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Agricultural Situation Update

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Agricultural Situation

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Report Highlights:

This report provides a brief overview of the agricultural situation in Zimbabwe. Agriculture plays an important role in the economy and accounts for about 16 percent of Zimbabwe's GDP and about 30 percent of Zimbabwe's total exports. Agriculture provides an income to about 70 percent of Zimbabwe's population.

Agricultural land

Zimbabwe has an estimated total land area of 39 million hectares of which about 16 million hectares are used for agricultural production. The country is divided into five agricultural zones as shown on table 1 below. The remainder of 1,220,254 hectares (3.1%) is unsuitable for any form of agricultural use.

Table 1: Description of the natural regions of Zimbabwe

Natural region	**Area (ha)**	**% of total land area**	**Annual Rainfall**	**Farming systems**
I	613,233	1.6	Over 1000mm. Rain in all months of the year.	Suitable for intensive farming: dairy, forestry, tea, coffee, beef and corn production; deciduous fruits; potatoes
II	7,343,059	18.7	700-1000mm. Rainfall confined to summer	Suitable for intensive farming: corn, soybean, livestock production
III	6,855,958	17.4	500-800mm. Infrequent heavy rainfall, subject to seasonal droughts and mid-season dry spell	Semi-intensive farming: livestock production; corn production, cotton, peanut production.
IV	13,010,036	33.0	450-650mm. Subject to frequent seasonal droughts and severe dry spells during the rainy season.	Semi-extensive farming: suitable for sorghum, millet production, livestock production, forestry and wildlife/tourism
V	10,288,036	26.2	Less than 450mm. Rainfall very erratic.	Extensive farming: suitable for cattle ranching, livestock production, forestry and wildlife/tourism
Total	**38,110,322**	**96.9**		

Source: Adapted from Vincent and Thomas, 1961

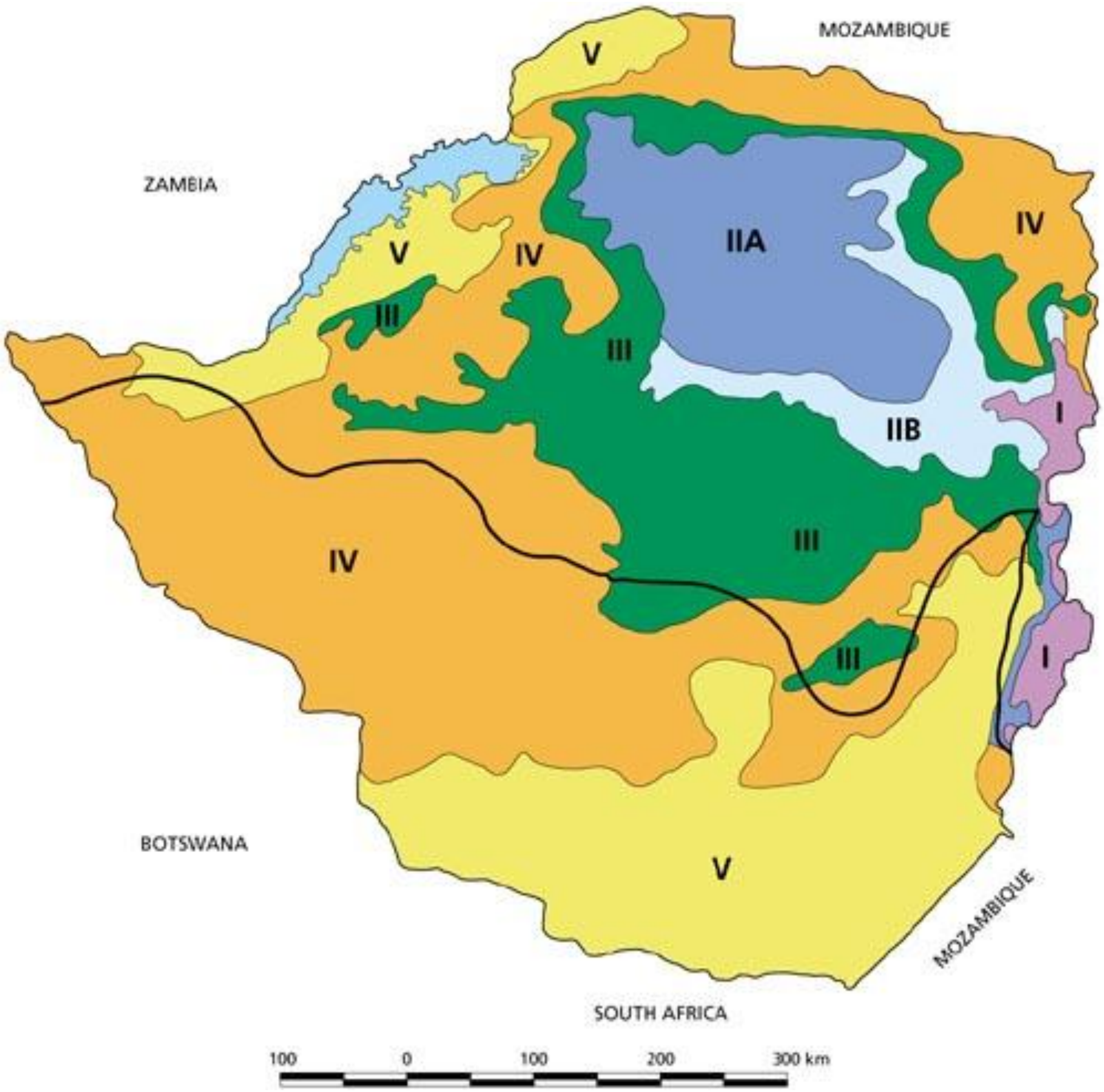

Figure 1: Natural regions of Zimbabwe
Source: Adapted from Moyo, 2000; Vincent and Thomas, 1961

Climate outlook for 2014/15 season

Rainfall forecasts for 2014/15 season indicate that the country will have normal to above normal rains during the first half of the season between October and December. In the second half of the season between January and March, below normal rains are expected to prevail in the southern, south eastern and south western parts of the country and will most likely experience a short season. Early planting will enhance productivity. However, the northern parts of the country, the traditional corn production areas, are forecast to receive normal to above normal rainfall.

Production constraints

Access to finance and insecurity of land tenure:

Individual farmers are struggling to raise money through financial institutions to finance their activities mainly because they lack the requisite collateral to borrow against and also lack security of land tenure. Unclear land tenure arrangements prevalent in the country after land reform impede the use of land as loan collateral. Government has issued 99 year leases to selected beneficiaries of the land reform program. However, financial institutions argue that 99 year leases are not clear on land tenure and that property allocated to land reform beneficiaries remained state owned and cannot be sold to recover debt if farmers defaulted on loan repayments. The government now plans to amend some sections of the 99 year leases to suit requirement of the financial institutions. Unacceptability of 99 year leases is a drawback to funding in agricultural sector.

Inadequate finance for agriculture

Tight liquidity in the country also limits the extent of agricultural financing in the country. Many banks are under-capitalized. Considering the economic crisis currently gripping the country, the agricultural sector is likely to be hit hard by the scarce funding.

Commodity updates

Corn

Planting of corn crops is expected to commence when the rainfall season starts around mid-November.

Factors that will affect production, supply and distribution in 2014/15:

Seed

The country has adequate corn seed to meet national requirements estimated at about 30,000 tons per year. Statistics from the Zimbabwe Seed Traders Association show that 24,300 tons corn seed is in stock and about 9,792 tons is still to be delivered by contract farmers, bringing the total corn seed potentially available in 2014/15 season to 34,092 tons. Price paid to growers of seed corn is $700 per ton. However, the Seed Industry is facing cash flow constraints and is struggling to raise adequate money to pay for the remaining 9,792 tons. Seed companies are owed about $11 million by government for seed purchased for government free inputs schemes from 2011.

Fertilizer

The projected effective demand for fertilizer for the 2014/15 season is expected to remain at 350,000 tons, similar to 2013/14 season. According to industry sources there is adequate fertilizer to meet national demand in 2014/15 season. Zimbabwe has adequate installed capacity to meet local demand and has a well-established distribution network. The country’s highest fertilizer consumption was 600,000 tons in 1999. Table 2 below shows the current capacity utilization in the fertilizer industry.

Table 2: Local fertilizer manufacture update

Fertilizer type	Installed capacity (tons)	Current capacity utilization (%)
NPK granulated compounds	360,000	49
Blends	540,000	6
Ammonium nitrate	240,000	63
Total	**1,140,000**	**32**

The local fertilizer industry mainly focusses on production of nitrogen, phosphate and potash fertilizers. However, since the country dollarized in 2009, fertilizer imports increased in spite of the low capacity utilization in the fertilizer sector. Zimbabwe has imported adequate stocks to meet national demand.

Consumption

Following a good 2013/14 agricultural season and improved corn harvests, most rural households were still consuming cereals from own production in October. Corn meal is readily available in retail outlets.

Prices

Average national corn prices from October through December are projected to be 10 percent below 2013 prices, mainly due to an increase in cereal production and supply from the 2013/14 agriculture season. The recent Government of Zimbabwe statutory instrument regulating the grain producer prices will likely result in retail price increases particularly for maize meal.

The Zimbabwean government on August 8, 2014, published Statutory Instrument (SI) 122 of 2014, Agricultural Marketing Authority (Minimum Grain Producer Prices) Regulations that compels every company or individual engaged in the business of buying local corn grain to procure it at a floor price announced by the Minister of Agriculture, Mechanization and Irrigation Development at the beginning of the marketing season. The Minister announced a price of $390 per ton for corn. Under the new regulations, companies or individuals who pay less than $390 per ton will be fined or imprisoned for up to 3 months. SI 122 of 2014 reads in part: “Any company or individual that engages in buying grain from producers at a price less than the minimum price or designated buying point shall be guilty of an offence and liable for a fine not exceeding level four or imprisonment for a period not exceeding three months or both fine and such imprisonment with the grain so purchased forfeited to the state.”

The corn price of $390 per ton is the highest in the region with international and regional prices currently between US$180 and US$250 per ton. As a result three of the four major private corn traders have suspended buying corn citing lack of financial capacity to buy local grain. The Grain Marketing Board is purchasing corn at $390 per ton but is seriously constrained by liquidity challenges.

Planned expansion in contract farming arrangements between grain millers and growers in 2014/15 season are in jeopardy for two main reasons: 1) the controlled price of corn is too high compared to import parity prices; 2) according to the statutory instrument it will no longer be possible for contracting parties to agree on pre-planting prices. In 2013/14 season the Grain Millers Association contracted local farmers to produce about 100,000 tons of corn.

Whilst farmers welcomed the regulations, grain traders, grain millers and economists are against the regulations viewing them as excessive, counter-productive and unsustainable and are advocating for free market forces to determine grain prices. Generally the market is of the opinion that these regulations will trigger illegal trade and spur on cheaper imports from Zambia and South Africa. This high mandatory corn price is likely to have an inflationary effect on the price of corn meal, the staple and other cereal-end products such as stock feeds. Price increase of livestock feed will in turn raise the price of basics such as meat, milk, poultry and eggs. If not resolved early, this regulation by Government might negatively affect corn contract production arrangements in the 2014/15 season.

Wheat

Production

The private sector (bakers and millers) supported production of about 5,000 hectares of wheat in 2014 under contract farming arrangements and harvesting is in progress. The bakers and millers provided working capital to producers and guarantee a market for the commodity. Yield of the contract wheat crop is expected to be above the 2.5 tons per hectare national average yield mainly premised on provision of adequate production inputs through the contract farming arrangements. Post estimates Zimbabwe's planted area under wheat in the 2014/15 MY, at around 8,000 hectares, will produce a wheat crop of around 25,000 tons similar to 2013/14 MY production. The current wheat producer price is $466 per ton.

Supply

The milling industry has started buying local wheat. The country will rely on wheat imports estimated to reach 325,000 tons in 2015. However, recent moving of wheat imports was behind schedule due inefficiencies by the National Railways of Zimbabwe, the main carrier of grain from the harbor in Beira, Mozambique. In October Government intervened to avert potential bread shortage by allocating more rail wagons to transport wheat from Beira. The Government has engaged potential investors to finance rejuvenation of the railway line. With about 7,000 wagons, the country's railway network has capacity to move up to 18 million tons per annum. Wheat flour imports have declined after government increased import duty on flour.

Cotton

Cotton is the country's second largest export crop after tobacco and it supports livelihoods of about 170,000 small holder farmers who grow between one and two hectares of cotton on average. It is mostly exported as lint bales and the country is heavily dependent on world cotton prices. In the 2013/14 MY a quota of only 5,000 tons or 22,000 bales was reserved for local processing.

National production of cotton fell to 136 million kilograms in the 2014/15 MY season from 145 million kilograms in the 2013/14 MY. Initial projections were that the crop would reach 190 million kilograms in the 2014/15 MY. The big discrepancy between estimates and actual production was due to some late planted crops that did not realize full potential, diversion of crop inputs to other crops and some seed remaining unplanted in areas where ratoon crops are rampant. Cotton prices ranged between $0.50 and

$0.70 per kilogram, an improvement from the previous season's prices of between $0.45 and $0.65 per kilogram.

Seed cotton production is well below the country's ginning capacity of 750,000 tons. For two consecutive seasons, cotton production has been at about 20 percent of the national ginning capacity. The low national output has claimed one casualty. Cargill, which has been operating cotton ginneries in the country since 1996 and supported 20,000 smallholder cotton contract growers, closed its local cotton business in October citing operational challenges. Cargill processed about 15 percent of national cotton output. The company will no longer participate in Zimbabwe's cotton sector citing low cotton output, depressed margins and high levels of breach of contractual obligations by cotton growers as a result of side marketing. As international prices declined, a significant number of farmers abandoned the crop in favor of more lucrative crops such a tobacco.

A local listed cotton seed breeding company, Quton, sold 60 percent of its shares in its wholly owned seed cotton business to Maharash Hybrid Seed Company (Mahyco) of India. Quton is the only cotton seed breeding company producing cotton seed in Zimbabwe. Monsanto owns 26 percent of Mahyco through Monsanto India. The Competition and Tariff Commission sanctioned the deal to acquire Quton on condition that Quton adheres to the Zimbabwe government's stance on commercial production of non-GMO cotton. Experimental testing of GMOs in the country is allowed only if it supervised by the National Biotechnology Authority of Zimbabwe. With cotton exports already going into the region, Quton provides Mahyco a strategic gateway to penetrate into the SADC region.

Livestock

Livestock is an important component of agricultural production in the country and contributes to GDP mainly from the husbandry of cattle, poultry and pigs. Livestock conditions are good owing to availability of pasture and adequate water. This is contributing to favorable terms of trade particularly in the southern and western parts of the country where livestock production is the predominant source of income.

Regional and international agribusiness and trade

Trade between Zimbabwe and the United States is small. The main product exported to the United States is raw sugar and Zimbabwe's duty-free quota into the United States in 2014/15 MY is 12,880 MTRV. The country also exported about 200,000 tons of raw sugar to the European Union.

The top ten agricultural related imports and exports commodities are shown on Table 3 and Table 4 below. Export and import values for 2014 are incomplete and exclude August to December period when substantial trade activity takes place.

Table 3: Zimbabwe's top ten agricultural related commodities imports

IMPORTS	Year and value		
Commodity	**2012 ('000 US$)**	**2013 ('000 US$)**	**2014 (Jan to July) ('000 US$)**
Fertilizers	330,650	1,077,043	92,890

Corn	268,755	108,683	97,969
Wheat	86,514	98,749	50,105
Cooking oil	198,071	94,083	46,048
Rice	103,028	106,503	61,972
Wheat flour	65,647	25,554	18,033
Milk and dairy products	40,859	50,721	18,098
Frozen fish and seafood	20,205	24,831	13,208
Vegetables	16,068	15,367	8,284
Frozen poultry	13,777	5,932	3,334

Source: ZIMSTAT, Ministry of Finance

Table 4: Zimbabwe's top ten agricultural related commodities exports

EXPORTS	**Year and value**		
Commodity	**2012 ('000 US$)**	**2013 ('000 US$)**	**2014 (Jan to July) ('000 US$)**
Flue cured tobacco	766,993	856,156	231,591
Ginned cotton	215,201	97,163	17,190
Tea	17,687	21,422	13,841
Cotton seed cake	16,065	10,078	2,079
Frozen fresh water fish	6,598	8,701	8,343
Cotton linters	4,974	7,713	2,339
Cotton fabrics	4,587	3,910	1,696
Fruits (citrus and stone)	3,471	4,302	3,544
Macadamia nuts	2,886	1,930	4,190
Spices	2,564	1,558	819

Source: ZIMSTAT, Ministry of Finance