All ACP Agricultural Commodities Programme

EASTERN AFRICA GRAIN COUNCIL

PROCEEDINGS REPORT

Regional Consultation Workshop on the Use and Impact of Trade and Domestic Policy Interventions on Cereal Value Chain Stakeholders in Eastern and Southern Africa

Protea Hotel Courtyard
Dar es Salaam, Tanzania

3rd–4th June 2009

Compiled by Nicholas Waiyaki, Workshop Rapportuer

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ACKNOWLEDGEMENTS

This report provides a comprehensive record of the Regional Consultation Workshop on the Use and Impact of Trade and Domestic Policy Interventions on Cereal Value Chain Stakeholders in Eastern and Southern Africa, held at Protea Hotel Courtyard, Dar es Salaam Tanzania on 3 – 4th June 2009.

The workshop was funded under the EU All ACP Agricultural Commodities Programme (AAACP). The objective of this Programme is to improve incomes and livelihoods for ACP producers of agricultural commodities and reduce income vulnerability at both producer and macro levels.

The workshop was organized by the Eastern Africa Grain Council in collaboration with the Food and Agriculture Organization of the United Nations (FAO) and the Swedish International Development Agency (SIDA). FAO and SIDA are collaborating with EAGC to assess evidence on the use and impact of trade and related policies and to improve the level of dialogue based on this evidence. The regional consultative expert meeting was convened to develop a better understanding of the use and impacts of policy interventions on cereal value chain stakeholders in East and Southern Africa. The consultations at the workshop are expected to culminate in development of an action plan for follow-up activities. The action plan will lead to (1) improved processes of dialogue, (2) improved use and dissemination of evidence on the impacts of trade policy interventions and (3) improved capacity building in policy analysis.

The EAGC would like to thank FAO and SIDA for the support accorded to the organization of the workshop and all the FAO staff from the Trade and Markets Division for supporting us in one way or the other in organizing the workshop. We would also like to thank all the presenters and facilitators of the various sections, Nicholas Waiyaki who rapporteured during the workshop and compiled this report, the EAGC staff who organized and coordinated this workshop as well as many other individuals who provided support or assistance in various ways and capacities. All of them are highly appreciated.

Constantine Kandie

Executive Director, EAGC

OPENING REMARKS

Good morning Ladies and Gentlemen,

Welcome to this regional consultation workshop on use and impact of trade and domestic policy on regional cereal trade value chain. This workshop forms an important step towards improving production and trade in grains within our region. It is geared towards meeting two of EAGC's key objectives: promoting a well functioning regional cereal supply chain and building co-operation, interaction, partnerships, alliances, networks and market linkages.

We are happy to partner with FAO and SIDA in hosting this workshop. The workshop is very important for us because we all would like to have a grain value chain that is operating smoothly and one that is responding to the interests of the farmers, traders and East Africans in general. The theme of the workshop is also quite relevant – domestic trade policies have at times had very adverse impacts on trade within the region. In some cases, we have even experienced bans on grain export but though this may be there officially, a lot of informal trade continue across the various borders of East Africa.

Along the way, we have known that some policies do not lead to growth in production of grains. We need to remove the various trade barriers that are hindering trade of grain in our region? If farmers have hope in selling grain at good prices in Nairobi, Dar es Salaam or Kampala– then this will encourage production.

I wish to thank FAO and SIDA in supporting the hosting of this workshop. I also wish to thank all the presenters, facilitators and all of you, for finding time to attend this important workshop.

I wish you a fruitful workshop.

Ben Moshi

Director, EAGC

1.0 Workshop Objectives and Methodology

1.1 Objectives

The objectives of the workshop were presented by Jamie Morrison, FAO. They include the following[1]:

(i) Provide an opportunity for public and private sector to review and discuss evidence on the use and impact of trade and domestic policy interventions;

(ii) Highlight key points of convergence and divergence in understanding;

(iii) Develop action plan for follow up activities

(iv) Feed into broader AAACP activities

1.2 Workshop Methodology and Process

The regional consultative workshop took place over two working days. A copy of the programme is available as Annex 12

A review of existing evidence was structured around five main sessions:

(i) The use of policy interventions in the maize sectors of ESA countries.

(ii) *The impact of policy interventions in ESA maize sectors*

(iii) Practical issues and constraints to grain trade: traders' perspective

(v) Policy interventions in the context of price swings – new insights?

(vi) *Current initiatives to support improved policy formulation, implementation and dialogue*

Presentations in each session were followed by questions and answers, in which participants sought clarifications on areas of interest. The key points from presentations and subsequent questions and answers are recorded in the report, with copies of the presentations available as annexes

On the second day of the workshop, the participants were asked to form 3 groups which identified and prioritised feasible initiatives as the basis for a follow-up action plan. Finally, the participants were given a questionnaire through which they evaluated the workshop.

[1] See Annex 1 for copy of the presentation

2.0 Day One Presentations

2.1 Trade and Associated Policies in the Eastern and Southern Africa Grain sector: The Case of Maize, Paper 1[2]

Presenter: Bernard Kagira, EAGC

A review of six country studies commissioned by FAO[3] during 2008 (South Africa, Zambia, Kenya, Malawi, Tanzania and Mozambique) was used as the basis for the presentation. The paper focused on trade and other associated policies documented in the six case studies. Lessons were drawn based on the comparative analysis of the policies in the six countries. The policies in use were identified as:

- ✓ Tariffs
- ✓ Customs clearance procedures
- ✓ Pricing and marketing policies
- ✓ Export/Import restriction
- ✓ Non tariff charges
- ✓ Food crops taxation

Other Associated policies were:

- ✓ Product quality standards
- ✓ Sanitary and Phytosanitary measures
- ✓ Policies in support of production.

The Pricing and Marketing policies were identified as most widely used to encourage production of, and influence trade in maize. However, they are often driven by food security and political concerns.

2.1.1 Questions and comments raised and responses

i. Are we talking of private sector participating in the whole of the chain? For Kenya, liberalization dates back to 1990s. When the private sector was given a free hand on farm inputs, the cost shot up hence increasing the cost of production.

   These are valid concerns. The private sector seems to have failed in some cases. There may be need to study the relationship between the cost of inputs and production. The high cost may have had a negative impact.

ii. Politicians are driven by food security concerns and political concerns and not business sense. This is at times inevitable because some products like wheat in the COMESA market may not be coming from within

   The issue of possible wheat re-exports from non-COMESA countries needs to be looked at more critically. There is a need for the countries claiming this is happening to provide evidence so that the matter is followed up.

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[2] See annex 2 for copy of presentation

[3] These studies were commissioned under FAO Trade and Market Division's Regular Programme. Edited versions of the studies are forthcoming in "Food Security in Africa: Market and Trade Policy for Staple Foods in Eastern and Southern Africa" Eds. A. Sarris and J. Morrison, Edward Elgar, UK..

iii. The issue of weights and measures seems not to have been covered, yet these have impact on pricing. Usually, farmers price maize based on volume rather than weight. This could be an NTB since it could affect pricing efficiency & distort market information. Regional market integration has no clear harmonized standards e.g. for grains – foreign matter, moisture content, toxicity, GMO etc these issues need to be harmonized

The EAC has established a regional committee on standards, metrology and testing to look at issues pertaining to harmonization of standards, metrology and testing in the region. The membership is drawn from private and public sector institutions dealing with standards, metrology and testing in each of the EAC partner states. The EAC is moving towards full scale standardizations.

Weights and measures were to be taken up in the action plan for the standards. EAGC is working on promoting fair trade without discrepancy in weights and measures

2.2 Measuring the Impacts of Trade and Market Interventions on Maize Price Stability: Evidence from Eastern and Southern Africa.

Presenter: A. Chapoto, Michigan State University

2.2.1 The presenter indicated that there is a major misunderstanding of the staple food and input market policy environment in the East and Southern Africa. "Liberalization", according to the presenter is a misnomer, while "interventionist liberalization" is a more accurate definition of current policy environment in the region. Evidence from Malawi and Zambia shows that maize grain prices are generally more unstable in countries that pursue interventionist policies and restrict grain trade than those with open borders. Similarly, maize grain prices are observed to be less predictable where countries apply restrictions to grain trade, as compared to countries with open border policies. The speaker concluded that, although private trading systems can cause price variability, they tend not to cause the frequent food crises created by ad hoc government intervention in the grain market. The studies indicate that despite the theoretical rationale for price stabilization and controlling trade to stabilize food supplies, countries without grain trade restrictions generally have more stable prices, and higher cereal production growth. There is therefore need to improve government-private sector coordination to improve markets and reduce price instability. The suggested long-term model of action is the primary reliance on markets, as opposed to discretionary state intervention.

Questions, Comments and Responses

(i) I think growth in yields is a factor of seed planted, farming methods, rainfall (increase in irrigation) more than as a result of policies

Production and yields are growing fastest in areas where open markets are encouraged. It is an issue of incentives – these are countries in which government does not intervene on an ad hoc basis.

2.3 The Impact of Policy Interventions in E SA maize sectors

Presenter: Bernard Kagira, EAGC

The presentation focused on the impact of trade policies and other associated policies documented in the six FAO case studies. It identifies relevant domestic and trade policies and impacts for producers, storage industry, traders/retailers and processors in addition to examining trends on COMESA grain imports from South Africa. Further, the presentation examined the impact of pricing and marketing policies under partial liberalization regime and the impact of the export/import restrictions. The case of Malawi was provided for the impact of production incentive policies. The presenter also examined alternative policies for consideration in action planning.

2.3.1 Questions, Comments and Responses

(i) Why is it difficult to suppress informal cross-border trade and should it even be suppressed? Informal cross-border trade should be streamlined but not phased out!

It is difficult to suppress cross-border informal trade because:

- *Cross border markets are the best alternative open to traders because of spatial differences between major consumption and producing areas, reinforced by poor condition of infrastructure*
- *Thrives whenever there are government restrictions because this creates incentives to beat the system*
- *Artificial borders created by colonialists separated close family ties across borders*
- *Price differentials across boarders is a major incentive*
- *Plays key food security role, more so for communities living along borders etc*

(ii) What is the role of GMO maize in increasing maize production? There is need for clearer and more accurate information to demystify the GMO debate and controversy.

The studies carried out under FAO do not bring out the issues of GMOs. There may be a need to come up with case studies on the advantages and dis-advantages of allowing GMO food into the country.

2.4 East Africa: Region Market and Marketing costs

Presenter: Madhur Gautam, WorldBank

The presenter aimed at identifying the contribution of barriers to marketing, quantifying factors behind marketing costs, and assessing the relative importance of cross-border costs and domestic marketing costs for greater regional integration in East Africa. Maize was indicated as the most important staple food in East Africa, and the most traded agricultural commodity. Regional demand for maize is projected to increase, and lower marketing costs and better market access could add up to 2% to agricultural growth in Africa. Regional prices are not integrated with world prices, so local and regional factors are more important in price determination. Kenya and Uganda, both individually and together are relatively well integrated markets while Tanzania is weakly integrated with Kenya and Uganda as well as within itself. Marketing costs are smallest in Uganda and largest in Tanzania. To promote regional trade and market integration requires investment in rural roads, and promotion trade facilitation measures.

2.4.1 Questions and Responses

(i) What is the context in which the assertion that local fees (cess) and illegal fees (bribes) do not appear to be a major burden to farmers? Our observation is that in Kenya it is a major burden

The survey was based on response by traders and it is possible that those interviewed may not have considered the cess or illegal fees to be major costs. However, it was agreed that there is need for further research to clarify this as the general feeling was that this contributes to substantial costs which shouldn't be ignored. This can actually undermine the competitiveness of the trade.

(iii) What are the East African Governments doing to rationalize road blocks and reduce delays at cross-border trade points?.

The East African Community is making efforts to facilitate trade in the region by reducing the number of police road blocks among others in the partner states. For example, the number of police road blocks along the Northern corridor (Mombasa – Busia/Malaba border point) has fallen from 54 to 15.

The East African Community is implementing a trade facilitation project targeted at selected border points in order to reduce delays at cross-border trade points. This project is geared at 'one stop' customs clearance process that will minimize unnecessary delays in cross-border transit of goods destined to the neighbouring countries

Additionally, the World Bank has done a study (2008) on NTBs in the EAC region. In response to the recommendations of the study, the EAC Secretariat has established a regional committee on NTBs with national chapters to implement the recommendations of the study. A regional strategy on the elimination of NTBs has been developed to help move this process forward.

2. 5 Practical Issues and Constraints to Grain Trade.

Presenter: Raphael Gitau – Tegemeo Institute, Egerton University

The presenter gave the definition of trade and the rationale behind trade. Players along the grain value chain were identified, both at domestic and importer levels. Constraints faced by traders along the Value chain were identified as relating to capital, credit access, and storage for small-scale and medium size traders. Constraints facing all players were indicated as quality control, market information, uncertainty and poor infrastructure. Interventions needed are related to investments and policy both domestic and regional.

2.5.1 Questions, Comments and Responses

(i) What role can farmer organizations such as cooperatives play in enhancing grain trade?

Although East African countries, for instance Kenya, have had cooperatives for a long time, they have been facing serious management challenges and they have therefore not being playing their role effectively. There are however efforts being made towards strengthening them. Meanwhile other farmer organizations have been established, e.g Kenya National Federation of Agricultural Producers and other producer associations and these are playing an important role in linking farmers with markets. More however needs to be done to build their capacity.

2.6 Practical Issues and Constraints to Grain Trade: A Trader's perspective

Presenter: Ketan Patel, Exporting Trading group

The presenter introduced the topic by indicating the volume of commodity traded by their company as 1.3 million tonnes in 8 countries namely: Tanzania, Malawi, Mozambique, Kenya, Zambia, Uganda, Ethiopia and India. They have over 500 sourcing/warehouse locations in East and Southern African Countries.

He cited some of the problems experienced by traders as:

- Lack of accurate market information in the region.
- Infrastructure Challenges.
- Quality Parameters
- Governing policy
- Trading Finance

2.6.1 Questions, Comments and Responses

(i) You have mentioned the lack of futures exchange as being a limiting factor, but why not use the facilities that are there?

Currently, there are no facilities for futures exchange within the regions we are trading in.

(ii) Traders/millers although necessary in cereal trade, they need to be mindful of farmers and governments concerns in the development of policies that can facilitate fair trade.

We are mindful of farmers. It is the governments that at times do not create an enabling environment for traders. This creates incentives for brokers and informal traders who exploit the farmers.

2.7 Trade and related policies in the context of price swings

Presenter: Jamie Morrison

The presenter made a presentation which covered issues such as how countries responded following the recent food crises (2007/08). He highlighted these measures which included: Trade related (Import and Export), tax related, market interventions, consumer subsidies, safety nets and food supply based interventions. Further, the presenter highlighted the extent to which trade policies can generate a supply response and the sources of growth and supply response.

2.7.1 Questions, Comments and Responses

(i) What is WTO position on 'export bans'?

WTO allows the use of export restrictions under certain circumstances. Most commentators agree that export bans are not beneficial as they create difficulties for producers, and also for net food importing countries. Many countries had stopped using these restrictive trade practices – and only recently applied them after the food crisis that such measures re-emerged. WTO need to strengthen its monitoring and reporting procedures in order to discourage countries from resorting to such restrictive practices.

(ii) Maize has been used as a comparison between Malawi and Uganda but maize is not the staple food in Uganda. This could impact on the results shown.

The comparison was made to demonstrate that the impact of a price increase (and therefore use of a price related policy instrument) will affect households differently on the basis of their consumption expenditure patterns

(iii) What policy measures does the FAO recommend in the face of high food prices?

Countries should carefully consider the implications of short term response measures (which can result in unintended effects) and not ignore the benefits of longer term initiatives to improve access to staples

3.0 Day Two Presentations

3.1 Commodity Derivative Exchanges within the Wider Arena of Agricultural Policy Formulation, Implementation and Dialogue: A South African Contribution

Presenter: Rod Gravelet-Blondin, JSE /SAFEX

The presenter gave his experience on Commodity Derivative Perspectives. It was appreciated that agricultural policy should be clear, consistent, contextual, comprehensive and coordinated. Agricultural marketing policy should be aimed at price discovery and price risk management either through state intervention or market forces. State intervention is normally political, expensive, distortive and not particularly effective, while market forces are effective, apolitical and economically based. However, for market forces to work effectively there is need for infrastructure and rules. Experience from South Africa is that the market is functioning well in price discovery and efficient price risk management at no cost to government, so government can concentrate on other policy areas like infrastructure and extension. It will not necessarily be possible to replicate the South African success in other countries as there are differences in terms of the nature of producers. The price realised at SAFEX is stable and closely related to export and import parity for the commodity. Commodity exchanges don't remove volatility but provide a tool to manage it

3.1.1 Questions, Comments and Responses

(i) I gather from the presentations that there are prerequisites to be put in place for functional commodity exchange. These are, among others,

a. Trust – within and between countries

b. Policy coherence, consistency and coordination

c. Strong legal/regulatory frameworks

d. Developed financial/insurance sectors

Yet these are indeed rare commodities in most of the African countries. What are the chances that commodity exchange will take off in Africa? For the critical areas mentioned above, is there particular sequencing that will lead to higher probabilities of success of commodity exchanges in Africa?

Every country is unique and following South African experience may not necessarily work. All these factors are however important. For a market based commodity exchange to function properly, a good policy and enabling regulatory framework is necessary.

(ii) South Africa increased maize marketing into ESA more as the result of political liberalization than maize market liberalization

Political liberalization played a major role in the development of the grain sector in South Africa. The presentation did not capture this although it is important to understand that political liberalization without market reforms cannot achieve much.

(iii) What is the size of the bio-fuel sector in the region? This is necessary to gauge the possible impact on the grain trade in the region.

Bio-fuels are likely to emerge as a competitor to trade in food grain in the region.

Currently, South Africa maize used internally is about 7 million tonnes and usage is about 50/50 human/livestock feed. It is expected that this ratio may change significantly in the near future. In US, about a third of the corn now goes to bio-fuels.

3.2 Support Initiatives for Cereal Value Chain Policy Formulation And Dialogue In COMESA

Presenter : Dr. Angel Elias Daka

Dr. Angel Elias Daka introduced the topic by giving the overall Goal of COMESA as promotion of regional integration through food security achievement by promoting increased production, supply and distribution of food staples and improved responses to food crises and promoting overall trade in the region through harmonized trade policies He explained the causes of region food insecurity as inadequate Food Production and Supply Poverty, hunger and malnutrition and food crises – natural & man-made and Under-utilized water resources. He explained the COMESA has three support initiatives namely: CAADP, Alliance for Commodity Trade in eastern and Southern Africa (ACTESA) Programme and the Africa Agricultural Marketing Programme (AAMP). He presented the objectives of each of these programmes.

3.2.1 Questions, Comments and Responses

(i) How do you make sure CADDP is not just another donor project hence what will be countries entry points for sustainability?

To ensure sustainability, projects are identified through stakeholder consultations in each country. Each country then factors the agreed projects in their budgets.

(ii) CADDP – Out of the 19 countries under COMESA, how many of these are CAADP compliant? How can COMESA work within national programme and get credit rather than duplicate effort?

Out of the 19 countries, 17 countries have launched CAADP with exception of Egypt and Eritrea. As indicated above, CAADP projects are implemented through national programmes

(iii) The presentation by COMESA look good on paper! How are you going to implement it in all member countries? Do you have capacity and resources? Within what time frame will this be achieved?

COMESA implements ACTESA through country level partners and brings countries together at the regional level for capacity building. The time frame varies according to different countries.

(iv) Is COMESA doing capacity building especially on future markets in Africa?

(v) At what stage of implementation is ACTESA?

ACTESA was launched in September 2008. A workplan was developed in May 2009 for the five year project. Money has been disbursed and staff are being hired. Malawi is a pilot ACTESA country with the Market Linked Programme learning lessons from NASFAM and ACE.

3.3 Bourse Africa: African Markets, Global Opportunities

Presenter: Adam Gross

Adam Gross opened the topic by explaining the policy benefits and challenges of Bourse Africa. He explained in details the meaning of commodity exchange and how it looks like. In what is traded he differentiated between the spot contracts market and future markets. He explained the importance and advantages of future markets.

The speaker identified the following as the current policy challenges that need to be addressed:

(a) Developing an effective legal-regulatory framework

(b) Cooperation between and within government

(c) Rule-based government interventions

(d) Reducing barriers to cross-border trade

(e) Reducing barriers to market participation

(f) Awareness-raising, Capacity-building, Training

(g) Shifting to mindset of organised markets

(h) Tyranny of low expectations and the burden of incrementalism

3.4.1 Questions, Comments and Responses

(i) In India, are farmers operating as individuals? In Africa, will you operate as individuals or through organizations?

In India, farmers are represented by farmers organisations. Bourse Africa aims at applying the same format in Africa. Bourse Africa is the first commodity exchange in Africa to target small holders.

(ii) India has a federal government and state government. The African region has independent political units that are difficult to reduce barriers to cross-border trade e.g political culture etc. What can be done?

The constraints in Africa are similar to the ones in the Indian markets, which splits into twenty-eight states, which are further divided into administrative districts. MCX, our sister company in India, is the 7th largest in the world, and Africa's commodity base is nearly five time larger.

3.5 UNCTAD Support for Commodity Exchange Development

Presenter: Leonela Santana-Boada, Cordinator, Commodity Exchanges Special Unit on Commodities, UNCTAD

The presenter introduced UNCTAD as an international organization supporting commodity exchange development. A commodity exchange was defined as a market where multiple buyers and sellers trade commodity-linked contracts on basis of rules and procedures laid down by the exchange. Potential benefits for the developing countries were outlined as well as criteria for IO action. Current initiatives to support policy formulation, implementation and dialogue were also highlighted.

3.5.2 Questions, Comments and Responses

(i) Are there possibilities of insurance in grain trade?

Risk management instruments are considered under the AAACP project.

(ii) Establishment of commodity exchange: Is it best done through stock exchange or should it be done independently and mergers only considered at a later date once commodity exchange is established?

Governments need to participate to facilitate commodity exchanges. Commodity exchanges can be a tool to do what commodity boards do/ used to do

4.0 Identification and Prioritisation of Feasible Initiatives for Action Plan

Workshop participants were placed in three working groups. Each group was asked to consider action points related to issues identified and potential solutions in the form of (i) improved dissemination, (ii) improved dialogue and (iii) capacity building needs.

Group 1 identified a series of issues and solutions:

- heterogenous policy and inadequate institutions as key constraints to doing business. Countries don't tend to take account of policy implementation in neighbouring countries, nor when tariffs are likely to be changed and/or export bans imposed. The group suggested that further harmonisation of policy was required
- incoherent policies along the value chain. Often production is supported, but sale/trade suppressed
- the use of trade policy on a discriminatory basis. Capacity building is required to improve understanding of potential impacts
- potential destabilising effects of donor programmes and food aid. It was suggested that stakeholders should work more closely to coordinate actions

Group 2 suggested that:

- private sector involvement could be enhanced if governments provided a framework that resulted in harmonisation and coordination within trading blocs.
- Improved dialogue could be promoted through strengthening PPPs, providing opportunities for the private sector to participate in technical and high level meetings. The group also suggested that EAGC should be strengthened and recognised by governments. EAGC should share their workplan with Ministries of Agriculture and Ministries of Trade
- Capacity building should be addressed through more regular meetings and interactive sessions, study tours to learn from other regions, and research and training at different levels aimed at understanding the download process.

Group 3 proposed:

- the establishment of multi-stakeholder platforms at national level to exchange information within and between countries. This would include the strengthening of lobbies and websites with free access information and best practice experiences. UNCTAD to support the dissemination of best practice
- using service providers to overcome constraints facing farmers. The EAGC could be used as an institution to coordinate at a regional level in

cooperation with COMESA, ESA. It was suggested that their role could in turn be supported by FAO

- organising regular meetings to discuss how policy related messages should be packaged. FAO could facilitate by ensuring representation and voice of non-EAGC members.
- in terms of capacity building, a value chain approach needs to be taken to identify needs from market to R&D level of the chain

On the basis of further discussion the groups were asked to identify at least two initiatives for prioritization in the action plan. The initiatives from the three groups were then ranked, in order of priority, by the workshop participants, through a plenary, as shown below:

1) Harmonization of domestic and national trade policies. The governments should have political commitment to implement the harmonized policies
2) Member countries to ensure they develop coherent policies along the value chain
3) Establishment of National Charters of EAGC to improve dialogue and communication with Governments.
4) Strengthening of lobby pressure groups made up of EAGC, COMESA, SADC and other stakeholders (incl. small and medium sized farmers and traders)
5) Harmonization, coordination and implementation of the regulatory frameworks within the trading blocs
6) Research and training for different value chain levels .

5.0 Closing Remarks

Ladies and gentlemen,

I know you have had an intensive two days and may be eager to leave this workshop. Allow me to take a few minutes to thank FAO, SIDA and EAGC for organizing this workshop and for choosing to hold it here in Dar es Salaam. I do hope you will find time to visit our coastal city before you go back. In particular, I would like to thank Constantine and her team for a well organised workshop. We had everything we needed.

Lastly, we would like to thank you for agreeing to come to Dar es Salaam. Thank you very much. I do hope that in the not too distant future we will get an opportunity to meet again.

Let me now invite my fellow Director from Uganda to officially close the workshop

Ben Moshi

Director, EAGC (Tanzania)

Good afternoon ladies and gentlemen,

I want to join my voice to thank EAGC and FAO for organizing this important workshop. Many thanks to Constantine and her team for bringing together such participants – it was a wonderful team!

Thank you very much once again.

With those few words, I now declare the workshop closed.

Thomas Bakainaga

Director, EAGC (Uganda)

ANNEXES

ANNEX 1: Workshop Objectives, Presented by Jamie Morrison, FAO

Background to the AAACP

Objective is to improve incomes and livelihoods for ACP producers of agricultural commodities and reduce income vulnerability at both producer and macro levels.

Programme mandate focuses on assistance to:

(i) Formulate and implement commodity strategies

(ii) Develop cross cutting tools and instruments to improve market functionality

- Commodity related information systems; warehouse receipts systems; innovative financing approaches; commodity exchanges

(iii) Promote market-based commodity risk management instruments

Five International Organization (IO) partners CFC; FAO; ITC; UNCTAD; WB

Rationale for current initiative

ESA Kick-off Workshop – June 2008

♦ Recognition of formal and informal chains

✓ importance of further formalization

✓ importance of increased smallholder participation

♦ Concern that unpredictability of TP use is undermining private sector investment

♦ Need to improve transparency, formulation and implementation of trade and related policy

Concurrent FAO work

♦ Appropriate trade policy

♦ Initiative on soaring food prices

Collaboration with EAGC

Assess evidence on the use and impact of trade and related policy

♦ Two review papers

Convene national and regional consultations

Develop action plan

♦ Improved dialogue

♦ Improved assimilation and dissemination of evidence on impact

♦ Improved capacity building in policy analysis

Objectives of the workshop

(i) Provide opportunity for public and private sector to review and discuss evidence on use and impact

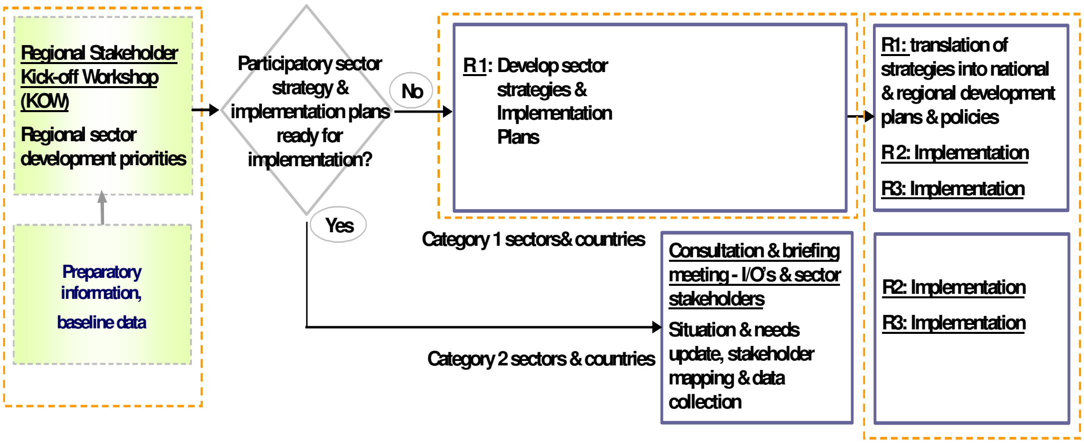
(ii) To highlight key points of convergence and divergence

(iii) Develop action plan for follow up activities

not what the issue is, but how to address it

(iv) Feed into broader AAACP activities

EU AAACP process



Annex 2: Trade and Associated Policies in the Eastern And Southern Africa Grain Sector - *Bernard Kagira, EAGC*

Basis of this paper

- Six country studies commissioned by FAO in 2008
- √ South Africa: Authors - Lulama Ndibongo Traub and Ferdinand Meyer
- √ Zambia: Authors - Jones Govereh, T.S. Jayne and A. Chapoto
- √ Kenya: Authors - Joshua Ariga and T.S. Jayne
- √ Malawi: Author - Ephraim W. Chirwa
- √ Tanzania: Authors - Andrew E. Temu, Appolinary Manyama and Anna A. Temu
- √ Mozambique: Author - Danilo Carimo Abdula
- The six countries belong to COMESA (Kenya, Malawi and Zambia); EAC (Kenya and Tanzania) and SADC (South Africa, Mozambique, Malawi and Zambia)

Objectives

- This paper focuses on the trade policies and other associated policies that were documented in the six case studies
- Draws lessons based on comparative analysis of the policies in the six countries

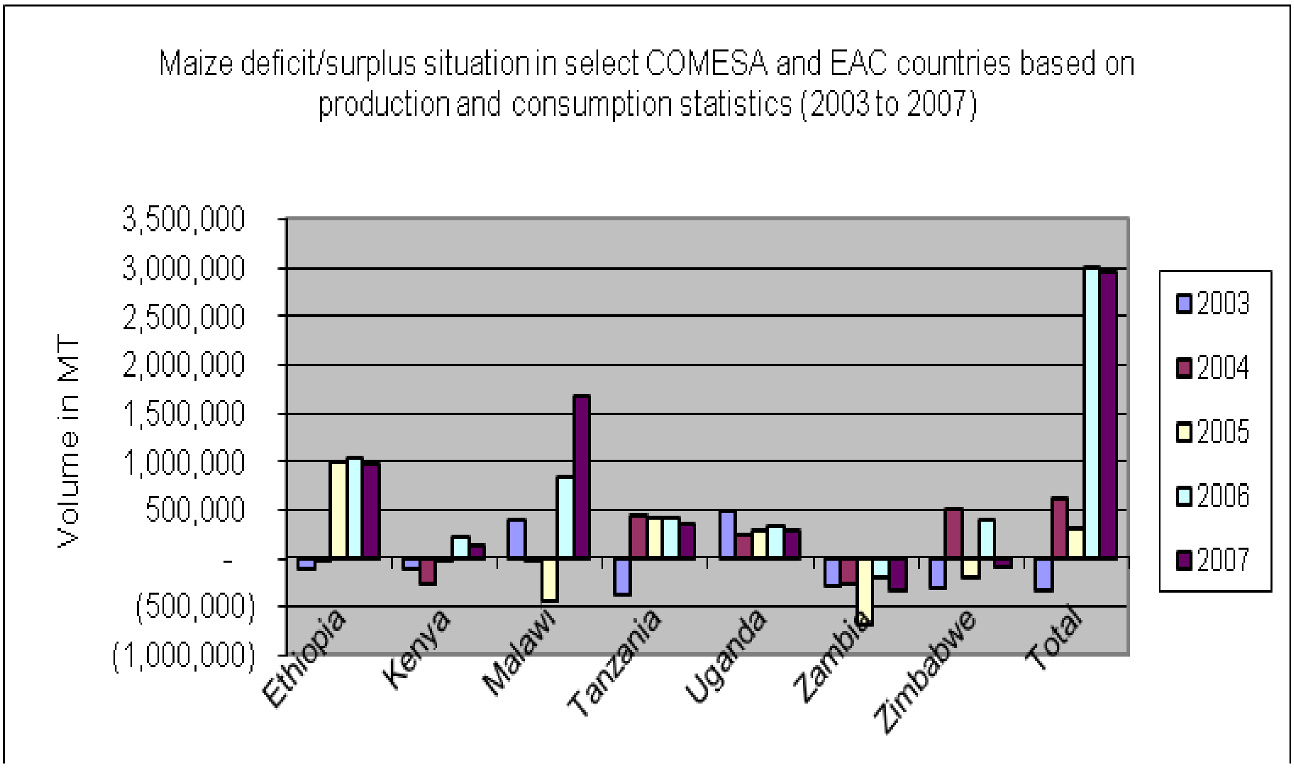
Summary of Policies in Use

- ✓ Tariffs
- ✓ Customs clearance procedures
- ✓ Pricing and marketing policies
- ✓ Export/Import restriction
- ✓ Non tariff charges
- ✓ Food crops taxation

Other associated policies

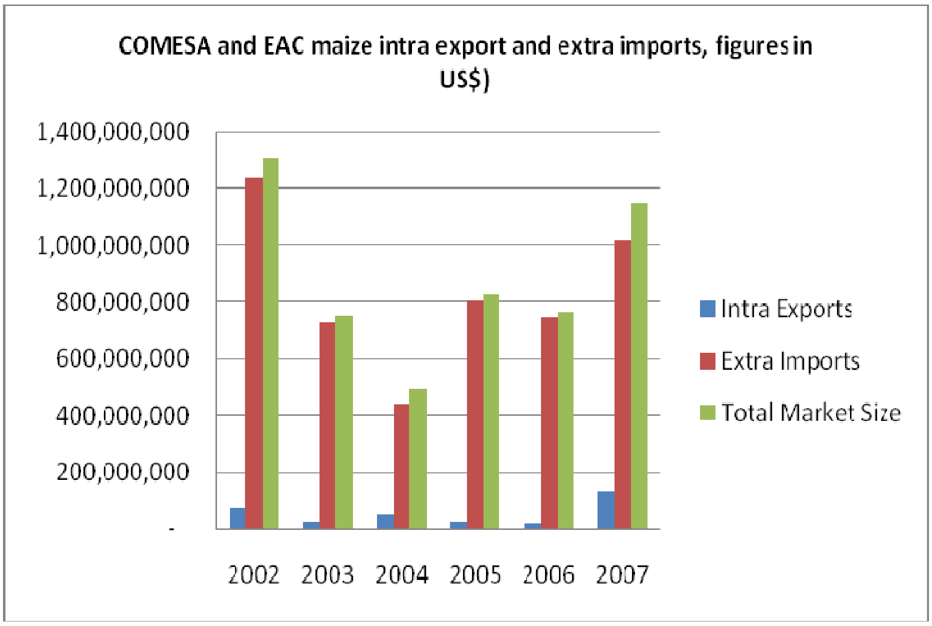
- ✓ Product quality standards
- ✓ Sanitary and Phytosanitary measures
- ✓ Policies in support of production

Opportunities–Existence of tradable surplus



Opportunity for intra-regional trade in maize

Opportunities – Existence of enormous regional demand



Tariff (import duties)

	Tariff on intra-regional imports	Tariff on extra-regional imports
COMESA	0% (for trade among FTA countries -Burundi, Comoros, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Seychelles, Zambia and Zimbabwe)	10% under the proposed COMESA Customs Union due to launched on 7th/8th June 2009
	20% for Trade between Ethiopia, Eritrea, Uganda and rest of COMESA countries	
EAC	0%	50%
SADC	0% for all imports from SADC countries, except South Africa	No Common External Tariff yet
	Imports from RSA expected to come in duty free by 2015	

Tariff (import duties)

HS Code	Description	COMESA Region Market Size for Staple Foods in 2007			The region's share in the regional market	Rest of the world share in the regional market
		Intra Exports	Extra Imports	Total Market Size		
100110	Wheat	40,081	2,789,994	2,830,074	1%	99%
100300	Barley	543,837	59,389	603,225	90%	10%
100590	Maize (data before adjustment for un recorded trade)	129,908,731	1,023,606,687	1,153,515,418	11%	89%
100600	Rice	3,839,148	7,575,077	11,414,226	34%	66%
100700	Grain Sorghum	1,424,435	40,417,002	41,841,436	3%	97%
100820	Millet	223,263	987,454	1,210,717	18%	82%

HS Code	Description	EAC Region Market Size for Staple Foods in 2007			The region's share in the regional market	Rest of the world share in the regional market	Common External Tariff
		Intra Exports	Extra Imports	Total Market Size			
100119	Wheat	470,840	243,670,381	244,141,221	0%	100%	35%
100300	Barley	653,946	1,442,867	2,096,813	31%	69%	25%
100590	Maize	1,908,210	3,960,163	5,868,373	33%	67%	50%
100300	Rice	428	1,139,014	1,139,442	0%	100%	75%
100700	Grain Sorghum	71,910	9,918,913	9,990,823	1%	99%	25%
100820	Millet	284,873	301,748	586,620	49%	51%	25%

Customs

	Single Customs Document and Certificate of Origin	Simplified Customs Document (for consignment valued at US$500 and below)	Simplified Certificate of Origin (for consignment valued at US$500 and below)
EAC	In place and being applied		In place and in process of implementation
COMESA	In place and being applied	In place and in process of implementation	In place and in process of implementation
SADC	In place and being applied	??	??

Pricing and Marketing Policies

- ✓ Pricing and marketing policies are perhaps the most widely used instruments for encouraging production and trade of maize.
- ✓ These policies have been driven by food security and political concerns rather than business sense.
- ✓ Over the years, each country's pricing and marketing policy regimes have been tested and found wanting.
- ✓ The six case studies have documented the evolution of these policies in each of the countries.

South Africa – Full Cycle In Pricing And Marketing Policy Reforms

- South Africa's experience with pricing and marketing policies reveals a full cycle from a highly controlled regime to a market driven regime.
- The controlled policy regime is traced to 1968, when the country established a pricing and marketing system and the Maize Board to administer the single-channel fixed price scheme for maize.
- The maize farmers were only allowed to market their goods through the Board or a licensed agent at prices set for the year by the Board.

South Africa – A decade of reforms (1984-1995)

- White Paper' on Agriculture of 1984, which established production, marketing and food self-sufficiency goals"
- This led to the following policy reforms
- ✓ Maize Board shifted away from cost-plus pricing procedures towards more market-based pricing systems.
- ✓ Shift to pool-type pricing for maize in 1987.
- ✓ Reduction in the use of price controls and registration requirements as instruments of marketing policy. For example, in mid-1980 the prohibition on the erection of maize grain silos was repealed

- ✓ Price controls on maize meal and fixing of millers' margins were removed in 1991/92 fiscal year
- Further liberalization in the maize marketing were stimulated by the 'White Paper' on Agriculture of 1995, which: -
- ✓ Stood for transparency and inclusiveness of all market participants
- ✓ Advocated for market oriented product marketing
- ✓ Limited role of the government in fixing of price.
- This led to enactment of the 'Marketing of Agriculture Product' Act 47 of 1996, which sought to: -
- ✓ Improve market access,
- ✓ Improve agricultural efficiency, and
- ✓ Optimize export earnings through the creation of market-driven marketing system.
- The South African Futures Exchange (SAFEX) was established in 1997 and trading of derivatives (futures and options) was introduced.

South Africa – SAFEX

- This is the only formal futures market where extremely high volumes are traded through this market.
- ✓ In SAFEX, the national maize crop is traded over ten times – this implies that each ton of maize in South Africa is bought and sold ten times on the futures market
- It is regarded as the "benchmark" for the prices market actors ask or offer in the 'spot' market of daily trading in maize.
- SAFEX also reports fixed transport differentials to various destinations in the country; consequently, the spot price for a region is derived from the SAFEX price minus the transport differential.

Price and Marketing Policies in Rest of the Case Studies

- Maize pricing and marketing policies have over the years been characterized by price and marketing controls
- The price and marketing policy regime has undergone reforms, triggered by the Structural Adjustment Programs (SAPs) of 1980s, unlike in South Africa where the motivation was self sufficiency and export objectives.
- Dual structure: -
- ✓ Private Sector Trading – To Service Millers And Other Consumers
- ✓ State Marketing Agencies – Food Security/'Protection Of Farmers'
- Export/Import restrictions
- Food crop tax – only applicable in Tanzania

Non Tariff Charges – Only Reported in Tanzania Case study

Non Tariff Item	Description	Charges	Estimated Cost per 1 tonne US $
Pre-inspection charges	Pre-inspection by COTECNA for goods of value greater than US$5000. Requires completed Import Declaration Form (IDF)	1.2% of FOB.	1.74
Phyto-sanitary charges	Phytosanitary certificate and fumigation (if required) Post entry plant quarantine station inspection	US$15 per export consignment.	15
age fees	Paid to Tanzania Harbours Authority for goods while docked or leaving port.	1.5% of CIF	2.61
Tally Fee	Payable to the Shipping Agency	US $1 per ton	1
TFCB Booking Fees	Tanzania Central Freight Bureau (TCFB) fee - for enforcing fair freight charges for exports and imports.	2.5 % FOB or CIF	3.63
Clearing Agents Fees	Agent Fee	Negotiable as a % value of goods	
	Documentation fees	TSh 100,000 (estimated)	78.43
Loading and unloading	Re-bagging, transport, silo charges etc.	US 20 per tonne	20
Health and food safety standards	Tanzania Foods and Drugs Authority Permit processed in Dar.es salaam	TSh 1000. Additional testing fees.	.78

Other Policies in Use

- Standards - With exception of EAC there lacks regional standards for maize
- SPS measures – No regional policy
- Production policies
- ✓ Malawi (Agricultural Input Subsidy program)
- ✓ Tanzania
- Revival of credit and input delivery systems
- Seed production and distribution policy framework
- Agricultural Extension Services
- Research and Development
- Post-Harvest Handling

Annex 3: Measuring The Impacts of Trade Barriers and Market Interventions on Maize Price Instability: Evidence From Eastern and Southern Africa, A. Chapoto and T. S. Jayne

What is the problem?

Major misunderstanding of the staple food and input market policy environment in East and Southern Africa

- "liberalization" – a misnomer
- marketing boards continue to play major role in food and input markets. Share of nationally marketed maize by marketing boards:
  - 15-57% (Kenya)
  - 3-32% (Malawi)
  - 11-80% (Zambia)
- discretionary use of trade policy instruments
- Bottom line: "interventionist liberalization" more appropriate characterization of policy environment in many countries in region
- Affects scope for private trade and investment

There is a strong rationale for continued state operations in food markets and trade

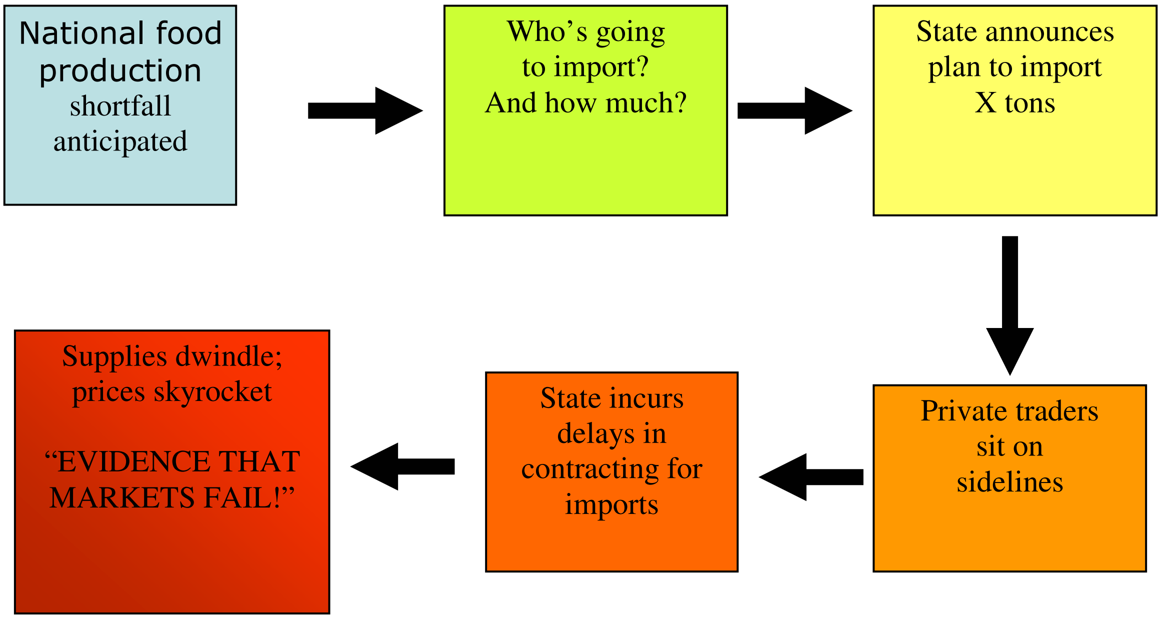
- The perception that leaving the private sector to operate on its own may bring intolerable levels of price instability
- So, strong theoretical argument for state operations to moderate price swings
- However, there are strategic interactions between private and public sector in markets – the behavior of one affects the other
- If government actions in markets are unpredictable and discretionary, this may limit scope of private participation and trade

Hence – impact of state trade and marketing policies on price instability is essentially an <u>empirical question</u>

Sources of Policy Unpredictability

- ✓ Export bans, import quotas (year to year & within year)
- ✓ Uncertainty over changes in import tariff rates
- ✓ When and where will marketing boards enter the market, at what price?
- ✓ All of these sources of unpredictability impede private traders' servicing small farmers' needs
- ✓ Conclusion: Prices may shoot over import parity due and appear to represent a market failure

Example of so called 'market failure'



Competing Models of Roles of State and Private SectorIn Food Markets:

Model 1	Model 2	Model 3
Rely on markets state role limited to: • Public goods investment • Regulatory framework • Strengthening of institutions / defense of property rights • Policies supportive of private sector entry and competition	**Primary reliance on markets - but role for *rules-based* state operations** • e.g., buffer stock release in response to defend stated ceiling price • Marketing board purchases at stated floor price announced in advance • Transparent rules for initiating state imports	**Role for markets and *discretionary* state intervention** • Based on premise that private sector cannot ensure adequate food supplies in response to production shortfalls • Justification for unconstrained role for state interventions in markets to correct for market failures

What Is The Right Strategy?

✓ Poulton et al (2006) note that there is no credible government commitment to Model 1 (full liberalization), hence Model 2 (markets with rule-based state operations) is preferred

✓ However, questionable whether Model 2 could be perceived as credible either

✓ Many governments insist on unconstrained authority to intervene whenever necessary (i.e., Model 3)

- ✓ With low level of trust and commitment problems, Model 3 (ad-hoc interventionism) is likely to become the long-run equilibrium
- ✓ Model 3 has in fact become the dominant model among the main maize-producing countries in the region

Empirical Question

- ✓ Are maize grain prices more stable and predictable in countries?
  - using trade barriers and marketing board operations to stabilize grain prices *versus*
  - countries with open border policy and relying on trade to stabilize prices?

Data and Methods

- ✓ Monthly retail/wholesale maize grain prices from 7 countries -January 1994 to December 2008
- ✓ Countries
  - Group A: Mozambique, Uganda, South Africa (open border policy)
  - Group B: Malawi, Zambia, Tanzania (heavy restriction of trade)
  - Borderline case: Kenya (initially restricting trade, progressively open border policy, especially since January 2005)
- ✓ Unconditional CV: measure of price variability
- ✓ Conditional CV: measure of price *unpredictability* via the magnitude of one-month ahead forecast error, given known information on:
  - last month's local & international maize price
  - local maize production index a proxy for rainfall index
  - normal seasonal price movements
  - Last month exchange rates
  - Interest rates (not included due to data problems)

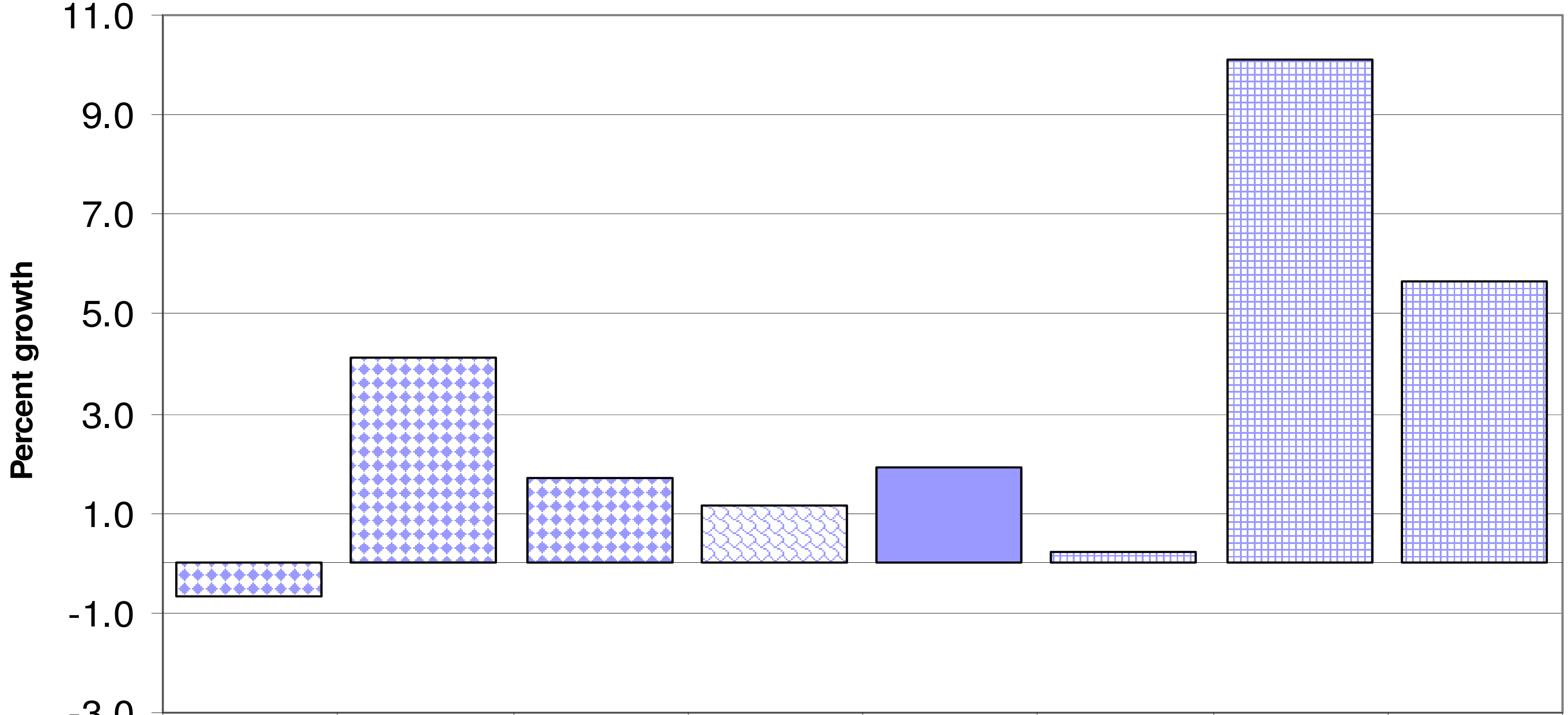
Table 1: Timing Of Major Different Policy Regimes

Country	Phase 1	Phase 2	Phase 3
Tanzania	Jan 1994 to Dec 2004 (Reform phase)	Jan 2005 to current (Beginning of on/off Export bans)	-
Zambia	Jan 1994 to Apr 2000 (Reform phase)	May 2001-Apr 2005 (FRA became one of the major players in the maize market)	May 2005- current (FRA ramping up its activities prior to an election)
Malawi	Jan 1994 to Mar 2005 (Reform phase)	April 2005 to current (ASIP Ag Input Subsidy Program)	-
Kenya	Jan 1994 to Nov 2000 (Reform phase)	Dec 2000-Dec 2004 (NCPB provided with more fund to ramp up activities)	Jan 2005-current (start of EAC – lower tariff rates)
South Africa, Mozambique and Uganda	-------------Constant policy regime over period -----------		

Finding 1

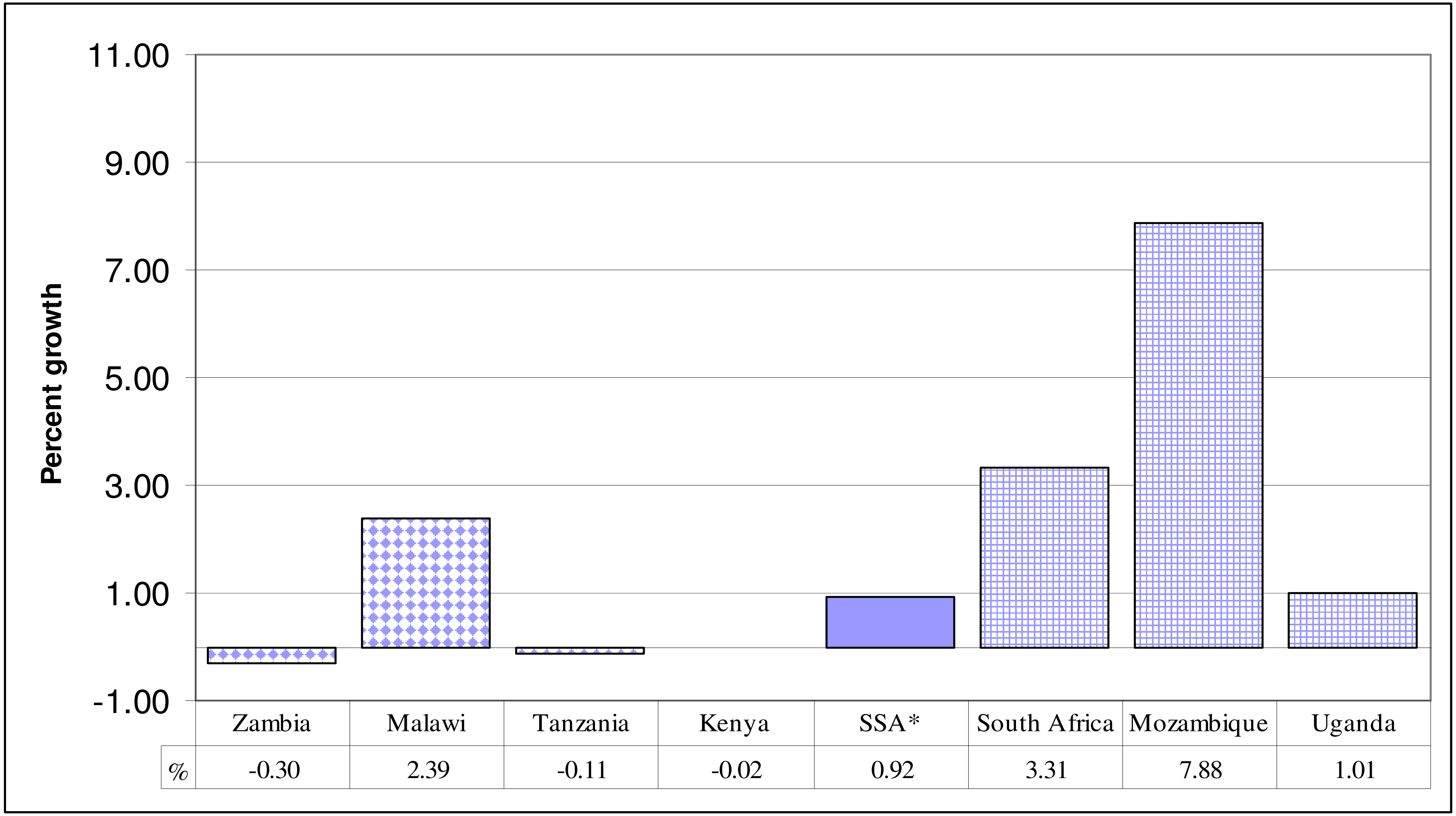
- ✓ Higher maize production and yield growth in countries having open borders compared to countries that pursue interventionist policies and restrict grain trade.
- ✓

Maize Production growth rates, 1990 to 2007, Sub-Saharan Africa* and selected countries



	Zambia	Malawi	Tanzania	Kenya	SSA*	South Africa	Mozambique	Uganda
%	-0.7	4.1	1.7	1.2	1.9	0.2	10.1	5.6

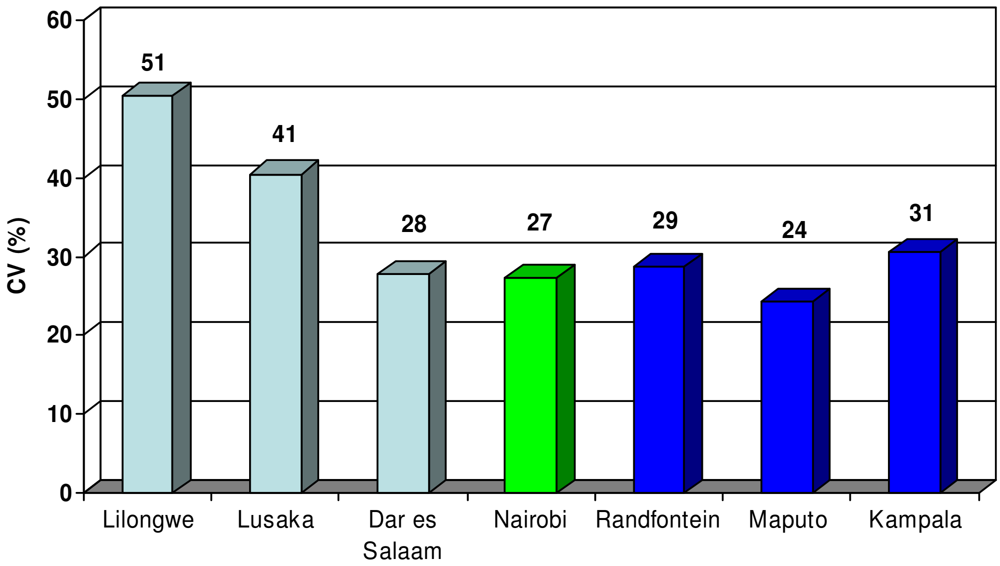
Maize Yield Growth Rates, 1990 To 2007, Sub-Saharan Africa* and Selected countries



Finding 2

- ✓ Maize grain prices are generally *more unstable* in countries that pursue interventionist policies and restrict grain trade than those with open borders
- ✓ Highest in Malawi and Zambia

Coefficient of Variation: Maize Grain Prices Instability



Finding 3

- ❑ To some extent, maize grain prices are generally ***less predictable*** in countries that restrict grain trade than in countries having open borders
- ▪ conditional CVs:
    - ▪ Highest in Malawi and Zambia
    - ▪ Moderately high in Mozambique, Tanzania, Uganda
    - ▪ Lowest in Kenya, South Africa

Maize Grain Prices Unpredictability
Fig 1: Conditional CV, Lilongwe

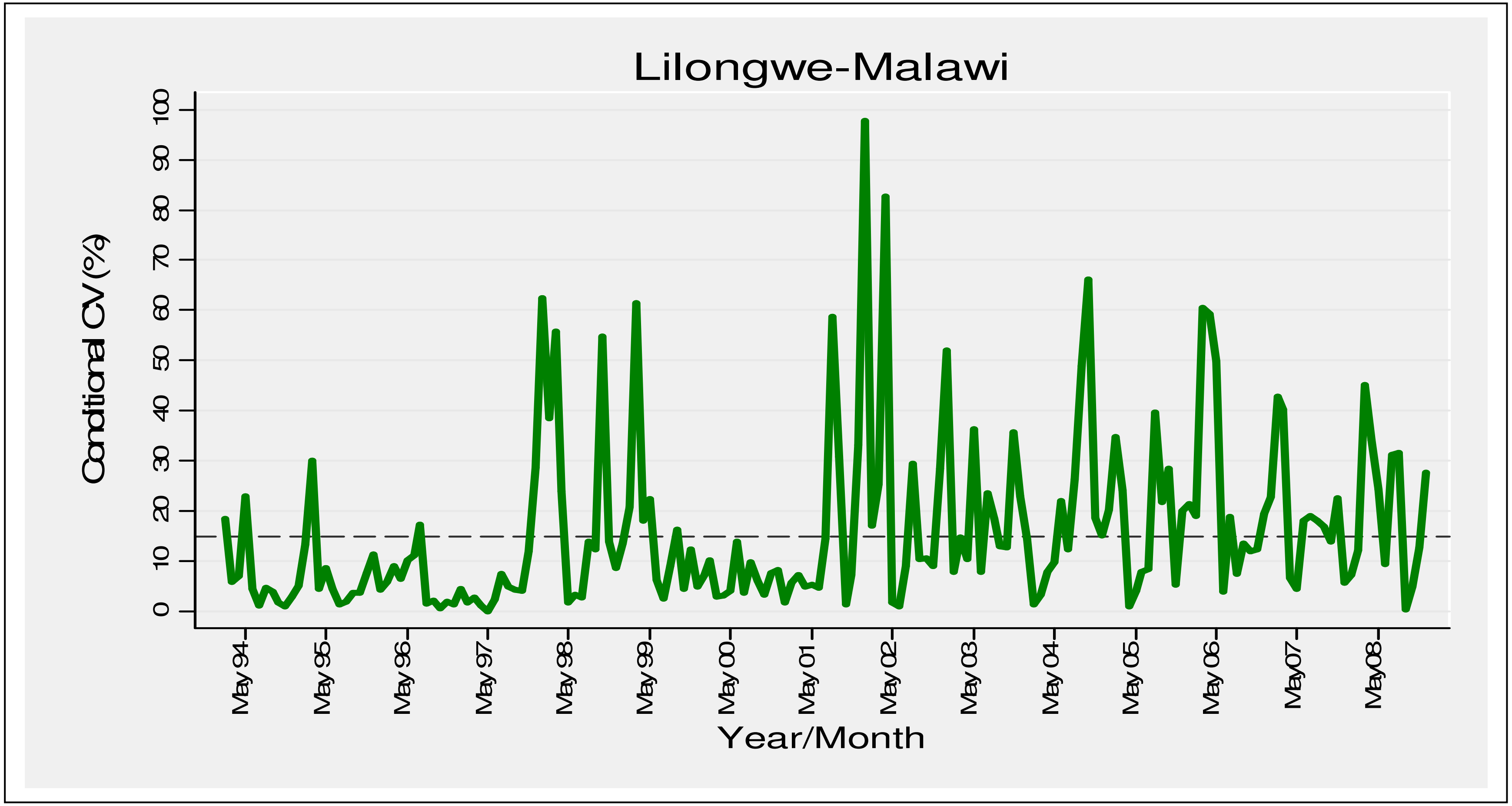


Fig 2: Conditional CV, Lusaka

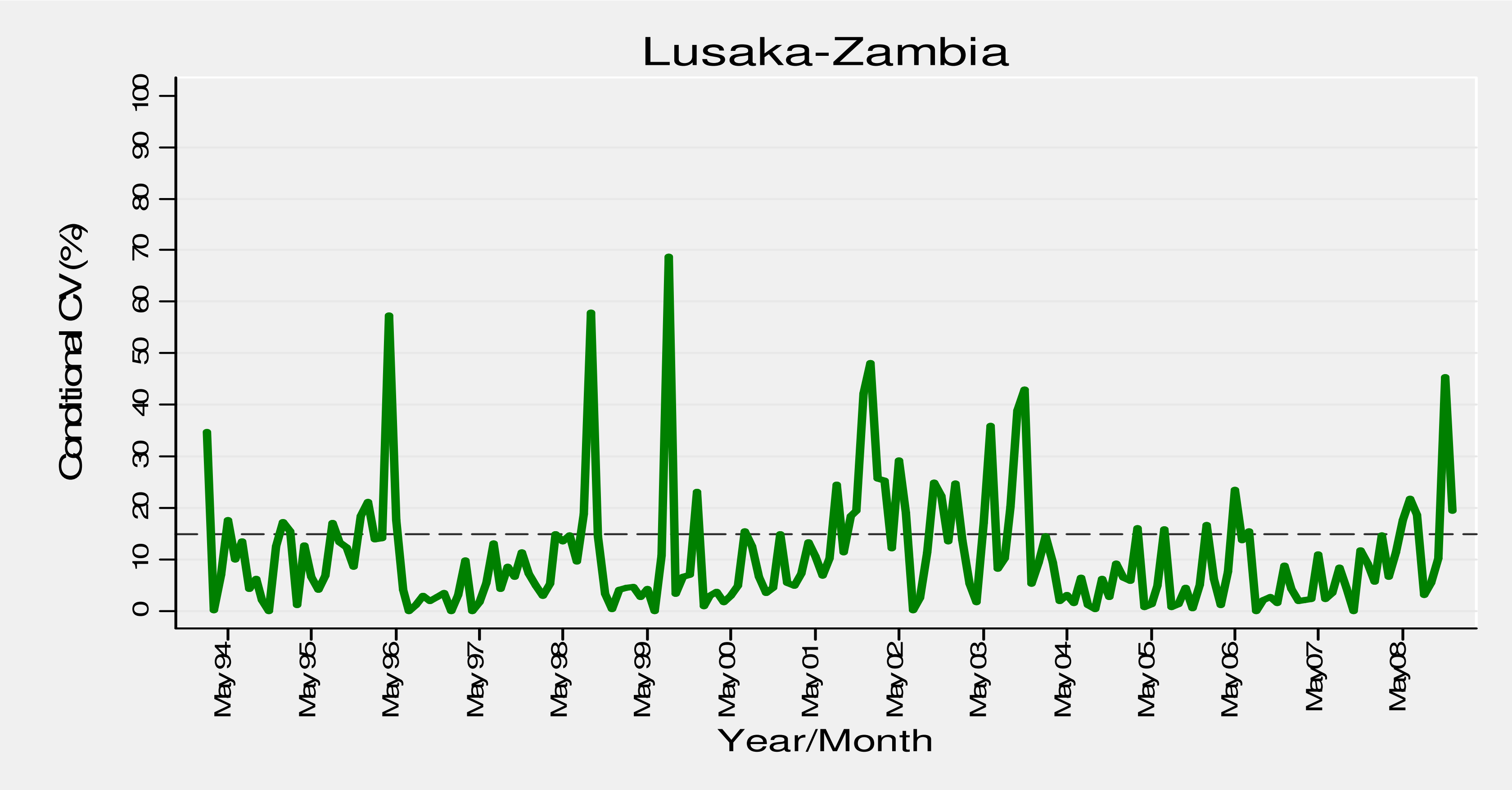


Fig 2. Conditional CV, Dar es Salam

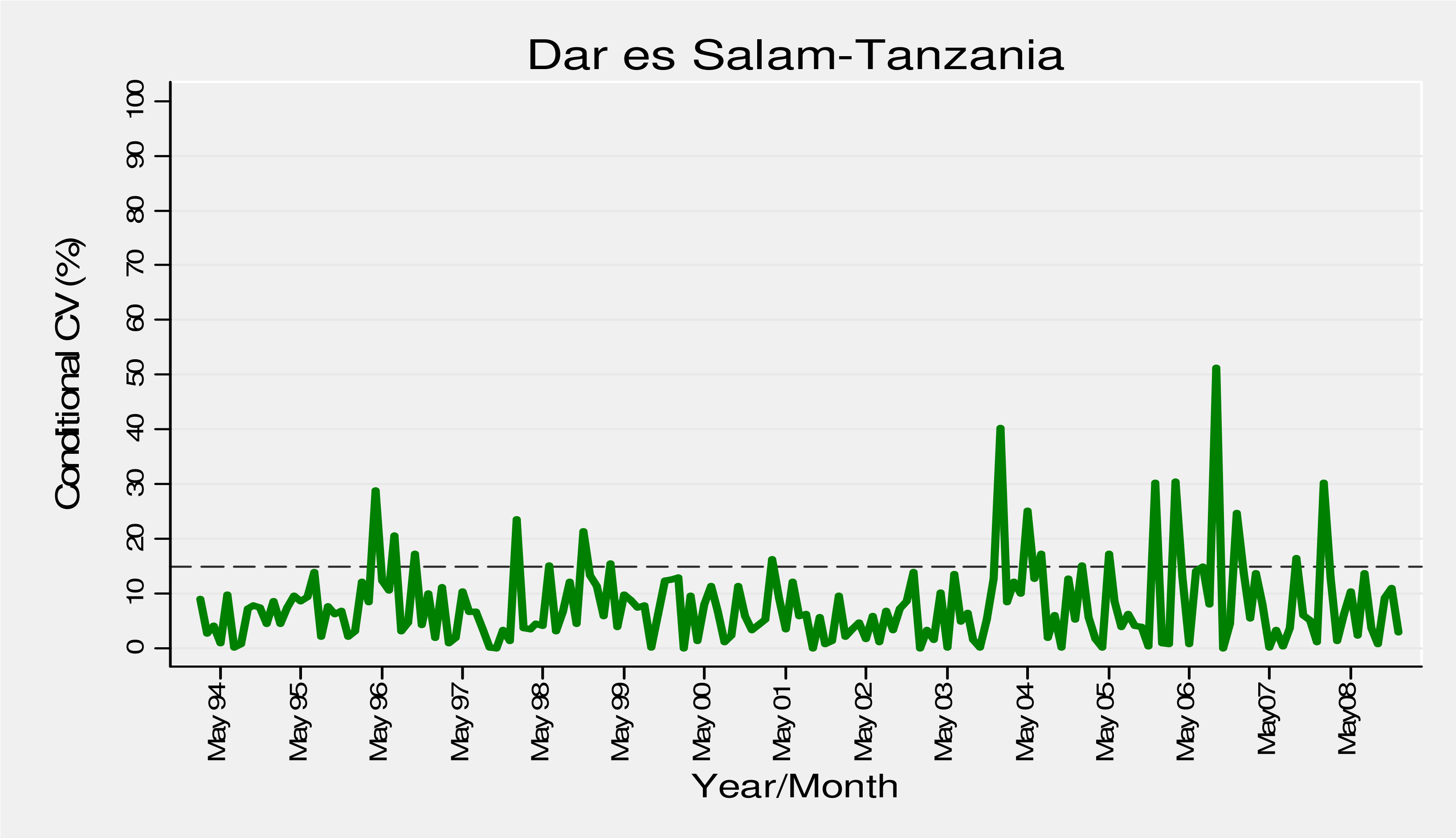
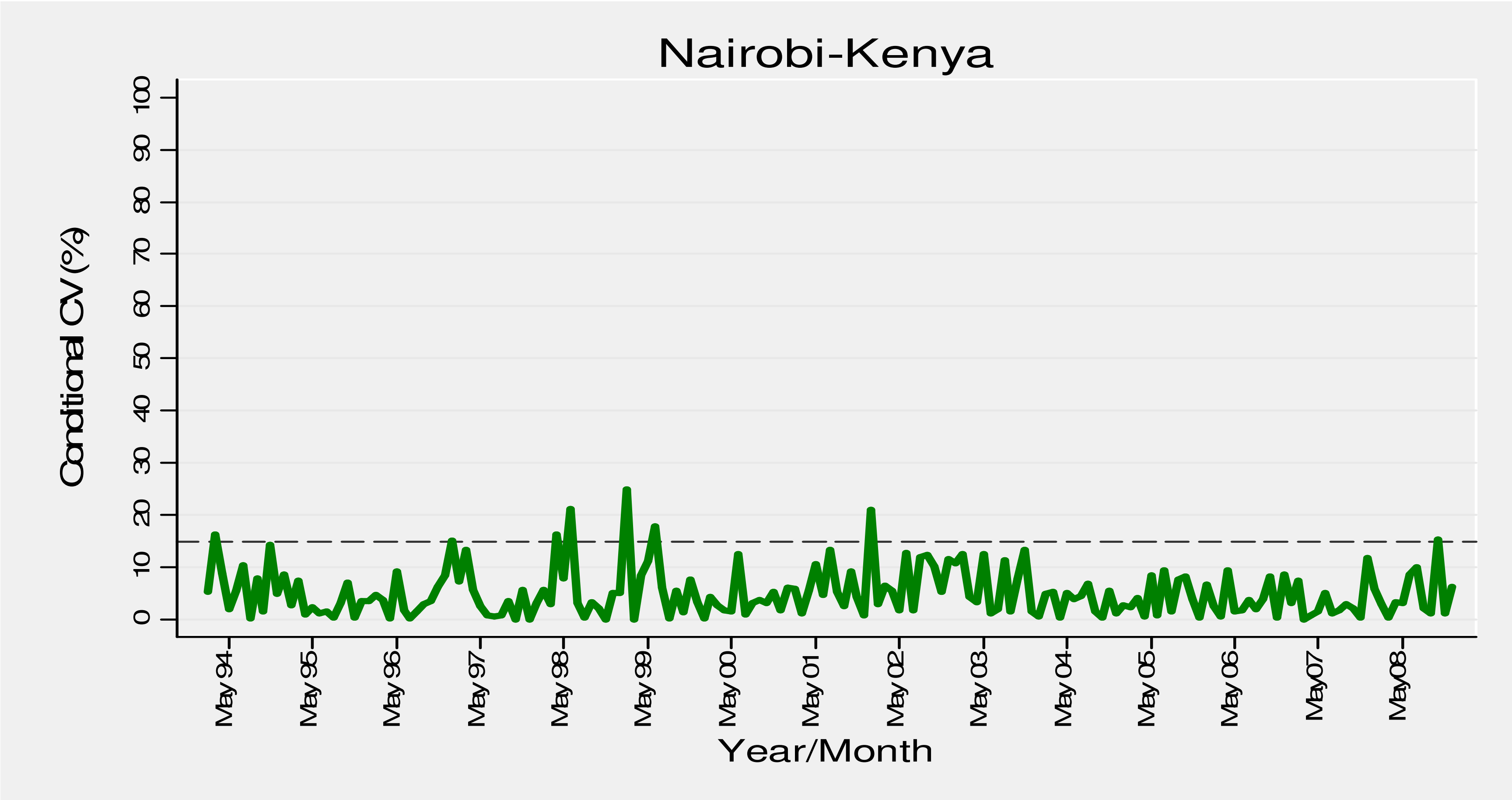


Fig 2. Conditional CV, Nairobi



Conclusion:

- ✓ Despite theoretical rationale for price stabilization and controlling trade to stabilize food supplies, countries that rely on "maize without borders" generally have
    - more stable prices
    - higher cereal production growth
- ✓ than countries actively intervening to stabilize prices
- ✓ Government operations in markets are costly. Not clear that these costs incurred provide any tangible improvements in price stability
- ✓ While private trading systems will always result in some price variability, they tend not to cause the frequent food crises caused by ad hoc government actions (Model 3) that are commonly seen in the region

Why Does this Conclusion Hold?

1. Private trade develops more slowly and more tentatively in countries where government policy is unpredictable
2. Cutting off trade depresses the long-term development of commercial markets
3. If governments intervenes too heavily, then markets will not develop
4. Interventionist governments' well-meaning attempts to stabilize prices actually destabilize them because they cannot mobilize forex quickly enough, over-release supplies onto markets, buy too much from the market, etc. (example given earlier)

Conclusions

- Improve government-private coordination to improve markets and reduce price instability
- Clearly defined and transparent rules for triggering government intervention
- Greater role for rule-based public sector participation in less-favored areas with poor market access
- With increased investment in market infrastructure and institutions, model 2 can be a preferred strategy

Annex 4: Impact of Trade and Associated Policies in the Eastern and Southern Africa Grain Sector: – Bernard Kagira

Basis of this paper

- Six country studies commissioned by FAO in 2008
  - South Africa: Authors - Lulama Ndibongo Traub and Ferdinand Meyer
  - Zambia: Authors - Jones Govereh, T.S. Jayne and A. Chapoto
  - Kenya: Authors - Joshua Ariga and T.S. Jayne
  - Malawi: Author - Ephraim W. Chirwa
  - Tanzania: Authors - Andrew E. Temu, Appolinary Manyama and Anna A. Temu
  - Mozambique: Author - Danilo Carimo Abdula
- The six countries belong to COMESA (Kenya, Malawi and Zambia); EAC (Kenya and Tanzania) and SADC (South Africa, Mozambique, Malawi and Zambia)

Objectives

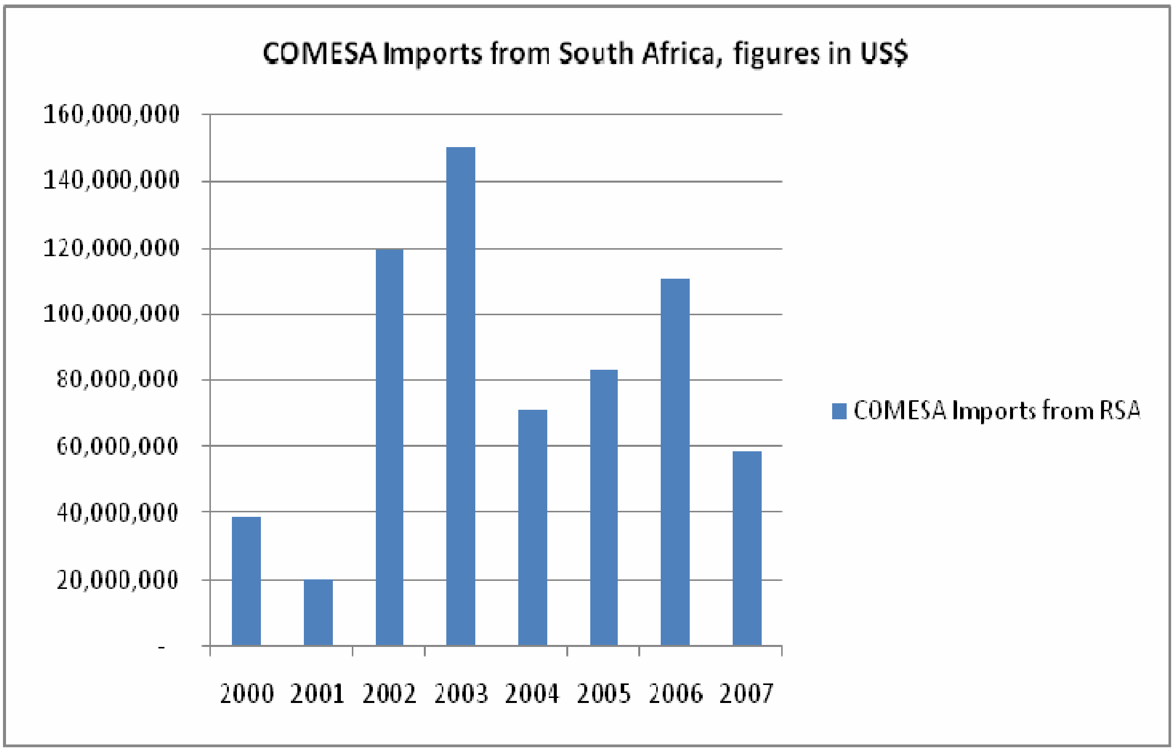
- This paper focuses on the impact of trade policies and other associated policies that were documented in the six case studies
- Provides alternative policies for consideration in action planning

Impact of full liberalization in the maize sub-sector - Case of South Africa

Value Chain level	Relevant Domestic & Trade Policy	Impact
Producers	Marketing of Agriculture Product Act of 1996 & White Paper on Agriculture 1984 and 1995 *Removed both direct and indirect subsidies to commercial maize grain farmers; removed pan-territorial and pan-seasonal pricing.*	• Resulted in a change in cropping patterns – shift away from maize grain and into higher value commodities, increased irrigated land use • Producer faced with a variety of methods for selling their grain; these include, pool system, back-to-back options, outside purchase, and/or hedging through SAFEX
	Land Reform – LRAD & CASP Programs *Restoring traditional lands seized under the apartheid regime*	• Resulted in decrease in area planted to maize as well as adoptions of improved technology in order maintain/increase yields.
	Labour Relations Act; Basic Conditions of Employment Act; Skills development Act Employment Equity Act *Applied labour laws to farmer workers and established a minimum wage.*	• Resulted in a decline in total employment on the commercial farms, a switch from labour-intensive to capital-intensive farming practices, and an increase demand for skilled workers
	Tariff Dispensation on Maize *Currently set at 0% tariff rate on maize grain seed* *Removed quantitative restrictions and specific duties with tariffs*	• *Encouraged use of hybrid seeds* • *Resulted in producers exposure to international maize markets*
Value Chain level	Relevant Domestic & Trade Policy	Impact
Storage Industry	Marketing of Agriculture Product Act of 1996 & White Paper on Agriculture 1984 and 1995 Removed price control, and maize boards control over storage cooperatives.	• Resulted in former storage cooperatives converting into joint-equity companies which are closely tied to producers through their provision of inputs, insurance, financing, etc.
Traders/Retailers	White Paper on Agriculture 1984 and 1995 Subsidies and territorial and pan-territorial pricing Removed both direct and indirect subsidies to commercial maize grain farmers; removed pan-territorial and pan-seasonal pricing.	• Traders faced with a variety of methods for selling their grain; these include, pool system, back-to-back options, outside purchase, and/or hedging through SAFEX • Resulted in entrance into market by both domestic and

	Trader registration Removed requirements on trader registration, as well as restrictions on grain movement. Tariff dispensation Removed quantitative restrictions and specific duties with tariffs	multinational grain trading companies • Reduced risks associated with seasonal quantitative restrictions and thus encourage private sector investments in this segment of the value chain • Development of the secondary market for maize
Processors	White Paper on Agriculture 1984 and 1995 Removed requirements on miller registration, restrictions on grain movement, and control on maize marketing margins. Tariff Dispensation on Maize - Currently set at 5% on maize meal and/or hulled, pearled, sliced or kibbled.	• Processors are faced with a variety of methods for procuring maize grain; most common method is a forward contract.

Impact on South Africa's Exports
Maize



- South Africa a net exporter of maize
- More focus in Africa, where 72% of maize was exported to Africa as compared to 2.7% before liberalization

Impact on Producer, Wholesale and Retail Maize Grain and Meal Prices, South Africa, May 1976 to December, 2006 (Constant 2000 rands)

The pricing and marketing reforms had no effect on producer and whole sale price variability.

Decline of the producer and wholesale prices over the period May 1976 and December 2007.

The retail maize meal prices, however, exhibited an upward trend over the same period.

The average/retailing margins increased following the policy shift from a controlled marketing system (phase 1) into an open, market-orientated system

Impact of pricing and marketing policies under partial liberalization regime

Country	Nature of pricing and marketing	Impact
Malawi	Maize price set by ADMARC.	• The policy has benefited a few farmers that have been fortunate to sell their maize to ADMARC before ADMARC runs out of money. It has also benefited small-scale traders that bought the maize at lower prices. • The setting of higher prices by government inevitably increases the price of maize when ADMARC is actively involved in the purchase of maize and makes maize from ADMARC more expensive in the lean season. For instance, the maize that ADMARC procured at MK20 per kilogram in the 2005/06 season was being sold at MK30 per kilogram when the private sector was selling maize between MK10 – MK15 per kilogram.
Malawi	Maize price set by ADMARC.	• The policy has benefited a few farmers that have been fortunate to sell their maize to ADMARC before ADMARC runs out of money. It has also benefited small-scale traders that bought the maize at lower prices. • The setting of higher prices by government inevitably increases the price of maize when ADMARC is actively involved in the purchase of maize and makes maize from ADMARC more expensive in the lean season. For instance, the maize that ADMARC procured at MK20 per kilogram in the 2005/06 season was being sold at MK30 per kilogram when the private sector was selling maize between MK10 – MK15 per kilogram.

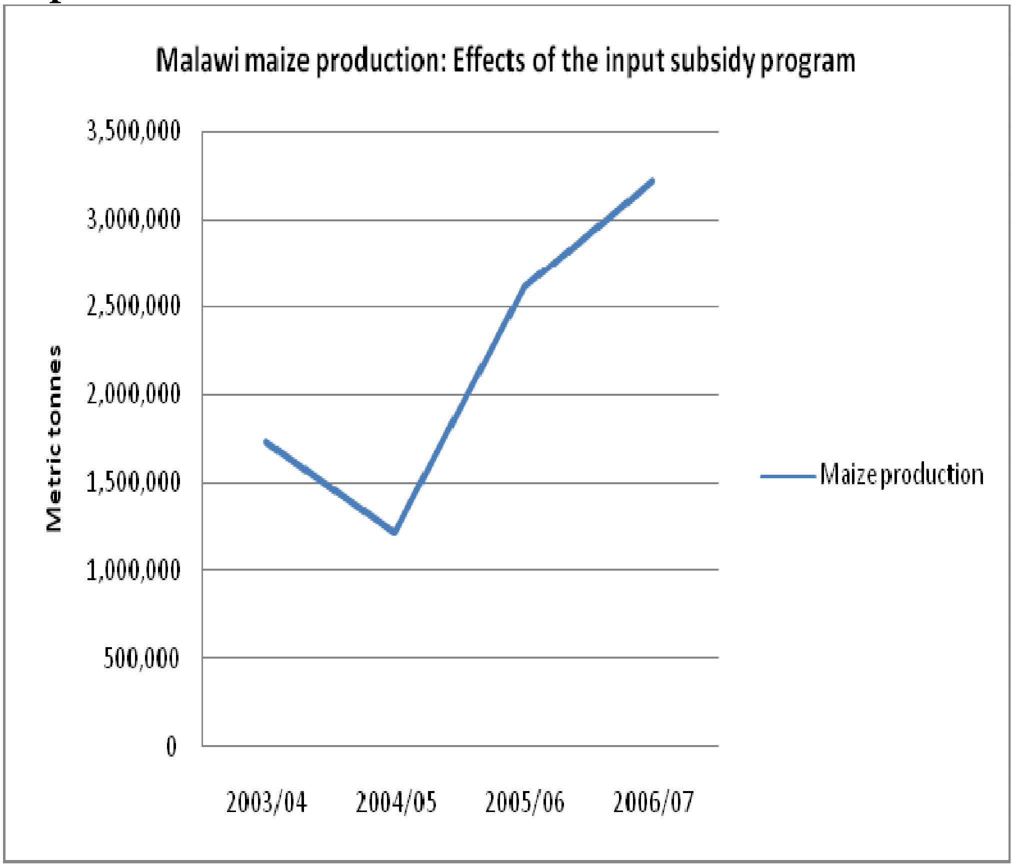
Country	Nature of pricing and marketing	Impact
Kenya	The NCPB still continues to exert a major indirect effect on maize prices and therefore smallholder welfare by setting prices it buys maize from the farmers at harvest season	• Between 1995 and 2005, the NCPB's operations raised wholesale market prices by 17 to 20 percent (Jayne, Myers, and Nyoro (2006)). Over this period, the NCPB cumulatively purchased 30% more grain from farmers than it has sold to millers and other domestic buyers. Hence the NCPB's operations contributed to tightening of the supply-demand balance in domestic markets, which had a price-raising effect on wholesale markets. • Secondly, the NCPB has generally set its purchase prices above those in domestic markets, which also would put upward pressure on local market prices. This has contributed in making the maize grain prices in Kenya to be among the highest in Eastern and Southern Africa region • The liberalization process in Kenya has created additional risks for private investment associated with the uncertainty over the eventual dispensation of NCPB assets. Private investment in dedicated capital outlays, such as storage facilities, has been impeded by the high degree of uncertainty over the disposition of the NCPB's storage facilities and other assets. New private investment in storage facilities could be vulnerable to huge losses if the NCPB continued to be a major player in the market, offer prices to farmers and millers that did not rise through the marketing season (pan-seasonal prices), and set a narrow margin between its buying and selling prices that was covered by the treasury – all of which happened during much of the 1990s.
Zambia	Heavy role of government in maize purchasing. The Food Reserve Agency has opened over 600 buying depots in the country to buy maize from smallholder farmers at pan-territorial prices far above wholesale market prices (e.g., $192 per ton in 2006 and $186 in 2007)	• First, marketing board costs escalated as the scale and complexity of their activities increased. Pan-territorial pricing was particularly burdensome in Zambia, since it raised the share of grain delivered to the boards by smallholders in remote (but often agronomically high-potential) areas where transport costs were high. Stockpiling white maize, a consequence of government preoccupation with maize self-sufficiency, was also costly (Howard and Mungoma, 1996). Operational inefficiency and allegations of corruption were widespread. • The treasury costs of state fertilizer and maize marketing operations were so large • Zambia's agricultural liberalization period from 1990 to 2004 presents a picture of declining maize production and rising production of many other crops, as farmers substituted maize for these other crops when subsidy program faced limitations..

Impact of Export/Import Restriction

Country	Current Status	Impact
Kenya	Export ban imposed in December 2007.	Although this action was very critical in resolving the maize crisis of 2008, it introduced risks among the farmers and traders.
Malawi	Export of maize is restricted and maize is subject to intermittent export bans and export licensing. Maize imports, though not restricted are regulated. Only ADMARC is allowed to import. Private sector is sub normally subcontracted to import an allocated amount. Once the maize is in the country, the government makes it available in all areas at a subsidised price through a well-established network of a state-owned enterprise, ADMARC	These policies are highly unpredictable. The periodic export bans have sent mixed signals to the private sector. Effectively, the period of the export ban on maize are longer and only small windows exist when the export ban is lifted, because government seldom issue export licenses. Thus, whether the ban is lifted, export licenses are always required for maize exports. The policy of export bans and export licensing is bound to be continued as government strive to avoid a food crisis similar to the 2001 when maize exports were liberalized. **With exception of 2000 in which more maize was exported, Malawi was a net importer of maize for the period 1990 to 2005**. In view of this, it is very difficult for private traders to import large quantities of maize in a private arrangement and find a market for it at a commercial price.
Mozambique	The government has continued to issue export licenses and sometimes impose export bans on maize periodically, particularly in periods of food shortages.	Such export bans have largely affected the formal sector, while informal trade has thrived under such conditions. There is a lot of informal cross-border trade in maize, particularly maize from Mozambique entering into Malawi through the southern borders. For instance, FEWSNET (2005) estimated that informal imports of maize from Mozambique to Malawi amounted to 55,930 metric tonnes between April and September 2005. Imports from other neighbouring countries within the same period were low - 1682 metric tonnes from Tanzania and 70 metric tonnes from Zambia.
South Africa	Export/import licensing of maize was abolished under the cereals sector reform program	This has reduced risks in the maize sub-sector and consequently encouraged investments along the value chain = production and trade.

Country	Current Status	Impact
Tanzania	Both imports and exports of maize are subject to licensing. An exporter has to have a time bound permit, normally of one-month, stipulating the quantity	This policy has encouraged informal cross border exporting and importing of maize, often at high transaction costs.
Zambia	The Authority control over the flow of maize imports and exports through the Control of Goods Act, Agriculture Regulations (GRZ, 1954).	The issuing of permits has become much tighter since 2005. The Ministry is allocating export quotas and permits to FRA and agribusiness associations on a selective basis. This change in policy is forcing individual traders to affiliate with associations in order to utilize the relevant association's permit.

Impact of Production Incentive Policies – the Case of Malawi



Alternative Policies

1. Nurture the development of risk shifting market institutions
2. Phase out maize export/import restrictions
3. A more transparent and consultative framework for public-private sector dialogue,
4. Public good investments to support the development of food markets.
5. Streamlining regulations and trade barriers for international trade
6. Develop warehouse receipt systems
7. Turning some grain marketing board silos and go-downs into storage leasing operations.
8. Support the development of rural financial markets to improve traders' capacity to absorb surplus production
9. Changing the boards' longstanding practice of setting pan-seasonal buying and selling prices.
10. Work with WFP and bilateral food aid donors to develop mutually beneficial policies toward food aid (and subsidized non-commercial imports)
11. Consider developing specific risk-management marketing arrangements where feasible.
12. Regional policy on bio-fuels

Annex 5: East Africa: Region- Market And Marketing Cost - Madhur Gautam,World bank

Objectives of the Report

(i) Identify the contribution of barriers to marketing costs - within countries and across borders

(ii) Quantify factors behind marketing costs

- the relative importance of trade barriers
- the magnitudes of constraints on grain trade

(iii) Assess the relative importance of cross-border trade costs and domestic marketing costs for greater regional integration in EA

1. Relationship between marketing costs, agricultural growth and welfare

(i) Maize is the most important staple food in East Africa and the most widely traded agric. commodity

(ii) Lower marketing costs - harness the opportunities of expanded markets

- Lower consumer prices
- Higher producer prices

(iii) Regional demand for maize is projected to increase

(iv) Crop production + actual/potential production highly correlated with access and travel cost

(v) Lower marketing costs/better market access could add up to 2 % to agricultural growth in Africa (IFPRI).

2. Market integration in East Africa

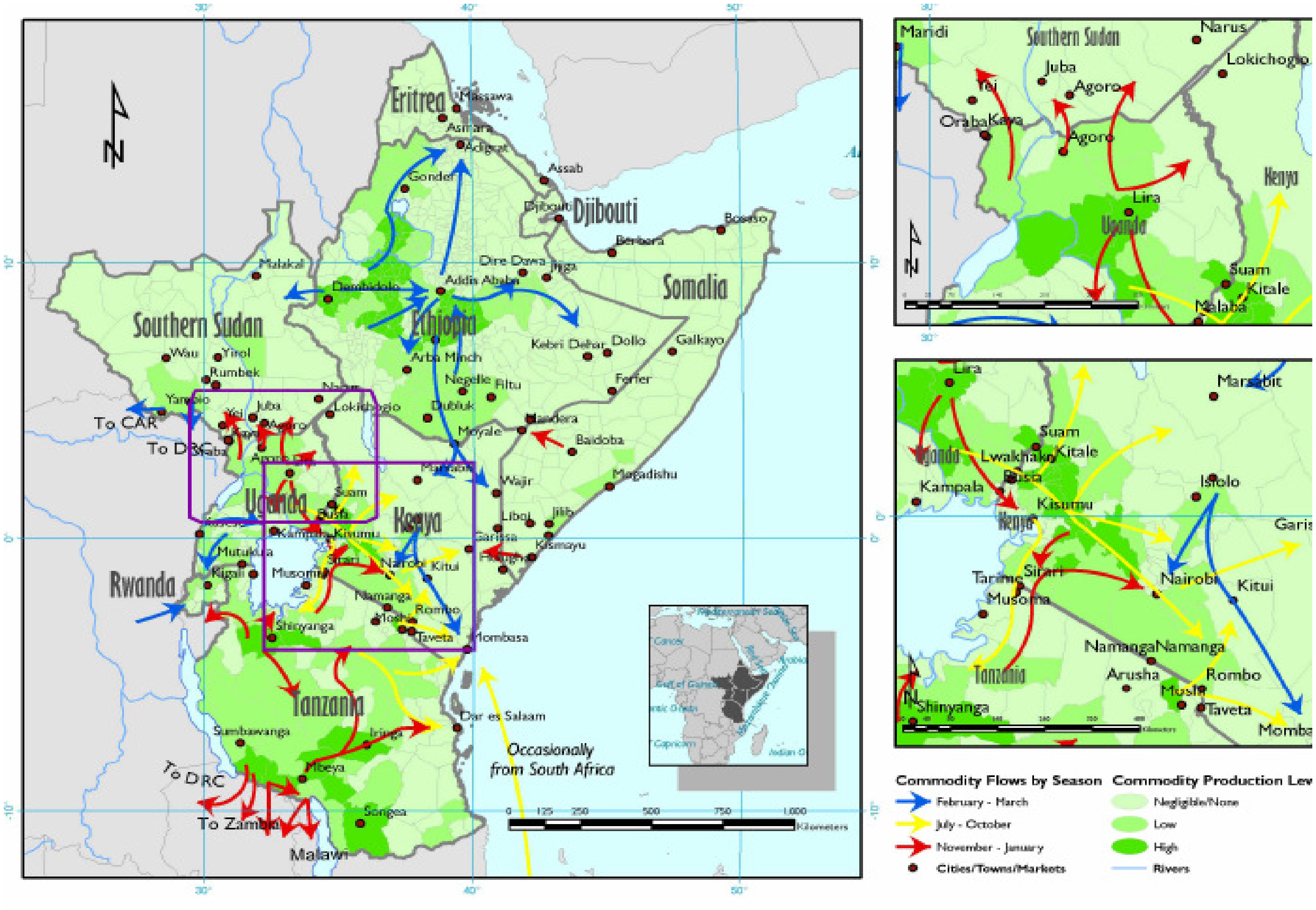
✓ Significant volume of regional maize trade – recorded and unrecorded

✓ Strategies for accelerating growth in surplus agricultural areas require a broader regional perspective

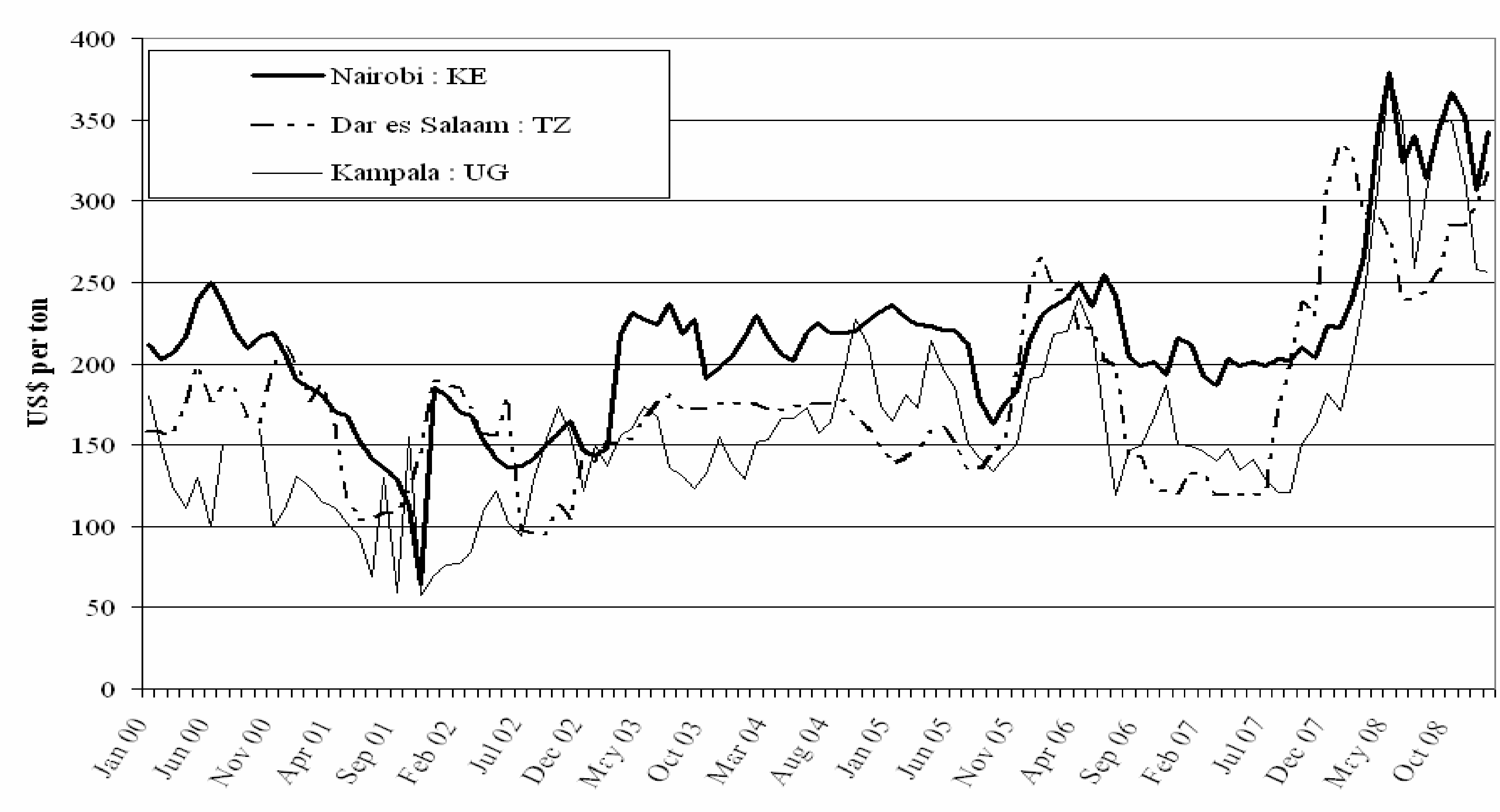
Maize trade in tons

Year	Tanzania-Kenya	Uganda-Kenya	Uganda-Tanzania
2005	76,751	125,495	0
2006	4,555	160,517	8,287
2007	121,153	86,243	1,597
2008	81,730	52,548	530
Total	**284,189**	**424,803**	**10,414**

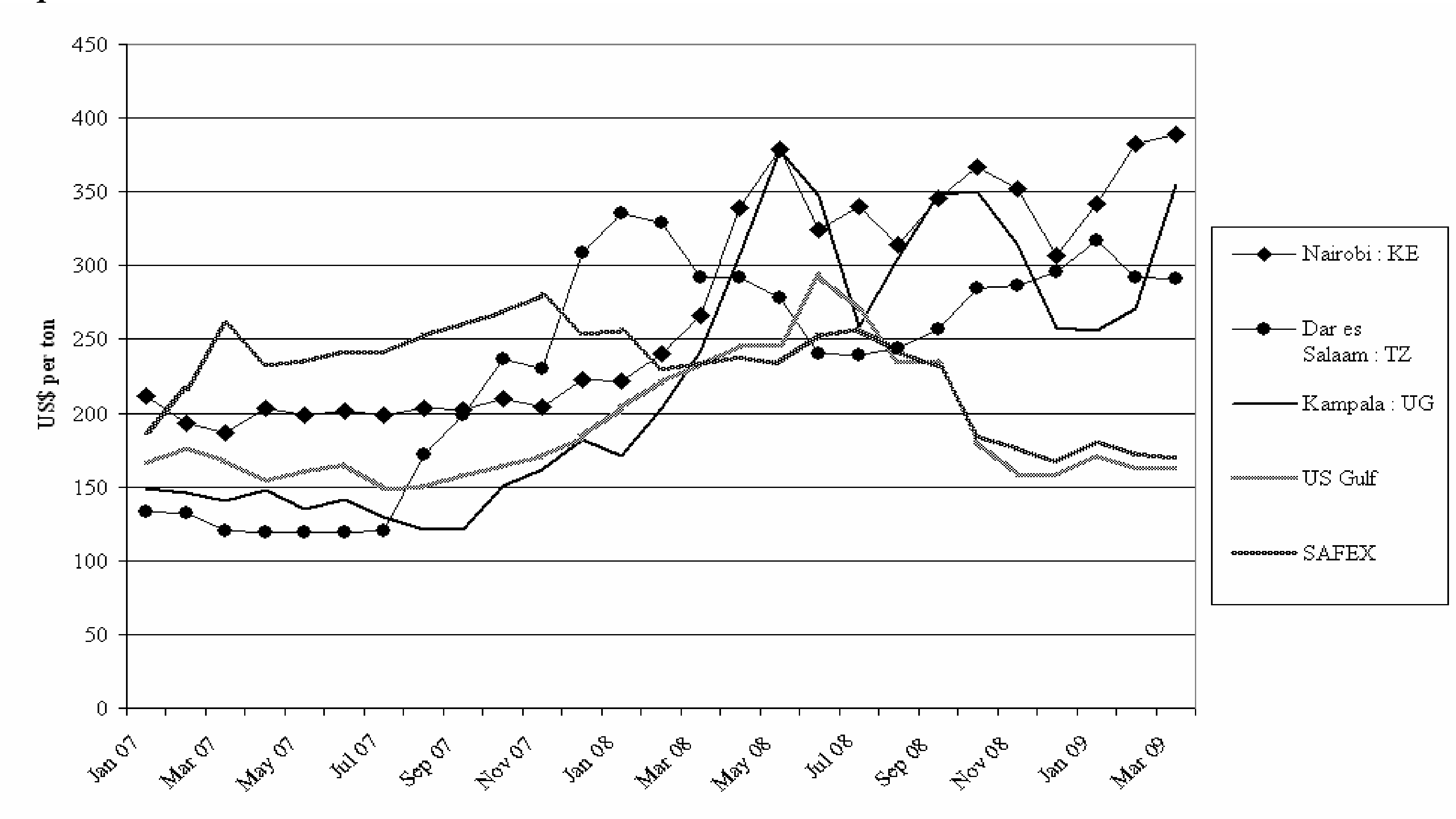
Maize Trade flows



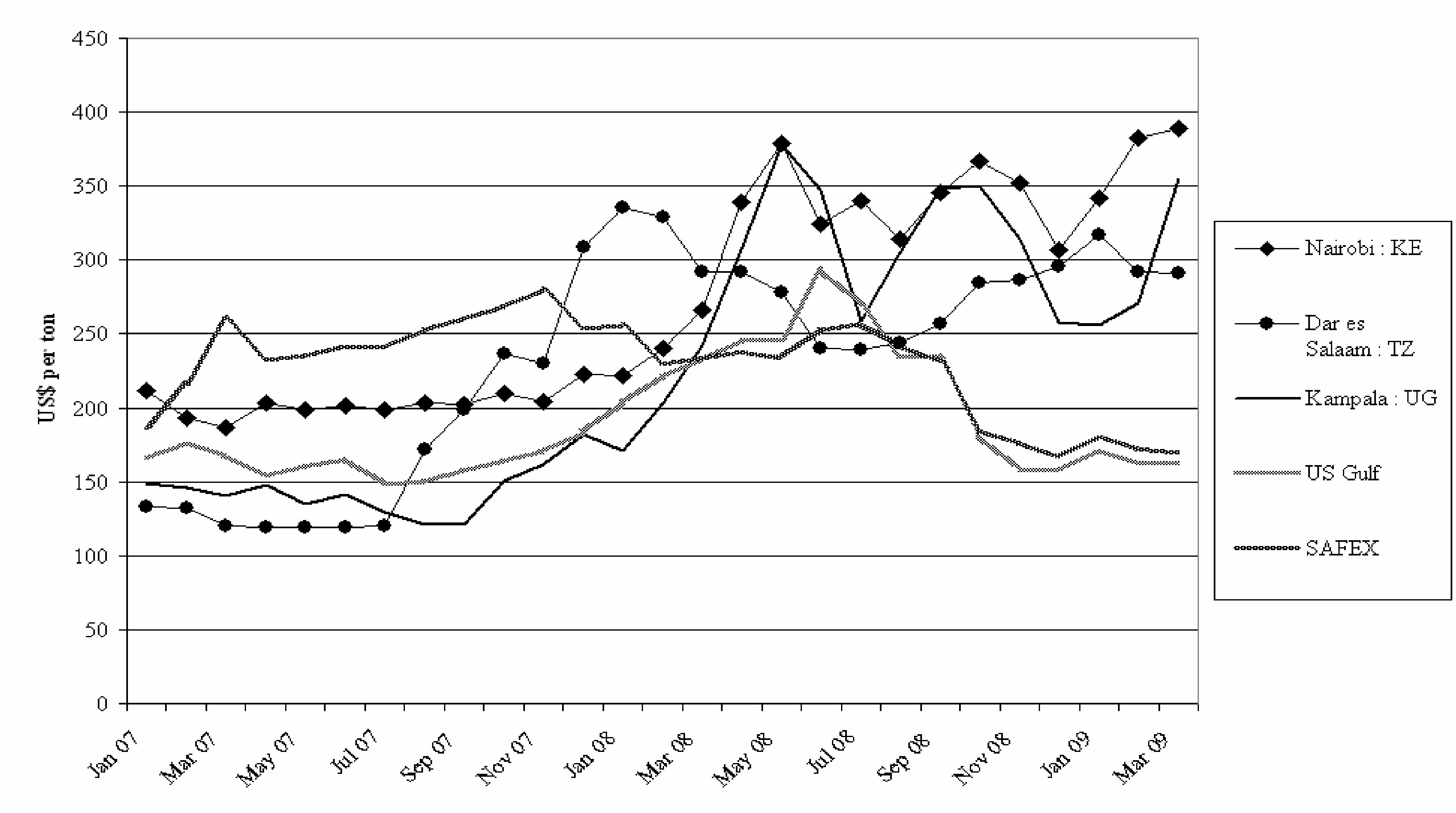
Development in maize markets in African countries affected each other



Regional Prices Not Integrated With World Market: Local And Regional Factors More Important



Regional Prices Not Integrated With World Market: Local and Regional Factors More Important



The Degree of Market Integration Varies Among Countries

(i) Kenya and Uganda, both individually and together, are relatively well integrated markets

- Relatively high long-run elasticities of price transmission
- Adjustments correct deviations from long-run equilibrium

(vi) Tanzania is weakly integrated with Kenya and Uganda

(vii) Internally also Tanzanian markets are relatively weakly integrated

(viii) Reasons of weak integration Tanzania:

- Vast size of the country (naturally higher transport costs)
- Poor road infrastructure – adds to high transport costs
- Market links of Southern Highlands with Southern Africa
- Unpredictable policy interventions, particularly on trade – significant uncertainty with periodic and frequent restrictions on cross-border trade

The Impact of distance and border effects on coefficients rates of adjustment :regression (dependent) is the considered rate of adjustment

Variable	Coefficient	Standard error	t-statistic	p-value
Constant	54.20	8.49	6.38	0.000
Distance (100km)	-6.33	2.75	-2.29	0.028
$(\text{Distance})^2$	0.35	0.19	1.85	0.073
$D_{Nairobi}$	30.55	5.87	5.21	0.000
$D_{BorderToTanzania}$	-26.45	8.67	-3.05	0.004
n = 39	$R^2 = 0.500$		Adj.$R^2 = 0.441$	

3. Marketing Cost

(i) Domestic costs of trade - transport, local taxes, storage costs:

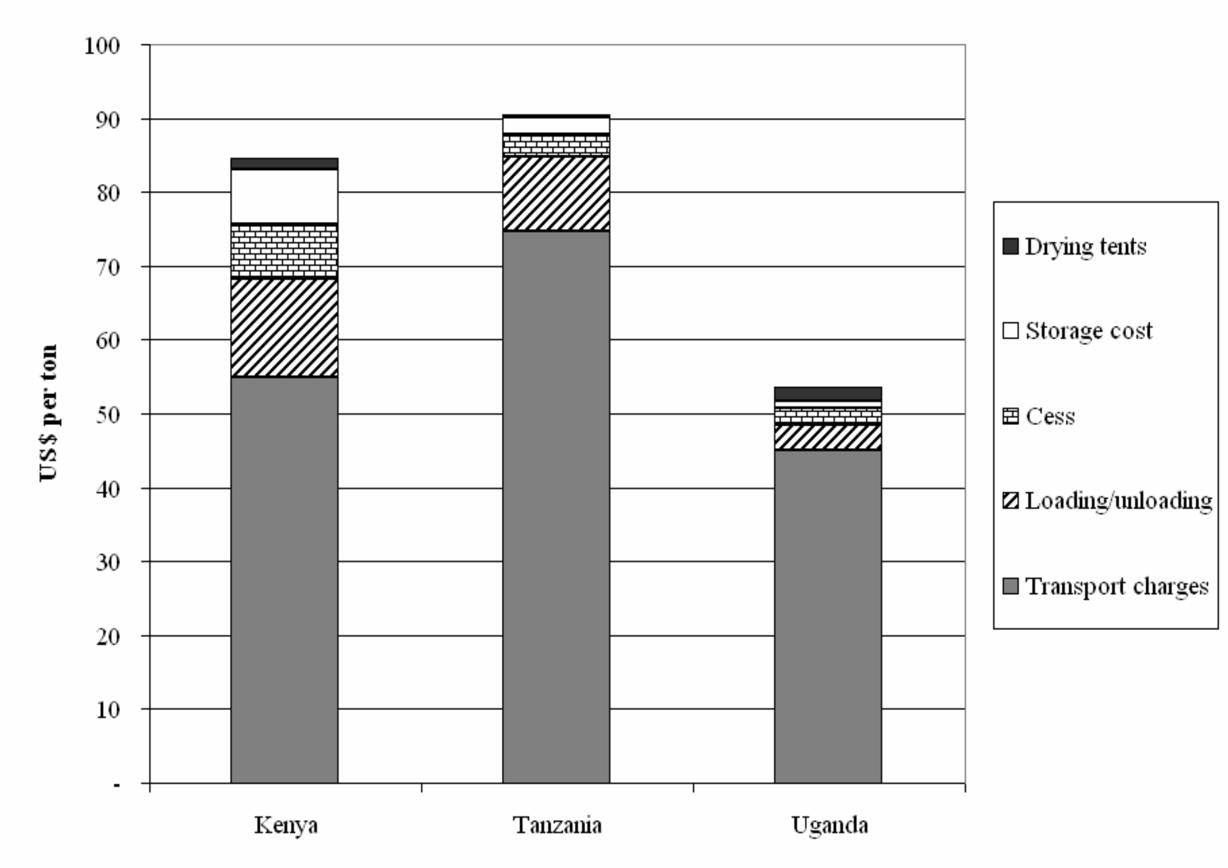
- Farm-gate to primary market
- Primary to secondary market
- Secondary to wholesale urban market

(ii) Domestic supply chains studied:

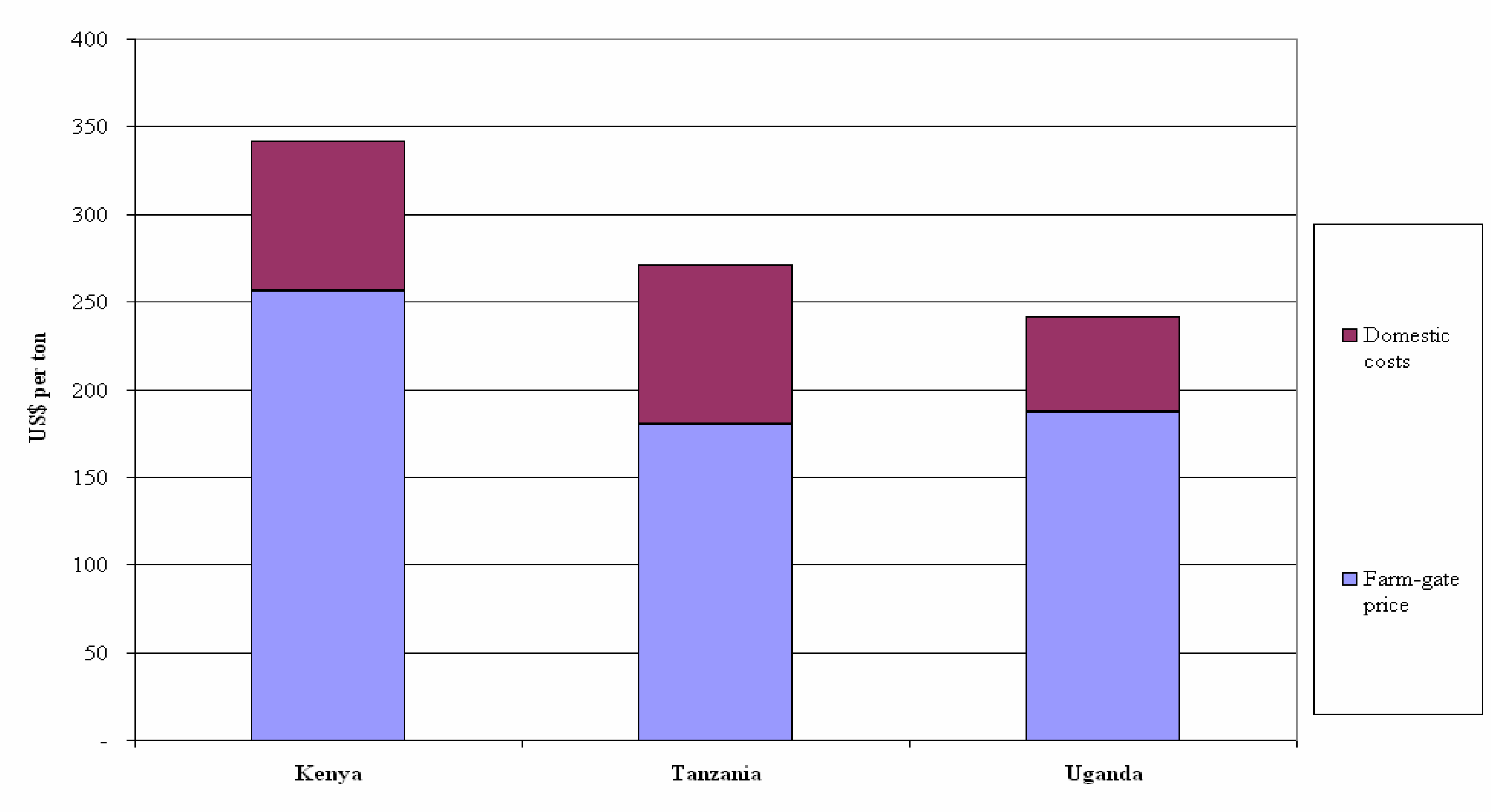
- Kenya: Northern Rift – Eldoret – Nairobi
- Tanzania: Iringa – Kibagwa - Dar es Salaam

- Uganda: Iganga – Jinja - Kampala
    - Cross-border costs of trade (Kenya-Uganda)
    - Special attention to transport costs (~80% of marketing costs)

Marketing cost are the smallest in Uganda and largest in Tanzania



Share of marketing cost in whole sale is 21% in Uganda and 32% in Tanzania



Post harvest losses are not marketing cost but reduction but reduction would significant savings to farmers without reducing marketing costs

	Kenya			Tanzania		Uganda	
	Small	Medium	Large	Small	Large	Small	Medium
PHL, in % of harvest	7.0	3.0	2.0	11.0	6.0	15.0	9.0
Total PHL, tons per acre	0.084	0.042	0.036	0.088	0.060	0.150	0.144
Farm-gate price of maize, US$/ton	256.4	256.4	256.4	180.4	180.4	187.5	187.5
Value of PHL per ton, US$	**18.0**	**7.7**	**5.1**	**19.9**	**10.8**	**28.1**	**16.7**

4. Policy Recommendation

(i) To promote regional trade and market integration, actions required at both regional and national levels

(ii) Investments in rural roads are critical

- Reducing the cost of bringing products from farm-gate to tarmac/national roads

A). Regional Level Recommendation

- RECs can play critical role in regional trade, even if actions at national level likely to have a relatively greater impact on trade.
  - Take the lead in appraising barriers to trade beyond customs and cross-border areas
  - Pro-activity in raising awareness and helping national governments find solutions to local problems
  - Promote investments in transport corridors
  - Promote trade facilitation measures
    - Harmonized customs, SPS and other Regulations, etc.

B) National Level Recommendation

i. **Invest in rural roads**:

- Higher internal rate of return than comparable investments in secondary or main roads (in at least fair condition)
- However, investments in rural roads may not be economically viable everywhere:

- Give priority to connecting rural areas with a combination of rich natural and economic potential and high population densities with major domestic and cross-border markets
- Promote the use of intermediate modes of transportation in rural areas with less agricultural potential

ii. Complement investments in roads by a promotion of **load consolidation**:

- Producer groups
- Wholesale markets
- Off-farm storage/warehouse receipts

iii. Promote **post-harvest loss reduction** technologies: on-farm storage

iv. **Consistent and predictable policy environment**: remove policy barriers to regional trade (export/import bans)

v. Reduce transport costs:

- Reduce import tariffs on transport vehicles to allow greater investment and upgrading of transport stock
- Review fuel taxes

vi. Invest in rail infrastructure:

- Important alternative to reduce transport costs

vii. Reduce non-tariff measures:

- Rationalize roadblocks
- Reduce delays at weighbridges
- Reduce delays at cross-border trade points

Measure and outcomes for reducing transportation costs along the main transport corridors in East Africa

Measures	Decrease in transport costs (%)	Increase in sales (%)	Decrease in transport price (%)
Rehabilitation of corridor from fair to good	-15	NS	-7/-10
20% reduction in border-crossing time	-1/-2	+2/+3	-2/-3
20% reduction of fuel price	-12	NS	-6/-8
20% reduction of informal payment	-0.3	NS	+/0

This shows that reduction in transport costs would reduce transport prices. Thus, there is a strong justification for investing in roads and with this reducing transport costs.

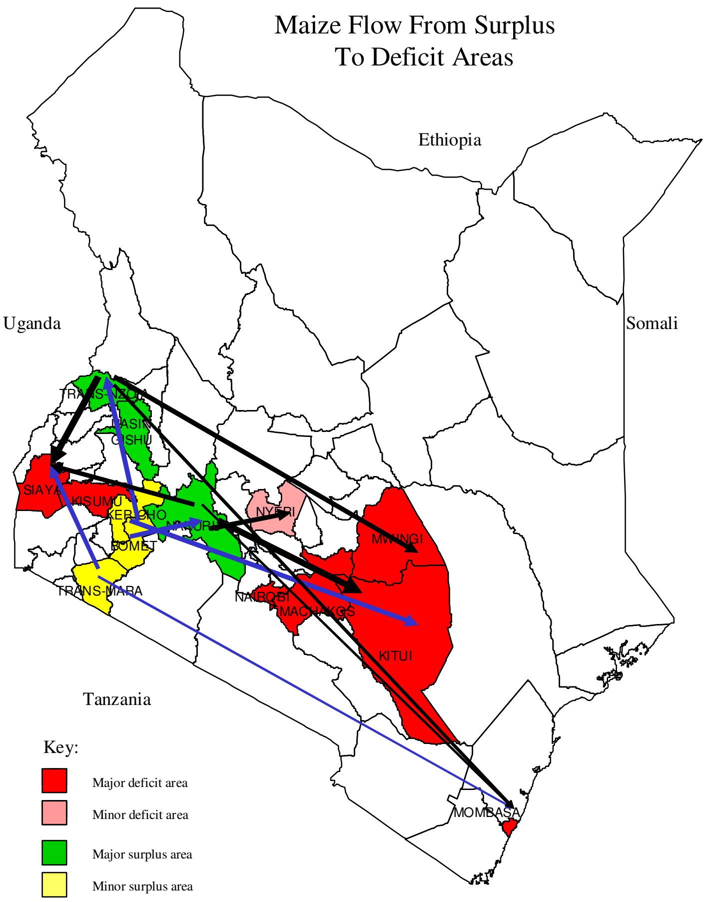
Crop production is strongly correlated with market access /travel time in East Africa

Travel time decile (no. pixels)	Travel time (Hrs)	Distance to ports, km	Total population, mill.	Total crop production, mill. US$	Total crop production relative to potential production
1 (14,762)	1.7	470.0	213.9	12,469	41.1%
2 (14,763)	3.0	527.7	69.3	10,168	45.6%
3 (14,762)	4.1	569.2	52.6	7,823	46.6%
4 (14,763)	5.1	607.5	46.5	6,959	33.2%
5 (14,763)	6.3	656.0	38.3	4,594	20.2%
6 (14,762)	7.6	696.0	30.8	3,479	16.3%
7 (14,763)	9.3	741.4	23.8	2,580	8.2%
8 (14,762)	11.7	762.6	18.3	2,031	5.9%
9 (14,763)	15.4	770.9	14.2	1,316	4.7%
10 (14,819)	24.8	716.1	8.4	1,405	2.9%

Annex 6: Practical Issues and Constraints to Grain Trade: Raphael Gitau -Tegemeo Institute-Egerton University

Introduction

- Trade is the voluntary exchange of goods, services, or both
- Why trade?
- ✓ Specialization and division of labor
- ✓ Region having Comparative advantage of tradable good with regards to production over other (Surplus to deficit)-
- ✓ Welfare gain-producers in surplus areas gain from higher prices while consumer in deficit benefit from lower prices



Players along the Value Chain of Grain-Domestic Traders

- Small-scale Traders (bicycle, ox-cart)
- Medium-scale (lorry traders, store owners)
- Large- scale-(lorry traders, store owners)
- Wholesalers (store owners, open air market)
- NCPB
- Retailers
- Millers (large scale, Posho millers)

Kenya is a net Importer of major grain (2007)

Cereals	Production (Tons)	Consumption (Tons)	Deficit (Tons)
Maize	2,928,793	3,068,834	(140,041)
Wheat	354,249	927,956	(573,707)
Rice	47,256	293,722	(246,466)

Source Economic Review of Agriculture 2008 (MOA)

Players along the Value Chain of Grain-Importers

- Small scale traders-cross border
- Medium scale- cross border
- Large- scale Traders –cross border, regional/international
- Millers –regional/international
- NCPB-regional/international

Constraints faced by Traders along the Value Chain

- Small scale /Medium
  - ✓ Lack of initial capital
  - ✓ Access to credit-expansion
  - ✓ Storage facilities (poor leading to loses)
- Cross cutting (all players)
  - ✓ Quality control
  - ✓ Market Information (increase uncertainty and search cost, unreliable and asymmetrical –price quality and market condition)
  - ✓ High uncertainty (e.g. fluctuating prices, climatic condition)
  - ✓ Poor infrastructure (road, rail, ICT, port)

- Lack of roads connecting surplus to deficit region domestically/regionally (Supply problem)
- Development of market infrastructure
- Information flow through ICT not extensive

Interventions-Instrument

i. Investments-Public & Private
   - Innovative way of accessing credit
   - Warehousing- through Private-Public-Partnership
   - Investment in infrastructure –road, rail, ports, ICT , bulk grain , markets
   - Strengthening (capacity building) of organization (traders, producers)

ii. Policy (Trade)

iii. Domestic
   - Full liberalization- allowing market to work
   - Streamlining of formal levies-market cess, local cess across district across

iv. Regional/international
   - Harmonization of policy in the region –grade and standards

Way forward

(i) Cultivation of the culture evidence based policy implementation by patterning with Economic and Policy institution such as Tegemeo Institute

(ii) Lesson learned from empirical evidence of successful initiative be Up-scaled

(iii) Ensuring certainty in the grain market-government policies/reaction that create uncertainty-dialogue and trust

Annex 7: Export Trading Group-"Practical Issues and Constraints to Grain Trade: traders' perspective" - Ketan Patel-Export Trading Co.Ltd

- The Group traded 1 200 000 tons of commodity in 2008 from the following countries:

✓ Tanzania

✓ Malawi

✓ Mozambique

✓ Kenya

✓ Zambia

✓ Uganda

✓ Ethiopia

✓ India

- In excess of 500 sourcing / warehouse locations in 9 East and Southern African countries

1. ***Lack of Accurate Market Information In The Region***

- Supply and demand figures cannot be relied on:

  - Lack of Resources at Government Level to accurately assess crop production.

- Nature of Farming is small-holder, therefore, very difficult to gather information on acreage planted.
- Yields are inconsistent owing to poor seed and almost total dependence on weather conditions.
- Diverse weather patterns in the region.
- Demand of Grain cannot be accurately predicted as there is a large informal market often involving barter of commodity at farm gate level.
- Substitution of Grain by other Foods, for example, Vegetables, distorts the demand figures.

2. Infrastructure Challenges

- Insufficient and often inexistent storage space at farm gate level.
- Often farms are very remote, and do not have all weather roads to access trading centers.
- Transport often unavailable and practically difficult as individual farmers harvest insufficient to fill full truckloads.
- Serious Grain Traders have to invest in trucks, warehouses and infrastructure.

3. Quality Parameters

- The nature of smallholder farming results in inferior and inconsistent quality.

- Post-harvest damage is high; insect damage, discoloration due to poor storage etc. are issues grain traders have to contend with.
- Lack of drying facilities means that grain is often of a higher than acceptable moisture content.- particularly difficult to handle is grain of mixed moisture.
- Mixed varieties of grain.
- Grain traders have to be particularly careful in receiving and handling grain.

4. Governing Policy

- Lack of Free Market. In many cases, government regulates the purchase of Grain.
  - ✓ Restriction on purchase of Grain
  - ✓ Restriction on Movement of Grain within Districts (Unstandardized local taxes)
- Government purchase and sale of grain, examples, NCPB, SGR, does not always work on commercial principles.
  - ✓ Government often buy grain at higher than market price and sell at below market price.
  - ✓ Whereas this subsidizes the farmer and consumer, it interferes with private free grain trade. - - Worldwide, subsidies are being seen as distortion of markets and not sustainable in the long run.

How Does A Grain Trader Compete With A Governmental Institution Who Relies On Subsidies And Does Not Have To Make A Profit?

5. Trading Finance

- Trade finance particularly difficult owing to Export Restrictions and Government Policy.
- General Lack of Liquidity resultant from Global Credit Crisis.
- High Interest rates on local currency.
- Finance particularly difficult as commodities are not quoted on an exchange.
- Price Reference for banks securing cargo on stock becomes a challenge.

Annex 8: Trade and related policies in the context of price swings - Jamie Morrison, FAO

Introduction

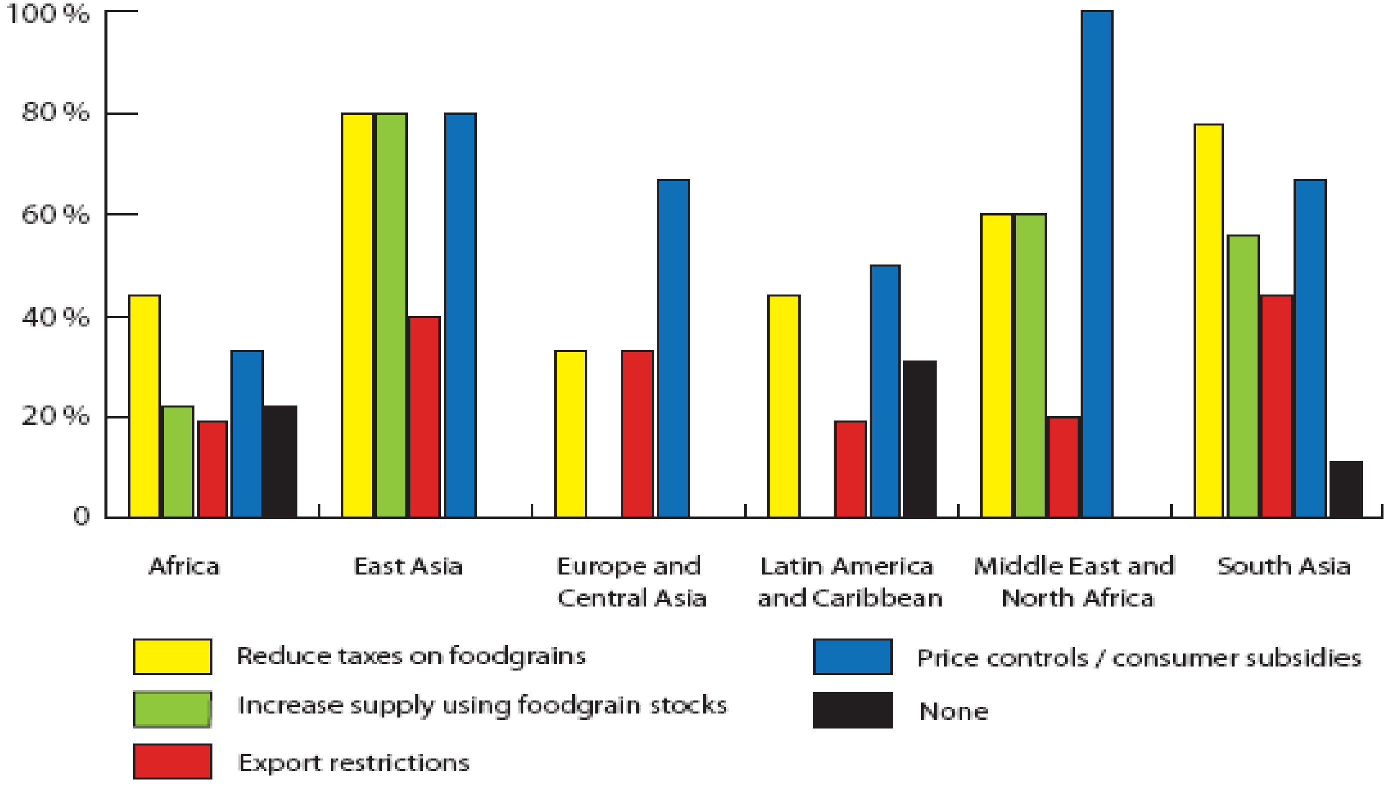
- Trade Policy often formulated/negotiated in context of low or depressed prices
- Have policy objectives changed in light of price increases?
- Assessing policy responses
- What insights might this experience give on the role for trade and related policy?

Policy objectives in light of high food prices

- Access to food for the most vulnerable
- ✓ policies should be able to scale up and down in view of the wide price fluctuations
- Increase availability of food
- ✓ particularly by the poorest producers, to reduce poverty and food insecurity
- A spectrum of policy options depending on target population

Response measures (2007/08 crisis)

Figure 1. Market responses to high food prices by region in 2007- 8

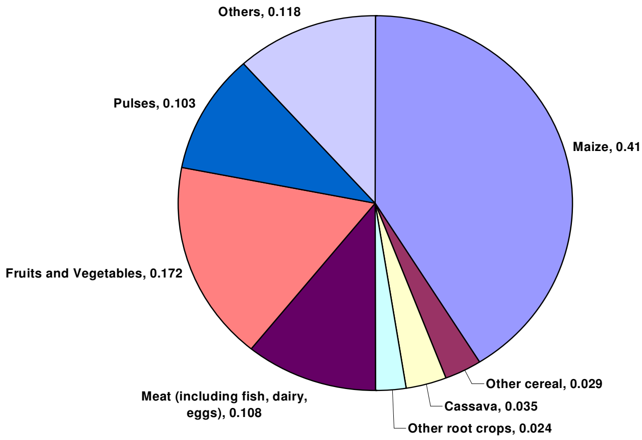


Source: FAO (2008) *Soaring food prices: facts, perspectives, impacts and actions required.* HLC/08/INF/1

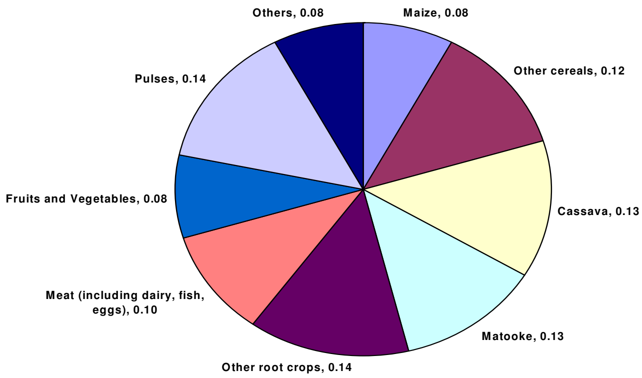
Determining Impact

- Households adjust differently
  - ✓ net producers, net consumers
  - ✓ production patterns/diet
  - ✓ liquidity constraints, investment capacity
- Significant potential negative impact on poor
  - ✓ burden on urban consumers
  - ✓ poor rural households that are net buyers of food

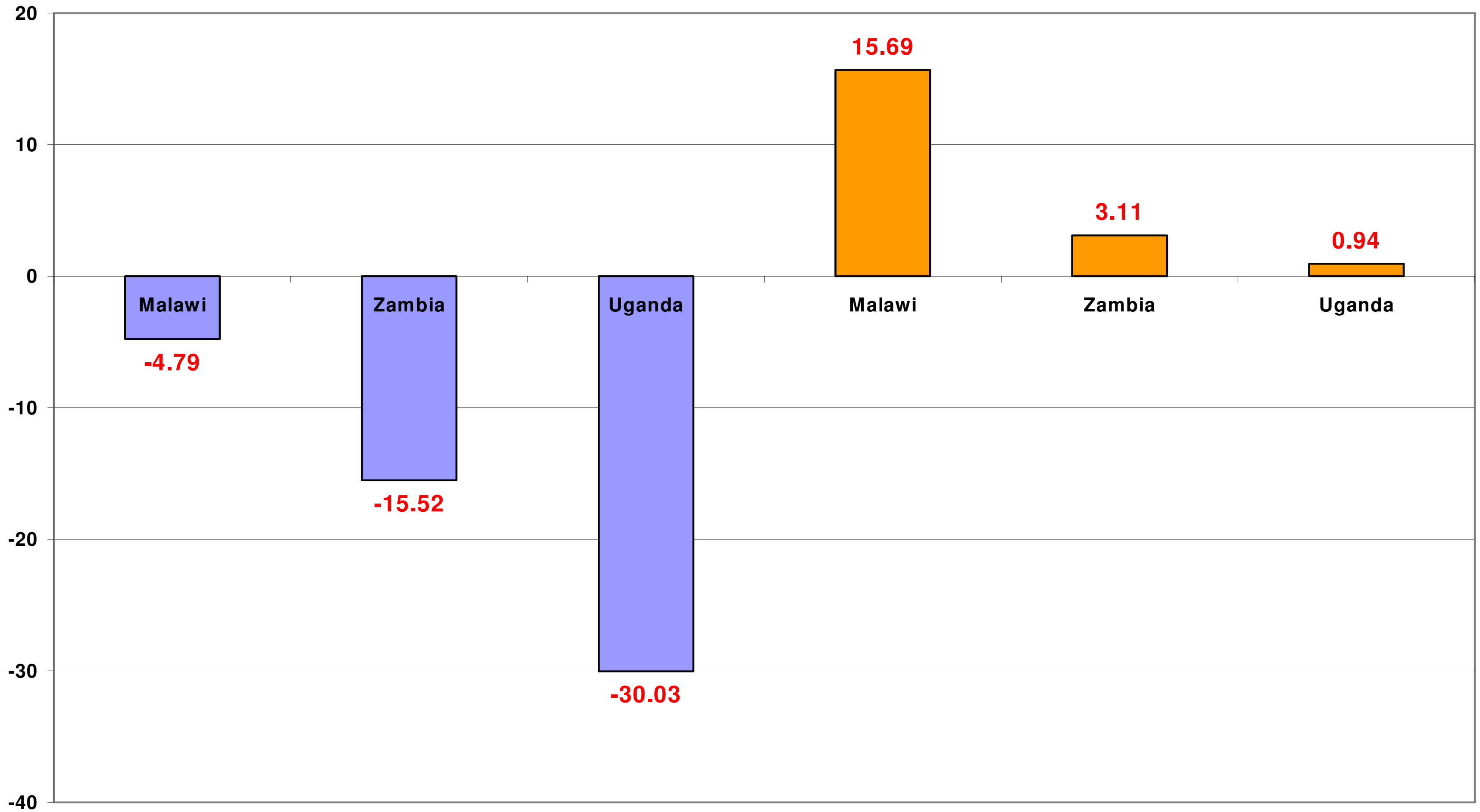
Food expenditure by poor households in Malawi



Food expenditure by poor households in Uganda



Impact of 50% increase in the price of maize on food expenditure



Policy response measures

- ♦ Trade related
- ✓ Import
- ✓ Export
- ♦ Tax related
- ♦ Market interventions
- ♦ Safety nets
- ♦ Food supply based interventions

Trade measures: Import related

- ♦ Include
- ✓ import tariff reductions
- ✓ tax breaks for importers (VAT, excise tax)
- ✓ financial support for funding imports (loan guarantees)
- ♦ Potentially effective, easy to implement and fast
- ✓ decrease the cost of imported food – increase volume
- ✓ loan guarantees traders' liquidity
- ♦ Maybe an inappropriate response:
- ✓ reductions in tariffs may not be effective - level of applied tariff low
- ✓ key component of government revenue
- ✓ difficult to increase once lowered
- ✓ do not exclude non vulnerable

Trade measures: Export bans

- ♦ Protect consumers, but reduce incentives to producers
- ♦ Implementation of export restrictions by important exporters renders the international market unreliable as a source of food
- ✓ exacerbates price instability and harms traditional trade partners
- ♦ 25% of NFIDCs used these in response to the crisis
    - ✓ had immediate and direct effect
    - ✓ already tight market situation exacerbated to detriment of LIFDC

Tax measures

- ♦ Include
- ✓ reductions in VAT and other taxes
- ✓ removal of road blocks and transport taxes
- ✓ tax reductions on fuels
- ♦ Effective and easy to implement

- ✓ increase in prices offset by the amount of tax reduction
- ✓ facilitate the movement of food
- ✓ supply chain should be competitive – less rent seeking
- Targeted income tax reductions are also easy to implement – but can impact on budget

Market measures

- Management of public stocks
- ✓ domestic purchases or food imports financed directly by government
- ✓ release of stocks at cheap prices
- Increase the availability of food
- ✓ but costs escalate quickly
- ✓ ineffectiveness due to budget constraints
- ✓ BoP financial support can be necessary
- Many African food chains are characterized by a dual marketing system

Market Infrastructure

- Uganda: plans to construct market collection points strategically located to allow bulking by smallholders
- Tanzania: strengthening market information systems
- Zambia: promotion of commodity exchange
- ✓ more formality, greater transparency, improved quality/quantity

Consumer Subsidies

- Universal food subsidies
    - ✓ short run and quick response
        - Madagascar: floor price for paddy plus selected subsidies
        - Comoros: pan territorial retail prices
    - ✓ but very difficult to remove
- Subsidies are costly and some targeting is necessary
    - ✓ do not effectively target those who really need support
    - ✓ subsidize ‘self targeted’ foods – e.g. yellow maize
- In the longer run subsidies ought to be gradually phased out and replaced with targeted programs

Safety Nets

- Perform an insurance function
    - ✓ normally a cash or food transfer mechanisms
    - ✓ when prices rise safety nets prevent households from disinvesting
- Difficult to implement – countercyclical budget

    - ✓ budget contraction at the same time as increase in expenditure
- If targeted safety nets (cash transfers, food vouchers) exist scale-up to maintain the purchasing power of the poor
- Assess the ability of private marketing channels to adjust to food availability
    - ✓ if unable to provide food, prices will increase
    - ✓ food aid distribution if markets do not work

Food supply-based approaches: The role of input support

- Households' decisions on how much to produce and consume are not separate
    - ✓ interventions to support production enhance food security
- Input support systems remove constraints
    - ✓ limited access to input markets, liquidity
    - ✓ risk
- Enhance the ability of smallholders to respond to price increase
- Price upswings in the domestic market become shorter in terms of time and less pronounced in terms of magnitude - benefiting the consumers
- Improve the ability of poor farmers to save part of the price windfall

To what extent can trade policy generate a supply response?

- Often assumed that trade and price policy uniformly affects producer prices.
- But only if there is strong spatial price transmission and significant market participation
    - ✓ Markets need to be well linked and producers need to be active in them (Barrett 2007)
- If this is not the case, impact of trade policy will not be noticeable

Transmission depends on:

- Import tariffs (export taxes) allow full transmission in proportional terms
    - ✓ if prohibitively high, can obliterate opportunities for arbitrage
- Public stock management, food procurement or sale can impede price transmission
    - ✓ price targets and capacity and budget to realize food purchases
    - ✓ ability to manage food inventories and trade continuously
- High transaction costs
    - ✓ Hinder the transmission of price signals - prohibit arbitrage
- Non competitive supply chains
- Consumer preferences

Sources of growth and supply response

- Source of agricultural growth likely to differ:
    - ✓ Non traditional exports key in Chile – but close to being an urbanized economy....
    - ✓ Growth in domestic staple food markets could be most promising route in short to medium term in some countries
    - ✓ Growth in domestic higher value product markets could be more promising in others
- Question with implications for trade policy:
    - ✓ Is improved productivity in a subset of producers who are well linked sufficient to tighten labour markets and increase wages *or* is greater smallholder market participation needed?

Is focus on primary product misleading?

- Trade policy unlikely to be of much direct relevance to small farmers whose marketed surplus, if any sold on (insulated) local market
- But, import surges can affect those higher up the chain
    - ✓ implications for investment
- Need to look at processed product actors' incentives for local market procurement of raw material etc
    - ✓ Coordinated investment

What role for trade policy?

- To kick start *coordinated investment* trade policy intervention could be used to:
    - ✓ Provide tariff protection on processed good with low or zero tariff on raw material?
    - ✓ Provide incentives for domestic procurement of raw material?
- Could be used to protect currently "uncompetitive" import competing sectors likely to contract in face of greater import competition
- Could be used to prevent short term disruption to agricultural products which may:
    - ✓ otherwise be competitive , but be susceptible to risk and have limited access to risk management instruments and safety nets

Annex 9: Support Initiatives for Cereal Value Chain Policy Formulation and Dialogue in COMESA - Dr. Angel Elias Daka, COMESA

Overall Goal Of COMESA

- ***Promotion of regional integration through:***

(i) Food security achievement by promoting increased production, supply and distribution of food staples and improved responses to food crises

(ii) promoting overall trade in the region through harmonized trade policies

Causes Of Regional Food Insecurity

1. *Inadequate Food Production and Supply*
- Low Agricultural productivity
- Poor Markets
- Poor Responses and Risk Management
- Uncoordinated trade policies
- Lack of accurate Food Stocks Information

2. *Poverty, Hunger and Malnutrition*
- Low-incomes to access food
- Poor diets
- Rising Food Prices
- Livestock and Household Assets depletion

3. *Food Crises – Natural & Man-made*
- Drought
- Floods
- Climate Change
- Pests and Diseases

4. *Under-utilized Water Resources*
- Low Irrigation Development
- Poor Water Resources Policies
- Lack of technical capacity

Support Initiatives

(A) Initiated CAADP In All Nineteen Member States

CAADP has four pillars:

- Pillar 1:Extending Area under Sustainable Land and Water Management
- Pillar 2:Rural infrastructure and trade-related capacities for markets
- Pillar 3:Increasing food supply and reducing Hunger and
- Pillar 4: Agricultural research technology dissemination and adoption

(B) Alliance For Commodity Trade In Eastern And Southern Africa (Actesa) Programme:

***Objectives of Programme*:**

- Improved competitiveness and integration of staple foods markets in COMESA member states through improved micro and macro economic policies
- Improved and expanded market facilities and services for staple foods commercialisation
- Increased commercial integration of staple foods producers into national and regional markets

Strategic Food Staples under ACTESA

Crop	COMESA (MT/HA)	GLOBAL(MT/HA)
MAIZE	1.39	4.47
RICE	1.12	3.84
WHEAT	1.38	2.66
SORGHUM	0.67	1.30
MILLET	0.47	0.82
BEANS	0.60	0.70
CASSAVA	8.18	10.76
BANANA	4.69	15.25

Objective 1: Competitiveness Issues:

- Enhanced Policy Dialogue
- Export/Import bans
- SPS –harmonization
- Standards
- Simplified Trade Regimes
- ADVOCACY in COMESA Policy meetings

Objective 2: Improved Agric Services

- Financial Services
- Warehousing Receipt Programmes
- Market Information Systems
- Transport and Infrastructure development
- Up-scaling Simplified Customs systems
- Emerging Commodity Exchanges(Work with UNCTAD) and
- Bulking Centres etc.

Objective 3: Commercialization Of Smallholder Farmers

- Development of farmer associations with commodity focus
- Capacity building in marketing and contract understanding
- COMESA Trade Regimes > Training support and Appeal measures
- Lessons learnt from our RATES programme (collaborate with COMPETE to scale-up good practices)

(C) Africa Agricultural Marketing Programme (AAMP): A Mutually Reinforcing Programme

AAMP aims to:

(i) Enhance regional capacity in trade of agricultural products

(ii) Improve Policy dialogue, and coordination on agricultural input and output markets through a series of policy seminars, training, and analytical work.

Coverage:

(i) The programme currently covers both COMESA member and non-member countries including Ethiopia, Kenya, Malawi, Mozambique, Tanzania, Uganda, and Zambia.

(ii) The policy and training series will cover agricultural inputs, production, trade and marketing, and risk management.

(iii) Country-specific analytical work will respond to issues raised in the policy seminar and client country demand.

Conclusions

(i) Increasing trade in food staples is the major objective of efforts to promote regional food security integration.

(ii) Food staples remain by far the most important traded commodities in the COMESA region and have significant impact on people's incomes and nutrition.

(iii) Effective policies are key to creating value added markets in the region.

(iv) Total intra-COMESA trade has grown from US$3 billion in 2000 to US$9 billion in 2008, of which trade in agricultural commodities is 40 per cent.

Annex 10: Bourse Africa - Adam Gross, Head of Strategy

Introduction

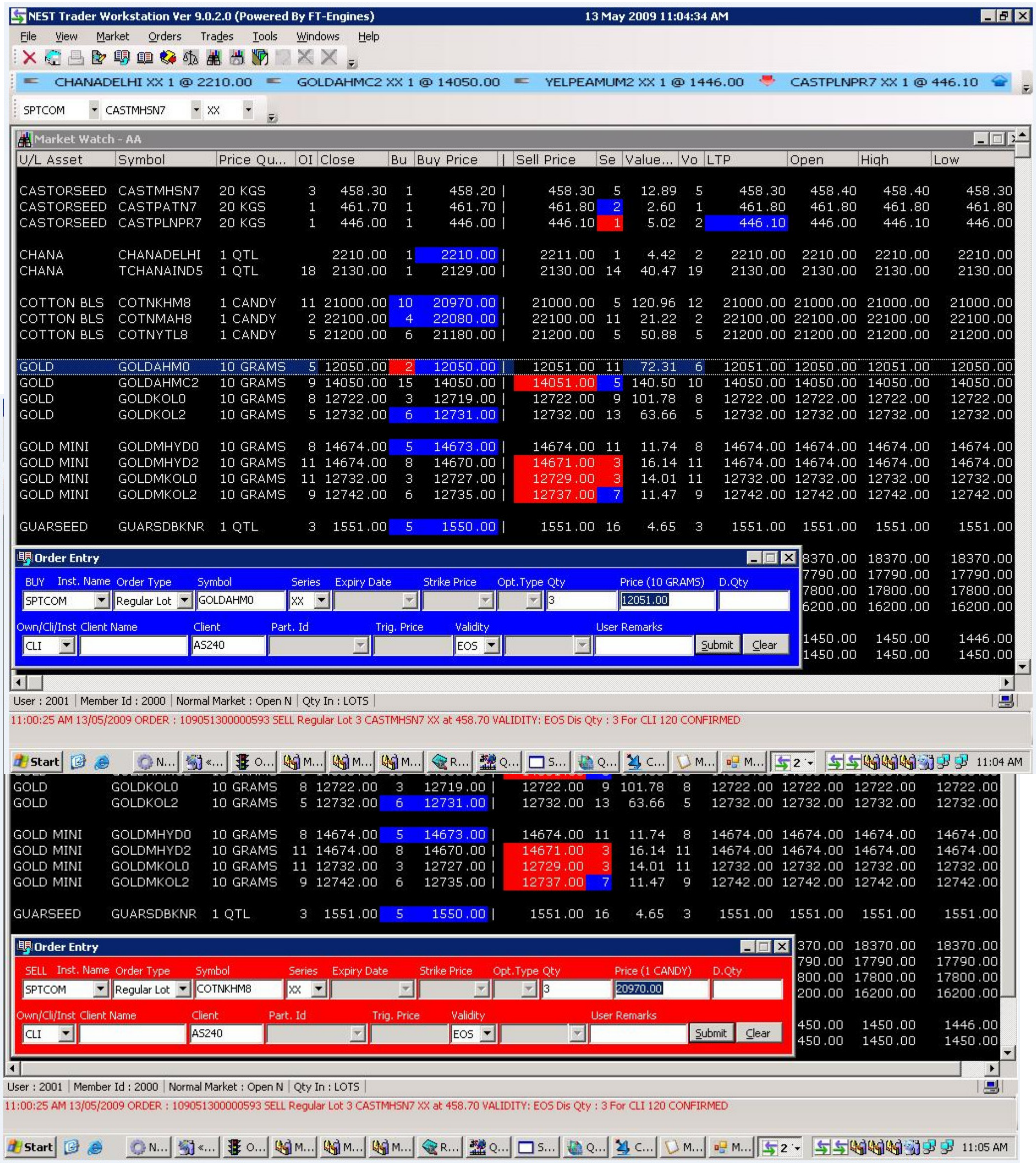
- Policy Benefits
- Policy Challenges

What is a commodity exchange?

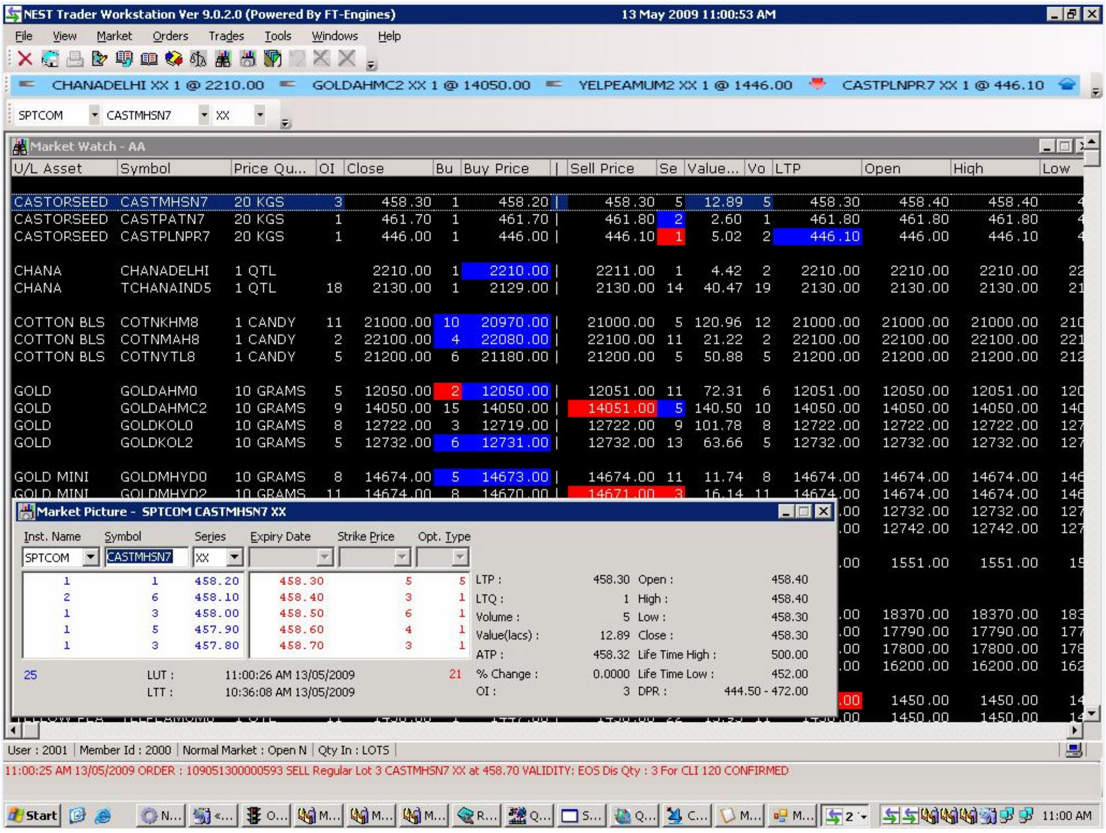
This a market in which multiple buyers and sellers trade commodity-linked contracts on the basis of rules and procedures laid down by the exchange

What does a commodity exchange look like?

Trader Workstation – Buy Order



Trader Workstation – Market Depth



What is traded?

***Spot contracts*:**

- Buy and sell your commodities
- Designated quantity, quality & delivery points

Futures markets:

- Manage your price risk through 'hedging'
- Designated quantity, quality & delivery points

Traded through a pan-African exchange

***Guarantee of financial performance*:**

- The seller is guaranteed to get their cash

Quality and quantity guarantee:

- The buyer is guaranteed to get the commodity they ordered
  - ✓ World's <u>1st</u> combined commodity spot & derivatives exchange
  - ✓ Africa's <u>1st</u> central counterparty clearinghouse (ex-RSA)
  - ✓ Trading markets across Africa via electronic screen-based trading, easily accessible to market participants worldwide

- ✓ Hub and spoke model delivers continental-scale gains while having a strong focus on local needs
- ✓ Includes an accompanying market information system, warehouse receipts platform, and capacity-building academy
- ✓ Projected launch by Q4 2009

We have done this before!

MCX, our sister company in India

- Fragmented Markets
- Smallholder production
- Deficient Infrastructure
- Skills/expertise shortage
- Pervasive underdevelopment
- Political sensitivity / partial liberalisation

→

- US$4-5b traded <u>per day</u>
- 7th largest in the world
- 70+ commodities
- Small and medium-sized market participants
- Zero defaults
- ***Africa's commodity base is nearly 5 times larger***

Why Bourse is an Africa matters

- Ensuring Africans become *price-makers* rather than price-takers for the commodities that contribute ~90% of their total export revenues per year
- Ensuring that Africans can efficiently and securely trade with each other
  - ✓ For example, a Ghanaian buys Tanzanian coffee as a first resort and a Tanzanian buys Ghanaian cocoa: fulfilling the vision of African integration
- Ensuring Africans engage in trade *on a level playing field* with the rest of the world
- Ensuring that Africans have the instruments to increase the *financing, value addition and risk management* they need to drive economic and social development on the continent
- Stimulating investment to upgrade commodity production and marketing activities, and to develop *world-class infrastructure*

- Creating a new industry that generates jobs in their hundreds of thousands, and *builds the capacity* of a new cadre of *skilled African professionals*
- Public-private partnership blending the best of Africa and Asia
- Promoted by Financial Technologies (India) Limited
    - Technology pioneer and promoter of 10 exchanges in India and worldwide
- Co-promoted by African institutions
- Fully commercial venture
- Advisory Board Chairman: **H.E. Festus Mogae**, former President of Botswana, holder of the Ibrahim Award for Excellence in African Leadership

***Markets cannot be imposed*;Partnerships are essential**

- The most important component of this venture is the African people
    - ✓ Recognise this opportunity to transform the Continent
    - ✓ Determine the way that Africa's commodities are traded
    - ✓ Embrace and adopt the new possibilities
- Therefore, Bourse Africa is actively looking for partnerships to ensure that it serves the needs of Africa

What will the East African grain trade look like post-launch of Bourse Africa?

Spot grain contracts traded through Bourse Africa subsidiaries across the region:

- ✓ Bourse Tanzania, Bourse Kenya, Bourse Uganda, etc
- ✓ Local membership, regulation, clearing, connectivity, training
- ✓ Regional & international gateway via Bourse Africa's Botswana hub
- ✓ **Domestic contracts:** local currency-denominated, locally deliverable at multiple delivery points, small-sized contracts, range of premium and non-premium quality grades
- ✓ **Export contracts *(where permitted)*:** hard currency-denominated, deliverable at export terminal(s), large-sized contracts, premium quality grade(s) only

East African grain futures contracts accessed locally but traded via the Bourse Africa pan-African derivatives hub in Botswana

***Realising development benefits*:**

- Efficient physical trade
- Transparency
- Improving quality standards
- Increased access to more affordable finance
- Significant reduction of asymmetries in market access
- Infrastructure upgrade
- Regional and Pan-African Integration
- Price discovery
- Price risk management
- Opportunities for arbitrage
- Rule-based trade and investment
- Virtual elimination of counterparty risk
- Capacity-building
- Jobs creation

Focused on the first seven

Efficient Physical Trade

How BA Promotes Efficient Physical Trade

- Forum for buyers and sellers of commodities to conclude transactions based on standardised contracts
- Easy to locate willing, trustworthy and creditworthy counterparties
- Barriers to entry are reduced for buyers and sellers
- Participants are vetted
- Rules are enforced
- Delivery versus payment procedures are defined and managed

Why It Is Important

- Significant reduction of transaction costs & complexity
- Increases speed & reliability of trade
- Full guarantee on financial performance, quality and quantity to ***virtually eliminate risk***
- Reduces fragmentation and barriers to entry, increasing competition
- Greater flows of trade among a broader category of market participants
- Assurance of a market increases production and reduces wastage
- Gains from trade become realised more rapidly, spurring greater investment and more efficient allocation of resources

How Benefits Can Be Maximised

- Perform broad awareness-raising, marketing and business development in Africa & overseas
- Build capacity of commodity chain participants – large & small, corporate & SME, African & international - to use the markets
- Reduce government bureaucracy to cut the cost & complexity of trade
- Align with tax framework
- Government to use the platform for its own sales & procurement, to secure gains & signal confidence
- Integrate with related finance, trade, treasury/ forex and logistics services

Transparency

How BA Promotes Transparency	*Why it is important*	*How Benefits Can Be Maximised*
• Publishes real-time prices – spot and futures – that are neutral and authoritative	• Important information now becomes available to many more market participants	• Training to understand the information, & how to use it to make better decisions
• Publishes market volumes, transaction values, open interest, depth of interest	• Helps participants secure better prices in negotiations	• Purchasers can have complete insight on quality and quantity of product • Possible tie-in with fairtrade / sustainability labelling orgs

• Publishes lot size & quality grading characteristics, based on consensus of what purchasers want	• Helps participants make better production, diversification, investment, purchasing and sales decisions	• Governments can use the exchange to price their key commodities
		  • Sales through the exchange's spot market also brings volume transparency
		  • Mining & energy concessions with pricing and sales through BA mechanisms
		  • Possible tie-ins with Extractive Industries Transparency Initiative (EITI)

• Publishes delivery points and modalities (including stocks)	• Governments know the prices and volumes traded for key commodities
	  • to better secure the taxes, royalties and fees that are due to them;
	  • to be held accountable by their citizens	

• Publishes other contractual T&Cs		

Improving Quality Standards

How BA Improves Quality Standards	*Why It Is Important*	*How Benefits Can Be Maximised*

• Consultation with the industry – especially purchasers and industry associations – about the quality standards they require
 	
• Integrate quality standards into contract specifications,
  ◦ Makes those standards transparent to the market
 	
• Assayers must certify quality at delivery points and which warehouse companies must specify on a warehouse receipt
 	
• Ensures procurement through the exchange meets customer requirements
  ◦ Incentives producers and processors to invest to meet standards
  ◦ They will be assured of a market and the likely price
  ◦ Rewards their investment to meet those standards-
	• Poor or inconsistent quality of production one of the biggest deterrents for purchasers
	
	• Quality standards forms basis for many technical/non-tariff barriers to trade (WTO SPS/TBT, etc)
	
	• Large purchasers, especially supermarkets, are increasingly quality-conscious
	
	• Boosting the quality and consistency of product helps African producers to better overcome TBT and serve quality-conscious consumers
		• Partnerships with standards bodies and agencies
		  ◦ harmonise standards and align with exchange requirements
		
		• Partner organisations – including government –provide financial assistance and training to producers/ farmers to produce commodities that meets exchange-defined standards
		
		• Exchange publicises to purchasers and industry bodies the quality standards which they will guarantee
		
		• Exchange runs bespoke procurement contracts for purchasers with specialist requirements, e.g. supermarkets

Improving Quality Standards (II)

1) Industry Consultation
For each commodity traded on spot or derivatives segment, consult with the industry – especially purchasers and industry associations – about what quality standards they require

2) Exchange Contract Specs & Delivery Interface
Integrate quality standards as part of BA contract specifications (spot and futures), which assayers must certify at delivery points and which warehouse companies must specify on the warehouse receipt

3) Assistance & Training
Well-placed partner organisations provide financial assistance and training to producers/farmers so they are able to produce commodities that meet those standards (financial assistance to upgrade infrastructure and buy inputs & equipment, training so they learn techniques – production, sales)

Better Access to More Affordable Finance

How BA Promotes Better Access to More Affordable Finance

- Supports bank financing of commodities by:
  - Value in real-time commodity collateral or receivables
  - Hedge exposure to changes in its value
  - Liquidate in the event of borrower default
- Lower risk leads to lower cost of finance
- Secondary market for the trade of producer repur-chase contracts ('repo')

Why It Is Important

- African commodity sectors are grossly under-financed
  - government schemes have often failed in the face of the high risks involved
- Help commodity chain participants to invest in upgrading their activities
- Cover costs while producers and processors store commodity and avoid distress sales

How Benefits Can Be Maximised

- Awareness-raising / education for African banks about integrating use of exchange into bank lending models
- Aggregators to create linkages between smaller commodity chain participants and banks (brokers, farmer coops, microfinance institutions, NGOs, etc)
- Government to provide the supporting regulatory, tax and accounting frameworks

Reduction of Asymmetries in Market Access

How BA Reduces Asymmetries In Market Access

- BA platform is easily accessible so everyone can access the platform
    - reaching even remote areas
    - function in adverse environments
- BA member brokers and banks will form extensive distribution networks to facilitate inclusive trading & clearing
- BA will broadly disseminate its price and market information via many channels to village level

Why It Is Important

- Current exclusion from markets of many African commodity chain participants
    - leads to prevalence of subsistence farming
    - vulnerability to predatory intermediaries
- Access to competitive, open markets:
    - assured a market for their produce
    - better understanding of the market
    - better price realisation
    - more equitable trading relationships
    - wastage is reduced

How Benefits Can Be Maximised

- Infrastructure development and partnerships with connectivity organisations
    - internet and/or VSAT availability in remote as well as highly-populated areas
- Partnerships with organisations in possession of an extensive distribution network
    - facilitate trade, clearing and information flow
- Education / awareness-raising / training to ensure that market access opportunities are used

Infrastructure Upgrade

How BA Stimulates Infrastructure Upgrade	***Why It Is Important***	***How Benefits Can Be Maximised***
• Bourse Africa will define delivery points for each of its spot and derivatives contracts • Each has high quality infrastructure, including warehousing, grading, certification and logistics • Each will experience significant flows of commodity arising from Bourse Africa's markets. • These flows provide financial incentive for infrastructure developers and logistics/service providers to invest significantly in the designated areas	• Help African farmers avoid distress sales straight after harvest • Stored commodities a source of finance based on warehouse/silo receipts • Grading & certification improves purchaser's confidence in product quality • Logistics lowers costs and create better connections across regions and trade routes • Infrastructure makes markets less volatile – in times of surplus, commodity can better be stored for use in times of shortage	• Partner with warehouse organisations, collateral managers, inspection agencies, logistics agencies, infrastructure financiers, etc to develop infrastructure around BA delivery points • Commodity chains can be trained to understand and take advantage of new infrastructure, including through aggregators on behalf of smaller users • Banks can be engaged to finance commodities against warehouse/silo receipts

Pan-African Integration

How BA Promotes Pan-African Integration

- Bourse Africa creates for the first time an efficient mechanism for African cross-border:
    - Trade
    - Clearing
    - Settlement
    - Delivery

Why It Is Important

- Africans trade with each other as easily as with the rest of the world –
    - *Ghanaians can buy Tanzanian coffee, and Tanzanians can buy Ghanaian cocoa, etc*
- Increasing trade flows are a foundation for economic integration
- Increased trade provides new opportunities, jobs, revenues, and growth
    - *a vested interest in African integration*

How Benefits Can Be Maximised

- To maximise regional trade, African governments can improve:
    - Infrastructure – roads, ports, transport corridors
    - Trade facilitation processes (e.g. customs, licenses, standards harmonisation)
    - Investment climate and ease of doing business
    - African & international firms can develop new cross-border procurement strategies
    - Creation of clusters for beneficiation / processing across production areas (e.g. West African cotton)

Policy Challenges

i. Developing an effective legal-regulatory framework
ii. Cooperation between and within government
   ✓ *Rule-based government interventions*
iii. Reducing barriers to cross-border trade
iv. Reducing barriers to market participation
v. Awareness-raising, Capacity-building, Training
vi. Shifting to mindset of organised markets
vii. Tyranny of low expectations and the burden of incrementalism

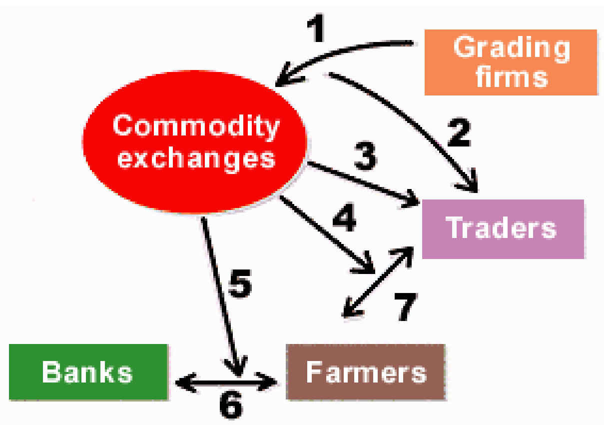
Annex 11: UNCTAD Support for Commodity Exchange Development - Leonela Santana-Boado, Commodity Exchanges, UNCTAD

UNCTAD and Commodity Exchanges

- UNCTAD is the major international organization supporting commodity exchange development: 15 years of hands-on support
- Aims to: promote understanding; facilitate sharing of experiences, perspectives and ideas; enhance developing country capacity and expertise; ensure viability and sustainability of exchange initiatives
- Expertise is concentrated in two areas:
    - ✓ Direct technical assistance and advice, with involvement in the Dominican Republic, Ghana, Kazakhstan, India, Indonesia, Malaysia, Nigeria, Russia, Sri Lanka, Turkey and Ukraine, as well as a regional exchange for Africa
    - ✓ Awareness-raising through publications, presentations and the organization of conferences

Commodity exchange, what is it?

- "A market in which multiple buyers and sellers trade commodity -linked contracts on the basis of rules and procedures laid down by the exchange."
- This includes: *Spot trade* for immediate delivery of the commodity, *forward contracts*, *warehouse receipts trading*, *commodity-based futures* and *options contracts*, and *trade facilitation services*.



Potential benefits for developing countries

- ✓ Market creation
- ✓ Stimulating regional integration & South-South trade
- ✓ Price discovery
- ✓ Price risk management
- ✓ Infrastructure enhancement
- ✓ Market access
- ✓ Facilitate provision of finance
- ✓ Price transparency
- ✓ Reduced counterparty risk
- ✓ Quality assurance/upgrade

Other advantages

- Need to overcome the trust gap that often still exists between the public and private sectors in developing countries and which hinders investments in trade-related institutions.
- Governments can facilitate the components of the legal-regulatory frameworks required for the functioning of different types of services provided by a commodity exchange (rules, taxation)

Criteria for IO actions

This newly-launched EU-ACP project offers the scope and resources to step up support for exchanges and exchange initiatives in the region

- Within eligible countries and regions, actions mandated under the AACP must meet programme objectives and clearly link to one or more of the expected results, namely:
  - Supports commodity strategy development and implementation
  - Increases access to / use of markets, production factors & services
  - Extends access to, builds capacity to use risk management instruments

Current initiatives to support improved policy formulation, implementation and dialogue

Commodity exchange initiatives:

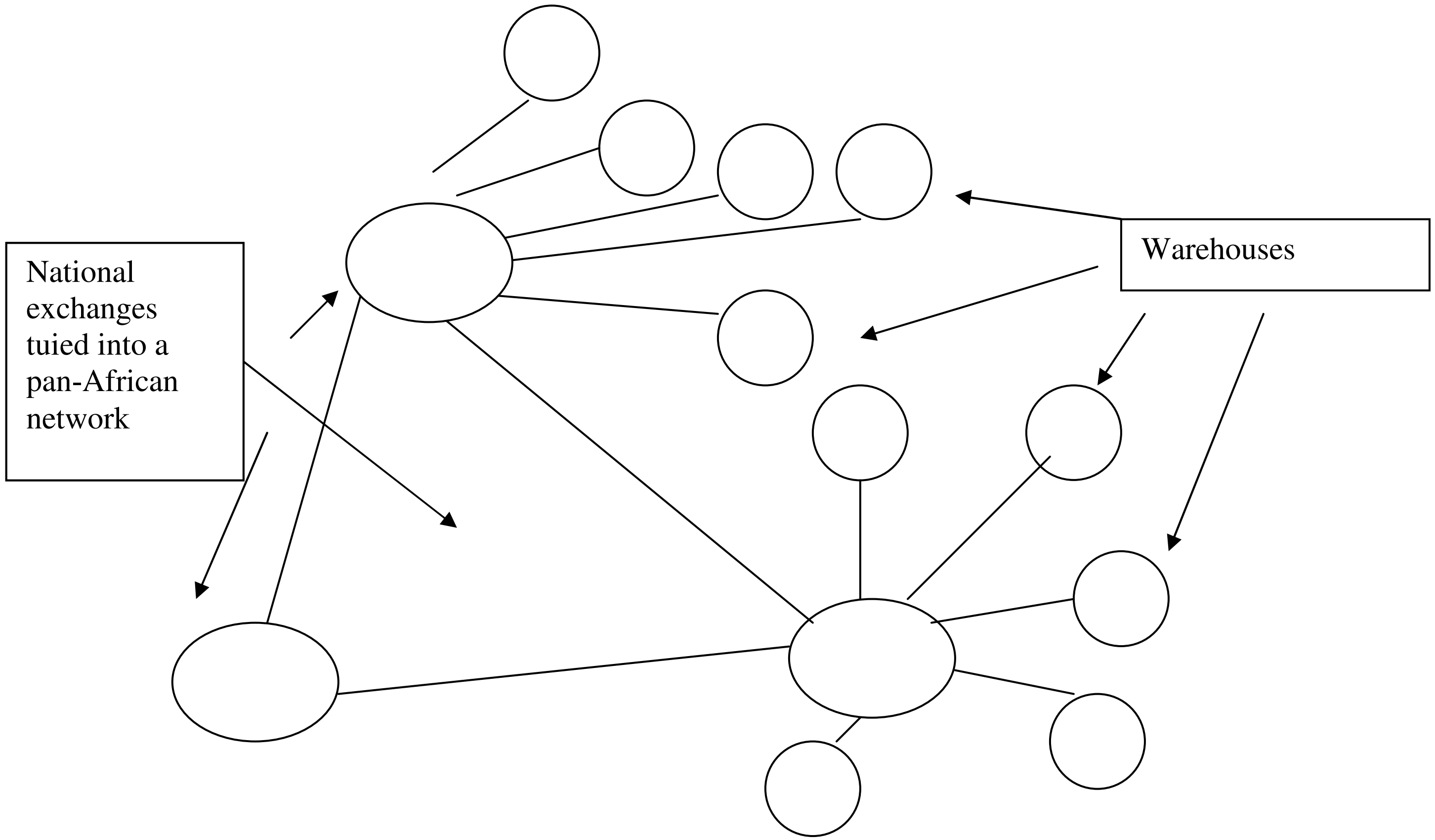
- ✓ Botswana: Project for the creation of a Pan African Exchange-Bourse Africa"
- ✓ Ethiopia: Ethiopia Commodity Exchange (ECEX)
- ✓ Kenya: i) Kenya Agricultural Commodity Exchange (KACE / operational - information dissemination)
- ✓ Malawi: i) Agricultural Commodity Exchange for Africa (ACE / operational - regional listings & auctions); ii) Malawi Agricultural Commodity Exchange (operational - information dissemination)
- ✓ South Africa: JSE/SAFEX (operational - futures and options)
- ✓ Uganda: Uganda Commodity Exchange
- ✓ Zambia: Zambia Agricultural Commodities Exchange-ZAMACE)

Past Activities

- AMPRIP follow up study tour and consultative meeting for the strengthening of commodity exchange in the COMESA region, 24th - 26th october, 2007

Exchange of Innovative ideas: Regional Dimension

Creation of Regional Linkages



Next steps and potential national and regional stakeholders' input

Next step

Potential stakeholders' input

As a result of the first two steps, what was achieved was achieved

- Inventory of commodity exchanges and exchange initiatives in the region
- Define prerequisites for commodity exchanges, and assess country performance in these dimensions
- Identify which countries in the region have commodity strategies in place and how do comex/ warehouse receipt development feature in these strategies?

Baseline information screening Regional kick off workshops

Actions

- ✓ Identify potential actions by IOs to support commodity exchange development in the region
- ✓ Régional consultations
- ✓ Régional Strategies: ITC
- ✓ Regional Workshops: UNCTAD with regional partners

Annex 12: Workshop Programme

All ACP Agricultural Commodities Programme

EAGC

EASTERN AFRICA GRAIN COUNCIL

Regional Consultation Workshop on the Use and Impact of Trade and Domestic Policy Interventions on Cereal Value Chain Stakeholders in Eastern and Southern Africa

Protea Hotel Courtyard

Dar es Salaam, Tanzania

3rd – 4th June 2009

Organised by the Eastern Africa Grain Council in collaboration with the Food and Agriculture Organization of the United Nations, this initiative is funded under the EU All ACP Commodities Programme

Agenda

Wednesday 3rd June

08.30 - 09.00	Registration
09.00 – 09.30	*Opening session*
	Constantine Kandie, EAGC – Welcoming comments
	Jamie Morrison, FAO – Workshop objectives
09.30 – 10.30	*The use of policy interventions in the maize sectors of ESA countries*
	Bernard Kagira, EAGC - Presentation of Review paper 1
	Harriet Odembi, EAGC - Discussant
	Discussion of key similarities, differences and trends across the region
10.30 – 11.00	Tea Break
11.00 – 12.30	*The impact of policy interventions in ESA maize sectors*
	Bernard Kagira, EAGC – Presentation of Review paper 2
	Antony Chapoto, MSU - Measuring the impacts of trade barriers and market interventions on maize price instability: evidence from Eastern and Southern Africa
	Madhur Gautam, World Bank - Estimating costs in regional grain trade
	Discussion of key beneficial and negative impacts
12.30 – 14.00	Lunch
14.00 – 15.30	*Practical issues and constraints to grain trade: traders' perspective*
	Raphael Gitau, Tegemeo Institute, Egerton University
	Disha Patel, Export Trading Co. Ltd.
	Discussion
15.30 – 16.00	Tea break
16.00 – 17.00	*Policy interventions in the context of price swings – new insights?*
	Jamie Morrison, FAO

Thursday 4th June

09.00 – 10.30 *formulation,*	*Current initiatives to support improved policy implementation and dialogue*
	Panel presentations:
	Rod Gravelet-Blondin - SAFEX
	Dr. Elias Daka, COMESA
	Adam Gross - Bourse Africa

	Leonela Santana-Boado – UNCTAD
	Plenary discussion
10.30 – 11.00	Tea break
11.00 – 12.30	*Working groups*
	Objective: To identify possible follow-up activities related to
	(i) further dissemination of evidence
	(ii) improved dialogue
	(iii) capacity building
12.30 – 14.00	Lunch
14.00 – 15.30	*Group report back to plenary*
	Identification and prioritisation of feasible initiatives for action plan
15.30 – 16.00	Tea break
16.00 – 17.00	*Wrap up and next steps*
	Constantine Kandie, EAGC and Jamie Morrison, FAO
17.00	Workshop close

Annex 13: List of participants, consultative workshop

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42	Issa Isihaka	Tanzania	Data	
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Annex 14 – Evaluations

The EAGC Secretariat compiled an Evaluation form employing 3 categories. Comments and Results are briefly provided below:

1. Lessons Learnt from the Workshop Sessions –

I. *The use of policy interventions in the maize sectors of ESA countries*

Negative impact of a certain policy intervention e.g. import/export ban of maize
Divergent Policies
-Great impediment to free trade across Borders
-Incoherence in policies
-Policy interventions are very varied in the region not evidence based
-Allows for participation of public and private sector
-Interventions exist now convert them
-Region is facing a similar problem except S.A.
-Need for Co-ordination and systematic approach

II. *The impact of policy interventions in ESA maize sectors*

-Coherence in Policy implementations in the maize sub-sector
-Varying impacts
-Have caused disturbance in the grain trader
-Both public and private sector need to work together
-Varied but adverse impacts more pronounced in countries that regulate the sector
-Can allow cross border trade to take effort
-Interventions needs stronger communication to succeed
-Hindered development of grain market
-Exists both positive and negative effects-positives need to be enhanced
-Too dense for this gathering

III. Practical issues and constraints to grain trade: traders' perspective

-Discriminatory trade prices e.g. export bans do not achieve their intended as trade resort to other means to meet supply obligations
-Need for government to listen to players
-Inconsistent policy
-Issues of futures and insurance is crucial in grain trade –informal border plays crucial role
-Constraints are same and major ones touch on policy, finance and institutional
-Looks possible but the dichotomy

-Region is facing problems in use of policy intervention
-Ground issues not taken into perspective needs to be considered

IV. *Policy interventions in the context of price swings – new insights?*
-In many cases do not contribute towards price stabilization
-Need to reconcile interests of stakeholders
-Government should set prices for cereals but leave it to market forces
-Minimize prices through allowing open market with minimal interventions
-Differentiating farmers and national economy's
-Need for value chain co-ordination for farmers to realize the best in trade and to avoid exploitation.

V. *Current initiatives to support improved policy formulation, implementation and dialogue*

-Most welcomed but need for harmonization
-COMESA had good proposals but implementations may be problematic
-The initiatives are good if there is Harmonization
-Stakeholders have identified there is need for political will to succeed
-Can be achieved through harmonization and coherent dissemination policies
-Will be inevitable to enhance this and come up with required interests
-Nice diversity of presentations

2.Comments on the organization of the Work shop

		Excellent	Very Good	Good	Fair /O.K	Poor	TOTAL
Q.1	Travel	3	1	5	7	-	16
Q.2	The Event Organization	4	6	7	1	-	18
Q.3	Time Management	2	6	9	1	-	18
Q.4	Co-ordination of the event	5	4	7	1	-	17

3.General Comments on the Venue

		Excellent	Very Good	Good	Fair /O.K	Poor	TOTAL
Q.1	Hotel Reception	-	4	4	10	-	18
Q.2	Staff Friendliness	2	4	6	7	-	18
Q.3	Quality of Food and Beverage	1	4	6	7	-	18
Q.4	Would you recommend this Hotel	1	4	6	7	-	18