Farmer Incentives for producing surplus for export

ZNFU
Commercial imperative

• ONLY motivation to produce commercially is PROFIT
• Returns minus costs MUST yield margin.
• Maize margins must rank highly against alternatives.
• Production costs must be competitive in the region.
• Low margin, high volumes can yield significant profit.
Assumptions in planning to produce surplus

• Ability to price competitively in export market.
• Stable economic and trading environment from plan conception to sale (predictable exchange rate, interest rates).
• No adverse market distortions (export bans, NTBs, competing donor activity, political pressure).
• Possible favourable guaranteed export incentives/subsidies.
• Logistical considerations/transport costs.
Historical perspective
Border prices

- Import price
- Domestic price in USD under a hypothetical 30% Kwacha appreciation
- Domestic price (Lusaka wholesale)
Farmers’ judgement on scope for exports

- Policies on maize trade favour consumers over producers for political reasons.
- Maize price is political icon, vulnerable to electioneering.
- Export of maize is politically emotive, therefore insecure.
- However, there is sustained demand from Congo and Angola and periodic opportunities in Tanzania, Zimbabwe, Mozambique and Malawi.
- Viability is vulnerable to donor activity.
- Misjudgement of opportunity can lead to price collapse.
Incentives to export

- Guarantees on unrestricted exports – let price determine the direction of trade.
- Safeguards against measures to suppress maize price.
- Contracted production for export market.
- Export credit guarantee scheme.
- Political acceptance of export trade.