Review of the role of the private sector in meeting food emergencies in Zambia

by

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Introduction

This study has been carried out to obtain background information for a forthcoming workshop on Private-Public Partnerships to Address Food Emergencies in the SADC region. Although specific recommendations about the present Zambian situation are made, its prime purpose is to draw general conclusions that can be valid throughout the region. The paper reports on the situation in mid-December, 2005.

Problems with the Zambian Maize Trade

In Zambia nine companies (including some mills or their partner companies) are reportedly capable of bringing in maize from South Africa. Some traders function purely as brokers, buying on behalf of the large commercial millers, while others trade on their own account. Virtually all imported maize is supplied directly to the country's commercial mills and little finds its way onto local markets, with the exception of cross-border trade from Tanzania and Mozambique. Small traders or hammer mills that might be expected to supply local markets generally lack access to finance to make purchases from importers. One trader indicated that he would sell minimum quantities of five tons ex-warehouse to smaller traders or hammer mill operators, but such a quantity would be beyond the financing capacity of most. Similar financing problems could be expected if the Government imported commercial supplies and tried to sell them to local traders. The Food Reserve Agency (FRA) has been selling some maize from its rural warehouses on a bag by bag basis.

As both imports and sales from the Food Reserve Agency are directed almost entirely at the large-scale milling sector there is now virtually no unmilled maize available on the local market, a fact confirmed by a recent increase in demand for roller meal. Apart from the fact that local traders and hammer mill operators now have no work, an important consequence of this is that more maize is required to arrive at the same quantity of meal, the conversion factor for meal produced in hammer mills being much higher than it is in commercial mills. This suggests that an important policy consideration should be how to ensure that the small-scale market remains supplied during periods of drought.

The import process is presently slow due to transport difficulties and phytosanitary requirements and some people believe that there may be insufficient food available in the country in February-March 2006. Imports were initially delayed because the Government was not issuing import licences. Further delays were caused by a debate about import duties (15 percent), causing importers to put off imports until the matter was resolved. Resolving the problem took three months, during which time the private sector made no import arrangements. Even after the Government announced that it was waiving duties from countries outside COMESA[1], there was uncertainty as to whether this applied to all shipments, only those by FRA, or only those by FRA and mills. At one time there was concern that traders were excluded from the waiver. When the matter was resolved the Government then introduced new SPS measures, which delayed imports for a further three weeks and, at the time of the mission, had not been fully resolved.

Uncertainty continues to surround the matter of import duties. The announcement of the Ministry of Finance was that duties would be waived until the end of 2005. However, because of the logistical delays (see below) very little of the maize planned for commercial import is

[1] South Africa, Mozambique and Tanzania, the three main potential suppliers this year, are presently not members of COMESA, although Tanzania is expected to rejoin in the near future.

likely to arrive before the end of the year. This causes further concern for traders and millers and leads to a reluctance to commit to imports before the matter of duty for next year is resolved.

Assuming sufficient food is eventually imported to meet commercial and non-commercial demand, the delays encountered have nevertheless had a major impact on Zambians. Estimates put the cost to the economy as high as $24mn, based on the difference between the price millers and traders could have taken out futures contracts on the SAFEX exchange in May and the present SAFEX price, combined with the significant upward movement in freight rates. The situation appears to have been caused by a variety of factors:

- initial MACO maize crop forecasts underestimated the extent of the shortfall, suggesting that while there was a deficit it was capable of being taken care of by Food Reserve Agency sales, cross-border imports and other crops such as cassava;
- political statements had been made that Zambia should be self-sufficient and was no longer going to import maize;
- as a consequence of the above points and, perhaps, a suspicion of the motives of the private sector, there was an initial political unwillingness to accept the private sector's estimate of the true nature of the deficit, even though this estimate was endorsed by the Food Reserve Agency and some staff within the Ministry;
- Zambia has a long history of state intervention in the maize trade and although marketing has effectively been liberalized there is still a tendency to look to government imports as a solution in times of emergency. It has been suggested that one reason the Government did not approve commercial imports was that it wanted imports to be done by the Food Reserve Agency;
- there is considerable concern about GMO maize entering the country and the Ministry did not want to permit imports until GMO testing equipment was in place at the borders;
- until recently, the import duty on maize had been five percent. Following requests for protection by the wheat sector the duty on imported wheat was raised to fifteen percent and the duty on maize increased to the same level, even though no pressure group had requested an increase in the maize duty. At the time the true nature of the deficit became apparent to the private sector it was not profitable to import from South Africa with duty at fifteen percent and, as a result, the Government was requested to lift the duty. While discussions on this were underway no imports took place. Had the import duty remained at five percent it is possible that traders and millers would have taken out futures contracts on the South African Futures Exchange as early as May;
- when the Minister of Agriculture finally announced that the duty was being waived it was pointed out by the Ministry of Finance that such a decision was its prerogative. A decision from the Ministry of Finance took a further three weeks;
- MACO developed new phytosanitary requirements for imported maize, increasing the number of pests and diseases to be checked from four to eight. It was initially considered that these pests or diseases had to be checked for in the field but a modified procedure to check while in storage was developed. Following a visit to South Africa by MACO staff the staff member reported back that imports from South Africa could go ahead, but delays of 3-4 weeks had been caused, including for WFP. It should be noted that South Africa denies that it has any of the pests or diseases recently added to the list and states that were they to exist they could only survive in the north of the country. This confusion adds powerful weight to the efforts of COMESA to harmonise SPS measures, although South Africa is not a COMESA member.

It is unlikely that Zambian importers would have faced logistical problems if they could have scheduled imports over a reasonable period and been able to book transport in advance. However, delays to commercial imports as a consequence of the above factors have created major problems. Both Zimbabwe and Malawi have much greater deficits than Zambia and all available transport is now fully occupied. Transport rates are rising rapidly. Because of its proximity to South Africa and consequent faster turnaround time, truckers and the railways have a preference for delivering to Zimbabwe. As a further problem the railways were experiencing major difficulties even before the drought. Border delays at the Zimbabwe and Zambian borders can be lengthy as a result of both the weight of traffic and inefficient procedures. There is a clear argument for simplification of procedures. COMESA has identified the need to train customs staff as a major priority.

Zambian consumers have to a certain extent been protected from maize price rises by the recent rapid appreciation of the Kwacha. Nevertheless, meal prices have been rising and this is beginning to cause political concern. During the mission the Zambian President was quoted as saying that he had directed the Minister of Agriculture to meet with millers ***"to come up with favourable actions that would see a reduction of mealie meal prices."*** The following day he was quoted as criticising the milling sector, accusing millers of hoarding maize.

Planned "commercial" imports by the FRA for 2005-06 are 50,000 tons. The FRA has been selling its stocks of domestic maize to mills at a subsidised price and it is assumed that imports would also be sold at a subsidised price as a way of keeping meal prices down. This intention that FRA should import was clearly announced in advance and if it had been scheduled throughout the period between the announcement and the next harvest in March-April 2006 FRA maize would probably not have had any significant impact on the private sector. However, as of the end of the first week of December, FRA had still not finalised its tender. The possibility that 50000t of FRA maize will be sold at subsidised prices over a one-two month period is a powerful disincentive for the private sector to import. Moreover, there are concerns that because of logistics problems the FRA consignments could arrive so late as to have a depressing impact on prices at the time of next year's harvest.[2]

There is a possibility that the FRA imports will arrive too late for the 2005-06 season. This would not only cause shortages prior to the next harvest but if sold on arrival could seriously depress prices for next year's crop. There is a clear need for FRA to commit to store imports should they arrive late, rather than release them onto the market.

The Democratic Republic of Congo (DRC) is not a member of the Free Trade area of COMESA[3] and Zambia has temporarily banned exports to that country. This puts the price up in the southern areas of DRC and encourages smuggling. Beneficiaries of export controls are primarily those who take bags across the border on bicycles or as head loads. Main losers are consumers in southern DRC, which also suffered a significant drought. Traders in Congo are reportedly also importing from South Africa. Traders in Zambia argue that if they had been able to import maize from South Africa unhindered they could have taken care of the

[2] Local traders indicated that they would not be tendering because under the terms of the tender documents the tendered price had to remain valid for sixty days. This practice is consistent with standard Government tender requirements but does mean that companies tendering are likely to tender the price that they think will be prevailing in sixty days, not what it is on the day of the tender, so putting up the cost of the maize for Zambia.

[3] Nine countries are members of the Free Trade Zone. COMESA has a total of 20 members.

commercial needs of Lusaka and the Copperbelt, leaving producers close to the DRC border to take advantage of market opportunities in that country.

Some concern has been expressed about the quality of storage of maize being held by the FRA. Government policy has been for FRA to use "cooperatives" to store maize outside of the main urban areas. When it was set up FRA was mandated to manage all Government-owned stores and much of the warehousing space used by the private sector is rented from the Agency. There are suggestions that maintenance of at least part of this warehousing stock has been poor and that in a good harvest year storage facilities in the country would be inadequate. Traders interviewed indicated that they would like to invest in new stores but that banks were unprepared to make loans for more than three years, an unrealistic period for traders to repay. Some professionalism in grain handling has been introduced as a result of the founding of ZACA and the warehouse receipts programme. More needs to be done, either by identifying financing modalities for traders to construct stores or by the sale of Government stores to the private sector.

Food aid is brought into the country by WFP and by the C-SAFE consortium of NGOs consisting of CARE, CRS and World Vision which deliver maize from the USA. WFP supplies food after discussions with the Government's Vulnerability Assessment Committee (VAC).[4] It considers Zambia a success story, having last year developed a local procurement programme to purchase maize for shipment to Zimbabwe. It reduced the tender size to 300t which meant it was manageable for smaller traders and cooperatives. It bought 85000t in Zambia in 2004 and early 2005. This year it was issuing tenders until May-June (25000t) but in July began to suffer defaults. In normal times WFP tries to verify maize availability prior to accepting bids, but this practice seems to have broken down this year.

WFP considers its impact on the market to be negligible. The private sector is aware of all tenders. WFP is supplying food under various programmes, including school lunch programmes. In all cases it considers that the recipients would not be able to make commercial purchases. It prepares regular food balance sheets and is in constant discussion with the milling sector.

Despite this, several complaints were made against WFP and NGOs during the mission, as follows:

- traders and millers consider that WFP, in its understandable concern to organize food shipments, has been paying over market rates for trucks in order to ensure availability of transport, thus pushing up prices for the commercial sector;
- millers are concerned that WFP, because of logistical difficulties in getting maize to Zambia, has been attempting to purchase maize from FRA, although the millers are operating under the belief that this maize was earmarked for the milling sector;
- traders complain that local purchases by WFP have to be repacked into WFP bags;
- although most food supplied by WFP and NGOs is to people who lack purchasing power, complaints have been made that (1) this is not always the case; (2) that even when it is the case recipients need to monetise some of the maize supplied in order to buy cooking oil and other supplies, with the result that WFP-supplied maize appears on the market even in non-deficit years, so depressing the price, (3) that in surplus years WFP and other agencies had supplied maize to farmers, even though those

[4] The VAC does not include the private sector or ZNFU.

farmers had access to their own harvest by then and (4) large quantities of rice supplied by donors once ended up on the Lusaka market, so depressing the maize meal price.

Such issues are complex and impossible to examine in depth here. The USAID-funded Food Security Research Project (FSRP) had proposed to WFP that it should carry out a detailed study of the impact of food aid on the commercial market, but had received no support. Clearly, those who have no food and no purchasing power must be given priority and every effort has to be made to feed them. If this, for whatever reason, results in an inadequate commercial supply to and higher prices for wage earners in urban areas for a month before the next harvest then it is unfortunate but probably not disastrous, as consumers can reduce their intake for a short period or purchase substitutes. Furthermore, it is clear that the combination of drought in the region and the situation in Zimbabwe has created an unusual logistical problem, to which all parties have to adapt. Nevertheless, the complaints do suggest that communications between the various parties are still inadequate and need to be improved.

Conclusions and recommendations

1. Improving Communication

The present situation in Zambia provides a good illustration of the consequences of a failure of communication between government and the private sector, a failure that is repeated in much of the region. It seems to stem primarily from a continuing suspicion of the private sector, which has its roots in the many years of state intervention in marketing prior to Structural Adjustment. In Zambia, the agriculture ministry is the Ministry of Agriculture and **Cooperatives** and although state-sponsored cooperatives have largely failed there remains the belief that cooperatives should be promoted. Similarly, there is the belief that Government should be more active in food marketing and that the Food Reserve Agency should be the vehicle for this intervention. Traders complain that there is limited understanding of the way they operate and the problems they face. While bureaucratic delays can cause them to lose money, there is insufficient urgency within ministries to resolve problems.

Communication with the private sector is thus on an *ad hoc* basis, with the parties getting together whenever there is a problem. A more formal mechanism needs to be developed to ensure regular communication and to facilitate the identification and understanding of potential problems before they develop. The existence of a strong Farmers' Union, a National Millers' association and the newly formed Grain Traders' Association should facilitate this.

A recent USAID-funded programme sponsored the development of an Agricultural Marketing Strategy and this proposed the formation of an Agricultural Marketing Council that would involve all stakeholders. The grains industry has proposed the establishment of a Grains Council. Either or both could make a major contribution to improving communication and understanding and could reduce the likelihood of arbitrary political decisions that may be taken for the best of motives but could have unintended consequences.

Recommendation 1: Governments need to create formal channels of communication with the private sector. This could be done through the establishment of a National Grains Council, or similar body.

2. Policymaking

Throughout the region policy decisions on maize require responses to be developed by a range of bodies including the ministry of finance, ministry of commerce, the ministry representing consumers, donors and the private sector. Yet in many countries decisions relating to maize are left almost entirely to the ministry of agriculture. Donors need to consider how they can provide policy support to the sector. Donor inputs to date have largely involved fighting fires rather than providing proactive policy support. The assistance presently being provided by an FAO project to the Ministry of Industry and Commerce in Mozambique is a good example of proactive support, but the trend for donors to provide budget support rather than direct technical assistance suggests that such policy support may not be available in future.

For many years observers of maize marketing in southern Africa have pointed out that while there may be legitimate differences of opinion regarding the policies to be adopted it should be clear that, once adopted, policies should be implemented in a clear and consistent fashion so that the private sector knows where it stands. Similar observations are made about Strategic Grain Reserves, it being considered by some that if rules for purchase and release of stock are clear and consistent the private sector could function in parallel with an SGR. Unfortunately, experience in the region is that policies and rules are not implemented in a clear and consistent fashion. The question that then needs to be answered is how consistency can be promoted. Establishment of marketing or grains councils, as suggested above, may be one way of achieving this. More activities also need to be promoted on a regional basis and a forum should be developed for policymakers to discuss issues with their colleagues from other countries. COMESA is very active in promoting free trade within the region and could provide a forum. Unfortunately, neither South Africa, the main potential supplier of maize during droughts, nor Tanzania is presently a member of COMESA.

Recommendation 2: COMESA or SADC, possibly with donor support, should establish a grain marketing monitoring and policy advisory unit, which, *inter alia*, would provide a forum for discussion between governments.

3. Import and export controls

Zambia is one of nine members of the COMESA free trade zone, although obligations under this agreement are not always met. In theory there should be no tariffs and no quotas. There are also legitimate reasons for questioning why import or export controls should be necessary from non-COMESA members, particularly for landlocked countries such as Zambia. The cost of transporting maize from South Africa should provide sufficient protection for Zambia's farmers. Even if maize from South Africa could be landed at an import parity price lower than the prevailing market price in Zambia this would only have a short-term impact as the imports would cause a reduction in the Zambian maize price which, in turn, would make it unattractive to import. Concern on the part of farmers that imports would cause a price collapse does not appear justified. The private traders or millers would not import excessive quantities or they, too, would suffer from the resulting price collapse. A similar situation applies in the case of exports. The removal of quantities of maize from the domestic market for export would increase the price on the domestic market and this, in turn, would make it uneconomic to export. The net effect on farmers and consumers of having a free trade regime is therefore unlikely to be significant. Permitting imports and exports would be more efficient, by allowing traders and farmers in border regions to benefit from legal cross-border trade rather than indulge in costly illegal trade or ship their maize long distances to Zambia's urban markets.

It is accepted that it is difficult to convince governments of the merits of free trade in maize on the basis of a simple statement. A detailed study of the impact of free trade if it had been in operation over the last five years is desirable.

A side effect of the operation of import controls is that traders and millers are obliged to apply for import licences. These are quite costly, both in terms of the actual cost, around $100 per truck in Zambia, and in terms of the time taken to obtain them. At a time when imports are permitted it is not clear why import licences are required. Importers of other products do not require licences and it seems to be an anachronism that such licences are required for maize.

Recommendation 3: Governments should seriously consider abolishing import and export controls on both COMESA and non-COMESA maize.
Recommendation 4: Import and export licences should be abolished.

4. Import duties

Most of the delay in imports into Zambia this year was caused by discussions regarding the fifteen percent import duty. If duties are going to be waived when there is a food deficit, as eventually done in Zambia, then the justification for their imposition at any time is unclear. When there is a surplus imports are unlikely to take place. In SADC countries such duties should, anyway, have disappeared by 2012.

As has been shown this year, the application of import duty must be done on a consistent basis. It cannot be applied at one time of the year to protect farmers and removed at another time to reduce the price to consumers, as the uncertainty surrounding such a policy will mean that the private sector will not function in an optimal way. If millers and traders believe that duty will be lifted or waived then they will not import until that has been done, to avoid being at a competitive disadvantage with others who wait until the duty has been lifted. Similarly, if the private sector believes that duty is about to be re-imposed they will not order maize for fear that they will have to compete with importers who succeed in importing prior to the re-imposition.

Most of the problems in Zambia this year were caused by the fact that duty had been raised from five to fifteen percent. At five percent millers would possibly have gone ahead and imported without waiting for the duty to be lifted. Nevertheless, there appears to be a convincing case for the abolition of all maize duties, given their limited utility as a revenue-raising tool and their considerable capacity for disrupting trade.

Recommendation 5: Duties on the import of maize from both COMESA and non-COMESA countries should be abolished. This should, in time, be mandatory following the harmonization of COMESA and SADC trade protocols,[5] but in the interim there appears no reason to continue with duties.
Recommendation 6: GOZ must urgently make a clear statement regarding the extension of the duty waiver beyond the end of this year. Reintroduction of the duty would jeopardise private sector imports.

5. Government imports

[5] SADC has a Free Trade Protocol that will lead to zero tariffs by 2012.

The Government has mandated the Food Reserve Agency to import 50000t of maize this season. It is unclear why the FRA has been asked to do this when it has not demonstrated a greater capacity than the private sector to carry out imports in the past. Possibly the Agency is being asked to import because it is the Government's intention to supply maize to millers on a subsidised basis. However, if consumer subsidies are considered essential these could just as easily be implemented by giving millers a rebate on the commercial price and allowing the private sector to carry out all imports.

More likely, the request to the FRA to import reflects the residual hostility to the private sector, discussed above, and the political desire to strengthen the Agency. However, if FRA imports are sold on a subsidised basis to millers its involvement could actually weaken it because it would then have to reclaim the subsidy from the Government. Past experience with marketing boards in southern Africa is that they usually run into financial difficulties due to the failure of governments to fully reimburse them for mandated non-commercial activities.

Concern has been expressed that FRA imports may arrive near the end of the season, so making private sector imports unprofitable. Alternatively, they may arrive too late for this consumption season and the Agency may make sales at a time when the new harvest becomes available, something that has happened in the past. Clearly, this would be an unacceptable situation as it would force down local market prices, to the detriment of farmers.

In past years Government has required FRA to import and sell at subsidised prices. Traders and millers recall that this happened after they had taken positions on SAFEX or made contracts to import, in ignorance of the Government's plans.

Recommendation 7: Where there appears to be a demonstrated capacity on the part of the private sector to make commercial imports and where the state has no obvious advantage over the private sector in making such imports, governments in the region should not import maize destined for the commercial market.
Recommendation 8: FRA must clearly state how much it will be importing and when, so that the private sector can plan to cover any shortfall. If the commercial imports planned by the FRA arrive too late for the current season they should be added to the Reserve and not sold on the domestic market in the initial months of the marketing season.

6. Strategic Grain Reserves

Although there is presently renewed interest in the establishment of strategic grain reserves and reports on these have been prepared by both FAO/WFP and NEPAD, there appears to be little evidence that SGRs have in the past had a significant impact on significantly alleviating food shortages. In contrast, there is abundant evidence that reserves, such as those operated by the FRA, have had adverse effects on commercial markets, have represented significant drains on national budgets and have been almost constant victims of political interference.

If the private sector is allowed to operate unfettered, there appears little doubt that it is able to import all of a country's commercial requirements. SGRs are unlikely to be needed to supplement commercial supplies. They may, however, be needed in small quantities to meet the needs of destitute food-deficit families. However, the magnitude of such non-commercial stocks can be relatively small because food shocks are unlikely to happen overnight and once deficits are identified steps can be taken to organize imports. The logistical problems that have been experienced this year have occurred because countries suffering droughts have delayed imports until the last minute. They are an argument for clearer, rapid and more consistent policy formulation, not for the establishment of large, costly SGRs.

7. Market and other information

Despite considerable resources devoted in the past to developing early warning capabilities, evidence from the region suggests that crop forecasting, in particular, remains weak. Successive attempts to develop reliable market information services have also failed. A major factor in poor policy formulation is a lack of confidence that alternative policies would work. Thus, for example, governments continue to import commercial supplies of maize because they lack confidence that the private sector could do this or would be able to effectively forecast demand. COMESA stresses that one of its aims is to build up confidence at the policymaking level and considers that improved information about market and production conditions is essential to achieve such confidence. It is therefore developing a web site to provide production, supply and market information. In doing this it is relying on national market information services to provide the basic information. A problem with this approach is that national MIS are presently poor in several countries and have a poor track record throughout the region. Crop forecasting also continues to present problems, as evidenced by Zambia's initial underestimate of the deficit this year.

More could be done to work with the private sector to make market information available. For example, in Zambia, ZACA has been disseminating market price information provided by traders. However, governments will continue to have an important role to play in market information provision.

Recommendation 9: Steps need to be taken to strengthen some national market information services and to explore ways of incorporating the private sector into market information provision.
Recommendation 10: A grain marketing monitoring and policy advisory unit, recommended above, would need to develop a market information monitoring and analysis capacity. This could be hosted by COMESA or SADC. Alternatively, the South Africa Grain Information Service (SAGIS) could, perhaps, be given a regional responsibility.

8. The small-scale sector

As previously noted, small-scale grain traders and hammer mill operators are major losers in times of drought. Domestic supply is limited and when that runs out they have very restricted access to imports. While hammer mills in rural areas may find employment milling aid maize the commercial milling sector becomes the dominant source of supply for urban areas. This has implications not only for the livelihoods of the people involved but also for the quantity of maize that needs to be imported.

The constraints to small-scale involvement with commercial maize imports are, firstly, that most imports are made directly by mills and their brokers and, secondly, that small operators lack financial resources to buy the quantities that the few independent traders would consider selling.

Recommendation 11: Ways need to be explored of ensuring access of the small-scale sector to maize during deficit years. Providing commercial finance to hammer mill operators and small-scale traders to enable them to access imports may be one approach. Traders should consider reducing the minimum quantities they are prepared to sell in order to attract a wider clientele.

9. Infrastructure

Much of the available storage infrastructure in the country is owned by the Government and managed by FRA, a legacy of the days when maize marketing was largely handled by the state. Ownership of some of the warehouses is unclear.

There has been a decline in the quality of available storage. While some storage (often rented from FRA) has been upgraded by the private sector in order to obtain ZACA registration, the silos and some warehouses are in poor condition. Some traders would like to construct their own warehouses but are constrained by a lack of finance. Commercial bank loans require repayment in three years and are considered unsuitable.

Recommendation 12: Ways of providing finance for infrastructure construction or improvement by the private sector need to be developed. This is similar to Recommendation 11 and suggests that a broad programme of marketing finance development is required. This could possibly be funded by the World Bank or African Development Bank but would need to be implemented through commercial banks.

10. Border procedures

Border procedures are complex and cause significant delays which, in turn, put up the cost of transport. COMESA is proposing a programme of training for border staff but improvements to the situation require a detailed analysis of the reasons for delays. To what extent is documentation demanded necessary? Can procedures be simplified? Furthermore, there is a feeling that border officials see their role as being to frustrate trade rather than facilitate it, often with the purpose of extracting bribes. It presently takes up to ten days for a truck from South Africa to deliver maize to Lusaka and return home and the situation may get worse as maize imports from South Africa increase. In the short run Zambia can do nothing about delays when trucks enter Zimbabwe en route to Zambia (reportedly already more than two days) but it can consider fast-tracking maize imports into Zambia.

Recommendation 13: Governments should work individually and with COMESA to analyse the reasons for border delays and take steps to address identified constraints.

11. Food aid

As noted above, there are some small but legitimate concerns about the impact of food aid on the domestic market. The actual extent of any impact needs to be identified and quantified. Examination of alternative methods of food aid delivery that can strengthen the private sector, such as the voucher system, is required.

Recommendation 14: WFP and those NGOs monetizing grain from the USA, should work with local research organizations such as, in the case of Zambia, FSRP in order to assess the impact of food aid on local markets. Further research should be conducted on the feasibility of using the voucher system for food distribution through the commercial market.

12. SPS

The problems experienced in Zambia recently with regard to phytosanitary standards, and the impact these have had on the maize trade, provide strong support for the work that COMESA is presently carrying out, with African Development Bank funding, to harmonise standards and train staff in their implementation. It is important that pests and diseases found in each country be identified so that other countries in the region do not unnecessarily restrict trade for fear of importing non-existent pests, as may have been the case with Zambia's recent controls on maize imports from South Africa. COMESA is working to build confidence in SPS procedures; at present these procedures are weak in nearly all countries.

Recommendation 15: Countries of the region need to work closely with the region to harmonise SPS standards and strengthen procedures.

13. GMOs

Genetically modified maize is already widespread in South Africa. There is some concern that non-GMO supplies are limited and may not be sufficient to meet the needs of neighbouring countries who insist that all maize should be non-GMO. Moreover, despite testing in South Africa and, more recently at the Zambian border, it is widely assumed by the trade that GMO maize is already in Zambia.

As more farmers in South Africa move to producing GMO maize, it is difficult to see how Zambia will be able to exclude such maize in future deficit years. Indeed, in mid-December the Minister of Agriculture announced that he had decided to waive border testing for GM maize in order to speed up border procedures.

Recommendation 16: SADC has organized region-wide discussions about the GMO issue and further work is required in this area.

14. The position of the private sector

Grain traders in Zambia have, as noted, recently formed an association and this, together with the millers' association and the farmers' union, provides a useful forum for the discussion of issues with the Government. Clearly, however, more needs to be done to improve relations between the private sector and Government, and this applies to all countries in the region. For example, the large maize traders could usefully try to incorporate smaller, local traders in their association. This could assist in improving Government understanding of how the market works and, for example, the role of cross-border trade. Traders and millers could organise workshops for ministry officials to explain to them how SAFEX works and how it could be used to overcome food deficits and to discuss border-transit and other issues. Ad hoc meetings between the private sector and Government need to be replaced by more regular consultations in order to built up confidence in the capacity of the private sector, a confidence that is presently lacking in many parts of Government.