Zambia National Farmers' Union- Press Statement

IS 2014/15 ZAMBIA'S MAIZE FLOOR PRICE COST REFLECTIVE?

The government has finally announced the maize floor of K70 per 50 Kg bag of maize. Maize, Zambia's staple food is grown by over 2.7 million agricultural households. The crop is not only used as source of food but is a source of income for many of the rural households. The income obtained from maize sales enables the families meet other basic necessities for livelihood and provides the resource needed to purchase inputs for the upcoming agricultural season. For farmers, the question to pose is; is the announced floor price cost reflective?

First and foremost, it is important to consider the economic conditions that farmers face especially in view of the fact that the floor price was last revised in 2009 (6 years ago). Taking inflation as the starting point, the prices of most goods and services in Zambia have continued to rise, with the magnitude of the increment varying from month to month and year to year. As mentioned earlier, the maize floor price has been static from 2009 at ZMK65/50Kg bag which means that while the prices of commodities that farmers face just like any other consumer has been rising the incomes of farmers remained unchanged. Looking at the inflation statistics below, the floor price was eroded by 36.6% from May 2010 to May 2014. Had this taken into consideration, the maize price would have ranged from K70.79 in 2010 to K92.26 in 2014, see the table below:

	May Annual Inflation Rate	Expected increments in Maize Prices	Inflation Reflective Price (ZMK/50Kg bag)
2014	7.8	6.68	92.26
2013	7	5.60	85.58
2012	6.6	4.74	79.98
2011	6.3	4.46	75.24
2010	8.9	5.79	70.79

"Purely on the basis of inflation, the maize floor price announced of ZMK70/50Kg bag is what the farmer should have received in 2010".

Furthermore the costs of major inputs such as fertilizer and seed have been increasing. Fertilizer prices have risen by about 25 percent from ZMK160/50Kg bag during the 2009/10 agricultural season to about ZMK200/50Kg bag in the 2013/14 agricultural season in Lusaka. In other parts of the country, further from Lusaka, the prices of fertilizer are even higher. The price of seed has also risen from about ZMK120/50 kg bag in 2011 to ZMK310/25 kg bag in 2013.

Other cost centres that should have been considered are;

- The cost of fuel was adjusted upwards in April this year by 7.22% on petrol, 8.75% on diesel and 9.54% for kerosene. Increase in the price of fuel immediately raises the cost of transportation for the maize from farm gate to the market and the cost of transporting inputs onto the farmsteads.
- The depreciation of the Kwacha drives upwards the cost of all imported farm requirements such as packaging bags, insecticides, fuel, etc.
- Interest rates have gone up. The emergent and small scale farmers who have pushed up maize production get seasonal loans through a group lending scheme, the Lima Credit Scheme by depositing 50% of the value of the inputs as collateral to get double the value of inputs. Since last year the policy rate has been adjusted several times upwards and since April it is at 12% hence the cost of money has gone up hence commercial banks lending rates have gone up signaling a rise in seasonal finance costs in future.
- Maize production is labor intensive and wage related costs have gone up from ZMK12, 200 to ZMK19.03 per man-day.
- The general cost of doing business has gone up, the most recent is the increase in electricity tariffs which went up by 5.11% on large power MD3 /MD4 customers to 24.63% the highest on residential consumers. Small power MD1/ MD2 customers and Commercial consumers face an increase of 19.49% and 15.38% respectively while consumers falling in the social services bracket will face a 15.38%. **Now since farming has different sizes of farmers falling in different electricity consumption groups what is not in dispute is that most farmers are faced with a double digit increase of 15.38% to 24.63% in the cost of electricity.**
- Besides all the factors listed above, it is important to recognize that during the year, new fees/charges were introduced by some local councils including toll fees on some main roads meaning that transporters will be adding all these costs to the cost of inputs. And for now since maize marketing is taking place, these costs will reduce the price paid to the farmer making farmers poorer and discontented. Therefore, the FRA floor price has an important bearing on the price that other traders pay the farmer.

At farm level, the rising costs of inputs means that a farmer producing maize at a yield of 2.26 Tons/ha which is the national average yield in 2014 requires a price of at least ZMK83/50Kg bag of maize grain just to break even without considering the fixed cost of production. A price of ZMK108/50Kg bag of maize grain would make economic sense if the fixed costs were considered as well. Some districts recorded yields as low as 1.5 tons per hectare, implying that farmers in such districts would need a price of at least ZMK159/50Kg bag to break even.

The inadequate return on the maize affects the productivity of small-scale farmers as they are forced to use less and less of the recommended inputs which reduces the yields even further. This year, a national average yield of 2.26tons/ha of maize for small and medium scale falls way below the yield potential of hybrid maize varieties currently available on the local market.

Therefore, the maize floor price of ZMK70/ 50 kg bag announced is a source of misery because to a farmer in Kaputa with a yield of just 2tons/ha for a maize crop which cost over ZMK4, 700 per hectare to grow and whose breakeven price is K118.70 for a 50 Kg bag is a total disincentive especially that a fellow farmer in Zimbabwe is getting a price equivalent to ZMK119/50Kg bag (US$390/ton). This will discourage farmers to continue growing maize because the price does not allow a farmer to cover the variable cost of production. It should therefore not come as a surprise that the yields will continue to remain low while farmers remain poor.

The farmers of Zambia have remained committed to producing the much needed food for the entire Zambian population and this has been demonstrated by the continued positive food balance sheet the country has enjoyed over last six years. It is rather disappointing and difficult to comprehend that farmers should to get an upward adjustment of **only one ngwee/kilogram** as a reward after working so hard to produce a bumper harvest and more so after waiting for so long since 2009 when the price was last adjusted.

We therefore make an earnest appeal to government to consider revising the floor price upwards for sake of incentivising the farmers to produce more for the country and also reduce the poverty levels among our rural farmers. As a Union we make ourselves available to further dialogue with Government on this important subject of the floor price.

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