Summary

Private sector participation increased in the 2018/19 marketing season compared to the previous one. Large and small-scale traders who went into the crop market earlier than the Food Reserve Agency (FRA), were mostly those that engage in other businesses such as retailing and transportation in addition to well-established large traders and millers. For the medium and larger scale traders, Lusaka and the Copperbelt provinces remained the leading consuming markets with large milling companies being the main buyers.

Generally, farm gate prices for various commodities such as maize, sunflower, soya beans, and cotton were higher in the 2018/2019 marketing season compared to the 2017/2018 marketing season. Low production coupled with increased competition among market players contributed to the market situation at the time. This competition partly added to the steady rise in the price of maize, which was good for farmers with access to markets and a large surplus to sell. By and large, maize supply continued to reduce due to low production and as farmers’ stocks ran low inducing further price increases during the lean period. Although starting slightly later than usual, the reference purchase price per 50 kg bag maize grain had reached over ZMW 100 by mid-January 2019. This upward trend is expected to continue up until the next harvest in May/June 2019. Equally, the retail price of maize grain in the major markets have increased by almost 25% across all provincial capitals.

Between June and December 2018, there was an increase in informal cross-border activities due to relatively higher prices in destination markets. For instance, the volumes of rice imports from Tanzania and maize grain exports to Malawi significantly went up. In September, however, the quantities of maize grain, mealie meal, dry beans, and rice traded reduced compared to August. This reduction was because maize grain from Zambia, compared to Tanzania and Mozambique, became more expensive. As a result, traders from countries like Malawi started buying more maize grain from Tanzania and Mozambique where it was cheaper than Zambia. Nevertheless, the Democratic Republic of Congo (DRC) remains the main informal export market for Zambia’s maize grain, mealie meal, dry beans, and rice.
1. Market Situation

1.1 Market Structure

The maize market structure typically remained the same with small-scale farmers continuing to be the main maize suppliers feeding both the formal and informal channels in the maize value chain. In comparison to the 2017/18 marketing season, the number of players on the market increased, especially for the Eastern, Southern and Copperbelt provinces. For example, more traders, and millers set up buying points in the primary production zones. The increased market participation was due to the relative scarcity of maize. The opposite applies to the Northern part of the country where private sector participation was scaled back due to low demand from East African countries. However, there was a demand pull mostly from the Copperbelt, Central and Lusaka Provinces.

For the most part, farmers were selling most of their maize grain to traders and less to FRA except for those in the northern region where traders’ participation in the market was limited. As usual, the collective hiring of vehicles by farmers to transport the commodity to the central business district continued. This strategy was aimed at reducing the transportation costs which an individual would otherwise incur. But unlike the previous season, traders were going to the farmer’s doorstep to buy the commodity more than usual eliminating the need for the farmers to transport their commodities to central markets in district towns or urban centers. In general, the 2018/2019 marketing season has seen a diverse composition of market participants from within and outside production zones, including assemblers, traders, FRA, and millers.

1.2 Market Conduct

Overall, maize remained the most traded commodity. Other significant products traded in markets included soybeans (which was mopped out earlier than usual), sunflower, and groundnuts. Maize supply was relatively low in comparison to the previous agricultural season. Some market participants indicated having started to buy maize as early as May 2018. Large traders began almost at the same time as FRA in the first week of August by which time small and medium traders had already bought substantial volumes.

Since June 2018, maize grain prices have been rising due to the diminishing supply (Figure 1). The initial farm gate price per 50 kg bag before the FRA announced their buying price of ZMW 70 per 50 kg bag (revised from ZMW 65), ranged from ZMW 40 to 65 between June and July 2018. After the FRA announced an increase in their buying price from ZMW 65 to 70 per 50 kg bag, traders, in turn, increased their prices to level up, and in most cases, they started paying farmers more than ZMW 70 per 50 kg bag. By the end of 2018, the average purchase price for a 50 kg bag was over ZMW 80. This upward trend has continued into the early stages of 2019, with the price averaging about ZMW 113 per 50 kg bag by mid-January.

In instances where neighboring districts had more maize supply, as was the situation with Choma, millers like Choma milling were buying maize coming from as far as Kalomo district through their buying point/agents. At the time of the field visits, they were offering a very competitive buying price of ZMW 77.5 – 80 per 50kg bag. As usual, in Petauke, Lundazi, and Chipata, where larger traders dominate maize buying, small-scale traders were buying the commodity from farmers to resale to the larger traders such as NWK, Aliboo, and Parrogate.

Farmers in Choma and Kalomo still had a lot of maize by September 2018 as evidenced by stacks of maize at various buying points at the markets. Even with the entry of FRA in the market, many farmers opted to continue selling to traders mainly because of the spot cash

![Figure 1. Maize grain farm gate and trader prices, June 2018 — January 2019](image)

Source: Maize grain rapid market survey (2018); Grain Traders Association of Zambia (GTAZ) reference prices (October 2018 – Mid January 2019)
payment. This marketing behavior applied to districts of the Eastern Province as well. Overall, traders observed that generally, the flow of maize to the market had been less than usual due to the reduced harvest.

Unlike the previous marketing season when Zimbabwean traders aggressively came to buy maize directly from traders in Kalomo, most of the trading has been by domestic players, with millers in Lusaka being the ultimate buyers. The few millers in the districts such as Choma milling in Choma, White Gold Milling in Monze, and Malumaluma Milling in Sinazongwe, were also actively buying for their maize meal processing. Maize was transported using 30 MT truckloads for sale to millers mostly in Lusaka where the price was more attractive ranging from ZMW 90 – 95 per 50 kg bag. Most traders hired transport locally, while some larger traders had their own transport. On average, transportation rates per 30 MT truckload to Lusaka were ranging from ZMW 4,000 – 12,000 per truck since the start of the marketing season.

Small-scale traders continuously bought and resold maize grain as a means to maximize the turnover and minimize losses due to the lack of proper storage infrastructure. Typically small-scale traders who trade in grain all year round, mostly stack maize and cover with tents during the rainy season within the trading area while larger traders (like Aliboo in Lundazi and Parrogate in Chipata) have more durable storage infra-structure in the form of storage sheds. Further discussions with some of the traders revealed that they anticipated a higher price during the hungry season, December 2018 through May 2019. Hence, they were stocking up to cash in later. This is a welcome move as the storage function is vital to creating a lucrative and stable market for farmers. Hence, policy stability is thus essential to stimulate more investment in storage.

Most of the small-scale traders interviewed indicated that they did not have access to formal credit as they preferred not to be in debt. They instead preferred to borrow from their fellow businessmen, especially those in the retail business. One trader interviewed in Kalomo, built his capital mainly through working for other traders and after gaining experience, started his own business. However, large-scale traders accessed credit from banks, as they have established a relationship over time, and are considered credit-worthy by the financial institutions. Others have rolling capital as they can easily obtain interest-free credit from their colleagues, and this is common in the Southern and Eastern Provinces. Access to market information (prices, supply, transport costs, etc.), was mostly through informal interaction with farmers, fellow traders, as well as agents in the primary markets in Lusaka and the Copperbelt.

As the season progressed, traders indicated that they were facing challenges in procuring grain from farmers mainly because of the low maize production in the 2017/18 agricultural season hence fierce competition among buyers. Also, the cost of doing business was rising due to fuel price increases, transport costs were increasing resulting in a decrease of their earnings.

1.3 Market Performance

As a result of stronger private sector participation in the maize market, activity at the FRA buying depots was generally lower than usual. The southern half of the country had more private trader activity compared to the northern parts of the country. There was limited private trader activity in the parts of the north mainly due to the distance from major consumption centers such as Lusaka and Copperbelt Provinces. Also, there has been deficient demand from the East African region whose production was above average compared to previous seasons.

As is the norm, the buying and selling price for traders was directly related to the price offered by the ultimate buyers (millers) and other transaction costs (e.g., transport costs, council levies, loading, agent commissions, etc.). Due to limited maize supply, traders were forced to offer competitive prices to attract farmers in all the districts visited. Also, farmers who produced a surplus and were able to deliver large volumes to the traders buying point negotiated for higher prices. This behavior was witnessed mostly in Kalomo district of the Southern Province. Figure 2 shows the prices at which the private sector and FRA was buying maize grain in selected districts between August and September 2018. In most districts, the price was higher than the price offered by FRA. Compared to other places, the price was highest in Kasumbalesa (130 ZMW/50 kg), triggered by the demand in DRC.

While most farmers failed to sell their maize stock during the 2017/2018 marketing season due to increased supply and consequently low maize prices, demand in the 2018/2019 marketing season seemed to have outstripped supply. A situation that is most likely going to trigger a supply response from farmers in the new production season if the government quickly removed the maize export restriction.

Compared to the previous marketing season of 2017/2018, most traders in high producing districts were more aggressive and bought the commodity at the farm-gate with weekly purchases ranging from 60 to 90 MT. Most of the maize was destined for millers in Lusaka and the Copperbelt. Farmers interviewed indicated that they sold their maize to meet both food and non-food expenditures like school fees and input purchases in preparation for the 2018/2019 production season.

From June to December 2018, the highest average retail price was in Ndola (about ZMW 127 per 50 kg bag) followed by Lusaka (about ZMW 121 per 50 kg bag) among the provincial capitals (Figure 3). The high price in a major consumption center such Ndola was an indication of the low supply of maize grain in the Copperbelt Province. In turn, by November 2018, the large-scale millers started exerting pressure on FRA to release some of the strategic grain to cushion the supply situation in the province. With the threat of increasing mealie meal prices, the government directed the FRA to offload maize to selected millers. FRA has since offloaded about 30, 000 MT to selected millers in the province. However, this does not suggest that the country is in any crisis because by mid-January 2019, stakeholders reported having a total of more than 800, 000 MT and the rainfall season in the country has been good, on average and the country is more likely going to get a good harvest in 2018.
Figure 2. Average buying price for a 50 kg bag of white maize, September 2018

Source: IAPRI, MFL, DMMU Rapid Market and Food Security Assessment (2018)

Figure 3. Average retail prices for a 50 kg bag of white maize (June — December 2018)

Source: Authors’ calculations using CSO data (2018)
2. Cross-border trade and restrictions

Figure 4 presents the combined volume of maize grain and maize products formally exported from May to September 2018 which have been lower than usual. The graph shows that formal exports rose from 9,075 MT in May to 10,970 MT in June. After that, the volume of exports declined to 6,908 MT in August a period of intensified domestic trade but later peaked to 8,525 MT in September. The main exports were maize bran and maize seed destined to mostly three countries, Botswana, South Africa, and Namibia.

Towards the close of the year 2018, the government put an administrative restriction on maize grain and mealie meal exports as a temporary measure to ensure food security (Lusaka Times, 2018). The primary contributing factor to this move was the failure by the FRA to buy the announced buying target of 500,000 MT of maize grain. As at the 25th of October 2018, FRA had only managed to purchase 172,761 MT. Similar to the restrictive trade measures imposed in 2017/2018 marketing season, the current export restrictions are costing farmers and traders potential revenue that they could earn from markets such as the DRC. On the other hand, the country continues to lose resources due to the high cost of policing of the regulatory export restriction of maize. Further, the probability of losing big grain markets such the DRC to other maize producing and selling countries like South Africa is high if such trade restrictions continue.

Informal cross-border trade activities intensified in the early stage of the 2018/2019 marketing season, especially for maize grain and mealie meal. Figure 5 shows recorded volumes of informally exported maize grain and mealie meal, rice and dry beans from Zambia to other countries from June to December 2018. Maize grain exports dominated in all periods followed by mealie meal exports. The volumes of maize grain shipped in August (3,372 MT) were much higher than those reported in December (1,435 MT), November (1,732 MT), October (2,444 MT), September (1,856 MT), July (2,236 MT), and June (1,267 MT).

Dry beans exports followed a similar pattern. Between June and August, there was a significant increase in the volume of dry beans (from 437 to 627 MT) which dropped in September (462 MT) but rose to 976 MT in October. On the other hand, mealie meal exports remained relatively stable between August (1,478 MT) and October (1,428 MT), with a steep rise towards the end of the year in November 2018.

Most of the dry beans and rice going into the DRC was coming from Tanzania via the Nakonde and Mpulungu borders (Figure 6). Generally, increased flows of maize meal, maize grain, and dried beans were as a result of increased price differentials triggered by the demand and relative scarcity in destination countries/markets. For example, in July, the buying price for a 50 kg bag of maize was ZMW 130 on average, on the Zambian side in the Copper-belt, and selling at ZMW 150 in the DRC, via Kasumbalesa.

In December 2018, the purchase price per 50 kg bag had reached ZMW 300 and selling at ZMW 400 in DRC. At the same time, one 25 kg bag of mealie meal cost ZMW 150 and sold for ZMW 200. These prices have remained about the same in January 2019. In Mpulungu, the average buying price for mealie meal was ZMW 80 per 25 kg bag whereas the selling price was ranging from ZMW 170 – 180 in December 2018. The purchase price for a 50 kg bag of maize grain, on the other hand, was ZMW 100 and selling at ZMW 200 in the DRC, on average.

Figure 4. Formal maize grain and maize product exports, May—December 2018

![Graph showing formal maize grain and maize product exports, May—December 2018](image)

Source: Authors’ calculation using CSO data (2018)
Figure 5. Informal exports, June — December 2018

Source: FEWSNET report (2018)

Figure 6. Regional informal exports and imports, June — December 2018

Source: FEWSNET report (2018)
Figure 7 illustrates the maize grain price and supply (area planted) response. The price presented is for the proceeding marketing season which is posited to affect the area planted in a particular upcoming agricultural season. The market price of about ZMW 69/50 kg for the 2015/2016 maize output appears to have triggered an increase in the area planted in the 2016/2017 production season. However, the reduced prices for the 2016/2017 bumper harvest potentially induced a reduction in the area planted from 1,644,741 hectares in 2016/2017 to 1,392,546 MT in 2017/2018 production season. In this regard, the high crop output prices (holding other factors constant) of the 2018/2019 marketing season, for crops like maize and soya beans, are likely to have prompted an increase in the area planted in the 2018/2019 agricultural season.

Figure 7. Maize grain price and supply response (area planted in hectares)

Source: Kuteya and Samboko (2018); MoA/CSO-Crop forecast survey (CFS) various years.

3. Conclusion and recommendations

In general, stronger private sector participation characterized the 2018/19 marketing season. There were increased sales by farmers to the individual sector players, suggesting relatively limited stock retention at the household level going into the new agricultural production season. Activity at the FRA buying depots in selected districts was comparatively lower and less active than the previous marketing season. However, it is likely that much of the grain purchased by the FRA came from the northern parts of the country where there were surplus production and much lower private sector participation. Compared to the 2017/2018 marketing season, it was unlikely that market participants such as traders would be stuck with the maize commodity. The increased local market demand provided an assured market for the grain-attracting more players. Traders were doing their best to get as much maize as possible owing to the increased demand and high prices they are getting from processors. Primarily, it has been a sellers’ market due to limited stocks, the increased competition, and high prices.

A stable marketing policy environment stands paramount to encourage investment in storage infrastructure and enhanced private sector participation. Also, producers will be incentivized to produce more by increasing the area under production. Export restrictions have the potential to curtail market development by discouraging private sector participation and dampening supply response by farmers. The country has to find market solutions to unlock the supply from the private sector rather than release strategic reserve stocks to selected large scale millers during the marketing season.

Traders who do not belong to the Grain Traders Association of Zambia (GTAZ) should form associations at the district level linked to GTAZ. By doing so, they stand a chance to tap into the various services offered to GTAZ members such as commodity brokering, storage, logistics, and cross border trade among others. More importantly, these associations can be incorporated into the stocks reporting system to ensure that the Stocks Monitoring Committee knows the correct stock position.

4. Recommendations

The increase in private sector participation is encouraging. However, there is a need for the private sector especially traders to invest in proper storage facilities for commodities such as maize. Stockpiling large volumes of bags in the open space leaves the product at risk of not only theft but damage in both quality and quantity due to pest infestations and rainwater.
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Main Author
Alefa Banda
Research Associate, IAPRI

Assessment Team
Alefa Banda, IAPRI
Brian Chisanga, IAPRI
Evans Kapekele, DMMU
Lusajo Ambukeke, DMMU
Nicholas Mwale, MFL

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Grain Storage by a private grain trader in Mkushi. Image source: IAPRI