

The Political Economy of Food Price Policy in ZAMBIA

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The global food crisis of 2007–2008 saw the government of Zambia focus its efforts on addressing rising maize and maize meal prices. Yet the leading cause for the escalation of maize prices in the country was not events on the international scene, but rather the delay in the response by the government and other key stakeholders to the global food price crisis.

In Zambia, as in many countries, the availability, access, and affordability of food are at the center of food security policy and are key to the survival of the government in power. The global food price crisis of 2007–2008 raised fears about the impacts of higher and more volatile food prices for the poor in Zambia and reinforced the perception that food prices are far too strategically and politically important to leave to the market. Food policy in Zambia is formulated at both the technical and political level, but it is adopted only at the political level. During the food price crisis, the policy-making process was overwhelmingly dominated by the political level.

Technical operatives had limited input into the decision-making process. This is because the major stakeholders—farmers and millers—had direct access to the policy makers at a very high level.

The study on the basis of which this brief is developed highlights the following findings:

1. In Zambia the prices of wheat, rice, and soybeans escalated in 2007 and 2008, and maize prices rose in 2008 and 2009. However, maize, as the main staple, received the most attention from the government, the press, and other stakeholders.
2. Evidence from past food crises revealed that the country did not change its policy response strategies, which involved ad hoc export restrictions and bans, agreement on the quantity of maize to be imported by each stakeholder, the granting of import duty waivers by millers and traders, and provision of subsidized maize to millers for onward transmission to consumers.

3. As in the past, the implementation of these strategies to deal with rising food prices, especially for maize, were delayed because of ineffective response policies, mistrust between the government and the private sector, opposing self-interest among key interest groups, hoarding by traders and millers, protracted discussions, inaction among key agricultural stakeholders and rent-seeking behavior among some individuals in both the public and private sectors.
4. Some strong interest and lobbying groups have direct access to the government. Consequently, sector-wide recommendations are usually ignored in favor of responses that provide potential short-term political payoffs. Unfortunately, the disregard of technical input has led to policy responses that worsened the crises.

Zambia's increased maize prices were due mainly to poorly implemented response strategies rather than to rising international maize prices.

If the government of Zambia is to successfully deal with future food crises, a number of key areas must be addressed. First is the need to acknowledge and deal with the high level of mistrust between the government and the private sector, especially in the maize sector. Dialogue is necessary at all times to address any impasses.

Second, strong lobbying groups with access to high-level political officials should be discouraged from pushing for solutions outside the main technical committee tasked with dealing with food policy issues. These separate lobbying efforts tend to short-circuit the system and ignore sector-wide solutions to the detriment of the whole country. Procedures need to be established beforehand, and all parties should be compelled to stick to them.

Third, the government needs to review its policy of providing consumers with price relief through a few large-scale millers. The policy is easy to implement in the short run, but in the past

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The complete paper is available at: http://www.wider.unu.edu/research/current-programme/en_GB/Political-Economy-of-Food/

The policy briefs can be found at: <http://www.foodpolicy.dyson.cornell.edu>

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this strategy has had little meaningful effect on retail maize meal prices. Instead, the government should consider off-loading maize from grain reserves to expand supplies so that poor consumers have access to low-cost maize. Rather than forcing consumers to buy more expensive super-refined maize meal from commercial mills, the government can direct maize to local hammer mills and other small-scale mills.

From past experience, it is not realistic to assume that the Zambian government will sit on the sidelines and let market forces deal with food crises. The government fails, however, to leverage private sector funds when dealing with food crises. Past unpredictable behavior by the government has led the private sector to seek guarantees before making any investments. If the government insists on participating directly in agricultural markets, predictable and transparent rules governing state involvement should be established to reduce market risks.

A “maize without borders” policy, such as exists with rice, may be an important part of an overall long-term maize policy. Such an approach could reduce the impacts of food price escalations resulting from natural causes or global events. Many people fear that allowing external market shocks to be transmitted into local markets will cause unbearable pain to the poor in the country. This could be true in a static environment, but regional trade could encourage private investment in technologies and institutions that broaden the scope of the market to better absorb price shocks. A well-functioning regional trade system is unlikely to arise, however, if the Zambian government continues to impose ad hoc export bans, restrict imports, and implement domestic price policies in an unpredictable and ad hoc fashion.

Policies that fail to include empirical evidence about the characteristics of the people they are trying to serve usually fail to achieve their intended results.

The country should move toward a situation where politicians and policy makers embrace empirical evidence rather than shy away from research results that deviate from the conventional wisdom. Depoliticizing government subsidy programs may be one of the toughest recommendations to adopt. Some civil

servants and well-connected private companies with vested interests resist recommendations to reform politically popular but less effective programs in favor of short-term personal gains. The two most popular programs in the country are the maize producer price support, operated through the Food Reserve Agency (FRA), and the fertilizer subsidy, operated through the Farmer Input Support Programme (FISP). Although studies have shown these programs’ shortcomings and their negative impact on long-term government investments in key agricultural drivers, the programs have remained a top priority for most politicians. The most workable solution may be to continue supporting these programs while effectively reforming them to achieve greater benefits at a lower cost. Ultimately, however, the best way for the government to promote broad-based agricultural growth is to prioritize investments in market infrastructure and institutions instead of supporting a small group of farmers through these subsidies.

Given the relatively unsuccessful response strategies of the past, the government, in collaboration with other relevant stakeholders, should develop a standard strategy on how to deal with future food and price crises before they happen. An effective early warning system is required to trigger the response strategy, with all players playing their part. The Ministry of Finance and National Planning should be engaged at the early stages of any crisis because it has the final say on all pricing policies. This approach may help alleviate mistrust between the government and the private sector, thereby helping to accelerate policy responses to future food crises.

Lastly, the Ministry of Agriculture and Livestock should move ahead with enacting the Agricultural Marketing Act, in order to guide all private and public agricultural marketing activities in Zambia. The draft Agricultural Marketing Bill agreed upon by the stakeholders in 2010 and revised in 2011 provided guidance on the government’s involvement in the fertilizer, seed, crop, and livestock markets. In particular, it proposed forming an independent marketing council to help deal with food crises and limiting the role of the FRA to handling strategic grain reserves. It also proposed reforming the FISP by extending the subsidies to cover other inputs besides fertilizer and using electronic vouchers to include private sector dealers in the procurement and distribution of inputs.

THE POLITICAL ECONOMY OF FOOD PRICE POLICY

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