

Regional grain trade, opportunities and constraints

Cris Muyunda/Jones Govereh

March 6, 2010, Protea, Chisamba

Private Public Partnership in Grain Marketing in Zambia



Outline

- COMESA vision
- Opportunities for trade in food staples
- Challenges /Constraints in regional trade
- Few considerations



COMESA Vision

- To attain a fully integrated internationally competitive regional economic community within which;
 - There is economic prosperity with high standards of living of people with political and social stability and peace
 - Goods, services, capital and labor freely move across borders



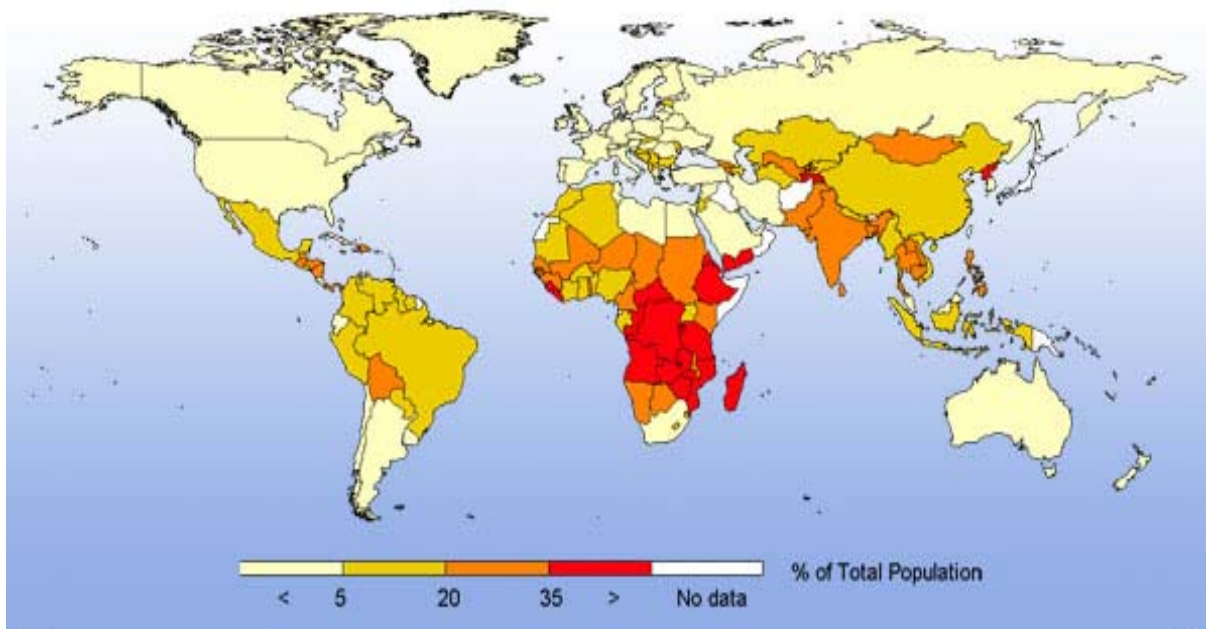
BUT PRESENTLY, OVERVIEW OF REGIONAL GRAIN TRADE

- NEGLIBLE REGIONAL **GRAIN** TRADE IN COMESA
- MAJOR COMMODITIES ARE TEA, TOBACCO AND SUGAR
- YET.....

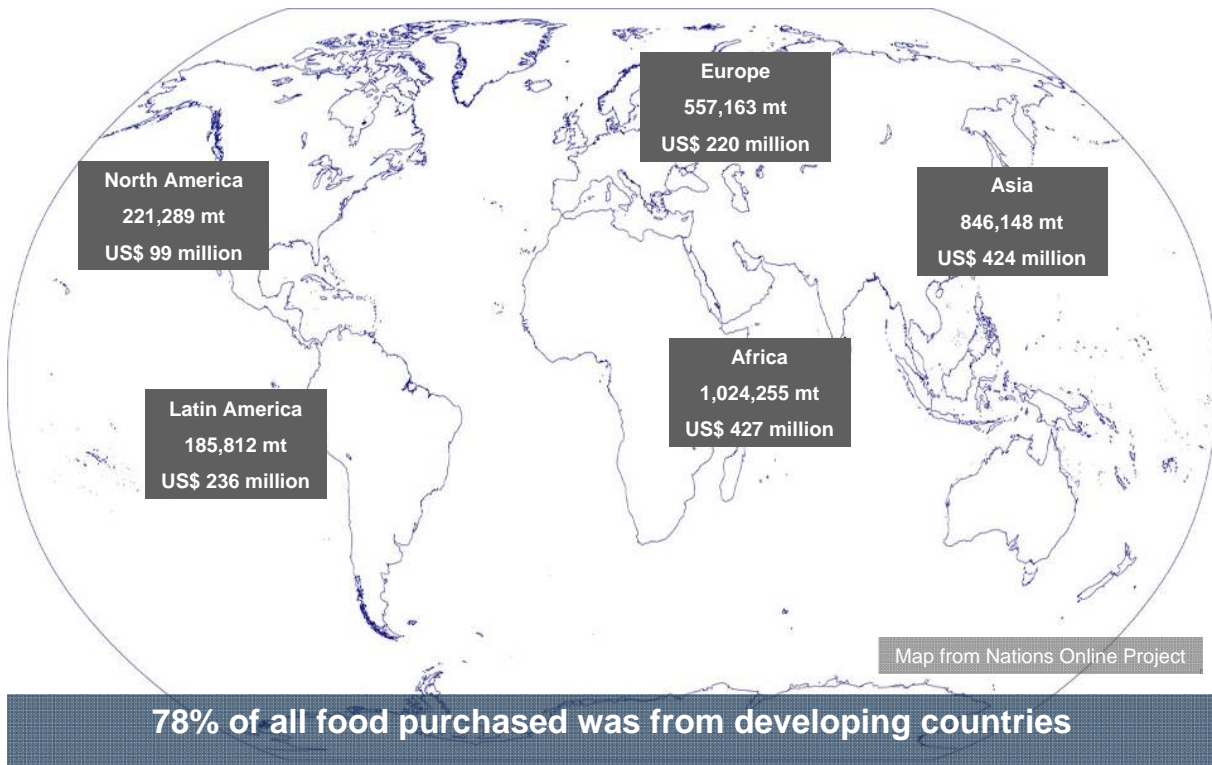
IN COMESA

- ✓ **USD20 billion** is spent by COMESA Member States on food imports
- ✓ **Only USD 30 million** sourced from among M/S
- ✓ Great **opportunities for trade** – need to ensure smallholders, traders, processors, market institutions realize/take these opportunities

FAO **HUNGER** MAP: *prevalence of hunger in the ESA region points to major problems with productivity but is a TRADE opportunity*



Where did WFP purchase in 2008



Opportunities for trade in food in ESA single market

- Importance of food staples
 - 73% (US\$50 billion) of value of production in SSA (2000) was from food staples
- Expanding single market
 - Population of 526 million will double in 15 years
- Cross-border opportunities/natural market sheds
 - low-cost food flows
 - Producer incentives to expand
- Competitiveness
 - Efficiency enhanced as producers compete for market

Opportunities for trade in food in ESA single market (2)

- Specialization
 - Reallocating resources to advantageous sectors
- Linkages with agribusiness
 - Input and output value addition
- FDI inflows attracted
 - intra-regional investments enhanced
- Reduced imports from 3rd countries
 - US\$20 billion spent annually on food imports but only US\$30 million imports sourced from region
- Accelerated economic growth and development
 - Staple food sector a key driver for increased incomes and reduced poverty levels



Opportunities (3)

- 1. **Hunger** in ESA is a big business opportunity for ESA grain trade
- 2. **WfP** is a great partner in grain trade
- 3. **ACTESA will help to coordinate**
- 4. **COMESA/EAC/SADC Tripartite**
- 5. **Urbanization**
- 6. **One Stop Border Posts....**

ACTESA OPPORTUNITY – WHAT IS IT?

- A **Specialized Agency** of COMESA
- Initially launched by COMESA Ministers of Agriculture in September 2008
- Formally Endorsed (CREATED) by the **COMESA Heads of State (COMESA Authority)** in June 2009

KEY ACTESA OBJECTIVE

**“INTEGRATION OF SMALL FARMERS IN NATIONAL, REGIONAL AND INTERNATIONAL MARKETS”
– COMESA AUTHORITY, June 2009-**

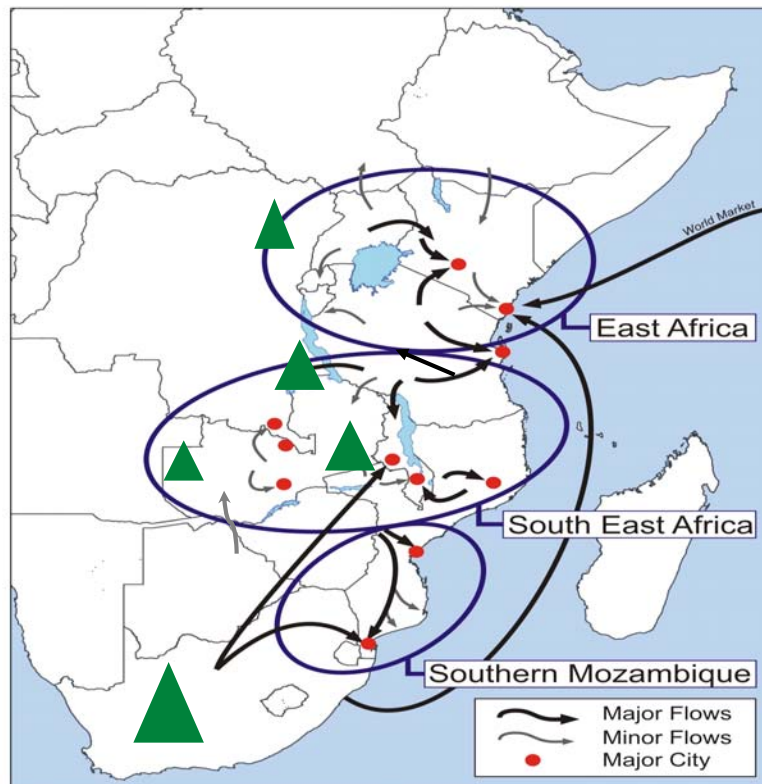
BROAD ACTESA OBJECTIVES and GOAL

- ✓ (i) COMPETITIVENESS of the BROAD STAPLE FOOD SECTOR: **POLICY DIALOGUE**
- ✓ (ii) PROVISION OF SERVICES: COMMERCIAL INTEGRATION (MARKETS, FINANCIAL)
- ✓ (iii) COMMERCIALIZATION of SMALLHOLDERS: CAPACITY FOR ENGAGEMENT (**CAPACITY BUILDING**)
- OVERARCHING GOAL: TO INCREASE PRODUCTIVITY, INCOMES AND FOOD SECURITY OF SMALLHOLDER FARMERS

Surplus Zones and Deficit Markets in ESA

Surplus Zones	Deficit Markets They Serve
Northern Mozambique	Malawi
Southern Tanzania	Malawi, DRC
Eastern Uganda	Kenya
South Africa	Zimbabwe, S. Mozambique, Malawi, Zambia

Maize Market Sheds in ESA



Challenges of trading in food staples in ESA

- Adequate infrastructure
 - Production wholly rain-fed
 - Transport capacity fail to meet demand
 - Storage capacity limited & high cost type
- Credible information
 - Timeliness, accuracy & comprehensiveness
- Trade impediments (health or security reasons)
 - Restrictions/bans on exports & imports
 - Import tariffs & export levies
 - Reduces prices for producers & increases cost for consumers

Challenges of trading in food staples in ESA(2)

- Non-predictable discretionary policies
 - Arbitrary decisions breed uncertainty, risks and adds cost to marketing
 - Discourages future engagements in commodity trade
- High cost of production & low productivity
 - Erodes competitiveness
- Sanitary and phytosanitary issues
 - A non-tariff barrier (region shares common disease regime?)
 - Food safety standards (genetically modified foods) a NTB



OTHER ISSUES IN TRADE POLICY

- In the US MCA criteria, most SSA countries failed trade policy indicator based on **TBT (SPS capacity)** and **corruption in customs**
- Export trade is hampered by bureaucracy in procedures (**export and import permits**)
- At the regional level, **payment systems** are still uncertain (particularly in the DRC)

Key Considerations

- Creation of politically autonomous multi-stakeholder regional forum
 - regional marketing council
- Incentivize timely submission of returns by firms, farmers and marketing boards
 - Regional grain information service
- Continue trade liberalization & market reforms
 - Open markets key to market stability
- Develop regional agricultural policy
 - Domesticated in national statutes to instill adherence to rules
- Allocate public resources to priority investments
 - Infrastructure, research and extension

