



“Investing in Africa’s future”

COLLEGE OF HEALTH, AGRICULTURE AND NATURAL SCIENCES

NAEC409: AGRICULTURAL POLICY ANALYSIS

END OF FIRST SEMESTER FINAL EXAMINATIONS

NOVEMEBER/ DECEMBER 2020

LECTURER: DR. K. MUKUMBI

DURATION: 24 HRS

INSTRUCTIONS

Answer **ONE** question only

All questions carry equal marks (100)

QUESTION 1

Read the passage below and answer the questions that follow.

Increasing quantities of fake pesticides are being produced, marketed and sold around the world. The main-streaming of technology and legislative loopholes facilitate the trade of counterfeit and illegal products. Counterfeit pesticides are fake products often produced and packaged to look like the genuine article. The widespread availability of technology needed to produce counterfeit and illegal pesticides, coupled with the lack of enforcement of existing laws and legislative loopholes all contribute to facilitate the trade of counterfeit products.

Counterfeit pesticides: (1) Might contain chemicals that are either banned or restricted due to the potential risks they may pose to human health and/or the environment. (2) Are not authorised for sale by competent pesticide authorities. (3) Can lead to a total loss of treated crops, compromising farmer livelihood. (4) Contain untested products and undeclared active substances that may result in unacceptable residue levels, making the products unmarketable

Potential risks associated with counterfeit and illegal products

There are risks to the safety product handlers, farmers, consumers and the environment. Counterfeit and illegal products are neither tested nor evaluated; they are not subjected to the regulatory process for pesticides. Counterfeit and illegal pesticide products often contain chemicals which are either banned or restricted due to the risk they pose to human health and/or the environment. Undeclared active ingredients in counterfeit and illegal products can leave unacceptable residues on produce, rendering goods unfit for market. As the content of counterfeit and illegal products is unknown, their use can pose a high-risk to farmers, the environment and crops. Falsely declared, counterfeit and illegal products regularly ignore the international labelling requirements designed to ensure safety during transport. Thus, highly toxic, flammable or otherwise hazardous substances are transported regardless of the safety of the staff handling the product, bystanders and the environment. As part of organised criminal networks, the production of counterfeit and illegal pesticides is not required to comply with industry standards, presenting risk to human health and the environment.

Consequences for farmers and other members of society

Counterfeit and illegal pesticides can pose severe health risks to the farmers who handle and use them. Unknown ingredients can damage or fully destroy the treated crop, thus compromising farmer livelihood. Unknown residues make food unfit for market and result in economic losses across the food chain. Counterfeit and illegal pesticides pose risk to water and soil quality and the health of biodiversity. The use of counterfeit and illegal pesticides damages the reputation of farmers and industry and poses a threat to sustainable agriculture. The negative impact of counterfeits includes: (1)Economic ruin for the farmer and potential loss of harvest due to use of an ineffective counterfeit product; (2) Discouragement to honest local entrepreneurs from investing in legitimate product development; (3) Hampering of trade and investment, employment, technology transfer, and tax revenues; (4)Potential harm to the environment as counterfeits are not

tested for safety whereas legal products are extensively tested before they are authorized for sale and for use; (5) Economic risk to countries that rely on export crops as buyers of export crops will boycott crops treated with counterfeit products. Ultimately, the effect of counterfeiting is that it could eliminate the incentive for agro-chemical companies to continue investing in the development of new technologies that can help assure global food security and alleviate hunger and poverty.

a) Identify and describe three types of market failure associated with counterfeit and illegal pesticides. (12 marks)

b) You have been hired by the African Union to recommend policies that address the problem of counterfeit and illegal pesticides on the African continent. The African Union (AU) is a continental body consisting of the 55 member states that make up the countries of the African Continent. Your response should include the following:

- i. List and describe 6 policy alternatives [i.e. 2 policies for each market failure identified in (a)] that African Union member countries can implement. Justify each choice. (30 marks)
 - ii. Identify and describe 6 possible unintended consequences of the policies you mentioned in (i). (12 marks)
 - iii. Should the African Union have a common policy for all its member countries to address counterfeit and illegal pesticides or they let each country address the problem on its own? Justify your response. (30 marks)
- c) Stakeholders in some African countries are pushing for the reintroduction of Marketing Boards. In your opinion should Marketing Boards be reintroduced? Why or why not? (16 marks)

End of Question 1

QUESTION 2

Read the passage below and answer the questions that follow

The African Union has launched the operational phase of the Africa Continental Free Trade Area (AfCFTA), which will be the world's largest free trade area by number of countries once it's fully up and running.

After years of talks, the goal is to establish a single market for goods and services across 54 countries, allow the free movement of business travellers and investments, and create a continental customs union to streamline trade - and attract long-term investment.

The agreement is seen critical for growth and job creation for Africa and its 1.27 billion people. Clinching Nigeria's agreement and moving into the operational phase this July was a significant step: "We now have leaders of 54 countries putting their neck on the line for this agreement. It's a game-changer. There's much more political energy today than there has ever been on integration," said Arancha Gonzalez Laya, Executive Director of the International Trade Centre (ITC). She was speaking during a session at the World Economic Forum on Africa, developed with the Forum's Platform for Shaping the Future of International Trade and Investment.

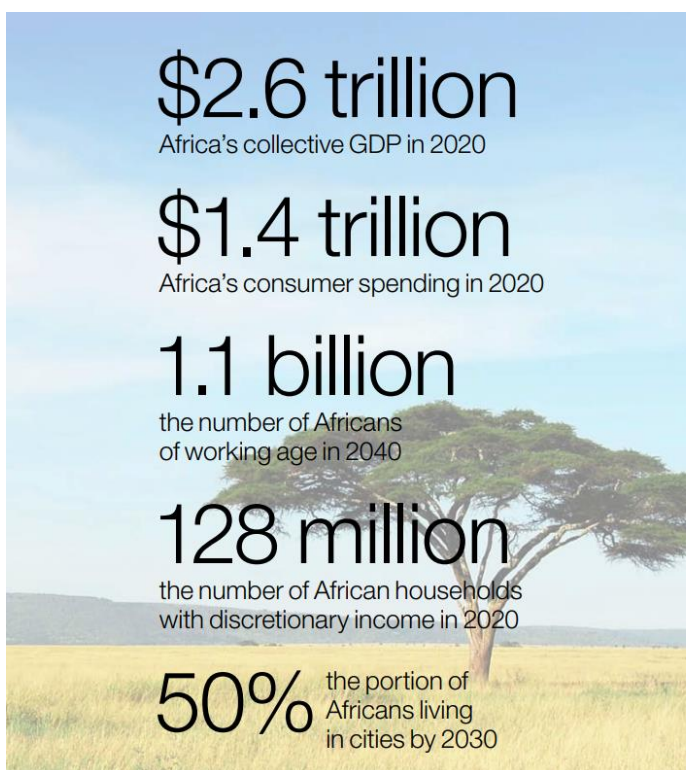


Image: McKinsey & Company

Intra-Africa trade has been historically low. Intra-African exports were 16.6% of total exports in 2017, compared with 68% in Europe and 59% in Asia, pointing to untapped potential. It will be a challenge to make way for easy and quick facilitation of people and goods in Africa because there is so much fragmentation, with economies at widely varying stages of development. While the reality is there will most likely be winners and losers, the role of the African Union will be to ensure shared prosperity on the continent, creating supportive policies, eliminating monopolies, and stamping out uncompetitive behaviour.

The AfCFTA is an opportunity for countries and companies to help each other grow, as they have done in other regions. But trade liberalization has the potential to damage the poorest within those countries, which is why it is so important to have supportive policies.

- a) What policy measures can be put into place to support young entrepreneurs / start-ups and small and medium enterprises to participate in intra-Africa trade through the AfCFTA, particularly in agribusiness? Justify each response. Your response should include 10 policy measures and should be written paragraph form. (40 marks)

Read the passage below and answer the questions that follow

Britain has the highest rates of obesity for 15 to 19-year-olds among 14 European countries, including Italy, France, Belgium, Spain, Greece and Germany. Children and young people in the UK are also far more likely to be obese if they are poor. Fast food outlets have become one of the most popular after-school destinations. The UK Royal Society for Public Health (RSPH) said outlets viewed as selling unhealthy food should be banned within a five-minute walk of the school gates. It also wants billboard adverts for fast food outlawed in the same areas, as well as removed from all council-owned advertising sites. A third suggestion is the banning of app-based delivery services from taking food to schools. The ban would also help them to control fast food advertising near schools, nurseries and children's centres to beat the child obesity crisis, across all billboards, along with a strengthening of advertising standard.

- b) Use the GRADE framework to analyze this set of policies. (30 marks)
- c) Identify and describe 3 types of market failure associated with fast food consumption. (12 marks)
- d) Is there a need for British government involvement in children's consumption patterns and in advertising content? Explain. (18 marks)

End of Question 2

QUESTION 3

Read the passage below and answer the questions that follow

Zim fish exports rise 33%

November 8, 2020

ZIMBABWE'S fish exports increased by 33% to US\$2,3 million during the first half of this year, as volumes changed by 29%, statistics from the Livestock and Meat Advisory Council (LMAC) showed this week.

LMAC said 1 134 metric tonnes (mt) of fish were exported during the period, but farmers have struggled to reach output levels achieved before the country went into a complete lockdown from April to limit contagion from the deadly Covid-19 pandemic.

It said fish exports were dominated by frozen freshwater fish and frozen tilapia that made up 75% and 23% of total shipments respectively. During the same period last year, frozen freshwater fish represented 51% of exports while frozen tilapia was second at 48%, according to LMAC's report.

"Although fish exporters have been increasing their export initiatives, fish exports collapsed in April and have yet to recover to their pre-lockdown levels," LMAC noted. "Exports for the first quarter averaged 310mt/month and only 68mt/month in the second quarter."

In June, exports valued at US\$1 134 489 were recorded. But this represented a decline of 53% over the same month in 2019. The highest value of exports of US\$1,1 million occurred in April, the report showed. Imports of fish for the first six months of 2020 were 1 821mt, an increase of 27% over the same period in 2019.

The report said fish imports had declined since November 2018. During the period under review, fish imports were dominated by frozen Jack and Horse mackerel, both in quantity (76%) and value (49%) at an average price of US\$736/mt. Dried freshwater fish were also imported at US\$2 231/mt.

The Zimbabwe Fish Producers Association (ZFPA) believes that fish production will grow significantly, with aquaculture rivalling chicken, pork and beef industries. With the right policies and strategies, there is enormous potential to develop fish farming in Zimbabwe, using tilapia — Africa's own indigenous fish, which achieves good growth rates under intensive production.

Zimbabwe has a relatively developed aquaculture and is one of the top 10 fish farming countries in Sub-Saharan Africa. According to ZFPA, the country's aquaculture sector can produce 20 000 tonnes of fish a year, creating 10 000 direct jobs and another 10 000 indirectly.

Until 2005, the country used to have some of the region's finest kapenta fishing infrastructure. But years of economic decline and divestment from experienced farmers have affected output. Currently, Zimbabwe is producing approximately 15 000 tonnes of fish per year in a small number of dams.

If all the dams can be fully utilised, the country has the potential to increase fish production to almost 1,5 million tonnes per year, according to experts. Some of the commercial fish farms in Zimbabwe include Lake Harvest Aquaculture (Kariba), The Bream Farm (Kariba), Mazvikadei Fish Farm near Banket, Clairmont Trout Farm, The Trout Farm and Inn on Rugarara also in Nyanga.

- a) After graduation you work as a policy analyst for the Zimbabwe Fish Producers Association. You are asked to draft policy for the fish industry. Your response should include:
- i. Identification of the problem or opportunity (5 marks)
 - ii. A list of 5 policy objectives (15 marks)
 - iii. Name and describe 10 policy alternatives to address the problem and or opportunities in the fish industry (30 marks)
 - iv. Identify 3 criteria will you use to choose among the policy alternatives (6 marks)
 - v. What could be some unintended consequences of each of the policies mentioned in (iii)? (14 marks)

Read the passage below and answer the questions that follow

South Africa's VAT system allows for 19 basic food items to be taxed at a rate of zero percent (as opposed to the official rate of 15%). These 19 items include various foodstuffs, many of which are healthy including: brown bread, maize meal, samp, mealie rice, dried mealies, dried beans, lentils, pilchards/sardinella in tins, milk powder, dairy powder blend, rice, vegetables, fruit, vegetable oil, milk, cultured milk, brown wheat meal, eggs, eggs, edible legumes and pulses of leguminous plants. However, the list could easily be expanded to include more products containing whole grains and unflavored yoghurt. No meat products aside from tinned pilchards have a zero VAT rating.

While it may be controversial, the inclusion of a selection of particular lean cuts of fish or chicken could hold immense value in stimulating healthy eating practices. In many cases, processed and unhealthy food is cheap, making it more attractive to consumers in low-income households. The only way to counter this is to increase the range of cheaper options of healthy food items that can be purchased. Zero-rating VAT policy has always been about offering support to low-income households.

Zero rating is not a silver bullet and civil society there is need to expand initiatives that would assist poor and low income households. These could include reducing transport costs, strengthening the school nutrition programme and increasing the child support grant and old age pension.

It should also be remembered that if tax relief is offered in one area, the resulting deficit has to be made up elsewhere. Any potential weakening of the tax base must be carefully considered. Tinkering with VAT rates and zero rating more items won't help the country much if it doesn't significantly reduce unemployment rates and boost economic growth.

- b) Use the GRADE framework to analyze the zero rate VAT on basic food items policy.
(30 marks)

End of Question 3