Strategies To Respond To Food Emergencies And Improved Maize Marketing And Trade Policies In Southern Africa

Food marketing and processing costs account for 50 to 70 percent of the total cost paid by consumers in Southern Africa for staple maize meal. Strategies that can successfully drive down costs within the marketing system can simultaneously raise the incomes of farmers; improve poor people's food security and disposable incomes.

The food marketing systems in much of Southern Africa appear to be increasingly segmented into two channels that are poorly integrated. On the one hand, “formal” marketing channels link commercial farmers to large grain trading, processing, and retailing firms with growing subsidiary distribution networks throughout Southern Africa. By contrast, the “informal” marketing systems in the region, on which most small-scale farmers rely, are generally characterized by:

(a) Spot market transactions with weak mechanisms for market-based risk management;
(b) Weak information systems for reporting local market conditions;
(c) Limited coordination between input, delivery, farm finance, and crop sale, resulting in part from poorly functioning input credit systems, in which non-repayment remains a ubiquitous problem; and
(d) Small businesses with relatively little political influence or voice in the determination of regulations governing the agricultural sector. This contrasts markedly with formal sector firms, which have organized lobbies and are widely perceived as having a legitimate interest and voice in the determination of regulations governing agricultural markets.

The future of the small-scale farming sector’s ability to prosper from maize production and marketing will depend on strengthening the performance of the marketing system serving small-scale farmers, and on integrating the informal marketing system with the more developed “formal” marketing channels that are rapidly expanding in the region.

Grain reserves of a homestead in rural Malawi.

The 2002-2003 food crisis has once more highlighted the vulnerability of the SADC region to weather-related risks and similar shocks. The evolution of maize production over the last 10 years provides a good illustration of this fact, with interannual changes exceeding 2 million metric tonnes, or nearly 40 percent of the highest output level, more than 5 times during that period. The costs of these shocks are very high in terms of their immediate effect on vulnerable segments of the population. The long-term costs are also significant, as they can wipe out in a single year the hard won progress that has been achieved over several years in the fight against poverty.

Furthermore, they lead to higher levels of macroeconomic instability which tend to lower long-term economic growth, which in turn reduces the capacity of the economies to deal with future emergency situations. At the sectoral level, the shocks result in de-capitalization of the smallholder sector, thereby impeding future productivity growth and reducing the capacity of poor households to cope with future shocks.

(continued on page 2)
cost of investments and that of doing business all along the supply chain in the sector. Finally, the sense of urgency surrounding emergency situations tends to generate policy responses, which often have effects well beyond the food and agricultural sectors and the short term. In summary, weather-related shocks of the magnitude and frequency witnessed in the SADC region have far-reaching consequences than the short term suffering of vulnerable groups.

The following are the basic premises and hypotheses for analyses under the proposed maize marketing study:

1. White maize is the main staple crop in the region.
2. Many Southern African countries rarely produce enough maize to feed themselves and often import 2-5 months of their annual maize requirements, more in a severe drought year.
3. South Africa now holds the bulk of the region's surplus white maize, and most countries are increasingly reliant on South Africa. White maize is increasingly plentiful on the world markets, but normally at a higher price and lower quality than generally available in South Africa.
4. Informal marketing channels in most Southern African countries supply the bulk of rural and urban maize consumers in the post-harvest months when supplies from domestic production are available. The informal channels rely mainly on small-scale, and relatively low-cost hammer mills to grind maize into maize meal.
5. When local supplies are depleted, these countries' informal marketing channels become thinly traded, and they do not (or are not able to) source grain from large "formal sector" maize marketing firms.
6. As a consequence of points 1-5, imports and subsequent local marketing of maize during the lean season are predominantly handled through formal marketing channels. These channels feature large-scale roller milling firms, selling mostly refined, expensive, and less nutritious maize meal products compared to the wider range maize products available through small-scale milling and retailing firms of informal channels.
7. South Africa has relatively high farm-to-retail maize marketing and milling margins, and the highest maize meal prices, when compared to other maize-producing countries in the region.
8. Because of high costs in the formal marketing channels, and the tendency for grain supplied by formal sector firms not to be distributed in informal markets, rural and urban consumers - in both South Africa and neighboring countries - pay more for their maize meal than might otherwise be the case with better functioning regional maize marketing and trading systems. These problems appear to exacerbate food insecurity in the region, especially for the poor.
9. Policy actions to better integrate the formal and informal maize marketing channels in the region can increase competition, provide greater access to the range of less expensive maize meal products preferred by low-income consumers, and improve production incentives for small-scale farmers capable of growing a surplus.

To improve food security, FANRPAN is this year participating in studies to improve maize marketing and revive debate on strategic food reserves in conjunction with the Michigan State University (MSU). This article was written by Dr Tobias Takavarasha and Dr T.S. Jayne of FANRPAN and MSU respectively. Details of the study can be obtained by emailing a request to policy@fanrpan.org
1. National stakeholder workshop on the Zimbabwe draft NEPAD/CAAPD Medium-term National (Agricultural) Investment Plan (ZIMTINIP)

Food Agriculture and Natural Resources Policy Analysis Network (FANRPAN) was tasked by the FAO Sub-regional Office for Eastern and Southern Africa, in consultation with the Ministry of Agriculture and Rural Development, to convene a national stakeholder workshop to discuss the draft National Medium Term Investment Plan for Zimbabwe and propose bankable investment projects under the NEPAD-CAAP initiative.

The objective of the workshop was to consult stakeholders on the formulation of the following key project outputs:

i) To formulate a national medium-term investment programme reflecting the commitment to allocate within five years at least 10% of the national budget to agriculture indicated in the Maputo Declaration of Heads of State and Government of the African Union; and

ii) To prepare a portfolio of “Bankable Project Profiles” within priority areas identified in the Maputo Declaration at national level (water control and rural infrastructure) but also in additional areas of national priorities taking account of the specific needs of the country.

This workshop was held on 15-16 March 2004 at ImbaMatombo retreat, Harare, Zimbabwe. To receive the full proceedings of the workshop, email policy@fanrpnan.org.


FANRPAN, in collaboration with its Zimbabwe national node and partner institutions will be holding a one day National Stakeholder workshop with the theme of Food Security and Policy Challenges for Zimbabwe in 2003: Towards a National Consensus on Policies for strengthening Food Security, Recovery & protecting the Vulnerable to be held on Wednesday March 24, 2004 at the Melkies Hotel. The purpose of this workshop is to engage agricultural stakeholders in constructive dialogue reviewing Zimbabwe’s current food security situation and policy challenges with the practical goals of:

(a) Identifying pressing policy challenges experienced in the last years;
(b) Deriving recommendations on effective policy strategies for strengthening food security recovery and for protecting the vulnerable from hunger in 2004/5 and beyond;
(c) Sharing policy recommendations from the workshop widely across our national government and its partners in agricultural development and famine relief to assist them in planning national food security and agricultural recovery policies and programs.

The workshop shall proceed by way of facilitated plenary presentations of prepared papers and business situational outlook briefing followed by working group deliberations on key policy areas. The analytical papers bring insights from specialist policy researchers, famine relief practitioners and from the Food Security policy desk in the Ministry of Agriculture and Rural Development. Furthermore, a panel of key agribusiness service providers and CIVIC organizations shall share practical insights on business challenges and policy recommendations for improving agribusiness contributions to national food security in 2004/5.

The workshop provides an important opportunity for key stakeholders to engage in national dialogue on agricultural and food security policy matters to assist the national government in its efforts to establish a conducive policy environment essential for national food security and agricultural recovery.

(continued on page 4)
3. Policy strategies needed to promote permanent Agricultural recovery and productivity growth in the SADC region 
- Regional stakeholder dialogue

(continued from page 3)

In collaboration with CTA and the Rockefeller Foundation, FANRPAN will be holding a regional high level policy dialogue conference with the theme of Policy Strategies Needed to Promote Permanent Agricultural Recovery and Productivity Growth in the SADC Region, Plaine Magnien, Mauritius 29-30 March 2004. The objective of the dialogue is to enable senior policy advisors to crystallize and reach consensus on the priority issues that need to be addressed to speed up agricultural recovery and deliberate on regional policy recommendations for onward transmission to the Council of Ministers.

EXPECTED OUTPUTS: The expected outputs are:

1. Consensus among Heads of Ministries responsible for food, agriculture and natural resources, agricultural and international research institutions and key donors on strategic policy themes affecting the region.

2. Recommendations to enable and ensure the permanent recovery and growth of the agricultural sector in the region for onwards transmission to the Council of Ministers.

3. A regional action plan for technical and financial support, including support for capacity building to enable Ministries to implement new policies

4. Establishment of a Regular Agricultural Policy Forum for Southern Africa that brings together Heads of Agricultural Ministries and International Agricultural organizations working in the region to monitor progress in the implementation of agricultural policies.

Two keynote papers will be presented the first involving "An Assessment of 2004 food supply Situation and Review of Key Policy Issues Affecting Agricultural Recovery in the SADC Region" and a second one entitled "Towards Formulation of Bankable Action Plans and Investment Projects for the Agricultural Sector in the SADC Region in Conformity with the SADC-RSDR and NEPAD-CAADP". One of the Permanent Secretaries from the region will present a paper on practical experiences and challenges faced by senior policy advisors in the implementation of agricultural policies. Other regional and international strategic partners doing collaborative research in the region will make presentations on relevant topical issues in their research programmes, including a representative of the NEPAD Agricultural Secretariat, International Food Policy Research Institute, CTA and Michigan State University.

Email policy@fanrpans.org to obtain further details. The next issue of the Dialogue will focus on the Regional Stakeholder Dialogue.

Funding of this publication is made possible by (CTA) Technical Centre for Agricultural and Rural Cooperation (ACP-EU). FANRPAN is a regional policy network of the Food Agriculture and Natural Resources Sector in the SADC Region. For further details on the network, please contact: The Chief Executive Officer, FANRPAN, PO Box CY 2765, Causeway, Harare, Zimbabwe. E-mail: policy@fanrpans.org or visit www.fanrpans.org