Need to Know Facts about Staples trade in Zambia

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Outline

- Regional Outlook
- Zambia Maize Situation
- Seed and Trade harmonization
- Trade Restrictions and Tax measures
- Conclusions and recommendations
Regional Outlook

- Maize Situation in Eastern and Southern Africa, 2014/15 Agricultural Season
- The region’s harvests were low but the region was sustained by the previous years’ stocks

2015/16 Harvest expected to be low due to El Nino conditions
Regional Outlook

- Through open border policies, surplus countries such as Zambia have supplied deficit countries.
- Most countries in the region have projected that they will require imports.
- About 14 Million people have been affected in the region:
  - RSA - 5 million metric tonnes (MT); Zimbabwe - 2 million MT
  - Malawi requires more than 1 million
- With South Africa having a huge deficit – the region will mostly depend on imports from Mexico, Brazil and Argentina, and Paraguay South America.
  - GMO or non-GMO  ????
Regional Outlook

- International and regional trade improved staple cereal supplies in 2015
  - South Africa continued importing regionally and internationally while on the other hand it remained the main maize exporter
  - Zimbabwe’s deficit was mainly being filled by formal imports from Zambia while Malawi’s deficit was being covered by both formal and informal trade from Zambia, and Mozambique.
Zambia Maize Situation

- El nino has raised concerns over possible poor maize harvests for Zambia
- Poor rainfall in the Southern parts but better in the Northern parts
- Production could fall in the South but could be unaffected in the North

Adapted from Vulnerability Committee Report, 2016
Zambia currently has maize stocks of over 1,000,000 Million in country including from FRA, GTAZ, ZNFU;

- Worst case scenario – Zambia may require imports early 2017
- Politically sensitive issue
- Zambia is having elections this year
- Major implications on agricultural policies this year especially for maize
Huge Market for Zambia’s Agricultural Products –
Progressive Policies in 2015

- Open borders
- E-voucher Piloting
- Agricultural Diversification
  - Fisheries and Livestock
  - Irrigation
- Private sector led investments

More support for progressive policies!!!
Seed Industry in Zambia

- **Zambia has a very successful seed industry**
  - About 20 formal private seed companies
  - More than 233 maize varieties released
  - Private sector driven: 188 varieties (81%)

- **Zambia is one of the major exporters of seed to the region**
  - Total seed produced: 30-35,000 tons per year
  - Domestic consumption: 14-15,000 tons per year
  - About 20,000 tons is exported

- **Downside – too much focus on maize**
  - Responding to local maize centric policies
  - Shortage of legume seed in Zambia and the region
Seed Harmonization and Trade

- Harmonization of seed policies in the region is important for trade to flourish
  - If a variety has been tested within the region, no need for multiple testing in another country
- Progress of seed harmonization in region
Hindrances to Trade
Challenges affecting Trade Policy in the Region

- Trade facilitation is generally weak in the region. Inefficiencies arising from:
  - inadequate transport infrastructure
  - poor quality logistics
  - incoherent transit regulations
  - border delays and
  - weak competition among service providers
Challenges affecting Trade Policy in the Region

- Compliance to formal import/export procedures
- Lack of reliable informal trade data
- Lack of harmonized standards in regional trade
- Political economy of regional trade
- Lack of private sector investment in agricultural commodity trade
Effects of Commodity Trade Restrictions

- When domestic prices trade at higher levels than the price of imported grain, then consumers are being unnecessarily taxed by inefficient marketing systems.
- Conversely, if prices drop below the prices that are available in export markets, then surplus producers are being denied the opportunity to generate greater income from crop sales.
- By causing unnecessary price spikes and dips, trade restrictions can have negative effects on both rural producers and consumer welfare.
  - By so doing, the bans actually increase the number of households in poverty in those regions relative to if there were no bans in place.
Effects of Commodity Trade Restrictions

When grain prices spike above import parity, consumers are being unnecessarily taxed by an inefficient market

Import ban/restriction

When grain prices fall below export parity, producers are denied income opportunities from crop sales

[Export Ban]
Export bans and trade restrictions

- Generally doesn’t stop trade from occurring but raises smuggling costs, which depress prices for farmers and raise costs for consumers.
Why Should we Facilitate Trade?

- Openness to international trade is an effective way to reduce price volatility.
- Export bans harm producers by limiting their ability to gain maximum revenue from their sales
  - Creates disincentive to produce in future
  - Lose markets to other countries
- Limiting imports harms consumers by requiring them to purchase high-priced domestic goods
  - Unnecessary cut into household incomes
Tax measures and their Implication on agriculture

- Taxes such as VAT, Crop Tax are essential sources of fiscal revenues for Government.
- In most cases negatively affecting the agricultural sector
  - For example, VAT is paid on inputs even before a farmer produces the commodities and escalates the costs associated with farming
  - District crop levies an issue in Zambia
If governments intervenes too heavily, then markets will not develop
Thank You