

Zambia Agricultural Policy

**Delivering Public Facilitation
& Private Sector-Led Growth**



By:

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Research and Outreach Supported By:

Ministry of Agriculture & Cooperatives



The Agricultural Consultative Forum

FSRP/MATEP

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%

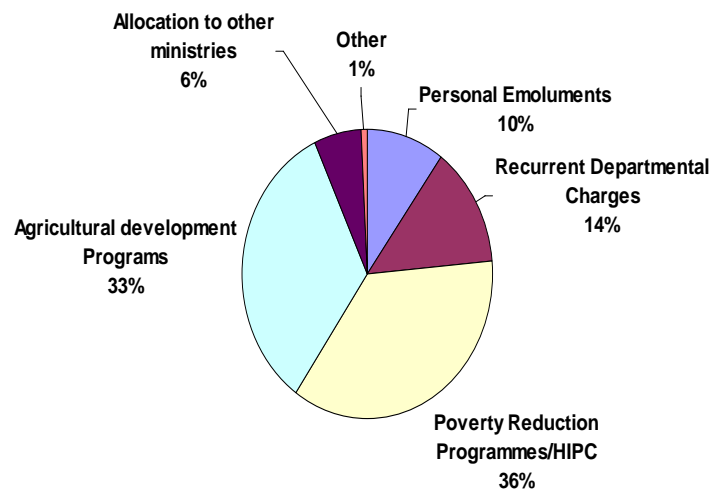
Policy strategy

- 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

Category	Allocation	
	('ZK billion)	(%)
Irrigation support	9.2	2.4
Commercialization of farm blocks	10.1	2.6
Animal disease control	6.5	1.6
Livestock development	3.4	0.9
Fertilizer Support Program	150.3	38.2
Strategic Food Reserves	205.0	52.1
Cooperative Education and training	2.6	0.7
Other	6.2	1.6
TOTAL	393.3	100.0

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

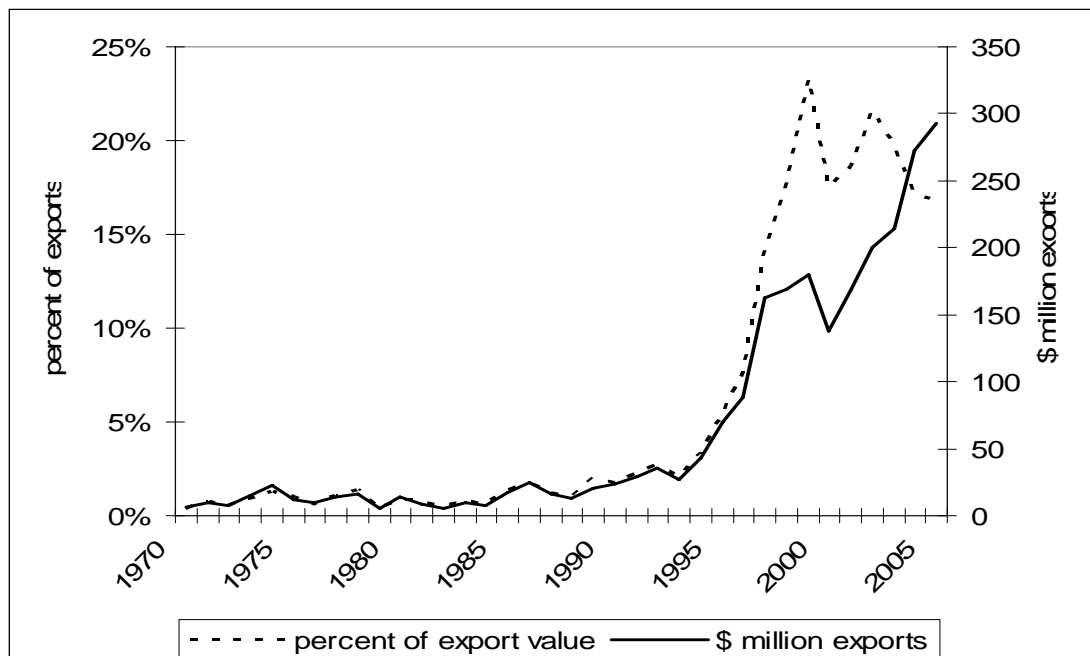
Agricultural Taxes

- 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%

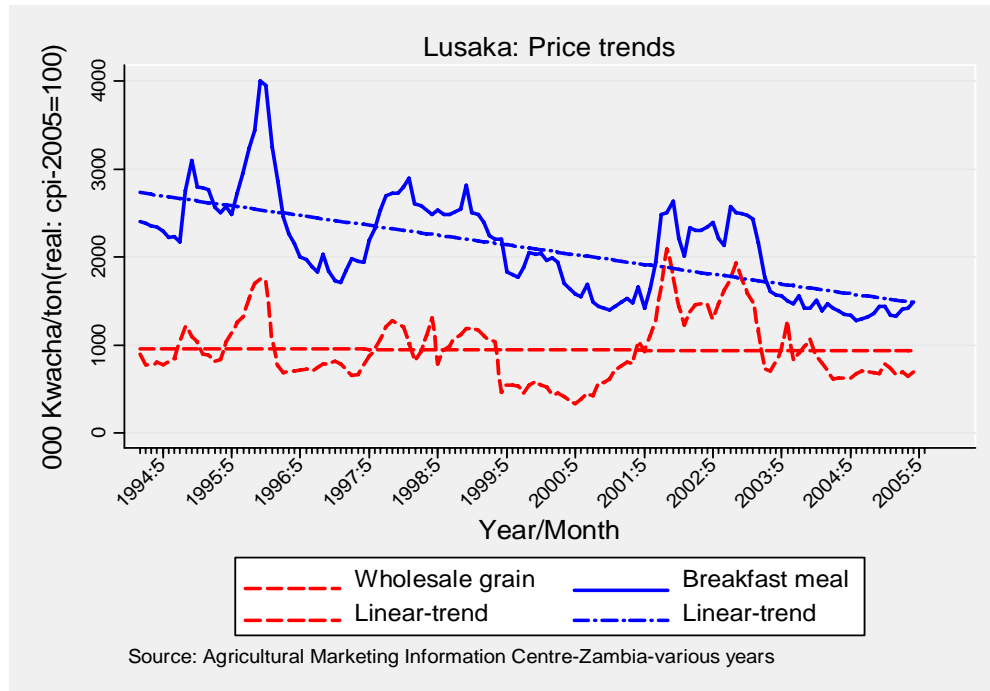
Policy success

- 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:



Production Trends in Food Staples

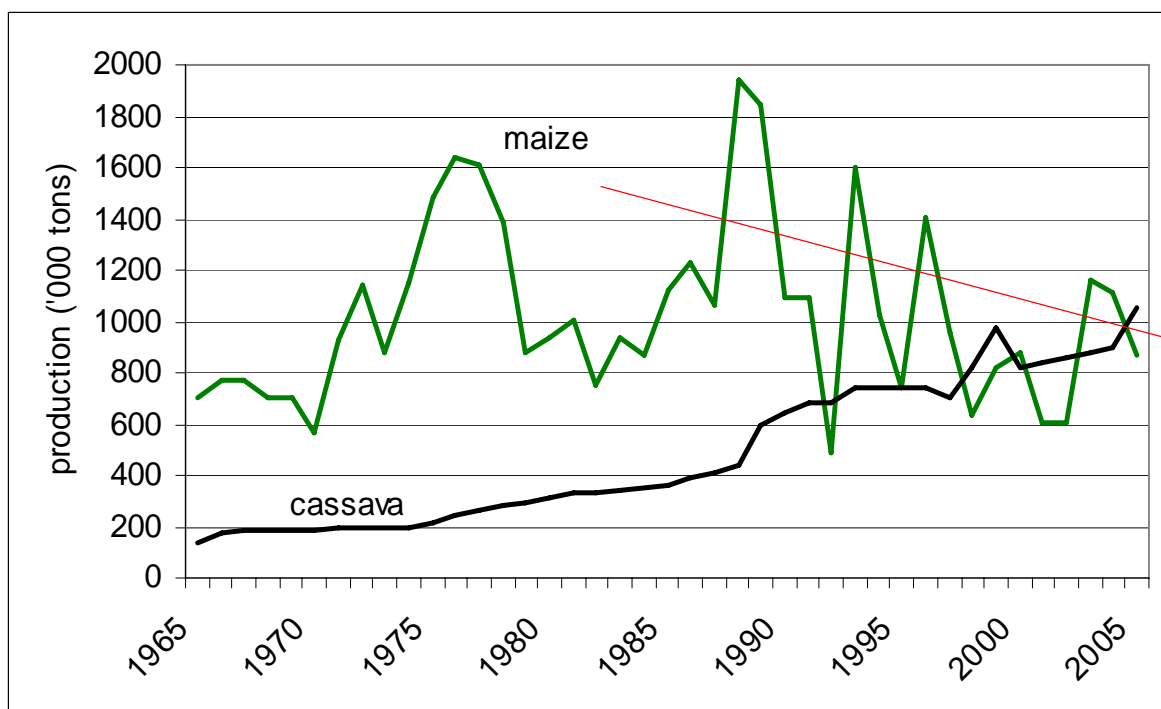
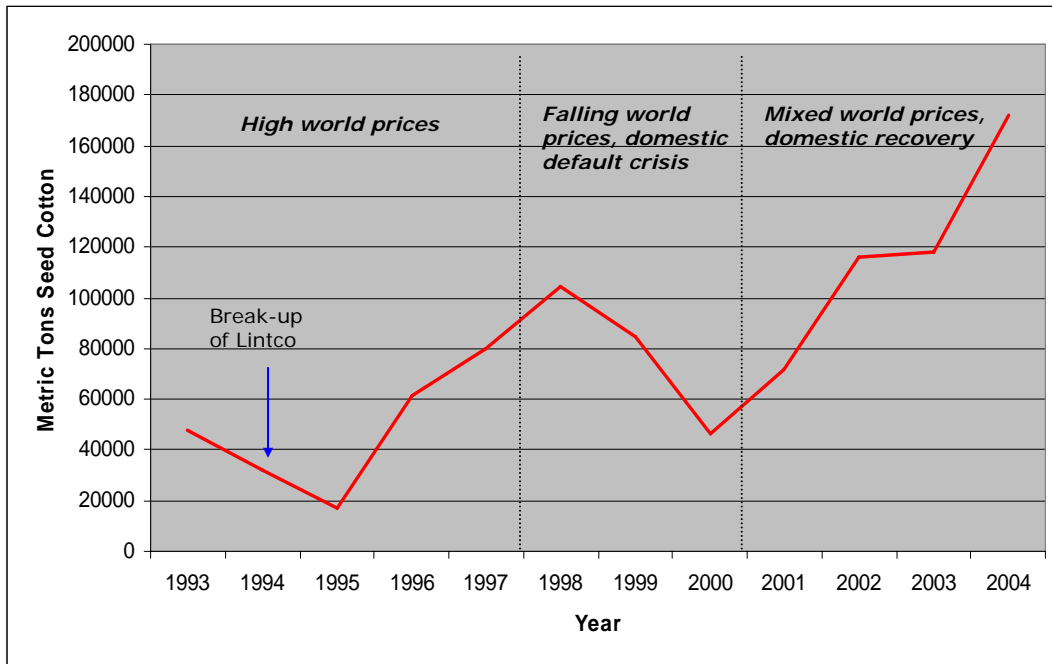
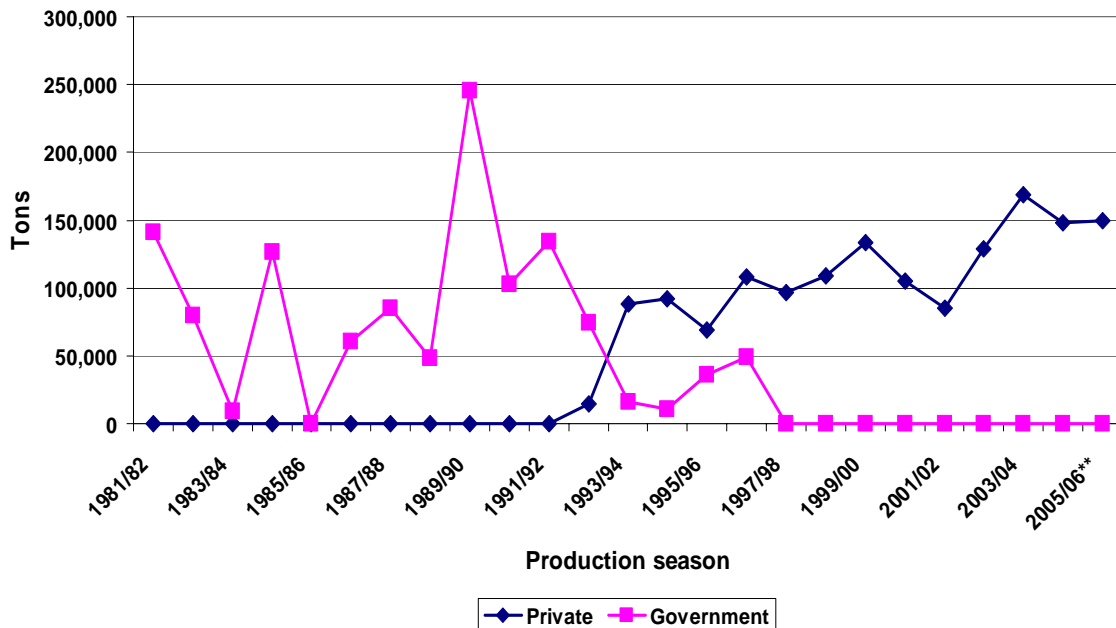


Figure 1. Seed cotton production in Zambia, 1993 - 2004



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