Implementation of Agricultural Credit Act No 35 of 2010

18th March, 2015

Opportunities in the Agricultural Marketing in Zambia

Government Complex - Lusaka
The road to implementation of the Agricultural Credits Act has been long...

- **Agricultural Credits Act passed**
- **Ministry of Justice submits drafted SI to MAL identifying ZAMACE as Authorised Agent**
- **Statutory Instrument finally signed, Nov 2014**
- **2010**
- **2011**
- **2012**
- **2013**
- **2014**
- **Stakeholders consultative meeting on invoking s6(1) (designating an agency to perform role of Warehouse LICencing Authority. ZAMACE recommended as ‘Authorised Agency’**
- **Stakeholder pressure maintained on MAL to gazette S.I.**
- **Financial and Technical Support from Musika**
ZAMACE is the Authorized Agency for implementation of the warehouse receipt system under Agricultural Credits Act 35 of 2010

**Mission:** To provide an efficient and vibrant agricultural commodity exchange, supported by a warehouse certification and receipt system to enhance market access, liquidity and credibility in the commodities market.

ZAMACE is working on expanding and transforming its services to generate more benefits to a broader range of buyers and sellers, and positively affect farmers in rural areas of the Zambia.
These private sector-driven reforms will have a major impact on Zambian agriculture.

**Warehouse Receipting System**

- **Stimulation of storage, trading and agricultural financing sectors:**
  WHR offers an alternative marketing opportunity for farmers, mills and traders, and a financing opportunity for banks.

- **Establishment of low-risk and transparent spot market:**
  WHR will be able to be traded on the ZAMACE platform with standard contracts, guaranteed settlement and daily price discovery.

- **Initiation of price risk mitigation through futures trade:**
  The Johannesburg Stock Exchange and ZAMACE have developed a strategic alliance to offer futures contracts to the Zambian market.
ZAMACE intends to have a functioning WHR system in place in the first half of 2015

Objective 1:
A robust and representative corporate governance system

Completed
✓ Dec 2014: MoU signed between ZAMACE and LuSE with the ultimate objective of LuSE becoming majority shareholders
✓ March 2015: Completing business plan development

Planned
✓ Warehouse Licensing Committee
ZAMACE intends to have a functioning WHR system in place in the first half of 2015

**Objective 2:**
A pilot WHR initiative in 2015 to test the model for all stakeholders

**Completed**
- Strong interest in certification from a number of major storage operators
- March 2015: Completing ZAMACE Warehouse Operator Standards (both physical infrastructure and financial strength)
- Identification of e-WHR system for ZAMACE use

**Planned**
- May/June 2015: E-WHR system operating and users trained
- May/June 2015: 6-8 pilot warehouses identified and certified
- Mid-2015: Banks engaged in WHR lending
ZAMACE intends to have a functioning WHR system in place in the first half of 2015

**Objective 3:**
Key stakeholders aware of modalities (including cost/benefits) of WHR system

**Completed**
- Signed MoU with USAID PROFIT Plus which is funding development of promotional material and T-o-T trainings
- Phase I technical support from USAID/Trade Hub to support understanding in banks, others

**Planned**
- April/May 2015: Roll-out of promotional exercise supported by PROFIT Plus to farmers, Ministry staff, stakeholders
- April 2015: Capacity building exercise for financial institutions and storage operators (in conjunction with USAID/Trade Hub)
ZAMACE intends to have a functioning WHR system in place in the first half of 2015

Objective 4 (lower priority):
A secure and transparent spot and futures commodity trading structure

Completed
✓ Modelling of integration of WHR trading into LuSE securities trading systems
✓ JSE completing internal systems to incorporate USD futures onto ‘SAFEX’ trading platform
✓ MoU related to futures trading drafted between ZAMACE and JSE

Planned (Mid 2015)
✓ Identification and training of brokers
✓ Integration of commodity trading into LuSE trading systems
✓ Launch of JSE/ZAMACE futures contracts
Musika stimulates and supports private sector investment in rural markets

Musika is a non-profit Zambian company, jointly funded by Embassy of Sweden and UK Government’s DFID

Musika’s objective is the development of a supportive market environment that provides opportunities for the rural poor to graduate out of poverty

Musika works with Zambian agribusinesses that engage the rural poor as their clients, suppliers and customers

Musika provides its corporate clients with commercially focused technical advice and catalytic investment support to bring down the initial risks in investing in the smallholder market
Policy Recommendations

• Limit the role of FRA in maize markets to strategic reserves
• Consider using commodities exchange for strategic reserves marketing; commercial sales to millers & exports
• Make Government actions more predictable:
  > Year on year Policy  
  > 3 – 5 year policy stability
• Finally, holistic reform implementation; half measures not assisting market reforms.
THANK YOU

jmwale@zamace.co.zm

0963 719 723