

Zambia Agricultural Policy Finding a Balance Between Public Facilitation & Private Sector-Led Growth

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Outline – Selected Comments

- Agricultural strategic plan (FNDP)
- Policy goals & selected instruments
- Policy successes & challenges
- Summary

Strategic Plan for Agriculture (Fifth National Development Plan)

- Mission
 - facilitate and support the development of a sustainable and viable agriculture sector
- Vision
 - to promote development of an efficient, competitive and sustainable sector
- (FNDP & related documents downloadable from ACF Website <http://www.acf.org.zm/>)

Policy Goals

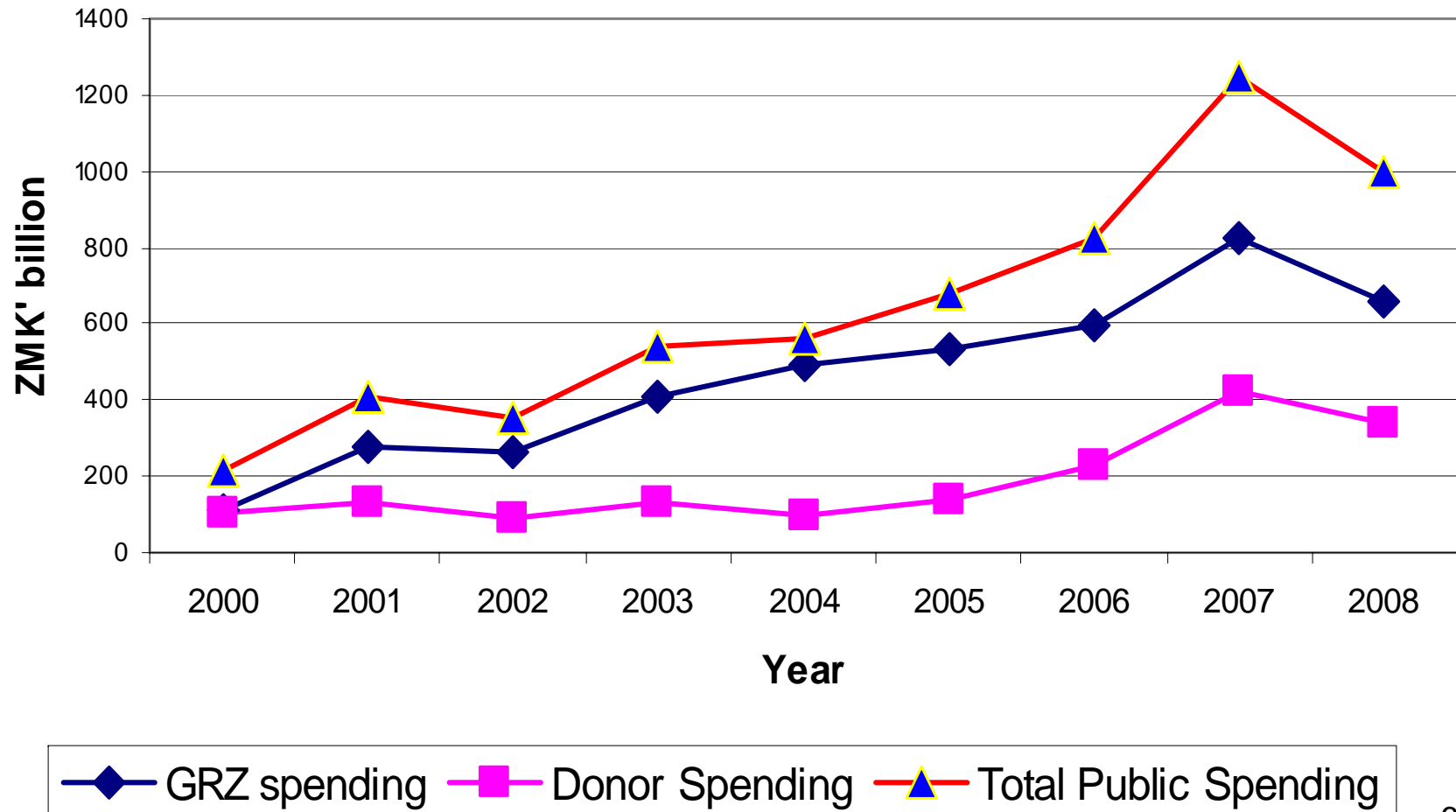
- Attain food security for majority households
 - 90% food secure by 2015
- Increase agriculture's FOREX earnings
 - contribution 5% target 20%
- Productivity growth to expand output
 - Present annual rate 1-2% target 7-10%
- Increase contribution to GDP & Ag. incomes
 - GDP Current 18-20% target 30 %

Policy Strategy & Instruments

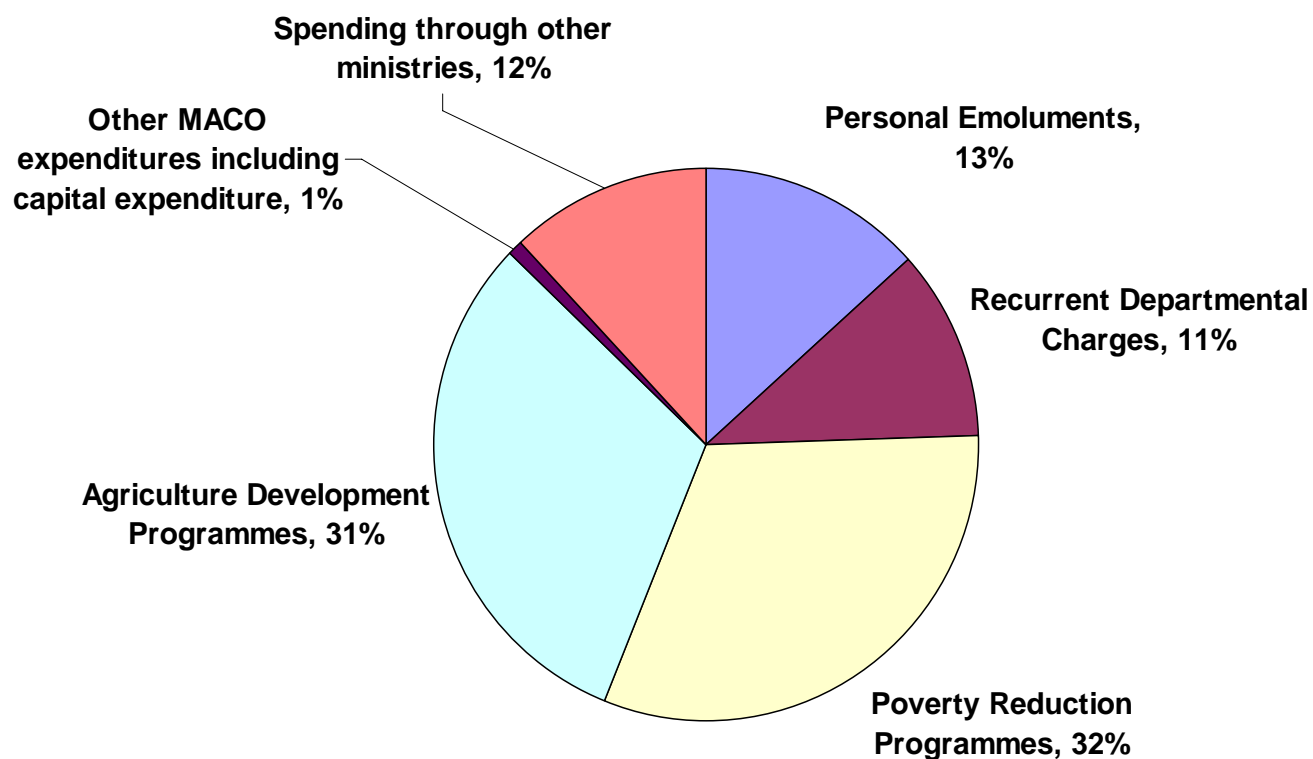
- Private sector led market development
- Government focuses on infrastructure and support services

- Instruments
 - Public expenditure
 - Taxes (will not say much on taxes and trade today)
 - Trade restrictions/incentives

Real Public Agricultural Expenditure (PAE) levels, 2000 – 2008



2008 Resource % Allocation Within Agriculture: ZMK893.1 billion



Poverty Reduction Programs 2008

Category	Allocation	
	('ZK billion)	(%)
Irrigation support	5.8	2
Commercialization of farm blocks	6.4	2
Animal disease control	9.7	3
Livestock development	1.8	1
Fertilizer Support Program	185.0	62
Strategic Food Reserves	80.0	27
Cooperative Education and training	0.5	0
Other	7.9	3
TOTAL	297.2	100.0

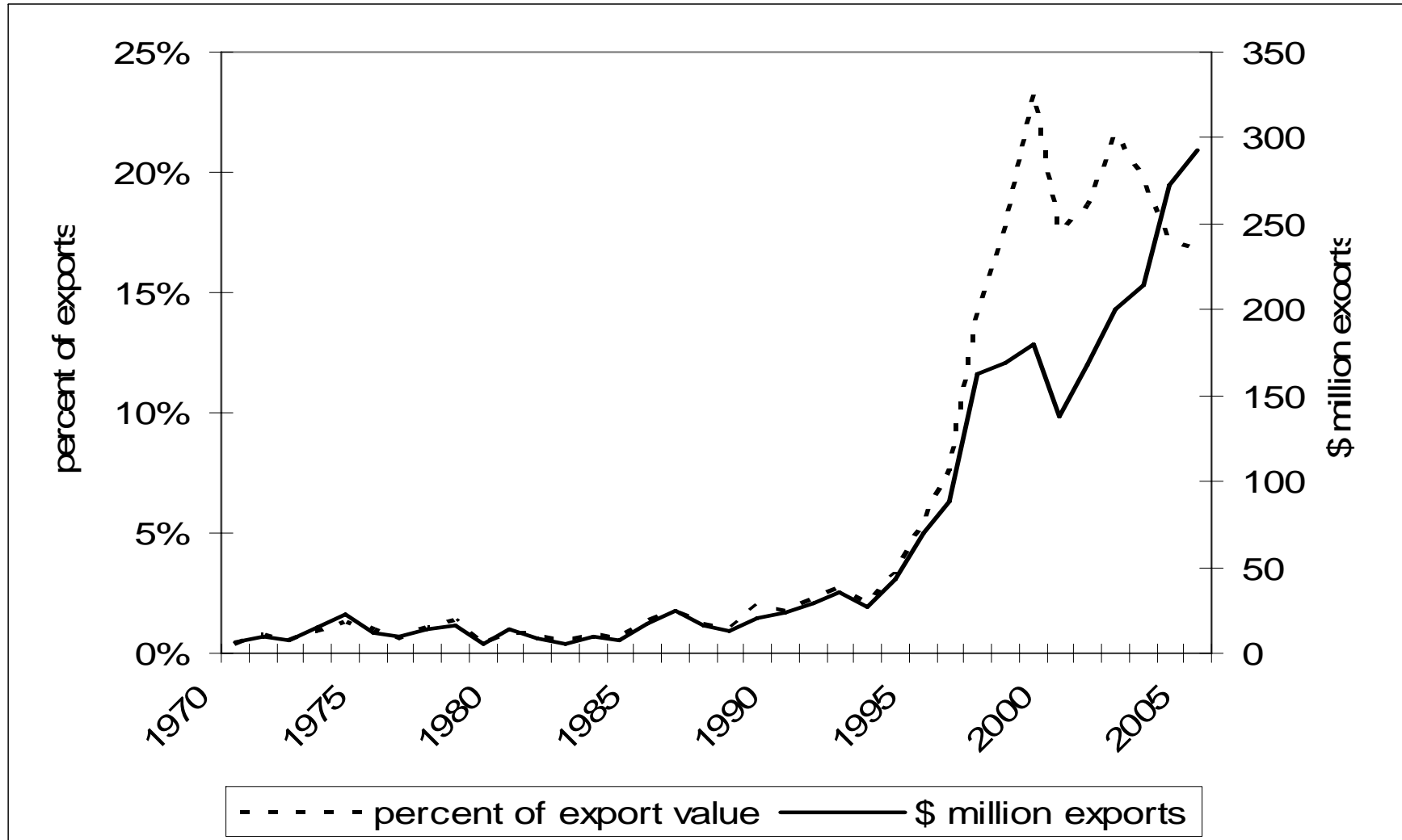
Public Expenditure on Agriculture

- Size of budget grown but achieving growth targets requires quality allocations
- Planned improvement in field service delivery shown but need to be sustained
- Poverty reduction is staple food centered, more planning needed to improve returns
- Commitment to fully deploy resources exist but sacrificing long-term programs for short term ones will limit growth

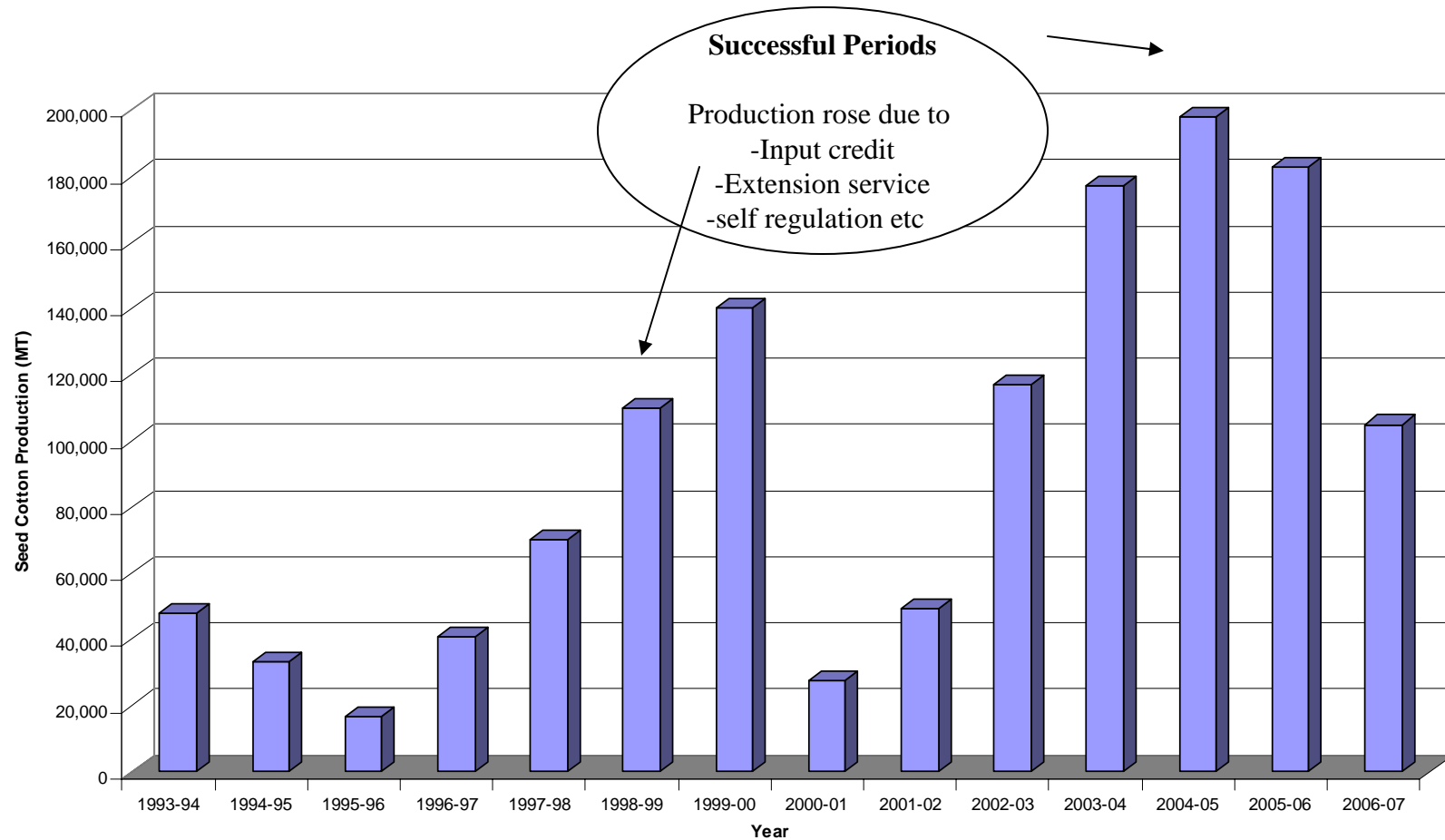
Selected Policy Success

- Economic diversification
 - Non-traditional exports exponential growth
 - Non-maize staples growing
- Competition in maize milling
 - Real maize meal prices trending downwards
- Cotton's market economy success
- Private sector imports all fertilizer requirements (but FSP discourages private retailing of fertilizer)

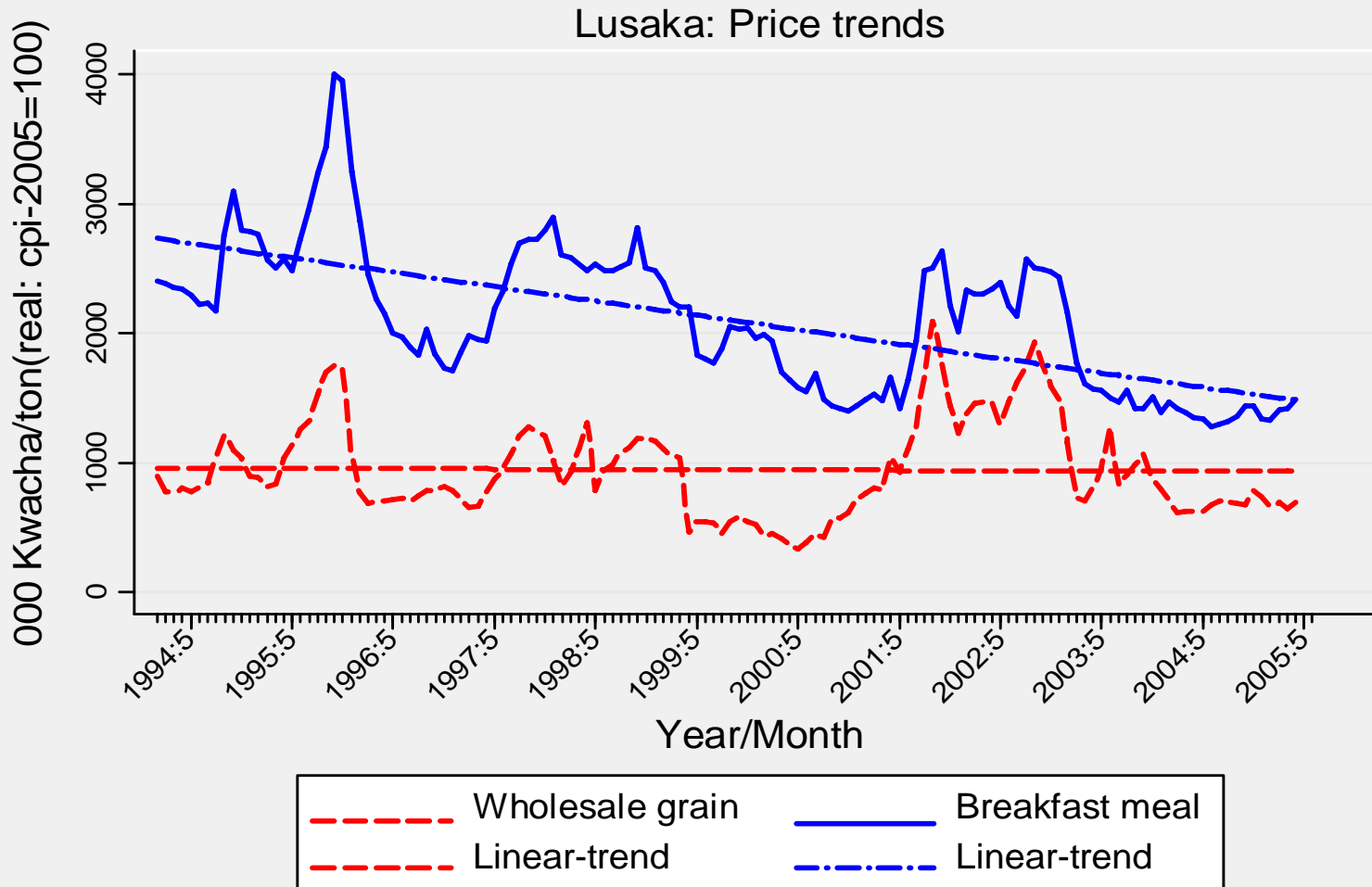
Trends in Agricultural Export Revenues



Periods of Success in Seed Cotton Production (1993-2006)

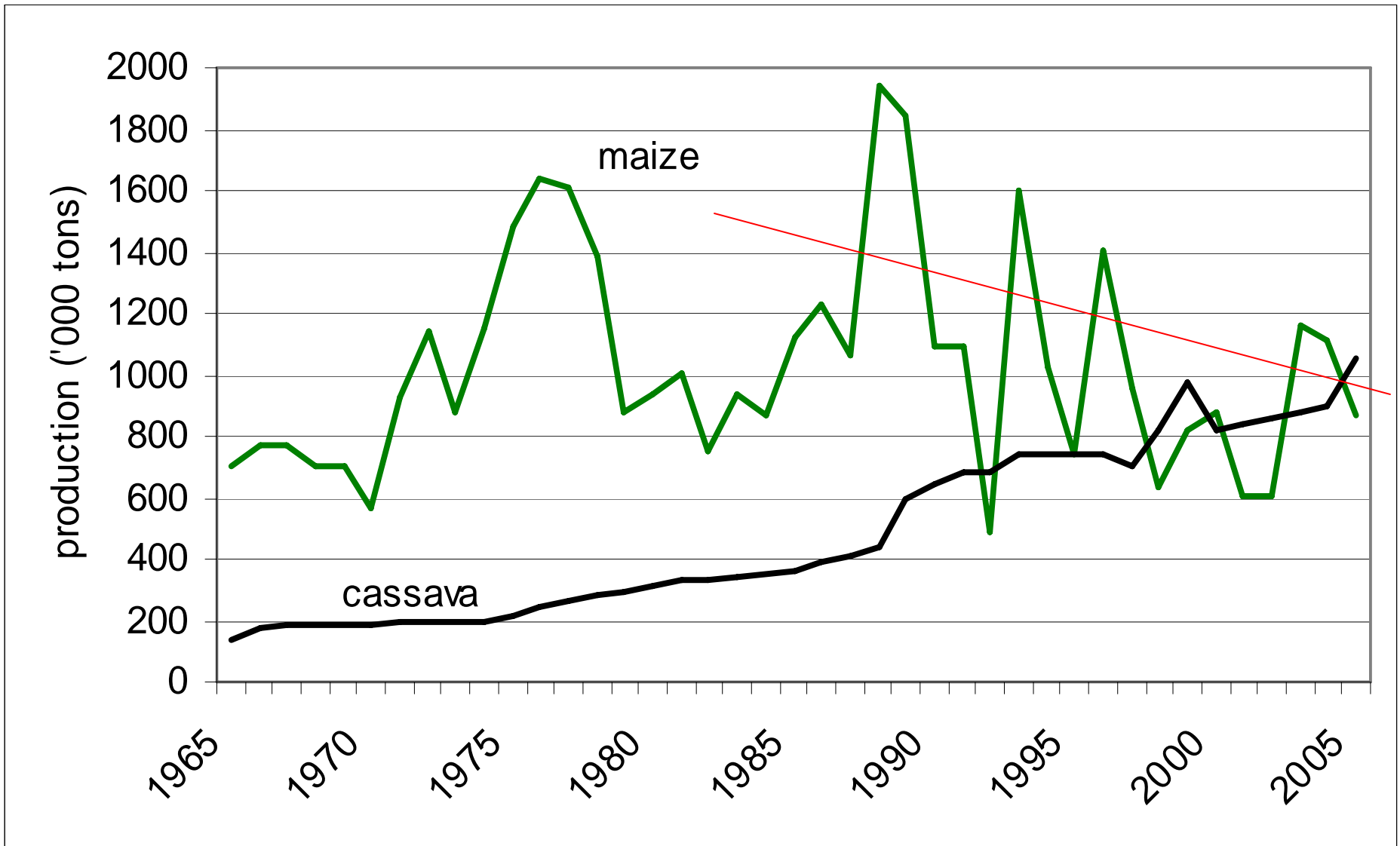


Benefits of GOZ & Commercial Development in Milling Industry:

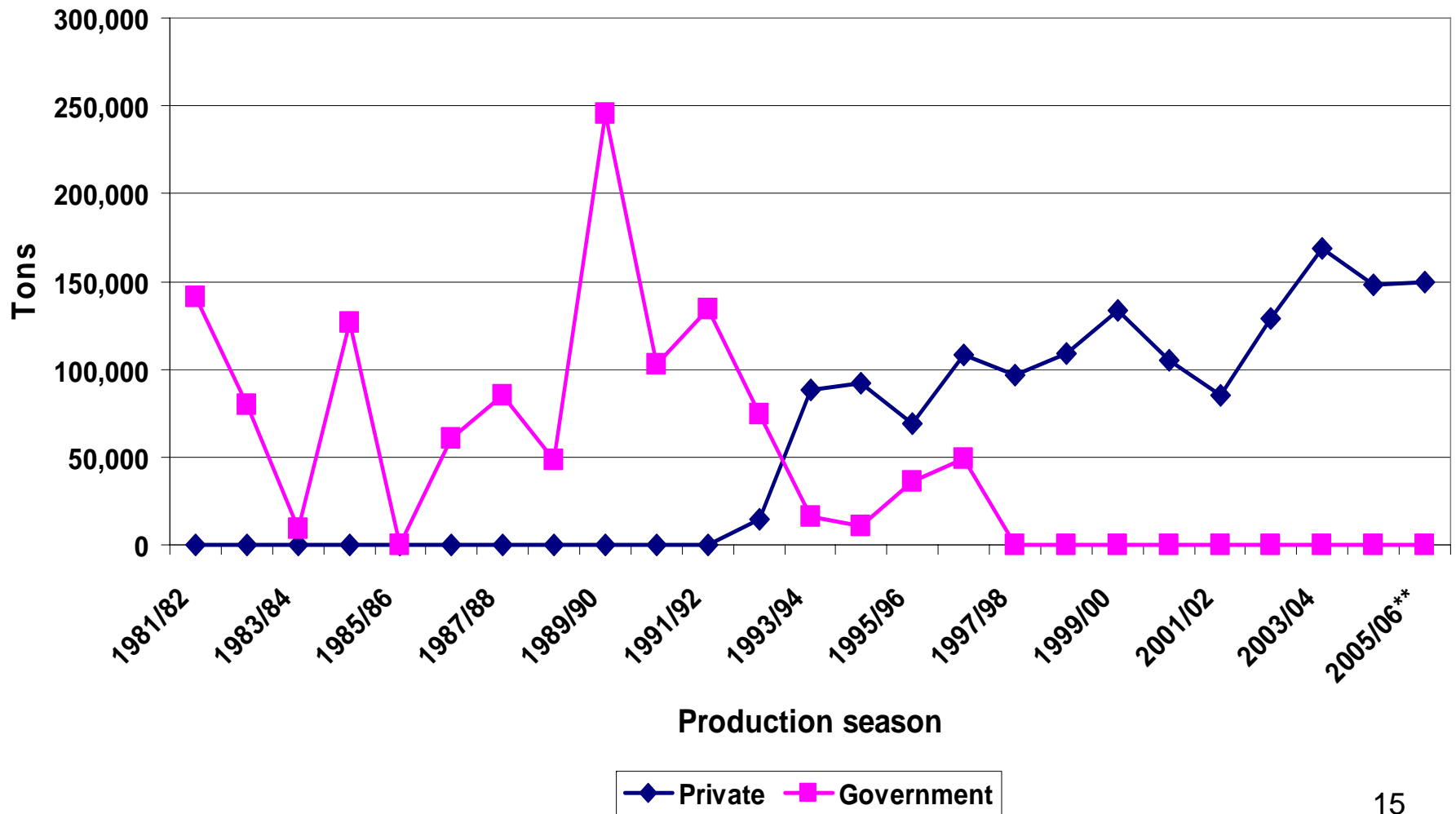


Source: Agricultural Marketing Information Centre-Zambia-various years

Production Trends in Food Staples



Fertilizer Imports by Private Sector



Policy Challenges

- Unpredictability in policies and implementation
- Amendment of Cotton Act (2006)
- New Marketing Act
- Amendment of Credit Act (1995?)

Policy Unpredictability

- Export/import bans, quotas (Year to year & within year)
- Uncertainty over changes in import tariff rates
- When, where & at what price will FRA enter the market
 - 2008/09 example: Incentives for private trader maize imports, or is FRA going to import and sell below costs?
- Farmer & trader inventory carrying risks are high
- All of these sources of unpredictability impede private traders' servicing small farmers' needs
- Uncertainty/unpredictability impedes private investment & competition in output & inputs markets

Improvements in Cotton Act

- Entry of new players putting sector under stress
- Rules of the game needed to protect success – allow private sector more management tools for side selling
- Rules to ensure honest competition while not undermining input credit, extension and cotton quality

Elements of New Marketing Act

- Clarify role of FRA
- Establish an agricultural marketing council
- Provide for improved market information
- Manage public storage to encourage use by private agricultural investors
- Harmonize stand-alone commodity Acts

Amendments of Credit Act

- Appoint agency to regulate warehouse receipt system (WRS)
- Improve inventory credit by issuing transferable receipts

Summary

- Further growth and poverty reduction still required
- Commitments agreed to should be fully implemented – AMDP, AIM, FNDP, CAADP
- Private investment in domestic & export agriculture should be encouraged
- 90% of PRP are for private goods, key public goods investments are needed & should be delivered