

## Zimbabwe rolls out National Maize Roller Meal Subsidy Programme <sup>1</sup>

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Erratic rainfalls received in the 2018-2019 agricultural season left Zimbabwe a net-importer of grain, exacerbating the lingering economic turmoil in the struggling Sub-Saharan nation. Maize produce in the 2018-2019 season together with the season's opening stocks are excessively inadequate to feed the nearly fifteen million populace. Worse still, the 2019-2020 agricultural season is by all odds anticipated not to produce an optimal harvest. Rains have been received late in most parts of the country's arable regions and rains received so far have been intermittent.

It is against this background that the government of Zimbabwe promulgated, in the last quarter of 2019, a subsidy programme meant to improve availability of the staple food ingredient at the same time ensuring that indigent citizens have access to affordable maize meal. The World Trade Organisation (WTO) defines a subsidy as a financial contribution by a government, or agent of a government, that confers a benefit on its recipients. A subsidy is the opposite of a tax: the government gives money to institutional units who trade concerned goods and services, rather than taking it away from them (Leach, 2004). Robinson (1967) asserts that the word "subsidy" is by all odds one of the most commonly used in economic lexicon. It has a faintly opprobrious connotation and is more often than not used as an unkind epithet by opponents of some proposed economic policy.

The maize roller meal subsidy programme was designed in such a way that Zimbabwe's Grain Marketing Board (GMB) allocates maize to licenced millers at a subsidised price of Z\$4000.00 per metric ton. Millers are in turn required to distribute to retailers who will then sell mealie meal to ultimate consumers at a price which is 50% of the market price. The gazetted price at which millers sell to retailers is Z\$45.00 per 10kg packet and

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retailers are required to sell the same packet at a maximum price of Z\$50.00, realising a maximum possible margin of 10%. The government would pay licensed millers subsidy amounts commensurate to an agreed extraction rate of 80% after verification that production has taken place. Maize purchased by licensed miller from the GMB should be used solely for the production of mealie meal.

Ceteris paribus, orthodox economic theory suggests that this maize meal subsidy would result in increased maize meal output as well as reduction of the price paid by consumers. However, the magnitude of these changes would also depend on the elasticity of demand for maize meal. The more elastic the demand, the larger the increase in output and lesser the reduction in price and vice versa. Since the imposition of a subsidy is an intervention which disturbs the market's invisible hand, overall welfare effects of a subsidy may be said to be ambiguous and the actual effect depends on a plethora of factors. Alashaal (2015) affirms that subsidies 'costs outweigh benefits in the long run.

Maize meal shortages ironically linger as subsidised mealie meal has now flooded the black market, selling at least double the subsidised price. Despite that most retailers sell only a single 10kg packet to each individual, it is alleged some individuals continue hoarding until they reach voluminous stocks that are then sold to other ravenous citizen at exorbitant prices. Monitoring committees comprising of officials from the Ministry of Industry and Commerce, Ministry of Finance, Zimbabwe Revenue Authority (ZIMRA) and GMB were put in place in all provinces to oversee the subsidy across the entire value chain. Among other duties, the monitoring committees or teams are mandated to verify production of maize roller meal to ensure that the government pays not for nothing. These committees also observe and research on possible impediments to the subsidy programme throughout the entire value chain and report on practicable recommendations to ameliorate the programme.

## References

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## About the Author



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**Tasiyana Siavhundu** is a member of the Project Management Zimbabwe (PMZ) with vast qualifications and experience in Project Management, Economics, Taxation as well as Investments and Portfolio Management. He is a holder of a B.Sc. Honours Degree in Economics, Master of Commerce Degree in Economics, Post-Graduate Diploma in Project Management, Executive Certificate in Investments and Portfolio Management, Advanced Certificate in Taxation and many other qualifications.

Tasiyana has worked both in the private and public sectors in Zimbabwe. He is now employed as a Revenue Officer with the Zimbabwe Revenue Authority (ZIMRA). He is very passionate about research work and has interests in the fields of Economics (particularly Public Economics), Project Management and Taxation.

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