Information Sheet April 2007

Mozambique

Trends in growth of modern retail and wholesale chain and related agribusiness

Change in **modern wholesale and retail** including the "supermarket revolution" is yet to happen in Mozambique due to the limited purchasing power of the majority of the population. Whilst the middle class is growing as are urban salaries, there has not yet been the corresponding growth of modern agrifood markets. Supermarkets are new in the country and are all post 1992. No hypermarkets exist in Mozambique.

The key supermarket chain is a South African company, Shoprite. Shoprite has branches in the capital Maputo and in Beira and Chimoio. Shoprite does not see sufficient business to justify further expansion at present. Factors limiting growth include business volumes not growing as earlier projected, theft at shop floor level, poor or lack of customer transport to stores, and the prevalence of a large number of neighbourhood grocery stores.

Shoprite's policy is to buy locally as far as possible. However in practice its procurement continues to be in favour of imports. Local suppliers are not seen as sufficiently quality conscious and punctual in their deliveries. General reliability of supply is a key issue as supermarkets want regular, guaranteed volumes. Consumer perceptions of the poor quality of Mozambican products can also be a barrier to selling local produce in supermarkets. Propco Mozambique Lda, a subsidiary of Shoprite, is responsible for procurement. Whilst this is done centrally local purchases are also made provided the price is competitive for the quality on offer. They procure local vegetables and at the same time offer the same imported vegetables at a higher price although the latter are washed and well packed. They have supply agreements with selected meat packers and vegetable producers. The government is supporting linkage promotion projects to help local producers enter these supply chains e.g. the Project for Entrepreneurial Development.

Maputo has three other smaller supermarkets (Luz, Marés and O Vosso) that cater to elite tastes. These businesses are expanding. The ownership of Luz and Mares is foreign while that of O Vosso Supermercado is local. Procurement for Luz and Marés is done jointly as they are under the same ownership. Other so-called supermarkets are considered as 'Mom and Pop' shops. These are individually owned and procure imported goods from local traders. Most of the stock even in the small shops is imported.

Key points

- Despite a growing economy and an expanding middle class, the agrifood sector has yet to respond
- There remains a heavy import dependency in key high-value sectors, in particular in the dairy and poultry sectors
- FDI leads the growth in most high-value sectors with limited integration of small-scale producers in dynamic and value-added markets
- The opening up of regional markets presents both risks and opportunities to the productive sector
- Structural weaknesses in both the input markets and output value chains require particular public and private sector support and attention
- To link with markets, small-scale producers need to be supported as outgrowers or through support for farmer group formation and co-operatives. Encouraging new models of small-scale producer participation in markets are being piloted

Considerable quantities of processed food are imported from South Africa. Imports and exports of produce and food products are controlled by a few large trading companies and several smaller ones. Asian trading families, originally brought in to run rural shops by the Portuguese, are a significant force. These merchants moved into the cities after independence, and with family links throughout the region, dominate the import trade. They have become major users of the available short-term bank credit (Hanlon, 1996).

This series of Information Sheets provides a summary of market changes taking place at national level within key high value agrifood commodity chains. The intention is to serve as a point for public sector, donor and private sector discussions with particular focus on securing and improving income among the rural poor through their participation in new and dynamic markets.

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There are no large **wholesalers** in poultry, livestock or fresh fruit and vegetables but there are many small individual operators. In December 2006 the Government allowed traders to import poultry to satisfy demand over the Christmas and New Year period. The response came from three trading companies whose core business is not perishable food items. They are Grupo MBS, Delta Trading (involved in rice importation as well as other non-food business) and Africom Ltd, part of the Charania Group (involved in rice, sugar and flour imports). Quantities imported are not known. Many of these trading companies are owned by the local Asian community who, it is estimated, manage around 40% of the Mozambican retail trade.

South African **restaurant chains** have opened branches in Maputo including Steers and Nando's which source some products – seafood, potatoes – locally. KFC source their chickens from Mozambique Farms Lda - a Mauritian-owned poultry producer. Eating out is a strong cultural tradition but most restaurants are small locally owned enterprises. Similarly, most hotels are small local businesses with only a few international and regionally-owned chains – the Portuguese Pestana group, the Dubai based Rani group, Serena Hotels of East Africa and Salvor hotels of Portugal are present in the country. Food procurement by these hotels is a mix of a few local products and significant volumes of imported products. Key reasons for limited procurement of fruit and vegetables are problems of reliability of supply and quality. They buy from individual businesses mainly. The local trading company Africom Ltd prides itself on its sales force that promote its products to hotels, supermarkets, retailers and markets in Maputo, Beira and Nampula. There are some initiatives to promote linkages between hotels and local producers in provinces with tourism potential, such as Cabo Delgado.

Fresh produce markets managed by local or municipal government sell most of what a family requires under one roof including fruit, vegetables, poultry, meat, soaps and detergents etc. at prices and quality acceptable to the majority of people living in the cities. Maputo, a city of 2.6m people (13% of the total population) has four large retail bazaars run by the Municipal Council where most produce is local. In addition there could be in the region of 100-200 grocery shops in Maputo that also play an important role in retail trade. The pattern across the country can be generalized as municipal market authority-run retail market complemented by a few independent, small and privately run grocery shops and mini-supermarkets. Petrol stations as a rule do not sell fresh food. At best one can buy milk, juices and sometimes bread in a few petrol stations of the Shell and Total chains. In Maputo there are now a few forecourt shops selling a range of imported food products. Procurement for these petrol stations is done locally. Their growth is limited by price and cultural factors.

The **key public and associated trade bodies** engaged with the modern retail sector are the Confederation of Trade Associations (CTA), the Ministry of Industry and Commerce, and the Mozambique Chamber of Commerce. These bodies are beginning to understand the sector's needs much better and as a result they have managed to persuade government to reduce bureaucracy and ease customs procedures. Pressure by export farmers to reduce production costs led to the government reducing the price of agricultural diesel. The customs department now sits in meetings with other stakeholders to discuss practical solutions to enhance performance and reduce bureaucratic delays in import/export trades.

On the supply side, most of the country's food is produced by the 3.4 million smallholder farming households, with an average of less than 1.5 hectares of land. Smallholders produce 90% of the nation's poultry and much of the fruit and vegetables. Dairy production is largely in the hands of a few small commercial holdings. Livestock production is increasing, due in part to government efforts to build up the national herd in the past decade. This is resulting in increased meat production, which was 12% higher in 2005 than in 2004 and has allowed a 22% reduction in beef imports over the same period (FEWSNET, 2006).

Two of the biggest poultry producers in Maputo, Mozambique Farms and the União Geral das Cooperativas (UGC), started with their own marketing arrangements but now sell through wholesalers including Africom Ltd, Delta Trading and Marin Trading. Africom, Delta Trading, Marin Trading and recently MBS import from Brazil often via the Middle East. It has been reported that Mozambique is considered a market of last resort for Brazilian frozen chickens originally bound for the Middle East. The smallholder sector supplies live birds to the local markets.

There are two small-medium wholesale livestock businesses. The majority of retail butchers make their own arrangements either with local middle men or with suppliers of imported carcasses. The market chain is haphazard and erratic.

Small importers and wholesalers of fruit and vegetables bring their produce to the Malanga market in Maputo where both wholesale and retail trade is undertaken. Produce includes locally produced produce and fruit from South Africa. It is this market which supplies retailers and bazaars.

In recent years a few companies selling **agricultural inputs** have been established. Agrifocus (Agrifocus Agricultura e Comercio Internacional Lda) is an established business and ranked number 50 in a recent survey of the top 100 Mozambican businesses by KPMG. Higrogest imports seed potato and irrigation equipment. The ownership of both these companies is through joint venture arrangements with local and foreign investors. A number of companies (Higest, CIM, Iba Vet and SOCIMOL) produce poultry and pig feed, all at high wholesale prices. Ownership is predominantly foreign but Iba Vet and Higest are Mozambican initiatives.

Agro-processing is limited, with the exception of a potato chip factory in Maputo; milk and juice packaging in Matola, the industrial area of Maputo; a small cheese factory in Chimoio and yogurt production in Beira and Maputo. All are small-scale. Only the potato chip factory is locally owned; the rest are foreign owned.

Within the modern agrifood chains there are a number of features which serve to illustrate some of the **local market issues**. Suppliers to supermarkets and their procurement agents are required to maintain quality, punctuality and timely delivery all year round. Supermarkets work on the principle of large volumes sold with low profit margins and aspire to higher product quality as well as quality packaging and/or presentation. However supermarkets in Mozambique do not offer goods at the cheapest rates nor is the quality exceptional. It is reported that suppliers are subjected to high handedness. In local supply chains grading of produce is rare and produce is largely sold by volume rather than weight. Limited working capital means that it is difficult for small-scale traders to expand to be able to trade in large volumes. Road transport is limited in supply and is expensive, particularly in the areas further away from Maputo.

Retailers tend to undertake their own local procurement since the wholesale network is not well defined and shortages occur from time to time. They do not depend on fixed sources of supply and tend to alternate between suppliers according to need.

Regional and international export sectors and linkages with national market channels

Citrus **fruit**, especially grapefruit, is exported from Mozambique to the UK via the citrus terminal of Maputo under the Outspan/Capespan banner. This export includes fruit from South Africa, Swaziland and Mozambique. Mangoes are being exported to Europe through South Africa and baby vegetables and litchis to Europe through Zimbabwe. Exports of tropical fruit and citrus could expand provided investments are made in infrastructure and growers can meet international quality and food safety standards. Bananas have been exported from the south of Mozambique to South Africa. Exports of fruit and nuts were valued at just under US$25m in 2005.

Producers of fruit and vegetables for export make their own sales/marketing arrangements. The quantity of output is so small that a pooling of resources does not make economic sense as yet. Some individual farms have packhouses but there is scope for intervention in providing cold chains and packhouses in both Maputo and Manica Provinces. Vanduzi SARL (with foreign/local partners) has invested in a state-of-the art packhouse, which is certified by the British Retail Consortium (BRC). Costs of compliance and certification are high and therefore the tendency is to find alternatives to selling produce in choice, high value markets.

Opportunities for regional and international trade are governed by sanitary and phytosanitary measures (SPS) and Technical Barriers to Trade (TBT). Regionally governments are working towards similar crop protocols and standardization of grades and quality. The highly lucrative top markets in Europe insist on EurepGAP compliance. Markets in the Middle East and India are easier to penetrate in terms of barriers to trade and food quality and safety requirements.

Poultry and beef exports either to the region or internationally are unlikely in the short term. Mozambique imports most of its poultry, mainly chicken, as well as quality beef from its neighbours and internationally. Mozambique's imports of meat and meat products amounted to US$8.9m in 2005. This is the only way seasonal local demand, in the case of poultry and good quality all-year round in the case of beef, can be guaranteed. Quality beef is expensive and unaffordable by the vast majority of people. Imported beef services niche, urban markets with high-income groups and upmarket restaurants being the major consumers. According to a local NGO, about 20 million chickens are imported every year mainly from Brazil. Market research undertaken for Happy World in 2004, a Mauritian company which set up Mozambique Farms, estimated the annual potential demand for poultry in Maputo to be 20,000 tonnes (L'Express, 2004).

Beef is imported from South Africa, Swaziland and Botswana. According to the Ministry of Agriculture domestic demand for beef is increasing. Again exact figures are not available as not all slaughter is carried out at Government-run abattoirs. The main players are the foreign owned ANL Trading in Matola and the locally owned Delta Trading in Maputo.

Given the small export sector there are **limited spillover effects between national and external market chains**. In the south of the country export reject bananas are absorbed by the local market. Potatoes and onions are produced for domestic consumption, thus reducing the demand for imports, albeit in small quantities. The domestic market for high value, high quality produce is very small and often far from the production site. The domestic market ends up as the recipient of export rejects rather than a strategic target.

Implications of market change to procurement practice

Mozambique has a fledgling modern **horticulture industry** which is largely based on commercial farming enterprises. Some of these initiatives have rebuilt enterprises originally established in the colonial era. The sector is concentrated in two areas namely Boane area in Maputo Province and Chimoio area in Manica Province.

Boane, in the lower Umbuluzi river basin about 30kms away from Maputo towards the Swaziland border, is a traditional fruit and vegetable growing area in particular for citrus, bananas, potatoes and onions. Key initiatives established since the late 1990s include SAPEL, Libombas Macadamia; Macadamias de Umbuluzi, Citrum and Bananalandia. All these are joint ventures with prominent local businessmen (foreign investors provide technology and finance) with the exception of Triple-A which is fully foreign owned. It is expected that in the year 2007 horticultural exports will have grown to US$7m from US$2m in 2005-2006.

Vegetable production in the lower Limpopo valley in Gaza province, in a former irrigated rice scheme, provides much of the needs of Maputo and southern Mozambique. Tomatoes are a high value sector, providing between 40% and 50% of middle and wealthy small-scale farming households' income and provides tomatoes for the capital for six to nine months a year. High seasonal production and market linkage problems mean that excess production of smallholder-grown crops are often thrown away due to a lack of a market and processing industries.

In the Chimoio area of Manica Province baby corn, baby vegetables, litchis, pineapples, paprika and mangoes have been successful. Key initiatives include Vanduzi Farms, Penta farms, Pimentos de Mozambique, Cheetah Mozambique, RDI Limited, CABAM. Most of these are Zimbabwean owned and business is carried out by Zimbabwean farmers, some of whom are struggling to adapt to their new physical and business environment. Some paprika and litchi exporters are linked to small growers and/or outgrowers. Vanduzi works with litchi outgrowers and has been instrumental in gaining Fair Trade accreditation for them. Fair Trade litchis are sold in UK supermarkets. Cheetah Mozambique also works with smallholders.

The key issue surrounding these initiatives is the lack of affordable or suitable credit. Working capital needs have to be met from non-bank sources as both start-up capital and working capital for agriculture is considered high risk by commercial banks. A couple of banks have entered into leasing schemes with tractor/truck suppliers but the lease package is costly as market interest rates are applied. Recently banks have been lending against farm/irrigation equipment as collateral but interest rates are high.

Export procedures have been simplified due to the persistent efforts of such organisations as the Confederation of Trade Associations (CTA). The CTA meets the Horticultural task force weekly to address problems faced by the industry at policy and operational level. Bottlenecks include improper uptake of SPS issues. Other constraints to the sector include poor transport and cold chain infrastructure, high costs of imported inputs, and difficulty in meeting quality standards. UNCTAD and UNIDO are working to upgrade testing laboratories. A project has been set up in the Plant Health Department of the Ministry of Agriculture to strengthen capacity to provide a reliable and recognised phytosanitary certification service. There is ample scope for public and donor interventions in these segments of the high value chain.

Key organisational drivers include FRUITISUL (an association of fruit producers; ACIAM (an association of investors in Manica); Horticulture Task Force comprising NGOs, MINAG (Ministry of Agriculture), MIC (Ministry of Trade and Industry), the CTA producer associations and NGOs such as Technoserve, ADCI/VOCA.

Mozambique imports considerable quantities of **poultry** meat from neighbouring countries as well as from Brazil. Import data and country of origin can be hard to disaggregate but somewhere between 14 and 20 million chickens are believed to be imported each year (Technoserve, 2005). Poultry, sheep and goat meat imports amounted to US$7.7m in 2005. Four recent initiatives have kicked-off what can be termed as commercial poultry production but this is also a fledgling sector. In the Maputo area the União Geral das Cooperativas (UGC) is owned by 5,000 small-scale, mainly women, producer members. It has its own hatchery. However, according to a senior Government official, UGC would find business survival difficult without the levels of financial and institutional support from donors and Government. Mozambique Farms Lda is Mauritian owned and markets under the label HUKU. In Chimoio, Abilio Antunes, a Portuguese citizen has an industrial poultry operation (from hatcheries to slaughter house). Frangos de Manica is a recent local venture. In Nampula there are two poultry farms, Novo Horizontes and Pintoinhos Stewart, each with their own hatchery. Both are foreign owned.

There is no poultry processing plant handling more than 60,000 chickens per week in Maputo and not more than 20,000-40,000 in Beira or Nampula. Some 96% of the poultry population (circa 30 million) comes from the smallholder sector with fewer than 6 chickens per household. Only 3.5% of production is with commercial farmers with in the order of 3,500 birds per farm.

The government is keen to encourage poultry production, particularly by women, to improve family nutrition, improve incomes and reduce imports. It is estimated that for every chicken grown commercially two are imported (Technoserve, op.cit.).

The local egg industry is emerging but insignificant. No eggs for reproduction are available locally on an industrial scale. Eggs are imported and hatched in Mozambique or one-day chicks are imported from Swaziland, Zimbabwe, Malawi or South Africa, and sold locally. Egg imports, for eating and hatching, amounted to US$24.2m in 2005.

Key investors and support organisations include UGC, Mozambique Farms, Association of bird growers of Mozambique, Frangos de Manica, Abilio Antunes, Novo Horizonte and Pintoinhos Stewart. The recently created Poultry Investment Group as well as Technoserve, MINAG, MIC, three individual importers, and poultry associations from Maputo, Manica and Chimoio are the key institutional players driving the poultry sector.

Issues of producers include the high cost of poultry feed, medicines and nutritional supplements. Feed is made from imported pre-mixes as no alternative cheap source of protein is available. Control of Newcastle disease is being addressed but remains a risk. Local supply does not meet seasonal demand hence the government is forced to permit imports. However some importers manipulate the period of imports as well as quantities imported. Dumping is evident.

Hatcheries exist but there are no eggs. Investment in reproductive units is required i.e. layers, hatcheries/incubators. There is little processing or value-added industries at present. There is a lack of adequate production and market information as well as infrastructure along the chain including culling, freezing and storing facilities.

Efforts could be made to enhance linkages connecting local producers and the industrial catering sections of the large enterprises such as Mozal, Sasol and Corridor Sands as well as in tourist resorts. The demand for chickens in Caia in Sofala Province has increased significantly as the bridge over the Zambezi is being constructed (a three-year project). The Marromeu area, also in Sofala, saw a similar surge in demand when the sugar factory there was rehabilitated.

The **livestock** sector was most affected by the war. However post-war government policies have helped raise the cattle population to almost pre-independence levels and the national herd stands at around 1.3 million head. This surge in population has not led to an increase in nutritional levels of the rural population because smallholder farmers view cattle as social security and not to mitigate issues of food security. However, farmers tend to use cattle for animal traction within agriculture and for transport.

The Department of Statistics, Ministry of Agriculture estimate that only 5.6% out of 3.4 million rural households own cattle. Dividing that by a population of 1.3 million cattle means that about 200,000 households have cattle, with 6.5 heads per household. Not all cattle holders are in business. Commercial cattle farming is emerging however, there are fewer than 300 commercial farmers with 100 cattle or more. A shift to privatisation of watering facilities, dip tanks, animal health services, etc, has negatively impacted on the commercial herds as the private sector has not taken up necessary support services.

Maputo has one large slaughterhouse and Chimoio has two, one of which is Government-owned. Most slaughterhouses date from pre-independence (1975) and are run down. Efforts to gain statistics from them were not successful. Tete province in the north also has a slaughter house for goats. No value-addition industries such as tanneries, bone meal factories or gelatine factories exist. Linkages between available local copra and cotton-seed oil cake production with animal feed industries is an area of possible intervention.

The **dairy industry** is also virtually non-existent with one small recently established cheese factory in Manica Province, which has been set up by a Zimbabwean dairy farmer with Dutch aid assistance. The conditions for commercial dairy production were considered excellent while the supply, processing and distribution chains were absent. A Gouda-type hard cheese is being produced from milk from the commercial farm, and also in the future from five outgrowers, for local and regional markets. ADIPSA, the Danish funded business development provider, will provide technical assistance to develop the smallholder scheme. An insignificant amount of fresh milk is sold in Maputo, Chimoio and Quelimane by private initiatives. Milk is a significant import from South Africa predominantly. The only bottling factory in Mozambique uses milk powder and imported milk from South Africa and sells it as UHT milk. The bottling plant is owned by Parmalat Mozambique, a subsidiary of the troubled Italian dairy conglomerate. It is alleged that the cost price of milk is high as all inputs are imported. The total value of imports of dairy products in 2005 was over US$20m of which milk, cream and milk products made up some US$18.8m.

The **key actors in the livestock sector** are: Sr. Jorge Tenga, an individual cattle rearer; the company Remota Reproducoes de Mozambique.; Alfa Comercial; Caesar Gitunga in Maputo/Namaacha; Vetagro in Magude and Chimoio; the Madal Group in Zambezia which sells some milk locally; Antonio Nunes, Pinto Matavel and Aderito Barro in Chimoio; Capel in Moamba; Casa da Gaiato in Umbeluzi.

Given the weak market chain integration of high value foodstuffs in current and potential future local and export markets, almost all facets of the sector warrant consideration for policy, organisation and strategic investment. Given also the high FDI interest for commercial enterprise, the need to develop models and mechanisms to secure broad-based participation in markets including by the small-scale producer is evident. Some of the **demands of producers/investors** in these high value commodities include the need for affordable credit; reduction of bureaucracy and corruption; reduction of the high transaction costs; strengthening of the enabling environment for agri-business; re-examining the pro-labour laws and their impact on the sector; and addressing the issues of land tenure and land access.

The level of technology remains very basic and offers scope for upgrading and improvement. There is a critical need to enhance the technical skills of low/medium level technicians through agricultural colleges and polytechnics and through shared learning within the SSA region. Infrastructure needs are significant including better roads, refrigerated trucks, cold chain facilities at airports, ports etc and irrigation and water management, including the construction of small dams.

Public sector policy and role

A policy for the eradication of absolute poverty is central to the **national action plans** and agriculture remains a central platform. The country is on a progressive path albeit with a slow rate of progress.

The Southern African Development Community (SADC) region will remove all external tariffs in the region to ensure free trade by 2008. This will increase competition for local producers in quality and price terms but it also gives the opportunity of selling goods in the large South African market provided they are competitive. The “Made in Mozambique” campaign, launched in early 2006, aims to stimulate domestic industry and is a response to building up industrial production and a domestic market prior to implementation of the SADC Trade Protocol.

Mozambique enjoys trade concessions within the African Growth Opportunity Act (AGOA) with preferential access to North America; access to the European Union via the Everything But Arms Initiative (EBA); preferential access to some Nordic countries.

All of the key links in the high value agriculture commodity value chains need to be addressed to exploit national and export markets. There is also scope for improving the enabling environment for businesses to improve private sector led growth. The jump from subsistence agriculture to commercial agriculture is painstaking. Issues of bureaucracy, nepotism, corruption, institutional strengthening and improvements in the judicial and fiscal systems have to be addressed for businesses to grow. Mozambique ranks 140th in the World Bank’s list of investment destinations. This must improve and within the SADC, at least, Mozambique could evolve as a chosen investment destination but this will require inward investment and more public spending on infrastructure.

The regulations governing **Foreign Direct Investment** are pro-investment. There are various fiscal incentives offered to investors. The importation of new equipment is exempt from import duties. Until 2012 investments in agriculture are exempt from payment of 80% of corporate tax. Accelerated depreciation can be applied for agricultural projects. If public investment like bridges, roads etc are built by the investor, 120-150% of the cost can be charged to expenditure. The same is the case with training or introduction of new technologies. There are no regulations on FDI for retail. One-stop shops are meant to attend to investment proposals. The time required to start a business has been reduced from 180 days to 103 days. Procedures have been simplified and streamlined. Decentralization has been encouraged and Provincial and Local District Governments empowered to participate in the decision making process. This in itself may however be counterproductive.

The government encouraged dispossessed commercial farmers from Zimbabwe to come to Manica Province to farm. They took over former Portuguese-owned land and run-down state farms. Although they face difficulties, these enterprises are welcomed by local inhabitants as a source of employment. The Vanduzi company packhouse, located in a rural area, has provided a new source of employment for over 100 local women. They have received training in packing, hygiene practices etc. Mozambique has also benefited from a number of skilled Zimbabweans who have come to Mozambique to continue their careers in the high-value horticulture sector.

Key donor interventions include PROAGRI 2, a SWAP financed by multiple donors and International Financial Institutions, which includes support to the poultry, livestock and horticulture sectors. A number of donors have funded horticultural studies, study tours and offered support to exporters. ADIPSA and ACDI/VOCA are donor-funded activities aimed to enhance private sector capabilities. IFAD through support to the Ministry of Agriculture is engaged in the livestock sector and the African Development Bank provides technical assistance and funding support to the União Geral das Cooperativas (UGC) for the poultry sector.

Emerging implications for small-scale producers and opportunities for public and private sector intervention

Continued and increased support to agricultural and market transformation The market chains are weakly developed to meet current and future dynamic market opportunities at the national and export levels. Despite the SADC development corridor serving a market of 180 million people, Mozambique needs to continue to address agricultural production and market transformation for a number of the higher value commodities in a robust and systematic manner in order to exploit these opportunities. Given the opening up of the SADC markets, this offers both risks and opportunities. Fruit and vegetables have considerable export potential (both regional and international) provided there is investment in infrastructure including access roads, small dams, cold chain and packhouses, and support to compliance and certification.

For poultry, local demand far exceeds supply. Local commercial farmers will have to produce a quality bird cheaper than landed import prices if they are to remain in business.

Promotion and support to the organisation of small-scale economic market actors Public policy towards getting small-scale producers into markets including dynamic markets is being partly addressed through the IFAD PAMA project. Whilst this has been largely successful with cereals, it has not spread to other sub-sectors. Forming associations of economic actors is a new concept in Mozambique and the old colonial law regarding formation of associations has made the process difficult. A new law, recently enacted, is more supportive and simplifies the process. Several international NGOs work with communities on this issue but more could be done to promote small-scale producer and marketing associations.

Develop new models for linking small-scale producers with commercial enterprise Given the levels of foreign and local commercial investors, new opportunities to develop models of outgrower schemes and contract production could be explored. Current innovation which supports small-scale producers whether donor, private sector or NGO-supported could usefully be reviewed for features of good and innovative practice that can be replicated.

Strengthen technology and enhance skills The use and application of technology within the market chain contributing, amongst others, to enhanced produce quality and standards compliance is weak at all stages along

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the chain. The means whereby technology can be better embedded within production and market channels needs attention. New models for public (science and technology, knowledge management) and private interaction, including drawing on the skills and experience within the region, could be explored. Emerging implications for the small-scale producer/processor's capacity to supply quality products and meet compliance with international standards require particular attention.

Seek to support ancillary and related industries Ancillary industries will also make economic sense in, for example, the livestock sector, provided the number of cattle slaughtered improves. There are very few butchers who make their own sausages, for example. Incubators/hatchery infrastructure exists but no eggs are available. Eggs for reproduction and for consumption are another suitable area for intervention. Value addition of fruit and vegetables in ready-to-use form can be absorbed by hotels and restaurants. There is scope for intervention in agro-processing.

Strengthen key service providers Public sector support either through direct intervention or through support to the enabling environment for private sector providers is needed to ensure that medicines, nutritional supplements and vaccines are available to the poultry producer and that effective control of Newcastle disease is in place. For the livestock sector, support could be provided to ensure that water for drinking and dip tanks are available to small-scale stock keepers through public or private provision.

Revisit the critical needs of the dairy sector The dairy industry is in its infancy. It needs support at all stages of the production and market chain. The potential future role of the small-scale dairy producer and processor needs particular attention.

Tackle the challenge of high cost of inputs, in particular animal feed For the meat and poultry sector the lack of local feed sources and feed manufacturing is a limiting factor. Exploring the linkages between available local copra and cotton-seed oil cake production with animal feed as well identifying a low cost source of protein suitable for poultry feed are areas for intervention.

Regoverning Markets

small-scale producers in modern agrifood markets

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