Value Addition in Raw Material and Agricultural Exports from Zimbabwe

Chiratidzo Iris Mabuwa, MP
Deputy Minister of Industry and Commerce
Elephant Hills Hotel
Victoria Falls
25 July 2014
Presentation Summary

• Introduction
• Agriculture Sector in Zimbabwe
• Agriculture exports from Zimbabwe
• Why Value Add Agricultural Products: Benefits
• Illustration of Value Addition
• Opportunities for Value Addition in Agriculture Sector in Zimbabwe
• Value Addition Promotion: Government Initiative
• Conclusion
Introduction

• Zimbabwe is well endowed with rich natural resources which are crucial ingredients for growth and development.

• Zimbabwe’s exports are predominantly raw and semi-finished agricultural commodities and minerals. These are low value added products in as far as export earnings are concerned.

• Value addition involves the conversion or transformation of our primary commodities into intermediate or finished goods for maximum benefit of derived value.
Agriculture Sector in Zimbabwe

• The sector is capable of autonomous growth in the current recovery of the economy. It currently contributes an estimated 15-19% of the Gross Domestic Product (GDP). At its peak, the Agriculture sector contributed to over 30% of GDP. This was the situation during our glory days when the country was dubbed the Bread basket of Southern Africa.

• Agriculture contributes an estimated 60% to manufacturing. This is through supplying manufacturing sector with raw materials for example in the agro-processing. Take for example Victoria foods.

• It further consumes nearly 40% of the manufacturing sector`s output from fertilizers to large implements such as combine harvesters.

• The sector provides employment for 60-70% of the population.

• It accounts for one third of export earnings.
Agriculture Sector in Zimbabwe

• Despite the above statistic, a lot of value has been lost in the Agricultural sector due to exportation of raw as well as semi-finished products.

• Little is taking place in as far as value addition of agricultural products is concerned despite the known impact of value addition on job creation and economic growth.
### Agriculture Exports from Zimbabwe

#### 2014 Second Quarter: Exports from Zimbabwe (Top 10 Products).

<table>
<thead>
<tr>
<th>Product</th>
<th>% Contribution to Total Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Semi Manufactured Gold</td>
<td>21.3</td>
</tr>
<tr>
<td>2. Flue Cured Tobacco of the Virginia Type (partly or wholly stemmed or stripped)</td>
<td>15.9</td>
</tr>
<tr>
<td>3. Nickel Ores and Concentrates</td>
<td>15.1</td>
</tr>
<tr>
<td>4. Ferro Chrome Containing by Weight &gt; 4% Carbon</td>
<td>9.7</td>
</tr>
<tr>
<td>5. Platinum unwrought in Powder form</td>
<td>5.4</td>
</tr>
<tr>
<td>6. Other Cane not containing Added flavouring or colouring matter</td>
<td>5.4</td>
</tr>
<tr>
<td>7. Unsorted diamonds</td>
<td>5.1</td>
</tr>
<tr>
<td>8. Unwrought nickel</td>
<td>0.9</td>
</tr>
<tr>
<td>9. Black Tea fermented, Partly fermented or flavoured</td>
<td>0.8</td>
</tr>
<tr>
<td>10. Portland Cement</td>
<td>0.8</td>
</tr>
</tbody>
</table>

**Total of top 10 Products** 80.4

*Source: ZIMSTAT Trade Bulletin, Second Quarter 2014*
Agriculture Exports from Zimbabwe

- In Zimbabwe, major export commodities in the agricultural sector are tobacco, cotton lint, raw sugar, tea and coffee and horticultural products. The country also export dairy products, wildlife and poultry meat. Ostrich and game farming have become increasingly important over the last few years. Ostrich meat now complements the export of top quality beef to the European market.

- Highest contributors to total agriculture exports for the second quarter of 2014 are:

  ✓ Flue cured tobacco  15.9%
  ✓ Other Cane not containing Added flavouring or colouring matter  5.4%
  ✓ Tea  0.8%

- Mineral exports are currently leading Zimbabwe`s exports revenue with 71.5% of top ten exports in the second quarter of 2014 with agriculture sector exports contributing 33.5% of the same. However, it has to be borne in mind that minerals face extinction (they are non renewable) hence the need to focus on the agricultural sector as the backbone of the economy.
BENEFITS OF VALUE ADDING AGRICULTURAL PRODUCTS

- Emergency of vertical and horizontally integrated agro-based industries – a strategy for luring both local and foreign direct investment
- Increased capacity utilization by firms
- Employment creation
- High disposable income
- Increased demand for goods and services

- Increased revenue for Government from tax revenue from both corporates and individuals.
- Increase in export earnings as the products become more competitive on the international market
- Shock absorption from international price volatility of primary products.
Value Addition Illustrated (Tobacco value chain)

Leaf Tobacco
$3.00/kg

Crushed tobacco
$6.00/kg

Cigarette
$30-$60/kg

Source: Savanna Tobacco, 2014.
Value Addition Illustrated (Cotton value chain)

Product Transformation process

1 kg of Cotton Fibre → Value: USD1.85/kg → Added Value: $0.60

0.75kg of Cotton Yarn → Value: USD2.45 → Added Value: $4.50

3 metres of cotton Fabric → Value: USD6.50 → Added Value: $5.50

3 cotton t-shirts → Value: USD12.00

Source: Zimbabwe Textile Manufacturers Association (ZITMA), 2014
Opportunities for Value Addition in the Agric - Sector

• Through the ZIMASSET agenda, Government has identified some of the various opportunities for value addition in the agricultural sector. These include:
  - Beef canning
  - Fruit Juice manufacturing
  - Oil expression
  - Fruit jam and avocado processing
  - Cotton and clothing industry development
  - Leather and allied industries development
Opportunities for Value Addition in the Agric – Sector cont`d

- The government is set to develop a data base of all commodities where potential for value addition exists with the aim of informing policy options on dealing with exportation of raw and semi-processed products in the extractive sectors.

- The policy options may include an outright ban or introduction of fiscal disincentives to discourage export of such products e.g soya beans, cotton lint

- In terms of market, there is a ready market for our organic foods particularly in the EU region where such food is on high demand. You may want to know that in 2009, Zimbabwe signed an interim Economic Partnership Agreement with EU that allows the country to export to this 505. 7 million (2013 estimate) market on a duty free – quota free basis.

- Apiculture Expo, October 2014

- Milan Expo 2015 (May – Aug)
Value Addition Promotion: Government Initiative

• **Value Addition and Beneficiation** has been singled out as one of the four key clusters under the ZIMASSET development agenda.

• Several agro-processing areas are earmarked for development through the value addition initiative. In the leather industry for example, in-order to encourage value addition, Government levied an export tax of US$0, 75 per kg as a deterrent measure to exportation of raw hides and skins.

• Government is encouraging the establishment of business ventures that are centered on value adding our primary products, agricultural output included.

• The Green Fuel Project in Chisumbanje is an example where economic development, environmental sustainability and social inclusion are all at play as a result of a value addition initiative. When it reaches its peak, the project is expected to generate direct employment of between 5000 to 6000 people.
Conclusion

• Exportation of raw agricultural products has added to the negative impact on the socio-economy of the country; jobs are exported and potential revenue is lost to nations that have embraced innovation and value addition as a priority in manufacturing models.

• The Agricultural sector- has potential for autonomous growth and therefore the need to leverage on this sector is key to reviving our economy.

• The measures that have been taken by the Government to date are in no way conclusive and, therefore, the government is always ready to receive suggestions on how best we can move forward in terms of value adding output from our extractive industry particularly the agriculture sector.
Conclusion cont`d

• Let me conclude by once again thanking ICAZ for organizing this important event.
• The Ministry appreciates this kind of interaction. We use such a for a for information gathering which is key to guiding public policy decisions.

I thank you