LAUNCH OF THE 2011/12 GOVERNMENT FUNDED AGRICULTURAL INPUT SUPPORT FACILITIES

Introduction

1. Honourable Ministers, the 2011/12 agriculture season has started in earnest with farmers already preparing for the season following the recent rains received throughout the country.

2. The agricultural sector remains one of the key sectors of the economy together with communications and mining. To that extent it is therefore critical for government to create conducive environment and policy framework to maintain sustainability of the same.

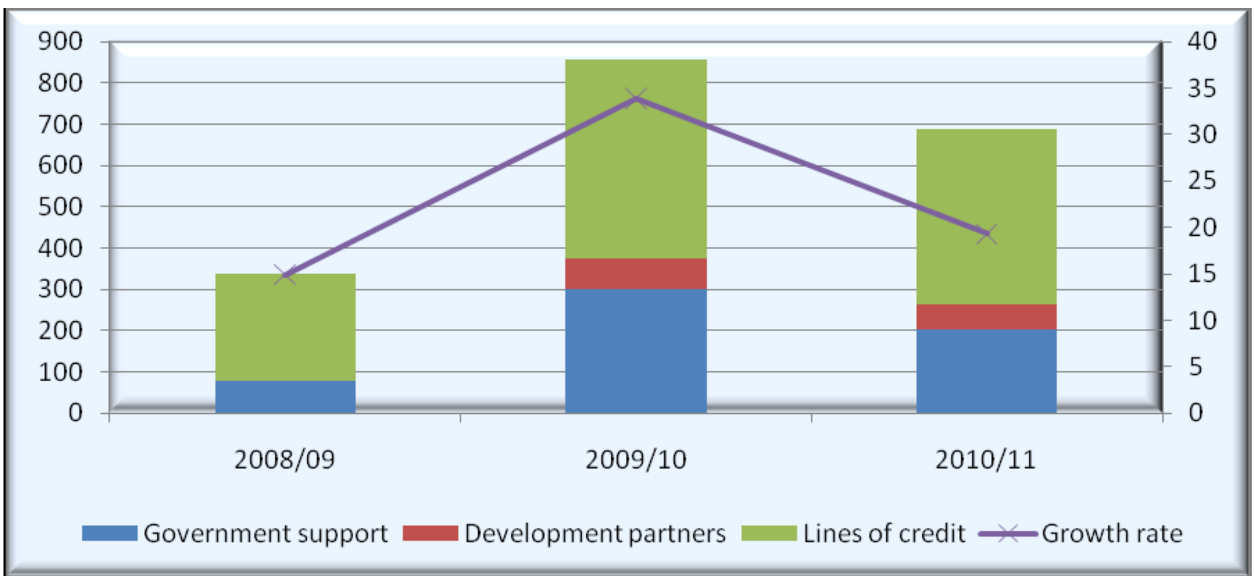
3. In this regard the Government has since 2009 ensured meaningful financing to agriculture together with the private sector and cooperating partners.

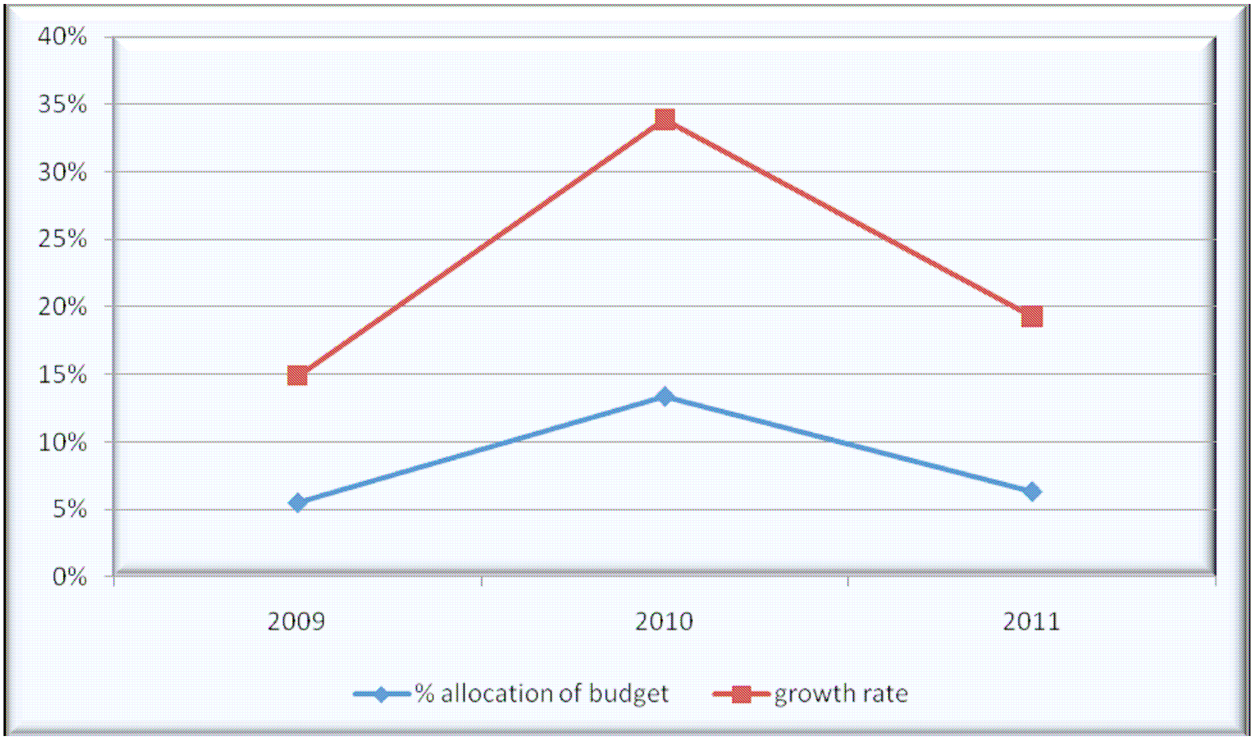
4. Between 2009 and 2011, the Inclusive Government together with international partners and private financiers have committed a total of US$1.9 billion into the agricultural sector. Budget support on its own has totaled US$552 million.

Support to Agriculture (US$)

Source of Funding	2008/09	2009/10	2010/11
Government support	79,040,040	300,206,439	172,730,737
Presidential facility			30,000,000
Development partners		74,000,000	60,000,
Bank sector support	94,765,128	331,242,000	411,628,246
Lines of credit	162,746,635	150,379,749	14,500,000
Total	**336,551,803**	**855,828,188**	**688,858,983**
Total as % of Total Budget	37	40	25
Total as % of GDP	6	13	8

Support to Agriculture by Government, Development Partners & Private Financiers; & Agricultural Growth Rates: 2008/09 Season – 2010/11 Season





5. Government finance alone has risen from US$79 million in 2009 to the projected US$248.2 million in 2011.

6. The table below shows Government's contribution to agriculture over the past three years.

Item	2009	2010	2011	TOTAL
Grain Procurement	5,650,000	101,345,967	75,050,000	182,045,967
Input Support	60,000,000	87,400,000	45,000,000	192,400,000
Capitalisation of Agribank		17,000,000	2,500,000	19,500,000
Extension & Other Support Services	13,390,040	93,617,472	103,853,800	210,861,312
Irrigation Development		843,000	11,763,500	12,606,500
Total	**79,040,040**	**300,206,439**	**238,167,300**	**617,413,779**

2011/2012 Crop Input Support Facilities

7. Government has committed itself to mobilize and coordinate banks, development partners, seed houses, farmers unions, fertilizer companies as well as individual farmers to put in place the necessary financing arrangements for the 2011/2012 Summer Cropping Season.

8. Therefore, Government has, in partnership with local input producers, so far secured agriculture inputs worth US$75 million to be accessed by both A2 and Vulnerable farmers as highlighted below.

US$30 million Input Facility

9. The scheme targets farmers that have delivered grain to the Grain Marketing Board and have not yet been paid for their deliveries. The farmers will access inputs such as maize seed, fertilizers and lime against outstanding amounts for grain deliveries.

10. The Ministry of Agriculture, Mechanisation and Irrigation Development has already proceeded to sign contracts with individual producers of inputs on 7 October 2011 and inputs are being delivered to GMB depots.

US$45 million Input Facility

11. The scheme which we are launching today (13 October 2011) will target 500 000 vulnerable farmers including 100 000 vulnerable households and will be complemented by cooperating partners, whose support will be announced in due course.

<u>12.</u> The scheme is structured as follows:

i. **US$8.1 million Agriculture Input Support Facility for the Vulnerable –** This facility will support 100 000 vulnerable farmers with an input package comprising 1x 10 kgs maize seed or 1x5kgs of sorghum, 1x50 kgs compound D and 1 x 50 kgs Ammonium Nitrate.

   The farmers will access the inputs from GMB depots for free through a voucher system.

ii. **US$20.3 million Communal Farmers Subsidised Agriculture Inputs Support facility –** This facility will support 250 000 communal farmers with an input package similar to the one mentioned above.

The identified farmers will be given a voucher which will enable them to access inputs at subsidised prices from GMB depots on cash basis.

iii. **US$ 17 million A1, Small Scale Commercial and Old Resettlement Farmers Subsidised Agriculture Inputs support facility -** This facility will support 150 000 A1, Small Scale Commercial and Old Resettlement farmers with an input package comprising 1x 25kgs maize seed, 1x50 kgs compound D and 2x 50 kgs of Ammonium Nitrate valued at US$17 million.

Access to inputs by this category of farmers will be through the same mechanisms as outlined under the Communal Farmers Subsidised Agriculture Inputs Support Facility.

Comprehensive Agriculture Strategy

13. Government finance alone does not deal with the problems of agriculture. It is important to deal decisively with the problems which lead to inefficient spending and wastages. As I indicated in my Mid Term Statetment, there is need for a paradigm shift.

14. Identified areas of intervention include:

- Finalisation of the Fast Track Land Reform Programme and the Land Audit;
- Defining the judicial framework governing property rights and in particular the restoration of the land market through a judiciary enforceable title;
- Development of Human Capital, infrastructure, biological capital and research including climate change;
- Strengthening use of technology including ICT;
- Establishing reliable and consistent private sector model of financing agriculture;
- Establishment of open commodity exchange markets for agricultural outputs; and
- Resolving the issues of compensation as defined in the GPA.
- Complementing the above will be measures aimed at enhancing farmers□ productivity through improvements in mechanisation, high yield seed varieties, use of fertilisers and chemicals, irrigation and provision of extension services.

Pricing Policy

15. Consistent with the liberalisation measures instituted by Government since 2009, the Strategic Grain Reserve should operate and be managed on a revolving basis, to allow for renewal of old stocks and stabilization of grain supplies and prices in the market.

16. However, the current pricing policy where the maize floor prices (US$285 per ton for 2011) remain above regional parity prices (US$220 per ton) is resulting in grain stocks accumulating without any outflows, thereby putting unnecessary pressure on the fiscus to finance procurement of grain and storage costs.

Buyer of Last Resort

17. Now that the country has achieved the targeted threshold of 500 000 MT of grain, it is necessary for us to institute policy measures and strategies that guarantee our farmers access to markets for their produce in a sustainable manner.

18. Sustainable marketing arrangements will need to be put in place to ensure that GMB becomes the buyer of last resort unlike the current situation where the parastatal is the buyer of first choice more so given the competing demands on the fiscus.

19. The implementation of the Commodity Market Exchange will facilitate farmers to access markets and credit in the absence of security of tenure.

20. Additionally, security of tenure for our farmers is critical to enable investments in the agriculture as well as mobilization of funding from the market, particularly the banking sector.

21. In this regard, provision of security of tenure through the issuance of the 99-year leases becomes critical.

I THANK YOU