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Legitimizing Informal Maize Marketing Channels in the SADC Region

There are two maize marketing channels in the Southern Africa region, one for formal grain marketing and processing, and one for informal marketing, which is generally small-scale. The formal sector is often well capitalized, holds most of the storage facilities other than those on-farm, and has strong ties with firms in South Africa and other industrialized countries (e.g., Seaboard, a US firm, owns many large mills throughout the eastern and southern Africa region). The informal sector, on the other hand, is under-capitalized, but usually has lower cost services than the formal sector.

Between 40 and 60% of the cost in maize marketing is borne by consumers of maize meal. Farmers are typically paid about US\$80–\$140 per tonne for maize, while consumers pay \$150–250 per tonne for maize meal. Low-income consumers pay as much as 30% of their income on maize or maize meal.

It is therefore important to strengthen informal trade and improve marketing incentives for small farmers in order to reduce the cost of food for consumers. When maize supplies are available through informal channels, many consumers prefer to buy maize and take it to local small millers for processing. This is a popular option, especially among the urban poor and rural food-deficit households because it is less expensive.

Consumers can save up to 25% on maize meal costs, as long as grain is available in local markets.

Hence, SADC needs public investments and policies that can reduce the cost of marketing and processing and simultaneously help both farmers and consumers.

This was the conclusion of a group of 108 experts in the food, agriculture and natural resources sector, who met during the FANRPAN 2005 Multi-stakeholder Dialogue in Johannesburg.

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