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# Regional Maize Trade: Implications for Food Security & Agricultural Growth

By:

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**MACO Outreach Workshop**  
**28<sup>th</sup> November, 2006**

*Research and Outreach Supported by*  
Ministry of Agriculture & Cooperatives

FSRP/MATEP



The Agricultural Consultative Forum

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## Regional Maize Trade: Implications for Food Security and Agricultural Growth

1. Growing opportunities for regional trade
2. Consequences of regional trade
3. Current policy inconsistencies
4. Policy instruments & impact

# 1. Growing Opportunities for Greater Maize Export

- Location and demand
  - DRC
  - Angola
  - Zimbabwe
  - Malawi
  - Namibia

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## Zambia is Well-positioned to Access Growing Regional Markets



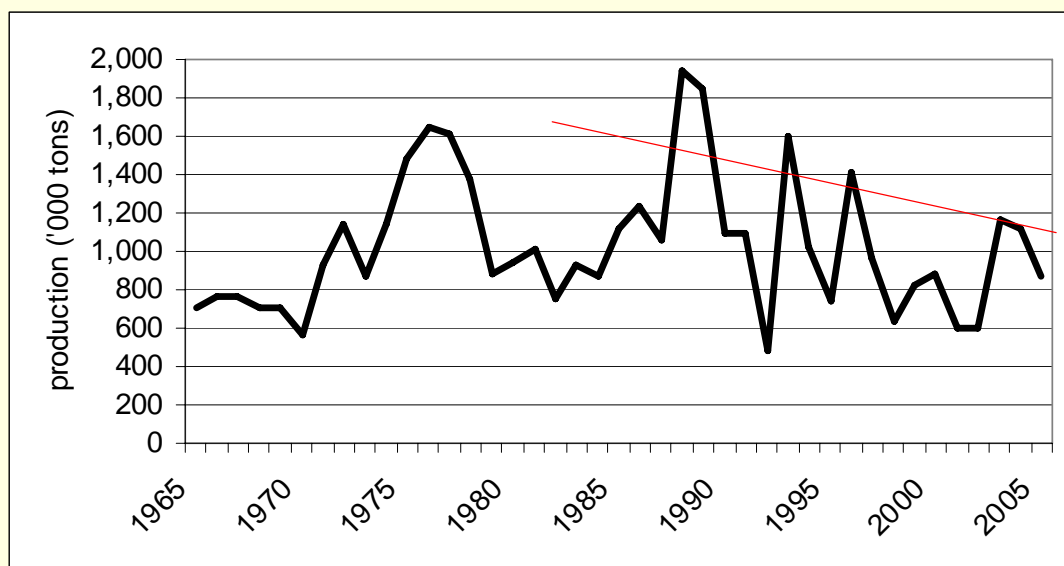
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## Food Staples: Africa's Largest and Fastest Growing Market

	Current Market Value	
	\$ billions	Percent
Traditional Exports	8.6	13%
Non - traditional Exports	7.9	12%
Food Staples	50	75%
Total	66.5	100%

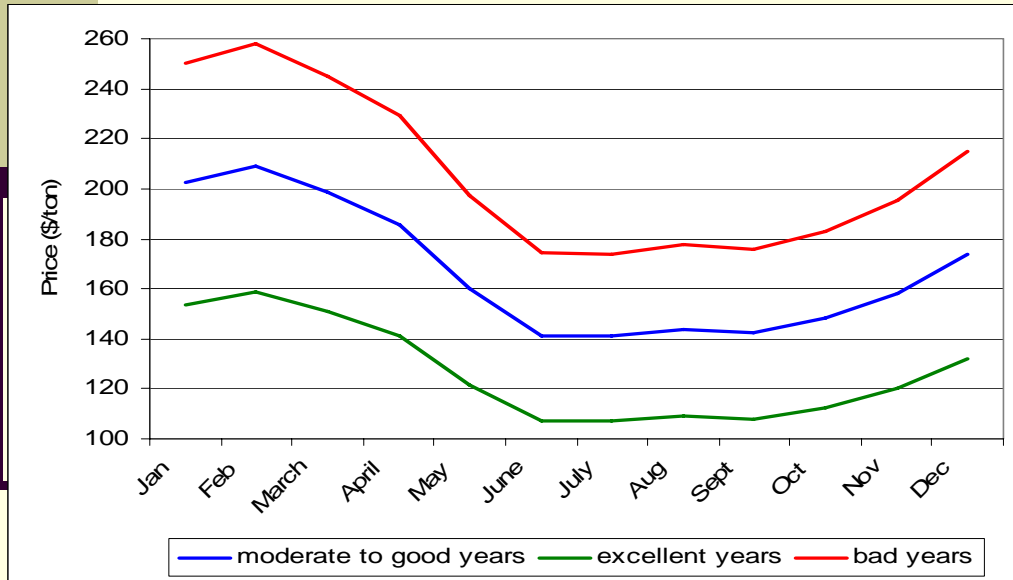
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## Volatile Maize Production Enables Exports in Some Years, Imports in Others

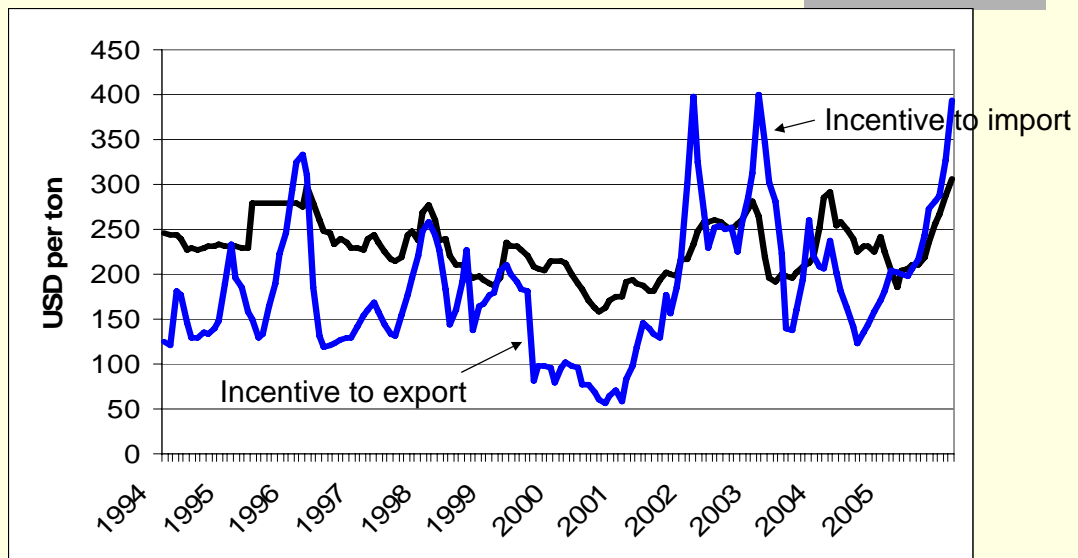


# Fluctuating Domestic Prices

➤ Exports in Good Years & Imports in Bad Years



# Growing Incentives for Maize Import/Export



— Local price    — Import parity price

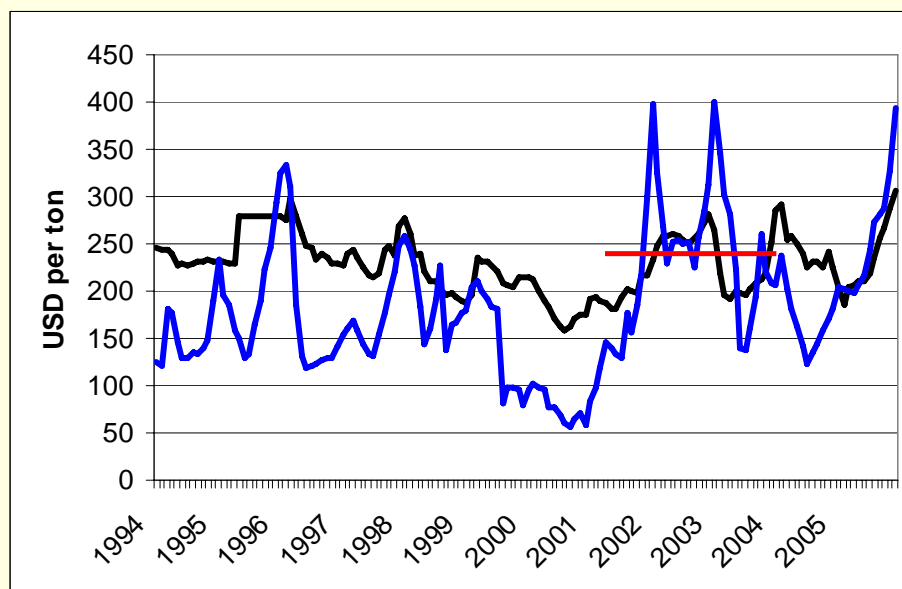
## 2. Short Term Consequences of Regional Trade

- Reduce consumer price volatility
- Improved farm-gate prices, particularly in surplus years
- Increase in production
- Improved food security
- Reduced cost of importation in deficit years
- Increase in exports
- ❖ Forward planning – public/private sector dialogue
- ❖ Efficient information system

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## Short Term Impact of Regional Trade on Price

➤ Imports stabilize price



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— Local Price — Import parity price — Induced price

## Medium Term Consequences of Regional Trade

- Agricultural growth
- Sustainable export growth in Agricultural commodities.
- Increased private investments- machinery, marketing infrastructure
- Stable domestic prices:-
  - surplus yrs – induced increase in local price
  - deficit yrs – induced decrease in local prices
- Sustained improved production.
- **Major essential conditions**
  - ❖ Consistent agriculture policies
  - ❖ Forward planning -Public/private sector dialogue
  - ❖ Efficient information system

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## 3. Current Policy Inconsistencies

- *Stated Regional policy:- COMESA-Free trade in maize i.e. Maize without borders*
- *Stated National policy:-Liberalization the agriculture sector*
- *Actual Practice:*
  - *Region- Mixed*
  - *National: Export import restrictions*
    - good year (2006): export restriction
    - bad year (2005): import restriction

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# Lobbying Positions

	<b>For Free Trade in Maize</b>	<b>Against Free Trade in Maize</b>
All the time	COMESA Grain traders WFP	
In bad harvest years (2005)	Millers (2005)	ZNFU
In good harvest years (2006)	ZNFU (2006)	Millers (2006)

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## 4. Policy instruments and impact

- Import and export restrictions
- FRA intervention
- Tariffs
- Exclusion of non-industrial mills from import quotas
- Stop and go policies

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# Import Restriction

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- Higher local prices - deficit years i.e. imports are supposed to stabilize prices
- Disrupts supply chain
- Discourage grain trade-exports deficit years
- Disrupts exports – deficit years
- Disrupt supply chain

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# Export Restriction

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- Depressed prices for farmers – in surplus years
- Loss of exports markets
- Loss of incentive to produce
- Reduces incentive to invest in marketing infrastructure
- Encourages illegal trade-smuggling
- Discourage grain trade-exports
- Country (traders and govt) loose income

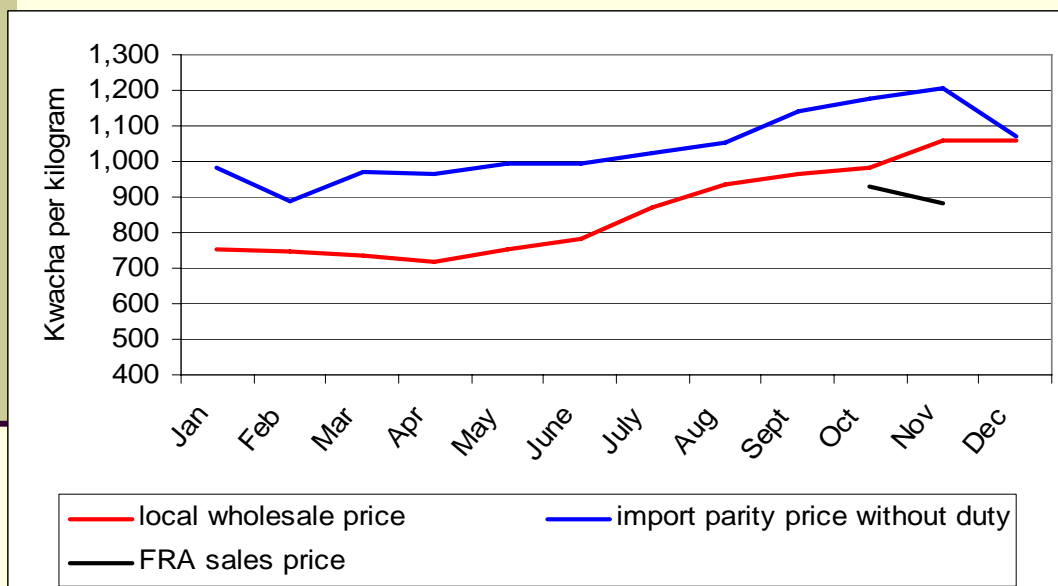
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## FRA Interventions in maize marketing

- Local purchases (2006) diminishes incentives for private purchases.
- Diminishes incentives for private import (2005)
- Discourages exports- floor price +where purchased
- Encourages production – price and assured market
- Price stabilization deficit (surplus and deficit periods)
- Increased uncertainty for net buyers in rural areas

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## 2005: Subsidized FRA Import Price Discouraged Private Imports



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# Tariffs

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- Revenue measure
- Control measure
  - Discourage imports –surplus years
  - Price stabilization–deficit years

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## Exclusion of non-industrial millers

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- Higher prices for maize and meal prices

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## Stop and go policies

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- Discouraged Private Maize Import in 2005
- Maize import duty raised, then rescinded
- Slow issuance of import permits
- New sanitary and phytosanitary requirements introduced
- Import delays cost Zambia over USD 7million
- Cheap FRA maize sales to millers discourages commercial imports

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## Other policy instruments

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- Kwacha Appreciation
  - Generally leads to cheaper imports and induced lower price paid to farmers
  - Little or no exports – due to reduced earns in kwacha terms
- Maize fortification
  - Higher price due to reduced competition

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# Conclusions

- Regional maize trade will be increasingly important for all stakeholders in Zambia; farmers, consumers, millers, grain traders and government
- Current policy inconsistencies discourage trade and long-term investment in domestic maize production and marketing infrastructure for domestic consumption and export.
- Need consistent agriculture trade policy to stimulate growth in agriculture and ensure food security
- Need to develop a mechanism to ensure free trade in maize during both deficit and surplus periods, while ensuring food security at national and household levels.
- Need to develop an efficient information system