AGRICULTURAL TRADE: An Industry Perspective

BY

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Agricultural Trade: An Industry Perspective

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• Some Facts about Zambia’s agriculture
• Zambia’s Agricultural Trade: What does the Statistics Tell Us?
• What really makes agricultural Trade an opportunity?
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Some Facts about Zambia’s Agriculture?
Agricultural Trade: An Industry Perspective

- **Some Facts about Zambia’s Agriculture**
  - Agriculture and agribusiness play an important role in the Zambian economy contributing around 20% of GDP in recent years and about 12% of national export earnings.
  - Relative to other countries in the region, Zambia has an abundance of fertile arable land, water, and a generally favourable climate for agricultural production.
  - Unique position not only to leverage agriculture as an engine for wealth creation and improved nutrition, but also to become a major food exporter and “grain basket” of southern Africa.
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What does the Statistics Tell Us?
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![Graph showing Zambia Total Ag. Imports and Exports (USD '000) from 2000 to 2010. The graph shows an increase in both imports and exports over the years, with exports consistently higher than imports. FAOstat data.](image-url)
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- Zambia’s Overall Agricultural Trade: What do the statistics tell us?
  - Zambia has recorded an increasingly favourable agriculture trade balance since 2003
  - Agriculture exports grew at an average of 25% per year to 2010 against 15% annual average growth for imports since 2000
  - Proliferation of Informal agriculture imports and exports understate the real trade situation by some margin
  - Very large amounts of maize meal, sugar, cooking oil, day old chicks, poultry feed, and other commodities are known to be exported every day to neighbouring markets through informal channels
  - Large amounts of maize and other commodities are known to enter Zambia through informal channels from Malawi and Mozambique*
## Agricultural Trade: An Industry Perspective

### Table 4.1: Zambia’s Top-10 Agriculture Imports, 2005-2010 (USD ‘000)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edible oils</td>
<td>41,763</td>
<td>51,566</td>
<td>64,764</td>
<td>86,587</td>
<td>76,466</td>
<td>82,506</td>
<td>403,652</td>
<td>29%</td>
</tr>
<tr>
<td>Food preparations</td>
<td>15,666</td>
<td>26,520</td>
<td>26,907</td>
<td>28,350</td>
<td>29,391</td>
<td>41,010</td>
<td>167,844</td>
<td>12%</td>
</tr>
<tr>
<td>Wheat &amp; wheat flour</td>
<td>23,021</td>
<td>27,830</td>
<td>7,696</td>
<td>18,076</td>
<td>8,602</td>
<td>65</td>
<td>85,290</td>
<td>6%</td>
</tr>
<tr>
<td>Maize, maize flour &amp; bran</td>
<td>10,748</td>
<td>43,278</td>
<td>1,709</td>
<td>1,880</td>
<td>21,505</td>
<td>2,679</td>
<td>81,799</td>
<td>6%</td>
</tr>
<tr>
<td>Fruits &amp; fruit juices</td>
<td>7,685</td>
<td>15,554</td>
<td>9,700</td>
<td>13,289</td>
<td>13,198</td>
<td>19,533</td>
<td>78,959</td>
<td>6%</td>
</tr>
<tr>
<td>Dairy</td>
<td>5,152</td>
<td>6,201</td>
<td>9,839</td>
<td>12,529</td>
<td>13,964</td>
<td>17,038</td>
<td>64,723</td>
<td>5%</td>
</tr>
<tr>
<td>Brewer's malt</td>
<td>4,823</td>
<td>3,763</td>
<td>4,308</td>
<td>8,001</td>
<td>7,812</td>
<td>6,238</td>
<td>34,945</td>
<td>3%</td>
</tr>
<tr>
<td>Agriculture raw materials</td>
<td>2,719</td>
<td>5,570</td>
<td>4,139</td>
<td>7,313</td>
<td>7,063</td>
<td>5,447</td>
<td>32,251</td>
<td>2%</td>
</tr>
<tr>
<td>Livestock and meat products</td>
<td>1,669</td>
<td>1,585</td>
<td>2,375</td>
<td>3,425</td>
<td>2,484</td>
<td>5,157</td>
<td>16,695</td>
<td>1%</td>
</tr>
<tr>
<td>Soybeans and soy cake</td>
<td>2,485</td>
<td>405</td>
<td>291</td>
<td>1,682</td>
<td>1,636</td>
<td>549</td>
<td>7,048</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Sub-total Top-10 Ag Imports</strong></td>
<td>115,731</td>
<td>182,272</td>
<td>131,728</td>
<td>181,132</td>
<td>182,121</td>
<td>180,222</td>
<td>973,206</td>
<td>70%</td>
</tr>
<tr>
<td><strong>All Ag Imports</strong></td>
<td>177,196</td>
<td>256,960</td>
<td>198,008</td>
<td>272,815</td>
<td>241,561</td>
<td>240,717</td>
<td>1,387,257</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Top-10 as % All Ag Imports</strong></td>
<td>65%</td>
<td>71%</td>
<td>67%</td>
<td>66%</td>
<td>75%</td>
<td>75%</td>
<td>70%</td>
<td></td>
</tr>
</tbody>
</table>

Source: FAOStat data.
Agricultural Trade: An Industry Perspective

Zambia Agricultural Import Trade: What do the statistics tell us?

• The top 10 imports accounted for 70% of all agricultural imports over the period

• Edible oils have been the largest category of agriculture imports in recent years: accounted for 29% of all agriculture imports from 2005 to 2010 representing a total of USD 403.7 million

• Prepared foods, fruit juices, and agricultural raw materials accounted for a further USD 279 million of imports over the 2005-2010 period equal to 20% of agriculture imports.

• Livestock products and dairy together accounted for 6% of agriculture imports from 2005 to 2010 worth a total of USD 81.4 million.
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Zambia Agricultural Import Trade: What do the statistics tell us? (Cont’d)

- Wheat imports declined from USD 23 million in 2005 to USD 0.65 million in 2010
- Malted grain used for brewing and other industrial purposes accounted for 3% of total agriculture imports from 2005 to 2010.
- A new malting facility in Lusaka is under construction that is expected to result in a fall in malt imports but also commencement of export.
- Zambia has been a strong net exporter of maize since 2006: Maize trade is heavily dependent on domestic production with most imports in non-drought years consisting of maize bran needed for stock feed.
## Table 4.2: Zambia’s Top-10 Agriculture Exports, 2005-2010 (USD ‘000)

<table>
<thead>
<tr>
<th>Product</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar &amp; molasses</td>
<td>75,461</td>
<td>65,668</td>
<td>89,928</td>
<td>64,168</td>
<td>99,968</td>
<td>149,672</td>
<td>544,865</td>
<td>24%</td>
</tr>
<tr>
<td>Tobacco</td>
<td>62,766</td>
<td>75,198</td>
<td>61,462</td>
<td>71,749</td>
<td>84,688</td>
<td>117,719</td>
<td>473,582</td>
<td>21%</td>
</tr>
<tr>
<td>Cotton lint</td>
<td>57,217</td>
<td>61,322</td>
<td>42,018</td>
<td>33,568</td>
<td>45,687</td>
<td>47,062</td>
<td>286,874</td>
<td>13%</td>
</tr>
<tr>
<td>Maize, maize flour &amp; bran</td>
<td>18,973</td>
<td>13,548</td>
<td>69,341</td>
<td>59,699</td>
<td>27,256</td>
<td>40,596</td>
<td>229,413</td>
<td>10%</td>
</tr>
<tr>
<td>Floriculture*</td>
<td>34,352</td>
<td>32,500</td>
<td>37,864</td>
<td>27,690</td>
<td>20,874</td>
<td>19,605</td>
<td>172,885</td>
<td>8%</td>
</tr>
<tr>
<td>Wheat &amp; wheat flour</td>
<td>7,232</td>
<td>11,468</td>
<td>15,157</td>
<td>27,101</td>
<td>23,099</td>
<td>28,224</td>
<td>112,281</td>
<td>5%</td>
</tr>
<tr>
<td>Supermarket vegetables*</td>
<td>16,791</td>
<td>21,200</td>
<td>24,144</td>
<td>23,939</td>
<td>12,611</td>
<td>10,302</td>
<td>108,987</td>
<td>5%</td>
</tr>
<tr>
<td>Green coffee</td>
<td>13,112</td>
<td>8,255</td>
<td>7,419</td>
<td>7,041</td>
<td>5,509</td>
<td>3,400</td>
<td>44,736</td>
<td>2%</td>
</tr>
<tr>
<td>Cottonseed &amp; cottonseed cake</td>
<td>5,244</td>
<td>4,961</td>
<td>7,324</td>
<td>2,516</td>
<td>5,186</td>
<td>8,030</td>
<td>33,261</td>
<td>1%</td>
</tr>
<tr>
<td>Soybeans and soy cake</td>
<td>1,407</td>
<td>2,819</td>
<td>8,648</td>
<td>153</td>
<td>6,597</td>
<td>12,584</td>
<td>32,208</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Sub-total Top-10 Ag Exports</strong></td>
<td>292,555</td>
<td>296,939</td>
<td>363,305</td>
<td>317,624</td>
<td>331,475</td>
<td>437,194</td>
<td>2,039,092</td>
<td>90%</td>
</tr>
<tr>
<td><strong>Total All Ag Exports</strong></td>
<td>313,234</td>
<td>322,987</td>
<td>384,583</td>
<td>348,107</td>
<td>390,003</td>
<td>494,689</td>
<td>2,253,603</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Top-10 as % All Ag Exports</strong></td>
<td>93%</td>
<td>92%</td>
<td>94%</td>
<td>91%</td>
<td>85%</td>
<td>88%</td>
<td>90%</td>
<td></td>
</tr>
</tbody>
</table>

Source: FAOStat data (* except floriculture and supermarket vegetables where data are from COMTRADE).
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- Zambia Agricultural Export Trade: What do the statistics tell us?
  - Several crops previously believed to have great export potential such as floriculture, pre-packed supermarket vegetables, and coffee have experienced significant decline.
  - High production costs and problems with credit recovery partly explain the development.
  - Maize and wheat exports including exports of unprocessed grains and flour accounted for 13.5% of Zambia’s total agriculture exports over the 2005-2010 period.
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- Zambia Agricultural Export Trade: What do the statistics tell us? (Cont’d)
  - More than 100,000 tons of maize meal with an estimated USD 35 million gross revenue were sold through informal channels by cross-border traders to Congo in 2011. This represents an additional 10-30% exports than depicted.
  - Processing of grains into flour is of strategic importance to Zambia for value addition, increased earnings and job creation.
  - Most of Zambia’s wheat is exported in value added form (flour). In 2010, over 96% of total wheat exports went to the DRC as flour equal to around 43,000 tons or 20% of total production in grain equivalent.
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...highly volatile Maize exports

Zambia's Maize Exports in Tons

- Maize grain
- Maize bran
- Flour of maize

FAOStat data.
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......strong growth in soybean production to address Zambia’s deficit in edible oils has transformed the country into a recognized exporter of soy-based animal feeds, unprocessed soybeans, and soy cake.
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Zambia as a recognized exporter of soy-based animal feeds, unprocessed soybeans, and soy cake

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Total</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zimbabwe</td>
<td>535</td>
<td>1,547</td>
<td>931</td>
<td>21</td>
<td>572</td>
<td>7,464</td>
<td>16,287</td>
<td>27,358</td>
<td>42%</td>
</tr>
<tr>
<td>Botswana</td>
<td>52</td>
<td>165</td>
<td>768</td>
<td>615</td>
<td>1,308</td>
<td>3,837</td>
<td>6,925</td>
<td>13,670</td>
<td>21%</td>
</tr>
<tr>
<td>South Africa</td>
<td>116</td>
<td>191</td>
<td>2,135</td>
<td>2,426</td>
<td>3,904</td>
<td>3,485</td>
<td>3,309</td>
<td>15,565</td>
<td>24%</td>
</tr>
<tr>
<td>Namibia</td>
<td>69</td>
<td>60</td>
<td>795</td>
<td>1,174</td>
<td>996</td>
<td>1,664</td>
<td>1,096</td>
<td>5,855</td>
<td>9%</td>
</tr>
<tr>
<td>DR Congo</td>
<td>23</td>
<td>30</td>
<td>96</td>
<td>604</td>
<td>155</td>
<td>884</td>
<td>342</td>
<td>2,133</td>
<td>3%</td>
</tr>
<tr>
<td>Top-5 markets</td>
<td>794</td>
<td>1,993</td>
<td>4,726</td>
<td>4,840</td>
<td>6,935</td>
<td>17,334</td>
<td>27,958</td>
<td>64,581</td>
<td>99%</td>
</tr>
<tr>
<td>Total all markets</td>
<td>896</td>
<td>2,049</td>
<td>4,744</td>
<td>4,963</td>
<td>6,972</td>
<td>17,451</td>
<td>28,279</td>
<td>65,355</td>
<td>100%</td>
</tr>
<tr>
<td>Top-5 as % of total</td>
<td>89%</td>
<td>97%</td>
<td>100%</td>
<td>98%</td>
<td>99%</td>
<td>99%</td>
<td>99%</td>
<td>99%</td>
<td></td>
</tr>
</tbody>
</table>

COMTRADE data.
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What makes agricultural trade an opportunity?
What makes agricultural trade an opportunity?

- **Higher Prices**: Prices of all major agricultural products increased dramatically in the decade beginning in 2000 and are generally forecast to remain for many years at levels higher than in the 1990s.

- **Booming Urban food markets**: Booming in Africa have created a potential trillion-dollar regional market for African producers by 2030, more than triple its current size.

- Many opportunities for profitably expanding irrigated areas and increasing the use of modern technology have been identified, and the fact that Zambian farmers are far from the technological frontier means that there is significant potential for catch-up.
What makes agricultural trade an opportunity (Cont’d)

- Much higher level of development partner interest and activity in the agricultural sector: higher than there was in the 2000s, with pledges of increased resources for financing and many initiatives geared towards agricultural development (e.g. Comprehensive Africa Agricultural Development Programme (CAADP))

- Improved policy environment: governments have revised macroeconomic policy, reduced or eliminated the overall net taxation of the sector, adoption of a sectoral expenditure target of 10 percent of total expenditure

- Technological innovations: have been lowering costs associated with implementing needed reforms
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- What makes agricultural trade an opportunity? (Cont’d)
  - Private sector interest is on the rise, driven by the factors highlighted above
  - The groundwork for climate-smart agriculture has been laid, as under CAADP, draft frameworks have been adopted for developing and financing initiatives to mainstream these kinds of approaches into country-level plans, programmes, and policies
  - Improved and improving transport and ICT infrastructure have opened access to new markets for produce and greater access to inputs and information
  - Deepening Regional Integration
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What is holding us back?
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What Holding us Back

• Lack of a comprehensive, holistic and aligned/coherent strategy of how we intend to use agriculture as a means to fostering Zambia’s socio-economic development

- Focus on a few agricultural products (crops and livestock); lack of product/market targeting especially with respect regional markets; limited targeted support to farmers geared towards exploiting regional opportunities; continued reliance on rain-fed agriculture; Inconsistent and counterproductive agricultural and other relevant policies

• Limited on farm productivity underpinned by poor quality inputs, limited access and application of technology, limited spread and poor extension services which deny farmers access to new farming methods
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- **What Holding us Back (Cont’d)**

  - Poor advisory services, in consolidating and storing grains, in transport and logistics, in distribution and retailing, and in processing.
  
  - Limited value addition/processing.
  
  - Opaque and unpredictable trade policies in raise trade costs and curb private sector incentives to invest in raising productivity: import bans, variable import tariffs and quotas, restrictive rules of origin, and price controls.
  
  - Illicit trade which undercuts and hinders increased local production in products such as edible oils.
  
  - High transport costs and the lack of investment in modern and affordable trucking and shipping capacity: Limited competition in transport sector; Underdeveloped railways; Roadblocks increase the costs and time to transport, undermining the efficiency of transport operations.
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Recommendations
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Recommendations

• Develop a comprehensive, holistic and aligned/coherent strategy of how we intend to use agriculture as a means to fostering Zambia’s socio-economic development

• Focus on improving on-farm productivity by input quality standards and enforcement, increasing access and application of technology, improving the spread and quality extension services

• Strengthen advisory services, in consolidating and storing grains, in transport and logistics, in distribution and retailing, and in processing by building the capacity of BDS providers

• Strengthen regional engagement to address opaque and unpredictable trade policies: strengthen capacity of institutions undertaking this function; strengthen regional level monitoring and enforcement mechanisms
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- **Recommendations**
  - Strengthen border enforcement including addressing corruption to curb illicit trade
  - Reduce transport costs by improving infrastructure (road, rail, inland water ways); reduce roadblocks are a nuisance, add considerably to the costs and time to transport
Thank you for your attention