



Maize Market Assessment and Baseline Study for Zimbabwe

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Abbreviations

ADF	Agricultural Development Assistance Fund
ARDA	Agricultural Rural Development Authority
COMESA	Common Market for Eastern & Southern Africa
ESA	East and Southern Africa
ESAP	Economic Structural Adjustment Programme
FAO	Food and Agricultural Organisation
FTA	Free Trade Area
GMB	Grain Marketing Board
GoZ	Government of Zimbabwe
LSCF	Large Scale Commercial Farmers
NGO	Non Governmental Organisation
NTB	Non Tariff Barriers
PHIS	Plant Health Inspection Services
RATES	Regional Agricultural Trade Expansion Support
SADC	Southern Africa Development Community
SSCF	Small Scale Commercial Farmers
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VCA	Value Chain Analysis
VIDCO	Village Development Committees
WADCO	Ward Development Committees
WTO	World Trade Organisation
ZFU	Zimbabwe Farmers Union
ZIMACE	Zimbabwe Agricultural Commodity Exchange
ZIMRA	Zimbabwe Revenue Authority

EXECUTIVE SUMMARY

Background

The purpose of this market analysis is to identify actions and areas of development that could be used to enhance regional trade in maize and associated products, where this is shown to be beneficial to the countries and the region concerned.

This value chain analysis has been compiled from interviews, review of reports and documentation available on the Maize sector of Zimbabwe. Information obtained is summarised in tables reflected in this report.

Maize growing, milling and distribution have been a well established part of the economy in Zimbabwe from the early 1900's. Zimbabwe had one of the most advanced agricultural sectors in the region and, until 1999, was a net exporter of maize, supplying most of the surrounding countries deficits. However, during and since the year 2000 Zimbabwe has experienced severe shortages of the staple maize that necessitated massive imports. The World Food Programme estimated that in the year April 2002-March 2003 more than six million people would be in need of food aid, and the amount of grain required would be more than 705 000 metric tonnes. By June 2002, almost all districts in the country were in need of food aid. The required level of food support constituted 52% of normal consumption levels and in some districts within the Masvingo and Matebeleland provinces food aid was expected to be as much as 90% of food requirements.

A cereal deficit of approximately 1 million metric tons is expected for the 2003/04 consumption year. A total of 904,000 metric tons had been imported into the country by mid-January 2003. Of this, 695,000 tons was by the Government, 139,000 tons in food aid and the remainder was provided by the private sector. An additional 633,000 tons of maize imports are planned by the Government and aid organisations. If all is imported before the end of the marketing year, March 2003, excess carryover stocks of 370,000 tons are expected to remain. However, it is unlikely that all the intended imports, especially from Government, will be physically in the country before the end of the marketing year.

The low levels of maize production in the 2000/01 seasons were due to prolonged dry spells in some areas and excessive rains in other areas. The following season (2001/02) was also poor mainly due to lower rainfall levels, delayed supply of inputs, late or no preparation of land by newly resettled farmers and continued severe disruptions in the commercial farming sector. The situation in the country was exacerbated by the critical shortage of foreign currency to import maize coupled with unforeseen bottlenecks in securing the staple crop from within the region in which several other countries had deficits.

Study findings

Supply and demand situation

Supply of maize has decreased consistently over the past five years resulting in Zimbabwe becoming a net importer of maize. The table below outlines the size and proportion of the deficit.

Sector	2000	2001	2002
Large scale Growers including ARDA	617,257	434,889	185,400
Small-scale Growers	63,685	97,500	14,640
Resettlement	130,000	100,000	58,500
Irrigation Schemes	10,972	11,220	0
Communal	797,917	882,720	240,000
Total	1,619,831	1,526,329	498,540
Food Consumption requirements	1,800,000	1,800,000	1,800,000
Animal feed consumption requirements	400,000	400,000	400,000
Total Consumption	2,200,000	2,200,000	2,200,000
Net deficit	580,163	673,671	1,701,460

Source: CSO, 2003

Supply of maize is not likely to increase in the foreseeable future, as the incentive to grow maize has been removed. The monopoly previously held by the GMB has been re imposed, as a measure to gain state control over what government terms strategic commodities. This has discouraged maize growing, as the prices offered by the GMB are being held artificially low. The prices are set by government at the start of each season in an attempt to manage the crop size, but prices have not been adjusted in relation to inflation and most farmers would rather grow crops that fall outside of the controlled price and market environment. The current price offered for maize is below the cost of growing the crop.

Marketing system

Marketing of maize has been under the control of the GMB, but was decontrolled for a period of six years. During the decontrolled period private sector players were allowed to trade maize locally and externally and to buy direct from farmers. This resulted in the creation of a more competitive market and supply of maize grew accordingly, as prices improved.

In the build up to the 2000 general elections the GMB was re designated as the sole purchaser of maize as maize is seen as a politically sensitive commodity. This resulted in the private sector players being forced out of the market and the reintroduction of a fixed purchase price for farmers. The net effect has been that most farmers have pulled out of maize, as it is no longer viable to produce. The GMB monopoly has acted as a disincentive as GMB's track record in effecting payments to farmers for the crops purchased is not good.

Farmers see the GMB monopoly and the fixed price as the major obstacles to production of maize.

Trade policy and regulations

Government policy regarding maize has been erratic over the past five years. During normal seasons the government maintained a monopoly over the purchasing and sale of the maize in order to manage food security. However the strategic grain reserve has not been in place for over four years and the disruptions to growing have resulted in shortages in maize. The maize shortage has been responded to by Government imposing a ban on all exports and restrictions on imports. Up until March 2003 the GMB has been the only agent allowed to import and distribute maize, but this has been partially eased as the shortages cause wider starvation and are bring greater pressure on Government. Private sector and donors have been allowed to

bring in some maize following since March 2003, but Government still wants to play the major role in distributing the maize.

In order to improve the maize supply situation in the country a change in policy towards the trading of the crop is essential. Private sector will have to be brought in to import the product and be allowed to distribute it on a normal commercial basis.

Recommendations

Production

- ⇒ Improve access to crop inputs, agronomy support, plant and equipment and financing. This is required urgently and a system of financing and distribution similar to that used by Cottco for small scale cotton farmers. In terms of this scheme Cottco advances seed, fertiliser and chemicals to small scale farmers. These farmers contract to sell their crop through Cottco. Cottco provides agronomy support during the growing of the crop and provides transport for the purchase of the crop. Cottco then pays out to the growers based on the market price at the time of purchase, after deducting the amounts owing from the inputs scheme. This could easily be replicated to operate through GMB or through private operators.
- ⇒ Improve access to training for all small scale and resettled farmers. Training and agronomy support are required to improve the yields of the small scale maize farmers. It is proposed that this be done on the basis outlined above in the Cottco scheme.
- ⇒ Stabilise the land redistribution exercise and bring stability back to farming. The disruption to farming arising from the land redistribution exercise has to be stopped in order to allow the preparation land and planting of crops. The uncertainty of the current situation in terms of land tenure is affecting resettled farmers and commercial farmers as neither know whether their tenure is secure and are therefore not willing to outlay large expenditure on growing of crops.
- ⇒ Improve local milling capacity. Large scale milling capacity is adequate for the processing of commercial farming outputs. However the small scale milling at local and district levels are under capacity and utilise out of date technology.
- ⇒ Raise levels of quality control and awareness amongst millers. Adequate standards of quality control only exist in the four large scale millers. Training and input is required in order to improve the quality control and standards of the small scale millers.
- ⇒ Raise levels of plant modernisation and increase productivity levels. All plant, large and small scale, in Zimbabwe is old and requires modernisation. This is going to require the creation of subsidised funding in order to enable re equipping to take place.
- ⇒ Enhance levels of regional business and export contacts through promotional programmes, joint venture collaboration and licensing arrangements. The establishment of regional information on the maize trade is essential to encouraging trade among regional players. Equally important is the inclusion of private sector into the importation and exportation process. In order to do this the current monopoly held by GMB on the buying of maize from farmers and the issue of permits by GMB should be dismantled.

Markets and Marketing system

- ⇒ Establish macro-economic stability in the country and lower rates of inflation, interest rates and stabilisation of the Zimbabwe Dollar.

- ⇒ Improved regulatory environment encompassing moderate rates of company tax, reduction of increasing numbers of levies, and streamlining of company registration process.
- ⇒ Revise the maize pricing structures. The current pricing structure, with GMB setting prices that are below cost of production, acts as a major disincentive to growers. In order to reverse this the system of pricing should be changed and a market determined rate used.
- ⇒ Eradicate the monopoly given to the GMB to purchase and market the crop. Private sector players should be allowed to participate in the buying and selling of the crop to ensure that the pricing and market forces are allowed to work properly.
- ⇒ Lift the importation and distribution restrictions and allow a wider participation by the private sector.

Trade policies and regulations

The current control of the maize crop is discouraging production. The GMB monopoly is restrictive, pricing is unrealistic and is set politically rather than through market forces. This will continue to discourage growing of maize for anything other than animal feed and on farm consumption. If this is to change the GMB monopoly will need to be abandoned and private sector players allowed to participate in the market.

Government will need to rethink the structure of the maize industry if it is to encourage self sufficiency and return to the status of a food exporter. The current structure, with GMB purchasing and marketing the entire maize crop and GMB effectively regulating the imports and exports, has barred private sector from participating, kept prices low and discouraged growers from increasing crop sizes. Government will need to abandon the monopoly given to the GMB and allow private sector players to buy and market the crop. This is regarded as a political statement and will therefore be resisted by government for as long as it is seen as politically expedient to use maize. However the crop size will continue to reduce for as long as this policy is in place.

Restrictions on importation of maize will need to be lifted. The change to allow private sector to import maize has been welcomed, but the basis for private sector importation of maize is still unclear. At present the only clear statement is that individuals are allowed to import 100kgs per person. A direct policy statement from Government is required, along with guidelines on how it is to be implemented. Private sector need to know that they will be allowed to import maize on a commercial basis and to distribute it on a commercial basis and without political interference.

1.0 INTRODUCTION

1.1 Importance of Maize Trade

Zimbabwe, like all COMESA countries, has an opportunity to utilize the COMESA trade regime framework to address the rigidities that characterize regional maize trade. Zimbabwe's commitments to regionalism is manifested in its being part of the nine countries in COMESA which are implementing the Free Trade Area (FTA). This could be used as a platform for safeguarding the country against food insecurity by guaranteeing free flow of maize from the surplus countries to Zimbabwe. On the other hand, Zimbabwe should be able to export maize to her regional neighbours facing deficits without internally induced restricts.

The Regional Agricultural Trade Expansion Support (RATES) project funded by the United States Agency for International Development (USAID) seeks to enhance regional maize trade through EAC and COMESA. The project is being implemented by Chemonics International, in collaboration with EAC and COMESA. A key theme of the RATES project is 'the relaxation of non-tariff barriers (NTB) to facilitate increased cross-border trade in maize'.

This approach is premised on the recognition that for most East and Southern African (ESA) countries, maize is a main staple with major implications on food security in the region. Under the RATES initiative, a key strategy is to promote the ability of maize to move from surplus to deficit regions of ESA countries more freely. This means focusing on geographical advantage rather than inward oriented markets and relaxation of regulations that constrain free movement of maize between borders.

This study has been commissioned by the RATES project to identify opportunities, issues and constraints facing maize trade in Zimbabwe. The objective of the study is to start the process towards timely market information, forging linkages among maize traders in the region and facilitation of policy harmonization within the EAC and COMESA.

1.2 Purpose of the study

The broad purpose of the study was to carry out a maize market assessment and baseline study for Zimbabwe. As part of the study, a maize value chain analysis (VCA) was undertaken to facilitate the development of strategic actions to improve the value and/or the volume of maize marketed in Zimbabwe. Specifically, the study was aimed at accomplishing the following:

- Generating a maize Value Chain Analysis (VCA) for Zimbabwe
- Analysing the value chain at various market transfer points and assessing the value added by participants in the maize chain.
- Listing all categories of players along the chain by name, location, type of entity and contact information.
- Identifying issues, problems, and constraints at each transfer point in the chain.
- Identifying the flow of maize volumes between sectors, in addition to the uses and consumption of maize and maize by-products.
- Analysing the value change in the maize chain between transaction points.

- Identifying trade regulations that govern the exports and imports of maize
- Assessing the impact of trade policies and regulations on cross-country movement and cross-border trade of maize.
- Developing a five-year baseline data for the maize industry in terms of volume, value, price, sales to mention but a few.
- Providing insights on issues and problems, as well as suggesting recommendations that may assist the maize industry to improve on the volume and value of maize.

1.3 The Zimbabwe Maize Deficit

Maize growing, milling and distribution of maize and associated products have been a well-established part of the economy and have been in existence since the early 1900's. Maize is the country's staple crop with at least 66% of the population (mostly rural) relying on it as their main food and earnings source. The crop has traditionally been grown by the rural population for subsistence use, although in the event of a good season, they may sell extra output to the Grain Marketing Board, and by the commercial sector as a cash crop.

However, during and since the year 2000, Zimbabwe has experienced severe shortages of the staple maize that necessitated massive imports. Normal consumption for the country is 1,800,000 tonnes for food and 400,000 tonnes for livestock feed. The World Food Programme estimated that in the year April 2002-March 2003 more than six million people would be in need of food aid, and the amount of grain required would be more than 705 000 metric tonnes. By June 2002, almost all districts in the country were in need of food aid. The required level of food support constituted 52% of normal consumption levels and in some districts within the Masvingo and Matebeleland provinces, food aid was expected to be as much as 90% of food requirements.

A cereal deficit of approximately 1 million metric tons is expected for the 2003/04 consumption year. The Government and NGO community need to start planning for continued food aid, non-food aid and food imports for the 2003/04 consumption year. The widespread food availability problems will start to ease up in March 2003 for most farmers who have planted early maize crops in the northern, eastern and some central districts of the country. To date a total of 904,000 metric tons had been imported into the country by mid-January 2003. Of this, 695,000 tons was by the Government, 139,000 tons in food aid and the remainder was provided by the private sector. An additional 633,000 tons of maize imports are planned by the Government and aid organisations. If all is imported before the end of the marketing year, March 2003, excess carryover stocks of 370,000 tons are expected to remain. However, it is unlikely that all the intended imports, especially by Government, will be physically in the country before the end of the marketing year.

The low levels of maize production in the 2000/01 seasons were due to prolonged dry spells in some areas and excessive rains in other areas. The following season (2001/02) was also poor mainly due to lower rainfall levels, delayed supply of inputs, late or no preparation of land by newly resettled farmers and continued severe disruptions in the commercial farming sector. The situation in the country was exacerbated by the critical shortage of foreign currency to import maize coupled with unforeseen bottlenecks in securing the staple crop from within the region in which several other countries had deficits.

Zimbabwe did not export grain and maize products in 2002 and was reliant on imports and international donors. The table below summarizes the production levels of maize by sectors for the period 2000 to 2002.

Sector	2000	2001	2002
Large scale Growers including ARDA	617,257	434,889	185,400
Small-scale Growers	63,685	97,500	14,640
Resettlement	130,000	100,000	58,500
Irrigation Schemes	10,972	11,220	0
Communal	797,917	882,720	240,000
Total	1,619,831	1,526,329	498,540
Food Consumption requirements	1,800,000	1,800,000	1,800,000
Animal feed consumption requirements	400,000	400,000	400,000
Total Consumption	2,200,000	2,200,000	2,200,000
Net deficit	580,163	673,671	1,701,460

Source: CSO, 2003

The main players in maize production are large-scale commercial farmers (LSCF), small-scale commercial farmers (SSCF), resettlement and communal farmers. In addition, other producers include Agricultural Rural Development Authority (ARDA) various irrigation schemes, as well as the Grain Marketing Board (GMB).

Importation of maize into Zimbabwe and exportation of maize from Zimbabwe was deregulated in the mid 1990's, at the same time as the economic structural adjustment programme was being undertaken. This was reversed in 2000 when the land redistribution exercise was started and production of maize fell below consumption. The revision placed a ban on all exports of maize and placed all maize under the control of the GMB. GMB were the only agents allowed to purchase and store maize from farmers, thus forcing the private sector out of the maize trading equation. ZIMACE, which was the private grain commodity trading floor, ceased most of its activities as a result of this reversal of policy.

With the current situation in the country it is imperative that this monopolistic policy is reversed, in order to bring in sustainable food supplies. The production of maize is unlikely to increase significantly over the next three years, meaning that there is a large import requirement for maize during this period. Given that there is a strong preference in Zimbabwe for white maize rather than the yellow maize imported from USA, it would be advantageous for Zimbabwe to import from the region. With a shortfall of the size indicated by the current data, an opportunity exists for the maize surpluses of the region to be sold to Zimbabwe.

The current major problem with the import of maize into Zimbabwe on a normal commercial basis is inability for the country to pay for imports due to the lack of foreign currency, however this can be overcome by working through the donors currently providing humanitarian aid to the country. RATES support could be provided to co-ordinate private sector maize traders and donor organisations willing to support humanitarian aid to the country.

1.4 Regional Trade Practices

Although Zimbabwe is party to a number of regional integration agreements it has not abided by the undertakings in these agreements, particularly in regard to the import and export of strategic food commodities.

The agreements to which Zimbabwe is a signatory to are as follows:

Bilateral agreements:

- Zimbabwe / Malawi bilateral free trade agreement
- Zimbabwe / Botswana bilateral free trade agreement
- Zimbabwe / Namibia bilateral free trade agreement
- Zimbabwe / South Africa trade agreement

Regional agreements:

- SADC
- COMESA

Zimbabwe is a member of the World Trade Organization (WTO) and two regional trade blocs: the Southern African Development Community (SADC) and the Common Market of East and Southern Africa (COMESA). Under the COMESA Treaty, all goods may be traded among member states under preferential treatment as long as they satisfy the prescribed rules of origin. The SADC Trade Protocol calls for the establishment of a SADC Free Trade Area (which came into effect on 1st January 2001) with the gradual elimination of tariffs between member states over a 12-year period. Zimbabwe has bilateral trade agreements with Malawi, Botswana, Namibia and South Africa, which allow duty-free entrance of Zimbabwean agricultural products. As the import of maize¹ is already zero-rated for all countries, there is little formal tariff restriction on the maize trade. In general these trade agreements have worked smoothly with traders not facing any serious problems in getting Certificates of Origin validated. However temporary bans, quotas and other NTBs have affected the overall liberalisation of the markets.

Use of these regional integration groupings by commodity traders has been mixed. Maize imports and exports remain the monopoly of government for the purpose of managing strategic grain reserves. Exports are a result of excess production in years of favourable weather and of domestic stocks exceeding levels deemed necessary for food security purposes. Maize imports by the private sector particularly in the current season have been limited by the fact that imported private sector maize cannot compete with government subsidised grain at the local level especially given the high costs of procuring the foreign currency required for these transactions. Clearly there is a need to revise the import and export policies and procedures on maize with the view to encouraging broader stakeholder participation in maize production and marketing. The tedious logistical and bureaucratic requirements for the importation of grain also act as a disincentive for private sector participation.

The period of relatively free trade in maize by private Zimbabwean traders was so short-lived that no clear trends or long-term bottlenecks emerged. Under “normal” circumstances, the sophistication of the traders, their access to good transport and distribution facilities as well

¹ Maize flour has preferential rates for import from COMESA, SADC and South Africa.

as trade finance meant that Zimbabwean traders were well placed to play a significant role in regional maize trade. This capability has been eroded but not yet destroyed.

1.5 Methodology

The purpose of this market analysis report is to identify actions and areas of development that could be used to enhance the regional trade in maize and associated products where this is shown to be beneficial to the countries and regions concerned. This value chain analysis has been compiled from interviews, review of reports and documentation available on the Maize sector of Zimbabwe.

A broad range of institutions and private operators were interviewed despite the extremely restrictive environment, whereby the Government regards information concerning the trade in Maize as a state secret as it is a “strategic” commodity. The full list is given in Annex II.

2.0 SUPPLY AND DEMAND ANALYSIS

2.1 Production and Consumption (for the period 1997 to 2002)

LSCF, ARDA, SSCF, resettlement farmers and irrigation schemes and communal farmers are the main producers of maize. Of these, resettlement and small-scale farmers are the main players while the remainder are opting out of maize production in favour of more lucrative cash crops.

Maize Crop Production

	1996/7	1997/8	1998/9	1999/2000	2000/1	2001/2
Tonnes 000's						
Large Scale	738	690	674	908	482	259
Small Scale	1,544	728	845	1,240	994	240
Total	2,282	1,418	1,519	2,148	1,476	499

Source: CSO 2003: FAO

	1996/7	1997/8	1998/9	1999/2000	2000/1	2001/2
Value Z\$ 000's						
Large Scale	775	1,035	1,752	4,177	2,535	2,486
Small Scale	2,007	1,092	2,197	5,704	5,229	2,304
Total	2,782	2,127	3,949	9,881	7,764	4,790

Source: CSO 2003: FAO

Maize Consumption

	1996/7	1997/8	1998/9	1999/2000	2000/1	2001/2
Tonnes 000's						
Human Food	1,800	1,800	1,800	1,800	1,800	1,800
Livestock feed	400	400	400	400	400	400
Total	2,200	2,200	2,200	2,200	2,200	2,200

Source: CSO 2003: FAO

Deficit / (surplus) in supply

	1996/7	1997/8	1998/9	1999/2000	2000/1	2001/2
Tonnes 000's	(82)	672	481	52	724	1,701

The table below summarises the decline in production levels of maize by specific sub-sectors for the period 2000 to 2002.

Maize production by sector: 2000 to 2002 (tonnes)

Sector	2000	2001	2002
Large scale Growers including ARDA	617,257	434,889	185,400
Small-scale Growers	63,685	97,500	14,640
Resettlement	130,000	100,000	58,500
Irrigation Schemes	10,972	11,220	0
Communal	797,917	882,720	240,000
Total	1,619,831	1,526,329	498,540

Source: CSO, 2003

The survey of growers has confirmed this ongoing decline, which has been worsened by the unfolding political trends in the country. Many commercial farmers have been driven out of their farms while those still operating are not growing maize. One farmer spoken to claimed that his entire maize crop was stolen in one night while the other farmer only grows maize to assist his work force. New commercial farmers have still to make a significant impact on the production of maize.

The farmers also claimed that widespread lawlessness is affecting agriculture, particularly maize production. The new farmers (A2 schemes) seem to have concentrated towards lucrative cash crops rather than maize, which is controlled by GMB. Smallholder farmers are the main growers of maize. ZFU has observed that smallholder farmers – communal and resettlement – which together account for over 1.3 million tonnes during the normal rain season, currently dominate maize production. Most of this production is without irrigation facilities. Indications are pointing to higher yields from smallholders following the ongoing land reform, especially if accompanied by modern technology such as irrigation facilities as well as proper planning of input provisions. See also Appendix II of Crop Forecast data for 2000-2002.

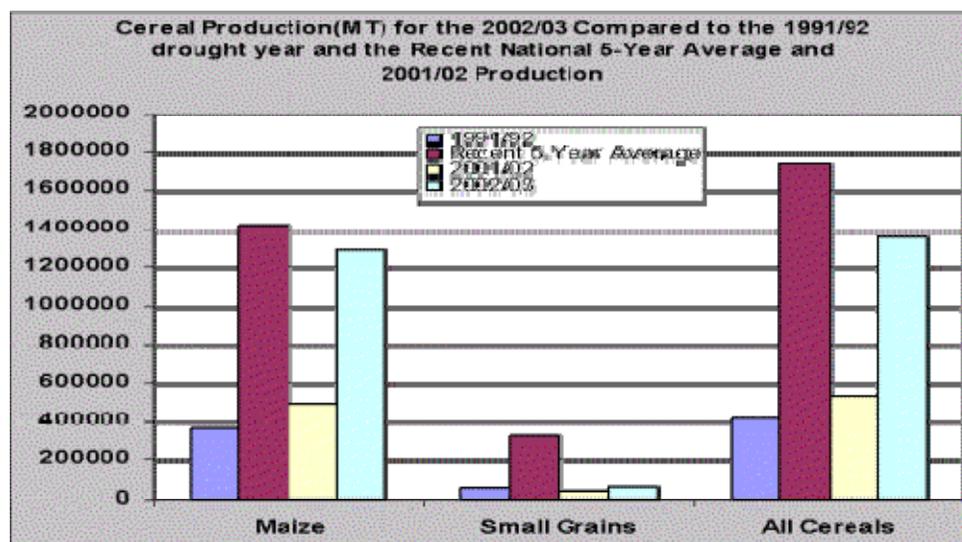
2.2 Production prospects and crop estimates

The unexpectedly heavier than normal rainfall during the second half of the 2002/03 season has seen cereal production estimates for the season revised, though the actual crop size is not known. Crop estimates have recently been revised downwards and the anticipated crop for the year is likely to be around 500,000 tons.

Increase in the production of maize in the short term is unlikely, as the newly resettled farmers have no funding or inputs and lack capital equipment and the expertise to grow crops on a large scale. Government has established a fund of Z\$7 billion to assist farmers, but this money is yet to reach the resettled farmers. Added to this is the lower level of earnings available from maize and the fact that all purchases from farmers are controlled by GMB, a situation that has discouraged newly resettled farmers from growing maize. Importation of fertilisers and chemicals is proving difficult due to the lack of foreign currency and it is anticipated by the main manufacturers that they will only be able to produce 28% of the country's requirements for the coming season.

If the country is to see any meaningful increase in production of maize it is going to be necessary to provide high levels of support from agronomists to ensure correct techniques are utilised, a high level of funding for the equipment necessary to plant, tend and reap the crop and foreign currency funding for the purchase of seed, fertilisers and chemicals, which are no longer available locally.

Figure 1: Staple Cereal Production estimates for 2002/03



Source: Crop Forecasting Committee

2.3 Maize purchases, 2001/02

The table shows variations in maize purchases per month for the period September 2001 to September 2002.

Month	Maize Purchases Tonnes
September, 2001	41,737
October	26,721
November	25,858
December	23,588
January, 2002	42,889
February	20,708
March	15,345
April	9,096
May	17,275
June	21,187
July	18,724
August	13,073
September 2002	11,263

Source: ZFU, 2003

The maize grain and meal situation is also summarized in the table below for the period December 2001 to December 2002.

Total maize grain / meal data from the three major millers, GMB and Private owned silos (all quantities are in tonnes), 2001/2002.

2001/2002	Domestic purchases – Maize grain	Imports – Maize grain	Meal production	Domestic meal sales	Meal exports
December 2001	23,588	0	18,569	16,553	0
January 2002	42,889	0	19,978	20,224	0
February	20,708	3,926	11,636	12,068	0
March	15,345	49,390	12,175	13,481	0
April	9,096	59,472	33,641	8,475	0
May	17,275	78,226	12,032	9,093	0
June	21,187	88,886	14,268	12,801	0
July	18,724	36,985	8,674	8,338	0
August	13,073	64,834	8,385	5,708	0
September	11,263	54,176	4,523	3,874	0
October	8,625	73,076	5,658	4,765	0
November	5,765	63,323	7,511	5,039	0
December	2,851	50,630	3,503	4,092	0

Source: Ministry of Lands, Agriculture and Rural Resettlement, 2003

The above table clearly illustrates the increasing dependence on imports and the reduction in maize meal for local consumption with a resultant deficit in production over consumption.

2.4 Maize exports and imports

The country did not export maize grain and maize meal during the year 2002. Conversely the country was heavily dependant on imports and international donor support to meet food requirements in maize. Food relief was not well coordinated for the over 7 million people in need of food aid.

Exports of Maize Seed (Zimbabwe \$ and tonnes)

1997		1998		1999		2000		2001 (To June)	
Tonnes	\$'000	Tonnes	\$'000	Tonnes	\$'000	Tonnes	\$'000	Tonnes	\$'000
10 734	72 607	10 548	158 440	42 766	262 990	11 510	329 563	116	2 915

Source: CSO Quarterly Digest of Statistics

Exports and Imports of Maize

Maize Exports (1997–2001) US\$ 000				
1997	1998	1999	2000	2001
49,930	Nil	21,485	8,601	nil
Maize Imports (1997-2001) US\$ 000				
1997	1998	1999	2000	2001
10,582	nil	45,288	nil	nil

Source: UN ITC Trade Statistics

By January 2002, the government had cumulative outstanding export permits for maize (fresh yellow) and maize seed destined for Botswana, Kenya, Mozambique, Namibia, South Africa and Zambia (see table below).

Export permits of maize

Commodity	Unit	Quantity	Cumulative w.e.f. January 2002	Destination.
Maize (fresh yellow)	Mt	0	5,764	Botswana, Namibia
Maize seed (hybrid)	Mt	0	613	Botswana, Kenya, South Africa, Zambia
Maize seed (OP)	Mt	562	7,458	Mozambique, South Africa

Source: Ministry of Lands, Agriculture and Rural Resettlement

Similarly, the government has issued import permits in order to bring maize into the country. This covered both maize grain and maize meal (see table below).

Import permits of maize

Commodity	Unit	Quantity	Cumul. From January 2001	Country of origin
Maize grain	Mt	12,959	1,099,879	South Africa, Kenya, Brazil, China, Tanzania
Maize meal	Mt	0	115,510	South Africa, USA
Fertiliser	Mt	8 184	168 333	South Africa, EU, Israel, Chile

Source: Ministry of Lands, Agriculture and Rural Resettlement

2.5 Production Problems and Constraints

Growers

Since 1998 there has been major disruption to farming caused by the economic situation pertaining in Zimbabwe, the irregular rains and the land redistribution exercise undertaken by the government.

With the expertise and support systems available in Zimbabwe the country could produce a far larger crop and could provide much of the regions requirements, but this will require a stable economic and political situation, guaranteed inputs and greater incentives to invest in increased production capacity.

The main players in maize production are large-scale commercial farmers (LSCF) who are present mainly in the Mashonaland Highveld areas, small-scale commercial farmers (SSCF), resettlement and communal farmers who are spread countrywide. In addition other producers include Agricultural Rural Development Authority (ARDA) and irrigation schemes as well as the Grain Marketing Board (GMB).

Since 2002, private buyers such as ZIMACE, milling companies and individuals are no longer relevant players following the re-instatement of the Grain Marketing Board's monopoly status. This remains a barrier to production, distribution and marketing. Inadequate GMB resources hamper efficient service to the farmers. As a result, failure to liberalise the maize industry is pushing large-scale maize growers out of the industry, a position that is being followed by smallholder farmers, especially the new farmers. Thus, a significant number of smallholder farmers are now growing cash crops such as tobacco and soya beans instead of maize.

Input policies

The government offers subsidised crop input packs to farmers, which are repayable after the produce is marketed. Previously the system was such that maize farmers would be given seed and fertiliser loans and the cost of these would be deducted from the crop proceeds in grain sales to the GMB. Following liberalisation of agricultural markets in the early 1990's, mainly commercial farmers opted to access their input loans from the banking sector and sell their produce to private buyers, however, small-scale operators accessed the GMB loans but did not repay the cost of the inputs and sold their produce privately.

The policy of offering crop input packs to farmers was expected to boost production in the smallholder sector. This was not the case in reality as the crop input packs were often delivered too late due for various reasons, or in other cases, the farmers do not receive adequate inputs. This inefficiency compromised production and where the inputs were very late the farmers were not able to use the inputs at all. Timely delivery of inputs is necessary if the objectives of the crop input programmes are to be met. Non Governmental Organisations (NGOs) have also played a significant role in making inputs available to farmers in the smallholder sector, where unlimited assistance was given to a limited number of farmers. This assistance has been from donations of inputs to farmers, or facilitating the granting of loans to purchase inputs for the farmers.

The prices of inputs, particularly fertiliser has risen sharply over the years such that it has become inaccessible to most farmers. Another significant cost in procuring inputs is the cost of transport, with most private sellers not providing this facility.

Failure to access proper inputs means farmers' maize yields are likely to remain low. High input costs coupled with price controls on the output mean that maize production will continue to be marginally profitable when compared to other venture and with time, more farmers will switch to production of more profitable crops, only growing maize for their own consumption.

Fertiliser is vital to maize farming resulting in higher yields of about approximately 50% attributable to its use. The country continues to suffer from a chronic shortage of this commodity, a situation that is worsened by prohibitive transport costs. Domestic production is hampered by high electricity charges, transport costs and the failure to import spare parts and/or new equipment for replacement purposes. Much of this equipment is obsolete and unreliable, some of which is over 40 years old and are unable to copy with local demand. Most farmers are unable to access this commodity, with imports hampered by the severe shortages of foreign currency being experienced by the country.

Farmers lack adequate inputs to improve their yields, and often use less fertiliser than is required. In seasons following a drought such as the current, very few farmers are able to purchase even the required minimum inputs for maize production.

Producer pricing

Setting of prices payable to growers is controlled by Government and is set on a pre planting price basis, with government announcing prices at the start of the season. Pricing was used as a tool to manage crop size up until 2000. Following this the pricing of the crop has been set

based on keeping the price of maize meal low for political expediency. This has caused major problems and has discouraged growing of maize in Zimbabwe.

The table below illustrates the real producer price index.

Real Producer Price Index (1980=100)

Harvest Year	Maize
1980	100
1981	88
1982	80
1983	76
1984	81
1985	75
1986	65
1987	58
1988	59
1989	57
1990	51
1991	49
1992	69
1993	65
1994	70
1995	66
1996	65
1997	60
1998	83
1999	118
2000	106

Constraints

Maize production has over the years been declining due to a number of factors including:

- Inadequate supply of inputs (seeds, fertiliser, agrochemicals and tillage assistance or draught power);
- Lack of technological investment leading to poor innovation and skill-application in maize production;
- Inadequate agronomy support to ensure applicable skills and techniques used

2.6 Recommendations to Ensure Sustainable Levels of Maize Stocks

- Diversify into drought and disease resistant varieties that ensures better harvest in the next season;
- Develop irrigation facilities, especially for smallholder farmers;
- Adopt better technology which not only minimizes farmers' production costs, but also improves soil quality through nutrient cycling, nitrogen fixation, soil regeneration and greater water-retention capacity;
- Use organic and agro-ecological methods to increase and boost production.
- To increase competition in the fertiliser industry and lower duty on imports to ensure that local industry faces competition that will benefit the farmers.

- Smallholder farmers would also benefit through group purchasing of fertilisers directly from the manufacturing companies and also by setting up warehouses closer to their home areas.
- To ensure that inputs are made easily available at reasonable prices to farmers and programs that encourage production of the strategic crop are developed.

It is important to note however that input subsidies are only a short-term solution to the problem, and in the long run, it is necessary to ensure competition and efficiency in the input supply industry through various ways including opening of these markets to external competition.

3.0 MARKETS AND MARKETING SYSTEMS: VALUE CHAIN ANALYSIS

3.1 Domestic Marketing

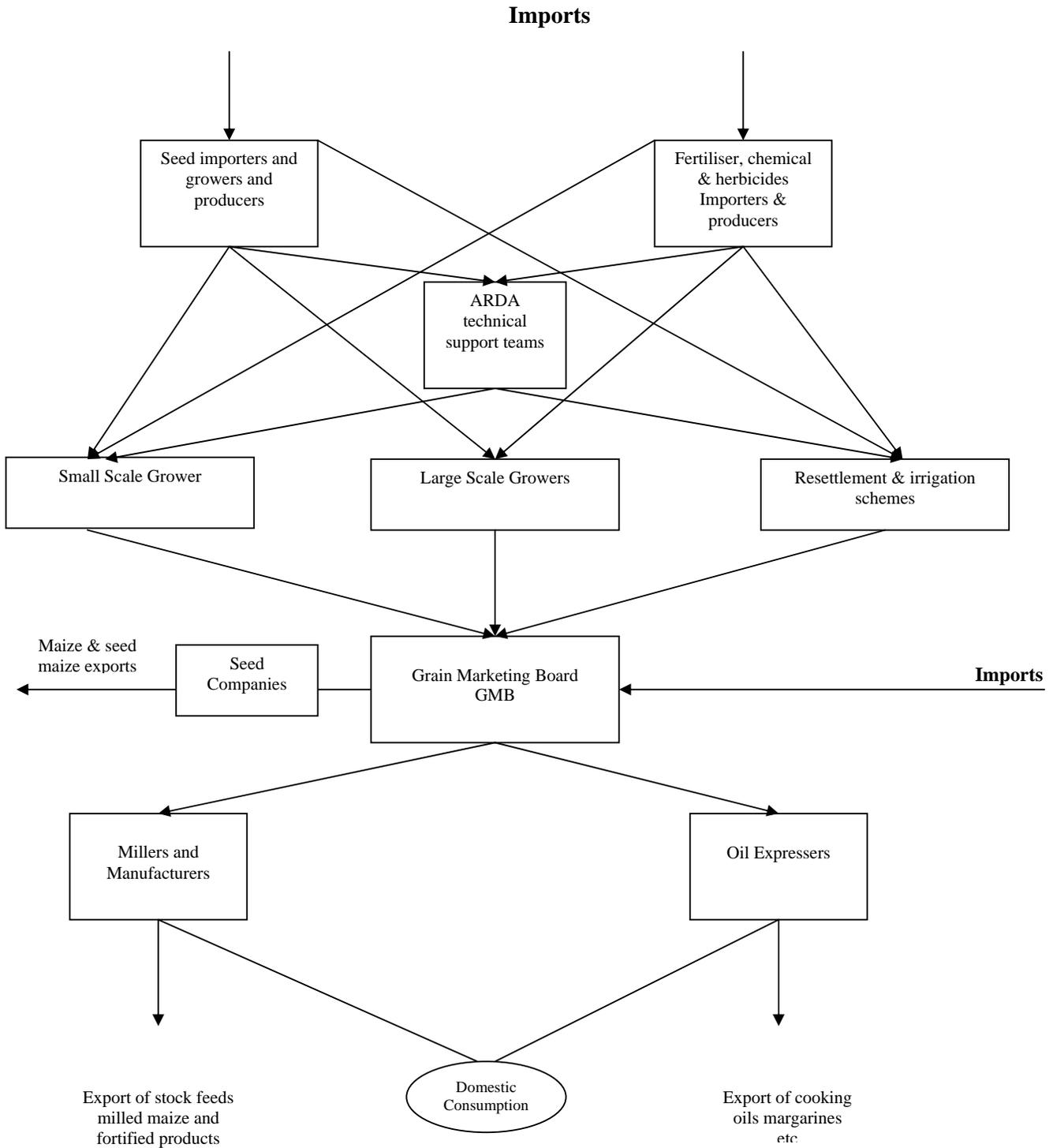
Although agricultural markets and prices of commodities were decontrolled in the early 1990's, the Government of Zimbabwe (GoZ) through the GMB continued to announce farm gate buying prices every year. In most cases, the GMB would announce a pre-planting price, and subsequently announce a higher post-harvesting price. The trend has been such that over the years when surplus production is realised, the private sector has offered farmers lower prices than those quoted by the state agency but managed to lure farmers to sell their grain to them due to incentives such as immediate cash payments and provision of transport. The private traders then resell the grain stocks to the state agency at higher prices. In years where there are maize shortages, the private sector tends to offer higher prices than the GMB, and resell the maize directly to millers and other companies that use the grain as an input in the manufacturing and processing activities.

With the reintroduction of the monopoly status of the GMB the controlled price and inflexible marketing situation has been recreated, forcing private sector out of the market. Government intends to keep this situation as long as there is political reason to do so. At present even donors are struggling to obtain permission to import and distribute maize outside of the GMB network.

With the increased international pressure being brought on the government, it is likely that this situation will change.

3.2 Value Chain Analysis

Diagram of Value Chain



3.3 Tabular presentation of the Value Chain

Small and Large Scale Growers		
Inputs	Outputs	Use of outputs
Seed maize Chemicals Agronomy support	Maize grain and seed maize	Used to produce maize products and by products

Millers, Manufacturers, Brewers and Expressers		
Inputs	Outputs	Use of outputs
Maize grain	Maize meal, fortified maize products, maize bran, opaque beer, extruded food products, cooking oils and stock feeds	Human and animal consumption

By Products Processing		
Sector	Output	Use
Maize bran, masese		Feed for cattle, dairy cows, sheep, horses Bran for bakery products
Maize meal/germ		Flour for table products Feed - for cattle, dairy cows, sheep, horses, poultry and pig
Oil		Refined Oils - Cooking oil, salad dressings, shortening, margarine

3.4 Value change along the chain

Transaction Point	(1) Buying Price	(2) Selling Price	Value added in % [(2) – (1)]/(1) * 100
Farmer	\$95,000 (production cost)	ZW \$130,000 /Mt	37%
Small Traders	n.a.	n.a.	n.a.
Agent	n.a.	n.a.	n.a.
Large Traders/Grain Reserves	Z\$130,000	ZW \$9,600 /Mt	nil
Millers	ZW \$9,600 /Mt	ZW \$25,000 /Mt (official) ZW \$ 300,000 (black market)	260%

Note: Due to the distorted purchasing pattern as a result of the GMB being the only organisation allowed to purchase maize, the farm gate buying price is much higher than the GMB selling price.

As regards the buying price and the controlled selling price, a number of anomalies have been allowed into the market. The GMB has increased the purchase price for maize to farmers of \$130,000 but has maintained the controlled price of maize to millers at \$9,600 per tonne and is aiming to keep the controlled price for milled maize meal at Z\$25,000 per tonne. The above situation is un-sustainable economically and is an instrument of political intervention. The actual price in the unofficial retail markets is reported to be Z\$ 3,000 per 10kg which equates to Z\$ 300,000 per tonne. Maize meal is usually described as “out of stock” at all urban retail stores.

The situation regarding the importation of maize into Zimbabwe is in the process of being changed. During 2001 Government legislated that the only organisation that was allowed to buy maize locally and to import maize was the Grain Marketing Board. This situation has been rigidly enforced until two months ago (January 2003) when government took the step of allowing imports through donors and some private sector firms. In terms of the private sector

import allowances, individuals are allowed to import 500 kilograms per person, though there is some confusion over exactly how this will work.

3.5 Maize availability calendar and projections for the 2002/2003 season

Availability Calendar

Region	Month(s) of the year when maize is harvested	Month(s) of the year when maize is available for trading	Production Projections for the period 2002/2003
Countrywide	March –July	April – March	+/- 800,000 M/t*

Source: Ministry of Agriculture

The maize growing season is as follows:

- Ground preparation September / October
- Irrigated crop planting October
- Dry land crop planting Late October / November (though can be as late as early December depending on the rains)
- Reaping commences March and finishes July.

Marketing of the crop happens year round as the crop is stored by GMB in grain silos around the country and is sold as required.

Marketing Projections

Source	Million Bags
Carry over stocks	3.7
Long Rains Harvest	10.0
Short Rains Harvest	4.3
Imports (cross border)	-18.0
Total	-5.0
Less Consumption	-15.0
Projected deficit	-20.0

Source: FEWS NET Current Monthly Report for Zimbabwe

3.6 Trade flow leaders by maize growing region as at March 2003

Maize Growing Region	Agents	Small Traders	Large Traders	Grain Reserves	Millers
Exporters					
Country-wide	Nil	Nil	Nil	Nil	Nil
Importers					
Countrywide			G.M.B.		
			Aid organisations		
			Some private sector		

Maize is grown on a commercial basis on the Mashonaland Highveld region but is grown countrywide by small scale and communal producers. A full listing of all of the farmers concerned in the growing of maize has not been included due to the number of farmers involved and due to the fact that many of the small scale farmers have no formal addresses.

GMB Maize Purchases by Sector

Marketing Year	Large Scale Growers	Small Scale Growers	Imports	Total
1990/91	357,414	423,594	0	781,008
1991/92	233,731	371,764	83,171	688,666
1992/93	11,904	716	1,845,000	1,857,620
1993/94	620,000	718,000	204,970	1,542,970
1994/95	546,718	536,028	0	1,082,746
1995/96	32,947	31,450	133,000	197,397
1996/97	296,480	576,005	101,237	973,722
1997/98	76,087	178,535	0	254,622
1998/99	155,054	75,405	390,719	621,178
1999/2000				2,148,110
2000/01				1,476,240
2001/02				498,540
2002/03*				801,776*

Source: Fewes/Faostat

* Source is Ministry of Agriculture. This figure is under constant revision.

In the current 2002/2003 agricultural season Zimbabwe is facing maize shortages that has been worsened by the reintroduction of controls on maize purchasing and banned all private purchases of maize through statutory instrument 235A of 2001. Under this instrument, maize and maize products and wheat and wheat products were declared to be controlled products within Zimbabwe in terms of the Grain Marketing Act. This effectively made it illegal to buy, sell or move maize or wheat (and their respective products) within Zimbabwe other than to and from the GMB. This legislation affected the operations of industrial players such as the Zimbabwe Agricultural Commodity Exchange (ZIMACE) (which ceased trading on September 3 2001), and manufacturing and milling firms that use maize as an input. At that time, there was already a shortage of maize in the country and the legislation did not improve the situation, instead it exacerbated the national and household maize crisis.

Currently only the GMB can purchase grain from farmers while any private transactions between farmers and private sector players are considered illegal. This has had the impact of creating a parallel market where grain is available but only at prices that are higher than the official GMB prices by up to 500%. For example, as at March 2003, a bucket of maize (about 20kg) was sold in the urban townships for as much as Z\$ 4,000 (officially about US\$80 in March but with the devaluation currently about US\$5) whilst a 50kg bag was sold by the GMB for Z\$500. This implies that a dealer buying from the GMB and reselling on the parallel market in townships can make huge profits. The government also restricts movement of grain by individuals, and there have been cases where individuals found carrying more than two buckets of maize grain have had it confiscated and sold to the GMB.

The government controls the retail price of maize-meal although the commodity is in short supply, and a parallel market has emerged for it. On the parallel market prices differ according to the geographical area. In areas close to rural areas the prices are lower than those further away. In terms of policy this kind of scenario presents several difficulties including estimating how much maize is available on the local market, how much should be procured through imports and in ensuring that every citizen is able to afford and access the staple grain.

3.7 Major Players/Users of Maize

Food Processors

AgriFoods (Private) Limited

Agrifoods is the largest manufacturer of animal stock feeds in the country, with its main base in Harare and outlets and warehousing throughout the country. The main raw material for stock feeds is maize, which has become more and more scarce, necessitating importation of maize in order to continue manufacture of stock feeds. The demand for stock feeds has declined over the past three years with the reduction in farming activity and the reduction in the national beef herd. The beef herd has reduced from 6.4 million head to a little over 250,000 in this period. No figures are available for the amount of maize imported or for the demand for animal feeds as a whole as this is “classified information” and companies releasing this will be liable to prosecution. Agrifoods are anticipating importation of all maize requirements for the foreseeable future as the current maize crop is unlikely to supply the needs of human consumption and the government has assigned all maize grown to the Grain Marketing Board for sale to food processors and not animal feeds processors.

Agrifoods is a subsidiary of CFI Holdings Limited, a public company quoted on the Zimbabwe stock exchange. Turnover of the group is Z\$26,155,827,000 and the group employs over 6,000 employees. The group is one of the largest corporations in Zimbabwe.

Victoria Foods (Private) Limited

Victoria Foods is one of three large maize and flour millers in Zimbabwe, based in Harare. Prior to the land redistribution exercise disruption to farming activities, Victoria Foods milling capacity was fully utilised. The current capacity utilisation is below 30% and the operation is struggling to maintain viability.

The company has imported some maize, but this has only recently been allowed as Government had previously legislated that only GMB be allowed to import and distribute maize. The cost of importing maize has severely affected operations as the cost of imported maize is well above that of locally produced maize and the company produces a price controlled product. Although input prices have risen considerably no increase in selling price has been allowed.

The recent change in attitude by Government to allow private concerns to import maize are not yet been fully implemented or the effects fully felt. The basis on which private concerns may import maize is not clear at this stage, however the costs of maize will undoubtedly increase and will affect the profitability of the company. The company is a subsidiary of CFI Holdings and employs just over 1,000 employees.

Blue Ribbon Foods

Blue Ribbon is the second largest miller in the country, based in Harare. Its main supply of raw materials, maize and flour is from the GMB. As with all other millers, prior to the land redistribution exercise disruption to farming activities, the company’s milling capacity was fully utilised. The current capacity utilisation is below 40% and the operation is struggling to maintain viability.

The company has imported some maize, but the same problems are being experienced with price controlled end products as is being experienced by all other millers.

Blue Ribbon is a subsidiary of TA Holdings Limited, has a group turnover of Z\$4,380,341 and employs 6,000 employees.

National Foods Limited

National Foods Limited is the largest miller, producing milled maize, flour, stock feeds and vegetable oils, in Zimbabwe, with operations in Harare and Bulawayo and depots in all of the major centres in the country. Current milling capacity utilisation is under 30%, though this has picked up recently with the importation of maize through aid agencies and through the changes in the control over maize importation for private concerns. The production of stock feeds has been restricted by the lack of raw maize in the country and restrictions on importation of maize not destined for human consumption.

The problems noted with all other millers regarding supply of raw materials and pricing applies to National Foods as well and the company will have viability problems if the pricing issue is not sorted out.

The company is a public quoted company with a turnover of Z\$19,022,098,000 and employs 4291 employees.

United Refineries (Private) Limited

United Refineries is one of the largest refineries in the country, based in Harare. The company utilises maize in the production of vegetable oils and vegetable oil products. Current supply of maize is from imported maize, which the company imports itself as the supply of locally available maize is limited and it is felt that this situation will continue for the foreseeable future.

United Refineries is a subsidiary of TA Holdings Limited, has a group turnover of Z\$4,380,341 and employs 6,000 employees.

Cairns Foods Limited

Cairns foods is the largest producer of food snacks in the country, based in Harare, producing a wide range of snacks based on wheat, rice, potato and maize. The company has been involved in the development of out grower schemes to supplement its supplies of raw materials, principally in maize and potatoes among the new A2 farmers, being resettled onto previous commercial farms. Although this has benefited them as regards the production of Potatoes the production of Maize has met with limited success and the company still has a shortfall in the supply of maize for production of its products.

Cairns foods is a public quoted company, with a turnover of Z\$7,842,231,000 and 1489 employees.

Nutresco Foods (Private) Limited

Nutresco is the second largest producer of food snacks in Zimbabwe, based in Harare. Initially the companies main products were maize and wheat based, but this has been diversified as a result of the land redistribution exercise. The companies main products still include maize and wheat, though and the current situation has resulted in a reduced output for the company.

The company has been importing maize to supplement local purchases, but is facing difficulties with the increasing cost of imported materials and controlled pricing on a large number of its products.

Nutresco is privately owned and figures regarding company size are not currently available.

Makonde Industries (Private) Limited

Makonde is the third largest producer of food snacks in Zimbabwe, based in Harare. The companies main products are maize and wheat based, but this has been diversified as a result of the land redistribution exercise.

The company has been importing maize to supplement local purchases, but is facing difficulties with the increasing cost of imported materials and controlled pricing on a large number of its products.

Makonde is privately owned and figures regarding company size are not currently available.

Olivine Industries Limited

Olivine Industries is one of the largest refineries in the country, based in Harare. The company utilises maize in the production of vegetable oils, margarine and vegetable oil products. Current supply of maize is from imported maize, which the company imports itself as the supply of locally available maize is limited and it is felt that this situation will continue for the foreseeable future.

The company is privately owned and has been a key player in the industry since the 1930's. Figures regarding the company size are not currently available as it is privately owned.

Chibuku Breweries Limited

Chibuku is the largest producer of traditional beer, manufactured from maize meal, and has more than 28 depots and filling stations around the country. The company has suffered from the reduced availability of maize, but has managed to purchase enough to maintain its operations. With the changes in maize importation restrictions it is hoped that the raw materials situation will improve considerably.

The company is a subsidiary of Delta Holdings Limited, a public quoted company, with an annual turnover of Z\$43,971,109,000 and 1200 employees.

Ngwebu Breweries (Private) Limited

Ngwebu is the second largest producer of traditional beer, manufactured from maize meal, in the country. As is the case with Chibuku the company has suffered from the reduced availability of maize, but has managed to purchase enough to maintain its operations. With the changes in maize importation restrictions it is hoped that the raw materials situation will improve considerably.

A Municipality owns the company and figures for its size and production are not available. It is however well known that the company has faced financial difficulties for a number of years.

Grain Marketing Board

The Grain Marketing Board is a parastatal organisation, formed over fifty years ago to manage the maize and wheat crops and to ensure that adequate supplies of grain reserves were in place to protect the country's well being. The GMB has 48 Depots and grain storage silos around the country and all maize produced must be delivered to a GMB depot, payment for which is at a government established price. This price mechanism has been subject to wide criticism and is blamed for the reduce output of maize over the past ten years. The prices have been held artificially low in order to reduce the cost of food for the majority of the Zimbabwean population. The result has been that prices and production have varied considerably with a cycle of low production one year due to low prices, increasing to higher production the next year as government are forced to increase the pre planting price. The pre planting price for the 2003 season, just ending has only been announced in the past three weeks, too late to be of any effect on maize production for the year.

Up until 1992 the GMB was the sole agency allowed to purchase and store grains, and was subsidised as part of government policy to manage the price of staple food for the majority of Zimbabweans. Following the liberalisation of the economy the GMB monopoly was disbanded and two further players entered the field, Cargill and Zimace.

Following the reduction in maize output in 2000 and 2001 seasons Government legislated again that GMB be the sole agency allowed to purchase, import and distribute grain crops in Zimbabwe. The GMB has however not managed to re establish any form of grain reserve or food security and has severe management and financial problems.

Although the GMB is formed as a public enterprise no annual reports have been released to the public for over five years and the exact financial status of the organisation is unknown. Throughput figures for the organisation are regarded as "confidential information" and are not available for release to the public.

4.0 TRADE POLICY AND REGULATIONS

4.1 Trade Policy

Under normal circumstances the trade policy for maize is determined by the position with regard to food reserves, i.e. that a strategic reserve of 500,000.00 – 960,000.00 tonnes be maintained. But the actual amount of maize reserve held in stock has been much less over the years as the performance of the maize sector has declined. In the Agricultural Policy Framework document, it is envisaged that at the national level, food self-reliance would be maintained through the Strategic Grain Reserve and Strategic Grain Reserve Fund. Although a strategic grain reserve fund is supposed to be maintained, shortages in foreign currency have hampered the sustenance of such a facility. The failure of the GoZ to maintain the strategic maize reserves has implied that there is no fall back facility, and every time the country has had poor harvests maize grain has had to be imported to meet the local demand.

Zimbabwean policy strikes a balance between maintenance of physical maize stocks and a fund to be used for importing maize during drought periods. The advantage of maintaining financial reserves is that they earn interest, whilst physical stocks can deteriorate in quality and value. In some instances, the grain may not be easily available from within the region as is the case in the current season. Even in the global world, a country cannot solely rely on a financial reserve as assurance of food security for its nationals. Thus, the concept of food reserves though good can be expensive and extremely difficult to maintain. Food reserves should be used as a complement and not a substitute for policies and programmes aimed at boosting maize production and supply of adequate it on a yearly basis.

There is currently no grain reserve due to the disrupted nature of agricultural production over the past three years.

4.2 Regulatory Requirements

Import Permits

Import permits are required by the Plant Health Inspection Services (PHIS) before maize imports are made. Import permits are obtained from the Ministry of Ministry of Lands, Agriculture and Rural Resettlement.

Procedures for application are:

- A letter of authority to be obtained from GMB
- certification from the supplier that the maize is free from GMOs
- plant import permit from the Plan Health Inspection Services
- import permit from the Ministry of Lands, Agriculture and Rural Resettlement

Maize imports by Donors require the following in addition to the above:

- the donor or donor agents should be registered with the Department of Social Welfare and have a letter from the Department

These requirements are time consuming and are not constructed in a manner that allows easy participation by private sector. Most imports outside of the GMB are done by aid / donor agencies who are bringing in maize as a food source rather than as a tradable commodity. Government is unwilling to modify these procedures as it views maize as a political commodity and only allows importation of maize by private sector or donor organisations under duress.

Government has recently announced that private individuals may import maize of up to 100kgs per person without going through the import permit process, though persons importing maize on this basis are still required to have a phytosanitary certificate.

Inspectors are present at the border post of Mutare and Beitbridge to check the declaration conditions on the import permit. These checks will include: -

- Designation is for human consumption
- Product is free of pest (phytosanitary certificate)
- Fumigated pallets have been used
- Packaging is new (polypropylene) bags

Health and standards requirements

Maize grain standards are as follows:

Class	A	B	C
Colour	White or Yellow un-mixed	White or Yellow un-mixed	White or Yellow un-mixed
Maximum Percentage Moisture	12,5	12,5	12,5
Maximum test density (white maize only)	67,25	64,75	-
Maximum percentage extraneous matter	0,1	0,75	1,0
Maximum percentage trash	0,05	0,1	0,25
Maximum percentage extraneous matter and trash in aggregate	0,5	0,75	1,0
Maximum percentage chipped maize	8,0	-	-
Maximum percentage brown / pigmented maize	6,0	8,0	-
Maximum percentage defective maize	6,0	12,0	17,0
Maximum other coloured maize included with defective maize	2,0	4,0	-
Maximum percentage toxic diseased maize included with defective maize	2,0	2,0	2,0
Condition	Fresh and plump	Fresh and plump	Fresh and plump
Aflatoxin content (ug/kg)	10		

When tested by acceptable methods the maize sampled shall:

- a) to the extent possible be in good manufacturing practice shall be free from objectionable matter
- b) be free from pathogenic micro-organisms, substances originating from micro-organisms or other poisonous or deleterious substances except aflatoxins whose limits are specified in the table above
- c) shall not have live infestation of any kind
- d) shall contain not more than 10 dead insects per kg

Maximum Residue Limits (mg/kg) on pesticide residue:

Chemical Class	Name of Chemical	Maize
Organophosphates	Bromophos	10
	Chlorpyrifos – methyl	10
	Dichlorvos	2
	Etrimfos	10
	Fenitotion	10
	Idofenphos	*
	Malathion	8
	Methacrifos	10
	Phoxim	0,05
	Pirimphos-methyl	10
Organochlorines	Tetrachlorvinphos	*
	Aldrin and Dieldrin	0,02
	DDT	0,1
Pyrethroids	Lindane	0,5
	Bioresmethrin	5**
	Deltamethrin	1
	Permethrin	2
Fumigants	<i>d</i> – Phethnorin	5
	Carbon disulphide	10
	Carbon tetrachloride	50
	Ethlyne dibromide	20
	Ethylene dichloride	50
	Inorganic bromide	50
	Methyl bromide	5
	Phosphine	0,1
Pyrethrin	Pyrethrum	3
Carbamate	Carbaryl	5 to 10
Synergist	Piperonyl Butoxide	20
Insect Growth Regulator	Methoprene	5
Ester++	Fenvalerate	2

* not yet evaluated by the joint FAO/WHO Meeting of Experts on Pesticide Residues

** only guideline level pending toxicological clearance of the pesticide and its residues

++ properties are similar to pyrethroids

Maize importers are required to comply with the following:

- Avoid open pollination of seed varieties.
- Fumigation or disinfection treatment (by importing country). Should quote the following:
 - chemical and concentration
 - duration of exposure
 - treatment
 - date of fumigation
 - the certificate costs

If any doubts arise over the quality of the maize, the Central Standards Association of Zimbabwe is called upon to perform physical tests.

Phytosanitary certificates

Exporters are required to apply for phytosanitary certificates before exporting, however it is not expected that any exports will be made in the foreseeable future. Application is to be made to the Plant Health Inspection Services (PHIS) department of Ministry of Agriculture.

Importers are required to show a phytosanitary certificate from the country of origin to demonstrate that the maize imported is free from pests.

GMO Policy

Official government policy has been to reject all GMO food, but has been forced to modify this approach as the levels of starvation in the country have increased. GMO food is now circulating in the country. However, local scientists are supervising the milling, transportation and distribution of the grain. The government scientists are from the Bio-Safety Board and the Ministry of Lands, Agriculture and Rural Resettlement.

The Bio-Safety Registrar of the Research Council of Zimbabwe has indicated close working relationship with the Foods Standards Advisory Board. The idea is to have the Food Standards Act upgraded, leading to the labelling of all GMO products in conformity with the International Food Standards

This stance on GMO maize is in line with that adopted by Zambia, but not by other countries in the region. The impact on regional trade is unlikely to be significant, as the current food supply situation in Zimbabwe is likely to continue for the next three years and will force the country to purchase what ever maize is available to it. Government is likely to maintain its stand on non acceptance of GMO foodstuffs, but allowing GMO foods to be imported in order to alleviate starvation.

4.3 Exports and Imports

Maize imports and exports have remained the monopoly of government to assist in managing strategic grain reserves. Exports are a result of excess production in years of favourable weather and of domestic stocks exceeding levels deemed necessary for food security purposes. In some cases, however, the GMB has contracted the importation and exportation of maize to private individuals. For exports, the government issues certificates of exports for specified amounts of grain, whilst grain imports are less controlled. Maize imports by the private sector particularly in the current season have besides other policy constraints also been limited by the fact that imported private sector maize cannot compete with government subsidised grain at the local level especially given the high costs of procuring the foreign currency required for these transactions. Clearly there is a need to revise the import and export policies and procedures on maize with the view to encouraging broader stakeholder participation in maize production and marketing. The tedious logistical requirements in the importation of grain also act as a disincentive for private sector participation in the area.

With the introduction of Economic Structural Adjustment Programme (ESAP) in 1990, farmers, particularly those in the large-scale commercial sector shifted from production of maize to lucrative cash crops such as horticulture and tobacco. This meant that most of the maize marketed was from the small holder sector, which is also prone to droughts and other natural disasters. Over the years, the amount of maize produced has declined and the 2001/02 season witnessed a phenomenal reduction of 42 percent from the previous year's harvest. Consequently, Zimbabwe has had to import maize and by the end of April 2002, the Government had purchased about 460 000 tonnes of imports from South Africa, Kenya, Brazil and China to meet the deficit. Despite the downfalls experienced in the maize industry

in recent years, Zimbabwe still has a comparative advantage in maize production in the region, and there remain opportunities for maize trade.

Import duties

The Zimbabwe Revenue Authority (ZIMRA) is currently the enforcement arm of the Ministry of Agriculture on all related agricultural products imported into the country including maize grain and maize meal. Currently, there is no duty levied on imported maize grain and the duty on agricultural inputs was suspended in September 2002

The import tariffs for maize and maize flour can be summarised as follows:

	Preferential*	COMESA	SADC	Non-Preferential	VAT
Maize grain	0	0	0	0	Exempt
Maize flour – fine	10	0	10	15	Exempt
Maize flour – unrefined	25	0	25	30	Exempt

Source: Zimbabwe Revenue Authority

4.4 Distribution

The distribution of maize grain and inputs remain a controversial subject in the country. On the one hand, the GMB is the main source of maize through the re-introduction of its monopoly status in terms of marketing of and/or distribution of maize to the populace. Thus, the distribution of maize is therefore done with the assistance of government distribution structures such as the ward development committees (WARDCOs), village development committees (VIDCOs), village heads, councilors and chiefs. Until recently, political structures of the ruling party are being used such as the war veterans and the national service trained youth. On the other hand, local civic groups distribute donated maize and input assistance after getting clearance from the government. In 2002, Zimbabwe received huge volumes of maize from the international community and this process involve UN agencies (UNICEF, UNDP and FAO), World Food Programme, Christian Care, Oxfam UK, World Vision, USA government and Save the Children Fund. The efforts of the above organizations are coordinated by WFP. The above suggest high handedness of political interferences, and there are allegations that the approval of civic groups takes much longer than is expected.

4.5 Transport policies

Transport is considered a major cost in the distribution and marketing of maize particularly for the small-scale producer. The price that the GMB quotes for maize is the depot price. Farmers are responsible for the cost of transport and deliver to depots and are usually required to hire transport. Where the GMB collects the maize from the farm gate, the cost of transport is deducted at source. On the other hand however, the private sector players usually quote a farm gate price. The private buyers collect the maize on-site hence save the farmer the costs and hassles of organising transport. In this regard farmers prefer to sell their maize to private traders because even if the price offered by them is lower than the GMB price, as usually happens in years when there is surplus grain, the private buyers also pay instant cash for grain, unlike the GMB.

At the national level there are various transport charges that are affected when grain is being brought into the country. These charges include road toll charges, third party insurance and

cost and freight processing fee. These costs are substantial and may act as a disincentive for the importation of grain, particularly given the difficulty in accessing foreign currency that Zimbabwean traders currently face. The charges are generally prohibitive and hamper free cross border movement of maize. Thus, the costs directly impact on maize import and export; a process that is tedious to the private sector. Maize import is now exempt from import duties and taxes.

4.6 Foreign Exchange

The sharp decline in the value of the Zimbabwe dollar to the US dollar that occurred in 1997 forced the government to fix the rate of exchange of the Zimbabwe dollar to the US dollar. As a result, the local currency became overvalued at a time when there is insignificant inflow of foreign currency. Investors and donors have lost confidence in the economy while the export sector has been affected by high rate of de-industrialisation. This results in parallel market and multiple exchange rates, which became the source of foreign currency for most importers.

Currently there are no special forex facilities that are in place for importers due to the critical shortage. It has become difficult for traders to access export financing services, whilst importers have to source foreign currency from the parallel market. Farmers will not be able to import inputs such as chemicals that are not manufactured locally, and also irrigation equipment and other farming implements. Zimbabwe imports all its agro-chemicals.

4.7 Investment

Private sector investment and/or foreign investment are crucial to the growth of the agricultural sector, as it is to the rest of the economy. Capital investment into the agricultural sector in the form of irrigation equipment will improve maize production, especially on small holder farmers. Investment into research may also result in the development of maize varieties that are drought and pest resistant. Following the recent land reform exercise in Zimbabwe, there are a lot of new farmers who need agricultural implements such as tractors and harvesters as well as dams and irrigation facilities, road networks, schools and health center facilities and business outlets.

4.8 Loan and Credit facilities

Credit provision to Zimbabwe's agricultural sector has over the years been achieved through formal and informal services. The latter have largely been confined to the small holder sector, and have been limited to short-term financing for input supply, transport and marketing costs and land preparation. Currently small holder farmers can access short-term loans for maize production from the Agricultural Development Assistance Fund (ADAF), the GMB through input packs and other non-governmental organizations that offer this facility. Whilst in terms of policy, financial institutions are mandated to lend to small holder farmers, they often have stringent application conditions and require collateral, which small holder farmers cannot provide.

4.9 Land Reform

The GoZ embarked on a fast track land reform programme, which saw thousands of landless peasants being given farming land. The land reform programme is expected to result in increased maize production. However proper planning and adequate support should be given to the new farmers. Fast track land reform was not adequately and properly planned and articulated across various segments of society resulting in massive under utilization of land

4.10 The Role of GMB

The GMB has a dual role in the country. First, it has to exploit commercial opportunities on its own behalf. Secondly, it acts as a strategic grain reserve for the government as well as the buyer of the last resort. This means therefore that government effectively sets the maize price that is paid to growers and/or by consumers. Many players in maize production have questioned the logic of allowing GMB to set the value for the crop as well as to the consumer, who happens to be the same grower of the crop.

On many occasions, the GMB accepts maize from the farmers but takes much longer to pay them. This affects the farmer's plans for the next season. Due to delays in payments, farmers, particularly the LSCF sector are now opting out of maize production. Small holder farmers are following this trend as well. This is a clear indication of loss of confidence in the maize industry leading to shortages of the commodity as well as seeds. The country, which was once the breadbasket of the SADC region, is increasingly becoming a net-importer of maize.

Potentially available maize, millets, wheat and rice for the 2003/04 consumption year is estimated at 1,352,000MT, 65,760MT, 185,000MT and 7,566MT, respectively. This is against national annual requirements of 1,662,495MT, 153,020MT, 342,295MT and 13,697MT of maize, millets, wheat and rice, respectively. A total cereal deficit of 561,180MT, 35 percent of total cereal requirements is expected in the current consumption year. Maize makes up 55 percent while wheat constitutes 28 percent of the forecasted total cereal deficit. If the cereals procured by GMB and food aid agencies but not yet delivered into the country eventually get imported the cereal deficit is set to be reduced by almost half to 273,940MT, just 20 percent of last consumption year's total cereal deficit of about 1,400,000MT.

5.0 RECOMMENDATIONS - TOWARDS ENHANCED REGIONAL MAIZE TRADE

In order to achieve significant growth in the maize sector and increase regional trade the following actions are recommended:

5.1 Production

- ⇒ Improve access to crop inputs, agronomy support, plant and equipment and financing. This is required urgently and a system of financing and distribution similar to that used by Cottco for small scale cotton farmers. In terms of this scheme Cottco advances seed, fertiliser and chemicals to small scale farmers. These farmers contract to sell their crop through Cottco. Cottco provides agronomy support during the growing of the crop and provides transport for the purchase of the crop. Cottco then pays out to the growers based on the market price at the time of purchase, after deducting the amounts owing from the inputs scheme. This could easily be replicated to operate through GMB or through private operators.
- ⇒ Improve access to training for all small scale and resettled farmers. Training and agronomy support are required to improve the yields of the small scale maize farmers. It is proposed that this be done on the basis outlined above in the Cottco scheme.
- ⇒ Stabilise the land redistribution exercise and bring stability back to farming. The disruption to farming arising from the land redistribution exercise has to be stopped in order to allow the preparation land and planting of crops. The uncertainty of the current situation in terms of land tenure is affecting resettled farmers and commercial farmers as neither know whether their tenure is secure and are therefore not willing to outlay large expenditure on growing of crops.
- ⇒ Improve local milling capacity. Large scale milling capacity is adequate for the processing of commercial farming outputs. However the small scale milling at local and district levels are under capacity and utilise out of date technology.
- ⇒ Raise levels of quality control and awareness of amongst millers. Adequate standards of quality control only exist in the four large scale millers. Training an input is required in order to improve the quality control and standards of the small scale millers.
- ⇒ Raise levels of plant modernisation and increase productivity levels. All plant, large and small scale, in Zimbabwe is old and requires modernisation. This is going to require the creation of subsidised funding in order to enable re equipping to take place.
- ⇒ Enhance levels of regional business and export contacts through promotional programmes, joint venture collaboration and licensing arrangements. The establishment of regional information on the maize trade is essential to encouraging trade among regional players. Equally important is the inclusion of private sector into the importation and exportation process. In order to do this the current monopoly held by GMB on the buying of maize from farmers and the issue of permits by GMB should be dismantled.

5.2 Markets and Marketing system

- ⇒ Establish macro-economic stability in the country and lower rates of inflation, interest rates and stabilisation of the Zimbabwe Dollar.

- ⇒ Improved regulatory environment encompassing moderate rates of company tax, reduction of increasing numbers of levies, and streamlining of company registration process.
- ⇒ Revise the maize pricing structures. The current pricing structure, with GMB setting prices that are below cost of production, acts as a major disincentive to growers. In order to reverse this the system of pricing should be changed and a market determined rate used.
- ⇒ Eradicate the monopoly given to the GMB to purchase and market the crop. Private sector players should be allowed to participate in the buying and selling of the crop to ensure that the pricing and market forces are allowed to work properly.
- ⇒ Lift the importation and distribution restrictions and allow a wider participation by the private sector.

5.3 Trade policies and regulations

The current control of the maize crop is discouraging production. The GMB monopoly is restrictive, pricing is unrealistic and is set politically rather than through market forces. This will continue to discourage growing of maize for anything other than animal feed and on farm consumption. If this is to change the GMB monopoly will need to be abandoned and private sector players allowed to participate in the market.

Government will need to rethink the structure of the maize industry if it is to encourage self sufficiency and return to the status of a food exporter. The current structure, with GMB purchasing and marketing the entire maize crop and GMB effectively regulating the imports and exports, has barred private sector from participating, kept prices low and discouraged growers from increasing crop sizes. Government will need to abandon the monopoly given to the GMB and allow private sector players to buy and market the crop. This is regarded as a political statement and will therefore be resisted by government for as long as it is seen as politically expedient to use maize. However the crop size will continue to reduce for as long as this policy is in place.

Restrictions on importation of maize will need to be lifted. The change to allow private sector to import maize has been welcomed, but the basis for private sector importation of maize is still unclear. At present the only clear statement is that individuals are allowed to import 100kgs per person. A direct policy statement from Government is required, along with guidelines on how it is to be implemented. Private sector need to know that they will be allowed to import maize on a commercial basis and to distribute it on a commercial basis and without political interference.

APPENDIX I: MAIZE GROWING AND PRODUCTION COSTS

DATE OF LAST UPDATE APRIL 7 2003

DRYLAND MAIZE PRODUCTION BUDGET FOR SMALLHOLDER FARM

Expected Yield (t/ha)	2
Blend Selling Price (\$/tonne)	\$130,000.00
Gross Income (\$/ha)	\$260,000.00
Total Variable Costs (\$/ha)	\$187,871.87
Gross Margin (\$/ha)	\$72,128.13
Gross Margin/\$VC	38%
VARIABLE COSTS	
1. Labour	\$17,529.00
2. Land preparation	\$17,599.20
3. Seed	\$3,452.75
4. Fertiliser and lime	\$105,500.00
5. Insecticides	\$10,284.64
6. Transport	\$20,000.00
7. Packing materials	\$4,000.00
8. Levy	\$560.00
9. Miscellaneous costs (5%)	\$8,946.28
TVC less Miscellaneous Cost	\$178,925.59
TOTAL VARIABLE COSTS	\$187,871.87
TOTAL VARIABLE COSTS PER TONNE	\$93,935.93
TOTAL VARIABLE COSTS PER TONNE (with interest)	\$131,510.31

INPUT SPECIFICATIONS FOR THE MAIZE BUDGET

Labour

55 labour days Prior to harvesting	\$16,500.00
3.43labour days Harvesting and marketing:	\$1,029.00
Total per ha	\$1,029.00
Total labour cost per ha	\$17,529.00

Land Preparation (using DDF rates)

Cost of contract ploughing per hectare	\$11,976.00
Discing	\$5,623.20
Total land preparation cost per hectare	\$17,599.20

Seed

25 kg short season variety	\$3,202.75
Transport	\$250.00
Total seed cost/ha	\$3,452.75

DRYLAND MAIZE PRODUCTION BUDGET FOR SMALLHOLDER FARM**Fertiliser and lime****i. Prices (\$/t)**

Compound D	\$100,000.00
Ammonium Nitrate	\$160,000.00
Agric. lime	\$90,000.00
Transport per 100km	\$10,000.00

ii. Application rates (kg/ha)

Target yield	2
Compound D	300
Ammonium Nitrate	250
Agric. lime	300
Transport	850

iii. Cost per ha (\$/ha)

Compound D	\$30,000.00
AN	\$40,000.00
Agric. lime	\$27,000.00
Transport	\$8,500.00
Total Cost/ha	\$105,500.00

Insecticides

4 kg DIPTEREX 2.5% granules	\$10,284.64
Total cost/ha	\$10,284.64

Packaging Material

4050 kg grain bags/ha	\$4,000.00
Total cost/ha	\$4,000.00
Levy @ 1% of crop value	\$560.00
Transport Out	\$20,000.00
Levy	\$560.00
9. Miscellaneous costs (5%)	
Miscellaneous costs @ 5% of TVC	\$8,946.28

APPENDIX II: MAIZE CROP FORECASTS

THIRD AND FINAL CROP FORECASTING FIGURES 1999/2000 SEASON

Date: 21 July 2000

	Area (ha)	Production (tonnes)	Yield (kg/ha)	Sales (tonnes)	Retentions (tonnes)
MAIZE					
Large Scale Commercial					
Yellow	18000	90000	5000		
White	144000	720000	5000		
Total Large Scale Commercial	162000	810000	5000	486000	324000
Small Scale Commercial	44700	55205	1235	35204.5	20000
Communal Farming Areas	1110000	1054500	950	354500	700000
Resettlement Areas	100000	123500	1235	49400	74100
Total Maize	1416700	2043204.5	1442	925105	1118100

SECOND CROP FORECASTING FIGURES 2000/2001 SEASON

Date: 4 May 2001

	Area (ha)	Production (tonnes)	Yield (kg/ha)	Sales (tonnes)	Retentions (tonnes)
MAIZE					
Large Scale Commercial					
Yellow	14000	72800	5200		
White	60000	312000	5200		
Total Large Scale Commercial	74000	384800	5200	194800	190000
Small Scale Commercial	65000	97500	1500	58500	39000
Communal Farming Areas	980800	882720	900	479720	403000
Small Scale Irrigation	3300	11220	3400	2920	8300
Resettlement Areas	100000	100000	1000	40000	60000
Total Maize	1223100	1476240	1198	775940	700300

CROP FORECASTING FIGURES 2001/2002 SEASON

Date: 1 July 2002

	Area (ha)	Production (tonnes)	Yield (kg/ha)	Sales (tonnes)	Retentions (tonnes)
MAIZE					
Large Scale Commercial					
Yellow	15000	45000	3000		
White	46800	140400	3000		
Total Large Scale Commercial	61800	185400	3000	19000	166400
Small Scale Commercial	61000	14640	240	976	13664
Communal Farming Areas	1000000	240000	240	16006	223994
Small Scale Irrigation	0	0	0	0	0
Resettlement Areas	195000	58500	300	3901	54599
Total Maize	1317800	498540	378	39883	458657

APPENDIX III: LIST of CONTACTS

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