

Strengthening Africa's Grain Trade through Market-based Solutions | Alroya

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April 4, 2011

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When it comes to grains, Africa's diversity and resources make it a key region today and in the years to come. Africa is home to more native cereals than any continent, and many see this genetic wealth as the future of crop development.

While the grain industry spends billions of dollars to develop genetically advantageous strains of corn, wheat, and other traditional commodity-yielding crops, Africa is sitting on a cornucopia of natural genetic diversity. As Africa's less-mainstream grains such as Sorghum, Pearl Millet, and Tef gain a foothold in global markets, the continent is also seeing improvements in the production and marketing of mainstream grains due to progress in storage, trade, and finance arrangements.

Rice was the first traditional grain to make its way to the African continent centuries ago. In the 16th century, maize was brought over, followed by modern strains of wheat. With the introduction of these seeds, African grain production has shifted from ancestral strains to the mainstream foreign strains. Modern trading of these grains has been stifled to some degree by inefficiencies inherent in African trade systems. But promising improvements in the system advocated by groups like the East African Grain Council have lessened and, in some cases, eliminated these inefficiencies.

According to a recent EAGC newsletter, the organization promotes agricultural market institutions and best practices, including "adequate storage capacity, organized small scale farmers who have capacity to aggregate volume, institutionalized and harmonized grades and standards, and adherence to contracts and rules of trade." With this in mind, the Council has advocated the implementation of structured trading systems, which are large-scale organizational structures that bring market participants together in an orderly way.

One important building block of a structured trading system is a Warehouse Receipt System. WRS allows farmers to aggregate their harvest yields and efficiently deliver them to warehouses efficiently. With reliable warehouse receipts, banks can advance loans that allow farmers to sustain and expand their operations. Surplus output can be stored for later sale when prices are higher.

These efforts have helped to protect the industry from loss. Other elements of a structured trading system address inefficiency through better communication between trading partners. These systems, which are standard in other grain producing markets, promise to greatly improve the liquidity, efficiency, and ease of grain trading in Africa.

But overproduction of mainstream grains exposes African grain markets to a potential vulnerability, which is why the wealth of indigenous grains may prove especially valuable in the future.

Kenya was recently reminded of the dangers of relying too heavily on individual strains of grain. A fungus growing on maize crops in Kenya has contaminated 2.3 million bags of the commodity, making it too toxic for human or even animal consumption. The toxin, known as aflatoxin, is a poisonous cancer-causing chemical. Millions of small-scale Kenyan farmers rely on maize, which is the country's main staple. Although scientists have since found solutions to deal with the aflatoxin problem, other diseases, fungus, and parasitic insects could have similarly disastrous effects on African and other regional grain markets.

Local farmers and industry could protect themselves through diversification much like a hedge fund manager protects a portfolio from individual sector risk, by incorporating more varieties of grain into African markets. There is also opportunity for African companies to export some of the continent's genetic diversity to other countries, where particular strains might be especially robust.

Meanwhile, improvements in trading and marketing systems are reinforcing the stability and productivity of African grain producers. All these factors contribute to a bright outlook for African grain opportunities in the future, and likewise for grain traders who pay close attention to African markets.

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