

*African Institute for Agrarian Studies*

*The Monopoly Role of the GMB in Food Security*

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## **1.0 Introduction**

The Grain Marketing Board (GMB), the country's sole grain trade and Marketing Company was established under the Maize Control Act of 1931. Its basic responsibilities were to accord producers their fair share of the local and export markets, to provide them with a guaranteed outlet for their excess controlled products and to ensure the availability of adequate supplies for the local demand either from internal production or from exports. These responsibilities have remained fundamentally unchanged, although many commodities in addition to maize have been brought under the control of the GMB. Currently the GMB operates as a monopoly having been granted by the state the sole right to supply and trade in grain crops in the face of the country's current food insecurity problems.

Government-owned corporations (parastatals) such as the GMB have had monopoly in the marketing and distribution of various agricultural commodities, vertically integrating various functions and activities ranging from procurement and distribution of inputs to the purchase and sale of certain commodities. In many African countries marketing boards have been used by the state for:

- Marketing of agricultural products in preference to private traders who are viewed as speculators motivated by the need to make huge profits
- Reducing a potentially varied number of transactions that need to be performed in moving agricultural products from the producers to the consumers
- Controlling the production and marketing of certain agricultural products in order to ensure food availability for the nation;
- Stabilizing producer prices and farmers incomes through the fixing of prices at remunerative levels.

## **2.0 Mandate of GMB**

The mission of the GMB is to ensure food security at household level through agricultural production support, marketing, logistics and value-addition. Their function therefore is to ensure the orderly marketing of controlled agricultural products. A "controlled product" is an agricultural product declared by the Minister Agriculture as controlled in terms of the Grain Marketing Act. In order to ensure the provisions of the act are adhered to the GMB is therefore mandated to:

- i) To buy and sell any controlled product which is delivered to or acquired by it.
- ii) To buy and sell non-controlled grains and oil seeds.
- iii) To provide storage, handling and processing facilities
- iv) To maintain strategic Grain Reserves for Government in line with Government policy.
- v) Import and export agricultural products as it may consider necessary.

vi) To provide fumigation, product quality control services and commercial training in grain handling.

vii) To process and package rice, groundnuts, sugar beans, coffee, nyimo and pop corn at some of its depots.

viii) To implement the Input Supply Credit Scheme to stimulate agriculture.

ix) To establish more depots so as to stimulate agricultural products, particularly in the production of small grains, and to provide proximity to our stakeholders through establishment.

In addition, GMB has taken a leading role in support of the agrarian reform by supporting farmers to grow cash crops such as soyabeans, sunflower, sugarbeans, sorghum, millet etc through its agricultural inputs scheme.

### **3.0 Food Security in Zimbabwe**

Three main sets of policies have affected food security since independence. These are:

- 1 The drive to boost domestic food production, to make food available and to support farmer incomes (food availability);
- 2 Overall economic growth and social development policies designed to promote economic growth and improve social welfare, which affects people's access to food (affordability); and
- 3 Relief and food aid after droughts in 1982/83, 1986/87, 1991/92, 1994/95, 1997/98, 2001/02, and the cyclone of 1999/2000.

Prior to the FTLRP in 2000 Zimbabwe from a national perspective was food secure, with farmers producing enough grain to meet the countries requirements save for the years in which the country experienced drought. However the food surpluses during this period masked the food insecurity of poor urban and rural households.

With the advent of independence in 1980 the Government of Zimbabwe (GoZ) introduced measures to improve the production levels of resettled small holder and communal farmers which involved the increase in extension services and coverage and improved producer prices for maize. State owned agencies, such as the Grain Marketing Board (GMB) set the conditions for expanding maize production in the communal areas. The GMB expanded its coverage of collection points and depots from three in 1987 to 37 in 1991 and it announced producer prices in advance of the harvest throughout this period. This created incentives for farmers, especially the small scale commercial and communal farmers to sell their produce to the Grain Marketing Board (GMB), which had a monopoly in the buying and distribution of grain products. At first it was cheaper for farmers to sell their maize grain and then purchase subsidized maize meal rather than withhold stocks for household consumption and pay local grinding fees.

The thrust of national policy was production of as much maize as possible and the GMB was expected to keep a large grain reserve. Government also heavily controlled producer

prices and the prices of basic commodities, such as mealie meal, bread and flour. In terms of achieving national food security, this model produced success. Yet, as pointed out earlier, the situation on the ground was that of hunger at household level, amidst plenty.

Even as large scale commercial farmers diversified their productive land away from poorly priced food crops such as maize, to crops such as tobacco, soya beans, and with the advent of the Economic Structural Adjustment Programme (ESAP) in 1991, horticulture and game ranching, maize production was still sufficient to meet the needs of the population at a national scale. Food security was viewed in a national context and based on the total amount of grains available in the country during a specified period in relation to the demand (Moyo, 2002).

Rohrbach et al<sup>1</sup> (1990) claim that between 1985 and 1990 large scale maize production declined by more than 40%. Sachikonye (2000) demonstrated that diversification accelerated in 1992 as large scale commercial farmers only planted 78 000 hectares of maize as opposed to 125 000 hectares in the previous year. This diversification away from grain crops was significant as Zimbabwe's ability to remain 'self sufficient' in food became increasingly dependent upon farmers in more vulnerable communal areas. The greater percentage of these farmers was largely concentrated in the better farming lands of Mashonaland.

However whilst this group of farmers provided enough maize for the nation as a whole, six of the eight provincial districts were consistently unable to meet local food requirements and chronic malnutrition continued to be a major problem in Zimbabwe. Households in the vulnerable natural regions would have to secure food via other sources once their own supplies were finished. This was either through informal networks between households, directly from the GMB depots or from local retailers in the form of urban-refined mealie meal.

The distorted marketing systems that existed at this time which saw the GMB as the central buying and selling points of the nation's grain primarily affected small holder households in two ways:

- i) For those areas that were better serviced by tarred roads and closer to urban centres it resulted in the dependence of rural consumers on highly priced commercially refined mealie meal resulting in households spending a disproportionate amount of the household income on purchasing food.
- ii) In areas that were more isolated food sold to the GMB was transported out of the area without the necessary mechanisms available to ensure the re-importation of reasonably priced food stuffs. Hence the paradoxical existence of hungry people living near silos that were almost overflowing with maize.

At the same time during this period the GMB was able to hold over 3 years of food security reserves of maize and over 8 years supply of small grains.

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<sup>1</sup> David Rohrbach, Jayne Stack, B. Hedden-Dunkhorst, and J Govereh, 'Agricultural Growth and National Food Security' in University of Zimbabwe/MSU Food Security Project 1990, proceedings of the first National Consultative Workshop on Integrating Food, Nutrition and Agricultural Policy, Harare 1990.

Throughout the 1980s the country received international acclaim for its agricultural policies and grain surpluses, whilst the problem of malnutrition was attributed to failures within the Ministry of Health. Malnutrition and livelihood food security have been serious problems in Zimbabwe even during years of surplus (ibid.).

In any case, this model began to unravel by the late 1980s as the GMB had begun running up deficits equivalent to 5.8 percent of all public spending by the mid-eighties. Consumer maize meal prices were often artificially high in grain deficit rural and urban areas, and government controls on private grain movement resulted in it incurring large and unnecessary transport costs in moving up to 275 000 tonnes of maize from rural areas to urban areas for milling and then back to rural areas for consumption.

Even when the country had exceedingly good harvests, in the early 1990s Zimbabwe's food situation was characterized by a disturbing paradox of chronic food insecurity amid food abundance (Jayne, Chisvo, Rukuni 1994). Initially shortages were met from stocks from the grain reserve and food imports. Food insecurity mostly affected the population in the communal areas.

In response to this and other public sector deficits, the GoZ adopted the Economic Structural Adjustment Programme (ESAP) in 1991, thus liberalising the national economy.

In 1991 government adopted the economic structural adjustment programme (ESAP) which resulted in the removal of agricultural subsidies and food security subsidies. It also saw the removal of the GMB monopoly in the marketing of grain crops. GMB was however unable to compete with private grain traders who offered farmers better prices and payment conditions through ZIMACE<sup>2</sup>.

At a national level this affected food security and strategic grain reserve programmes, as from 1998 the GMB failed to maintain the required grain reserves (900 000 tonnes of which 500 000 tonnes was to be physical stocks and 400 000 in the monetary equivalent). The government pricing strategy to ensure food security collapsed culminating in an increase in grain and maize meal prices worsening the food security status for both the urban and rural poor.

The country's shrinking economy and increasing retrenchments decreased people's disposable incomes there by limiting their access to food.

The result in agriculture was the development of different social groups and sectors, as liberalisation allowed some farmers to realise their full potential while other lost out.

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<sup>2</sup> Zimbabwe Agricultural Commodity Exchange (ZIMACE) was started in 1994 by interested parties in the private sector, viz, the Commercial Farmer's Union and Edwards and Company, a local firm of stockbrokers. It was Africa's first agricultural commodity exchange and sought to fill the vacuum left by the dismantling State controls in the marketing of agricultural commodities. The exchange traded in most crops with the exception of tobacco and horticultural crops. ZIMACE suspended all trade in all agricultural commodities in August 2001 when state controls were introduced once again.

Large scale, commercial farmers gained more from their tobacco and horticultural exports, while smallholder farmers were able to gain from growing cash crops such as tobacco, paprika and cotton. The debate on whether to grow cash crops rather than food crops widened. As commercial farmers moved away from maize as a commercial crop, food crop farming stagnated. This was due to the producer prices still being controlled, as the GMB through Government was slow to relinquish control over these food crops, so farmers switched to more profitable crops. The consequences of these policies on food security were not easily visible as domestic food supplies were still sufficient to cover the county's needs in most cereals, other than wheat.

### **Food Security Policy in Response to the Crisis, 2001 To 2005 and the Role of the GMB**

Since 2001 Zimbabwe has faced the challenge of food insecurity at both national and household level. Local production has fallen due to a range of factors, from poor weather to the recession in the Zimbabwean economy. The HIV and AIDS pandemic has also had a negative impact. Government has tried to deal with the situation by importing food as well as accepting food aid from donors. Government, through the GMB has also responded by playing a more central role in the production, distribution and control of food supplies.

In 2001 the GMB was, once again, granted a monopoly in the trade of maize and wheat, whether in the form of grains, meal or flour. This was done through the Grain Marketing Act – Grain Marketing (Controlled Products Declaration: Maize and Wheat) (Amendment) Notice 2001 No.1.<sup>3</sup> As a result, the private sector was completely cut out of participation in the trade of these goods.

According to the amended Act, a controlled product can only be bought and sold in terms of the controls of the Act. Any producer who wishes to dispose of excess production can only do so through the GMB, as prescribed in statutory instrument 387 of 2001 which makes it an offence for any person to fail to deliver any controlled product to the GMB within fourteen days of harvest unless they are specifically exempted in writing by the Board.

In terms of Statutory Instrument 235A of 2001, maize, maize meal, wheat and wheat flour are controlled products within the whole of Zimbabwe. Movement of these products from one area to another without a valid movement permit or private trading in these commodities is illegal. Prices for these products are also controlled. This policy has prevented the development of an effective private sector food market and, hence, reduced incentives for farmers to produce food and store it.

Due to decrease in local production the Government through the GMB has had to import maize and wheat to meet local demand. However, the GMB and Government have not been successful in importing sufficient quantities of grain to meet the deficits of the past five years. Thus supplies have been intermittent and a parallel market for maize has

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<sup>3</sup> See GMB website [www.gmbdura.co.zw](http://www.gmbdura.co.zw)

emerged. Rapid inflation has also rendered the maize and wheat prices set by the GMB so unattractive that farmers have had little incentive to invest in intensified production and generate a surplus of maize and wheat. As an upshot, deliveries of maize and wheat have not increased significantly over those of previous years.

The government's effective prohibition of private imports of maize has been strongly criticised for contributing to food shortages by limiting the amount of food available on the market. In a 2003 interview, WFP Country Director, Kevin Farrell, stated:

Throughout this crisis, WFP has advocated for policy change in food marketing, since we believe that letting private traders import and sell food on the market would help to meet a good part of the food gap... If tomorrow, private traders were allowed to import and sell maize, we believe it would certainly help get more food supplies into the market – and that would take some of the pressure off both the government's capacity and the humanitarian response. But there would still be a need for a safety net, since prices may rise for a time and there would still be some people who could not afford to buy the food – but the numbers who could not buy food would be much more manageable.

The GMB has also taken a more central role in the distribution of inputs (especially seed and fertiliser) to resettled households, through the GMB Input Credit Scheme, as well as offering credit and providing tillage services. In the 2005/06 season the government announced a policy to give more support to communal and A1 farmers under the Input Credit Scheme, which is designed to promote food security at household level.<sup>4</sup> However, it is not clear how such programmes can be sustained or what measures might be taken with regard to input supply on a commercial basis in the newly resettled areas. Whilst the effort is commendable, farmers have often complained of the late distribution of these inputs, often resulting in delays in planting maize and wheat crops and as result reduced area put under production and a decrease in production.

### **The Role of the GMB in national food security policy**

Public policy to control grain imports through the national GMB and controlled prices on grain from GMB (through public subsidies) at below market prices have made national procurement through the GMB the primary source of food security for the majority of Zimbabweans. Inflation on food prices has been marked, fuelled by the falling real value of the Zimbabwe dollar, particularly since May 2001. This has made the impact of public subsidies on grain through the GMB even more critical for poor households.

In its December 2005 survey, for example, Zimvac found that while 63% of households said they were able to access food at the controlled prices, only 14% said they were able to afford the uncontrolled and parallel market prices. This also signals that for the poorest third of households, even controlled price grain is not affordable. Therefore importing adequate supplies and making national food imports accessible to poor households at community level are thus the most important immediate and urgent gaps that the state through GMB needs to address. However the GMB has faced serious challenges in addressing this issue. Farmer's deliveries continue to be erratic and declining, and

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<sup>4</sup> Emilia Zindi, *The Sunday Mail*, November 27 – December 3 2005, 'State Boosts Food Security'.

imports have not been sufficient to make up for the deficits on the domestic level and as a result the amount of grain available is limited.

### **Problems Arising from GMB Monopoly**

The distorted marketing and distribution systems arising from the GMB monopoly have affected food security in the following ways:

1. The poor domestic producer price incentives for new farmers to expand production of food grains especially in the presence of lucrative export oriented cash crops that are sold through competitive and uncontrolled domestic marketing channels supported by foreign currency retention schemes, has caused further reduction in maize production, thereby limiting the amount of food available on the market.
2. The monopoly by GMB has also restricted the commercial imports of food grains at a time when the board and the Government have limited capacities to import sufficient grain. In late 2002 and early 2003 the government relaxed food import restrictions to allow some NGOs and private traders to import limited amounts of grain. However, the majority of imports still come through the GMB.<sup>5</sup>
3. The GMB has a significant role to play in ensuring that the food requirements of poor households are met and the state should intervene in times of crisis, the GMB has continued to be under funded and inappropriately constituted for it to play a more meaningful role in household food security. At the national level it has failed to ensure innovative procurement methods and management of a strategic grain reserve.
4. The restriction in the marketing and distribution of food grains amidst the shortage of food grains on the market and the reliance on price controls has created a parallel market especially for maize grain and mealie meal. This situation impacts more on poor households which may not even be able to afford or access maize at the subsidised GMB rates.

### **Policy Suggestions on the Role of the GMB**

The GMB has a very important role to play in ensuring national and household food security in Zimbabwe. However its current monopoly over the marketing and distribution of maize is not the answer to resolving the problem of food insecurity in the country. Domestic competition from other players should be allowed, with the GMB providing stiff competition to other players. The GMB's monopoly in the procurement of grain should be removed and domestic competition in the procurement of maize and food crops allowed. A well funded GMB might continue to offer stiff competition to private traders by trading at a guaranteed import parity producer price (since Zimbabwe is importing grain) (Mano, 2004).

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<sup>5</sup> Amnesty International Report October 2004, 'Zimbabwe: Power and Hunger – Violations of the Right to Food'.

This practice would also ensure that farmers in all farming districts get at least the GMB guaranteed returns on maize production, thereby assuring maize farmers of a minimum income from their maize crop. Free commercial movement of grain within Zimbabwe should be allowed to ensure minimum price differentials across food surplus and food deficit geographic centres, such as Harare and Bulawayo respectively.

Whilst the GMB does have a social obligation to ensure the household food needs of poor households are met, in the long term it must find ways of increasing the supply of grains on to the market in order to reduce maize prices to consumers. Price controls amidst shortages is merely a stopgap measure and does not address the problem of needing to increase production.

The GMB also needs to effectively manage their inputs distribution scheme and ensure the timely distribution of inputs such as maize seed and fertilizer. Newly resettled farmers have complained of the late disbursement of these inputs, which have resulted in targeted hectares not being achieved.

The GMB needs to address its pricing policy which sees it buying grain from farmers only to sell it to millers at a lower price, resulting in the parastatal making significant losses. The aim behind such a policy is to ensure that consumers are able to afford and access food at a reasonable price. However alternative strategies need to be developed in order to effectively make food affordable and available to poor households, whilst at the same time ensuring that the parastatal is not a drain on already depleted national monetary resources.

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