

CREATION OF A PUBLIC/ PRIVATE PARTNERSHIP MARKETING INSTITUTION

By

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Preamble

- We have an endowment: land, water, climate
- Agriculture is economic priority #1
 - Why Agriculture? (National & HH Food security, FOREX earnings, contribution to GDP & Increased incomes for those in agriculture)
 - Why now? (Angola, Zimbabwe, donor resources)
- Zambia's future depends on the development of the agricultural sector

QUESTION

- How can we develop agriculture in a serious way?
- How can Zambia develop agricultural areas of excellence?

Challenge *(quote from AMDP)*

“From the onset, it is important to emphasize that it is the market that drives production and not the other way round. The Govt’s role is to provide an enabling environment for markets to work while the role of the private sector is to perform efficiently and competitively within this enabling environment. What is needed now is action through public-private sector strategic partnerships” (Hon. Minister of Agriculture and Cooperatives, July 15, 2004).

Agricultural marketing constraints

- **Institutional**
 - Market information
 - Grades and standards
 - Network of marketing traders
 - Settling trade-related disputes
 - Vibrant trade capacity
 - Vibrant agric commodity exchange

Constraints (cont'd)

- Policy and Legal
 - Agricultural marketing legal framework
 - Misunderstandings between players
 - Role and operations of FRA
 - Warehouse receipt system (Credit Act)

Constraints (cont'd)

- Finance, Investment, and Infrastructure
 - Feeder roads, railway lines, bulking facilities
 - Telecommunication facilities
 - Thefts
 - Access to electricity and water
 - Availability of grain warehouses
 - Access to credit

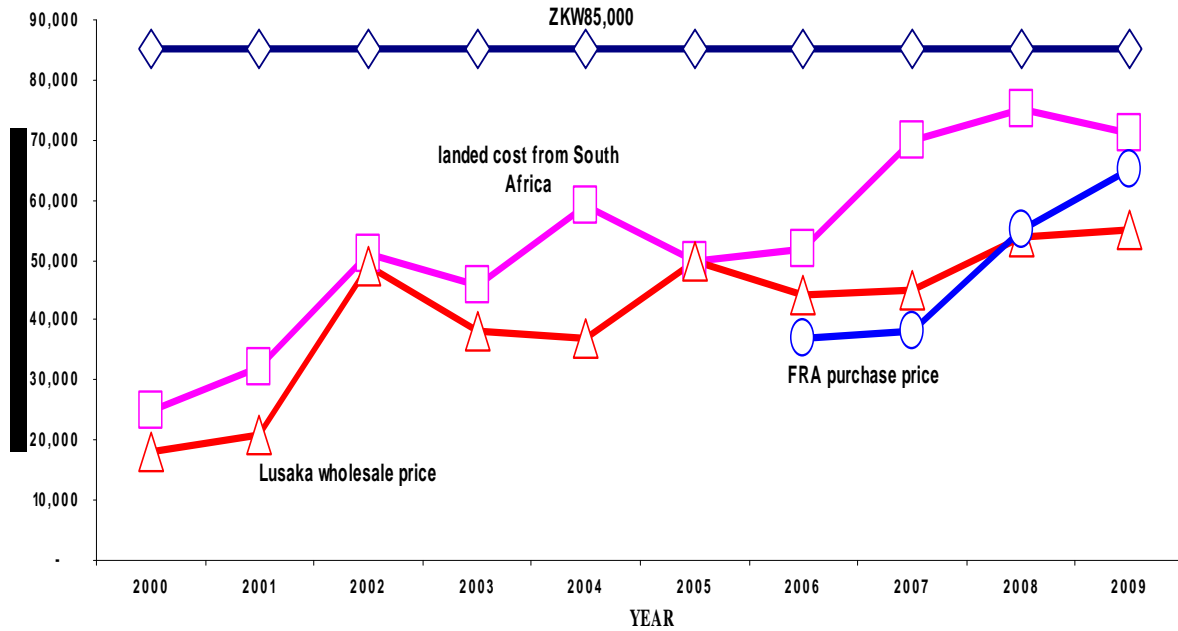
Improving policy and legal environment for PPP institutions to operate

- Agricultural Marketing Act
 - Agricultural marketing Council established
 - Composed of both public and private stakeholders (farmers, traders, processors, consumers, NGOs and others)
 - Appointed by Minister of Agriculture and Cooperatives
 - Monitor, analyze, investigate and advise on market interventions

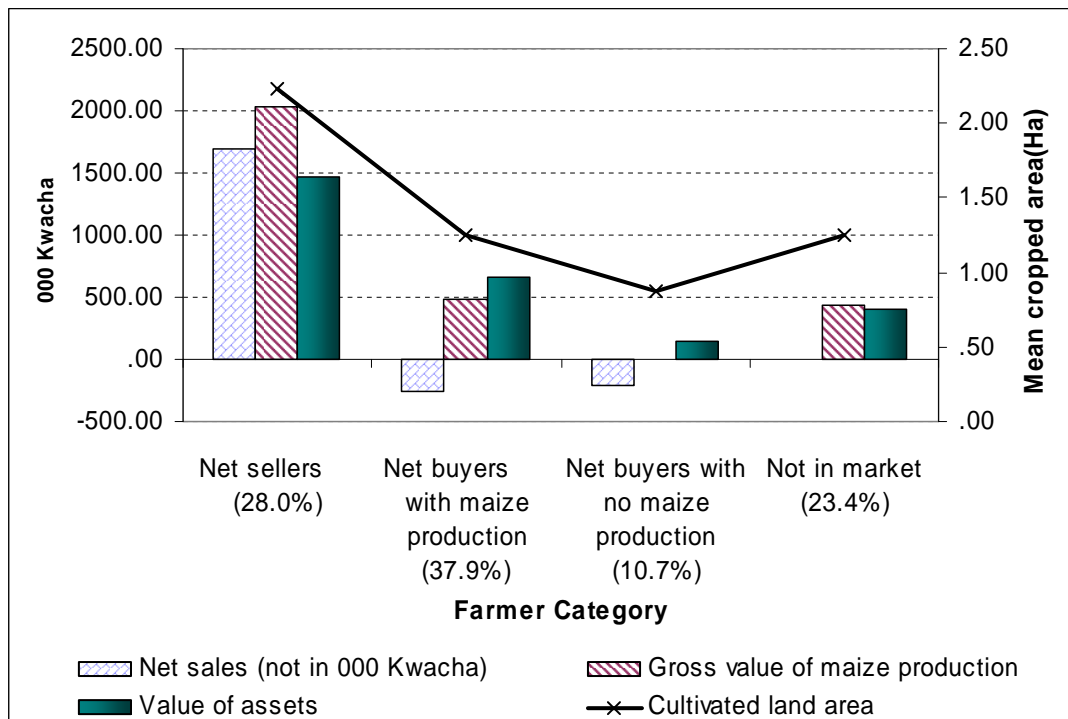
Improving environment for PPP institutions to operate (cont'd)

- Realigning the FRA
 - Administer national food reserves through an innovative mix of private and public grain procurement (avoid crowding out the private sector)
 - Lease storage facilities to private sector
 - National reserves vs. crop marketing
 - Prudent pricing

The Challenge of FRA Pricing



2008 SS - Big Picture Empirical Results – Characteristics of Small & Medium-Scale Farm Households (Maize Production, Sales and Assets all Linked)



2008 (07/08 Crop Marketing Season)

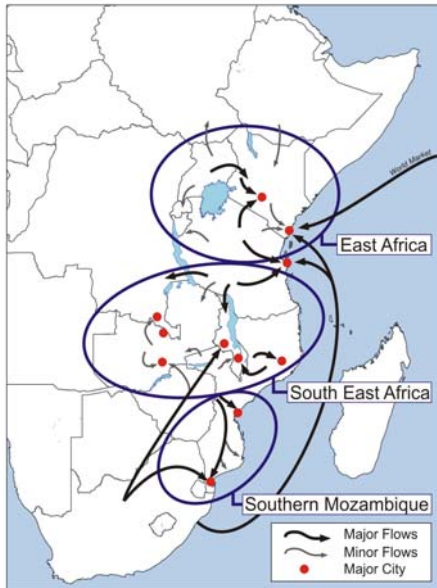
Determining food reserve size

- Key factors
 - Early maize (200,000 tons when needed)
 - Winter maize
 - Early warning (shortage now predicted early)
 - Regional markets (RSA always exports)
 - Sophisticated trading systems
- Implications
 - “3 months consumption” method outdated
 - Need for modest physical stock for calamities
 - Call options on SAFEX more economical and self-financing for larger strategic positions

Improving environment for PPP institutions to operate (cont'd)

- Warehouse receipt system
 - Amendment of the Agricultural Credit Act
 - Grades and standards
 - Involvement of financial institutions (need policy consistency to reduce price volatility)
 - FRA warehouses (receipt system)
- Regional and international trade

Regional trade in food staples



- Surplus food production zones lie across national borders from deficit markets they serve
- Natural market-sheds cut across national boundaries

Benefits of Trade

- Provides markets to producers
- Triggers production
- Provides food to nearby consumers
- Reduces prices to consumers
- Provides national food security
- Provides business options and facilitates business planning
- Enhances efficiency
- Reduces the need for costly interventions
- WTO, COMESA, SADC, SACU acknowledge benefits of trade

Key Action Areas

Investments (both foreign & domestic) in the agric. sector has not been rising as expected. We have not put up certain things right.

Recommendations:

- Open up borders during lean and surplus years
- Improve investment incentives in surplus zones (feed and truck roads etc)
- Implement the Agricultural Marketing Plan which should have a Marketing Council
- Amend the Credit Act to accommodate the Warehouse Receipt System (WRS)

Key areas cont'd

- Improvements in market infrastructure
- Promote institutions and initiatives such as ZAMACE, Forward Contracting
- Develop grain trading through establishment of a financial credit institution (Land bank in South Africa; Equity bank in Kenya; Rabo bank in the Netherlands)
- Encourage value addition to agricultural raw materials

Conclusion

- Agricultural Marketing Act needs to be passed and provide for the establishment of the Agricultural Marketing Council
 - Council to provide direction and oversight
- Issues in agricultural marketing are wide and diverse and cannot be handled by a single institution
 - Create an enabling environment and enhance coordination
 - Government and private sector should be complementary rather than competitors