INVEST IN ZAMBIA’S AGRO-PROCESSING SECTOR

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# 1.0 OVERVIEW OF AGRO PROCESSING SECTOR

Agriculture in Zambia remains a major contributor to Zambia’s economy contributing about 13% to the country’s Gross Domestic Product (GDP). Agriculture is also a major employer in Zambia and currently employs more than half of the total workforce in Zambia. However, agriculture alone is not enough to bring about meaningful development to the Zambia people, there policy was redirected towards diversifying from primary agriculture into agro processing.

The Agro processing sector basically provides an opportunity for small scale producers to engage in small scale enterprises. However there are major constraints to the development and growth of agro industrial enterprises largely due to inadequate raw material supplies, limited access to appropriate technology, limited capacity to maintain existing technologies, failure by locally processed products to compete against imports, low viability of existing agro processing enterprises and limited access to credit.

Large part of agricultural production undergoes some degree of transformation between harvesting and final use. The industries that use agricultural, fishery and forest products as raw materials comprise a very varied group. They range from simple preservation (such as sun drying) and operations closely related to harvesting to the production, by modern, capital-intensive methods, of such articles as textiles, pulp and paper.

The agro processing sector in Zambia generally is one of the most important sectors that have experienced precedent growth in terms of production and export performance in the recent years. This has been closely attributed to huge investment inflows in the various value chains as well as enabling business environment coupled with stable economic performance of the local and global economy.

## 1.1 The specificity of agro-processing sector

Processing is only one link in a continuous chain between raw material production and final consumption. The specificity of agro-industry vis-à-vis other industrial subsectors lies largely in the biological nature of the raw material. The raw materials used by agro-industry are generally characterized by the seasonal nature and the variability of their production as well as by their perishability. These aspects put particular demands both on the organization of agro-industrial activities and on the agricultural base producing the inputs, thereby adding to the need for a close integration of raw material production and processing.

Crop and livestock production cannot be controlled with great accuracy and tends to vary sharply from year to year owing to the effects of weather, pests and diseases. It is possible to some extent to reduce these fluctuations through the better use of soil and water resources and control of pests and diseases. It is generally in the interest of the processing enterprise, which requires as regular a supply of raw material as possible.

Furthermore, for most crops, production tends to be concentrated in a particular season. Therefore, it can be advantageous for processing enterprises, particularly those engaged in canning and freezing, to engage in the production of a suitable range of crops that mature in different seasons in order to keep processing facilities in operation for as long as possible. The perishable nature of many crop and livestock products also requires close contact between the producer and the processor as well as advanced planning to keep losses to a minimum.

During the 2017/18 farming season, production was affected by prolonged dry spells in the southern half of the country between November 2017 and the end of January 2018. This resulted in reduced production for 10 out of the 18 major crops. Maize production decreased by 33.6 percent to 2,394,907 Mt from 3,606,549 Mt in the 2016/2017 season. Production of sorghum, soya beans, and Irish potatoes declined by 24.3 percent, 13.9 percent, and 57.3 percent, respectively. The production of crops such as rice, groundnuts, and mixed beans, however, increased by 12.1 percent, 7.7 percent, and 13.9 percent, respectively.

In line with the decline in production, the areas where crops such as maize, sorghum and soya beans were planted reduced by 15.3 percent, 4.21 percent and 11.28 percent, respectively.

Yield rates for crops which recorded an increase in production such as rice, groundnuts and mixed beans also showed an improvement.

Below is a summary of the selected crop performance in the past three seasons

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Crop** | **Area Planted (ha)** | | | **Expected Production (MT)** | | |  | **Yield (MT)** |  |
| **2016/2017** | **2017/2018** | **% Change** | **2016/2017** | **2017/2018** | **% Change** | **2016/2017** | **2017/2018** | **% Change** |
| Maize | 1,644,741 | 1,392,546 | -15.33 | 3,606,549 | 2,394,907 | -33.60 | 2.29 | 1.72 | -21.57 |
| Maize for seed | 7173 | 8,316 | 15.94 | 39,084 | 44,169 | 13.01 | 5.45 | 5.31 | -2.52 |
| Sorghum | 33,728 | 32,308 | -4.21 | 17,337 | 13,130 | -24.27 | 0.51 | 0.41 | -20.94 |
| Rice | 33,303 | 34,217 | 2.74 | 38,423 | 43,063 | 12.08 | 1.15 | 1.26 | 9.09 |
| Millet | 52,820 | 49,105 | -7.03 | 32,566 | 32,278 | -0.88 | 0.62 | 0.66 | 6.61 |
| Sunflower | 105,184 | 97,851 | -6.97 | 50,220 | 47,594 | -5.23 | 0.48 | 0.49 | 1.87 |
| Groundnuts | 269,611 | 284,708 | 5.60 | 168,699 | 181,772 | 7.75 | 0.63 | 0.64 | 2.04 |
| Soya beans | 231,630 | 205,505 | -11.28 | 351,416 | 302,720 | -13.86 | 1.52 | 1.47 | -2.91 |
| Seed cotton | 113,649 | 118,763 | 4.50 | 89,293 | 88,219 | -1.20 | 0.79 | 0.74 | -5.46 |
| Irish potato | 1,005 | 1,867 | 85.77 | 31,750 | 13,546 | -57.34 | 31.59 | 7.26 | -77.03 |
| Virginia Tobacco | 5,215 | 6,273 | 20.29 | 12,079 | 13,382 | 10.79 | 2.32 | 2.13 | -7.90 |
| Burley Tobacco | 5,428 | 7,787 | 43.53 | 8,416 | 11,512 | 36.78 | 1.55 | 1.48 | -4.65 |
| Mixed beans | 83,635 | 84,566 | 1.11 | 45,938 | 52,351 | 13.96 | 0.55 | 0.62 | 12.71 |
| Bambara nuts | 6,235 | 7,253 | 16.33 | 4,377 | 7,039 | 60.83 | 0.7 | 0.97 | 38.26 |
| Cowpeas | 26,438 | 140,222 | -46.96 | 12,428 | 6,824 | -45.09 | 0.47 | 0.49 | 3.53 |
| Sweet Potatoes | 55,312 | 6,325 | 9.06 | 206,676 | 183,280 | -11.32 | 3.74 | 3.04 | -18.69 |
| Barley | 897 | 936 | 9.20 | 6,529 | 5,102 | -21.86 | 7.62 | 5.45 | -28.45 |
| Popcorn | 9149 | 11,190 | 22.31 | 7,829 | 9,459 | 20.82 | 0.86 | 0.85 | -1.22 |

***Source Ministry of Agriculture***

# 2.0 POTENTIAL OF AGRO-PROCESSING IN ZAMBIA

The potential for agro-processing development in Zambia is largely associated with the relative abundance of agricultural raw materials and the low-cost of labour. The most suitable industries therefore are those that make intensive use of these abundant raw materials and unskilled labour. The growth of the agro processing sector anywhere in the world cannot be discussed in isolation, but rather it should be seen as a direct consequence of the flourishing primary agriculture sector. As such the sector has continued to receive priority attention by the Government through increased budget support aimed at increasing agriculture productivity to ensure food security, income generation, creation of employment opportunities, and poverty reduction.

In the early stages of growth, industrial processing of agricultural products tends to be limited to a few export crops, while the majority of agricultural products are consumed after minimal forms of processing that are performed entirely within the agricultural sector.

Agro processing aims to increase income and access to food for the poor, by establishing small-scale sustainable processing businesses that are flexible, require little capital investment, and can be carried out without the need for sophisticated or expensive equipment.

Agro processing Opportunities in Zambia include:

• Peanut butter production

• Cashew nut processing

• Animal or Stock feed production

• Cassava Processing (food and other industrial products)

• Cashew nut Processing

• Grain Milling (Rice, Maize, Wheat etc.)

• Edible oil Production

• Fruit Canning and Juice Extraction

• Meat, dairy, leather and leather products

• Fish canning and fish meal production

• Cotton Spinning and Textiles

• Bio-diesel production and ethanol production

• Honey processing

*Source: UNCTADSTATS, 2019*

The above graph indicates that for the past 10 years, Zambia has maintained its status as a net exporter of agricultural products. As shown by the decline in exports in 2013, the drought that occurred in that year reveals an opportunity for investment in the production of modern agricultural technologies such as irrigation systems as well as research and development in drought-resistant crop breeds,

# 3.0 EXPORT PERFORMANCE OF THE AGRO PROCESSING SECTOR

The processed and refined foods sector made steady growth in 2018. The sector recorded an export earnings amounting to US$ 23,394.8 million as compared to US$ 16 932.4 million in 2017. This represented a total of 25% of the total NTEs earnings in 2018 compared to 24% contribution to NTE’s in 2017.

The main export products in the sector include; maize seed, Tobacco partly or wholly stemmed/stripped', oilcake and other solid residues of soya-bean. The sector has continued to be dominated by Zambia Sugar PLC which is the largest sugar producer in Zambia with an estimated market share of about 90 %. Zambia Sugar recently completed a major expansion project which has increased its factory capacity to potential 450,000 tons of sugar annually from 240,000. In addition the company grows over 65 percent of its own cane on over 16,550 ha, over which 2,500 ha was added as part of the group’s recent expansion.

The growing demand for agricultural products and consumer goods in sub-Saharan Africa together with the increasingly stable political climate in the countries in which we operate creates an exciting platform on which Zambeef can thrive.” Francis Grogan CEO of Zambeef products PLC.



During the period January to December 2018, NTES’s recorded a rebound of from a five year declining trend and increased to U$ 1955 million in 2017 from U$ 1846 million in 2016 representing a 6% increase. This is the first time the Country has recorded an increase in NTEs in the last five years. The increase was largely attributable to both the improvement in electricity supply and the stability in the exchange rate.

## 3.1 Export Procedures and Documentation

Zambia now has one of the most liberalized and simplified export procedures. Rules and regulations pertaining to the export of non-traditional exports are nonrestrictive. Exports of grain are however sometimes subject to seasonal regulation to forecast shortages. In some cases, exporters are required to secure authority documents or other necessary certificates for export consignments of veterinary items, botanical items and submit them to customs.

### 3.1.1 General Procedures

**General procedure Comprise the following:**

i. Obtain the Customs and Excise Declaration Form CE 20 (Appendix I) from the Zambian Revenue Authority and indicate on it the range and value of products meant for export.

ii. Get a stamped certificate of origin from the Zambia Revenue Authority for each of the markets you are about to export to where preferential market access exists;

a. SADC Certificate for exports within SADC,

b. COMESA Certificate for exports within the COMESA region

c. EUR 1 Certificate for exports to the EU under Everything but Arms preferences and;

d. Generalized System of Preferences (GSP) certificate of origin for those markets offering preferences under that regime

e. AGOA Certificate for exports to the United States

iii. At the time of exporting the consignment, the exporter should submit the Customs and Excise Declaration form 20 accompanied by the following documents to customs officials at ports of exit:

a. Commercial Invoice

b. A Packing List

c. A certificate of origin (duly signed by approved authorities where applicable)

d. Shipping consignment notes (airway bill/bill of lading)

iv. It is advisable to ensure each export consignment.

Given the current regional integration agenda under both COMESA and SADC, and in particular the tripartite FTA between the two blocs and the East African Economic Community (EAC), it can be anticipated that intra-regional trade will be enhanced both through intra-industry as well as inter-industry trade. According to the African Union, the three Regional Economic Communities have an estimated combined population representing 57% of Africa’s population 58% of its GDP.

## 3.2 Markets for Zambia’s Agro-Processed Products

|  |  |
| --- | --- |
| COMESA: Common Market for Eastern and Southern Africa | SADC: Southern African Development Community |
|  |  |
| Total Population: over 520 million\* | Total GDP: US$ 870 billion\*  \* Including Zambia |
| Access to 25 national markets:  Angola, Botswana, Burundi, Comoros, Djibouti, DRC, Egypt, Eritrea, Ethiopia, Kenya, Lesotho, Libya, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Sudan, Swaziland, Tanzania, Uganda, and Zimbabwe. | |

4.0. INCENTIVES FOR ENERGY SECTOR INVESTMENT

The Energy Sector is a priority sector, sothe Zambia Development Act provides for investment thresholds that have to be met to qualify for fiscal and non-fiscal incentives.

1. Investors that invest not less than US$500,000 in a Multi Facility Economic Zone, an Industrial Park, a Priority Sector, or in a rural area are entitled to the following fiscal incentives:
2. Accelerated depreciation on capital equipment
3. Duty free import of equipment and machinery
4. Preferential corporate tax of 10%

In addition to fiscal incentives, the above category of investors is entitled to the following non-fiscal incentives;

1. Investment guarantees and protection against expropriation;
2. Free facilitation of immigration permits, secondary licenses, land acquisition and utilities
3. Investors that invest an amount not less than US$250,000 in any sector are entitled to non-fiscal incentives as follows:
4. Investment guarantees and protection against expropriation; and
5. Free facilitation of immigration permits, secondary licenses, land acquisition and utilities

# 5.0 LEGAL FRAMEWORK

The industrialization Policy that is being implemented by the Ministry of Commerce, Trade and Industry and the National Agricultural Policy that is being implemented by the Ministry of Agriculture guides the growth of the Agro-processing sector by outlining strategies aimed at transforming Zambia from a producer of primary commodities to a producer of value added goods agricultural goods.

## 5.1 Licenses and Permits

The following licenses and permits are required in the Agro-processing sector depending on the type of investment;

* Environmental Impact Certificate
* Title Deed
* Whole Sale, Manufacturer's and Agents' License
* Forest Concession License
* Tax certificate
* Investment certificate
* Certificate of incorporation
* Immigration permit

## 5.2 Taxation

* **Corporate Tax**;
  + 10% corporate income tax
* **Personal Income Tax;** 
  + ZMW 3,300 exemption threshold for pay as you earn
* **Other Taxes** 
  + 0-5% Import duty on Capital Equipment and Raw Materials
  + 15% import duty on Intermediate Goods
  + 25% import duty on Finished Goods
  + Duty free on productive machinery

APPENDIX 1: STEPS WHEN STARTING A BUSINESS



1. Patents and Companies Registration Agency

* Certificate of Incorporation



2. Zambia Revenue Authority

* Tax Payers Identification Number (TPIN) Certificate



3. Zambia Development Agency

* Investment Certificate

4. Utilities and Secondary Licenses such as:

|  |  |  |
| --- | --- | --- |
| C:\Users\Stephen.Zulu\Desktop\zesco logo.png |  | C:\Users\Stephen.Zulu\Desktop\zema logo.png |
| ZESCO Ltd |  | Zambia Environmental Management Agency |
| * Electricity |  | * Environmental licenses |
| C:\Users\Stephen.Zulu\Desktop\immigration logo.png |  |  |
| Immigration Department |  |  |
| * Immigration/   work Permits |  |  |
| C:\Users\Stephen.Zulu\Desktop\zambia coat of arms.png |  | C:\Users\Stephen.Zulu\Desktop\NAPSA LOGO.png |
| Local authorities |  | National Pensions Scheme Authority |
| * Business permits/Land |  | * Social security |

APPENDIX 2: APPLICATION FOR A ZDA CERTIFICATE

Signing of the Certificate by the Board Secretary/Legal Counsel

Signing of the Certificate by the Director General

Application is processed and recommended for approval

Investor pays processing fees to accounts and brings a receipt to the ZDA officer

Certificate of Registration is issued to the investor

General consultation through a meeting with a ZDA officer

Step 3: issuance of ZDA CoR within 5 days

Approval letter is issued

A senior investments officer screens the application and checks for suitability

Step 2: submission of application

Investment Promotion officer reviews documents and advises when there are missing documents. For complete applications, investor proceeds to the next step

Certificate processing

Officer files the application on the system server

Step 1: Consultation

Investor prepares necessary documents and submits to ZDA officer

# APPENDIX 3: USEFUL CONTACTS

|  |  |  |  |
| --- | --- | --- | --- |
| NAME | ADDRESS | TELEPHONE | EMAIL |
| 1. Zambia  Development Agency (ZDA) | P.O. Box 30819, Lusaka | 260-211-220177 | [info@zda.org.zm](mailto:info@zda.org.zm) [www.zda.org.zm](http://www.zda.org.zm) |
| 2. Ministry of  Commerce, Trade and  Industry  (MCTI) | P.O. Box 31968, Lusaka | 260-211-228301-9 | [mcti@gov.co.zm](mailto:mcti@gov.co.zm)  [www.mcti.gov.co.zm](http://www.mcti.gov.co.zm) |
| 3. Patents and  Companies  Registration Agency  (PACRA) | Head Office  Plot No. 8471  PACRA House,  Haile Selassie Avenue,  Longacres,  P.O. Box 32020, Lusaka | 260 211 255151,  260 255127  260 255426 | [pro@pacra.org.zm](mailto:pro@pacra.org.zm)  [www.pacra.org.zm](http://www.pacra.org.zm) |
| 4. Zambia Revenue  Authority(ZRA) | P.O. Box 35710, Lusaka | 260-211-223754 | [advice@zra.org.zm](mailto:advice@zra.org.zm)  www.zra.org.zm |
| 5. Environmental  Council of Zambia (ECZ) | P.O. Box 35131, Lusaka | 260-211-254130 | [ecz@necz.org.zm](mailto:ecz@necz.org.zm) [www.necz.org.zm](http://www.necz.org.zm) |
| 6. Zambia Association  of Chambers of Commerce and  Industry (ZACCI) | P.O. Box 30844, Lusaka | 260-211-252483 /  253020  260-211-253020 | [zam@zamnet.zm](mailto:zam@zamnet.zm) [www.zam.org.zm](http://www.zam.org.zm) |
| 7. Zambia Association  of Manufacturers (ZAM) | P.O. Box 31992, Lusaka | 260-211-229364 | [zam@zamnet.zm](mailto:zam@zamnet.zm) [www.zam.org.zm](http://www.zam.org.zm) |
| 8. Zambia National  Farmers Union | Head Office, Farmers Village  Tiyende Pamodzi Road, Show Grounds,  P.O. BOX 30395  Lusaka | 260-1-252649 | [znfu@zamnet.zm](mailto:znfu@zamnet.zm) |