

MINISTERIAL STATEMENT
ON THE
MARKETING ARRANGEMENTS FOR FRA FOR THE 2017 MARKETING SEASON
BY THE
HON. MINISTER OF AGRICULTURE, MS SILIYA

Madam Speaker, I thank you for giving me this opportunity to issue a ministerial statement on the Marketing Arrangements for the Food Reserve Agency (FRA) for the 2017 Marketing Season as well as the Electronic Voucher (e-Voucher) Roll-out Nationwide in 2017/2018. This ministerial statement arises from a point of order raised by Hon. Charles Zulu, Member of Parliament for Luangeni Parliamentary Constituency on Thursday, 6th July, 2017.

Madam Speaker, for the sake of clarity, I will present this ministerial statement in two parts, beginning with the Marketing Arrangements for FRA for the 2017 Marketing Season.

Madam Speaker, as the House may recall, on Wednesday, 23rd November, 2016, I issued a statement on the price of mealie-meal in the country. In this statement, I outlined key policy pronouncements regarding the Agricultural Marketing Arrangements for the 2017/2018 Marketing Season. Allow me to reiterate some of these measures that relate to maize marketing:

- (a)* starting 2017/2018 Marketing Season, farmers will be paid a producer price that covers the cost of production including a markup;
- (b)* FRA will buy only 50,000 metric tonnes of maize for strategic reserves;
- (c)* FRA selling price of maize to millers, if any, should reflect the full cost of purchase, transport, storage and fumigation, among other costs, starting with the 2017/2018 Marketing Season; and
- (d)* the Government will review the operations and mandate of FRA through a review of the existing legislation.

Madam Speaker, in light of these measures which were announced in November, 2016, and the need for financial prudence in procurement and storage of strategic reserves, FRA reduced the number of satellite depots being operated across the country. This serves to ensure that the cost of procuring and maintaining strategic reserves is within the Budget. Thus, FRA will concentrate its operations in outlying areas where it has management to purchase 60 per cent of the crop in the past two seasons. The concentration of the satellite depots will be in Eastern, Luapula, Muchinga, Northern, North Western and Western Provinces because the private sector participation is minimal due to limited accessibility.

Madam Speaker, the agency has in the past operated and purchased crop from at least 1,223 satellite depots. However, due to the reasons I have highlighted above, FRA intends to operate 760 satellite depots across the country. This will imply a drop of 463 depots or 33 per cent of the depots. This is in line with the policy pronouncement of limiting the strategic food reserve purchase to 500,000 metric tonnes.

Madam Speaker, the number of satellite depots is determined and planned in line with the budget line appropriated by this House for purchase and storage of strategic food reserves. The following criteria is considered when selecting the depot:

- (a) an area with crop production of at least 5,000 x 50 kg bags as marketable surplus;
- (b) the satellite depots allocated within a radius of 25 km apart;
- (c) the local community contributes to FRA programmes in terms of security through neighbourhood-watch programmes and community-sheds;
- (d) the satellite depots allocated in areas which are accessible all year round by light trucks and tractors;
- (e) the depots are sited in secure areas which are easily accessible by local people;

- (f) FRA operations should not disrupt operations of the private sector where they exist and FRA will only play a supplementary role to the private sector marketing operations; and
- (g) the budget allocation to strategic food reserves.

Madam Speaker, the cost of operating the depot consists of administrative costs such as monitoring of stocks and communication costs as well as wages for the depot clerks, security guards and loaders. Operating the proposed 760 satellite depots will require K50.9 million.

Madam Speaker, it is worth noting that the 760 depots are a proposal that is only subject to review and a possible opening of additional depots if needed, will be considered on a case-by-case basis as per procurement limitation of 500,000 metric tonnes. If any of the 760 proposed depots are found to be enactive after periodic reviews, a replacement mechanism will be used to operate in other areas left out. We have also considered the option of operating mobile depots. However, this option is not desirable and will not be implemented due to the following reasons:

- (a) the use of mobile depots will compromise the quality of the grain storage. This arises from lessons learnt in the past when this system was used. The current system used has reduced post-harvest crop losses by FRA to less than 1 per cent compared to the industry average of 3 to 5 per cent;
- (b) transportation costs are likely to increase as the crop procured will require to be moved immediately. Currently, FRA still owes transporters amounts for services offered last season and the mobile depots would result in increased debt.

Madam Speaker, the Food Reserve Agency (FRA) has already started preparations for the 2017/2018 crop marketing season and, in due course, will announce the price at which it will participate in the market. I wish to emphasise that this price is not the floor price. Let me repeat, Madam Speaker, that the price to be announced by the FRA is not the floor price, but simply the

price at which it is willing to and able to buy compared to other buyers in the market. The following activities have been undertaken in preparation for the marketing season:

- (a) designated commodities for the 2017/2018 marketing season have been gazetted. The commodities are rice, maize and soya beans. Once packaging mechanisms and logistics are in place, more crops on the FISP list will be procured in the future;
- (b) 1,520 seasonal staff and satellite depot clerks have been trained countrywide. Deployment is expected to be completed by the 12th July, 2017; and
- (c) the FRA has been conducting moisture content monitoring countrywide. As at 5th July, 2017, the average moisture content was 14.24 per cent and is projected that the ideal moisture content of 12.5 per cent would be attained by the end of July.

Madam Speaker, I want to assure the nation that the FRA has sufficient storage space for the 500,000 metric tonnes that it intends to purchase. The FRA has 865,000 metric tonnes of secure storage. The carry-over stocks account for 230,000 metric tonnes of the total capacity. The Government has since allowed the FRA to export some of the carry-over maize to create more space.

Madam Speaker, let me take this opportunity to encourage the private traders to actively participate in maize marketing and fill up the void that the FRA will leave in some of the areas.

Madam Speaker, this is the end of the first part of the ministerial statement.

I thank you, Madam Speaker.