IMPLICATIONS OF REGIONAL INTEGRATION ON THE AGRICULTURAL SECTOR IN ZAMBIA

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Huge Opportunities for Zambia’s Agriculture!

Zambia is strategically positioned to be the breadbasket of Southern Africa – must take advantage.

[Map showing regional connections and arrows indicating trade flows.]
Zambia’s agricultural and maize exports

![Bar chart showing export value ($Million) for agricultural exports and maize from 2011 to 2015.](chart.png)
Zambia’s agricultural and maize exports

- The total value of agricultural exports rose to over US$1 billion in 2012 but later declined to about $670 Million by 2015.
- In 2015, maize accounted for 30% of export revenue from agricultural exports.
- Main export commodities:
  - Maize
  - Sugar
  - Tobacco
  - Cotton
  - Maize seed
…Variation in Regional Comparative Advantage

- **Malawi**: Self-sufficient in maize but barely self-sufficient in wheat and rice.
- **Tanzania**: Self-sufficient in maize and second largest surplus producer of rice after Madagascar.
- **Zambia**: A major surplus producer of maize in recent years, self-sufficient in wheat but deficit in rice.
- **Zimbabwe**: A major maize deficit country.
- **South Africa**: Predominantly largest maize surplus while it is often deficit in wheat.
- **DRC**: Structurally deficit in all cereal crops.
- **Botswana, Lesotho, Namibia and Swaziland**: Structurally dependent on South Africa for all their cereal requirements.
Openness to international trade - 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

......... Why Should Zambia Facilitate Trade?
Why Should Zambia Facilitate Trade?

- Diversification exports away from copper
- Offers expanded markets domestic markets
- More investments in the ag sector including FDI
- Increasing governments revenue and forex
- Reputation as a reliable source of maize for the region
- Informal trade flourishes even under export bans
Challenges of Regional Integration to Zambian Agricultural Sector

- **Low agricultural productivity**
  - Inadequate production capacity to generate exportable surpluses of commodities
  - Potential loss of existing regional markets to more efficient regional suppliers
  - Limited diversity of exportable products

- **Poor infrastructure**

- **Limited irrigation systems**
  - Dependence almost exclusively on rain fed farming systems

- **Research and development limitations**

- **Non-tariff barriers and adhoc export/import bans**

- **Lack of Harmonized Standards**
What does the TFTA Offer?

- 26 countries or 48% of AU membership
- 51 percent of continental GDP
- Combined population of 632 million
- Merchandise trade of $55 Billion by 2012
- 3 pillars of TFTA;
  - Market integration
  - Infrastructure development and;
  - Industrial development
- Enhance Zambia’s *land-linked* status.
Regional Trade Opportunities for Zambia-the case of maize

- The El Niño that swept through Southern Africa, left all the countries except Zambia with maize grain deficits.
- Zambia is the only country in the sub-region with an exportable surplus.
- High price volatility is expected to continue throughout the 2016/17 marketing season.
- Zambia is yet to take advantage of the regional trade opportunities presented by the current regional maize deficit.
Maize situation in the region: 2015/16 season

<table>
<thead>
<tr>
<th>Country</th>
<th>Production (MT)</th>
<th>Surplus/Deficit (MT)</th>
<th>Export Parity (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zambia</td>
<td>2,873,052</td>
<td>634,681</td>
<td></td>
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<tr>
<td>Zimbabwe</td>
<td>511,816</td>
<td>-700,000</td>
<td>320</td>
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<tr>
<td>Malawi</td>
<td>2,719,425</td>
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<td>300</td>
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<td>South Africa</td>
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<td>-3,650,000</td>
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<td>Tanzania</td>
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<td>Kenya</td>
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<td>-610,000</td>
<td>83</td>
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<tr>
<td>Uganda</td>
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<td>85</td>
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<tr>
<td>Mozambique</td>
<td>1,350,000</td>
<td>-1,463,532</td>
<td>193</td>
</tr>
</tbody>
</table>

Despite the opportunities, the Zambian government imposed an export ban to secure domestic maize stock.

*Source: IAPRI Outlook (2016)*
Cumbersome export procedures

1. **GMO Certificate**
   - Inspections done on the site by ZARI inspector
   - Process replicated every time a trader wants to export maize
   - Obtained within 48 hours at a cost of K547 per consignment

2. **Phytosanitary Certificate**
   - Issued by the POPS ZARI per 30 metric tonne truck load not the whole export consignment
   - Issued within 24 hours at a cost of K15 per truck load

3. **Export Permit**
   - Issued by Department of Agribusiness, MoA at a cost of K55 per 30 Mt and only valid for 30 days
   - Exports permits are issued within 24 hours.

4. **SADC/COMESA origin certificate**
   - Issued by ZRA within 24 hours at a cost of K5.5 per 30 MT and valid for 30 days

5. **Fumigation certificate**
   - Issued upon the exporter presenting the inspection report.
   - There is no cost attached to the certificate

6. **MoA Schedule of export permits**
   - Takes up to 7 days for final approval
   - Once approved the schedule is sent ZRA

7. **ZRA Schedule of export permits**
   - ZRA receives a schedule from the Ministry of Agriculture
   - Takes 2-5 days for the schedule to be approved by ZRA and sent to the respective border posts
Informal Cross-Border Trade

- Current political borders vastly complicate current efforts to accelerate agricultural growth and reduce hunger:
  - separate food surplus areas from the food deficit areas
  - Zambia and the DRC (Katanga region)
- National vs regional food security
- Export bans do not work because informal trade flourishes
- Lack of reliable informal trade data
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 $85 per 25kg
- **Kasumbalesa (Zambian side),** Breakfast meal price $175 per 25kg
- **Kasumbalesa (DRC side),** Breakfast meal price $250 per 25kg
- **Lubumbashi,** Breakfast meal price $400 per 25kg

Source: IAPRI Rapid Survey
Adapting to a Changing Regional Landscape

- **Clear integration strategy** required
  - Policy development based on empirical evidence
  - Policy options/safeguards – e.g. exclusion of sensitive list of products

- **Deliberate efforts to enhance agricultural productivity/yields**
  - Adequate and timely financing and delivery of agricultural extension services
  - Enhanced private sector participation in agricultural markets
  - Use of alternative trade remedies (not traditional import/export bans)

- **Promotion and support of non-traditional but high value crop production** – crop diversification
Adapting to a Changing Regional Landscape

- Promotion and support of value addition and investments in agricultural products.
- Create an Enabling, Conducive, Policy and Business Environment
  - Finalize Agricultural Marketing Bill to regulate domestic markets.
  - Create clear guidelines to inform triggering mechanisms for implementing remedies that aim to enhance food security.
  - Encourage private-sector led agricultural growth

There is no need to fear regional integration if we adequately plan and prepare for it.
…Adapting to a Changing Regional Landscape

- Enhancing value addition and competitiveness
- Should we always protect our domestic industries as infant industries?
- How can we increase our competitiveness in order to compete favourably with the region
- Comparative advantage in grains: maize, soya beans, wheat
- Need consistency in policy to be recognised as a reliable regional supplier
Conclusions

- Zambia has not performed well in agricultural trade despite phasing down of tariffs and the FTA
- The focus on regional integration is gaining more ground
- TFTA offers an expanded market for Zambia as well as an opportunity for Zambian firms to increase their competitiveness
- Zambia need to adequately prepare and position herself to compete in the larger TFTA market.
Recommendations

- Undertake necessary domestic actions in terms of policy development and implementation to position Zambia as the SSA food basket.
- Finalize development of agricultural sensitive list to enable responsive analysis to the effects of the TFTA on Zambia.
- Remove unnecessary non-tariff measures in agricultural trade.
- Stop restricting trade through export/import bans.
- Increased collaboration in agricultural development on matters of policy, harmonization of standards and infrastructure.
- Development of regional value chains for commodities will increase agricultural trade and competitiveness and FDI.
END THANK YOU