



IMPLICATIONS OF REGIONAL INTEGRATION ON THE AGRICULTURAL SECTOR IN ZAMBIA

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*Presented at the Regional Integration in Africa Conference,
Cresta Golfview Hotel,
26th October 2016*

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Presentation Flow

1

Zambia's Trade opportunities

Importance of facilitating agricultural trade

Challenges of Regional Integration to
Zambian Agricultural Sector

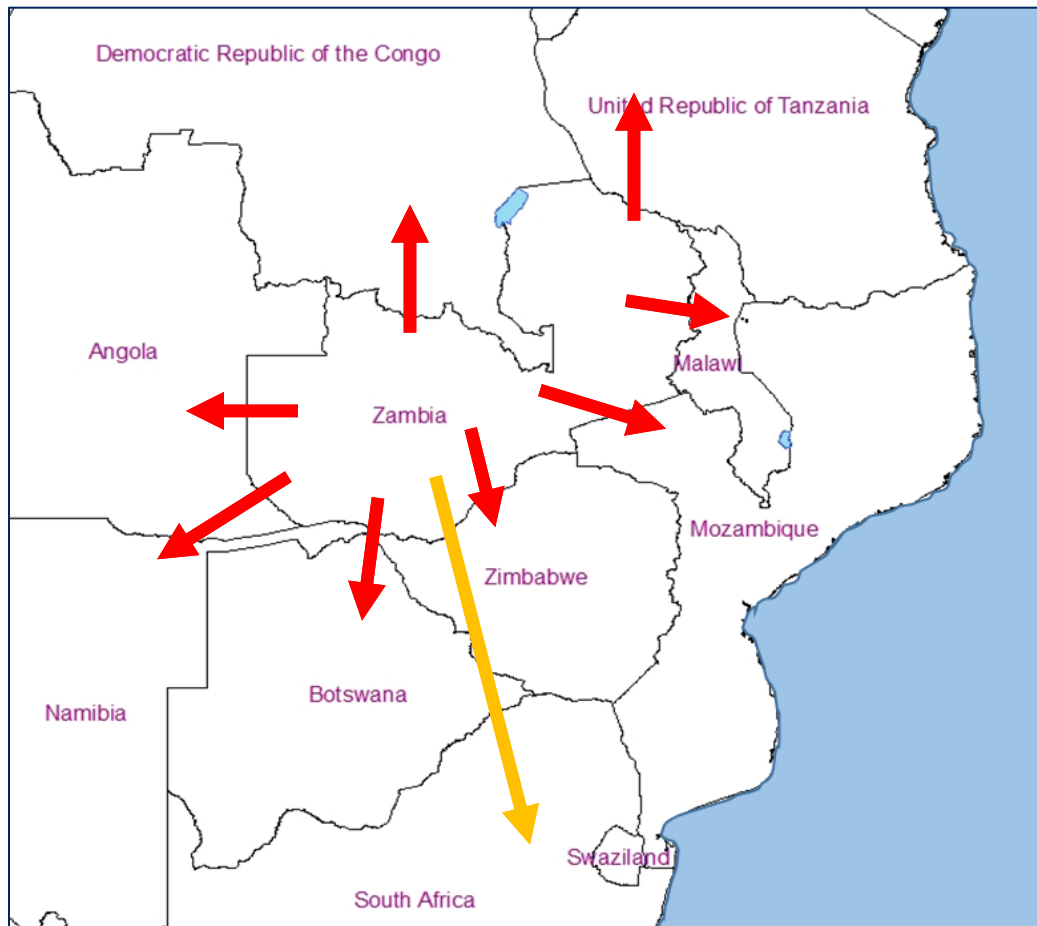
Regional Agricultural Trade
Opportunities for Zambia

Conclusion and Policy Recommendation

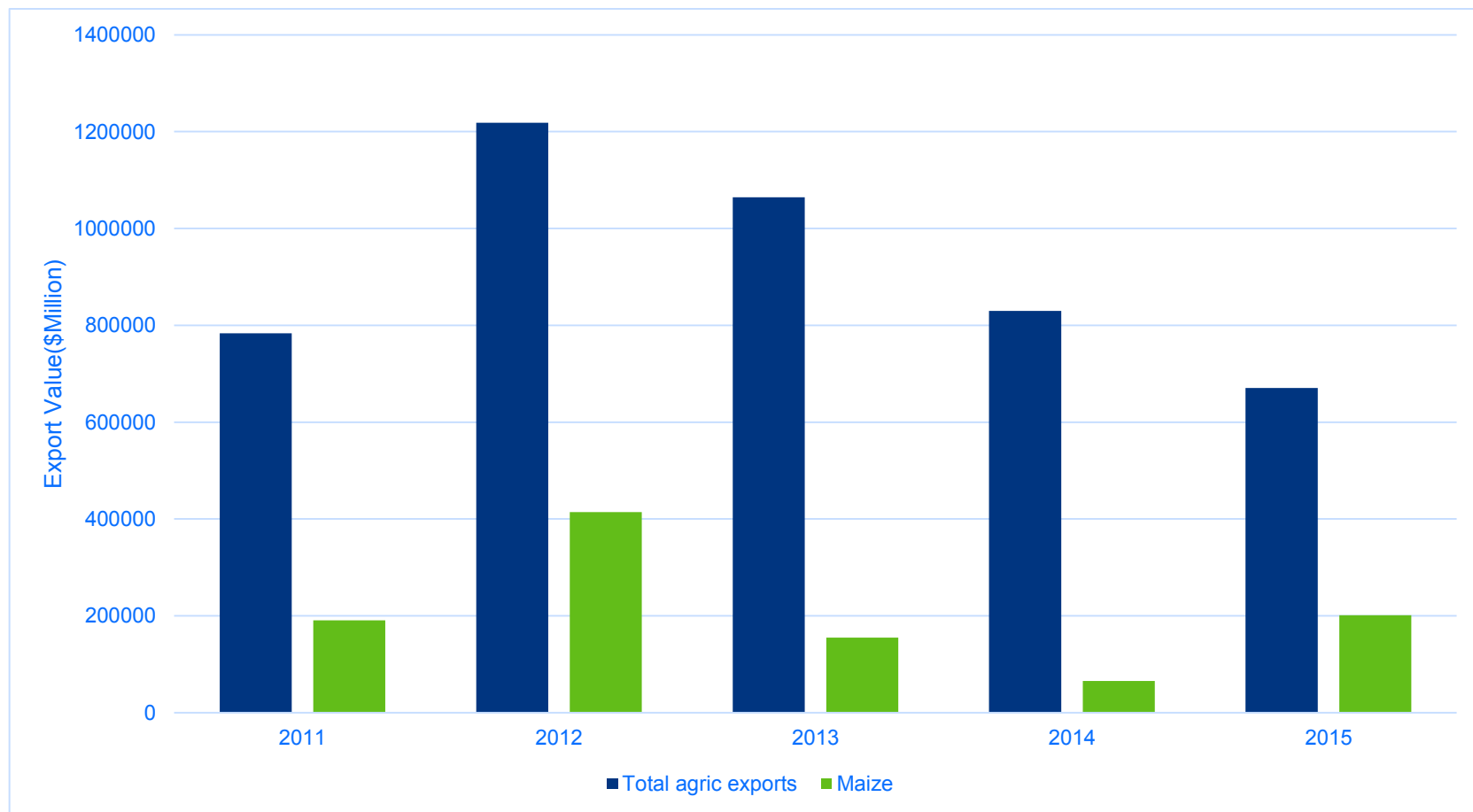
Huge Opportunities for Zambia's Agriculture!

2

Zambia is strategically positioned to be the **bread basket** of Southern Africa – must take advantage



Zambia's agricultural and maize exports



Zambia's agricultural and maize exports

- The total value of agricultural exports rose to over US\$1 billion in 2012 but later declined to about \$670 Million by 2015.
- In 2015, maize accounted for 30% of export revenue from agricultural exports.
- Main export commodities:
 - Maize
 - Sugar
 - Tobacco
 - Cotton
 - Maize seed

...Variation in Regional Comparative Advantage

5

South Africa
predominantly
largest maize
surplus while
it is often
deficit in
wheat

Zimbabwe
a major
maize
deficit
country

Tanzania
self-sufficient
in maize and
second
largest
surplus
producer of
rice after
Madagascar

Malawi self-
sufficient in
maize but
barely self-
sufficient in
wheat and
rice

Zambia a major
surplus producer
of maize in
recent years,
self-sufficient in
wheat but deficit
in rice.

DRC,
structurally
deficit in all
cereal
crops

**Botswana,
Lesotho,
Namibia and
Swaziland**
structurally
dependent on
South Africa for
all their cereal
requirements



.....Why Should Zambia Facilitate Trade?

- Openness to international trade -reduce price volatility.
- Export bans harm producers by limiting their ability to gain maximum revenue from their sales
 - Creates disincentive to produce in future
 - Lose markets to other countries
- Limiting imports harms consumers by requiring them to purchase high-priced domestic goods
 - Unnecessary cut into household incomes

.....Why Should Zambia Facilitate Trade?

7

- diversification exports away from copper
- Offers expanded markets domestic markets
- More investments in the ag sector including FDI
- Increasing governments revenue and forex
- reputation as a reliable source of maize for the region
- informal trade flourishes even under export bans

Challenges of Regional Integration to Zambian Agricultural Sector

8

- **Low agricultural productivity**
 - Inadequate production capacity to generate exportable surpluses of commodities
 - Potential loss of existing regional markets to more efficient regional suppliers
 - limited diversity of exportable products
- **Poor infrastructure**
- **Limited irrigation systems**
 - dependence almost exclusively on rain fed farming systems
- **Research and development limitations**
- **Non-tariff barriers and adhoc export/import bans**
- **Lack of Harmonized Standards**

What does the TFTA Offer?

9

- 26 countries or 48% of AU membership
- 51 percent of continental GDP
- combined population of 632 million
- Merchandise trade of \$55 Billion by 2012
- 3 pillars of TFTA;
 - market integration
 - infrastructure development and;
 - industrial development
- enhance Zambia's land-linked status.

Regional Trade Opportunities for Zambia-the case of maize

10

- The El Niño that swept through Southern Africa, left all the countries except Zambia with maize grain deficits.
- Zambia is the only country in the sub-region with an exportable surplus.
- High price volatility is expected to continue throughout the 2016/17 marketing season
- Zambia is yet to take advantage of the regional trade opportunities presented by the current regional maize deficit

Maize situation in the region: 2015/16 season

11

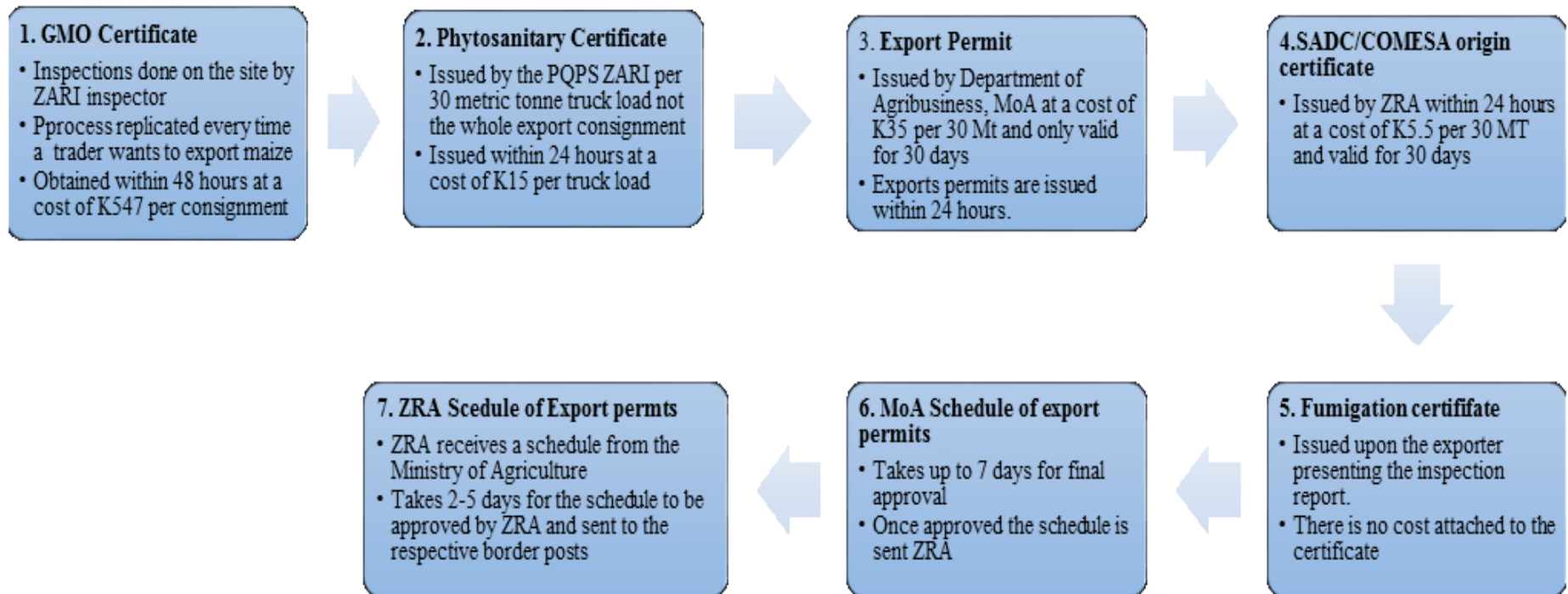
Country	Production (MT)	Surplus/ Deficit (MT)	Export Parity (US\$)
Zambia	2,873,052	634,681	
Zimbabwe	511,816	-700,000	320
Malawi	2,719,425	-223,723	300
South Africa	6,624,375	-3,650,000	174
Tanzania	6,000,000	-227,221	171
Kenya	3,600,000	-610,000	83
Uganda	2,600,000	-213,532	85
Mozambique	1,350,000	-1,463,532	193

Despite the opportunities, the Zambian government imposed an export ban to secure domestic maize stock

Source: IAPRI Outlook (2016)

Cumbersome export procedures

12



Informal Cross-Border Trade

13

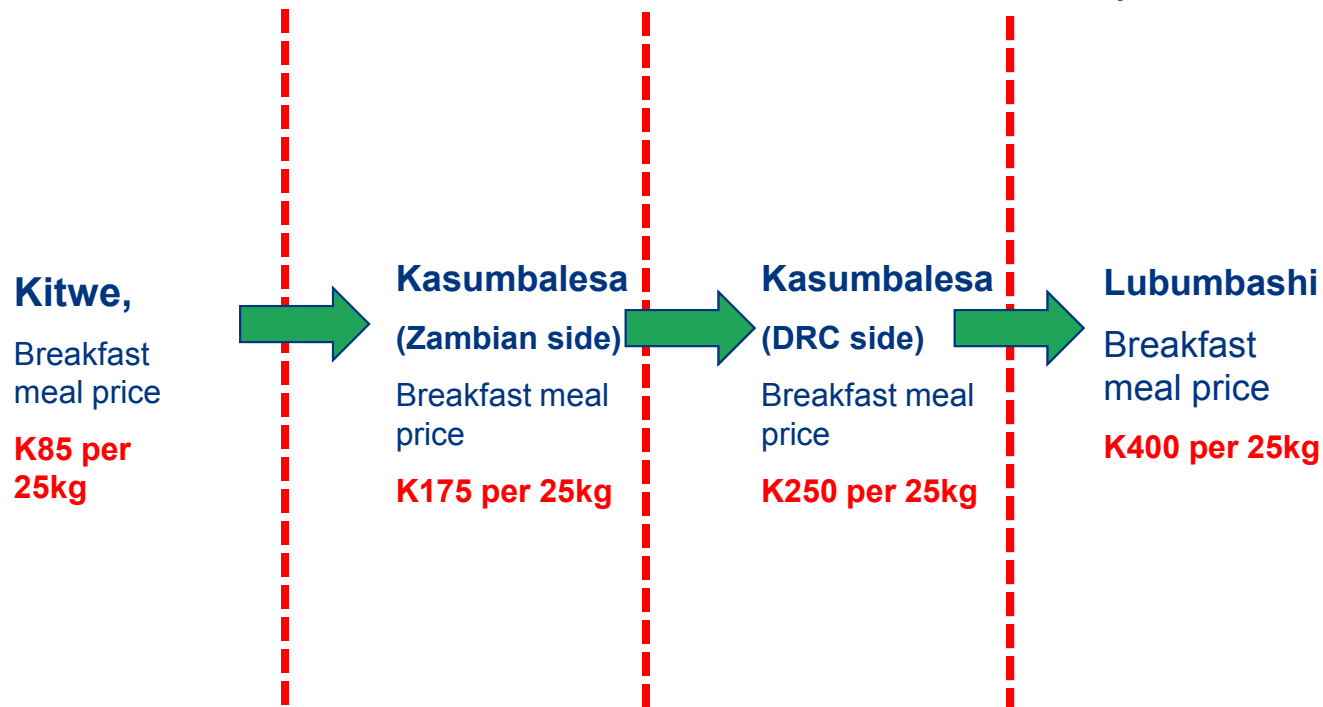
- Current political borders vastly complicate current efforts to accelerate agricultural growth and reduce hunger:
 - separate food surplus areas from the food deficit areas
 - Zambia and the DRC (Katanga region)
- National vs regional food security
- Export bans do not work because informal trade flourishes
- Lack of reliable informal trade data



El Nino Effects: Huge price differences a major pool factor for informal mealie meal exports

14

Mealie Meal Price differences between Zambia and DRC: April, 2016



Source: IAPRI Rapid Survey

Adapting to a Changing Regional Landscape

15

- Clear **integration strategy** required
 - Policy development based on empirical evidence
 - Policy options/safeguards – e.g. exclusion of sensitive list of products

- Deliberate efforts to enhance agricultural productivity/yields
 - Adequate and timely financing and delivery of agricultural extension services
 - Enhanced private sector participation in agricultural markets
 - Use of alternative trade remedies (not traditional import/export bans)

- Promotion and support of non-traditional but high value crop production – crop diversification

...Adapting to a Changing Regional Landscape

16

- Promotion and support of value addition and investments in agricultural products.
- Create an Enabling, Conducive, Policy and Business Environment
 - Finalize Agricultural Marketing Bill to regulate domestic markets.
 - Create clear guidelines to inform triggering mechanisms for implementing remedies that aim to enhance food security.
 - Encourage private-sector led agricultural growth

There is no need to fear regional integration if we adequately plan and prepare for it.

...Adapting to a Changing Regional Landscape

17

- Enhancing value addition and competitiveness
- Should we always protect our domestic industries as infant industries?
- How can we increase our competitiveness in order to compete favourably with the region
- Comparative advantage in grains: maize, soya beans, wheat
- Need consistency in policy to be recognised as a reliable regional supplier

Conclusions

18

- Zambia has not performed well in agricultural trade despite phasing down of tariffs and the FTA
- The focus on regional integration is gaining more ground
- TFTA offers an expanded market for Zambia as well as an opportunity for Zambian firms to increase their competitiveness
- Zambia need to adequately prepare and position herself to compete in the larger TFTA market.

Recommendations

19

- Undertake necessary domestic actions in terms of policy development and implementation to position Zambia as the SSA food basket.
- Finalize development of agricultural sensitive list to enable responsive analysis to the effects of the TFTA on Zambia.
- Remove unnecessary non-tariff measures in agricultural trade
- Stop restricting trade through export/import bans.
- Increased collaboration in agricultural development on matters of policy, harmonization of standards and infrastructure
- Development of regional value chains for commodities will increase agricultural trade and competitiveness and FDI

END THANK YOU