Zambia Agricultural Policy

Delivering Public Facilitation & Private Sector-Led Growth

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Research and Outreach Supported By:
Ministry of Agriculture & Cooperatives

Outline

• Agricultural strategic plan (FNDP)
• Policy instruments
• Policy successes
• Policy 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/)

Agricultural policy objective

• To achieve accelerated growth, efficiency, competitiveness in the agricultural sector
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
  – Current 18-20% target 30%

Policy strategy

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

- Public expenditure on agriculture
- Taxes
  - Value added tax
  - excise duty
  - levies
- Trade restrictions
  - Duties
  - Trade bans

The record for 2007: Resource allocation to agriculture was ZMK1087 billion
## Poverty Reduction Programs 2007

<table>
<thead>
<tr>
<th>Category</th>
<th>Allocation (‘ZK billion)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irrigation support</td>
<td>9.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Commercialization of farm blocks</td>
<td>10.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Animal disease control</td>
<td>6.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Livestock development</td>
<td>3.4</td>
<td>0.9</td>
</tr>
<tr>
<td>Fertilizer Support Program</td>
<td>150.3</td>
<td>38.2</td>
</tr>
<tr>
<td>Strategic Food Reserves</td>
<td>205.0</td>
<td>52.1</td>
</tr>
<tr>
<td>Cooperative Education and training</td>
<td>2.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Other</td>
<td>6.2</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>393.3</strong></td>
<td><strong>100.0</strong></td>
</tr>
</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
Government’s major direct intervention role in markets

• Maize producer price support 20-60% above market price
• Fertilizer and hybrid seed 60% below market price
• Exports f.o.b $190 per ton yet break-even-price $240 per ton
• Off-loading imports on domestic market below market prices

Import restrictions

• Import duty
  – 5% raw material, 15% intermediate & 25% finished (maize grain is @ 15%)
• Import VAT @ 17.5%
• Produce, plants and grains are restricted goods under the Control of Goods Act
  – need licences, permits, certificates etc to import or export
Export restrictions

• Quantity restrictions
  – Suspension of permit issuance
  – Notice never given & no formal complaints raised

Agricultural Taxes

• Domestic VAT
  – Tobacco, cotton, coffee, roses and fresh vegetables are standard rated – pay & claim; collect & remit
  – all other products VAT exempt – pay but no claim
• Excise tax on energy (3%) and fuels (30%)
• Profit from farming taxed @ 15%
• Inter-district movement levies @ 2-5%
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 does not market it all)

Trends in agricultural export revenues
Tangible Benefits of GOZ & Commercial Development in Milling Industry:

Lusaka: Price trends

Source: Agricultural Marketing Information Centre-Zambia-various years

Production Trends in Food Staples
Figure 1. Seed cotton production in Zambia, 1993 - 2004

Fertilizer imports by the private sector
Policy Challenges

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

Policy Unpredictability

- Export bans, import quotas (Year to year & within year)
- Uncertainty over changes in import tariff rates
- When and where will FRA enter the market
  – current example: is FRA going to sell low this year?
- Prices at which FRA buys and sells unpredictable
- Farmer & trader inventory carrying risks are high
- All of these sources of unpredictability impede private traders’ servicing small farmers’ needs
- Impedes investment and competition in output & inputs markets
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
Improvements in Cotton Act

• Entry of new players putting sector under stress
• Rules of the game needed to protect success
• Rules to ensure honest competition while not undermining input credit, extension and cotton quality

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