

FOOD SECURITY FOR SOUTHERN AFRICA



Edited by
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University of Zimbabwe UZ/MSU Food Security Project

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PART V: NEEDED RESEARCH ON EFFECTS OF MARKET LIBERALISATION ON FOOD SECURITY OF THE POOR

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CHAPTER SEVENTEEN

AGRICULTURAL POLICY REFORMS IN ZAMBIA

C. Muntanga and F. Mwiinga

BACKGROUND

The real output of the Zambian economy has been declining for the last decade. Various factors have contributed to this prolonged contraction including:

1. The heavy import dependency of the existing economic structure. The productive structure in the economy depends on imports for raw materials and essential production inputs like oil, fertilizers, pesticides and other agricultural and industrial chemicals. In addition, the production structure in the parastatal sector is strongly biased towards the production of consumer commodities rather than intermediate goods. This lop-sided development of the manufacturing sector with its import dependency is exacerbated by the shortage of foreign exchange over the past decade. These problems have led to the under-utilization of capacity in most industries and have inhibited the smooth operation of the manufacturing sector, whose output is subject to wide fluctuations depending on the availability of imported inputs.
2. The export sector has not been sufficiently diversified despite the fact that this has been one of the major objectives of all the three medium-term plans that the country has so far implemented. Over 90 percent of export earnings are still derived from mineral exports of which copper is the dominant commodity. The copper mining industry is itself highly dependent on imports and absorbs almost a third of the foreign exchange earnings for imported inputs.

3. Sharp deterioration in Zambia's terms of trade during the last decade; has greatly reduced Zambia's capacity to import. The result is that investment in the domestic economy has fallen sharply from 22 percent of real GDP in 1980 to 11 percent in 1985. The bulk of this investment expenditure is directed towards the rehabilitation of the existing industries, structures and institutions. There is very little investment in diversification of the domestic economy.
4. The deterioration in Zambia's balance of payments position worsened in 1982 and led the country to suspend external debt service payments. In early 1983, the country had to go to the Paris Club to ask for re-scheduling of some of its debt service liabilities. The process has since been repeated for the third successive year in 1985.
5. Agricultural output remains heavily dependent on rain-fed cultivation. Hence, a shortfall in food production is always experienced when there is a drought and the country has to import food, especially maize, to meet its requirements. Buffer stocks are not available to shield the nation against adverse weather conditions. Other problems in this sector include: lack of regionally self-sufficient agricultural processing facilities and capacity at provincial and district levels, to process agricultural raw materials such as leather, oil seeds, wood etc. to produce finished goods.
6. The interaction of the various factors outlined above has contributed to Zambia's current economic crisis and to its external indebtedness. There is an urgent need to restructure the economy.

AGRICULTURAL REFORMSAgricultural Pricing Policy

Zambia's agricultural pricing policy has been focused on price stabilization to ensure that farmers recover their production costs when their produce is sold. The government uses a cost of production method in determining crop producer prices and producer prices are reviewed annually to reflect inflation and other changes in the economy.

In 1984 the government introduced floor prices for all controlled agricultural commodities except maize. Under the floor price regime, the farmer is free to negotiate for a price higher than the government set price. This move is an attempt to bring the crop producer prices in line with the decontrolled prices of their end products. Prior to the introduction of the floor prices, there was an outcry by the farming community that government controls on producer prices were taxing farmers in the sense that the crop prices were artificially depressed. This was viewed as a disincentive to investment in the agricultural sector. This outcry won sympathy from the government and a floor price scheme was adopted to ensure reasonable returns to farmers irrespective of the prevailing market situation. In this way, capital flows into agriculture would continue thereby enhancing overall agricultural development.

Although the floor price system is in effect, most crops have not benefitted from this policy decision. The floor price in most cases has remained "the selling price". This is principally due to lack of a strong organisation to fight for high prices on behalf of the farmers - particularly small scale farmers. However, crops such as wheat, soyabeans and tobacco that are dominated by commercial farmers have been able to realize higher prices through their organization - the Commercial Farmers Bureau.

Liberalization of the Agricultural Marketing

Since 1968, the National Agricultural Marketing Board (NAM Board) was the only organization with statutory power to market agricultural crops except specialized crops such as cotton, tobacco, tea and coffee. It also ~~had~~ the responsibility of importing any shortfalls and/or exporting any surplus. However, NAMBoard's performance has never been very satisfactory. It could not reach some of the areas thereby denying farmers in such areas access to the formal market. It could not move all the crops to safe storage on time to avoid losses through rains. It was generally highly inefficient and depended on government subsidy for their day-to-day operations.

In 1982, the government allowed provincial co-operative unions to market agricultural crops in their respective provinces. NAMBoard's operations were restricted to inter-provincial marketing of maize and exporting any surplus and/or importing any shortfall. Under this new arrangement, the situation seemed to worsen and subsidies to NAMBoard and Provincial Unions more than doubled.

In 1985, the government made another attempt to try to improve the marketing situation. This time, instead of allowing NAMBoard and Co-operative Unions operating independently, they had to work with Unions acting as agents of NAMBoard in the marketing of maize. However, Unions retained the portfolio of marketing other crops such as sunflowers, groundnuts, soyabeans, cassava, sorghum millet, etc. This new arrangement also did not solve the marketing problems. Apparently, Unions did not accept this arrangement and as a result, they never took the responsibility seriously. The whole arrangement ended up as a total failure. It was, however, believed that no one institution had the capacity to effectively market maize throughout the country.

In view of the problems outlined above, in April of 1986 the government passed a policy decision to liberalise the marketing of crops which were marketed by NAMBoard. Under this new arrangement, NAMBoard ceased to enjoy statutory monopoly power in the marketing of agricultural crops especially maize. Today all interested parties including NAMBoard, Unions, Millers and indeed private traders are free to participate in the marketing of agricultural crops. However, NAMBoard is charged with the following responsibility for maize:

- (1) the buyer of last resort,
- (2) importing and exporting maize,
- (3) maintaining a strategic reserve of 2.5 million 90kg bags at all time, and
- (4) facilitating inter-provincial trade i.e. supplying maize to deficit provinces from surplus provinces.

Moreover, NAMBoard has to compete with provincial unions, millers and other private traders in the marketing of maize in surplus provinces.

It is hoped that under the new marketing arrangement, a more efficient marketing system will emerge.

It is assumed that allowing wider participation in the trade, competition will emerge among participating institutions/persons thereby promoting efficiency. More importantly is the belief that by freeing the marketing system all parts of the country will be serviced. Also by allowing direct sales of maize to millers by farmers both the transport and handling costs will be reduced.

Though it is too early to assess the performance of the new marketing arrangement, it is probably worthwhile to note that the marketing of maize in 1986 has been much better co-ordinated than the previous years. Payment to farmers for their produce has been fairly prompt and also almost 90

percent of the marketed maize has already been moved to safe storage. This is not to say that the new system has no problems. To the contrary, the system experienced some operational problems initially.

NAMBoard could not supply empty grain bags to Unions on credit as has been the tradition. This is because they were no longer associates but competitors. This caused considerable delays in the distribution of empty grain bags particularly in the remote areas where NAMBoard has no distributional outlets. Also, because the government had to pay a maize subsidy to NAMBoard and Unions and not to other potential traders, the marketing activity remained restricted to NAMBoard and Unions. This problem has however, been resolved by ensuring that subsidy is only paid to Millers on the basis of their mealie meal production figures. This means that agricultural marketing institutions will not receive subsidy, instead they will charge economic prices for maize sold to millers. It is hoped that this arrangement will permit all interested parties to participate in the marketing of maize. And indeed, any other agricultural commodity.

Input Procurement and Distribution

The government has also made some policy changes with regard to the procurement and distribution of inputs particularly fertilizer and grain bags. The procurement and distribution of other inputs has already been decontrolled.

Under the new policy measure, NAMBoard will no longer be obligated to procure and distribute these inputs. Instead, it will compete with other interested traders. The idea is to spread the financial burden of procuring fertilizer and empty grain bags. It was also felt that those farmers or group of farmers should be allowed to import inputs instead of waiting for NAMBoard fertilizer which, in most cases, is either in short supply or distributed late.

Incentives

The government has also introduced the following incentives to enhance agricultural development:

- (i) attractive producer prices,
- (ii) a flat tax rate of 15 percent on income from agriculture,
- (iii) development allowance for growers of tea, coffee and citrus fruits,
- (iv) two years write-off period for farm machinery and equipment,
- (v) withdraw of selective employment tax on incomes of expatriates engaged in agriculture,
- (vi) exemption of customs duty on imported agricultural machinery,
- (vii) foreign exchange retention scheme for exporters of agricultural commodities.

RESEARCH AND EXTENSION

A recognised critical input in the development of agriculture is the supply of the appropriate messages from research extension.

The Department of Agriculture has re-organised its research department where research has historically been carried out by disciplines. Under the new system research is carried out by Commodity Research Teams (CRT), Specialist Research Teams (SRT) and Adaptive Research Planning Teams (ARPT). Commodity Research Teams conduct applied agricultural research on a given commodity in order to generate new technology and build up a pool of knowledge (and expertise) on that commodity. Specialist Research Teams focus on the production and constraints of a given locality or farming system drawing on the pool of knowledge by the respective Commodity and Specialist Teams. The Adaptive Research Planning Teams are charged with developing a two way communication link between the Commodity and Specialist Research Team and the farmers or specific target groups with the involvement of extension staff at all levels.

Formal links between Research and Extension exist through

various committees such as annual commodity research meetings which are attended by Extension Subject Matter Specialists. Besides these annual meetings, there are also a number of co-ordination meetings. The establishment of the post of Research-Extension Liaison Officer at the Headquarters of Agricultural Research and in all Adaptive Research Planning Teams based at the provincial level is aimed at strengthening this linkage and getting information flowing between the branches and farmers.

The Extension Services has also re-orientated its approach towards technology transfer. In the past progressive farmers were given priority. Now it is obliged to serve all types of farmers. However, due to the limited resources (both in terms of staff and infrastructure) emphasis is now directed towards the small scale grower because these are the majority of the farming population and lag behind in improved knowledge and technology. Because of this emphasis, the Department of Agriculture decided to introduce an intensive method of extension popularly known as the Training and Visit System (the T and V System). The Extension Branch has since been restructured, especially at the lower levels, in order to implement this new extension approach. Basically, the T and V System involves regular scheduled visits to contact farmer or farmer groups on pre-arranged days. These visits are also extended to the field staff group discussion, mobile courses, and demonstrations. Regular supervisory visits are made by senior staff to assist in solving farmers' problems and conducting courses or demonstrations.

CONCLUSION

All these reform measures mentioned above are intended to enhance the development of the agricultural sector. There is a firm conviction that given Zambia's endowments and level of technological development, the only logical path to a meaningful development is to start with agriculture.

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