State losing K2trn on maize subsidies

By NANCY MWAPE

THE Indaba Agricultural Policy Research Institute (IAPRI) says maize subsidies to millers are costing Government about K2 trillion and are not benefiting consumers.

This translates into about two percent of the country's gross domestic product (GDP).

IAPRI researcher Auckland Kuteya says subsidising millers is not a cost-effective way of ensuring urban food security, as the money being lost can be spent on construction of schools, hospitals, roads and on training farmers.

Mr Kuteya said this in Lusaka yesterday when he made a presentation titled "Is the Zambian government's subsidy to maize millers benefiting consumers?"

"Maize marketing system in Zambia is not functioning effectively...why is there a shortage of mealie meal in the middle of two successive maize bumper harvests and we continue spending two percent of GDP on Government maize trading?" he said.

Mr Kuteya said Zambia's agricultural sector faces many challenges, including ensuring access to food at tolerable prices by consumers, to enhance national food security.

He said the non-cost effective use of public funds to promote national policy objectives and ensuring a competitive maize marketing system are the other challenges facing the agriculture sector.

Mr Kuteya said the Food Reserve Agency (FRA) subsidy to selected millers does not provide a level playing field.

"Some millers receive heavily subsidised grain, others do not. Over time, those who cannot obtain subsidy lose market share and may exit the market," he said.

He said Government has introduced strategic interactions with millers such that they are compelled to wait for subsidised maize from the FRA.

Mr Kuteya said the development has disadvantaged traders as millers would rather procure cheap maize from FRA than from traders.

"There is little evidence that the FRA subsidy to millers is improving national food security... selective subsidies to particular millers disadvantage others and adversely affect competitiveness, resulting into a concentrated maize marketing system," he said.

Mr Kuteya also said the market outlet for farmers is reduced as traders curtail their buying operations. He said Government must make its operations in the maize market more predictable and stick to the announced FRA purchase volume.

He said it is time Government weaned millers off dependency on subsidised FRA maize.

"If Government wishes to subsidise maize meal prices, it should consider other policy instruments for doing so," he said.

Earlier, IAPRI chairman Mick Mwala said Zambia has faced many agricultural challenges including low agricultural productivity, high rural poverty levels and low budgetary allocations to drivers of agricultural growth such as infrastructure development, research, development and extension service provision.

Dr Mwala cited land constraints by majority smallholders, recent problems in the cotton sector and unpredictable Government intervention in maize marketing, as some of the challenges facing the country's agriculture sector.

IAPRI's mandate is to generate and integrate research findings into national, regional and international policy strategies to promote sustainable agricultural growth as a means of reducing hunger and poverty in Zambia.

Dr Mwala said the institution, which has its roots in the food security research project, is a non-profit organisation established in October 2011.