Impediments to Trade

A Farmer’s Perspective
Presented at MAL Stakeholders Meeting on Agricultural Trade
30th July 2015
Radisson Blu Lusaka-Zambia
It’s all about Competitiveness – period!

- Failing to break into local & export mkts due to:
  - High production costs – ZM among top 3 high cost producers in the region;
  - Unfair competition – battling with heavily subsidized commodities on mkt;
  - Poor infrastructure – not helping
  - Policy inconsistencies – frustrating
  - Poor productivity – yields keep dwindling
  - Weak regulatory institutions – failing to regulate and facilitate trade
High production costs due to

- **High cost of money**
  - Limiting access to finance & investments (financial exclusion highest among SSFs)

- **High tax burden**
  - Maize, soya, mechanization assets attracting VAT,
  - Crop levies and loading fees another tax burden.

- **High transportation costs**
  - Highest truck operating fixed costs in the region

- **High fuel and energy costs**
  - Malawi & Zambia leading the way

- **High cost of production inputs**
  - high fertilizer, seeds & agrochemical prices
Among highest in fuel prices

[Bar chart showing diesel pump price per liter (USD) for various countries over different years: Angola, Botswana, Congo DR, Kenya, Malawi, Mozambique, Namibia, Zambia, Zimbabwe. The x-axis represents the countries, and the y-axis represents the price per liter (USD). Bars are differentiated by color for years 2010, 2012, and 2014.]
Poor productivity

- Limited use of productivity-enhancing inputs,
- Near absence of extension services – poor agronomic/husbandry practices,
- Coupled with –ve effects of CC induced vulgaries of weather
- Compromising **PRODUCTIVITY**, and
- Consequently –vely affecting **profitability**
- **Consumer price distortions** further worsens the producers profitability
Unfair competition

- Competing with heavily subsidized commodities,
- Hence insatiable appetite & addiction to imports,
- @ expense of local products & sector growth,
- Ultimately killing local producers & slowing down investments in processing
- Subsidized imports also failing to lower consumer prices contra to general perception
Poor infrastructure

- Limited grain storage – forcing desperate sales
- Poor grain grading and handling facilities (bagging use human loaders failing – strikes)
- Limited trucking capacity (no enough haulage capacity to deliver in time)
- Poor state of feeder and trunk roads between production areas & markets
Policy inconsistencies

- Until very recently, been exposed to policy reversals & inconsistencies,
- Especially in grains marketing & exports, e.g.
  - Unpredictable Government participation in grains mkt,
  - Banning & unbanning of maize exports
  - Wavering protection policies, esp. industries such wheat & oilseeds
  - Crop levies/loading fees by local authorities – becoming a self-serving measure
- Ultimately policy inconsistencies stunting private sector investments
Weak regulatory institutions

- Becoming **Disablers** as opposed to enabling agro-trade,
- Lack capacity (human/facilities) to offer needed protection to local sector,
- Weak at monitoring & lack mkt intelligence for fair trade,
- Exorbitant fees very costly to producers & exporters
- Too long turn-around period for resolution NTBs
- COMESA/SADC not helpful on this
  - Regional safe-guards only benefiting big players
# Heat map explains it all - Zambia free for all

<table>
<thead>
<tr>
<th>Country</th>
<th>Popn (mn)</th>
<th>Pop growth (%)</th>
<th>GDP/cap ($)</th>
<th>GDP growth (%)</th>
<th>Urban (%)</th>
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<th>Below pov (%)</th>
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<th>Formal trade Comp intensity</th>
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Going forward 1/2

- Reform tax policies to spur growth/productivity,
  - Zero-rate VAT for maize, soya & asset leases
- Policy consistency – predictable policy environment
  - Spawn measures promoting grains in exports, e.g.
  - Bilateral Trade Agreement with Congo DR, Angola
  - Macro economic stability – a must
- Trade remedies/safeguard measures
  - Protect agro sector from unfair competition
Going forward 2/2

- Need to:
  - Radically rethink our policies and support to agriculture, farmers, and agribusinesses,
  - Increased private sector investments and value chains development critical
- Zambia’s future competitiveness depends on
  - Improving yields, reducing costs, and
  - Creating incentives for the private sector in food markets and trade.
- With climate change effects,
  - we need to learn how to produce more from less”
How nice beyond hearing us, YOU:

- Swiftly **acted** on our impediments to trade,
- Provided a **predictable policy** environment, and
- Abolished henceforth all **self-serving measures** inhibiting trade;

**Markets waiteth NOT!**