Agro experts warn over looming maize deficit

COMMENT - Zambia needs to expand it's agricultural capacity. We need to put revenues from the mines into infrastructure and agriculture.

Agro experts warn over looming maize deficit
By Joan Chirwa
Tuesday October 14, 2008 [04:00]

AGRICULTURAL experts have warned that Zambia is likely to require maize imports by the first quarter of next year owing to a looming deficit on the local market.

But agriculture minister Ben Kapita said the ministry was hopeful that the current maize stocks would suffice through to the next harvest season, and could not state whether the country will need to source maize imports next year.

A team of experts at the Agricultural Consultative Forum (ACF) noted that maize traders, millers and farmers have indicated that Zambia would likely require imports by early 2009 in order to avoid domestic maize supply shortages.

The ACF analysis, done by Michael Weber, Antony Chapoto, Steven Haggblade, Julius Shawa and Thomas Jayne, states that official food balance sheets compiled by the Ministry of Agriculture and Co-operatives from the 2007/2008 farming season, appear to have underestimated the demand for maize this year.

“They may also have slightly overestimated the size of the 2007/2008 maize crop,” stated the experts in a paper discussing market policy options for consumer price mitigation actions in the 2008/2009 maize marketing season in Zambia. “Hence the slow government recognition of the need for maize imports. As of late September 2008, neither the government of Zambia nor the private sector had arranged to import maize from South Africa.”

And trade sources suggest informal imports from Tanzania were currently helping to relieve the likely maize shortfall.

“Zambian policy makers face a delicate balancing act. They need to maintain remunerative prices for farmers in order to stimulate maize supply response during the coming 2008/2009 production season, while at the same time moderating maize meal price increases to protect urban consumers and the many rural households who are net buyers of maize,” the experts stated. “The time to respond to this balancing act challenge is now rather than later in the marketing season when costs of supplies and transport will increase.”
“Several policy actions offer potential win-win options for balancing these twin concerns. For example, the government could allow private maize imports by issuing permits now or decontrol maize imports for this season so traders can lock in relatively lower grain and transport prices to be in a position to supply millers later in the season.

“Public sector (FRA) maize imports would not be needed if government and private traders can work together to produce sustainable solutions.

“The government would reserve or dedicate a major part of FRA stocks to sell to local traders and custom milling clients with maize grain in the outlying provinces during the lean season. FRA could also enter into a contract with Zambian commercial farmers for “early maize”.

“Maize prices are rising rapidly in 2008 and are fast approaching import parity levels.”

The experts suggested that the government, in partnership with the donors, should create a workable special emergency fund to subsidize the cost of grain or perhaps roller meal between November 2008 and March 2009 in order to allow millers to pay traders or importers market prices without passing the full costs on to low income consumers in Zambia.

“This situation creates a delicate balancing act for Zambian policy makers. While not giving in to excessive budget overruns and compromising longer run development plans, they need to maintain high prices to farmers to produce enough maize in the upcoming 2008/2009 production season whilst keeping maize at tolerable prices for urban consumers and the many rural households who are net buyers of maize,” they stated. “A comparison of current maize prices with a five-year average from normal harvest years suggests that current prices exceed “normal” levels when evaluated in US dollars.

August 2008 prices are already almost equal to lean season highs attained during the 2005/2006 marketing season. Looking forward, the South African Futures Exchange (SAFEX) futures price and rising transport rates suggest that lean season prices will top US $400 (about K1.5 million) per tonne.

While transport costs from South Africa to Lusaka were roughly US $100 (about K350,000) per tonne of maize in June 2008, they rose to US $145 (about K545,000) per tonne by August and are now over US $200 (about K700,000) per tonne as the huge demand for transport this year has strained capacity.

“What happened in the 2005/2006 marketing season is perhaps the best indicator of what could happen to maize price if the decision to import or otherwise try to deal with rising maize prices is delayed,” the experts stated. “The prices that Zambia faces for importing maize are also constrained by genetically modified organisms (GMO) grain issues in Zambia, and by the relatively short and highly sought after supply in South Africa of non-GMO maize. Ideally, it would be necessary to track food price trends against both formal and informal wage rates and returns to business income for both urban and rural households. Currently this is work in progress.”

Zambia’s Crop Forecast Survey (CFS) announced by the Ministry of Agriculture and Co-operatives mid this year estimates the 2008 maize crop at 1.2 million tonnes, declining by about 12 per cent from the previous year.

This was however a 6.2 per cent increase in per capita production compared to recent moderate to good harvest years.
“Of course, an above-average harvest would normally lead to a fall in price. Based purely on the crop forecast survey production estimate of 1.2 million tonnes, our simulation model suggests that Zambia’s maize price should be about 15 per cent below average prices. Instead, Zambia’s maize price in 2008 has been higher than normal (at least in nominal US dollar and nominal kwacha terms),” the experts noted. “If Zambian farmers produced closer to 1.1 million tonnes during 2008, or 100,000 tonnes less than the crop forecast survey estimate, this would represent a 2.6 per cent supply reduction compared to recent “normal” year.

“Lower production would in turn lead to a price increase on the order of seven per cent. A harvest closer to one million tonnes would result in an 11.5 per cent production fall and a 39 per cent increase in maize price.

“So, in the absence of any other changes, a maize harvest in the range of 1.05 million tonnes would result in the observed 20 per cent price increase.

But other factors may well have changed, contributing to the observed maize price increase.”

The experts further asserted that real income increases of 15 per cent - roughly half the level of real increases in per capita GDP between 2000 and 2008 – coupled with a 1.2 million tonne harvest, would lead to roughly an 11 per cent increase in the domestic maize price.

“Growing demand in the Democratic Republic of Congo (DRC), fueled by population growth and a similar mining boom there, may have contributed to increased informal exports,” they stated.

“Likewise, higher maize prices in Malawi, due to an apparent production shortfall there, will tend to attract informal maize exports from Zambia. Indeed, traders indicate that Zambian maize has been flowing into both Malawi and DRC during this marketing season. World food markets are currently volatile and nervous.

“This may have triggered aggressive purchasing by private grain traders in Zambia, aimed at acquiring stocks early in the buying season, which may have put upward pressure on food prices.

“Our interviews with the farming and trading community suggest that traders have had to bid up their price to try to get more supplies from farmers, but with little success. Despite the fact that traders have acquired their stocks early, it is likely that prices will continue to rise because they have locked in to more costs in terms of purchasing price, storage and financing.

“Given the size of the crop, market prices started the 2008 season above the FRA price and have remained above throughout the 2008 season so far, even after the FRA increased its buying price to K55,000 per 50 kilogramme in September. Since millers and traders expect Zambia to require imports this season, the import parity price may already be influencing the market price for maize in Zambia.

“Given production shortfalls in Zimbabwe and possibly Malawi, competition for regional transport will put upward pressure on transport rates over the coming six months. Interviews of traders in September 2008 indicate that transport costs have now risen to $220 per ton of maize.”

Late last month, local industry analysts had predicted a significant rise in mealie-meal prices during the first quarter of 2009 owing to the high cost of maize, forecasting a 25 kilogramme bag of breakfast at around K75,000.

It was noted that the local markets had been under pressure largely on
account of the escalating demand for maize against lower production capacity attained in the last farming season. And the projections for mealie-meal prices, if proved correct, are more than likely to defeat government’s effort in trying to keep the country’s annual inflation rate at single digit.

The Central Statistics Office (CSO)’s September data indicated that rising food prices had mainly driven the country’s annual rate of inflation, which stood at 14.2 per cent for the month of September, although the Central Bank still remains optimistic that it would attain single digit inflation by the end of this year.

Food items accounted for 7.8 percentage points of the total 14.2 per cent annual inflation in September 2008, while non-food products in the Consumer Price Index (CPI) accounted for a total of 6.4 percentage points.

This explained the rising costs of food items in the country, threatening lives of a majority of citizens whose incomes are far below the cost of living for a family of six in Lusaka which currently stands at around K1.8 million, as indicated by the Jesuit Centre for Theological Reflection (JCTR)’s basic needs basket (BNB).

A comparison of retail prices between August 2008 and September 2008, shows that the national average price of a 25 kg bag of roller meal increased by 5.8 per cent, from K38,370 to K40,577.

And the national average price of a 20 litre tin of maize grain increased by 6.2 per cent from K18,565 to K19,719.

And some milling companies recently revealed that they had been offering as high as K72,000 per 50 kilogramme bag of maize, warning that consumers would have to pay more for mealie-meal in the short term. They also disclosed that they were encountering numerous difficulties in accessing maize, saying the country had produced less than had been announced in for this year’s harvest season.

An agribusiness expert earlier observed that the trend in mealie-meal prices next year would largely depend on whether Zambia will import maize to offset the rising demand for the commodity. Gerrit Struyf hoped that the Zambian farmers will the next season produce a solid crop which will enable the country to be self sufficient in maize production.

At the moment, Zambia’s maize price is around US $ 365 (about K1.3 million) per tonne while in South Africa, the source of the country’s imports, the current price is US $240 (around K900,000). South African Futures list a price of US $ 255 (about K955,000) for March next year. In case Zambia will need to import maize from South Africa, the landed price (with transport costs of US $ 150 per tonne) in the country will be around US $400 (about K1.5 million), which is about 10 per cent higher than the current prices.

And Kapita, in an interview, said he was hopeful that the current maize stock would be sufficient through to the first quarter of 2009.

He, however, advised Ministry of Agriculture and Co-operatives extension staff to work closely with small-scale farmers and ensure technical support is provided for them to produce adequate crop in the next farming season.

“With the increase in number of beneficiaries for the Fertiliser Support Programme (FSP) subsidised inputs from 125,000 to 200,000, this must give Zambia a bigger increase in maize production in next year’s harvest,” Kapita said. “I am therefore directing extension workers in my ministry to assist the small-scale farmers with knowledge on proper planting, fertilisation and
weeding in order for them to get good yields per hectare from the coming farming season’s crop.”

Zambia, Malawi and Tanzania are currently the only countries in the Southern African Development Community (SADC) region with good maize production capacities. And if local farmers can work on their yields per hectare which are currently in the region of 1.3 tonnes per hectare to about three to four tonnes, Zambia will be better-placed to export its crop to deficit countries within the region. At the moment, the government has suspended maize exports for the country’s food security.

Labels: MAIZE

posted by MrK @ 8:21 AM  

0 comments:

Post a Comment

Subscribe to Post Comments [Atom]

links to this post:

Create a Link

<< Home

I am reading...

- The Bush Agenda: Invading the World, One Economy at a Time by Antonia Juhasz
- The Funding Of Scientific Racism by William H. Tucker
- The Chimurenga Protocol, by Nyaradzo Mtizira
- Syndromes of Corruption: Wealth, Power, and Democracy by Michael Johnston
- Islands Of Intensive Agriculture: In Eastern Africa (Eastern African Studies) by Mats Widgren & John E.G. Sutton
- The New Golden Age: A Revolution against Political Corruption and Economic Chaos, by Ravi Batra
- The Basics Of Permaculture Design by Ross Mars
- Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism, by Cambridge economics professor Ha-Joon Chang
- Grassroots Governance? Chiefs in Africa and the Caribbean (Africa, Missing Voices Series)