ZAMBIAN ECONOMIST

Economic perspectives on Zambia

Showing newest posts with label **agriculture**. Show older posts

TUESDAY, 22 FEBRUARY 2011

A Broken Maize Marketing Policy

Important insights on the 2010 maize marketing polices from a recent FSRP Working Paper - *Who Gained and Who Lost from Zambia's 2010 Maize Marketing Policies?* :

> The two major GRZ maize marketing policies used to date in the 2010/11 marketing year are: (1) setting an FRA maize buy price of K65,000 per 50-kg bag, which is well above maize market prices and roughly comparable to the price of South African maize landed in Lusaka (the import parity price); and (2) progressively increasing the FRA"s maize purchase targets throughout the course of the Agency"s buying campaign and ultimately purchasing 878,570 MT or 83% of expected maize sales by smallholder farmers. These policies have resulted in the following outcomes.
>
> First, **the FRA has accumulated massive maize stocks that can only be sold domestically or in regional export markets at a major financial loss**. Much of the FRA"s maize is at risk of spoilage due to inadequate storage facilities and poor prospects for exports. At the end of the day, the FRA"s 2010 operations are estimated to cost the Zambian Treasury nearly K1.5 trillion.
>
> Second, the FRA"s activities have put upward pressure on market prices for maize but **only a relatively small group of well-capitalized farmers have benefited directly** from the high FRA buy price and large volumes purchased and/or indirectly from higher maize market prices. Despite the bumper crop, only 36% of smallholder farmers expected to sell maize during the 2010/11 marketing year and just 4-5% of maize-growing households (approximately 49,000 households) are likely to account for 50% of all maize sold to the FRA and private buyers.
>
> Third, higher maize market prices as a result of the **FRA's activities have made maize grain and maize meal more expensive** for urban and rural consumers than would have been the case in a bumper crop year without such heavy FRA involvement.
>
> Fourth, because the FRA buy price is comparable to or greater than the import parity price once transportation and other marketing costs are added to the FRA price, millers could obtain maize more cheaply from South Africa than from the FRA unless the FRA's sale price is subsidized by the Zambian Treasury.
>
> Fifth, the FRA's progressive ratcheting up of maize purchase targets caused private traders to delay their entry into the market, which in turn limited access to maize markets for

ABOUT

*A non-partisan website that provides independent economic perspectives on Zambia's progress towards meaningful development for her people. Read more **here**.*

Receive Email Updates

Enter your email address:

Subscribe Delivered by FeedBurner

RECENT COMMENTS

This ranks up there with the Ghanaian Law against ... - Thursday, February 24, 2011 - duckets

Forgive me, I don't think your answer is good ... - Thursday, February 24, 2011 - Zambian Economist

Reason can create a morality. The golden rule make... - Wednesday, February 23, 2011 - Anonymous

When is the entire census being published? - Wednesday, February 23, 2011 - Anonymous

<a href="http://www.postzambia.com/post-read_artic... - Wednesday, February 23, 2011 - MrK

LATEST POSTS

PREVIOUS POSTS

THEMES

> farmers that were unable to sell their maize to the FRA.
>
> And sixth, **maize bought at the FRA price is not competitive in regional export markets and US$91-177 is being lost on each ton exported.** FRA's willingness to export maize at a financial loss and uncertainty over the timing and magnitude of FRA maize purchases and over GRZ export policies have also discouraged private sector participation in formal maize exportation, which could have relieved the national surplus without imposing huge costs on the Zambian Treasury.

What is more worrying is that we expect even a better harvest in 2011. What is the point of even larger bumper harvests when it all comes at great cost to the tax payer? What is the FRA going to do with all the maize it is holding that it can't sell? Is this for election give-aways? As the paper demonstrates we are effectively subsidising our regional neighbours since FRA is forced to sell at below market prices. I would propose that our agricultural policy needs a substantial review. Government intervention only makes sense when it is revenue neutral over a given horizon, otherwise it becomes unsustainable.

The authors have a good set of alternative policies, which are built around developing a "rules-based" system. It would be good to see what the Opposition may propose around this, but I am not holding my breath. What baffles me is that all of this is basic economics and yet it seems like rocket science to the folks at the Ministry of Agriculture. The paper is well worth the read. Also do check out the powerpoint summary of key conclusions from the paper (for those in a hurry!).

THEMES : agriculture

0 Comments

SATURDAY, 12 FEBRUARY 2011

Food, Copper and Kwacha

Standard Chartered assessment of the economic outlook through to 2012. Nothing out of the ordinary but always useful to have numbers in a single place :

> **Food, Copper and Kwacha, Amina Adewusi, Standard Chartered Global Focus, Market Intelligence (Subscription required)** :
>
> We remain constructive on the Zambian kwacha (ZMK) due to continuing strong fundamentals in Africa's largest copper producer. Elevated copper prices and a sustained trade surplus backed by record agricultural output should support the ZMK throughout 2011. Notwithstanding elections, due by September 2011, we expect the ZMK to strengthen to 4,500 against the US dollar (USD) by the year-end.
>
> Our forecast is based on a number of factors. First, we expect ongoing support for copper prices this year, underpinned by tight supply and accelerating Chinese demand. The latest data from the Bank of Zambia (BoZ) shows that FX reserves stood at USD 2.16bn in October 2010, up 17% y/y. With copper earnings accounting for around 70% of Zambia's FX reserves, a further rise is likely, underscoring positive sentiment towards the currency.

Read more »

THEMES : agriculture, economy, mining

0 Comments

THURSDAY, 3 FEBRUARY 2011

The Folly of Food Export Bans

> *"It is quite clear to me that if exports of staple agriculture products are not liberalised, the commercial farmers will only*

RESOURCES

- Agriculture Marketing Information
- ANSA - Africa
- Central Statistics Office
- Economic Association of Zambia
- Eldis - Zambia
- FANPAN - Zambia
- Farm Prices
- IMF Data Mapper
- Infomine Zambia
- Jesuit College for Theological Reflection
- Laws of Zambia (Parliament)
- Laws of Zambia (WLG)
- Market News
- Mbendi - Zambia
- My Wage Zambia
- SA Legal Information Institute
- SA Regional Poverty Network
- ZACCI
- Zambia Agriculture Research Institute
- Zambia Food Security Research Project
- Zambia National Archive
- Zambia National Farmers Union

INVESTMENT OPPORTUNITIES

- Brick World Zambia
- Lusaka Stock Exchange (LUSE)
- Zambian Agriculture Commodities Exchange (ZAMACE)

NOT FOR PROFIT

- Cecily's Fund
- Children With Future
- COMACO
- Legacy Missions
- Link Net
- Micah Challenge
- MS Zambia
- Mumena Missions
- Princess Kasune Zulu
- Tikondane
- Women for Change
- ZAMBART
- Zambia Wild
- Zambian Governance Foundation

PROMOTING ZAMBIA

- Best of Zambia
- Visit Zambia

books botswana children china communication corruption culture decentralisation diaspora dr-congo economy education elections employment energy environment events finance firms foreign-relations funny general governance growth guest-blogs health history housing inequality investment justice land law links-zambia local-govt malawi media mining mozambique namibia politics poverty quick-notes quotable religion rsa rural rwanda statistics swaziland tanzania taxation timber tourism transport urban video water women zimbabwe

MOST POPULAR POSTS (LAST 30 DAYS)

Dead Aid, By Dambisa Moyo (A Review)
Dead Aid, Dambisa Moyo A Zambian Economist Review The question of international aid to developing countries is one of the most controversia...

Sixth National Development Plan (2011-15)
The government launched its Sixth National Development Plan last week. We have embedded the Launch Speech and Executive Summary be...

Pilot Audit Report – Mopani Copper Mine
The secret audit of Mopani's tax avoidance practices are now laid bare in this report by Amis de la Terre et al: Pilot Audit Report - Mopani...

Zambia 2010 Census - Preliminary Results (Presentation)
Interesting results from the 2010 census. The population has gone up to 13m, with eligible voters at 6.5m - which is a bit of a problem cons...

Reflections on Zambian Airways (Guest Blog - KBM)
At the word go – let me wish all the readers of this post, many hundreds, judging by the many feedback messages I get – A HAPPY AND PROSPERO...

Mopani : A Zambian Scandal Made in Europe
A new hard-hitting joint