

Market development in Mozambique: Policy issues to enhance the research agenda



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Outline

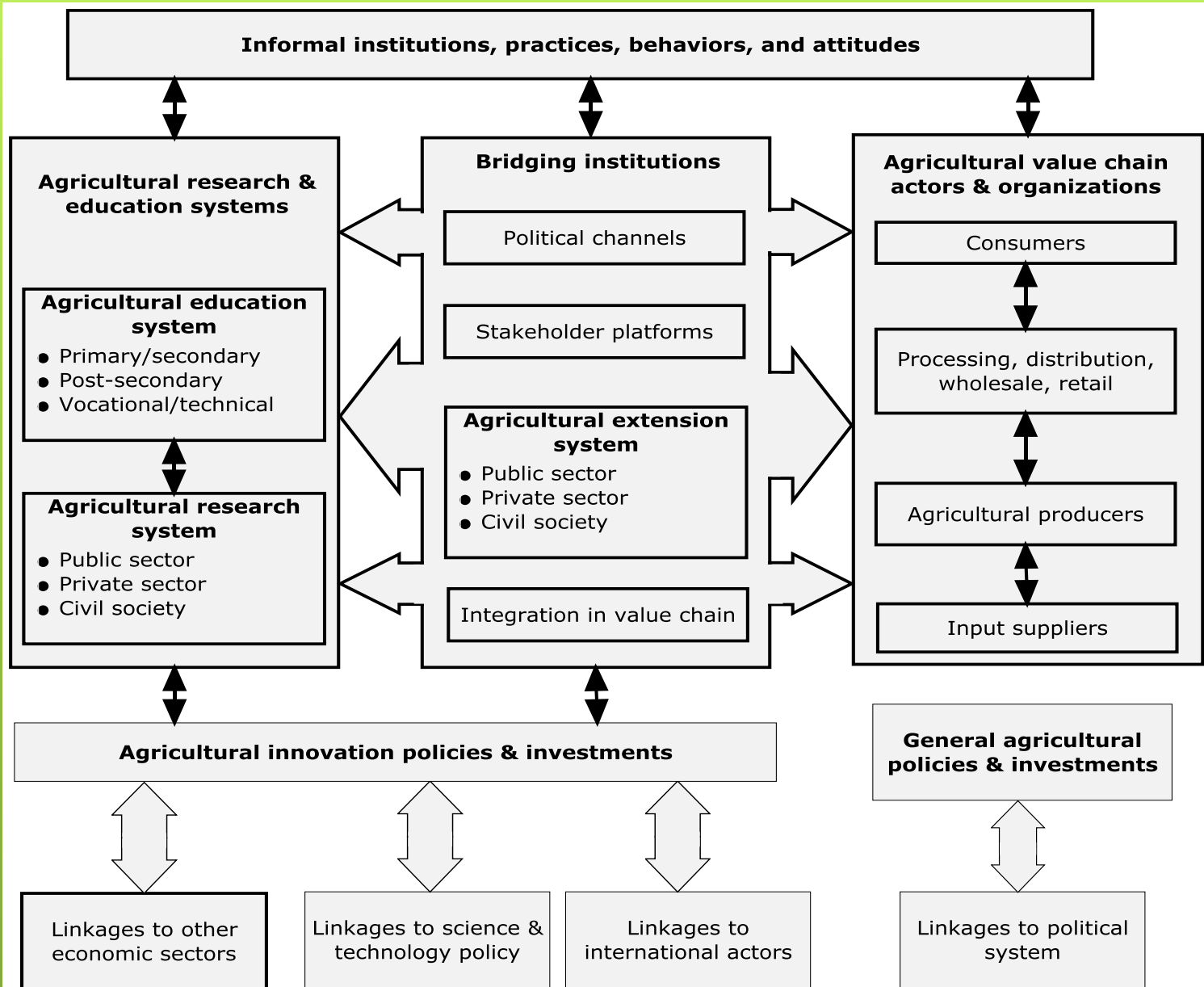
- Urgency: Recent events in Mozambique
- Innovation, markets
- Risks for Mozambican farmers
- Low productivity and use of productivity enhancing inputs
- Policy considerations
- Key questions: Making a difference?



Recent events in Mozambique

- Price increases, including basic food staples, and riots in Maputo in early September 2010, highlighting price risks
 - Poverty reduction has slowed in Mozambique, primarily due to lack of progress in the agricultural sector (*Poverty Evaluation Report*), highlighting challenges to investments for productivity and production growth
 - Market led development has been hindered in Mozambique by the lack of various components (*Agricultural Sector Performance Report*)
 - Infrastructure (good roads, rails, communications, electricity, water)
 - Credit systems
 - Technology access and resources for extension
- ➡ Continued risks at all levels of value chains

Conceptual Diagram of a National Agricultural Innovation System



Source: Spielman and Birner, 2008



Markets and Innovation

- Value chain approach
 - Producers
 - Input suppliers
 - Traders
 - Warehouse agents
 - Consumers
 - Policy environment:
 - Legislation and administrative rules (trade regulations, standards, etc.)
 - Public investments



Example of Tanzania sunflower seeds

- Constraints
 - Lack of improved and sufficient seeds, forcing farmers to use their own seeds
 - Unreliable market and low prices for sunflower seeds
 - Production pests and diseases
 - Inadequate improved tillage implements such as ox plow or tractors
 - Unreliable rainfall
 - Inadequate knowledge of improved sunflower production techniques due to poor extension services
 - Stiff competition from edible oil imports.

Adapted from J. Mgagalile et al, "Tanzania: Sunflower, Cassava, and Dairy"
Chapter 4 in Larsen et al. Agribusiness & innovation systems in Africa. WB. 2009.



Example of Tanzania sunflower seeds

- Strengthening innovation
 - Farmers in small cooperative groups
 - Inputs access
 - Technology access and supervision of cropping to ensure quality
 - Jointly market crops, controlling quality in marketing
 - Processors also incorporating innovations
 - Building stores, filter rooms, and better sanitation systems on their premises as well as facilities for the oil pressing that adds value, competes with imports

Adapted from J. Mgagalile et al, "Tanzania: Sunflower, Cassava, and Dairy"
Chapter 4 in Larsen et al. Agribusiness & innovation systems in Africa. WB. 2009.



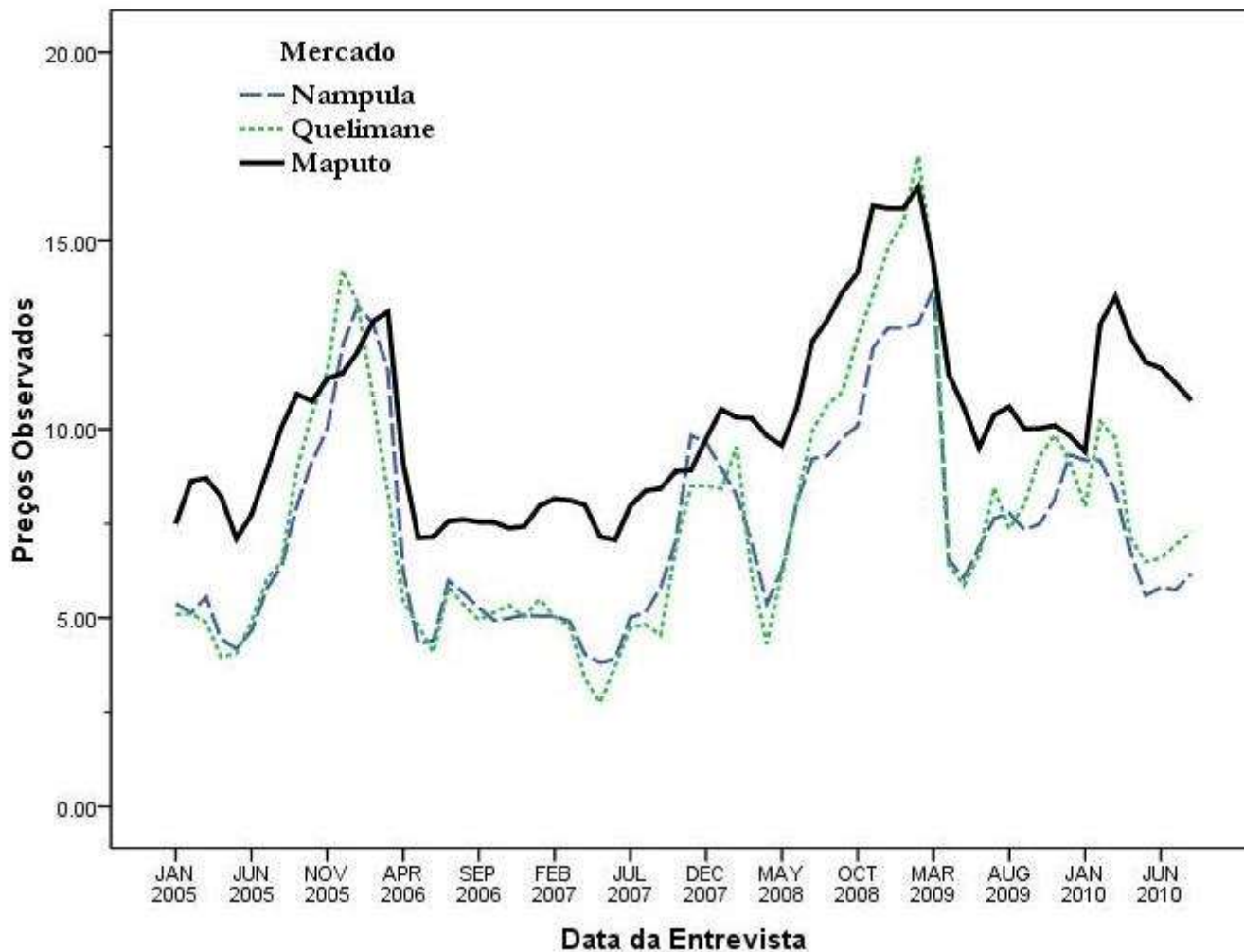
Market-related Risks in the Value Chain

- Changes in supply and/or demand that impact domestic and/or international prices of inputs and/or outputs,
- Changes in market demands for quantity and/or quality attributes,
- Changes in food safety requirements,
- Changes in market demands for timing of product delivery,
- Changes in enterprise/value chain reputation and dependability

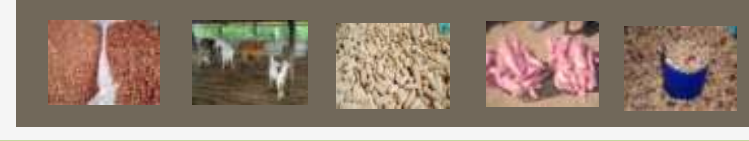
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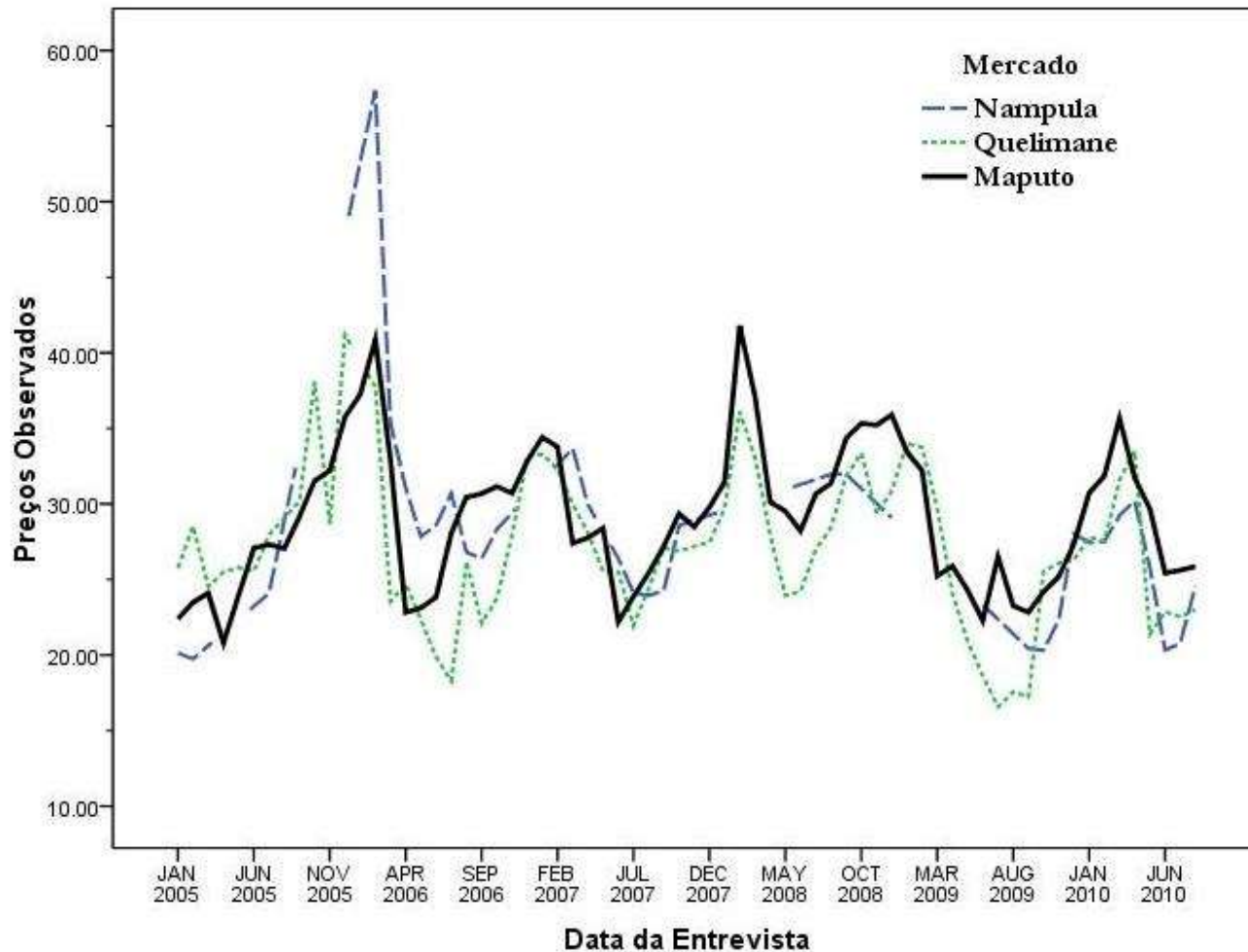
Real monthly wholesale maize grain prices (MTN/kg, base August 2010) Nampula, Quelimane, Maputo, 2005-2010



Source: SIMA.



Real monthly wholesale common bean prices (MTN/kg, base August 2010) Nampula, Quelimane, Maputo, 2005-2010

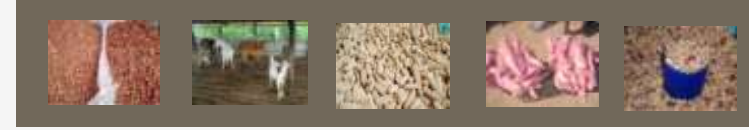


Source: SIMA.

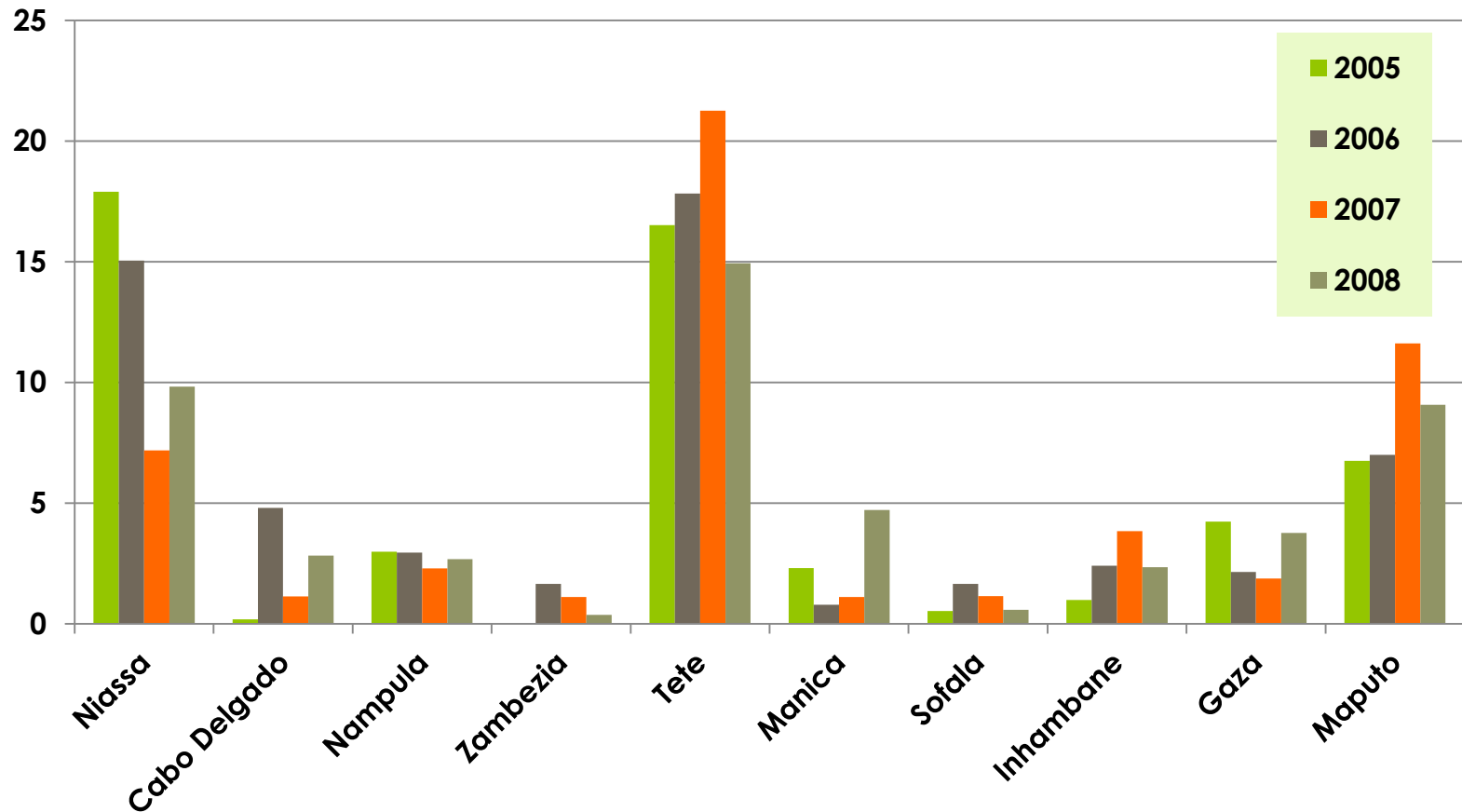


Markets and productivity growth

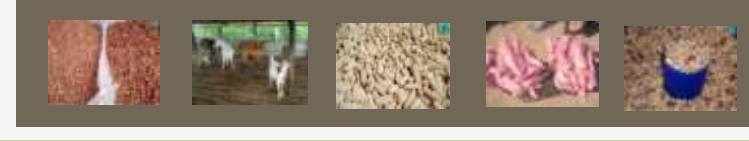
- Lack of productivity growth
 - Farmers are not buying inputs
 - Improved seeds, fertilizers, pesticides, veterinary products
 - Why not?
 - Market-related problems:
 - Availability of the inputs in the markets
 - Funds to purchase inputs (credit, cash income)
 - Risk of low returns (output price risk; low quality inputs)
 - Other problems
 - Knowledge to use inputs to get max return
 - Climate risk
 - Etc.



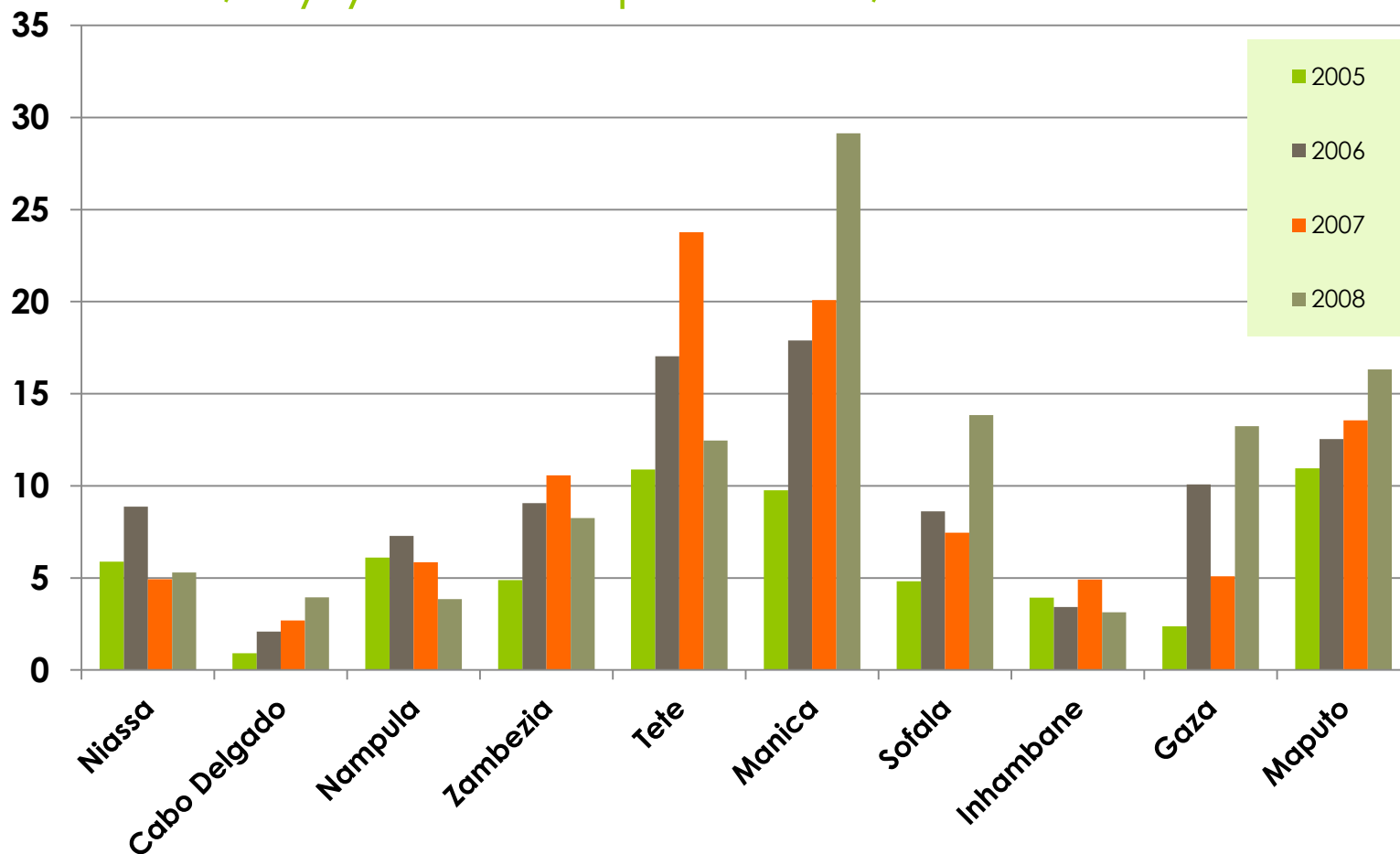
Percentage of farmers using inorganic fertilizers, by Province, 2005- 2008



Source: TIA 2008



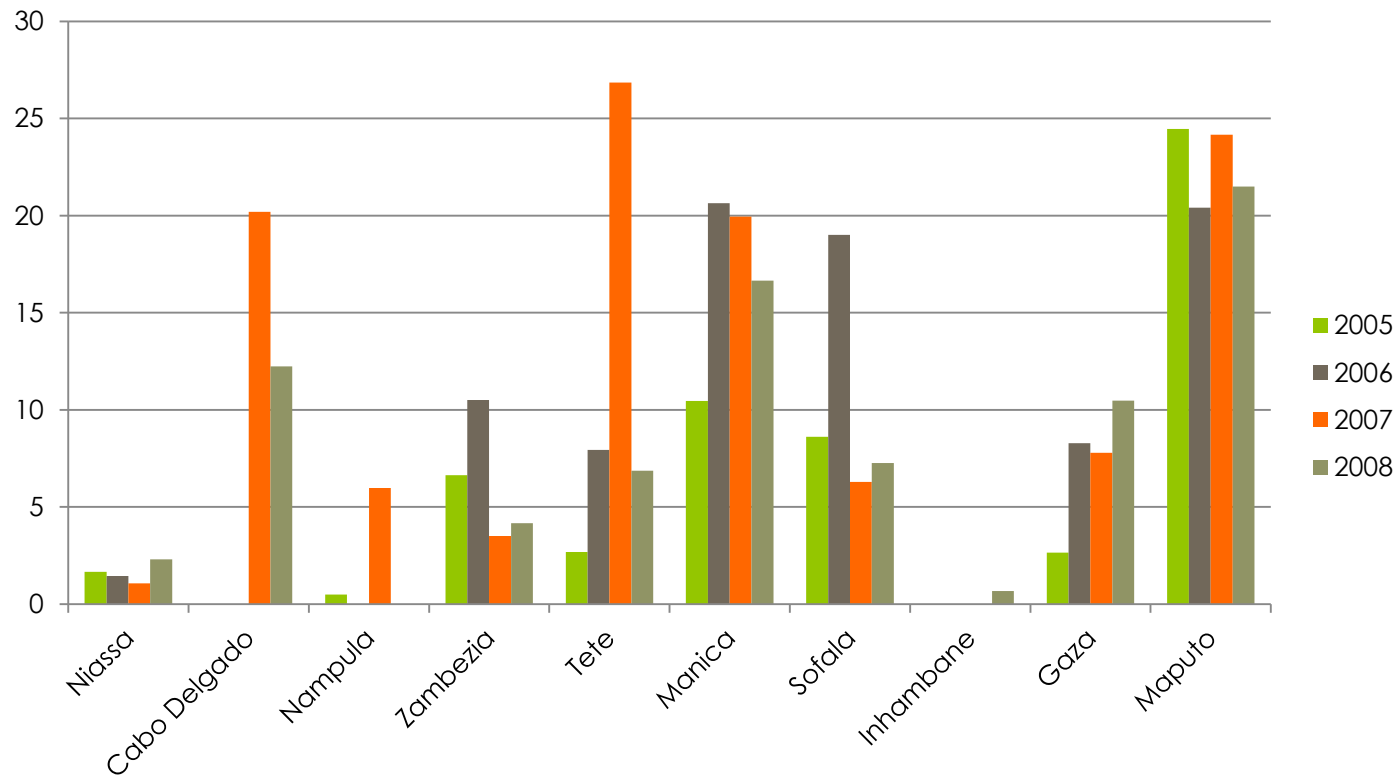
Percentage of farmers using improved maize seed, by year and province, 2005-8



Source: TIA 2005-8



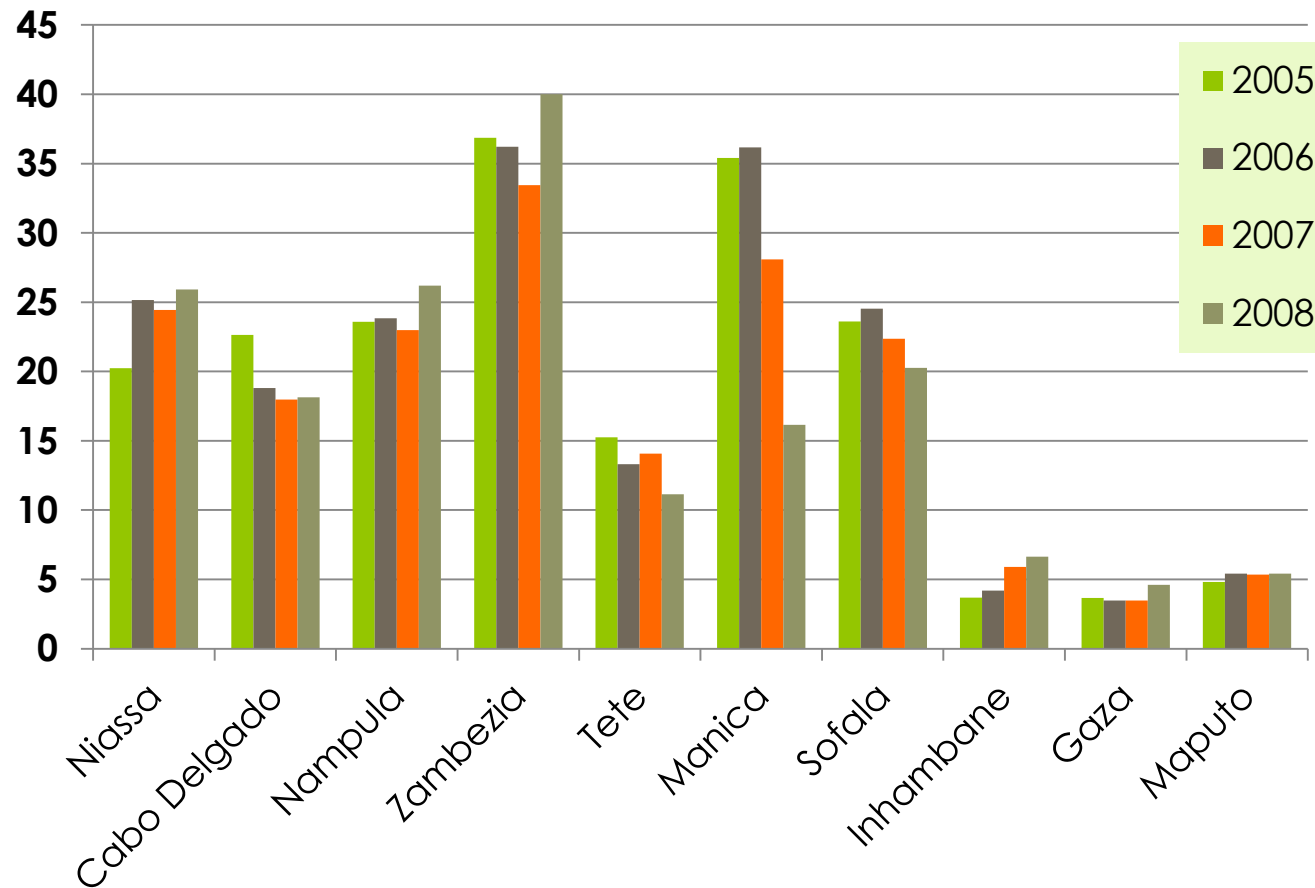
Percentage of farmers using improved common beans seed, by year and province, 2005-8



Source: TIA 2005-8



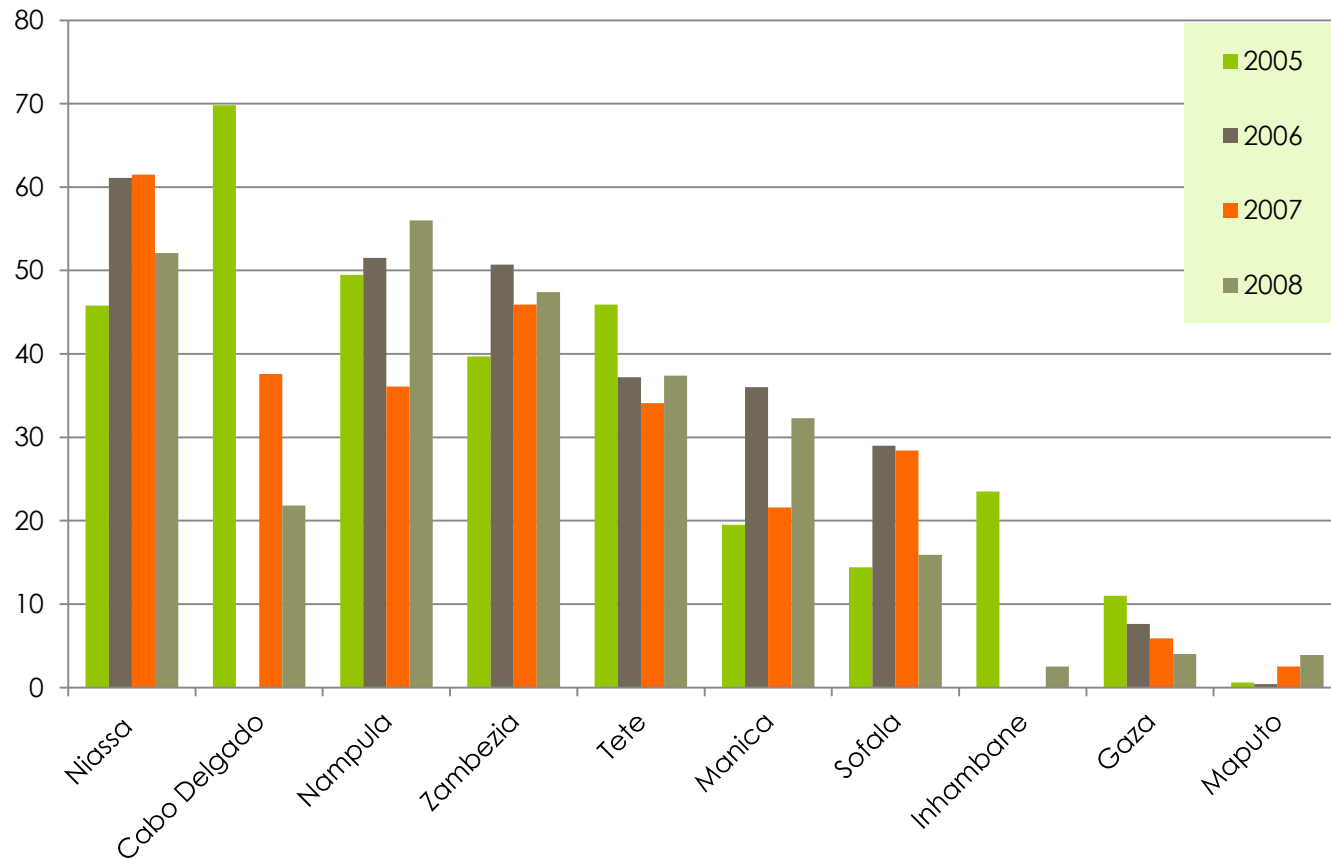
Percentage of farmers producing maize who sell maize, by year and province, 2005-8



Source: TIA 2005-8



Percentage of farmers selling common beans, by year and province, 2005-8



Source: TIA 2005-8



Considerations

- Farmers are participating in the markets (TIA)
- Some farmers buy inputs, with or without credit (TIA)
- When farmers have price information, they have higher agricultural incomes and can gain high prices for agricultural products (Mather 2010)
- Animal traction is associated with higher crop incomes



Policy

- Markets in IIAM Strategic Plan
 - Value chain approach focused on two key aspects:
 - For basic staples: reliable, sustainable, efficient production
 - For cash-oriented production: competitive production
 - Technology development based not just on agro-ecological conditions but also socio-economic conditions
 - Contribute to market competitiveness for private sector investments



PEDSA:

5 specific strategic objectives

- Increase agricultural and livestock production, productivity, and competitiveness
- Improve infrastructures and services for markets and trade
- Foster the sustainable use of land, water, forest and fauna resources
- Ensure legal framework and policies that are conducive to agricultural and livestock investments
- Strengthen agrarian institutions



Other Policies/Strategies

- Markets in Green Revolution Strategy
 - Basically this is a production and productivity oriented strategy
 - Market development for outputs mentioned with infrastructure, information systems, standards/grades, agro-processing
- Markets in the PAPA
 - Government as buyer of last resort
 - Infrastructure investments (for private operators?)
 - Voucher distribution for inputs
 - Market information



Markets in the 5-Year Plan of the Government (Plano Quinquenal do Governo)

- Agricultural sector key strategic objectives
 - Guarantee increase in production and in food security in the country;
 - Increase the productivity of agricultural activities and of the entire value chain
 - Promote (provide incentives) to increase market-oriented agricultural production
 - Promote sustainable use of land, forests, and fauna
 - Develop human capacity and institutional capacity in the agricultural sector
- Commerce sector key strategic objectives
 - Promote marketing oriented to both internal and external markets, to ensure food security and improve the balance of trade
 - Extend commercial networks to support agricultural and industrial development
 - Ensure protection of consumer rights

Much of ag markets content is in PWG section on Commerce, 2.2.20



MINAG Planned Activities 2010/2011

- Credit: Fundo Agricola with AGRA/Standard Bank to USD\$25 Million; Revolving fund for Poultry; Credit line for Chokwe
- Voucher program: Input packages with seeds and fertilizers for 0.5 hectares of rice or maize
- Investments in mechanization, storage, market information



Policies and investments enough to make a difference?

- Will seed system development overcome availability constraints? Through private markets?
- Will veterinary inputs be available at accessible prices when and where needed?
- Will output markets be stable and profitable to encourage investments?
- Will producers obtain prices that encourage investments?
- Can farmers associations meet the challenges of smallholder marketing?
- Are there changes in the research system such that technologies make it off the shelf and into the hands of producers, processors, traders?
- Will appropriate technology reach the hands of both men and women farmers, meeting their needs?



Obrigada

