

GRAIN TRADERS ASSOCIATION OF ZAMBIA

EXPERIENCES, CHALLENGES & OPPORTUNITIES IN GRAIN TRADING IN ZAMBIA

Chisamba Protea Lodge , Lusaka, Zambia

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Grain Traders Association of Zambia

- Established in October, 2005
- GTAZ is a self regulating traders association

Objectives:

- To promote commodity trading
- To develop sound trading rules and regulations
- To encourage the development of small and medium traders
- To work with government and other stakeholders to improve the agriculture sector in Zambia

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Grain Trades Association of Zambia

- GTAZ has diverse membership both Zambian and International companies
 - > Local Zambian companies
 - > Multinational cotton companies
 - > Regional players

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Services offered by GTAZ members

- Procurement
- Selling
- Storage
- Fumigation
- Logistics
- Commodity Brokering
- Input finance
- Cross border trade

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List of Members

- CHC Commodities
- Zdenakie Limited
- Quality Commodities
- Seaboard
- Amagrain Limited
- Cargill
- Nachel Distributors
- Farmers Builders Suppliers
- Afgri Corporation
- Agricultural Commodity Trading
- Export Trading
- Dunavant
- Olam Zambia
- Nyimba Filling Station
- Bulero General Dealers
- Napire General Dealers

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GTAZ Operating Locations

- Chipata
- Katete
- Petauke
- Lundazi
- Mumbwa
- Lusaka
- Kabwe
- Kapiri Mposhi
- Mkushi
- Kalomo
- Choma
- Mazubuka
- Gwembe
- Monze

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Commodities Traded

- Maize
 - Soya beans
 - Wheat
 - Beans
 - Groundnuts
 - Sunflower
 - Rice
 - Sorghum
 - Cowpeas
 - Soya/Cotton cake
- Non Grain
 - Fertilizers
 - Seeds
 - Agrochemicals
 - Cement

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GTAZ contribution to the Sector

- Employment Opportunities
- Liquidity in the market
- Bridging the market (producer – processor)
- Moderating influence (producer – processor)
- Infrastructure investment (New storage)
- Tax contribution & forex generation
- Multiplier effect :
 - Major clients to FRA (Sheds)
 - Transporters
 - Fumigation companies

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Challenges

- Uncertainty in the market:
 - Export & import bans
 - Quantity to be procured by FRA vary in season
 - Government interventions (FRA)
- Exchange fluctuations
- Road infrastructure
- Legislation (credit act)

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Results of intervention

- FRA uniform buying price
 - > Results into crowding out private sector from buying along the line of rail
- Current FRA sales of maize:
 - FRA price K1,400/kg - \$297/mt
 - GTAZ/ZNFU , - \$320/mt prior to FRA sales
 - > Resulted in reduced sales for private sector
 - > Impact negatively on early maize prices

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Example

- FRA procurement price K65,000/50kg bag or \$275/mt farm gate
- Maize bought July/August 2009
- Stored, Financed for 6months
- Transported from satellite depots to district holding depots & main consumption areas
- Associated costs: Interest 1% per month, storage, handling, fumigation, transport & shrinkage

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Illustration

				US\$
FRA procurement price - Maize per metric ton				275
Cost of holding grain	Rate	Months	Total	
Interest 1% per month	2.75	6	16.5	
Storage	own		0	
Handling & rebagging			3	
Shrinkage 2%			5	
Grain bags			7	
Fumigation	1.5	2	3	
Transport			40	
Grand total			74.5	
Realistic Market Price				349.5
Current Selling price				297
Profit				-52.5

				US\$
GTAZ market price - Maize per metric ton				260
Cost of holding grain	Rate	Months	Total	
Interest 1% per month	2.75	6	16.5	
Storage	3	6	18	
Handling & rebagging			3	
Shrinkage 2%			5	
Grain bags			7	
Fumigation	1.5	2	3	
Transport			0	
Grand total			52.5	
Realistic Market Price				312.5
Current Selling price				305
Profit				-7.5

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Alternatives

- FRA to procure limited maize from areas that are not economically viable for private sector to operate (i.e. 50,000mt)
- Contract private sector to procure maize and hold in stock on its behalf
- Buy an option at SAFEX or (ZAMACE in future) for supply of maize in case of need
- Use ZAMACE for the sale of FRA maize:
 - > Price discovery
 - > Transparency
- FRA to adopt a more supervisory/regulatory function
 - > Assess stocks & quality in the country

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Benefits

- Government use less resources to achieve same objective
- Use private sector resources & expertise to secure strategic reserve
- Remove uncertainty
- Encourage private sector participation

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Government

- Government to concentrate on developing conditions that can enable private sector function in a predictable & competitive way
- Good monetary policies, low interest rates & stable exchange rates
- Consistent imports & export policy (open borders)
- Implementation of AMDP
- Continued dialogue with industry stakeholders
- Improve infrastructure to enhance trade activity at the borders
- Open up government fertilizer supply program to more players

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Private Public Partnership

GTAZ maintains that FRA has a role to play in the market, however GTAZ proposes that FRA considers working with the private sector, by using market instruments to secure and maintain strategic grain reserves in a more cost effective way and with least impact on the market.

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Thank you

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