ZAMBIA’S AG SECTOR:
OPPORTUNITIES AND CHALLENGES

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Opportunities: Climate Conditions

- Excellent agro-ecological conditions for agriculture in many part of the country

| Region I: low rainfall (under 800 mm) | Region IIA: moderate rainfall (800-1000 mm), clay soils | Region IIB: moderate rainfall (800-1000 mm), sandy soils | Region III: high rainfall (over 1000 mm) |
Geographic Location
Growing Trade Opportunities for Grain

Trends of South Africa’s Maize Grain Exports to Africa and Overseas

Sources: Maize-RSA Annual Exports – 2003/04-2012/13 (South African Grain Information Service-SAGIS)
Success Stories

- Only country in SSA that is a net exporter of wheat
- Vibrant private sector seed sector: exporting to the region
- Significant investment in grain wholesaling and processing
  - Emergence of private sector-led maize input credit scheme
Challenges: The Zambian agricultural paradox

Agricultural growth and opportunities amidst persistent poverty and hunger
Zambia GDP at constant 1994 prices (K'Billion)
Contribution of Agricultural Sector to GDP, 2012

Overall declining contribution to GDP, but annual growth rates of 6-7%
Several years of Ag spending above 10% CAADP target
Improvements in overall poverty levels, but…

Persistently high rural poverty
Composition of Public Spending

Percentage share of FISP/FSP and FRA of the total MAL budget, 2003-2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Other</th>
<th>FRA</th>
<th>FSP/FISP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>65</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>2004</td>
<td>60</td>
<td>13</td>
<td>27</td>
</tr>
<tr>
<td>2005</td>
<td>62</td>
<td>11</td>
<td>27</td>
</tr>
<tr>
<td>2006</td>
<td>55</td>
<td>19</td>
<td>27</td>
</tr>
<tr>
<td>2007</td>
<td>64</td>
<td>18</td>
<td>25</td>
</tr>
<tr>
<td>2008</td>
<td>36</td>
<td>26</td>
<td>18</td>
</tr>
<tr>
<td>2009</td>
<td>43</td>
<td>15</td>
<td>38</td>
</tr>
<tr>
<td>2010</td>
<td>9</td>
<td>61</td>
<td>43</td>
</tr>
<tr>
<td>2011</td>
<td>14</td>
<td>56</td>
<td>30</td>
</tr>
</tbody>
</table>
Where is poverty concentrated and who benefits from Ag spending?

<table>
<thead>
<tr>
<th>Total area cultivated</th>
<th>Number of farms</th>
<th>% of farms</th>
<th>Poverty Rate (%)</th>
<th>% of farmers receiving FISP fertilizer</th>
<th>kg of FISP fertilizer received per farm household</th>
<th>% of farmers expecting to sell maize</th>
<th>Expected maize sales (kg/hh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-0.99 ha</td>
<td>596,334</td>
<td>39.6</td>
<td>81</td>
<td>14</td>
<td>24.1</td>
<td>22.2</td>
<td>135</td>
</tr>
<tr>
<td>1-1.99 ha</td>
<td>499,026</td>
<td>33.1</td>
<td>81</td>
<td>31</td>
<td>69.3</td>
<td>47.7</td>
<td>609</td>
</tr>
<tr>
<td>2-4.99 ha</td>
<td>354,116</td>
<td>23.5</td>
<td>66</td>
<td>45</td>
<td>139.7</td>
<td>64</td>
<td>1,729</td>
</tr>
<tr>
<td>5-9.99 ha</td>
<td>49,410</td>
<td>3.3</td>
<td>38</td>
<td>59</td>
<td>309.7</td>
<td>82.1</td>
<td>6,613</td>
</tr>
<tr>
<td>10-20 ha</td>
<td>6,999</td>
<td>0.5</td>
<td>15</td>
<td>53</td>
<td>345.6</td>
<td>86.8</td>
<td>15,144</td>
</tr>
<tr>
<td>Total</td>
<td>1,505,885</td>
<td>100</td>
<td>76</td>
<td>29</td>
<td>77.1</td>
<td>42.7</td>
<td>950</td>
</tr>
</tbody>
</table>

Source: RALS 2012
Picture speaks a 1000 words...
Worrying Signals

- Despite the mounting evidence against current policy approach there are worrying signals
  - Increased spending on FRA
    - Disrupting investment in processing and trade
  - Significant spending on new public grain silos
    - Despite pent up demand from private sector
    - Private sector seeking to tap into export market
  - Revamping of Nitrogen Company of Zambia (NCZ)
    - Further squeezing out private input suppliers
  - Continued capacity of MAL to unilaterally impose trade restrictions
    - Will never be a breadbasket with predictable trade policy
Our Recommendations

- Encourage the passage of the Agricultural Marketing Act:
  - Unilateral capacity to impose import and export bans must be limited in order to encourage investment in agricultural markets

- Revise FRA Act to limit its market function:
  - Should return to being a strategic reserve
  - Can manage strategic reserves in alternative ways

- Encourage the adoption of the e-voucher for input distribution:
  - This should be in areas with sufficient private sector capacity - NOT PAN-TERRITORIAL
  - Need clarification from government on how market an e-voucher and NCZ can co-exist
Key recommendations

- Cost savings from limited FRA and greater reliance on private sector to handle input subsidies can create budget space to:
  - Expand and improve extension service
  - Develop improved seed varieties and farm and animal husbandry practices
  - Invest in testing and compliance to enable Zambian products to meet sanitary and phytosanitary standards
  - Rural electrification, irrigation, education, and roads
Thank You

For more information see our websites at:
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