Getting It Right: How to Make Grain Trade Work for Zambia

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Dissemination workshop of latest research results and experiences in Zambia’s Maize Grain Trade

Intercontinental Hotel, Lusaka

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Maize can be a significant earner of foreign exchange **BUT**

Export restrictions and bans have been a prominent feature in maize marketing policies in the country.

These restrictions/bans have increased even when Zambia has become a consistent surplus maize producer.

Unpredictable and inconsistent export restrictions and bans have negative impacts on the ag. sector.

Open trade is **not** at variance with government’s aspirations of attaining food security.

Grain trade can be a winner for Zambia but requires certain conditions to be in place, e.g.

- Having consistent open border policies
- Creating conditions that enable trade
- Trade facilitation and simplification of export procedures
- Establishment of the Grain Information System
- Harnessing large-scale commercial farmers’ potential to produce early maize
Objectives

1. To show the importance of open trade in achieving growth of the grain subsector.

2. To discuss how open trade stimulates private sector investments and how this helps Zambia; and

3. To provide policy steps for making grain trade work and ensuring trade contributes to growth in Zambia.

Synthesis of papers done by IAPRI

Key informant interviews

Secondary data
Government has an interventionist approach to the grain sector, including trade restrictions

Source: MoA/CSO Various years; Nkonde et al., 2011
Implications of Maize Trade Restrictions/Bans

Increases in price volatility

- Deficit years
- World Food Crises
- Bumper harvest

Graph showing nominal US$ per metric ton from 1994 to 2014, with data points labeled for CIF from South Africa and Lusaka wholesale price.
......Implications of trade restrictions and bans

loss of potential government revenue

<table>
<thead>
<tr>
<th>Production Year</th>
<th>Production (1,000 MT)</th>
<th>Production + Carryover Stocks (1,000 MT)</th>
<th>Domestic Consumption (1,000 MT)</th>
<th>Expected Exports (1,000 MT)</th>
<th>Exported Formally (1,000 MT)</th>
<th>Not Exported Formally (1,000 MT)</th>
<th>Foregone Foreign Exchange Earnings through Trade (Million US$)</th>
<th>G = F × Export Parity Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/2009</td>
<td>1,887</td>
<td>1,950</td>
<td>1,700</td>
<td>250</td>
<td>173</td>
<td>77</td>
<td>16.9</td>
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<td>2009/2010</td>
<td>2,795</td>
<td>3,094</td>
<td>2,000</td>
<td>1,094</td>
<td>3</td>
<td>1,091</td>
<td>240.0</td>
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<tr>
<td>2010/2011</td>
<td>3,020</td>
<td>3,450</td>
<td>2,500</td>
<td>950</td>
<td>30</td>
<td>920</td>
<td>202.4</td>
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<td>2011/2012</td>
<td>2,853</td>
<td>3,550</td>
<td>2,500</td>
<td>1,050</td>
<td>358</td>
<td>692</td>
<td>152.2</td>
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<tr>
<td>2012/2013</td>
<td>2,532</td>
<td>2,988</td>
<td>2,500</td>
<td>488</td>
<td>73</td>
<td>415</td>
<td>91.3</td>
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<tr>
<td>2013/2014</td>
<td>3,351</td>
<td>3,948</td>
<td>2,500</td>
<td>1,448</td>
<td>231</td>
<td>1,217</td>
<td>267.7</td>
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<td>2014/2015</td>
<td>2,618</td>
<td>3,964</td>
<td>2,500</td>
<td>1,464</td>
<td>895</td>
<td>568</td>
<td>116.5</td>
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<td>2015/2016</td>
<td>2,873</td>
<td>3,541</td>
<td>2,500</td>
<td>1,041</td>
<td>221</td>
<td>820</td>
<td>270.6</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>1,357.7</strong></td>
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</tbody>
</table>

Source: MoA/CSO Various years; CSO Various years

Zambia could have earned US $1.36 Billion from maize exports
Implications of trade restrictions and bans

increase in informal and often illegal cross border trade

Kitwe
Breakfast Meal Price
K85 per 25 kg bag

Kasumbalesa (Zambian Side)
K175 per 25 kg bag

Kasumbalesa (DRC Side)
K250 per 25 kg bag

Lubumbashi
K400 per 25 kg bag

Source: IAPRI 2016
Implications of trade restrictions and bans

loss of export markets to competing suppliers

Source: CSO various years; and SAGIS various years.
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

General reduction in investments by farmers and private sector

……Implications of trade restrictions and bans
Consistent trade policies promote private investment, supporting growth and ensuring food security

1. The private sector invested in storage facilities
2. Strong demand for Zambian maize in the region
3. Consumption patterns today are different from many years ago
4. The country's irrigation capacity has improved since the 1990s
Recommendations

Implementing Consistent Open Border Policies

• By not instituting any trade restrictions either through Statutory Instruments or administratively (de facto export bans)

Creating conditions that enable trade

• Minimise FRA’s role in the maize market
• FRA embracing market based procurement and stock disposal system. E.g. purchasing and selling grain through ZAMACE
  • Helps to capitalize the ZAMACE, which requires large volumes for it to be fully functional.
Trade facilitation and simplification of export procedures

• Implement measures to help reduce the time spent at border posts, e.g.:
  o Implementing the one-stop-window for border procedures by ZRA
  o Decentralizing issuance of maize export permits, the Sanitary and Phytosanitary Measures (SPS) and GMO certificates to regional/provincial officers or at border posts for MoA, ZRA and ZARI.
  o Support initiatives that help small scale traders to comply with export procedures such as the COMESA Simplified Trade Regime (COMESA-STR).
…Recommendations

Establishment of the Zambia Grain Information System (ZAGIS)

• Investing in a national grain information system would provide real time information on national stocks and would help Government to make the right policy decisions in a timely manner.

Harnessing large-scale commercial farmers’ potential to produce early maize

• There exists a great opportunity for the government to harness large-scale commercial farmers’ potential to produce early maize for export under irrigation.
• But a policy guarantee would be needed for this.
Thank You