

**IDENTIFYING AGRICULTURAL MARKETING AND TRADE POLICIES  
WITH THE POTENTIAL TO PROMOTE FOOD SECURITY IN  
COUNTRIES OF THE SADCC REGION:  
A Research Discussion Paper**

by

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## A. GENERAL RESEARCH GOALS

This proposed research effort is to be undertaken as part of the on-going food security applied research program being conducted by the University of Zimbabwe in collaboration with the SADCC Food Security Secretariat and Michigan State University.

We propose to identify agricultural marketing and trade policies which have the potential to significantly influence the availability of the basic food grains for groups most vulnerable to food shortages, (both transitory and chronic shortages). We would hope that this would contribute to the understanding of marketing and trade policy strategies which have the potential to improve the food security in the countries of the SADCC region.

This is the last paper at this conference. We have been discussing food security research topics now for four days. Clearly there are many issues left unresolved. Policy is implemented at the country level and much of the research and discussion, while having a country focus, has implications for the region. We propose to complement this work and to put more emphasis on food security as a regional problem. Generally, we wish to consider the implications of alternative agricultural output and input marketing and trade policies on food security within the region.

Rather than specifying a fully developed research proposal, we have chosen to identify a few broad issues and approaches which this research could take and would like to move quickly to

a discussion with conference participants of potentially useful directions for our work.

What we propose is to undertake research along the following lines. What are the implications for food security of:

1. Policies influencing marketing and trade of basic food grains and competing internationally traded crops?
2. Policies influencing marketing and trade of tradable farm inputs?
3. Macro trade policies, especially those dealing with exchange rates and foreign exchange management?
4. Alternative broad development strategies involving both macro trade and market policies (a synthesis of 1-3 above.)?

#### B. PROBLEM SETTING

In recent years, the nine member states of SADCC have increasingly voiced an interest in expanded intra-regional trade as one strategy towards increased food security within the region. The fact that six of the nine countries are landlocked, transport costs are high, and dependence on trade with external countries (including South Africa) is viewed as precarious, have contributed to a sense of urgency which resulted in the funding of pre-feasibility and feasibility studies for the establishment of a regional food security scheme based on local reserves.

Yet levels of intra-regional trade have historically been quite low. The proportion of intra-SADCC trade in overall trade is only 4-5% (Michelsen, 1986). In 1982, the US dollar value of

this trade was \$295.7 million. Food and live animal trade (SITC section 0) accounted for approximately 23% of this (or only \$66.7 million). In grain trade, concessional food aid shipments have increased in importance over the years for a number of SADCC countries as economic conditions have worsened, civil strife has grown, and droughts have periodically occurred. Of course, this varies by country. In Mozambique, dependence on food aid has grown to crisis proportions recently. Food aid as a percentage of total cereal availability was roughly 16% over the 1979-81 period and commercial imports constituted 30% of total availability<sup>(1)</sup>. For 1987/88, the FAO has estimated total cereal import requirements at 750,000 MT while local production is forecast at only 350,000 MT<sup>(2)</sup>. The capacity to import on a commercial basis is virtually nil. On the other hand, in countries such as Zimbabwe and Malawi, the combination of attractive producer prices and good weather have resulted in the build-up of stocks of maize<sup>(3)</sup>. A substantial financial burden has been imposed by heavy storage costs and export sales at prices below marketing board acquisition costs. This coexistence of stocks and deficits within the region has resulted in an increased interest in the use of trilateral food aid transactions as a means of

1. FAO, "Atlas of African Agriculture", Rome, 1986, p.39.

2. FAO, "Food Supply Situation and Outlook", Rome, June 1987, p.42

3. It should be mentioned that Malawi is currently in a maize-deficit position and has requested food aid assistance from the international community for 1987/88.

simultaneously relieving the financial burden of stockholding countries and meeting import needs of food deficit nations.

The participants who currently play the dominant roles in SADCC grain trade are the grain marketing boards of the individual countries, related governmental institutions (primarily ministries of agriculture and finance), the various bilateral and multilateral development agencies that largely determine food aid flows, and private firms which engage in agricultural commodity and input trade.

### **C. MORE SPECIFIC RESEARCH QUESTIONS AND POSSIBLE ANALYSIS**

The major research questions imply a large number of specific questions and a need for data and analysis. To address all of the implied questions is clearly beyond the available resources. We would like to initiate discussion of the relative importance of these more specific research questions, taking into account available data, other past and planned research, the practical possibility of doing the research, and most importantly, the relevance of the information to the policy agenda.

#### **1. Basis for Trade**

Is there a basis for intra-regional trade in grains and tradeable farm inputs which could contribute to food security? Is the fact that little trade in basic grains and farm inputs takes

place due to institutional barriers to trade or to basic conditions of production and distribution (or other factors)?

Some interesting work has already been done on the basis of intra-regional trade. Stackhouse (1987) has reviewed this literature and suggests that there may be a basis for trade in agricultural commodities, but the case has yet to be made that significantly expanded trade makes economic sense or is practically feasible.

We would raise the question of the practical basis for determining the future potential for intra-regional trade. Application of analysis of existing prices and transactions costs can give some insights. Morris, in his paper, showed the usefulness of developing shadow prices, a technique employed in estimating economic returns from the production of wheat. Takavarasha has suggested using domestic resource cost methods in looking at the economics of maize production and trade for Zimbabwe. For the purposes of determining the regional basis for trade, use of this technique could be expanded to other major maize producing countries such as Zambia, Tanzania, and Malawi. While it would not be wise to limit ourselves to pricing policy alone, it seems useful to see what can be concluded from an analysis of historical prices (with various adjustments) and existing patterns of trade as an initial step in the research.

## 2. Barriers to Trade

Assuming there is a basis for beneficial intra-regional trade, what are the most important barriers to trade and effective distribution of food and inputs? To what extent do such barriers as tariffs, quotas, export and import licenses, etc. restrict beneficial trade? To what extent is the current capacity and performance of food grain and input marketing systems (including transportation networks) a barrier to production, distribution, and trade? This would include inquiry as to the perceptions and practices of private traders and government marketing agencies. If specific barriers were reduced, how would it influence food security?

Are there domestic marketing policies for food commodities and inputs which discourage production, effective distribution and regional trade, and negatively influence food security? The price analysis suggested in part 1 above would be a possible input to a benefit/cost analysis of price support, price control and subsidy programs. Additional analysis would be needed to identify linkages to food security in the region. Are there specific aspects of market policy (supports and subsidies) which lead to barriers to intra-regional trade which in turn have adverse effects on food security?

## 3. Input Use and Trade

What are possible contributions to food security from promoting the use of tradeable farm inputs? Are there significant

potential benefits from the development of specialized production of tradeable farm inputs within the region? Are there potential economies of scale to justify the transactions costs associated with supporting viable intra-regional trade in selected inputs? Would food security be promoted by facilitating the production and distribution of inputs produced within the region and/or by facilitating trade in specific inputs from outside the region?

This analysis would include inquiry into the potential value of specific inputs, probable costs of production and distribution, comparative costs and reliability between sources, and implications for foreign exchange management (effects on balance of payments and opportunity costs of using foreign exchange in alternative uses).

#### 4. Special Trade Arrangements And Food Aid

Are there special trade programs or agreements which have the potential for contributing to food security? This would include trilateral agreements which were identified by Takavarasha as an important area for investigation. Are there design innovations in these agreements which would make them more effective in promoting transitory and long run food security? Could additional commodities and/or strategies be included in such agreements? Could longer run agreements be formulated which would serve to provide both a minimum reliable supply of food and reliable markets for specific crops and agricultural inputs? Are there potential contributions to food security from trade



agreements among countries within the region? For example, is there a potential for trading commodities and inputs under long term contracts which would promote the production and exchange of both?

Are there modifications in the distribution of food aid which would result in food aid contributing more effectively to food security? For example, are there changes in procedures which could contribute to more timely and effective distribution through the use of a combination of government agencies and private domestic and international traders? Can distribution of food aid be done in a way which promotes more effective channels of distribution and trade for commodities in general? It would be possible to contribute some information to this question as a complement to examining the performance of the existing marketing system.

### 5. Foreign Exchange Management

To what extent do policies such as exchange rate management and foreign exchange rationing influence the availability of foreign exchange? Under the rubric of exchange rate management are such policy options as devaluation, freely floating exchange rates, and the pegging of the domestic currency to a composite basket of currencies. The instruments of exchange rate management discussed above have an influence on the value of the foreign exchange generated. An important issue concerns the extent to

which these instruments affects the incentives to produce for export markets.

What would be the effect of pegging currencies to trade flows within the region, i.e. how would major currency realignments influence the exchange rates in the region, and how would these changes affect intra-regional trade?

With reference to domestic agriculture, how has the agricultural sector fared under current foreign exchange allocation systems relative to other sectors, especially in the face of reductions in aggregate foreign exchange availability in most SADCC countries? Related to this is the question of how the foreign exchange allocated to agriculture has been distributed to different activities within the sector, i.e. whether more has been allocated to food imports, input purchase for food crops, or input purchase for traditional export crops? What lessons relevant to regional food security can be learned from the recent Zambian experience with foreign exchange auctioning? What effects could choice of this option have on agricultural sectors in other SADCC economies?

#### 6. Combined Policy Effects

What are the probable net effects on food security from alternative broad agricultural development strategies? For example, how do the net consequences of policies promoting international trade in selected cash crops (such as tobacco or

cotton) compare with the promotion of food crops and intra-regional trade?

Another possibility is to compare systems with limited price supports, controls, and subsidies to ones with extensive direct government intervention. Some analysis has been done on the first type of system both within the region and for other countries. It would be possible to bring additional information and insights from the investigations discussed above and a limited analysis of this policy option in the region.

Similarly we have had interesting conference papers on market liberalization in Tanzania, Malawi, Mali, and Zimbabwe. Our research would complement and provide additional input to further study of these important market policy issues.

#### D. FINAL COMMENTS

As we said at the beginning, we are still at the formative stage in developing the work plan for research relating marketing and trade policy to food security. We have identified more questions than can be realistically considered with the resources at hand. Therefore it is necessary to move rather quickly to priorities and a specific plan. We do expect to spend some additional time at the problem diagnosis stage and anticipate that your comments on the issues we have listed will be helpful in formulating a final research plan. We also hope to meet with some of you individually over the next month to help in that process.

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