Normalizing the Zambian Maize Sector

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Presentation at the Pilots Lessons Learnt Event on 22nd June 2017, Radisson Blu, Lusaka
Why this Presentation?

Highlight key facts about Zambia’s Maize Sector

- What is going on in the Zambian maize industry?
- What can we do to improve the situation?

Dialogue with the promoters of PVA maize

- As long as the maize industry is subject to ad hoc policy actions sustainable promotion of orange maize and associated products will be difficult.
ZAMBIA FARM STRUCTURE

- **Smallholder Category A**
  - 0-2 ha
  - 72.4%
  - Approx. 9.6 million people

- **Smallholder Category B**
  - 2-5 ha
  - 20.7%
  - 1.52 million household

- **Smallholder Category C**
  - 5-20 ha
  - 6.9%

- **Medium-scale**
  - [20-100ha]

- **Large scale Farmers**
  - <3000
  - (#s of Emergent Farmers need to be established)

Source: RALS 2015
Farmers lobby for higher maize prices + lower fertilizer prices

Lower consumer prices, usually culminating into consumer subsidies

Undesirable results
• Maize centric policies
• Unpredictable maize market
• Mistrust been Government and Private Sector
• Overburdened Treasury

FRA usually above market price at harvest time
ALLOCATIONS TO MINISTRY OF AGRICULTURE

2017 Budget allocation

- Quality of expenditure?
- Too little to key drivers of agricultural growth
  - agricultural R&D
  - extension services
  - livestock production and disease control
  - rural infrastructure i.e. feeder roads
  - Irrigation

Allocation to MoA

- FISP 53.4%
- FRA 17.3%
- All Other 29.3%
Zambia: Maize Market + Ad-hoc Policies

- Deficit years
- World Food Crises
- Bumper harvest

Nominal US$ per metric ton

CIF from South Africa
Lusaka wholesale price

HUGE MARKET FOR ZAMBIA’S AGRICULTURAL PRODUCTS

Major Problem

Frequent ad hoc export bans even when country has a surplus
EL NINO EFFECTS: HUGE PRICE DIFFERENCES A MAJOR POOL FACTOR FOR INFORMAL MEALIE MEAL EXPORTS

Mealie Meal Price differences between Zambia and DRC: April, 2016

- **Kitwe,** Breakfast meal price: K85 per 25kg
- **Kasumbalesa (Zambian side),** Breakfast meal price: K175 per 25kg
- **Kasumbalesa (DRC side),** Breakfast meal price: K250 per 25kg
- **Lubumbashi,** Breakfast meal price: K400 per 25kg

Source: IAPRI Rapid Survey, 2016
Zambia has potential for diversity

For most recent livelihood zone report see http://www.fews.net/sites/default/files/documents/reports/ZM_LZ_descriptions_2014.pdf
ZAMBIA HAS BECOME MORE RESILIENT DURING EL NIÑO YEARS

Maize Annual Balance Sheet Food Requirements Surplus/Deficit 1989/90 to 2016/2017

Source: MoA
**ZAMBIA HAS BECOME MORE RESILIENT DURING EL NIÑO YEARS**

Production and carryover stock cushioning the effects of El Nino Years

<table>
<thead>
<tr>
<th></th>
<th>2001/02</th>
<th>2004/05</th>
<th>2012/13</th>
<th>2014/15</th>
<th>2015/16</th>
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<tbody>
<tr>
<td><strong>Maize Production (MT)</strong></td>
<td>601,606</td>
<td>866,187</td>
<td>2,532,800</td>
<td>2,618,221</td>
<td>2,873,052</td>
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<tr>
<td><strong>Maize Consumption</strong></td>
<td>1,202,900</td>
<td>1,141,889</td>
<td>2,534,026</td>
<td>3,086,854</td>
<td>2,905,896</td>
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<tr>
<td><strong>Deficit/Surplus (incl. carry over stock)</strong></td>
<td>-581,294</td>
<td>-85,000</td>
<td>453,995</td>
<td>876,768</td>
<td>634,681</td>
</tr>
</tbody>
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Source: MAL/CSO, Various Years
Climate Change Models Predict that the northern part of Zambia will receive normal precipitation.

The continuing shift of maize production should be encouraged.

With even a small increase in yield from 2.1 MT/ha.

Maize supply should be more than adequate for the country with considerable surpluses.
EXPENDITURE ON MAIZE TRENDS IN ZAMBIA

Source: LCMS data, CSO
COMMERCIAL PRODUCED MEALIE MEAL CONSUMPTION IN RURAL ZAMBIA

RALS 2015
WHAT SHOULD THE POLICY CHOICE LOOK LIKE GOING FORWARD?

Policies that promote modernization of the agricultural sector (e.g. mechanization, irrigation, increased use of ICT)

Recognize that consumption patterns are changing in ways that are creating opportunities for smallholder farmers

Openness to trade in food and investments led by the private sector (especially food staples)

Policy stability – to attract private sector investment. Government funds alone are not enough to meet the rising demand
....WHAT SHOULD THE POLICY CHOICE LOOK LIKE GOING FORWARD?

- Embrace the new marketing innovations
  - Crowd in private sector; both local and international
  - Governments should put in place regulations that promote competition and more innovation

- Substitution Among Food Staples
  - Consumption diversification provides a key to helping vulnerable households’ deal with food price shocks.
  - Move away from maize-centric policies

- Governments should focus public investment into areas that stimulate growth instead of private goods
  - Subsidies should not crowd out private sector participation

- Give investment incentives (e.g. Tax breaks) should be given to both local and international investors
Enactment of the Agricultural Marketing Act

Limit FRA’s role in maize marketing. Help Capitalise the commodity Exchange by buying strategic reserves through ZAMACE

Government should promote private sector storage by eliminating pan territorial and seasonal pricing

Moderate price volatility through trade. Maintain an open border maize policy in order to make Zambia a reliable supplier
Unpredictable policies

Mistrust between Private sector and Government

Limited private sector investment and market participation plus unsustainable government involvement and expenditure

If government intervenes too heavily in markets, efficient markets will not develop
THANK YOU