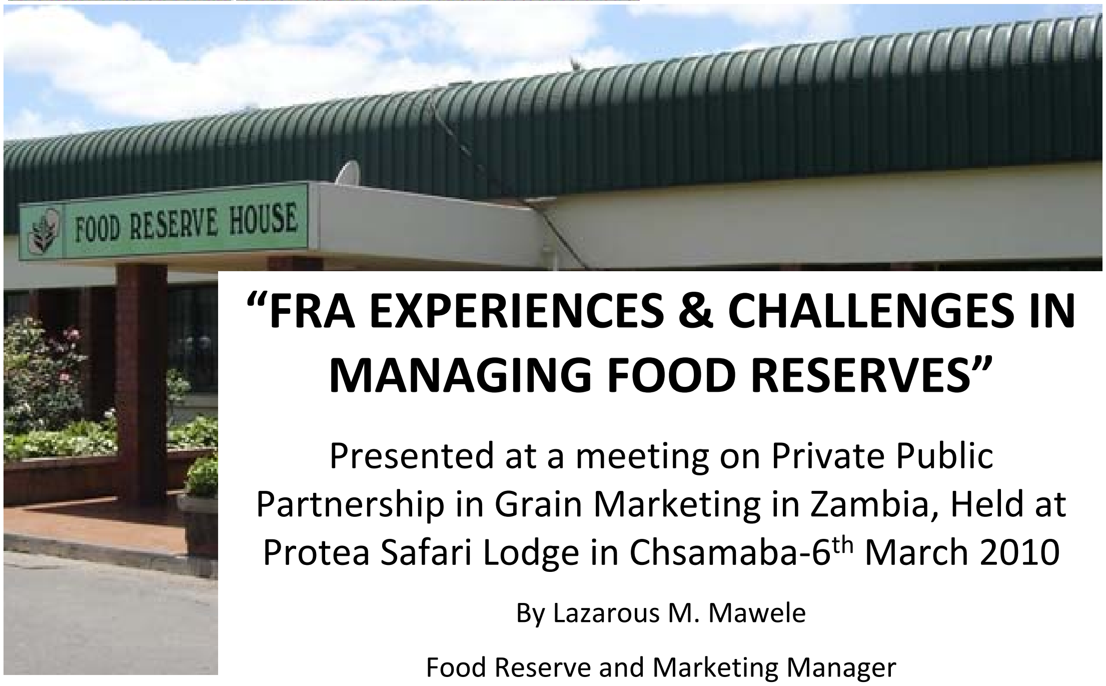

"FRA EXPERIENCES & CHALLENGES IN MANAGING FOOD RESERVES"

Presented at a meeting on Private Public Partnership in Grain Marketing in Zambia, Held at Protea Safari Lodge in Chsamaba-6th March 2010

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INTRODUCTION

- Enactment of the Food Reserve Act (1995)
- Establishment of the Food Reserve Agency (FRA) (1996)
- Amended FRA Act (2005)
- FRA is a grant aided Institution

Role of FRA

ADMINISTERING A NATIONAL STRATEGIC FOOD RESERVE

Role of FRA Continued

MARKETING AND MARKET FACILITATION

Role of FRA Cont’d

MANAGEMENT OF STORAGE FACILITIES

Operational Structure

Hon. MINISTER of AGRIC. AND CO-OPERATIVES

THE BOARD

MANAGEMENT

MACO/DISTRICT CO-OPERATIVE UNIONS

MACO/PRIMARY CO-OPERATIVES

SMALL SCALE FARMERS

Operational Structure cont'd

- FRA has 10 regional offices (1 in each provinces except Northern Province which has 2 offices because of its size.
- FRA operates in 68 out of the 72 districts and the holding depots are managed by co-ops/Farmer Associations.
- FRA operates on average 10 satellite depots/district, thus 680 buying points.

Crop Purchases

Year	Maize	Rice	Cassava	S/beans	G/Nuts
1996	10,538	0	0	0	0
1997	5,562	0	0	0	0
1998	0	0	0	0	0
1999	0	0	0	0	0
2000	0	0	0	0	0
2001	0	0	0	0	0
2002	23,535	0	0	0	0
2003	54,778	0	169	0	0
2004	105,279	366	0	0	0
2005	78,566	1,440	553	1,439	2,034
2006	389,510	809	3,671	1,156	0
2007	415,948	1,339	2,389	8	0
2008	73,867	607	10	0	0
2009	198,630	909	0	0	0

Maize Exports/Earnings

Year	Mt Exported	US$ Earnings
2004	22,098	3,778,758
2005	13,029	2,175,843
2006	125,783	28,935,000
2007	285,856	55,309,126

Challenges

1.0 Operational Areas

Most of FRA's operations are in outlying areas that are surplus but economically disadvantaged

•High marketing costs due to poor road infrastructure and the long distances between the surplus areas and the consumption areas.

•It is difficult to sell the commodities competitively and maintain the same levels of stocks on rotational basis.

FOOD RESERVE AGENCY

Challenges continued

- Some locations are inaccessible because of the rains. As a result it is difficult to manage stocks in these locations.

2.0 Type of Client

FRA buys from small scale farmers who on average produce less that 2.0Mt/HA and they are scattered. Implications are that:

- Transaction/Administration costs are high as we have to deal with several farmers with small quantities of commodities.
- The crop supplied by the farmers is not homogeneous in quality because of the different management skills among the small scale farmers . Poses challenges in storing the commodities because of difficulties to fumigate and monitor moisture content.

FOOD RESERVE AGENCY

Challenges continued

3.0 Storage Facilities

In 1996 FRA inherited **2 million tons** of agricultural Storage facilities located in various parts of the Country, thus 458 Storage sheds & Slabs plus 6 Grain Silos.

Of the 2.2 million total capacity, 1.1million tons is serviceable capacity and the Agency utilizes 60% for its reserves and marketing operations while 40% is leased out.

Food Reserve Agency

Challenges continued

- Most of the storage facilities are located in the southern part of the country. The shift in Agric. Production pattern from southern to northern part of the country is a challenge in securing surplus production in the Northern part.
- Most of the storage infrastructure inherited requires maintenance and FRA has limited resources. As a result issues of security & quality maintenance are a challenge in some cases.

Food Reserve Agency

Challenges continued

4.O Resource Availability

- Timing of the release of funds under the old budget cycle left FRA with limited time to prepare for the season.

- Changes in the procurement plan midway in the marketing season affects planning for storage facilities and procurement of other marketing requisites.

Challenges continued

5.0 Nature of Designated Crop

- Small scale farmers do not have the suitable technology for process some designated crops therefore they are difficult to handle and have a short shelf life e.g. cassava
- The market for some of the designated crops is limited partly because demand by the processing industry is weak.

Challenges continued

6.0 Market Stabilization Role

According to the act, FRA is suppose to stabilize supply and prices of designated crops.

- This role in most cases requires FRA to sell the reserves at below cost/market prices. This results in shrinkage in resources for replenishing the reserves.

Challenges continued

7.0 Commodity Pricing

- It is a challenge to strike a balance with the various stakeholders. On one hand are producers and on the other hand are processors/consumers. At the same time the commodity has to be competitive on the international market.

Challenges continued

8.0 Capacity of Service Providers

- FRA sub-contracts various service providers and these include Cooperatives as Buying Agents and Warehouse Managers . These require Government intervention to train the co-operatives in warehouse skills and they also need resources to diversify their sources of income.

FOOD RESERVE AGENCY

IMPACT OF THE PROGRAM

- Growth in Food Production through provision of market access in rural areas.
- Stabilized supply and prices of food.
- Contributed to Political Stability.
- Through stable food prices the program has contributed to management of inflation.
- At a time when rural market infrastructure is poor the Program has contributed to wealth distribution to rural farm population & rural service providers.

FOOD RESERVE AGENCY

IMPACT OF THE PROGRAM

- Program has contributed in promoting internationally acceptable practices and standards among the small scale farmers.
- Foreign exchange earned contributed to growth in non traditional exports and stabilization of the Kwacha against foreign currencies.
- Crop Market Diversification- The program has stimulated markets for alternative cash and food crops.

FOOD RESERVE AGENCY

Conclusion

At a time when rural infrastructure is still undeveloped for the private sector to operate profitably, FRA still has a role to play in contributing towards poverty reduction in rural areas thus contributing towards the achievement of the MDG 1 and its targets by 2015.