ENABLING POLICY ENVIRONMENT AS KEY TO AGRICULTURAL PRODUCTION AND TRADE

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Three Models for the State

**Model 1**  
Rely on markets -- state role limited to:  
- Public goods investment  
- Regulatory framework  
- Strengthening of institutions / property rights  
- Policies supportive of private sector entry and competition

**Model 2**  
Primary reliance on markets  
- but role for rules-based state operations  
  - e.g., buffer stock release in response to defend stated ceiling price  
  - Marketing board purchases at stated floor price announced in advance  
  - Transparent rules for initiating state imports  
  - public goods investments

**Model 3**  
Role for markets and discretionary state intervention  
- Based on premise that private sector cannot ensure adequate food supplies in response to production shortfalls  
- Justification for unconstrained role for state interventions in markets to correct for market failures
The Role of Policy Environment

Value of Exports for Key Smallholder Crops

Source: FAOSTAT trade data
Of an anticipated surplus of ~ 1 million tons only formally exported 180,000 mt in 2011.
Effects of Policy Unpredictability in Zambia

- Loss of commercial maize production
- Limited transmission of favorable world prices to smallholders
- Lost private investment in storage infrastructure—Links to northern markets
- Continued low productivity by smallholders
- Flourishing informal trade
- High food prices for consumers
Conclusion

- Zambian agricultural policy has tended toward Model 3:
  - This has been detrimental to the agricultural growth prospects for the country
  - Need for stable “rules-based” policies to foster long-term commercial trading relationships
    - Transmission of favorable world prices coupled with redirection of public spending on drivers of growth will led to productivity growth for smallholders.
  - Zambia must seize the current moment before a new potential exporter emerges.
Conclusion

- Strategies to move toward Model 2:
  - Push for the passage of the Agricultural Marketing Act
  - Use Stocks Monitoring Committee forum to develop price ranges for government action
  - Develop arrangements to strengthen P&P and to enable exports