AGRA Market Access Program

Making Agricultural Markets Work

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Importance of Staple Foods

- Cereals contribute 51 percent of Africa’s calorie supply
- The main cereals in SSA region comprise maize, rice, wheat, beans, and sorghum, millet
- Maize is the most important individual food commodity, accounting for 15 percent of caloric intake, followed by cassava (12 percent), rice (9 percent), and sorghum/millet (8 percent).

- Maize is dominant in production and consumption. In East & S. african region, maize is associated with food security:
  - “Where there’s no maize there is NO food.”
  - “Where there’s no food there is NO peace” hence maize has become a political crop

- Rice and wheat are the most heavily imported crops

- Wheat consumption is growing at a faster rate than maize
State of play in the Cereal sector...

• Governments still play a major role including price setting, levies, duties and import/export ban, fixed producer price, etc
• Reduced investments in R&D and on production
• Marketing is still a challenge due to poor farm to market linkage infrastructure
State of play in the Cereal sector...

• Low market transparency due to inadequate market information systems and grades and standards

• Limited use of rules of trade due to frail legal environments that lead to weak institutions governing property rights and contract enforcement

• Sector getting organized but systems not fully operational
Poverty relevance

- Over 85% of Staple foods are grown by small scale farmers
- Poor agronomical knowledge leads to low productivity
- Due to lack of money, most farmers do not use certified seed and fertilizer leading to poor productivity hence reduced incomes
- Many farmers do not produce enough cereals to generate a marketable surplus
- Liquidity constraints mean that farmers must meet their cash needs by selling their produce at harvest-time rather than wait until later in the season for better prices
- Farmers are net cereals buyers
High food prices have triggered protectionism policy

- Percentage of disposable income spent on food:
  - USA 7.2%
  - Canada 9%
  - India 33%
  - Africa 75%
State of play in the Cereal sector…

• Problems facing the regional food markets have been known for over 50 years; they include:

1. High transport costs for both goods and people
   - Poor infrastructure
   - Transport costs account for the bulk of all food marketing costs in Africa, reaching as high as 54% in Ethiopia’s and 37% for Malawi’s grain markets (2003 study)

2. Inadequate storage facilities
   - High post harvest losses (high cost)
     • harvest processes are underdeveloped because of lack of knowledge about proper drying practices and appropriate grading systems.
   - growth of mycotoxins (aflatoxin)
State of play in the Cereal sector…

3. Lack of market information
   - traders lack information about the timing, quantity, and location marketable surpluses of grains

5. Limited value addition and lack of non-food uses of food commodities

6. Unpredictable policy environment
   - Export ban; Ke, Tz, .
   - Trading ban; Malawi

7. Low productivity – Yield per hectare
Trade policies

• Trade policies directly affect the prices and quantities of agricultural commodities produced, exported, imported, as well as, inputs applied.

• Such policies normally have domestic, sub-regional, regional and international trade effects.
Markets: cross-border trade

- Unstructured, but very important
- Volume flowing across the border can determine government actions
• Current state of the market
  • No Grade and Standards
  • Reduced income to farmers
  • Lack of storage in market places
  • Uneconomical volumes
Trade flow routes

- Improve commercial food flow from surplus to deficit areas
- Improve trade flows at national and regional level
- Reduce barriers to local and regional trade
Food & trade flow without borders
AGRA interventions along the value chain

2007 2008 2009 2010 2011 2012 2013 2014

Seeds Program

Market Access

Policy & advocacy, M&E

Soil Health

Agricultural Extension

Water Resources

Investments for the Green Revolution
AGRA interventions along the value chain

• Program for Africa Seed System;
  – Training of breeders, seed production,
  – Agro-dealer program – access to inputs

• Soil Health Program
  – Soil analysis, access to Ferts, organic manure
  – Smart Subsidies

• Policy and Partnership
  – Trade policy development and access to credit
    • First loss guarantee

• Market Access Program

• Agricultural Extension and Water (in the pipeline)
Market access for farmers

- Increased production
- Adequate storage to reduce postharvest losses
- Accurate market information
- Awareness of grades and standards
- Value addition and promotion of non-food usage
- AGRA interventions
Investments aimed at:

- Reducing transaction costs
  - Improve on-farm storage technologies
  - Improve rural market places
  - Improve market information systems

- Increasing value addition in food usage
  - Quality grading standards;
  - Promote low-cost small and medium scale processing facilities;
  - Encourage and promote convenience and easy to prepare foods;
  - Low-cost on-farm testing equipments.

- Increasing demand through alternative uses
  - Expand livestock feed industries
  - Expand industrial usages

- Promoting an enabling environment
AGRA MARKETS APPROACH

Direct Procurement

Enabling smallholder farmers to leverage structured demand

Market Development

Creating an enabling environment for agricultural commercialization to take place

Storage & Services

Addressing a key systemic barrier

Each archetype addresses one or more Market Access strategic objectives:
Reduce transaction cost/ Increase value addition in food usage/ Increase demand via alternative uses/ Promote an enabling environment
Goals

• Ultimate goal is to improve commercial food flow from surplus to deficit areas

• Improve trade flows at national and regional level, resulting in market price stabilization, better incomes for the farmers and increased food security
Thank You