Soya Policy Action Group (SOPAG)/ILO/IAPRI/UKAId

Validation Workshop - Impact of Import and Export Bans in Agricultural Markets and Its Implications on Smallholder Farmers: A Case of Soybeans

Presentation of the Key Study Findings and Recommendations

17th July 2017 – Golden Peacock Hotel

Charles Mulombwa
Presentation Outline

1.0 Acknowledgements
2.0 Background to the Study and Rationale
3.0 Purpose and Scope of the Consultancy
4.0 Study Approach and Methodology
5.0 Main Study Findings
6.0 Conclusions
7.0 Key Recommendations
1.0 Acknowledgements

Thank You

• The Soy Policy Action Group (SOPAG)
• Indaba Agricultural Policy Research Institute
• Respondents – SOPAG Members, Ministry of Agriculture
• All other stakeholder respondents
2.0 Background

- A challenging and unpredictable agriculture trade policy affects food security in Africa.
- Creating a more predictable and enabling policy environment could significantly catalyse regional food security potential.
- Agriculture key priority sector in the growth and poverty reduction in Zambia; over 60 percent of the population derives its livelihood from agriculture.
Agricultural export restrictions constitute defensive measures implemented by economies to protect consumers or producers. They may take a wide variety of forms: export bans (embargoes), export taxes (simple and differential), export quotas, and export restricting measures of state trading enterprises. The motivations for export restrictions vary according to the type of product.

Zambia bans exports of commodities in order to ensure greater availability (food security) in the domestic market at lower prices.

Examples of bans – 2016 Maize and Soybean Export Bans

Similarly, import restrictions constitute defensive measures implemented to protect domestic producers from unfair trade practices, competition from low cost producers. These vary depending on product type.
Policy actions like banning exports and imports implications include resorting to informal trade & smuggling, cases of corruption, and ultimately higher transaction costs and consumer prices.

YAPASA, SOPAG, Food Trade ESA seek to achieve alignment of national laws and regulations with regional integration aspirations to promote trade and development.

Need to remove some of the policy bottlenecks hindering trade and development.
Objective and Purpose of Study.

**Study Objective** - To conduct a descriptive study to understand the effects of the soybeans import and export ban and its effects on the value chain - particularly on smallholder farmers.

**Study Purpose** -

- To produce a position paper on impact of Soybeans Import and Export bans on the sector, especially smallholder farmers; and
- Develop specific actionable recommendations to Government on how best to take action in the soy sector in order to avoid penalizing farmers
3.0 **Scope of Work**

- Review literature on impact of import and export bans on agricultural markets
- Interview various stakeholders along the soybean value chain to understand the effects of import export bans;
- Collect available statistics and defend the arguments;
- Validate the study findings with SOPAG Members;
- Prepare a position paper on the subject;
- Present the findings during the symposium to be organized by SOPAG
- Highlight recommendations to Government on how best to take action
- Collect recommendations from Symposium & highlight actions to be taken by SOPAG;
- Consolidate the position paper on the subject
4.0 Evaluation Approach and Methodology

(i) **Desk Review.** Literature review of key relevant documents provided by SOPAG implementation team, value chain respondent stakeholders, Government departments

(ii) **Field visits and Interviews.** Focus group discussion and “one-on-one” field interviews with key stakeholders, including selected smallholder farmers (Chilanga, Kafue, Shibuyunji), Input Suppliers, Processors/Crushers, and Associations

(iii) **Independent field level observations** by the Consultant.

(iv) **Collate or Organize the data, analyze and report writing**
5.0 Study Main Findings and Conclusions

5.1 Findings

5.1.1 Agricultural Trade Legislation and Improvements in the Import and Export Ban Policy. The Ministry of Commerce Trade and Industry (MCTI) has the overall mandate on trade in line with the Goods Control Act Cap 421 of the Laws of Zambia. However, the Ministry of Agriculture is delegated to implement agriculture trade policies. MOA developed a draft Agriculture Marketing Bill addressing improvements in trade related agriculture, but the Bill has not yet been enacted.

5.1.2 Loss of revenues/incomes and employment to soybean stockists, traders and farmers arising from failure to honour export contracts due to the sudden effecting of the export bans by Government

- During the 2016/17 Soybean export ban Grain Traders Association alone lost approx. USD 1 million, inclusive of failure to sell stocks, storage, warehousing, and fumigation.
5.1 Findings Cont...

5.1.3 Increased soybean stocks for smallholder farmers, and lowering of commodity price during 2017, due to the spill over effect of the 2016 export ban, leading to millers and processors not buying soybeans, resulting in reduced incomes, with potential for farmers abandoning soybean production.

5.1.4 Zambian soybean subsector is characterised by low productivity, especially among smallholder farmers (SHF 1.64 Mt/Ha since 2001, and 1.52 Mt/Ha during 2016/17 agric season) compared to up to 2.7 Mt/Ha for commercial farmers). Refer to Figure 2 below.

5.1.5 Currently import and export permit application procedures are manually undertaken, leading to bulky paper work, frustrations among applicants due to delays and potential for corruption.

5.1.6 That Soybean Value Chain players receive communication about export import bans instantly through ad hoc and sporadic administrative communications channels.
Soybean Productivity 2001 to 2017

Figure 2: Soybean Productivity (Yield/Hectare) 2001 - 2017

Source: Ministry of Agriculture Statistical Bulletin May 2017
5.7 Key Findings Cont...

- **5.1.7 Respondent Farmers** can not afford the soybean agricultural inputs such as seed and chemicals. This affects their production.

- **5.1.8 Loss of credibility and confidence in the Zambian agricultural markets**, by both external and domestic players due to perceived lack of consistency and transparency in agricultural trade related policy, leading to inability by value chain players to make strategic business operational decisions.
6.0 Some Key Conclusions

6.1 Agricultural Trade Legislation and Improvements in the Import and Export Ban Policy. The Government developed a draft Agriculture Marketing Bill addressing improvements in trade related agriculture, but the Bill not yet enacted.

6.2 Export Ban Procedures. The process of import and export bans since 2015 did not follow the due process of issuing statutory instruments. It was influenced by Government concerns for food security and the desire to maintain the price of maize low.

6.3 Communication of Export and Import Bans. The sporadic and instant communication of bans renders it difficult for value chain players to effectively plan for their business operations.
6.0 Some Key Conclusions Cont...

6.4 Effects of Export Bans on the Value Chain. When export bans are effected, there are some value chain players who feel the effects immediately (such as millers, stockists and traders) in the short run suffer loss of revenues. However, the effects of the bans are eventually felt by other players such as consumers, input suppliers and farmers through losses of business, high soybean stocks, low soybean grain prices, high end user/finished products.

- The effect of the 2016 Export Ban. As a result of bans, traders and processors are hesitant to develop strategies based around imports or exports, and Zambian exports are less competitive because supply cannot be guaranteed.

6.5 High Production and inputs for Soybean. Most smallholder farmers can not afford the high costs of inputs, while profit margins for commercial farmers are low.
7.0 Key Study Recommendations

Immediate

7.1 Need to develop mechanisms for streamlining import and export permit application procedures, including by transition to computerised online application and approval procedures, in order to expedite the processes and minimise chances of corruption.

7.2 Need for Government to develop transparent and predictable mechanisms and agricultural trade related policies, including for export and import bans. In particular, there is need for a speedy review of the Agriculture Marketing Bill for enactment as law.

7.3 There is need for timely, formalised communication channels about the bans, including publishing Statutory Instruments in Government Gazette, print, websites and social media at end of agricultural season to enable value chain players to plan effectively for business operations.
Key MTR Recommendations Cont...

Medium Term

7.4 Improve soybean production and productivity including private sector investments in backward linkages should be encouraged, including outgrower scheme models that encourage input access as well as guarantee market access.

Incentives and Financial packages. To increase soybean production - Government to develop specific soybean bean tailor made financial packages and incentives for smallholder. E.G. the Ministry of Agriculture would (i) reduce seed cost and provide more technical support services to first-time soybean farmers to encourage them to go into soybean production; and (ii) Zero-rate Irrigation and soybean processing equipment.

7.5 Adherence to Regional Treaties provisions. Need to lobby to ensure that palm oil imports coming in through East Africa adhere to COMESA Treaties including Rules of Origin and for the Zambian government to work with the private sector to stabilise the market for soybean (particularly for smallholders).
Long-Term

7.6 Greater Commercialisation and value addition of Soybean Smallholder Agriculture.

There is need for soybean production to rise to generate substantial surplus that can be absorbed by the market (domestic and external). Helping farmers to take a more commercial approach to their activities is important, and this must be deliberately promoted. In addition contract farming should be facilitated even further as it is important in raising linkages of small farmers to the markets.

In addition there is need for increased value addition over the value chain for the soybean crop to widen the market/user-base, including in the poultry and piggery industries in addition to consumers of edible oils and other final products such as soybean chunks.
7.7 Enabling environment for soybean agriculture development.

Zambia must make a number of improvements along the value chain by:

First, government must invest good sector policies including on agriculture, in particular, a well-functioning import/export ban regulatory framework should be put in place.

Second, there is need to reduce production costs such as in transport and inputs by investing in rural infrastructure such as improvements of roads, electricity and telecommunications.

Third, is the need for improving access to agriculture finance, providing frameworks that would support such access by small farmers and improve smallholder agronomic practices.
THANK YOU