



**COMMON MARKET FOR EASTERN
AND SOUTHERN AFRICA**

**Maize Marketing and Trade Policies in Southern Africa
Toward Defining Appropriate and Mutually Supportive
Roles for the Public and Private Sectors**

BY

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INTRODUCTION

COMESA member States fully recognize that agriculture is the backbone of most of their economies and that it plays a key role in their industrial development and trade enhancement. Therefore the COMESA strategy emphasizes cooperation in agricultural development, especially in food production as a means of fostering economic growth; industrial take-off; agricultural trade and employment creation.

The Ministers of Agriculture at their meeting held in Nairobi in October 2004 issued the Nairobi Declaration on *“Expanding Opportunities For Agricultural Production, Enhanced Regional Food Security, Increased Regional Trade and Expanded Agro-Exports through Research, Value Addition and Trade Facilitation.”*

The Ministers committed themselves and therefore the region, to moving away from a national to a regional approach to dealing with regional food security through the establishment of a regional food reserve and early warning system and removing all barriers to regional agricultural trade so that food crops and other agricultural commodities can move unimpeded across the region from surplus to deficit areas to meet the food needs of our people taking due cognizance of the need to harmonize procedures while taking measures to guard against the spread of pests and diseases.

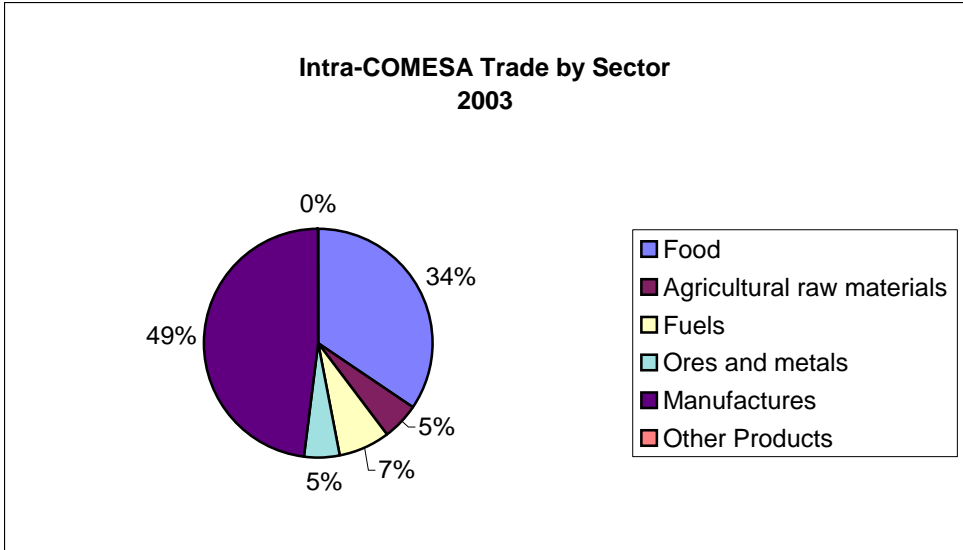
FOOD Security Situation in the Region

The food security situation in the COMESA region during the agricultural season 2004/05 is precarious as Many countries of the region facing food shortage due to many factors, such as, adverse weather conditions and rising food prices .

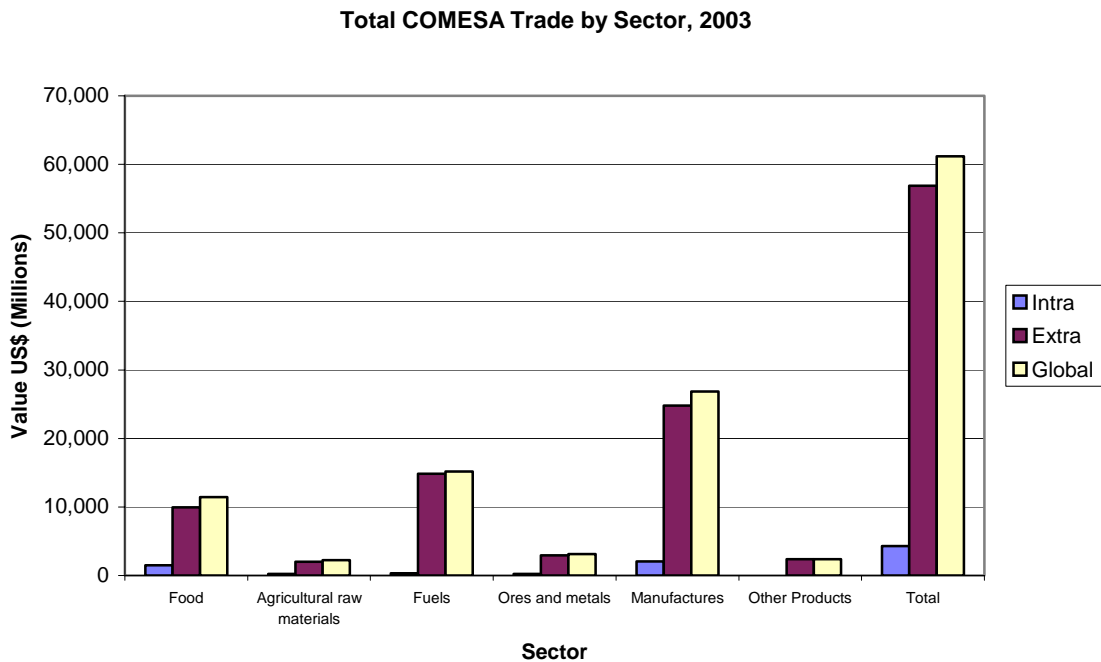
Consequently, FAO has reported that twenty-three countries still face food shortages in the Sub-Sahara Africa. Nine of these are from the COMESA region namely; Burundi, and Democratic Republic of Congo, Eritrea, Ethiopia, Kenya, Madagascar Malawi, Swaziland and Zimbabwe .

Share of Agriculture in COMESA Trade

The Total volume of intra-COMESA trade (imports and exports) amounted to US\$4.28 billion during CY 2003 excluding re-exports. Of this total, the share of food and agricultural raw materials - a proxy for agricultural products- amounted to US\$ 1.69 billion, representing 39% of total intra-COMESA trade, next only to manufactured products which commanded the highest share at 49%. Clearly, agricultural trade is an important component of COMESA trade.



Agricultural trade is important even in global COMESA trade. During 2003 global COMESA trade amounted to US\$61.16 billion with the three most important sectors being, manufactures (43.88%), fuels (24.79%) and food and agricultural raw materials (22.31%). The Chart below shows the relative contribution of each sector in global COMESA trade.



Key Issues and Challenges

Absence of Regional Value Chains and Linkages

The region faces three major challenges with respect to regional agricultural trade. The first challenge is to increase intra-regional COMESA trade in agricultural commodities. The second challenge is to improve transformation and value addition. The third challenge is to create industry linkages and promote increased investments.

As indicated above, less than ten percent of agricultural trade is within the region. Out of total US\$808 billion total maize trade, only \$30 million (or 3.71%) constituted intra-COMESA trade. The same is true for cotton and other agricultural commodities. This demonstrates immense opportunities for the region to increase production and productivity, through investments in agriculture and agro industries. This in addition to improved market information and market access should lead to increased intra COMESA trade. However to achieve this, countries need to move away from a national to a regional approach that emphasises industry linkages and value addition through regional value chains and joint cross border investments.

COMESA through RATES is working with private sector leaders, industry associations, and public sector policy makers within COMESA to address the issues of increased value and volume of intra-COMESA trade, create industry linkages, improve market information and promote value addition across the region in the following commodity areas; maize, dairy, cotton and textiles, coffee and livestock.

An Unpredictable Trade Environment

Despite the majority of COMESA countries, eleven out of nineteen now belonging to the Free Trade Area (FTA), countries have unfortunately, continued to impose barriers to regional trade including that in agricultural commodities. These barriers include, periodic import/export bans, SPS requirements, duties imposed on cross border trade and changes to trade requirements which are ad-hoc and often times not communicated to traders in advance.

These barriers lead to a national and regional trade environment that is unpredictable, subject to abuse and frustrating to the business community. It must be recognized that trade is not just in finished products but also in intermediary goods that are inputs to the production process. Thus, an unpredictable trade environment frustrates not just trade, but also production, productivity and ultimately overall economic growth.

Governments of the region should be committed to creating an open, transparent, predictable and conducive regional trade environment and this is

best achieved by adhering to the tenets and principles of the COMESA FTA which are to remove all non-tariff barriers to intra-COMESA trade including regional agricultural trade.

Inadequate Facilitating of Cross-Border Trade in Agricultural Commodities

Customs documents and procedures continue to be a hindrance to smooth regional trade despite agreements at the regional level within COMESA including specific instruments to facilitate regional trade. For example, cross border traders who are unable to fulfil requirements with respect to rules of origin, as provided for under the FTA, are made to pay duties at border posts. This is because the majority of COMESA member States have to date, not implemented the COMESA simplified trade regime. COMESA is assessing ways to facilitate cross-border trade which entails among other measures, defining a Common List of products that would qualify to use the simplified trade regime.

Agricultural commodities being wholly produced, should be among the first tranche of commodities to qualify to use this simplified regime. To be effective however, these measures need to be implemented in consultation with the cross-border traders themselves and local communities in the border areas. It is also important that the regime that is put in place is responsive to the needs of both commercial and cross border traders.

Food Safety Standards that are not Harmonized across the Region

Each COMESA Member State has its own regulations with respect to food quality and safety, the primary aim being to mitigate against the spread of pests and diseases and to protect human life. There is no doubt as to the importance of sanitary and phytosanitary and food safety measures but, as they are currently administered, SPS measures have become a non-tariff barrier to trade. SPS and food safety standards need to be harmonized across the region so as to make easier for traders to access and to comply with these requirements.

Fortunately, COMESA has received support from the African Development Bank (AfDB) for the Agricultural Marketing Promotion and Regional Integration Project which will address SPS and other trade issues. RATES is strategically posed within COMESA to ensure synergies with this project to develop regionally harmonized SPS and food safety regulations and procedures that are managed transparently and readily accessible by traders.

Absence of Regionally Harmonized Quality and Product Standards

Harmonization of quality and product standards and compliance to such standards is a key pre-requisite to promoting trade. For harmonized standards to gain wider recognition and be facilitative of trade, there must be compliance and accreditation.

COMESA has defined a list of 100 most commonly traded commodities within the region. Out of these, regionally harmonized standards have been developed for 20 products including maize and maize flour, sugar and sugar confectionery, rice, wheat and wheat flour and cereals. RATES has been working with the COMESA SQA to develop regionally harmonized standards for agricultural commodities.

Of these agricultural commodities, the most progress has been made for maize where a regionally harmonized standard has now been approved by all NSBs and is now being developed into a regionally binding regional standard. In doing this, respective NSBs are expected to consult with their private sector to ensure that the new standard has buy-in from key private sector players such as farmers, traders and millers.

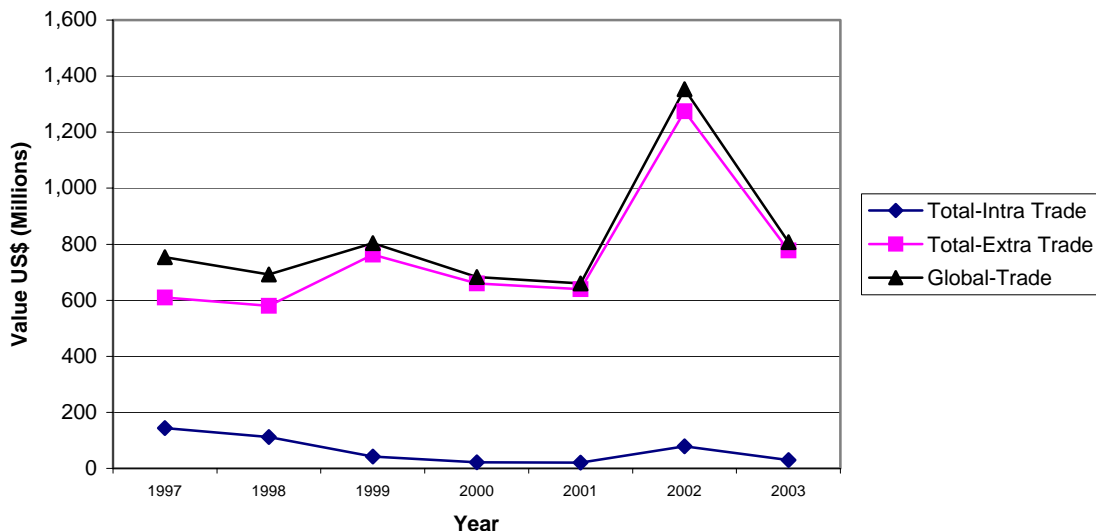
Food Security and Nutrition

The premise of COMESA is that regional food security is best served through open trade enabling commodities and products to move from surplus to deficit areas driven by the private sector and market forces. This requires a deliberate policy shift by governments at two levels. First, to source food imports from the region before going outside the region and secondly, to remove barriers to regional trade so that agricultural commodities can move unimpeded across borders. Activities being undertaken by the RATES programme, directly support this COMESA objective of moving from a national to a regional approach in dealing with food security.

Maize without Borders

The COMESA Trade and Customs Committee and subsequently, the Council of Ministers, fully endorsed the strategy of “Maize without Borders” whose key features are to remove barriers and facilitate cross-border movement of maize across the region. This is in recognition of the fact that maize is a key and strategic food crop whose availability equates to food security in most COMESA countries. The maize market was worth US\$1.35 billion in 2002 and provisional data for 2003, shows a market of US\$808 million. However, a trend that needs to be reversed is that the region imports more maize from outside than from within itself, even when this maize is available in the region. For 2003 for example, out of a total maize market of US\$808 as the Chart below shows, only US\$30 million (including maize seed at US\$10 million) constituted intra-COMESA trade in maize, the rest, US\$778 was extra-COMESA trade. Clearly, deliberate policies and strategies need to be put in place to open up the regional market to increased intra-COMESA trade in maize.

COMESA Trade in Maize, 1997 to 2003



Summary of Key Activities and Progress to Date

48. Key achievements to date with regard to the Maize without Borders strategy can be summarized as follows:

- Completion of country studies and stakeholder consultations in major maize producing countries;
- Convening of a major regional workshop involving key private and public sector stakeholders to define a Regional Trade Policy Platform for “Maize – Maize without Borders”;
- Endorsement of the “Maize Without Borders” Policy Platform by the COMESA Trade and Customs Committee and subsequently by the COMESA Council of Ministers;
- Development of a website (www.tradeafrica.biz) to facilitate access to market information by existing and potential traders;
- Development of a harmonized regional standard for maize;
- Reviewing customs documentation and procedures with a view to simplifying and facilitating cross-border maize trade; and

COMESA Programme ON Food security

COMESA is implementing a number of other programs and projects related to the following:

COMESA Agricultural Policy

COMESA Ministers of Agriculture endorsed the COMESA Agricultural Policy (CAP) in November 2002. The aim is to harmonize national policies of the region to fully exploit the potential of the COMESA Free Trade Area (FTA) and ultimately, the Customs Union (CU). The key elements in the policy are grouped into; National, which covers *rural finance, land reform, gender, rural infrastructure and farm inputs and output pricing*; Intermediate, involves negotiations of agreements to adopt particular environmental protection methods and to coordinate national activities; and Regional Harmonization, which covers agricultural trade (that is, domestic support, market access and export subsidies) and sanitary and phytosanitary measures, food quality and standard. The CAP does not undermine national policies and strategies already in place by member States but complements them. In the short and medium term, the emphasis in agriculture will be on the following:

- (i) Adoption and implementation of the COMESA Agricultural Strategy and Policies;
 - (ii) Harmonization of sanitary and phytosanitary, health and safety regulations;
 - (iii) Promotion of free trade in agricultural products;
 - (iv) Forestry Development with emphasis on enhancing trade in forestry products;
 - (v) Human resource development and capacity utilization;
 - (vi) Promotion of agro-industries; and
 - (vii) Technical support including sharing of best practices in the production and marketing of value-added products.
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- Irrigation Development
 - Fisheries Development
 - Agricultural Marketing Promotion and Regional Integration project (AMPRIP)
 - Livestock Development
 - Improvement of Early Warning Systems and Food Reserves
 - Food Quality and Food Safety Standards
 - Co-ordinated Agricultural Research and Training
 - Rice Development
 - Biotechnology and Biosafety Development
 - The Comprehensive Africa Agriculture Development Programme (CAADP) of NEPAD

Way Forward

The region should implement the following Agriculture Ministers' decisions :

- (i) COMESA should enhance food security through promotion of trade between surplus and deficit areas of the region without any non-tariff barriers and development of a sustainable Market Information System based on the commodity specific system already developed in the region that will facilitate trade in agricultural commodities. This should include taking measures to improve the efficiency of the region's transport system so as to reduce the cost of moving agricultural produce in the region;
- (ii) COMESA should set up a revolving fund which will enable member States finance the purchasing of main food crops from farmers and thereby prevent the commodities from going to waste due to lack of markets. In administering the fund, the economic realities of individual countries should be taken into account;

- (iii) Member States should set up national strategic food reserves and should share intelligence on their food reserve positions, so as to facilitate advance planning to better manage deficits and food emergencies, with the full involvement and participation of the private sector;
- (iv) Member States should implement the African Union (AU) commitment by Heads of States and Governments to allocate at least 10% of the public budget to agriculture within five years.