

Grain Marketing in Zambia in the 2005-06 Season

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The Background

- nine companies, including mills, considered to have commercial import capacity;
- most stocks held by millers and by the Food Reserve Agency (FRA);
- limited cross-border trade. Export potential to D.R. Congo and imports from Tanzania and Mozambique;
- commercial and FRA imports targeted at mills and small-scale sector has little opportunity to access imports.



Problems with maize imports(1)

- initial crop forecasts of deficit (85000t) underestimated the extent of the shortfall
- political statements that Zambia would be self-sufficient;
- unwillingness to accept private sector and FRA estimate of shortfall (200000t+);;



Problems with maize imports(2)

- once shortfall accepted, Government looked to Food Reserve Agency to import 50000t. but there were significant delays to this;
- concern about GMO maize. GoZ wanted testing equipment in place before authorizing imports;
- import duty had been raised to 15% making imports unprofitable at time deficit became apparent;



Problems with maize imports(3)

- lifting of duty took long time. Traders complained about insufficient urgency within GoZ to resolve problems;
- duty only lifted until end of the year;
- new MACO phytosanitary rules then introduced;
- by the time these problems were resolved quantity of maize shipments to Malawi and Zimbabwe presented major logistical problems for Zambia, combined with significant border delays;



Problems with maize imports(4)

- President directed MACO “*to come up with favourable actions that would see a reduction of mealie meal prices*”
- this statement, delays in FRA imports and the likelihood of subsidised sales of those imports meant that, at the end of 2005, the possibility of profitable commercial transactions by the private sector appeared limited.



Other issues

- While millers were able to import and to purchase FRA stock; small-scale traders and hammer mill operators rapidly lost business;
- Exports were officially banned but continued unofficially;
- WFP (and C-SAFE NGO consortium) was being criticised for:
 - allegedly bidding up the price of transport;
 - seeking to purchase maize from FRA;
 - monetisation of food aid supplies by some recipients.



The consequences

- Traders estimate loss to the economy of up to \$24mn;
- Only 20000t of FRA scheduled imports of 50000t had arrived by mid-March;
- Supplies said to be “quite tight”;



Avoiding future problems (1)

- improving communications and overcoming hostility to the private sector.
 - previous communication between GoZ and private sector was on an *ad hoc* basis. A more formal mechanism with regular meetings is required, building on representation provided by the ZNFU, National Millers' Assoc. and newly formed Grain Traders Assoc.
- An Agricultural Marketing Council or National Grains Council appears necessary.



Avoiding future problems (2)

- develop clear policy relating to the food trade, and stick to it:
 - re import and export licences, duties and tariffs. All appear unnecessary. Certainly, whatever policy is adopted it must be consistent;
 - re the Food Reserve Agency. Should it be involved in the commercial market? If so, should its sales be subsidised? Should it only supply relief maize? Has it a role to supply the small-scale sector?



Avoiding future problems (3)

- urgently explore ways of reducing red tape, particularly at borders;
- address storage constraints being experienced by the private sector;
- conduct studies of (1) the impact of food aid on local markets and (2) the implications if free trade had been permitted in previous years;
- address problems of lack of supply experienced by small-scale sector.



Avoiding future problems (4)

- Work to harmonize SADC and COMESA trade rules and ensure that they are implemented;
- work to harmonize SPS standards with neighbouring countries;



Thank you.

[http://www.fao.org/ag/ags/subjects/en/
agmarket/agmarket.html](http://www.fao.org/ag/ags/subjects/en/agmarket/agmarket.html)

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