Regional Maize Trade: Implications for Food Security & Agricultural Growth

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1. Growing opportunities for regional trade
2. Consequences of regional trade
3. Current policy inconsistencies
4. Policy instruments & impact
1. Growing Opportunities for Greater Maize Export

- Location and demand
  - DRC
  - Angola
  - Zimbabwe
  - Malawi
  - Namibia

Zambia is Well-positioned to Access Growing Regional Markets
Food Staples: Africa’s Largest and Fastest Growing Market

<table>
<thead>
<tr>
<th>Current Market Value</th>
<th>$ billions</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional Exports</td>
<td>8.6</td>
<td>13%</td>
</tr>
<tr>
<td>Non - traditional Exports</td>
<td>7.9</td>
<td>12%</td>
</tr>
<tr>
<td>Food Staples</td>
<td>50</td>
<td>75%</td>
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<tr>
<td>Total</td>
<td>66.5</td>
<td>100%</td>
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Volatile Maize Production Enables Exports in Some Years, Imports in Others
Fluctuating Domestic Prices

- Exports in Good Years & Imports in Bad Years

![Graph showing price fluctuations](image)

Fluctuating Domestic Prices

Growing Incentives for Maize Import/Export

![Graph showing incentive trends](image)
2. Short Term Consequences of Regional Trade

- Reduce consumer price volatility
- Improved farm-gate prices, particularly in surplus years
- Increase in production
- Improved food security
- Reduced cost of importation in deficit years
- Increase in exports
  - Forward planning – public/private sector dialogue
  - Efficient information system

Short Term Impact of Regional Trade on Price

- Imports stabilize price

![Graph showing local price, import parity price, and induced price from 1994 to 2005]
Medium Term Consequences of Regional Trade

- Agricultural growth
- Sustainable export growth in Agricultural commodities.
- Increased private investments - machinery, marketing infrastructure
- Stable domestic prices:
  - surplus yrs – induced increase in local price
  - deficit yrs – induced decrease in local prices
- Sustained improved production.

Major essential conditions
- Consistent agriculture policies
- Forward planning - Public/private sector dialogue
- Efficient information system

3. Current Policy Inconsistencies

- Stated Regional policy: COMESA-Free trade in maize i.e. Maize without borders
- Stated National policy: Liberalization the agriculture sector
- Actual Practice:
  - Region - Mixed
  - National: Export import restrictions
    - good year (2006): export restriction
    - bad year (2005): import restriction
Lobbying Positions

<table>
<thead>
<tr>
<th></th>
<th>For Free Trade in Maize</th>
<th>Against Free Trade in Maize</th>
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</thead>
<tbody>
<tr>
<td>All the time</td>
<td>COMESA</td>
<td></td>
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<tr>
<td></td>
<td>Grain traders</td>
<td></td>
</tr>
<tr>
<td></td>
<td>WFP</td>
<td></td>
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<tr>
<td>In bad harvest years (2005)</td>
<td>Millers (2005)</td>
<td>ZNFU</td>
</tr>
</tbody>
</table>

4. Policy instruments and impact

- Import and export restrictions
- FRA intervention
- Tariffs
- Exclusion of non-industrial mills from import quotas
- Stop and go policies
Import Restriction

- Higher local prices - deficit years i.e. imports are supposed to stabilize prices
- Disrupts supply chain
- Discourage grain trade-exports deficit years
- Disrupts exports – deficit years
- Disrupt supply chain

Export Restriction

- Depressed prices for farmers – in surplus years
- Loss of exports markets
- Loss of incentive to produce
- Reduces incentive to invest in marketing infrastructure
- Encourages illegal trade-smuggling
- Discourage grain trade-exports
- Country (traders and govt) loose income
FRA Interventions in maize marketing

- Diminishes incentives for private import (2005)
- Discourages exports - floor price + where purchased
- Encourages production – price and assured market
- Price stabilization deficit (surplus and deficit periods)
- Increased uncertainty for net buyers in rural areas

2005: Subsidized FRA Import Price Discouraged Private Imports

![Graph showing the difference between local wholesale price, import parity price without duty, and FRA sales price over the months of 2005. The graph illustrates how subsidized FRA prices discouraged private imports.](image)
Tariffs

- Revenue measure
- Control measure
  - Discourage imports – surplus years
  - Price stabilization – deficit years

Exclusion of non-industrial millers

- Higher prices for maize and meal prices
Stop and go policies

- Discouraged Private Maize Import in 2005
- Maize import duty raised, then rescinded
- Slow issuance of import permits
- New sanitary and phytosanitary requirements introduced
  - Import delays cost Zambia over USD 7 million
- Cheap FRA maize sales to millers discourages commercial imports

Other policy instruments

- Kwacha Appreciation
  - Generally leads to cheaper imports and induced lower price paid to farmers
  - Little or no exports – due to reduced earns in kwacha terms

- Maize fortification
  Higher price due to reduced competition
Conclusions

- Regional maize trade will be increasingly important for all stakeholders in Zambia; farmers, consumers, millers, grain traders and government
- Current policy inconsistencies discourage trade and long-term investment in domestic maize production and marketing infrastructure for domestic consumption and export.
- Need consistent agriculture trade policy to stimulate growth in agriculture and ensure food security
- Need to develop a mechanism to ensure free trade in maize during both deficit and surplus periods, while ensuring food security at national and household levels.
- Need to develop an efficient information system