'Maize marketing should be left to private sector'

The Post, Wednesday 19th February, 2014. Page 12

By Abel Mboozi

ZAMBIA'S maize marketing should be left to the private sector so as to avoid market price distortions, says Rhodah Mofya-Mukuka, a research fellow at the Indaba Agricultural Policy Research Institute.

And the American Chamber of Commerce in Zambia says the Statutory Instrument 72 enacted in 2012, which prohibits referencing transactions in foreign currencies makes the country's agriculture sector less competitive.

In her presentation on the political economy of input and commodity market policies in Zambia to members of parliament on agriculture investment in Zambia on Monday, Mofya-Mukuka said the government should only ensure that it maintains the required national reserves for five months as opposed to engaging in marketing of maize.

He said the Food Reserve Agency and the Farmer Input Support Programme were major government policies with direct involvement in maize marketing and input supply which distorted market prices.

"In principle, the private sector is not barred by law from participating in input and commodity marketing but activities of FRA and FISP tend to discourage them. For instance, the setting of pan-territorial maize prices above the market prices and selling the commodity at subsidised prices to millers are taste examples," she said.

Mofya-Mukuka said ad-hoc trade policies such as export bans and restrictions, selective issuing of import and export licenses created an unstable business environment for the private sector.

"Challenges of public sector involvement are that maize productivity remains at two tonnes/ha against potential eight tonnes/ha and fertiliser is distributed even where it is not needed. Farming inputs are delivered late too," she said. "There is a problem of late payments to farmers while wastage of grain through rotting and spillage is the order of the day. Last year, the minister of agriculture estimated wastage of up to 40 per cent which cannot be the case when maize marketing is left to the private sector."

She noted that it was costly for the government to remain in charge of maize marketing as 50 per cent of Ministry of Agriculture national budget went towards FISP.

"A good example where government does not interfere in maize marketing is South Africa. In South Africa, government just ensures there are enough reserves and it leaves the marketing business to the private sector. Uganda is another success story and such should be the case for Zambia," Mofya-Mukuka said.

And ACCZ in its submission to the forum stated that the SI 72 had resulted in an inflexible, closed market that was unable to hedge of large quantities of grain on either the South African Futures Exchange SAFEX or the Chicago Board of Trade CBOT.

"Not only does this expose Zambia's grain market and farmers to greater risks but it makes Zambian agriculture less competitive. By amending SI 72 to allow the listing of Zambian grain contracts in foreign currencies, for instance SAFEX, Zambian farmers, millers and private sector traders would be better able to manage the risk of being part of the global market. In turn, this would mean more private sector investment at all stages of the value chain," the submission stated.

"Additionally, most Zambia's crop-inputs are imported which has immediate currency cost implications. By continuing to prohibit the referencing to U$ of these inputs, we believe there will be an inflationary impact cost of production which will impact food prices."

The ACCZ noted that to ensure a robust agricultural sector and Zambia's food security, it was essential that the government supports a free and open market.

"Trade helps create jobs, supports local economies and raise living standards. Government market interventions disrupt or distort trade and have an immediate impact at the basic level," the submission stated.

The ACCZ was of the view that the government could help the situation by supporting trade through an open, durable and rule-based trading system and by refraining from trade distorting or market disruptive policies and interventions.