Zambia Agricultural Policy
Finding a Balance Between Public Facilitation & Private Sector-Led Growth

By
Jones Govereh and Michael Weber
Food Security Research Project

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Outline – Selected Comments

• Agricultural strategic plan (FNDP)
• Policy goals & selected instruments
• Policy successes & challenges
• Summary
Strategic Plan for Agriculture (Fifth National Development Plan)

• Mission
  – facilitate and support the development of a sustainable and viable agriculture sector

• Vision
  – to promote development of an efficient, competitive and sustainable sector

• (FNDP & related documents downloadable from ACF Website http://www.acf.org.zm/)
Policy Goals

• Attain food security for majority households
  – 90% food secure by 2015

• Increase agriculture’s FOREX earnings
  – contribution 5% target 20%

• Productivity growth to expand output
  – Present annual rate 1-2% target 7-10%

• Increase contribution to GDP & Ag. incomes
  – GDP Current 18-20% target 30%
Policy Strategy & Instruments

• Private sector led market development
• Government focuses on infrastructure and support services

• Instruments
  – Public expenditure
  – Taxes (will not say much on taxes and trade today)
  – Trade restrictions/incentives
Real Public Agricultural Expenditure (PAE) levels, 2000 – 2008
2008 Resource % Allocation Within Agriculture: ZMK893.1 billion

- Poverty Reduction Programmes, 32%
- Agriculture Development Programmes, 31%
- Recurrent Departmental Charges, 11%
- Personal Emoluments, 13%
- Spending through other ministries, 12%
- Other MACO expenditures including capital expenditure, 1%
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### Poverty Reduction Programs 2008

<table>
<thead>
<tr>
<th>Category</th>
<th>Allocation ('ZK billion')</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irrigation support</td>
<td>5.8</td>
<td>2</td>
</tr>
<tr>
<td>Commercialization of farm blocks</td>
<td>6.4</td>
<td>2</td>
</tr>
<tr>
<td>Animal disease control</td>
<td>9.7</td>
<td>3</td>
</tr>
<tr>
<td>Livestock development</td>
<td>1.8</td>
<td>1</td>
</tr>
<tr>
<td>Fertilizer Support Program</td>
<td>185.0</td>
<td>62</td>
</tr>
<tr>
<td>Strategic Food Reserves</td>
<td>80.0</td>
<td>27</td>
</tr>
<tr>
<td>Cooperative Education and training</td>
<td>0.5</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>7.9</td>
<td>3</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>297.2</strong></td>
<td><strong>100.0</strong></td>
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</tbody>
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Public Expenditure on Agriculture

- Size of budget grown but achieving growth targets requires quality allocations
- Planned improvement in field service delivery shown but need to be sustained
- Poverty reduction is staple food centered, more planning needed to improve returns
- Commitment to fully deploy resources exist but sacrificing long-term programs for short term ones will limit growth
Selected Policy Success

- Economic diversification
  - Non-traditional exports exponential growth
  - Non-maize staples growing
- Competition in maize milling
  - Real maize meal prices trending downwards
- Cotton’s market economy success
- Private sector imports all fertilizer requirements (but FSP discourages private retailing of fertilizer)
Trends in Agricultural Export Revenues

- - - percent of export value

$ million exports
Periods of Success in Seed Cotton Production (1993-2006)

Successful Periods
Production rose due to
- Input credit
- Extension service
- Self regulation etc
Benefits of GOZ & Commercial Development in Milling Industry:

Lusaka: Price trends

000 Kwacha/ton (real: cpi-2005=100)

Year/Month

Source: Agricultural Marketing Information Centre-Zambia-various years
Production Trends in Food Staples

The graph shows the production trends of maize and cassava from 1965 to 2005. The production of maize is represented by a green line, and the production of cassava is represented by a black line. The x-axis represents the years, while the y-axis represents the production in thousands of tons. The graph indicates fluctuations in production over time, with both crops experiencing periods of increase and decrease in production.
Fertilizer Imports by Private Sector

Production season

Tons

0 50,000 100,000 150,000 200,000 250,000 300,000


Private
Government
Policy Challenges

• Unpredictability in policies and implementation
• Amendment of Cotton Act (2006)
• New Marketing Act
• Amendment of Credit Act (1995?)
Policy Unpredictability

• Export/import bans, quotas (Year to year & within year)
• Uncertainty over changes in import tariff rates
• When, where & at what price will FRA enter the market
  – 2008/09 example: Incentives for private trader maize imports, or is FRA going to import and sell below costs?
• Farmer & trader inventory carrying risks are high
• All of these sources of unpredictability impede private traders’ servicing small farmers’ needs
• Uncertainty/unpredictability impedes private investment & competition in output & inputs markets
Improvements in Cotton Act

- Entry of new players putting sector under stress
- Rules of the game needed to protect success – allow private sector more management tools for side selling
- Rules to ensure honest competition while not undermining input credit, extension and cotton quality
Elements of New Marketing Act

• Clarify role of FRA
• Establish an agricultural marketing council
• Provide for improved market information
• Manage public storage to encourage use by private agricultural investors
• Harmonize stand-alone commodity Acts
Amendments of Credit Act

- Appoint agency to regulate warehouse receipt system (WRS)
- Improve inventory credit by issuing transferable receipts
Summary

• Further growth and poverty reduction still required
• Commitments agreed to should be fully implemented – AMDP, AIM, FNDP, CAADP
• Private investment in domestic & export agriculture should be encouraged
• 90% of PRP are for private goods, key public goods investments are needed & should be delivered