

Market Reforms, Research Policies And SADCC Food Security



Edited by

Mandivamba Rukuni & J.B.Wyckoff

University of Zimbabwe UZIMSU Food Security Research in Southern Africa Project

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Traders' Perceptions Of Constraints On Informal Grain Marketing In Zimbabwe: Implications For Household Food Security And Needed Research

*M. Chisvo, T.S. Jayne, J. Tefft,
M. Weber and J. Shaffer¹*

INTRODUCTION

Observers of Zimbabwean agriculture often express astonishment at the absence of informal grain markets in the rural areas.² Hypotheses abound as to the reasons for this: colonial suppression of local entrepreneurship over many decades, poor rural infrastructure, perceived low effective demand in rural areas and lack of profitability given the pricing and marketing structure of the formal sector.

This paper reports the results of a survey of 124 grain and grain meal traders operating in Zimbabwe's communal areas. The study examines:

- the structure, behavior and performance of the informal grain trade;
- factors constraining investment and entry into grain transport, storage, and processing;
- the potential of improved informal markets to enhance household food security in the rural areas; and

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²We use the term "informal markets" in the typical sense of public rural gathering places where unlicensed buyers and sellers interact. Formal marketing agents, by contrast, are those licensed by the Grain Marketing Board to buy or sell grain or grain meal under stipulated conditions.

- government strategies to promote the development and performance of informal grain trade.

This report is based on preliminary results from surveys of 648 households, 124 grain and/or grain meal traders, 52 informal millers, five Grain Marketing Board (GMB) depot managers and two GMB inspectors operating in seven communal areas situated in Natural Region III, IV and V.³ The period studied was between the harvest of April 1989, which was relatively poor in terms of rainfall, and April 1990.

THE SCOPE FOR IMPROVED INFORMAL GRAIN TRADE TO ENHANCE HOUSEHOLD FOOD SECURITY

Zimbabwe has ample food. Marketed grain output from the smallholder sector⁴ trebled over the past decade. Since 1986, between 700 000 and 1,8 million tonnes of maize have been stored at numerous GMB depots throughout the country.

Yet household food insecurity and malnutrition remain widespread.⁵ Thirty percent of Zimbabwean children under five years of age suffer from chronically inadequate food intake (CSO, 1989). The country's major newspaper frequently reports that thousands of poor people in the semi-arid areas face chronic food shortages.

Inadequate farm production and inadequate purchasing power among the rural poor are largely responsible for the persistence of food insecurity amidst food abundance. In the long run, enhanced food security will require increased on-farm productivity and income growth among the poor. However, given the dearth of proven, on-shelf technology suitable to low-rainfall environments and the current state of rural employment opportunities, substantial growth in rural productivity and incomes are, at best, considered long-term possibilities.

Increased purchasing power, among the rural poor in the short and medium run, may be facilitated by reducing the price of goods that form large shares of their expenditure bundles. In a recent survey in Buhera Communal Area, grain and grain meal purchases accounted for up to 40 percent of the total expenditure of households in the lowest income quartile. This was during a good rainfall year

³Zimbabwe is disaggregated into five agro-ecological natural regions (NRs) ranked I, II, III, IV, and V. NRs I, II, and III receive the highest rainfall and are suitable for intensive crop production. NRs IV and V receive under 650 mm of average annual rainfall and are prone to frequent drought. Sixty percent of Zimbabwe's communal population lives in NRs IV and V.

⁴This sector accounts for 60 percent of the country's population.

⁵Malnutrition has many causes but amongst the most important, particularly in the low potential areas, is inadequate food access. Other causes are related to disease, poor sanitation, dietary composition and weaning practices.

(Chigume, forthcoming). The importance of staple food purchase in total expenditures among the poor has been well established elsewhere (Mellor, 1978).

Estimates from past research have indicated that a reduction in consumer grain prices in rural areas through the development of intra-rural trade may increase real cash incomes among poor grain-deficit households by as much as 20 to 30 percent (Jayne *et al.*, 1990). These gains, however, are based on a scenario of well-functioning informal grain markets that supply grain to deficit areas throughout the year. These markets currently do not exist.

THE STRUCTURE OF INFORMAL GRAIN TRADE

More than 50 percent of farm households in NRs IV and V typically are net purchasers of grain, Table 1. The exact proportion of grain-deficit farm households depends on the particular geographical area and the quality of the harvest. The volume of grain purchased is largely a function of the time between harvests that households have exhausted grain stocks from own production and storage. Among households surveyed in two communal areas in NRs IV and V, 25 percent depleted their own stocks by September (six months before the availability of maize from the next harvest) -- 50 percent ran out of stocks by December, Figure 1. This stockout pattern corresponds closely with the seasonal pattern of commercial maize meal purchases among these households.

Sources of Grain to Buy in Communal Areas

Consumers in rural areas may purchase grain or grain meal from one of four sources:

- neighboring households having grain to sell;
- the nearest GMB depot;
- informal traders; or,
- local shops licensed to sell urban-manufactured commercial maize meal.

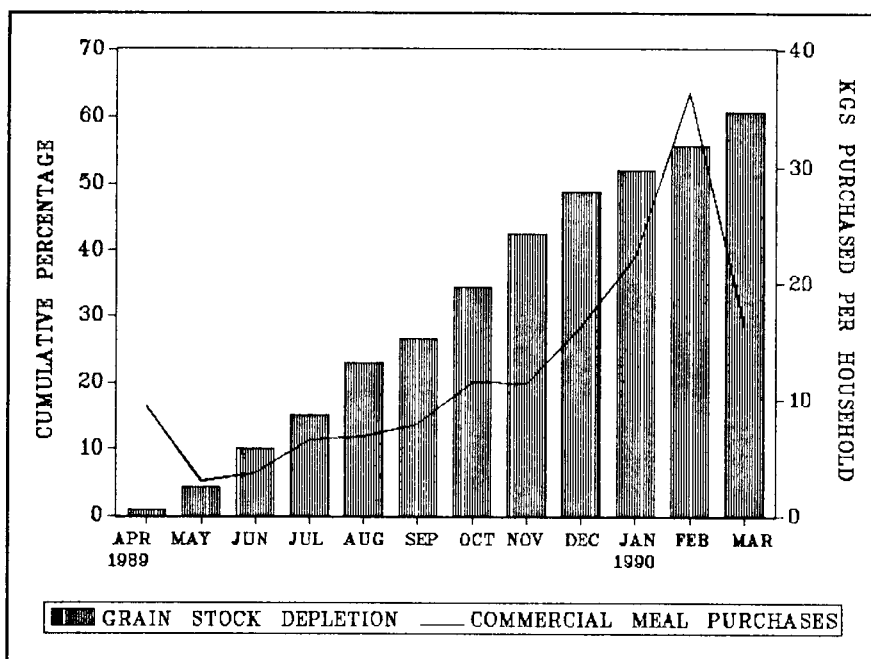
The relative volumes flowing through these channels is presented in Table 2. Purchases of grain from informal traders were quite low except in northern Gokwe and Runde, two deficit areas contiguous to nearby surplus areas. No household surveyed in several grain-deficit wards was able to identify an informal buyer operating in the area, Table 3. In the surplus areas (southern Gokwe and northern Buhera), consumers purchased most of their grain from neighboring households. The bulk of households' residual grain needs, in the remaining deficit areas, was met with purchases of commercial maize meal from licensed shops. On the national level, over 100 000 tonnes of commercial maize meal is consumed in the rural areas of Zimbabwe each year (Jayne *et al.*, 1990). This figure may be as high as 275 000 tonnes during a drought year.

Table 1
Grain marketing profile of households in selected semi-arid communal areas.

COMMUNAL AREA	NATURAL REGION	QUALITY OF RAINFALL DURING SURVEY PERIOD	AVERAGE NET HOUSEHOLD GRAIN SALES (KGS)	% OF TOTAL GRAIN SALES FROM THE TOP 10% OF GRAIN SELLING HOUSEHOLDS	% OF HOUSEHOLDS THAT ARE NET GRAIN PURCHASERS
Gokwe (south) ^a	III	average	2 592	51	12
Gokwe (north) ^a	IV	average	159	59	59
Buhera (north) ^a	III	average	496	50	26
Buhera (south) ^a	IV, V	average	87	72	57
Runde ^a	III, IV	average	3	74	61
Mberengwa ^a	IV, V	average	-248	60	85
Nata ^b	IV	below average	-275	57	94
Ramakwebana ^b	V	below average	-353	68	96
Semukwe ^b	V	below average	-344	62	98

Source: ^a UZ/MSU/ICRISAT Grain Marketing Surveys, 1990;

^b Hedden-Dunkhorst, Bettina, *The role of small grains in semi-arid smallholder farming systems in Zimbabwe: preliminary findings*, draft mimeo, SADCC/ICRISAT, Matopos.



Note:

Harvest in Runde (Natural Regions III and IV) and Mberengwa (NRs IV and V) normally occurs in April or May. However, households may begin eating "green maize" from the new harvest as early as February or March.

Source: UZ/MSU/ICRISAT Grain Marketing Surveys, 1990.

Fig. 1: Seasonal pattern of commercial maize meal purchases and the cumulative proportion of households depleting grain stocks: Mberengwa and Runde communal areas, 1989-90 Marketing Year

Table 2
Importance of alternative grain marketing channels used by households in selected semi-arid communal areas.

COMMUNAL AREA	NATURAL REGION	% OF TOTAL HOUSEHOLD GRAIN SALES TO:			% OF TOTAL HOUSEHOLD GRAIN AND MEAL PURCHASES FROM:			
		GMB OR APPROVED BUYERS	NEIGHBOURING HOUSEHOLDS	INFORMAL TRADERS	GMB	NEIGHBOURING HOUSEHOLDS	INFORMAL TRADERS	SHOPKEEPERS
Gokwe (south) ^a	III	86	8	6	7	80	13	0
Gokwe (north) ^a	IV	5	95	0	10	44	36	10
Bubera (north) ^a	III	69	16	15	16	70	1	13
Bubera (south) ^a	IV, V	68	31	1	0	36	11	53
Runde ^a	III, IV	30	70	0	0	23	37	40
Mberengwa ^a	IV, V	43	57	0	26	15	17	42
Nata ^b	IV	0	100	0	0	7*		92
Ramakwebana ^b	V	0	100	0	0	13*		87
Semukwe ^b	V	0	100	0	0	21*		79

Note: *The distinction between purchases from households and informal traders was not made in this study.

Source: ^aUZ/MSU/ICRISAT Grain Marketing Surveys, 1990.

^bHedden-Dunckhorst, Bettina. "The role of small grains in semi arid smallholder farming systems in Zimbabwe: preliminary findings", draft mimeo, SADCC/ICRISAT, Matopos.

Table 3
Number of grain buyers and sellers in operation during some portion of 1989-90 marketing year.

COMMUNAL AREA	W A R D GRAIN BUYERS (numbers) GRAIN SELLERS (number)			
		Approved Buyer	Shopkeeper	Household That Trades	TOTAL	Approved Buyer	Shopkeeper	Household That Trades	TOTAL
Runde	1	-	3	9	12	1	1	-	2
	2	-	-	-	0	-	-	2	2
	3	-	-	-	0	-	3	7	10
	4	-	1	3	4	-	9	25	34
Mberengwa	1	1	4	1	6	1	-	3	4
	2	1	5	-	6	-	2	6	8
	3	-	-	-	0	-	3	2	5
	4	-	-	-	0	-	3	2	5
	5	-	-	-	0	1	3	6	10
Shungwe	1	-	1	2	3	-	-	2	2
	2	1	1	2	4	-	-	8	8
	3	-	-	4	4	-	-	9	9
Buhera (north)	1	15	6	-	21	3	2	4	9
	2	2	3	-	5	1	-	-	1
	3	1	2	-	3	-	-	-	0
Buhera (south)	1	1	3	-	4	-	3	-	0
	2	-	-	-	0	-	3	6	10
Gokwe (north)	1	4	4	1	9	2	3	3	8
	2	-	4	2	6	1	3	3	6
Gokwe (south)	1	2	7	2	11	-	2	5	7
	2	3	7	4	14	-	3	8	11
Kana	1	13	11	-	24	-	1	-	1

Source: UZ/MSU/SADCC/ICRISAT Grain Marketing Surveys (1990); Central Statistics Office (1989).

GMB depots, in theory, could play an important role in selling maize grain to rural consumers. Yet the volume of grain purchased from the GMB by rural consumers largely depends on the proximity of a particular grain deficit area to the nearest depot. GMB grain sales in Mberengwa were substantial during 1990 because a depot is located in the middle of this drought-affected area. However, direct purchases from the GMB dropped markedly in areas of Mberengwa more than 40 kilometres from the depot. Most households relied on ox-drawn carts for transport. No household surveyed in any communal area located more than 60 kilometres from the nearest depot bought any grain from the GMB. This indicates that the availability of large grain stocks at GMB depots in town centres throughout the country does not necessarily assure access for consumers in distant rural areas.

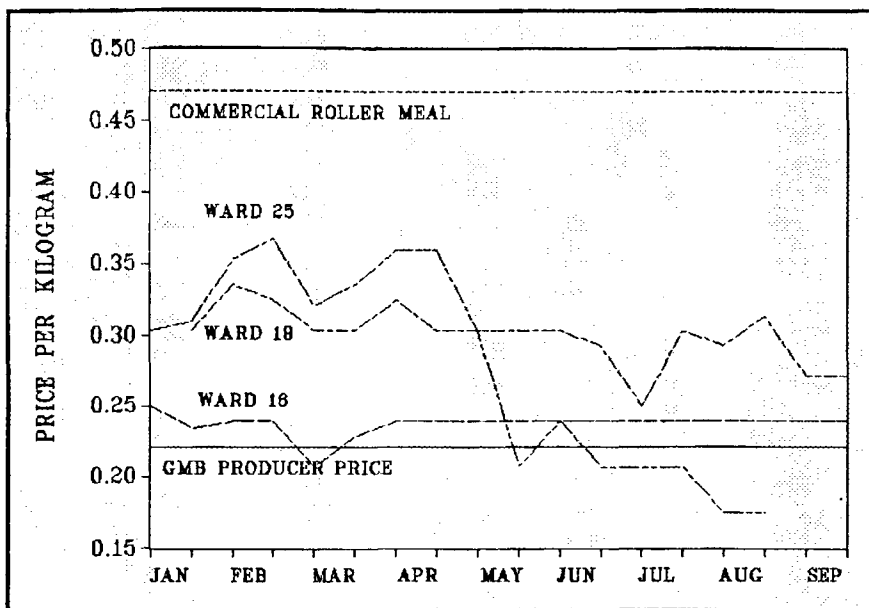
Consumer Grain Prices

Actual prices paid for maize and maize meal reflects the effective supply and demand situation prevailing in rural areas. Price monitoring surveys conducted bi-weekly in eight communal areas during 1990 showed a wide price difference between commercial maize meal and maize meal obtained through the informal system, Figures 2a and 2b. Even during the pre-harvest months of 1990, the controlled price of commercial maize meal was from 10 to 80 percent higher per kilogram than the price for maize obtained and milled through informal channels.⁶ Yet the relative volume through informal channels is often smaller, especially in the severely grain deficit areas.

Ironically, most rural people prefer the attributes of locally-processed meal to those of the more refined commercial meal. In a survey of 648 households in eight communal areas, 71 percent said they would prefer a bag of locally-milled meal over an equal-sized bag of any type of commercial meal. Based on taste alone, 88 percent said they preferred sadza (the staple dish) made with locally-milled meal.

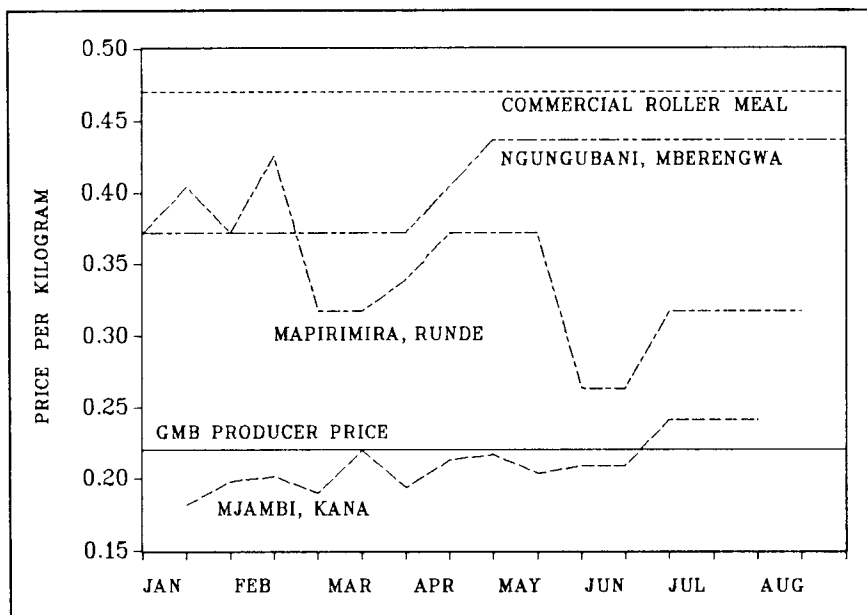
In spite of being higher priced and less desirable, commercial meal constitutes a large percentage of residual staple requirements in semi-arid areas. This is because grain is often not available for sale in these areas later in the season. Seventy-four percent of the respondents from households randomly interviewed in four semi-arid communal areas stated that they bought commercial meal simply because they could not find grain to buy locally.

⁶A number of shops were observed selling commercial meal above the control price, especially in more remote areas.



Note: Maize meal costs were derived by adding average observed local milling charges and accounting for observed extraction rates of 97 percent.
 Source: UZ/MSU/SADCC/ICRISAT Grain Marketing Surveys, 1990.

Fig. 2a: Observed Informal Maize Meal Costs (maize prices plus milling costs) in three wards in Buhera District: January - September 1990.



Note: Maize meal costs were derived by adding average observed local milling charges and accounting for observed extraction rates averaging 97 percent.

Source: UZ/MSU/SADCC/ICRISAT Grain Marketing Surveys, 1990.

Fig. 2b: Observed informal maize meal costs (maize prices plus milling costs) in three wards in Mberengwa, Runde, and Kana Communal areas: January - August 1990.

Only 43 percent of the grain traders surveyed stored grain for more than one month; only seven percent stored for more than three months. All of the grain bought by informal traders was resold before October 1989 -- more than six months before the next harvest. This suggests that, apart from storage by farm households, the important function of reallocating grain across time through storage is performed almost entirely by the formal marketing system.⁷

There appears to be substantial micro-variation in productive potential between various locations within a given communal area, especially the larger ones. Marketable grain surplus is often produced in relatively high-potential locations within communal areas that are grain-deficit in the aggregate. In the case of northern Gokwe, Buhera, and Runde, the grain surpluses generated were sufficient to satisfy the residual grain and maize meal demanded by the remaining households in the communal area. Yet very little of this grain was sold to informal traders -- the GMB and neighbouring households apparently provided more profitable or convenient market outlets, Table 2. Smallholders in the survey who sold grain to the GMB or neighbouring households were asked why they did not sell to informal traders. Their responses were: no informal buyers were operating nearby at time of sale (48 percent), other buyers gave higher prices (42 percent), and informal traders could not provide grain sacks (10 percent).

The failure of informal grain markets to provide viable outlets for surplus grain production causes supplies to be effectively siphoned out of semi-arid rural areas through the formal marketing channels and forwarded to urban mills. This creates localised shortages later in the season as deficit households deplete their own grain stocks. As a result, large volumes of relatively expensive commercial meal flow into these areas to satisfy consumer demand that could have been supplied by the grain siphoned out through the formal channels (Jayne *et al.*, 1990).

Why isn't grain being adequately redistributed through informal trade, either spatially from surplus areas to deficit locations (in the same or another communal area), or temporally from post-harvest periods of abundance to pre-harvest periods of scarcity?

CONSTRAINTS TO INVESTMENT AND ENTRY IN INFORMAL GRAIN TRADING

Traders were asked about various types of trading activities to identify constraints to investment in grain trading. Rural businessmen who were not involved in grain trading were also interviewed to identify factors limiting entry into grain marketing activities.

⁷While prices in the communal areas are unregulated and may fluctuate seasonally according to supply and demand conditions, the degree of seasonal price variation may be circumscribed by the pan-seasonal selling prices of grain at GMB depots and of maize meal distributed by the urban millers.

Some analysts have suggested that the underdevelopment of informal grain markets may be due to a general lack of profit (Amin, 1990). This is not supported by the responses of rural traders and shopowners. Grain trading, milling, and transport were identified as the second, third, and fourth most profitable activities in which to invest in Zimbabwe's rural areas (opening a restaurant/bottle store was first).

However, only 32 percent of the respondents identifying grain marketing activities actually intend to undertake them. The major barriers to investment and entry can be grouped into three broad categories: limited resources available for engaging in grain trading, ambiguity of state regulations governing informal grain trade, and restrictive government policy concerning the movement and resale of grain.

Limited Resources

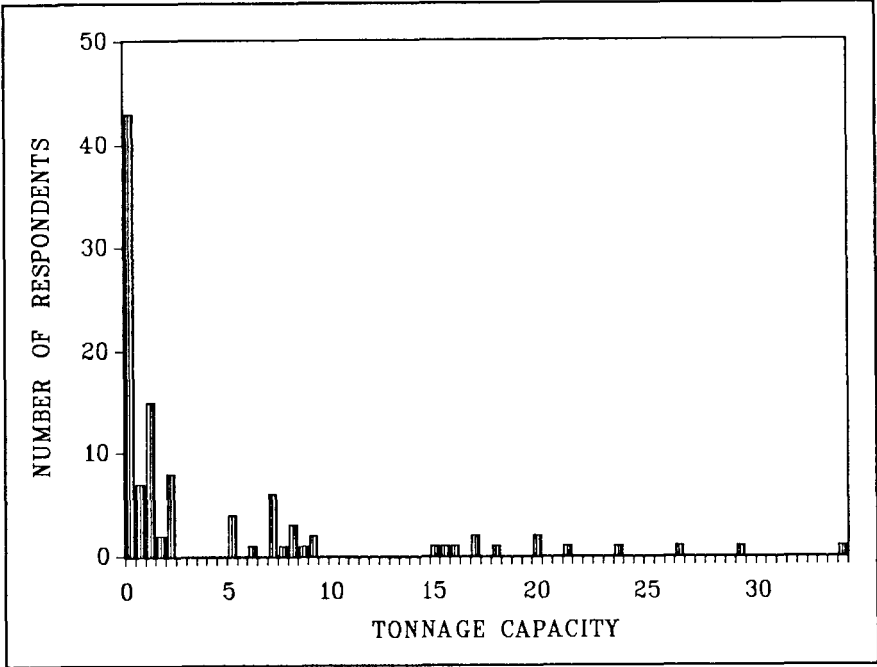
Working Capital

The viability of grain trading depends on exploiting economies of scale in transactions. Buying enough maize from the GMB to fill a 5-tonne truck requires almost twice the annual income of the average Zimbabwean. Not surprisingly, the inability to secure loans through either the formal or informal sector, represents a major barrier to grain trading. Those actually involved in grain trading, with few exceptions, reported that their only source of working capital was their own savings. This creates a barrier to entry by restricting potential entrants from capturing scale economies thus depresses their net returns. Those who can capture scale economies using their own cash are relatively wealthy traders.

Limited Transport Capacity

Only 60 percent of the rural traders surveyed owned a vehicle, Figure 3. Of the owners, less than 50 percent owned a vehicle with the capacity to carry more than 20 bags of grain. Shortage of credit also limits investment in the grain trade. The availability of vehicles to purchase is severely restricted in Zimbabwe due to foreign exchange constraints, a 60 percent import tax on foreign-purchased vehicles and limited domestic production. The general manager of a major truck dealer in Harare revealed that the dealership was allocated only 30 vehicles from domestic production to cover over 3 500 orders for trucks. Only 1 000 heavy trucks are produced domestically each year and these are largely rationed through non-market means. The manager estimated that over 50 000 trucks would be needed to alleviate the critical transport bottlenecks currently plaguing Zimbabwe's economy.

Poor rural roads also limit access to hired transport in the remote areas, particularly during rainy periods. Access during the period just before harvest is critical since many households will have depleted their grain stocks.



Source: UZ/MSU/SADCC/ICRISAT Grain Marketing Surveys

Fig. 3: Distribution of transport capacity among 106 traders surveyed in seven Communal Areas

It is rational for traders to seek trade in commodities that maximize returns to their limited capital and transport capacity. Top priority has been identified as low-bulk, high-value commodities such as liquor and soft drinks. In an environment of constrained transport supply, shopowners have also found commercial maize meal to be a convenient substitute for grain since: (1) most wholesalers and commercial millers deliver their products to retailers' shops even in rural areas, (2) the demand for commercial meal is guaranteed by the absence of grain locally, and (3) commercial meal is more valuable per unit and easier to handle than maize⁸.

Seventy-three percent of the respondents possessing trucks engage in grain trading. Yet it was often a passive form of trading where grain would be bought by the trader only if customers delivered it to his shop. Very little active procurement of grain was detected.

Limited Specialisation in Marketing Functions

The unspecialised nature of the informal grain trade necessitated that buyers in surplus areas find their own means of disposing of the grain, typically to consumers or the GMB. There were no reported cases of resale between traders. Thus the system is less specialised than the informal marketing system commonly found in developing countries in which first handlers, wholesalers, and retailers have developed their own niche in the marketing channel. Lack of specialisation inflates the information and management requirements as well as the transactions costs associated with trading grain. Many respondents stated that an expansion of grain trading would require investing in a new a shop in a deficit area or using a relative's home as a place to sell grain procured in surplus areas. There are no open markets for selling grain to wholesalers or retailers who may have more knowledge of supply and demand characteristics in other locations.

This process of expanding the number of shops to accommodate grain trading exacerbates the working capital constraint. It also increases management capacity problems since only members of the family are trusted to hold responsible positions. Several shopowners stated that a trustworthy employee/salesman or relative with a good knowledge of local market conditions would be needed and that such sales persons are scarce. Lack of trust in employees requires strict supervision and record keeping, increasing transaction costs. Advertising certain trading days would enable the traders themselves to trade, shorten the amount of time it would take to buy and sell grain, and lower the risk and cost associated with employing a salesman. Advertising grain to sell and buy is currently suppressed as informal traders often perceive their activities to be illegal.

⁸In most cases grain will be sold in fractions of a bag (eg., buckets) whereas traders always sell commercial meal in original packs.

Confusion over Regulations Governing Grain Trading

Informal marketing of grain is circumscribed by the Grain Marketing Act which divides the whole country into two areas, "A" and "B". Area "A" consists mainly of the large-scale-farming areas, most small-scale commercial farming areas, and urban centres. Area "B" is predominantly the communal lands and game reserves. The Act (CAP 113, 1966) states that:

1. Area "A" is controlled; and Area "B" is uncontrolled;
2. The GMB '...won't be concerned with what goes on in Area "B", and main attention will focus on Area "A";
3. Anyone will be permitted to acquire and sell or resell the controlled...⁹maize in Area "B"...without reference to the Board, provided that the controlled product does not leave Area "B"; if it does leave Area "B", its destination must be the GMB, and the only people who can deliver it to the Board are approved and registered by the Board. These people include producers, co-operatives and approved buyers in possession of a GMB card.'

Approved buyers, as opposed to non-approved buyers, have a contract with the GMB. An approved buyer can sell grain that he has purchased from farmers only to the GMB. However, approved buyers can sell grain that they buy from the GMB to anyone. Failure to comply with this, and other conditions contained in the contract, may result in cancellation of the contract.

These rules, clearly stated in GMB publications, are nevertheless subject to a wide variety of interpretations both within the GMB and in rural areas. Four of five GMB depot managers interviewed perceived it to be illegal for anyone to purchase grain from the depot in excess of his consumption needs, particularly if the grain was to be resold. Hence, a private trader who wanted to buy truckloads of grain for resale to deficit households in his area, would be questioned. And if that trader should indicate that he was buying in order to resell, he would be denied the opportunity to buy from the GMB. The GMB managers interviewed hinted that private traders were likely to set exploitative retail grain prices in remote deficit

⁹In fact, all controlled products can be traded freely in area "B".

areas¹⁰. Only a few of the informal traders surveyed bought grain from GMB depots. In fact, this survey found that those traders who bought from the GMB either did so in unsuspecting small quantities, hence failing to achieve economies of scale, or pretended to be transporters who were buying and transporting on behalf of those grain deficit households who had no transport.

The majority of informal traders lack sufficient information on the rules governing grain trade. They perceive grain trading to be illegal, regardless of whether the product is controlled or not, in the area in which they trade. The reluctance of many traders to initially admit to enumerators that they traded grain, despite being identified by surveyed households as the ones with which they traded, illustrates this. In fact, about ten percent of the original sample of informal traders refused to be interviewed. The difficulty faced by enumerators to gain the trust of informal traders portrayed the risk the latter attached to their grain trading activities.

Informal traders were asked if trade in red sorghum, mhunga and rapoko was legal outside communal areas. (The government decontrolled these crops in 1989 making it legal for informal traders to sell to commercial buyers in urban areas). Only 27 percent were aware of the change in the rules. Thirty-one percent were confident that it was illegal to trade these three crops, while 43 percent were not sure.

Approved buyers, through their day-to-day interaction with GMB, have greater access to information sources. They, therefore, would be expected to have updated knowledge of the rules governing grain trading. However, only 33 percent of those interviewed were aware of the changes in the regulations. Fifty percent still perceived it to be illegal to trade mhunga, red sorghum, and rapoko outside of their area and 16 percent were not sure.

Four informal traders reported that approved buyers threatened to report them to the police for trading grain informally -- even within their own communal area -- which is legal. While the ambiguity of trading regulations has not precluded the development of informal trade, trade would be expected to expand if the rules were clear and government actually took steps to actively support such intra-rural trading activity.

¹⁰This seems ironic given that the GMB itself can resell grains, the same day that it buys it, at a price 20-30% higher than its purchase price. Moreover, the informal grain price data collected in eight communal areas rarely contains evidence of exploitative informal grain trading. First, the GMB depots are usually too far from retail areas. Second, informal retail prices are not set by traders themselves but are largely a function of i) the effective demand for grain in consumption areas and ii) the price and reliability of supply of commercially-milled meal in relation to that of grain. Finally, it would likely be better to supply expensive food in deficit areas rather than let households go without food.

Marketing Policy Restrictions

Apart from perceived, albeit erroneous, restrictions, rural grain traders are constrained by two important government restrictions:

1. Maize is prohibited from crossing Zone A areas (commercial farming and urban areas) into Zone B (communal areas). Furthermore, grain may not legally pass from surplus communal areas into deficit communal areas if this requires passing through a Zone A area; and,
2. Grain delivered to rural collection points or Approved Buyers cannot be resold directly to consumers. Instead, the grain must be forwarded to the nearest GMB depot, usually located in town centres. These resale restrictions prevent deficit households from buying from local sources while the grain is still in the rural areas.

While some illicit trade has been detected in the surveys, it is of lower volume and higher cost than if the government were to remove their restrictions. Both of these rules tend to exacerbate the problem of grain shortages in semi-arid areas later in the season. The rules also contribute to the importance of commercial maize meal in rural areas despite its higher cost and lower preference.

POLICIES TO BE IMPLEMENTED AND RESEARCH ON GRAIN MARKETING AND FOOD SECURITY

The foregoing problems encountered by informal grain traders suggest a number of policy and regulatory changes that should be implemented and some that require further research. Those that should be immediately implemented include:

- Publish and widely disseminate information pertaining to regulations governing the grain trade in Zimbabwe;
- Publish and widely distribute information that the GMB sells grain at depots; and,
- Make the maximum amount of grain that a trader can buy from the GMB explicit.

Changes that appear reasonable but require further analysis include:

- Abolish restrictions on the movement of grain produced in Zone B areas. The GMB would still procure grain from Zone A and surplus areas of Zone B to meet urban demand and maintain strategic buffer stocks. The GMB would also maintain its role as a residual buyer in all areas, effectively offering a floor price to guard against adverse price fluctuations.

Expand the function of rural collection points to include the sale of grain to rural consumers. Any costs to the GMB associated with grading and selling could be reduced by conducting such sales only once or twice a week. Any costs incurred would be less than the cost of transporting the grain to main depots, handling and storing the grain and transporting expensive commercial meal or food aid back into deficit areas. The retention of grain in rural areas would reduce the costs of drought relief food aid borne by the Ministry of Labour, Manpower Planning and Social Welfare.

Removal of resale restrictions would also expand the scope for intra-rural trade considerably by reducing the search costs of grain procurement by informal traders.

Allow approved buyers to become "approved sellers". Under such an arrangement, the GMB would set selling prices at which the approved buyer/seller could sell grain to local consumers. This price would have to be high enough to provide incentives to the trader and would have to allow for the trader's cumulative storage costs. Over the long run, the need for controlling the selling price may become obsolete if a sufficient number of such "approved sellers" operate in an area to ensure competition.

Develop government or private sector financial support for entry and investment in rural grain trading. The Zimbabwe Development Bank, SEDCO, or private banks could play a role by targeting credit for specific private investments such as vehicles, hammer mills, spare parts, storage, and marketplace facilities in rural areas. This could be complemented by investment in rural roads and elimination of import restrictions on vehicles and spare parts. Promotion of new entry into grain trading is necessary to ensure that sufficient numbers of traders are in operation to promote competition.

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