wholesale distributors, importers and exporters of scheduled products;
- Requiring importers and exporters to obtain a permit, require information, determine quantity, quality, grade and class that shall be subject to control;
- Prescribing and collecting permit fees and imposing such levy as may be appropriate on the value of scheduled products.

In implementing the regulation, NAMBOARD collaborates with the department of Customs and Excise, which is a government department in the Ministry of Finance. The department of Customs and Excise is the one with the highest power to enforce whatever restrictions may be necessary and NAMBOARD actually depend on them for enforcement.

Currently the applicable levy rates for all the scheduled products are as shown in table 2. Due to the escalating maize prices in the 2002 season, the levy rates for maize was reduced to one percent of the value of imports.

NAMBOARD also operates the Encabeni Fresh Produce Market, which trades in fresh vegetables, fruits and poultry products. NAMBOARD has both a regulatory role and a trading role, which means that it is classified as a state trading enterprise (STE) as defined by the World Trade Organisation (WTO).



4.0 Analysis of the maize industry

4.1 Maize production

Maize is the staple food of Swaziland and it is the main crop grown by the vast majority of the smallholder sector; largely for subsistence purposes. Maize is the most predominant crop grown on SNL, as it occupies 80 percent of total area under crop production. Most maize in Swaziland is produced in the middleveld, which produces 45 percent, followed by the highveld, with 28 percent, the lowveld with 23 percent and the Lubombo Plateau with 4 percent.

Most production of maize takes place on Swazi Nation Land (SNL), where the average land holdings are small. Despite a strongly articulated official policy of food self-sufficiency and relatively favourable agro-ecological conditions for maize production over much of the country, maize production in recent years has generally been declining as illustrated by table 3.

Data on maize produced on TDL is not readily available as the annual agricultural survey, which is the primary source of this data only covers production on SNL. Maize production on TDL is estimated to cover 857 ha mainly in the Southern part of the country. Production is carried out by a few commercial farmers, and by Dalcrue Agricultural Holdings, a company owned by Tibiyo TakaNgwane, who also produce maize on 210 ha of land in Gege and the Shiselweni farms.

Maize production is constrained by the small size of landholdings on SNL, variability of rainfall, soil acidity, inadequate draft power during the planting season and the escalating costs of production.

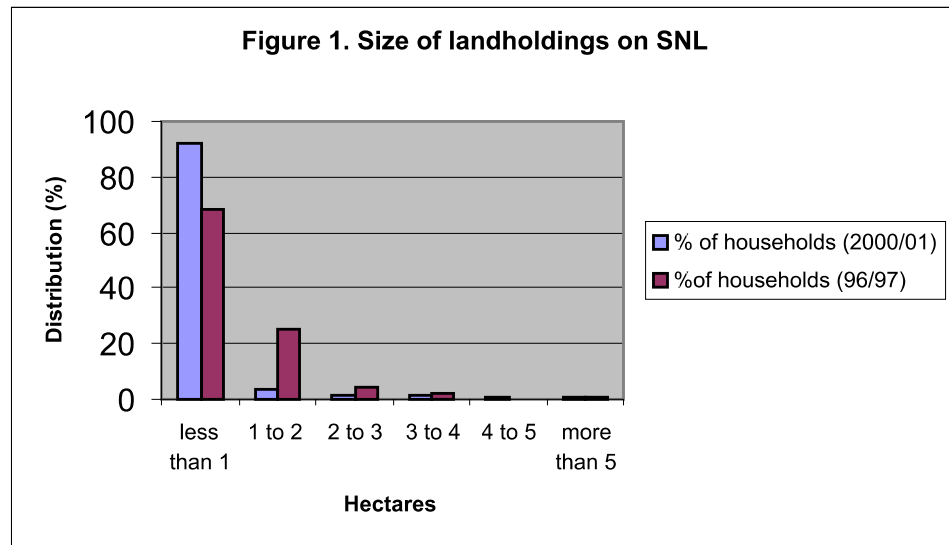
Swaziland regularly faces erratic weather, often characterised by prolonged dry spells that severely affects crops during the critical flowering stages. In 2000/2001 up to the current 2002/2003 season, this phenomenon continued to occur. During the 2001/2002 cropping season for example, the rainfall was normal in the early part of the season (September and October). In November, the rainfall was higher than normal (152% in the Highveld and 270% in the lowveld). However during the latter half of December, as the crop was tasselling, the rains tailed off, with totals falling below normal for all regions of the country, particularly in the lowveld, dry middleveld and Lubombo. The lowveld was very hard hit, receiving only 21 and 24 % of its long time average rainfall for February and March.

In an effort to mitigate against some of the factors that constrain smallholder maize production on SNL, farmers through the assistance of NMC, formed a Swaziland National Grain Producers Association (SNGP) in 2000. The association's membership presently stands at 3416 farmers on SNL. The objectives of the association is to assist members to improve maize yields, commercialise maize production, exchange information and to represent maize farmers at all forums where they need to be represented.

Through the assistance of NMC, members of the association have access to credit for maize production, through a credit guarantee scheme lodged with the Enterprise Trust Fund.

4.1.1 Size of landholdings on SNL

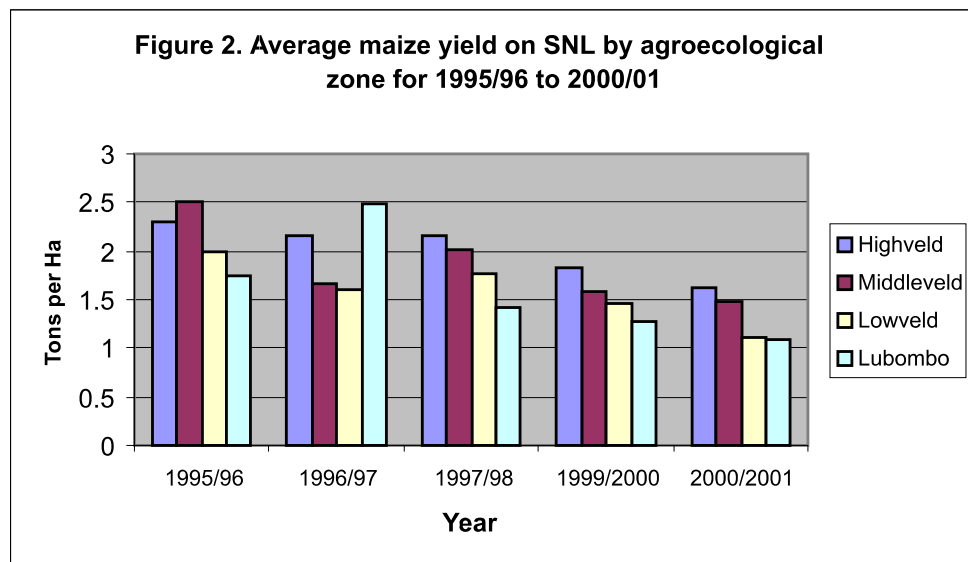
The size of landholdings on SNL are small and are becoming fragmented further as population pressure on the land mounts. In 2000/2001, land holdings less than 1 ha in size constituted of total landholdings on SNL. Figure 1 illustrates this information and also shows that the size of land holdings per household is decreasing with time. For example in 1996/97, land holdings less than 1 ha were 68% of total land holdings whilst in 2000/2001 these small holdings had increased to an incredible 92 %. Larger land holdings measuring 1 to 2 ha were 25% of total land holdings in 1996/97, whilst in 2000/01 they had decreased to 3.3%. Swazi Nation Land is obviously being fragmented at an alarming rate, probably due to population growth and with dire consequences to smallholder agriculture in the country.



Source: Swaziland Annual Agricultural Survey, 2000-2001

4.1.2 Maize yields

Maize yields on SNL are very small and have declined substantially compared to the average of the last 5 years. In 2000/2001 average yields were 1.33 T per ha, whilst the 5 year average was 2.5 T/ha. Figure 2 indicates that yields vary between the four agro-ecological zones with the highest yields occurring in the highveld and middleveld. The high yields recorded in Lubombo during the 1996/97 season by the agricultural survey may have been due to errors in data collection.



Source: Swaziland Annual Agricultural Survey, 2000-2001



During interviews, producers on TDL in the highveld indicated long time average yields of 5.5 T per hectare under rain-fed conditions and 8T/ha under irrigation.

4.1.3 Maize gross margins

Traditionally maize has not provided a high financial return compared to other crops. With the increase in maize prices, the position has changed, as illustrated in Table 4. SAFEX prices have declined from the time they were above E2000 per ton level to about E1300 per ton in February 2003. Even at that level the situation had improved compared to E850 to E900 per ton in previous years.

4.1.4 Constraints of maize production

The constraints of maize production can therefore be summarised as follows:

- a) **The small size of land holdings on SNL.** The average size of landholding on SNL is 1.3 ha, and land is continuing to be fragmented into even smaller units with time. This limits the area on which maize or any other crop can be produced.
- b) **High dependence on rainfall for production of maize.** The rain has become very erratic, with prolonged dry spells, which limits soil moisture and seriously affects the yield of maize.
- c) **Soil acidity in the highveld and middleveld areas of Swaziland.** Soil acidity or low pH reduces the availability of nutrients in the soil and cause root stunting.
- d) **Inadequate draft power due to the fact that most farmers (57%) on SNL use tractors for ploughing the land.** The supply of tractors often cannot meet the heavy influx of demand for tractors after rains begin to fall due to production being dependant on rain.
- e) **The escalating cost of production, mainly the cost of fertilizer and seed, limits adequate application of this technology, with the net result of low maize yields.** Maize yields under rain-fed on SNL is 1.33 T/ha compared to 5.5T/ha in the commercial sector is an indication that there is something amiss with the application of technology. Since land is finite and land holdings are so small, the remaining option to increase production therefore lies in increasing productivity of each unit of land. All the fertilizer used in the country is imported and transported over long distances, further compounding the cost. Despite use of fertilizer amounting to about E18 million and hybrid seed costing a little over E11 million, SNL farmers apply less than the recommended amounts of fertilizers.
- f) **Financial institutions' reluctance to support maize production, particularly on SNL.** Part of the reason has to do with land tenure, which precludes ownership of land on Swazi Nation Land.

4.2 Maize marketing

4.2.1 Maize storage and distribution

During the 1999/2000 maize marketing year, 53 303 tons of maize was produced on Swazi Nation Land. Local maize purchases by the NMC in 1999/2000 amounted to 5,838 tons which meant that close to 50,000 tons of maize was used for subsistence purposes and informal sales.

In the SNL sector, after maize has been harvested, households store their requirements for home consumption. Any surplus beyond own consumption is sold to NMC or through the informal sector. Most maize sales to NMC occur in the period following harvesting, as most producers only store maize for home consumption. This creates a large influx of maize into the NMC silos during the short period from May to August. This is largely a result of the policy framework that sets a constant buying price throughout the year, thus making no incentive for farmers to store maize until the pre-harvest period, when prices are higher.

Approximately 82% of homesteads on SNL have on-farm storage facilities. Most of the maize is stored in metal tanks (67%). However, some is stored in bags (18%), maize cribs (13%), in the ground (0.5%), in concrete tanks (0.4%) and negligible numbers store in woven grass baskets (silulu). Homesteads do have more than one method of storing maize.

NMC operates five silos with a total capacity of 23 500 tons. The silos are located in all the four administrative regions of the country. The biggest silos with a capacity of 20 000 tons are located at Matsapa where NMC have their main offices. The other satellite silos are at Ntfontjeni (Hhohho region), Ngwempisi (Manzini), Madulini (Shiselweni) and Kalanga (Lubombo). The total capacity of the satellite silos is 3 500 tons, with Ntfontjeni having 1400tonnes and the other three with a capacity of 700tonnes each. Maize collected by the four depots is eventually shipped to Matsapa for further storage and sale. All the depots except for the one at Ngwempisi and the Matsapa silos are equipped with maize drying facilities which enable NMC to accept maize with up to 18% moisture content.

The intake of local maize at the NMC grain silos has been declining due to stiffer competition for local maize and declining national production due to unfavourable weather conditions (Table 5).

4.3 Maize Milling

Prior to 1985, commercial maize milling in Swaziland was effectively a monopoly of the Swaziland Milling Company, a private sector company owned by the investment group, SWAKI. The mill operated under license on condition that it purchased all locally produced maize at a guaranteed floor price gazetted each year by the government.

In 1985, under pressure from cheap import, SWAKI threatened to terminate its agreement with government and close the mill. This resulted in the establishment of the National Maize Corporation (NMC), a parastatal whose objectives were to guarantee a market for local maize farmers at competitive prices and to provide good quality maize meal at reasonable prices.

A complex system was developed whereby the Central Cooperative Union (CCU) was responsible for buying maize at the regional silos, while NMC bought maize at the central silos in Matsapa. The silos at Matsapa received all the maize from the regional silos and also bought maize directly from farmers. All the silos were managed by the MOAC's Crop Storage Section. This resulted in a situation whereby NMC and CCU were involved in maize trading, but lacked control over storage of their grain.

Maize continued to be milled at the Swaziland Milling Company mill, which was now leased by NMC, with SWAKI contracted to manage the mill on its behalf. In effect, SWAKI continued operating the mill as before, but under more favourable terms as the financial risks were borne by NMC.

The relationship between NMC and SMC was terminated in 1995 when the Matsapa mill was returned to SWAKI, and NMC was no longer involved in maize milling, but concentrated on the purchase, storage and marketing of maize.

In 1997 the SMC stopped milling maize and sold the mill to Ngwane Mills, a private sector company, which is also produces wheat flour. Although there are four other commercial maize millers, Ngwane Mills, located in Matsapa is by far the largest, and enjoys a virtual monopoly on maize milling. The five commercial mills currently mill between 40 000 and 45 000 tons of maize per annum with the largest miller doing about 80% of total maize milled and the other four sharing the remaining 20%.

The small commercial mills are Universal Milling also located in Matsapa, Nkonyeni Milling located in Sidvokodvo and Dalcrue Holdings in Malkerns. Ngwane Mills produces the most popular brand, Ligugu and Top Score; Universal produces the Emandla brand; Nkonyeni Milling, the Ingwe brand and Dalcrue the Lijaha brand. Other brands that exist in the market are Ingwazi, Umdlandla and Umnotfo.



The largest miller produces two types of meal: the super refined meal (62% extraction rate) and the roller meal or special meal (85% extraction rate). The proportion of super maize meal and special maize meal is about 10% and 90% respectively. The other millers produce predominantly the special maize meal.

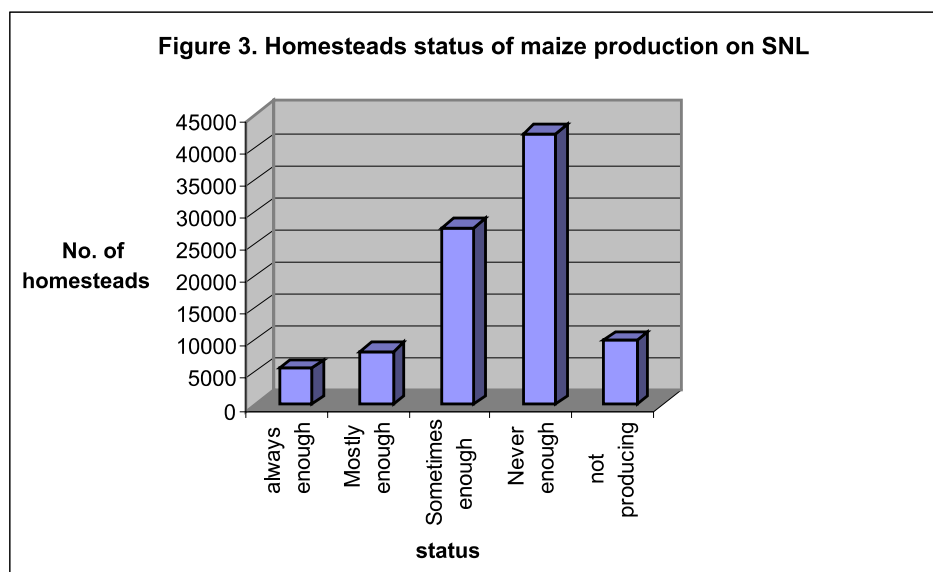
With more than 80% of total maize production consumed or marketed through informal channels, small hammer mills and small roller mills are located throughout the country. In recent years there has been a mushrooming of small roller mills, presently estimated numbering forty-five. These mills do not mill and sell maize meal but provide a milling service to the local population mainly for home consumption. The quality of maize meal produced by these mills has improved considerably in recent years compared to the straight run (98% extraction rate) meal produced by hammer mills, so that even urban based people purchase maize grain and have it milled for them instead of purchasing maize meal from the supermarkets in the towns. This has been seen mainly as a cost cutting measure given the escalating prices for maize meal. The increase of millers in the rural areas is quite desirable because it enhances food security at these areas.

4.4 Consumption of maize

Maize is the staple food of the Swazi people. It is estimated that maize provides 64% of average per capita calorie intake. Other cereals consumed are wheat and rice which have in the past accounted for 10% and 1% of calorie intake respectively (SADC,1997). Rice and wheat are being consumed in increasing quantities, particularly in urban areas and together they have been estimated to account for about 25% of cereal consumption. Neither of these grains are produced in Swaziland in significant quantities and at present the economic prospects for domestic production are questionable.

The level of maize production is dependent upon rainfall and vulnerability to drought means that much of the population remains inherently food insecure. In recent years, most people living in the drought stricken areas of the lowveld have survived on emergency drought relief.

At the household level most maize producers are net buyers of maize. Out of the 93 949 homesteads on SNL, only 6% indicated that they always have enough maize; 8.8% indicated that it is mostly enough; 29.3% that they sometimes have enough; 45% never have enough and 10.7% are not producing. Figure 3 illustrates this trend that about 85% of the rural population never have enough maize for home consumption and thus have to purchase maize or maize meal from the shops.



Source: Swaziland Annual Agricultural Survey, 2000-2001

The current high prices for the staple therefore hits hardest at the majority of Swazi people, and adversely impacts on their food security status. The level of maize consumption compared to levels of production and imports over the past 14 years is shown in table 6.

The hike in maize prices has seen maize meal being more expensive than rice. This trend will have an effect on the consumption habits of the Swazi people.

4.5 Maize Prices

Until the 2000/2001 maize marketing season where maize prices increased threefold, maize has not been a very attractive crop for TDL producers, due to the low maize prices. Higher returns could be gained from the commercial production of sugar, citrus or pineapple.

Maize prices increased dramatically in 2001/2002 maize marketing year from the previous year averages of between E750 and E1000 per ton. Maize prices in the Southern African region reached an all time high during the 2001/2002 season. In February 2002, contracts traded above E1950 per ton. Local maize prices reached unprecedented levels, up to E2330 per ton. The maize price increase was influenced by the following factors:

- a shortage of white maize in the Southern African region due to a drought that was experienced in most countries in the region and the decrease in area planted in some major maize producing countries in Southern Africa, notably Zimbabwe;
- The NMC imported relatively expensive maize earlier in the season, and being the sole importer of maize, their price therefore influenced the local maize price. The NMC price structure was also influenced by high financing costs due to high interest rates.
- Competition for local maize ensued between the NMC and Ngwane Mills.

The increase in maize prices has revived a lot of interest in maize as a commercial crop. The gross margins in table 3 demonstrate the increased viability of maize in a higher price regime. Some producers are considering production with irrigation. The likelihood is that maize production in Swaziland during the coming years will change dramatically and the shortfall in production may be wiped away and a surplus production may arise. This of course is dependent on the sustainability of high prices.

A quick survey of retail prices of maize-meal and rice in the supermarkets indicated that maize-meal is now 9% more expensive than rice. This will have a profound effect on the consumption habits of the local people. Table 7 illustrates this data for the most popular brands of maize-meal and rice.

4.6 Maize policy and market interventions

From independence (1968) until recently, the Government of Swaziland has intervened in the maize sector with the objective of increasing self-sufficiency in the production of the country's staple food. This policy has involved interventions in the marketing, milling and importation of maize, and the implementation of a guaranteed minimum price for producers.

Since 1995, government began a series of policy and institutional reforms under the Maize Marketing Improvement Project (MMIP). The MMIP has resulted in the following reforms:

- Withdrawal of government from maize milling through the termination of NMC's lease with the Swaziland Milling Company;
- Restructuring NMC to become an impartial maize purchasing, handling and storage company;
- Transfer of ownership and responsibility for the operation and maintenance of government silos from MOAC grain storage section to NMC;
- Rehabilitation and expansion of the silo capacity at Matsapa from 12 000 to 20 000 tons.



In 1999, the MOAC engaged the Oxford Policy Management (OPM) to review the role, functions and ownership structure of NMC, in which the consultants advocated for the complete liberalisation of Swaziland's trade in maize and maize meal. The consultants saw no value in protecting the local maize industry, because it was so meager, and the controls only served to inflate food prices.

The OPM recommended that government should remove NMC's monopoly on the imports of maize and maize meal and that there should be a low or zero levy on imports of maize and maize meal. These recommendations were never implemented, despite government having adopted them.

4.6.1 Maize import controls

Maize imports are regulated by NAMBOARD as detailed in section 2.2.3 of this report. Currently only the NMC is allowed to import maize and no imports of maize meal are allowed. Import permits have however been issued to the National Disaster Task Force (NDTF) for the importation of food aid.

During the course of this study, NAMBOARD indicated that they were hampered in implementing import controls due to inherent weaknesses in their legislation. The effectiveness of controls were dependant on the department of Customs and Excise and not on their own abilities, which often compromised controls.

NAMBOARD often had no formula to determine the maize levy, so that means levies have often been set arbitrarily. It would appear that the levy is viewed as a source of income rather than a duty imposed as a temporary measure to protect an infant industry.

Swaziland will soon be under scrutiny as the new SACU agreement and the SADC Trade Protocol are advocating for the removal of non-trade barriers such as import permits and levies. These non-trade barriers can only be used when protecting infant industries. Article (29) and (32) of the new SACU agreement clearly stipulate that additional duties/levies as defined in Article (1), should be paid into the Common Customs Revenue Pool.

4.6.2 Price policy

The current price policy instrument for maize is the pan-territorial and pan-seasonal floor price that is gazetted each year. Government's objective was to ensure that the floor price did not fall below import parity. NMC as a buyer of last resort, guarantees to pay the gazetted price for all maize supplied by farmers. The gazetted floor price for the last four years have been E650/ton in 1998/99, E700/ton in 1999/2000, E750/ton in 2000/2001 and in 2001/2002. Effectively the floor price has remained unchanged in real terms.

It is doubtful that the price policy has offered meaningful protection to the farmers in Swaziland, judging by the stagnant nature of the industry.

4.7 Marketing Constraints

The majority of Swazis are net buyers of maize/maize products, therefore what happens in maize marketing affects the food security status of the majority of the people, whether they are maize farmers or not. Section 3.4 of this study indicates that 85% of the rural population (678 560 people) together with the urban dwellers (221 643 people) which totals about 900 203 need to purchase maize/maize products and are therefore affected by market prices and other market conditions. In this context therefore, the following are seen as constraints to maize marketing:

- a) The single channel importation of maize grain is problematic because the whole country depends on the performance of the one importing organisation, in this case NMC, to obtain the best deal possible. If NMC commits an error in maize imports purchasing, the country lands in an unfavourable food supply position.

- b) The formation of NMC as a private company, albeit owned by government, compels it to work for a profit, and also subjects it to taxation. This tends to preoccupy this organisation with maximising profit margins, resulting in burdening consumers with high prices.
- c) NMC carries a large maize storage facility, that is costly to maintain and also stores maize for long periods whilst millers purchase as and when they require maize. This results in high stockholding costs. Maize financing costs are also high. In 2001/2002 some millers started purchasing maize directly from farmers, leaving NMC stranded with maize already purchased.
- d) The regulatory mechanism is weak due to a weak enabling legislation and lack of capacity in NAMBOARD. NAMBOARD often sets maize levies arbitrarily, without a sound scientific basis. Furthermore, maize levies are not utilised to strategically address shortcomings of the industry. Stakeholders are not adequately represented in NAMBOARD, for effective stakeholder regulation in the industry.
- e) The lack of quality/grading standards for maize may subject maize consumers to sub-standard maize from local producers and from imports.
- f) Maize stakeholders do not have a forum where they can pro-actively address matters of common interest. Stakeholders often meet to deal with a crisis and thereafter disband. The crisis experienced in 2002 could have been dealt with at a stakeholder forum before a crisis of such enormous proportion had developed.
- g) The virtual monopoly enjoyed by the largest miller, encourages high milling margins which result in high maize meal prices.
- h) High maize /maize meal prices compared to rice are encouraging the consumption of rice over maize, and this may irreversibly change consumer eating habits to the detriment of maize industry in the country. Moreover, Swaziland, has limited or no capacity to grow rice.

5.0 Grain marketing reforms: Some lessons from the Southern African Development Community

5.1 Background

White maize is the essential consumption staple for the majority of the people of the Southern African Development Community (SADC) region. It is central to the grain production and marketing systems and dominates any discussion on food security in the Committee of Ministers of Agriculture. The overriding food security issue in the SADC region is not only the need to increase national food production, but also the need to enable a number of very poor households in both the rural and urban areas to access grain as well as other foods.

Food security is obviously influenced by a number of factors. Access to food is determined by food availability, income, physical location and the capability of households accessing various transfer mechanisms. Much of the region, however, is not well suited for maize production. Rainfall patterns and agro-ecological zones are not really conducive to the growing of maize - yet maize is grown everywhere.

Endemic droughts the region is very prone to, often expose the vulnerability of the countries in the region to over-reliance on maize as a staple. The situation is often compounded by governments' inability to deal effectively with such situations partly because of policies that make it very difficult to respond to such scenario. Very often, government's role through its agents such as the marketing boards operating as parastatals, hampers effective maize marketing.

Liberalisation, deregulation, and restructuring of the grain marketing system to make it more competitive, less costly, more efficient and less hampered by government controls has been undertaken in a number of SADC countries with varying degrees of success. There remains an important role for government in assuring food security and in contributing to smooth market operations through providing over time a conducive policy environment. The transition to a new marketing system needs to be planned more systematically and be more carefully managed.



5.2 Market reforms

In many countries, the marketing of grains has been the first major agricultural service to be liberalised due to the prior existence of parallel markets and because grain marketing boards have imposed major and unsustainable financial burdens on governments. The measures to liberalise grain trade included; ending marketing monopolies, reducing or removing subsidies and price controls, eliminating impediments to private sector participation and the removal of restraints on foreign trade.

While there are number of countries in the SADC region that have undertaken grain market reforms, South Africa can provide valuable lessons to Swaziland on the implementation of grain marketing reforms.

5.2.1 Zimbabwe

Prior to independence in 1980, agricultural marketing was highly centralized, controlled and interventionist. The agricultural marketing system consisted of monopoly control over pricing, purchasing, sales, imports, exports, and other related aspects of marketing. The Grain Marketing Board (GMB) was the state agency designated to control all grain marketing with maize being the principal product. The GMB monopoly on domestic and foreign trade provided farmers with an assured market and protected them from competition.

With the implementation of the Economic Structural Adjustment Programme (ESAP) in 1991, there was a move by government to end the control exerted by parastatals such as the GMB on the economy

The change of orientation of agricultural policy following independence in 1980 resulted in the role of the Grain Marketing Board becoming one that was much more concerned with the development of the smallholder sector. From 1980 to 1986 there was tremendous expansion of depots and collection points. Producer and consumer subsidies were increased in the 1980s pushing GMB purchases from smallholder farmers from 86 000 tonnes in 1980/81 to 819 140 tonnes in 1985/86.

Grain marketing reforms

During the ESAP implementation period, agricultural marketing policy was directed towards meeting four related objectives:

- To increase the level of efficiency of marketing food and other crops to reduce marketing costs in order to benefit consumers.
- To reduce and then entirely eliminate the financial deficits of marketing boards and introduce some measures of competition.
- To increase participation of private traders in the marketing of agricultural products including maize.
- To allow greater scope for market forces (market functions could be undertaken by private institutions in the absence of controls).

The Grain Marketing Board would continue to set the floor price of maize for producers to sell directly to the GMB and would also ensure that maize would be freely available at all depots to any buyer or trader in order to encourage greater competition in the market place for maize meal. .

The Government then transferred the responsibility of the operations of the marketing boards from the Agricultural Marketing Authority (AMA) to new independent boards of directors. The GMB was given the mandate of;

- Buying maize as a residual buyer
- Holding the strategic grain reserve of the nation and selling commercially the excess to strategic reserve requirements
- Storage of grain for private traders
- Purchase and distribution of inputs (developmental function that can be passed on to the Agricultural Rural Development Authority (ARDA).

Further recommendations were made that the policy covering imports and exports be reviewed with the expectation to making some adjustments and improvements to the import and export procedures in order to encourage broader participation in maize marketing.

Reversals to grain market reforms

Unfortunately, during the last three years, reversals to the widely researched policies that were beginning to bear fruit started happening. What had been a progressive deregulation and liberalization of grain marketing over a period of at least ten years was to suffer a major setback in only a relatively short period.

5.2.2 South Africa

The regulation of the South African market started in the 1920s with the system of cooperative marketing pools followed by the system of export quotas in the 1930s. Crop failures in the 1940s caused very high prices and to protect consumers, government fixed domestic producer and consumer prices. This marked the emergence of the single channel marketing system for maize in South Africa. Producers delivered to boards at prices set by government, boards sold to processors at set prices and processors sold to consumers at set prices. The marketing boards were the sole importers and exporters of maize.

Market reforms

The failure of the single channel marketing system was caused by a number of factors including inflation which increased production costs to be higher than export parity. This caused boards to discount producer prices in order to cover production losses, and resulted in increasing the gap between producer and consumer prices which eventually led to both producers and consumers bypassing the system. There was also increased political pressure and growing belief among producers, consumers and academia that a free market would cure all problems.

The government committed itself to a free market by repealing an old act with a new act in 1996 and by 1997, the single channel marketing system control boards were abolished.

5.3 Lessons

The South African case shows that the ability of a free market to perform depends on commitment by government not to influence the pricing process, commitment of the private sector and the efficiency of market instruments. Market instruments comprise of estimates, estimates of production, consumption figures, year end stocks which should be fairly accurate and should ideally be done by government.



6.0 Recommendations for addressing short-term policy constraints and the long term restructuring of the maize industry.

Liberalisation of the maize industry should be the ultimate objective of the Swaziland government in line with the SACU, SADC trade protocol and the WTO. The Oxford Policy Management study in 1999 recommended that NMC's monopoly on imports should be removed and that there should be a low or zero levy on maize grain and maize imports. These recommendations were not implemented despite the fact that the MOAC had adopted them. The approach to liberalisation should be gradual so as not to shock the system, and to allow stakeholders to acclimatize to changes and make the necessary adjustments in order to cope under the new policy regime.

The hostile atmosphere between stakeholders needs to be addressed urgently, because the conflicts hurts the industry. The Ministry of Agriculture needs to actively promote a stakeholder forum to address stakeholder concerns and to build consensus.

6.1 Recommendations for the long term restructuring of the maize industry (4-6 years)

The main features of the long term restructuring of the maize industry should be the elimination of the single channel importation of maize grain, the privatisation of NMC and the restructuring of the agricultural regulatory structures in Swaziland and the phasing out of the levy on maize and maize products.

6.1.1 Elimination of the single channel importation of maize grain and gradual relaxation of maize meal import restrictions

This will involve the removal of NMC's monopoly on maize imports to allow millers and other parties to import maize grain. The importation of maize grain would not be totally without restriction, because it would be prudent to maintain quantitative import controls in order to protect local maize producers. The millers would be issued import quotas by NAMBOARD based on the size of the local maize crop. The specific mechanism of implementing this type of control would have to be worked out in consultation with all stakeholders.

The local maize milling industry still needs to be developed, with the establishment of many smaller mills encouraged, as opposed to one large monopolistic milling operation. For that reason imports of maize meal should be liberalised at a slower rate than maize grain.

6.1.2 Privatisation of NMC

The commercial aspects of NMC should be privatised completely. This is in keeping with the government's privatisation strategy, and it would free the corporation to conduct their business without undue interference from government and also provide an avenue for the empowerment of stakeholders, particularly maize producers. The privatisation of NMC should be strategic in that local farmers and other industry stakeholders, should be given a stake in the company, through some empowerment schemes affordable to local stakeholders. A consortium of maize producers and indigenous business could be formed to take advantage of this opportunity.

NMC needs to find a niche for itself under these new arrangements, which could include both horizontal and vertical integration. The diversification of NMC's business to milling is a possibility and the inclusion of other cereal grains and legumes in their portfolio of products are other possibilities.

6.1.3 Restructuring of the maize regulatory framework

The regulatory framework for maize should be restructured in order to accommodate the changed role of NMC, foster self regulation by the industry, offer some protection to local maize producers and create a system for resource mobilization, research, provision of market information, and the promotion of the industry. The regulatory body should therefore have no commercial interests, but have a purely statutory role.

The regulatory body should implement quantitative controls of maize imports in order to ensure that local maize has a market. The regulatory board should issue import and export permits for maize and maize products on condition that millers purchase local maize at prices related to SAFEX. The regulatory body in collaboration with the MOAC, should publish SAFEX prices and provide market related information for the benefit of the maize industry as a whole. It is necessary to ensure that border controls are made extremely effective.

At the beginning of the season, the regulatory body should, inform the industry of price projections for the year, to serve as a guide to the producers, and encourage millers to have production contracts with the producers. The Swaziland National Grain Producers Association should be the link between millers and smallholder farmers.

The Board of the regulatory body should be truly representative of the stakeholders i.e. producers, millers, traders, consumers etc., supported by a team of qualified technicians from government for proper analysis of policies and the trading environment. The Maize Marketing Advisory Committee (MMAC) should be reconstituted into a stakeholder advisory committee that would advise the regulatory board on maize industry related matters. NAMBOARD should be restructured in order to be able to carry out the functions suggested for the regulatory body, or a separate organisation could be established for this purpose.

6.1.4 Maize levy

The maize levy should be phased out gradually in the time allowed for the liberalisation process. Funds generated by the levy should finance the maize development strategies suggested above. Otherwise the industry and stakeholder forums should mobilize resources in order to support the industry.

6.2 Recommendations for addressing short term policy constraints (1 to 3 years)

Whilst putting into place the structures for the new policy regime, the following is recommended in the short term.

6.2.1 Single channel importation of maize

Maintain the single channel importation of maize grain for the next year or two, and continue to restrict maize meal imports. At the start of the 2003/2004 season, and subsequent maize production seasons, MOAC in collaboration with the stakeholder advisory committee and NMC should establish and publicise the gazetted price, a projected SAFEX price for the year and a projected Swazi Farmer price. Any adjustments on the pre-season price projections should be announced at least quarterly to producers. These prices should guide the farmers on what to expect during the course of the season.

The NMC should conduct its business in a transparent and industry related manner. Presently there is a lot of enmity between NMC and the biggest miller. Cordial relations must be restored and NMC and its customers should enter into back-to-back contracts in order to guide the NMC in procurement of maize.



NAMBOARD should continue issuing import permits for maize to NMC, and making the levy available to support liberalisation of the maize market, particularly in researching and publication of market information, and in supporting the formation of the stakeholder forum.

6.2.2 Restructuring of NMC

Restructure NMC with a view to prepare the corporation for operation under the proposed liberalisation and to prepare it for privatisation, taking into consideration the recommendations of the Task Force that was established at the end of 2002 to look into the operational and structural problems facing the NMC.

The Task Force was set up at the same time that this study commenced, and unfortunately, the report has not been released, yet it would have provided an insight into NMC's operations, and thereby influenced the recommendations made here.

6.2.3 Promotion of maize production

The government should in the short-term speed up the development of the agricultural policy in order to address issues related to the fragmentation of land on SNL, low soil pH, and the risk associated with rain-fed agriculture.

Despite the fact that most Swazis are net buyers of maize, rural dwellers still benefit from cultivating maize, and their food security position is enhanced. Because of the high percentage of unemployment and therefore the lack of disposable incomes, most people in the rural areas do not have much in terms of resources, but the land and their labour. Therefore the support of smallholders in maize production directly promotes the food security of the majority of people in Swaziland.

6.2.4 Stakeholder forum

A stakeholder forum should be established as a matter of urgency, in order to advise government on policy issues in the maize industry. The liberalisation proposed here will need to be monitored and fine-tuned during implementation. The forum can serve as a barometer for government to quickly get feed back on developments. The forum can also lead the policy debate at the industry level. The forum should be composed of producer representatives, both large and small. The SNGPA could well represent the smallholder farmers in the forum. The forum should also be comprised of millers, traders (wholesale and retail), input suppliers, consumers etc. FANRPAN could be requested to assist in this exercise because they have experience on how other countries have set up similar bodies.

6.3 Recommendations by stakeholders

Following presentation of the study, stakeholders brought up the following issues and recommendations:

6.3.1 The stakeholders expressed concern on the consistent failure by the country to meet local maize requirements, due to low yields, poor crop husbandry practices, lack of access to finance and reliance on rain-fed production.

The stakeholders recommended that all parties concerned should address this matter and reverse the decline in maize production. Government was particularly urged to review the proposals that have been made in the past, such as the implementation of the liming programme.

6.3.2 Maize is the staple food of Swaziland and therefore it is a strategic commodity, and as such policy recommendations should ensure that smallholder farmers remain on the land, productivity of maize increases in order to eliminate the food deficit, reduction of maize imports, ensure availability of maize and household food security.

- 6.3.3 There was concern on the lack of a comprehensive agricultural and national land policy that addresses the development and commercialisation of smallholder farmers on Swazi Nation Land and land fragmentation, loss of agricultural land due to poor planning, urbanization and other uses. *Stakeholders recommended that the MOAC should fast track the development of the agricultural policy and the establishment of the land policy.*
- 6.3.4 *The stakeholders strongly advocated for the maintenance of the single channel importation of maize by the NMC in the short to medium term (1-3 years). The rationale for this position was that maize is the staple food and very strategic to the food security requirements of the Swazi people, and therefore cannot be left entirely in the hands of the private sector. It is government's responsibility to ensure that the nation is properly fed.*
- 6.3.5 Stakeholders noted that single channel importation of maize benefits from economies of scale, the maintenance of quality standards, and it makes the collection of statistics on stock levels easy. On the other hand, single channel importation may lead to inefficiencies in procurement, lack of competition for imported maize which may lead to higher prices for the consumer and foster a lot of mistrust from other stakeholders, particularly the millers. *Stakeholders recommended that the price setting mechanism under the single channel importation system be transparent and information be disseminated to all stakeholders.*
- 6.3.6 Stakeholders were aware of the inevitability of liberalisation, given the developments within SACU, SADC, COMESA, EU/ACP trade agreements. Therefore they urged both the government and the private sector to prepare the nation for this eventuality.
- 6.3.7 *While preparing for liberalisation, NMC should be commercialised and NAMBOARD restructured in order to respond to the demands of the liberalisation process. The process would transfer all maize regulatory functions to NAMBOARD.*
- 6.3.8 *Stakeholders advocated for the establishment of a stakeholder forum that would be fully representative of the maize industry. They further suggested that the Ministry of Agriculture and Cooperatives should appoint a task team to formulate the forum and develop its terms of reference. In order to deal efficiently with maize industry issues, the stakeholder forum needed to have statutory powers.*
- 6.3.9 Stakeholders felt that it was undesirable to have unresolved disputes among themselves, and therefore recommended that efforts be made to reinstate cordial relations *and that an arbitration process be established to resolve the current dispute and any other that may arise in the future.*
- 6.3.10 Stakeholders were cognizant of the ever increasing costs of production which contributed to the reduction in the production of maize and recommended that government seriously consider targeted subsidies to smallholder farmers on SNL as a short term mitigation measure.
- 6.3.11 Stakeholders noted examples of countries which implement the strategic food reserve policy (Malawi, Zimbabwe, Zambia), and in the formulation of the overall agricultural policy, Swaziland may want to examine the implications of implementing a similar policy.

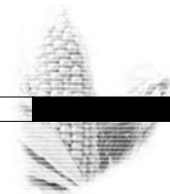


6.4 Summary of recommendations and suggested time frames

Recommendations	Time frames
a) Set up arbitration process to resolve current conflicts among stakeholders	March 2003
b) Establish task team to set up stakeholder forum composition and the forum's terms of reference	March 2003
c) Establish stakeholder forum and institute process to formalize it	April 2003
d) Publicize maize base price, the projected SAFEX price, and a projected price for local maize producers	May 2003, and every April of subsequent years
e) Publicize maize regional maize prices and local prices	Quarterly beginning in 2nd quarter of 2003
f) Maintain single channel importation of maize	2003/2004 to 2005/2006 seasons
g) Restructure and commercialise NMC	From April 2003
h) Restructure maize regulatory framework	From April 2004
i) Phase out maize levy	Over the 5 year period beginning in 2004
j) Elimination of single channel importation of maize	Starting in 2005/06 season
k) Maize production recommendations <ul style="list-style-type: none"> ● Land policy ● Agricultural policy ● Liming recommendations ● Input supply subsidies 	These matters should be addressed as a matter of urgency and relevant MOAC departments should address them holistically.

6.5 Impact of recommendations

Recommendations Short term (1-3 years)	Impact
<ul style="list-style-type: none"> i) Single channel importation of maize j) Restructuring and commercialisation of NMC k) Promotion of maize production l) Establishment of a stakeholder forum 	<ul style="list-style-type: none"> • In the short term the maintenance of the single channel importation will ensure that maize grain trade benefits from economies of scale, quality standards are easily maintained and that statistics on stock levels are easily kept; • The farmers will be assured of a market for maize at the gazetted price; • On the other hand the single channel importation of maize may promote inefficiencies in procurement, lead to higher prices for the consumer due to lack of competitiveness in the procurement of maize, and continue to foster a lot of mistrust from other stakeholders, particularly the millers; • As a buyer of last resort, NMC will have to receive a government subvention in order to fulfill all obligations associated with that role; • The establishment of a stakeholder forum will: <ul style="list-style-type: none"> - improve relations between NMC and the other stakeholders resulting in millers advising NMC of monthly maize requirements so that she can make informed maize procurement plans, and reduce stockholding costs; - a restructured NMC may be more efficient and in a better position to keep maize prices close to regional levels - foster self regulation of the maize industry
<p>Medium to long term (4 to 6 years)</p> <ul style="list-style-type: none"> m) Elimination of single channel importation of maize n) Privatisation of NMC o) Restructuring of maize regulatory framework p) Phasing out of maize levy 	<ul style="list-style-type: none"> • Importation of maize by other millers may improve competition for imported maize leading to lower prices to the consumer; • Maize stock levels will be difficult to determine and local maize producers will not be assured of a market; • The maize stakeholder forum and the SNGPA will have to aggressively market maize and maize products and stay competitive within the region; • Strategic privatisation of NMC will free it from government control, and generate support from the stakeholders who may obtain a stake in it; • The restructuring of the maize regulatory framework and phasing out of the maize levy will: <ul style="list-style-type: none"> - take a step closer to compliance with WTO regulations, regarding elimination of STE, and with SADC, SACU regulations with regards liberalisation of trade.



Statistical Annex

Table 1 Climatic Conditions of the agro-ecological zones of Swaziland (Annual Statistical Bulletin, 1999)

Agro-ecological zone	Area (sq. km)	Average altitude (m)	Temperature degrees Celsius)	Rainfall (mm)
Highveld	5029.5	1300	Min - 10.2 Max - 22.5	1016-2285
Middleveld	4597.5	700	Min - 14.3 Max - 25.6	762-1193
Lowveld	6416.2	200 Max- 28.9	Min - 14.7	508-890
Lubombo	1321.2	700	Min - 14.3 Max - 25.6	635-1016

Table 2. Scheduled products and the applicable levy rates

PRODUCTS	
1. Maize excluding seed maize, yellow maize and popcorn	3-4.5%
2. Maize products excluding processed poultry and animal feed	5-10.5%
3. Rice	3.5%
4. Fresh fruits excluding apples, pears, peaches and banana	6.5-7.5%
5. Apples, pears, peaches and grapes	3-4.5%
6. Banana	6.5-25%
7. Fresh vegetables excluding cabbages, tomatoes, potatoes and seed potatoes	6.5-10%
8. Cabbages, tomatoes and potatoes excluding seed potatoes	6.5-20%
9. Poultry and poultry products including live broiler birds, day-old chicks and hatching eggs	5-15%
10. Wheat	3-5%
11. Wheaten products	7-18%

Source: NAMBOARD

Table 3. Total maize production for the period 1996/97 to 2000/01 in Tons

Agro-ecological zone	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/2002
Highveld	30 630	44 741	45 486	38 721	33 493	31 404
Middleveld	37 134	50 661	39 939	43 514	28 995	23 921
Lowveld	32 527	24 562	17 358	27 627	16 860	7 223
Lubombo	7 916	5 240	4 557	2 917	3 187	2 436
Total	108 207	125 204	107 340	112 779	82 535	64 984

Source: Ministry of Agriculture and Cooperatives; NEWU

Table 4. Maize gross margin under rain-fed conditions at current and previous maize prices
Maize grain gross margin under rain-fed conditions at E900 & E1300 per ton

Income	E900/ton	E1300/ton
(5T/Ha @E1800/T)		6500
(5T/Ha @E900/T)		4500
Operating Costs		
Seed	257	
Fertilizer	1005	
Chemicals	100	
Mechanical Operations	940	
Labour	550	
Total costs		2852
Gross Margin		1648
		3648

Source: Consultant's estimates

Table 5. Intake of maize by NMC silos for the period 1996 to 2001

DEPOT	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/2002
Matsapa	7270	7269	5283	3350	1756	2969
Ngwempisi	0	0	202	801	1193	566
Madulini	113	263	775	505	857	779
Ntfontjeni	742	931	808	785	1211	934
Ka-Langa	0	0	0.96	395	319	330
Total	8125	8463	7069	5836	5336	5579

Source: National Maize Corporation Annual Reports

**Table 6. Maize consumption, production and imports, 1987 to 2001**

Market year	Consumption	Production	Imports	Self sufficiency
1987/88	143845	110345	33500	77
88/89	141058	122858	18200	87
89/90	104064	88964	15100	85
90/91	101539	89639	11900	88
91/92	122920	59320	63600	48
92/93	123671	92971	30700	75
93/94	94215	83815	10400	89
94/95	113357	83567	29700	74
95/96	159390	149190	10200	94
96/97	133114	119028	29700	88
97/98	111900	107185	23215	96
98/99	125500	112456	30764	90
99/00	139000	72000	24794	52
00/01	155700	72500	34330	47

Source: National Maize Corporation Annual reports

Table 7. Comparison of maize-meal and rice retail prices for four supermarkets in Mbabane

Retail outlet code	Rice Price (E/kg) Buhlalu brand	Mealie-meal price (E/kg) Ligugu brand	% difference in maize prices compared to rice prices
1	3.20	3.40	6.25
2	3.98	3.98	0
3	3.35	3.89	16
4	2.85	3.29	15
Average	3.35	3.66	9.31

Survey conducted on 29 January 2003

Annex 2

List of people met

1.	Bongani Hlophe	Marketing Advisory Unit, MOAC
2.	P.K. Lukhele	Director of Agriculture, MOAC
3.	Bhizeni Tsabedze	Chairman, Swaziland National Grain Producers Association
4.	Dharmesh Chandrakat	Universal Milling
5.	S.M. Khumalo	Managing Director, Dalcrue Agricultural Holdings
6.	W. Fakudze	Dalcrue Agricultural Holdings
7.	Kobus Smit	Nkonyeni Milling
8.	S. Zwane	CEO, NAMBOARD
9.	H. Nxumalo	Market Manager, NAMBOARD
10.	E. Nxumalo	Inspector, NAMBOARD
11.	W. Meyer	Maize farmer, Chairman of Maize Marketing Advisory Committee
12.	N.M Nkambule	Principal Secretary, MOAC
13.	S. Nyoni	General Manager, NMC
14.	D. Fourie	Managing Director, Ngwane Mills
15.	T. Pitts	Ngwane Mills
16.	R. Skipsey	Outgoing MD, Ngwane Mills
17.	L. Jacobs	Swaziland Milling Company
18.	H. v.d. Burg	Managing Director, Umlimi Lokhonile Seeds
19.	Manzini District MOAC Extension staff	
20.	Z. Tshabalala	Senior Agricultural Economist, MOAC



Annex 3

Principal Secretary's Speech at Maize Stakeholder's Workshop

Distinguished delegates:

It is my pleasure to welcome you all to this important workshop which is to discuss the report submitted by the Food Agriculture and Natural Resources Policy Network (FANRPAN). You will recall that Government, late last year, engaged the services of FANRPAN to establish Maize Marketing Strategies for Swaziland. This is not to mention that our Maize Industry is operating unprofessionally but some problems, which we encountered along the way, needed some special and urgent attention for the sustainable operation of the industry in a manner that will in the long-run benefit all stakeholders.

Maize is the staple food of Swaziland and it is the main crop grown by the vast majority of the smallholder sector, largely for subsistence purposes. It is the most predominant crop grown on SNL, occupying about 80% of total area under crop production. Most production of maize takes place on SNL where the average land holdings are relatively small. It is unfortunate that maize production in recent years has generally been declining due to a number of factors such as variability of rainfall, poor soil conditions, escalating costs of production, lower financial returns as compared to other crops, to mention but a few.

The maize industry in Swaziland is currently faced with conflicts which necessitated the implementation of this study. The conflicts emanate in part from the in-built structural defects in the current maize marketing policy. Swaziland continues to be a net importer of maize but the situation in the 2002 maize marketing season was one of the worst which saw the country experiencing an excess demand of local maize. This prompted the need to import maize by local millers through NAMBOARD, a statutory organisation responsible for regulating imports of maize and other agricultural products.

Presently, the National Maize Corporation (NMC) is the sole importer of maize and buyer of last resort in the country and the price of locally produced maize has been observed to be higher than that of the South African Future Exchange (SAFEX). Local millers, being rational players in the market, resorted to importing the maize rather than buying from NMC. The higher prices of local maize had some negative externalities in that the consumer price of the end product was also increased resulting in an aggregate shift in consumption patterns to available substitute goods. Millers were also forced to buy directly from farmers, as it was cheaper for them, leaving NMC stranded with their maize and in the process incurring unnecessary storage costs.

In an attempt to resolve these current conflicts, the Ministry of Agriculture and Co-operatives requested FANRPAN to conduct this study to enable Government to formulate a maize marketing policy strategy that would provide a lasting solution to such shortfalls.

Specifically, FANRPAN was mandated to:

1. Provide a brief background on the agricultural sector in Swaziland and an overview of its structure and performance in the last five years;
2. Examine current policy strategies and institutional framework for the agricultural industry;
3. Undertake a detailed analysis of the maize industry in Swaziland, including an overview of the key stakeholders (traders, producers, exporters, parastatals, consumers, transporters, processors, input suppliers, etc), as well as major constraints affecting the industry.
4. Following interviews with key stakeholders, provide recommendations for addressing short-term policy constraints and long-term restructuring of the maize industry;
5. Using the short-term maize and farm input supply studies undertaken in other countries (South Africa, Malawi, Tanzania, Zambia and Zimbabwe) and the Oxford Policy Management study in Swaziland (1999), make a comparative overview of marketing policies and strategies in the region.

We are pleased to announce today that a report has been submitted by FANRPAN and the Ministry has had an opportunity to review it. The report will be presented today to all stakeholders for discussion, which is the aim of today's workshop.

On behalf of MOAC, I would like to pass my sincere gratitude to FANRPAN, and all institutions and individuals that were involved in the study. The exercise would not have been a success without your unbiased contributions which you have channeled towards the completion of this document. May I also mention that the exercise is not complete hence the importance of this workshop which will give us the way forward in finalising the formulation of the Maize Marketing Strategies for Swaziland. With the presence of all stakeholders in the Maize industry today, I am positive that the objectives of today's workshop will be accomplished. I now implore upon all participants to make informed contributions so that our maize industry develops and attains the standard it deserves.

With these few remarks it is my pleasure to declare this workshop officially opened.

I thank you!



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