

How can regional trade enhance food security?

Countries in southern and eastern Africa still face recurring food shortages. To tackle food emergencies and to retain food in the country, governments impose trade restrictions and intervene in markets. In this context, cross-border trade between deficit and surplus areas can contribute to regional food security when specific conditions like open trade regimes are met. This article is based on the results of a study conducted in the border region of Tanzania and Zambia.

It is widely recognised that regional agricultural trade is a promising strategy to improve food security. Intra-regional trade between surplus and deficit countries can contribute to food security via enhanced availability, accessibility and stability. Food availability is achieved by the free movement of food staples increasing the supply on a permanent basis or compensating occasional domestic production shortfalls, respectively.

The inflow makes crops accessible and contributes to a country's relative price stability. However, food security remains a sensitive issue for many decision-makers. Therefore, it is difficult to advocate regional trade for food security solely via an economic argumentation. The political will has to be understood as a rather decisive factor for sustained food security policies.

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Photo: SLE-Team

*Means of transport
can be improved.*

■ Trade-related instruments for food security

With regard to national food security, countries rely on three trade-related instruments: 1. protectionist measures, 2. interventionist policies, and 3. trade liberalisation. Each instrument has distinct effects on national food security:

1. **Protectionist measures** like banning exports or imposing non-tariff barriers are implemented to benefit consumers by securing domestic supply at reasonable prices. However, these effects usually occur in the short run. In the long run, export bans on food crops may lower incentives for farmers to increase production. Traders are forced to sell to economically non-viable domestic destinations or to trade across borders informally. Furthermore, protectionist policy instruments tend to be imposed on a discretionary and ad-hoc basis.
2. **Interventionist policies** aim at stabilising prices for producers and consumers through floor prices, price subsidies, etc. In the short and medium term, those measures can prevent soaring of food prices. In the long run, protectionist measures are likely to create disincentives for farmers. Governmental food subsidies further sideline the private sector by crops being bought at high prices and sold below market price.
3. **Trade liberalisation** is aimed at allowing the free movement of food by lifting restrictions on trade. Theoretically, liberalising regional markets can lead to trade creation and thus, generate welfare gains. Nonetheless, the effects on people's livelihoods have to be differentiated. Net food-buyers, mainly the urban population and some rural poor, may benefit from cheaper food as it increases accessibility. In turn, cheap imports hamper domestic

net food-sellers, posing a threat to the rural population who depend on agriculture for food and income generation.

■ The Southern African Development Community (SADC)

Tanzania and Zambia are member states of SADC, which is the main regional integration arrangement for southern Africa. The region is characterised by diverse agro-ecological and climatic zones forming a huge potential for regional food self-sufficiency. Good harvests in one place and at a specific point in time could increase intra-regional agricultural trade. At present, agricultural growth is stagnating, leaving most countries as net-importers of food. Regional trade remains relatively low and has not been highlighted as a serious strategy for regional food security so far. Still, SADC agreed on a Protocol on Trade (1996) assigning the gradual removal of tariffs and non-tariff barriers. With the Free Trade Area (2008), 85 percent of total intra-regional trade has been liberalised so far. But there are still tariffs for sensitive products (e.g. maize) that have to be removed by 2012.

■ Tanzania: No food, no politics

A Tanzanian government official described national politics as follows:

“When there is no food, there are no politics”. This refers to the dilemma that Tanzania faces by assuring food security on the one hand and liberalising markets on the other. To stabilise the fluctuation of market prices, 125 percent of the required food has to be produced domestically before export is officially allowed. In addition, the Government of Tanzania subsidises the purchase and distribution of the main food staple, maize. By mandating the National Food Reserve Agency to operate buying centres in southern Tanzania, which is the chief surplus area and from where crops are transported to deficit regions in the centre and the north, the Government aims to avoid national food shortages. Also, an Export Control Act passed in 2008 shall regulate stocks for domestic food requirements and low price volatility. The Ministry of Agriculture determines the specific food staple (e.g. maize) to be restricted from export based on annual Crop Forecasting Surveys. As a result, most of the farmers in southern Tanzania who do not have access to the buying centres of the Food Reserve Agency are forced to trade their crops informally to neighbouring countries. Nevertheless, the Tanzanian Government seeks to push their agricultural sector and further strengthen market liberalisation. But the export ban as well as other tariff and non-tariff barriers meant to ensure food self-sufficiency still clash with the anticipated transformation of the agricultural sector.

Background of the Study

On an annual basis, young professionals of the Centre for Advanced Training in Rural Development (SLE) at the Humboldt University Berlin conduct studies on relevant development-related issues. In 2009, this study was commissioned by the GTZ Sector Project Agricultural Trade. It was aimed at opening a debate on the interlinkages between regional trade and food security by developing an analytical framework to be applied to the case of Tanzania and Zambia. The research project was carried out by six young professionals both from the SLE and the International Institute of Tropical Agriculture (IITA) based in Dar es Salaam, Tanzania, and supervised by one team leader of each institution. The study was based mainly on semi-structured interviews with stakeholders at national and sub-national level as well as field surveys in the border region.

■ Zambia: Maize counts

In Zambia, food insecurity remains a structural problem resulting from low productivity and lack of income opportunities for the majority of the rural population. Thereby, maize is perceived to be the most important food staple in the diet, forming 60 percent of the national caloric consumption. By reaching an annual agricultural growth rate of 7 to 10 percent, the Government aims to have 90 percent of the population food secure by 2010. Therefore, agriculture has been defined as a priority area for food security as well as economic growth. Like in Tanzania, the Zambian Food Reserve Agency has the key mandate to stabilise national food security and market prices through strategic food reserves. Based on Government subsidies, the Agency purchases maize in remote areas where farmers have limited access to markets. In 2009, the high floor price of the Zambian Agency attracted informal maize imports from neighbouring Tanzania's Southern Highlands.

While Zambia remains a net-importer of maize, agricultural products are sensitive with high tariffs. Officially, import and export permits have to be issued by the Ministry of Agriculture. The Ministry is being advised by a committee consisting of private and governmental stakeholders involved in agricultural

trade. However, the decision-making process in Zambia remains intransparent and unpredictable for traders and consequently creates serious market distortion.

■ Food staples in Northern Zambia and Southern Tanzania

To improve national food security in Zambia, Tanzania's Southern Highlands could play an important role since the area produces a surplus of the main food staples (e.g. maize). The area's maize yields per hectare lay above the national average, while the food self-sufficiency rate constantly lies above Tanzania's average rate. Although land use density is high, which limits the possibility of expansion, there is huge potential to increase total production of food staples through intensification. Thereby, most of all crop-growing households sell parts of their harvest to nearby markets. The majority of the farmers were concerned about low and unstable prices and the high dependency on a small number of buyers. They stated that the lack of efficient transport was the most important issue in marketing their produce. Even if markets are not far away, the transportation costs are high and amount to roughly 30 percent of gross turnover. According to the farmers, the Tanzanian export ban leads to lower market

prices and is therefore a major disincentive for net-sellers to increase their production; but it is rather favourable to net-buyers who benefit from lower prices. The farmers are aware of the high demand in neighbouring Zambia and pleaded for a re-opening of the border. In general, the farmers

did not appreciate the governmental policy of supporting agricultural production on the one hand while stopping exports on the other.

■ Agricultural trade between Tanzania and Zambia

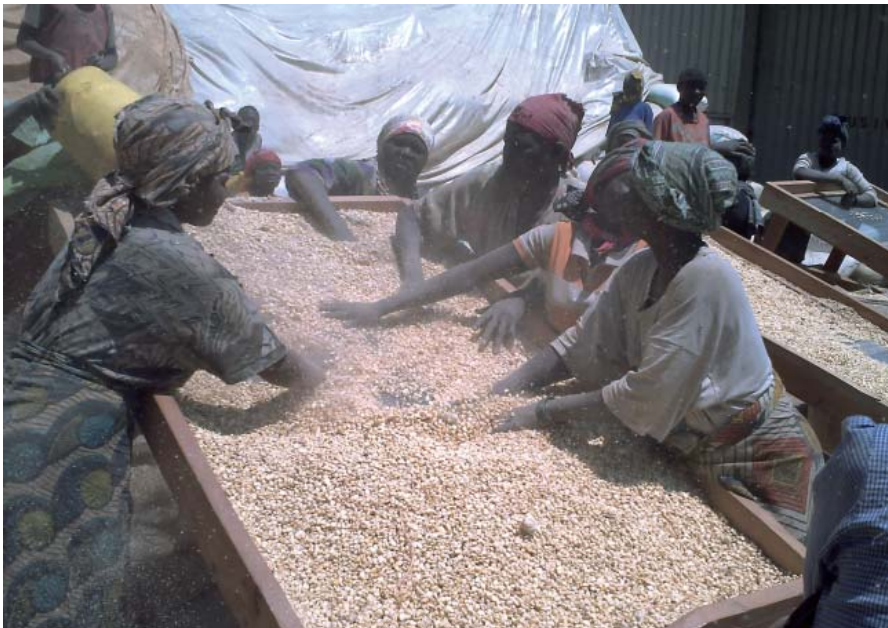
Cross-border trade between Tanzania and Zambia is based mainly on maize because it plays a major role for the people's diet in Zambia's Northern Province and is predominantly produced in Southern Tanzania. However, surplus production is supposed to be traded to the deficit regions in the Northern and Central Tanzania. But inadequate transport connections including bad infrastructure and a high number of roadblocks make cross-border trade between Southern Tanzania and Northern Zambia much more attractive. Tunduma border on the Tanzanian side is the most relevant trading corridor to southern Africa as well as to Tanzania itself. Locally produced crops are transported to Tunduma from where they are either sold inside or outside the country. Thereby, the high price levels in Zambia and in the DR Congo play an important incentive for trade between Tanzania and its neighbouring countries.

As formal trade with food staples is currently banned in Tanzania, informal trade is a crucial issue. Important quantities of the produce reaching the border region are being informally traded across the border, with bicycles or carts. Even in times without export ban most traders prefer informal trade along the porous border between Tanzania and Zambia to avoid expensive taxes and other trade-related payments. But also, the cumbersome and bureaucratic procedures for obtaining export permits and phyto-sanitary certificates force traders to get involved in informal cross-border trade. Further non-tariff barriers, such as road blocks and weighbridges aiming at the control of rules and regulations, tax collec-



Photo: SLE-Team

After a long day, maize is ready for export.



Trying to meet quality standards.

Photo: SLE-Team

tion and security, make both informal as well as formal trade costly and time-consuming.

■ Conclusions

According to the research results, maize is continuously traded informally between Tanzania and Zambia, while formal maize trade is recurrently banned. Consequently, policies of banning cross-border trade with food staples do not have the intended outcome of retaining food within the country. In addition, formal maize trade is hampered by cumbersome and time-consuming customs procedures and other non-tariff barriers, increas-

ing general trade expenditures. It was further observed that market developments are distorted and hindered by interventionist government policies, especially through the food reserve agencies. Such policies result in an unpredictable and intransparent environment for market participants.

Nevertheless, producers and traders in Southern Tanzania could take the opportunity of liberalised regional markets, as convened in SADC. The producers do have the potential to increase production and to sell maize at competitive prices. To unlock this potential, access to markets and development of market information systems must go hand in hand with a liberal-

ised agricultural trade policy. Likewise, traders have the capacity to extend cross-border trade, benefiting from increased demand from neighbouring markets. Consequently, enhanced regional trade could help both sides. Tanzania could benefit from agricultural growth, while Zambia could further enhance its food security. The development of efficient domestic and regional markets can be promoted by actively reducing trade barriers, facilitating formal trade and overcoming supply-side constraints. Eventually, sustained political will and commitment is decisive for liberalised regional trade to unfold its potential for food security and economic growth.

For further information, see:

Daniela Bese, Andrea Düchting, Henri Gebauer, Alfred Gerken, Claude Maeda, Victor M. Manyong, Christian Rupschus and Sonia Starosta (2009): Promoting Regional Trade to Enhance Food Security: A Case Study on the Border Region of Tanzania and Zambia. SLE Publication Series S239, Berlin (available at www.sle-berlin.de).

GTZ (2010): Regional Agricultural Trade for Economic Development and Food Security in sub-Saharan Africa. Conceptual background and fields of action for development cooperation. Eschborn (available at www.gtz.de).

Zusammenfassung

Ernährungssicherung ist für die Länder im südlichen Afrika von großer Bedeutung. Regionaler Agrarhandel könnte eine zunehmende Rolle in der nachhaltigen Ernährungssicherung spielen, wenn Nahrungsmittel dauerhaft zur Verfügung stehen und Preise stabilisiert werden sollen. Aktuelle agrarpolitische Maßnahmen in Tansania und Sambia stellen hingegen einen deutlichen Konflikt zwischen nationaler Ernährungssicherung und angestrebter Handelsliberalisierung dar. Staatliche Interventionen beeinflussen den Handel im Allgemeinen und die am Handel Beteiligten im Besonderen. So demotiviert beispiels-

weise das tansanische Exportverbot für Hauptnahrungsmittel Landwirte und Händler, den Markt mitzugestalten. Potenzial für die Ausweitung des grenzüberschreitenden Handels zwischen beiden Ländern ist vorhanden. Ausschlaggebend ist allerdings der politische Wille zu handeln.

Resumen

La seguridad alimentaria es de gran importancia para los países del África meridional. El comercio agrícola regional podría jugar un rol creciente en la seguridad alimentaria sostenible, con miras a lograr una disponibilidad perenne de alimentos y una estabilización de los precios. En cambio,

las actuales medidas de política agraria en Tanzania y Zambia reflejan un claro conflicto entre la seguridad alimentaria nacional y la deseada liberalización del comercio. Las intervenciones del Estado influyen sobre el comercio en general y sobre las personas dedicadas al comercio en particular. Por ejemplo, la prohibición de Tanzania a las exportaciones de los principales alimentos constituye un desincentivo para los agricultores y comerciantes que aspiran a participar en la estructuración del mercado. Existe potencial para ampliar el comercio transfronterizo entre ambos países. La voluntad política para actuar en este sentido resulta decisiva.