

Brace for higher food prices, warns FSRP

By Business Reporter
CONSUMERS should brace themselves for increased food prices following Government's decision to standard rate agricultural products for Value Added Tax (VAT) purposes in this year's budget, the Food Security Research Project (FSRP) has warned.

And Zambia National Farmers Union (ZNFU) president Guy Robinson has said apart from increased agricultural products prices, the new VAT measures would make local products uncompetitive on the local market as consumers would opt for cheaper imported products.

This is according to the study findings by the ministry of Agriculture and Cooperatives (MACO), the Agricultural Consultative Forum (ACF), the Central Statistical Office (CSO) and the Food Security Research

Project (FSRP).

The collaborative findings were presented yesterday at the 2006 agricultural sector budget analysis meeting in Lusaka.

The FSRP also revealed that apart from the exempted products, small scale farmers would now pay more for all inputs raising their cost of production as they were not eligible to claim VAT from the Zambia Revenue Authority (ZRA).

"Consumers, not just those that buy to eat but small scale farmers included will have to pay more for things like fertilizers and other inputs that now attract VAT at 17.5 per cent," reads the FSRP findings in part.

And Mr Robinson said the VAT measures introduced in this year's budget were negative to the agricultural sector.

He said that the measures meant that small scale farmers who were not eligible for VAT registration as they fell below the K200 million threshold would have to bear the 17.5 per cent VAT now chargeable on fertilizers, agro chemicals, stock feeds and grain bags among others.

The ZNFU chief noted that increasing the cost of production for small-scale



• ROBINSON

farmers was not in line with the 2006 budget theme of as the tax measures were discriminatory.

The measure also imposed some cash problems for VAT registered farmers who now had to find the money to pay for their inputs before claiming from ZRA and yet the refunds were not paid on the spot.

The measures also meant that farmers not registered for VAT would have problem selling their products in the formal markets, which would prefer dealing with registered suppliers.

Other implications of the measures are that smallholder

farmers who sell any agro produce more than K200,000 should show tax clearance certificate to the buyer without which the buyer would charge 45 percent withholding tax on small and unregistered farmers.

The measures would further encourage informal trading.

The ZNFU has appealed to Government to urgently analyse the budget implications on the cost of production, the discrimination of smallholder farmers and regional competitiveness in food production and food security.

Zambef Zambia managing director Carl Irwin said the

new VAT measures meant that his company would have to pass on about 15 per cent of the tax to its customers.

This meant an increase of K2 billion per month on basic food products of beef, chickens, milk and eggs.

Mr Max Mbuli from SeedCo said the measure would badly affect the group of farmers that were the engine of the sector growth.

The Livestock Development Trust also felt the measures would encourage mass movements of cattle and increase risks of disease outbreak and yet the budget provided paltry amounts for disease control.



LUSE CLOSING STOCK PRICES AS AT February 7,

Security symbol	2006 Prices (K)	Change
BATZ	285.00	
BPZAM	490.00	
CCHZ	10.00	
CHL	1,800.00	
FARM	1,450.00	
FARMPREF	4,400.00	
NATBREW	1,500.00	
	120.00	