

FOOD SECURITY FOR SOUTHERN AFRICA



***Edited by
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University of Zimbabwe UZ/MSU Food Security Project

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CHAPTER EIGHTEEN

THE ROLE OF THE GRAIN MARKETING BOARD IN SERVING COMMUNAL FARMERS IN ZIMBABWE: A RESEARCH PROPOSAL

M.T. Muchero

INTRODUCTION

In the "managed" economies of today Government intervention in the field of agriculture is a recognised, if not entirely acceptable feature. Successive governments have intervened in a number of ways to assist agricultural producers in marketing their commodities. This intervention has assumed various forms, such as direct control on the marketing of commodities, the registration of producers, the licensing of farmers and other more indirect forms such as, import and export control on commodities. (GMB, 1959).

Government intervention in agricultural marketing is widespread in both developed and developing countries and public sector marketing agencies are accepted as a political imperative in most African countries (Child, Muir-Leresche and Blackie, 1985). This view is shared by Todaro (1977) in his discussion on agricultural and rural development when he states that the full benefits of small-scale agricultural development cannot be realised unless government support systems are created which provide the necessary incentives, economic opportunities and access to needed inputs to enable small cultivators to expand their output and raise their productivity. Zimbabwe is no exception to this generalization. Reacting to the needs and requests of large-scale farmers when world prices fell below production costs in the early 1930s, the Maize Control Act came into being, thereby, laying the foundations of the present Grain Marketing Board (GMB, 1959). The extent to which the benefits of marketing efficiencies are achieved and passed on to farmers in the form of higher prices or reduced marketing costs depends in large part on

the competitive structure of the marketing agencies (Mellor, 1974).

The development of efficient, low cost marketing systems is fundamental to successful agricultural development (Child, Muir-Leresche and Blackie, 1985). Through the provision of economic incentives and the stimulation of innovation (Mittendorf, 1981), such systems can be achieved. Some of the major issues that dominate any discussion of strategies for the development of more effective marketing systems include: the need to design marketing systems that are able to deal satisfactorily with the increased food supplies required to feed rapidly growing urban populations, the means by which the subsistence and semi-subsistence producers can be integrated into the marketing systems; and the effective use of pricing policies as an important stimulant of agricultural production (Mittendorf, 1981).

With respect to the first two issues described above, the research programme for my D. Phil dissertation at the University of Zimbabwe will concentrate on how the GMB can deal satisfactorily with purchasing surplus food from communal farmers and the integration of the communal sector, into the commercial economy. The third regarding pricing will be discussed only in the limited aspect of marketing costs incurred by producers. This brings me to my hypothesis which states that:

The current structure of the Grain Marketing Board is not well adapted to service the demands imposed on it by the communal sector. This dissertation will examine options available for adoption by the Grain Marketing Board in its efforts to expand its marketing services to the communal agricultural sector.

ASSUMPTIONS

There are two main underlying assumptions in this dissertation:

First, controlled marketing answers a real political and economic need in Zimbabwe. The uncertainty of food production and the difficulties of trade in food in Southern Africa are such that governments are unlikely to gamble on private trading to supply the market. Governments of such different political persuasions and economic strengths as some developed western countries rely extensively on private sector investment in food marketing. Gsaenger and Schmidt have shown that, with low income and price elasticities of demand for maize, consumer welfare (particularly of low income groups) will fluctuate widely under free market conditions - an undesirable and politically destabilizing situation. Their analysis of the welfare effects of various stabilization schemes indicates that price stabilization are due to random shifts in supply. This is the case in Zimbabwe where maize production is highly influenced by annual variations in rainfall (Child, Muir-Leresche and Blackie, 1985).

Second, existing public food marketing agencies are not inherently inefficient. They have, however, been designed primarily to serve large farmers. It is the simple expansion of such agencies to serve small-scale farmers in recent years that underlies their poor performance in many countries. The efficiency of such agencies can be significantly improved if their design is altered in accordance with their functions. (Child, Muir-Leresche and Blackie, 1985).

It is noted that it is very difficult to change marketing systems that are well established, tried and trusted. It is not the intention of this dissertation to generate information on how to replace the GMB but to figure out how to help place more emphasis on communal producers and at the same time, operate at low cost.

The GMB is a producer initiated, single channel marketing system, which, in most years, has fulfilled its objectives

of maintaining national food self-sufficiency (Child, Muir-Leresche and Blackie, 1985). The Grain Marketing Board has effectively serviced the needs of the large-scale commercial farmers who were the founding force of the GMB system. Its whole structure has been built around and for use mainly by commercial farmers. The large concentration of GMB marketing facilities, or depots in these areas is evidence of its emphasis in that sector.

The second assumption refers to the simple expansion of existing government marketing agencies to cater for small farmer requirements as the main cause of poor performance by those agencies. Examples can be cited in a number of African countries which, on attaining independence, have simply expanded existing marketing systems to cater for small-scale farmers without making corresponding adjustments in the nature and structure of the marketing systems. The result has been poor performance.

Zimbabwe appears to be falling into the same trap as other African countries as experience in the first five years since independence appears to indicate. The purpose of this dissertation is to analyse the GMB marketing system and suggest changes in order to prevent the collapse of the system as has happened in many African countries.

Since independence in 1980, the government of Zimbabwe has concentrated on the previously neglected communal sector. It places greater emphasis on the provision of adequate marketing facilities to service the communal sector. A number of senior government officials have stated during public addresses that GMB depots should be sited in such a manner that they service farmers within a small radius. This new policy aims at improving the standard of living in communal areas by way of, among other things, reducing the cost of marketing surplus produce. The current GMB marketing system is looked upon to provide such expanded service by simply extending further afield. Its present

structure is not well adapted to service the new demands imposed on it by the communal agricultural sector. This is evidenced by the large increases in operating costs as more small depots are established. It is therefore necessary to examine the options available that can be adopted in expanding marketing services to the communal agricultural sector.

OBJECTIVES

The objectives of this study are to examine:

1. whether the present GMB marketing system can be sustained, firstly in the communal sector and secondly, in the large- and small-scale commercial sectors and communal sector, in view of its rapidly changing clientele.
2. whether the provision of marketing systems which are complimentary to the GMB system is a viable proposition
3. whether the provision of marketing systems which compete with the GMB are a practical solution to meeting the added demands.

To tackle the above issues it is necessary :-

- a) to determine how much further the GMB can expand its facilities to service the increasing demands of the communal sector without losing efficiency in carrying out its duties and functions.
- b) to consider what options exist which would allow for the expansion of existing facilities or the creation of alternative facilities to service the communal sector.
- c) to determine the impact of economically feasible options on government objectives.
- d) to determine which of these options are most acceptable politically

LITERATURE REVIEW

During the early part of the century colonial policies, as related to African grain production, changed in order to suit the settlers' requirements. In times of drought or

war, African production was encouraged to augment shortfalls in settler production. In good times, government policies tended to suppress the African producer. The African producer was therefore viewed as an emergency supplier, otherwise considered not important in agricultural expansion and development in general. This view is explained by Tickner (1979) when he reports that as a result of food shortages during the Second World War, restrictive policies towards African farmers were relaxed and African agriculture received some encouragement. He goes on to say that, although some individuals in government service and some private white farmers continued to give support to African producers to remain in the market, the nature of structures that existed meant that African farmers were being steadily squeezed out of the market. Tickner (1979) records that whereas in 1955 Africans sold 30 percent of their agricultural produce, by 1970 this proportion had dropped to 19 percent.

Since independence, the government has placed greater emphasis on African, or communal agriculture. This was expressed clearly in its First Five Year Plan 1986-1990. In direct contrast to suppressive government policies of the first half of the century, this government views communal production as being the pivotal point around which the country's true development revolves. Tickner (1979) says that African producers need to be viewed not just as subsistence producers with peripheral interests in the market economy but more as producers who, if given the opportunity, can and would become more market orientated producers.

Tickner (1979) went on to say that communal producers often found it (and still do) in the majority of cases, uneconomical to compete in the market as they are limited by their own productive capacity, their consumption requirements, their poverty their inability to obtain finance and to benefit from economies of scale and technological developments

as well as restrictive structures in marketing and transport. Uma Lele (1974) states that the goal of the marketing system must be to minimize costs of distribution, to reduce spatial and seasonal price fluctuations and to handle efficiently the increased marketable surpluses emanating from expanding production. To be effective Lele (1974) continues, a market system must also reach a large number of farmers. A market organization that fails to do so, however well conceived, would not serve the purpose, either of reducing overall marketing margins or of providing an incentive price to boost agricultural production generally. Lele (1974) goes on to say that the efficiency of any market system, whether private, public or co-operative, cannot be increased unless the risk and uncertainty in marketing can be reduced by removing basic constraints such as poor transport, storage and processing facilities, poor market information systems, lack of standardisation of weights and measures and inadequate and/or poorly administered credit facilities. Given the production problems faced by communal products this dissertation is confined to market facilities constraint.

The policy of the Agricultural Marketing Authority (AMA) and its four constituent Boards prior to Independence was clearly stated that:

"The Agricultural Marketing Authority recognises the key role which the provision of marketing services can play in the development of agriculture in areas remote from the main centres of development. However, its prime function is not to act as a development agency, but to ensure that farm produce is handled efficiently and at the least cost to the country, while ensuring that returns from sales are maximised. Our marketing institutions have played a key role in the development of Agriculture in Rhodesia, by pursuing this objective with single minded determination. It is the Authority's intention that this should remain its prime concern" (Tickner, 1979).

In practice, this policy has meant that African producers in remote (and hence expensive) areas have usually been

poorly helped by the marketing authorities. The transportation system of roads and rail that exist predominantly in European areas, along with a payment structure to farmers that is based on the principle of farmers meeting their primary marketing costs to points of sale (which are mainly located at processing plants and points accessible to the transportation system) have meant that many African farmers have been disadvantaged in marketing their produce (Tickner, 1979).

THE ESTABLISHMENT OF THE GRAIN MARKETING BOARD

The first embryonic stage in orderly marketing was when a small group of maize farmers negotiated with the mines of Mazowe in 1909. Controlled marketing of maize and the provision of guaranteed markets and prices were taken more seriously beginning in 1931, a period of acute depression when world prices of maize fell below production costs. In 1936, the Maize Control Board was established in an effort to stabilize farm incomes and continued farm settlement. In 1957, the Maize Control Act was repealed and replaced by the Grain marketing act which promulgated the establishment of the GMB.

Functions and Duties of the Grain Marketing Board

The GMB has since evolved to perform the following functions:

- a) to ensure the orderly marketing of controlled products;
- b) to buy and sell any controlled product which is delivered to or acquired by it;
- c) to provide storage, handling and processing facilities for controlled products;
- d) to maintain stocks of controlled products as it may consider necessary;
- e) to import and export controlled products as it may consider necessary.
- f) to do such things whether in relation to a controlled product or not as may be required by the Minister of Lands, Agriculture and Rural Resettlement.

This dissertation will examine the structure of the Board in respect of its first three functions mentioned above as they relate to communal producers. In its early stages GMB facilities were situated on line of rail with the producer price payable at these centres to any producer. European producers were responsible for actual costs of transport, from the farm gate to line of rail, whereas African producers were called upon to bear an equalised transport deduction irrespective of their points of production. It is stated that this arose from the fact that the majority of African producers were unable to bulk and transport their products to line of rail and that arrangements had to be made for some organisation to undertake this task on their behalf (GMB, 1963). This gave rise to what are now known as Approved Buyers. The equalised transport levy was deducted from the producer price. In addition, an agricultural levy and handling charge were deducted. The levy, a form of agricultural taxation was employed for use in African development (GMB, 1963).

It its written evidence to the Commission of Inquiry into the Agricultural Industry in April 1981, the Agricultural Marketing Authority went into some detail describing the development of primary marketing services in Zimbabwe. The following is a brief account of the major issues raised.

THE DEVELOPMENT OF PRIMARY MARKETING SERVICES

a) Primary Marketing

The term primary marketing has been used in Zimbabwe to describe that marketing process from farm gate to central marketing depots. The term includes those other stages of marketing such as central storage, processing and distribution. Within the diverse structure of Zimbabwe's agricultural base there exists a disparity in the ability of primary agricultural producers to overcome the probleming of this primary marketing stage (i.e. bulking up of produce, identification of product, transport to central marketing depots). For many years debate has ensued as to where the responsibility to the GMB commences, the

issue hinges upon the question as to whether the Board itself should fulfil a greater development role in conjunction with its marketing role. In recent years the option has favoured the board's assuming a greater level of responsibility at the developmental stage. As a result, policies have been established which envisage a far greater spread of market intake points throughout the country for certain categories of controlled products.

b) "Line of Rail" Intake

An elementary concept in the theory of comparative advantage lays stress on the significance of distance from the market in the level of remuneration to the producer of any pocket. The importance of this concept was not lost to the earlier policy makers. The crucial importance of transport (which in earlier years was synonymous with the railways) in the marketing system, no doubt led to the adoption of the "line of rail" price fixing system for controlled products. Whilst this policy may have been satisfactory in the initial stages of transportation development it probably presupposed that the rail network would have been enlarged to a far greater extent than has been the case.

c) "Off Line of Rail" Intake

In recent times, with the sharp increase in grain output, particularly in Mashonaland, certain areas have been confronted with major transportation and storage problems. This has led to a gradual erosion of the "line of rail" policy and several marketing depots have been established "off the line of rail". Initially the cost of transporting this grain to the line of rail was met by a direct government subsidy. From 1977 onwards those costs have been a direct handling charge to the Board.

With this development it was a short step to extend the marketing strategy. Accordingly in 1970 the government agreed to the adoption of a policy which has the long term objective of providing marketing depots throughout the country on an intensive scale. The concept of this policy is that ultimately no producer should have to travel more than sixty kilometres in order to deliver his product. This move would obviously lead to pressure from various producer interests for the establishment of depots within their area of interest. Therefore it has been necessary to devise certain criteria for determining relative priorities. Such criteria require that a locality should already be a significant producer of particular controlled products and have the potential to increase its output.

MARKETING IN MALAWI

The marketing system of commodities in Malawi is similar in some ways to that of the GMB of Zimbabwe. In Malawi the Agricultural Development and Marketing Corporation (ADMARC), is charged solely with the responsibility of purchasing agricultural produce from smallholders. Other organizations in the private sector participate in the trade of commodities produced by commercial farmers. There are four agricultural produce marketing channels in Malawi.

- a) ADMARC, as a public enterprise buying from smallholders;
- b) estates or commercial producers selling directly to mills and export markets;
- c) private traders or middlemen, who are licensed by ADMARC to buy and sell to ADMARC; and
- d) the farmer himself disposing his produce through the local markets in small lots (Paper 2, 1985).

In 1984, ADMARC had 74 main storage depots/markets for the various crops, supplemented by over 1020 seasonal produce-buying centres. These systems of buying centres and buying agents or private traders are in use by these countries so far considered, Kenya, Malawi and Zimbabwe. But Malawi's use of the buying centres is much more pronounced. Therefore a system deserving greater scrutiny as a method of expanding market outlets. Malawi's two tier agricultural marketing system, namely the estate sub-sector which operates under the framework of free marketing and price determination and the smallholder sub-sector which operates through ADMARC, is unique (Paper 3, 1985) and very valuable to this dissertation.

MARKETING IN KENYA

The marketing system for agricultural commodities in Kenya is similar to that of the GMB. The Kenyan marketing system in Zimbabwe was set up in the 1930's to serve both domestic and Second World War requirements. With the passage of time this system expanded, and modified to handle a wide

range of commodities (Paper 1, 1985). One of the government objectives is to ensure socio-economic and political stability. In order to achieve these goals, certain control measures were applied on essential foodstuffs and export crops. As in Zimbabwe, these include the provision of secure outlets for specified farm produce (Paper 2, 1985). In Kenya, the National Cereals and Produce Board (NCPB) is charged with the responsibility of purchasing and selling maize through its own buying centres as well as through agents. The only difference between the NCPB and the GMB is that the former is a buyer of last resort whereas the latter is the sole buyer of surplus produce. The NCPB, however, controls maize purchases by issuing movement permits to traders (Paper 1, 1985). All in all, therefore the NCPB deals in direct competition with traders.

In my research, I shall study Kenya's experience in food marketing and its relevance to the GMB of Zimbabwe.

MARKETING IN TANZANIA

The marketing system in Tanzania is somewhat different to those briefly described above. In Tanzania, Cooperative Unions play a major role in purchasing buy crops from the farmers through primary cooperative societies. The crops are then resold to other institutions, but principally to the National Milling Corporation (NMC) (Paper 4, 1985).

MARKETING IN ZAMBIA

In Zambia the National Agricultural Marketing Board (NAMBOARD) operates side by side with Cooperative Unions and its own registered traders. In deficit provinces, Cooperative Unions have a monopoly in terms of purchases of grains from farmers. Each NAMBOARD depot serves producers in a 25 kilometre radius. Produce is bought and collected from the farm gate. Should the farmer opt to deliver for

himself he gets paid for the transport at government fixed rates for the distance travelled up to a maximum of 25 kilometres.

SUMMARY

This paper presents a preliminary statement of my proposed research programme. I shall be grateful for comments from readers at this early stage of my D. Phil dissertation research in the Department of Agricultural Economics of the University of Zimbabwe.

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