Zambia – Leveraging Agricultural Potential
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- Zambia’s agricultural potential remains largely untapped but policy attention is shifting favourably towards crop diversification and export promotion.
- Linking Zambian farmers to markets, for example through outgrower schemes, improves the quality and quantity of supply and spurs long-term agricultural growth.
- Improving market information enables smallholder farmers to conduct agriculture as business and to contribute fully to economic development and poverty reduction in Zambia.

Historically dependent on copper, Zambia struggled to diversify into other commercial activities when faced with volatile copper prices. The agricultural sector has long been neglected by the government’s urban bias and single-minded emphasis on maize for food self-sufficiency. Infrastructure, extension services and agricultural research and development are underdeveloped, especially in remote rural areas.

“If you had an evolutionary change across the country, it would take maybe five years for Zambia to start exporting crops to neighbouring countries instead of importing them”, explains Dick Siame, Country Programme Officer of the International Fund for Agricultural Development (IFAD). So far, however, only 15 per cent of total arable land is cultivated and about 30 per cent of irrigable land is actually irrigated. Floods at the beginning of 2008 dramatically increased reliance on external food, input and machinery support.

Zambia’s agricultural sector displays a dual structure, where a few (about 740) large commercial farms, concentrated along the railway line, co-exist with scattered smallholders (600 000 - 800 000 families) and some small commercial farmers (25 000 families). Some 40 per cent of rural households are engaged solely in subsistence agriculture.

Under these circumstances, leveraging Zambia’s agricultural potential requires multifaceted support strategies. Targeting diversification in agricultural production will not be sufficient without improving market information and promoting linkages between farmers and other participants in value chains.

Diversifying Agricultural Production

Despite significant increases in variety and production, crop diversification still has a long way to go in Zambia. After promoting maize cultivation in the 1970s, the government has broadened its focus in support of crops such as cassava, sorghum and cowpeas, but profit margins remain mediocre. The diversification into cash crops faces problems with market access, infrastructure and human capital.

Figure 1

With privatisation and trade reforms in the early 2000s, the production of export crops has risen steadily but still runs far behind maize production (see Figure 1 above). Agricultural exports (e.g. cotton, tobacco, spices, horticultural products and honey) have
registered the strongest growth among non-mineral exports in most recent years (see Figure 2 below). Export processing zones, tax reductions for export goods and duty drawbacks for inputs have further boosted international trade.

The livestock sub-sector, which currently contributes 35 per cent of total agricultural production, is also set for growth. The industry could raise productivity, food security and income if quality and disease control were improved. Currently, the marketing of livestock is dominated by Zambeef, which also maintains franchise agreements with Shoprite’s supermarkets in Ghana and Nigeria. This success, however, cannot conceal the sector’s struggle to tackle livestock diseases effectively, as veterinary services are insufficient.

The dairy industry, concentrated around Parmalat and Finta Danish Dairies, could potentially supply the entire region but fails even to meet domestic demand. The processing industry markets only about 20 to 30 per cent of the milk consumed in the country; the rest is sold directly in open-air markets. Strengthening smallholder producers’ contribution to milk production is vital for further development. US-based Land O’Lakes, which provides smallholder training in dairy farming, helps raise productivity, implement quality standards and improve supply chain management.

**Linking Farmers to Value Chains**

Contract farming involving small-scale growers has been the most important route to achieving sustained expansion of production. In the cotton sector, private companies have been active in setting up outgrower schemes (OGS) – such as Dunavant’s “distributor model” – which now involve some 220,000 small farmers. Since privatisation in 1999, cotton production has steadily grown by about 15 per cent a year.

Other sectors follow this example: Shoprite’s subsidiary *Freshmark* sources 97 per cent of its stock of fruit and vegetables from local farmers; subsidiary processor *Freshpikt* consistently buys from 200 small-scale producers for regional markets. To improve smallholders’ competitiveness in the international markets, the non-profit Zambia Export Growers’ Association (ZEGA) offers business advice, financial counselling and training. It also aims to improve quality standards and to train managers for OGS.

However, OGS face increasing challenges to sustaining their competitiveness. Low productivity, high rates of loan non-repayment and widespread side-selling from farmers discourage agribusiness enterprises. Companies have therefore preferred to increase volumes of production by expanding the area and number of contracted smallholders, rather than investing in extension services to increase growers’ productivity.

**Improving Market Information**

Poor infrastructure leads companies to concentrate in easily accessible areas, cutting off smallholders in the countryside from transaction flows. Deficiencies in the physical infrastructure hamper the timely exchange of goods and information about marketing opportunities, thus curbing sustainable agribusiness development for smallholders.

The development of markets and access to them is crucial. “It is very difficult to push change on the technological or input side if there is not a proper market. Linkages to agro-processing and other value-adding activities might create
demand for farmers”, says Doyle Baker, FAO Chief of Agricultural Management, Marketing and Financial Service.

IFAD supports the Zambia National Farmers Union in establishing an SMS market information system and a complementary website which provide current market prices and traders’ contact details. Hence, smallholder farmers and traders easily assess business opportunities, evaluate bargaining positions and optimise transport and production. More than 30 000 clients use the service regularly.

Evaluation of the system has been consistently positive. Users are mostly smallholders, who on average share the information with five more people. Clients confirm that they can better compare and negotiate prices; over 90 per cent of the calls lead to actual transactions. The system will soon cover more commodities and has been expanded to neighbouring DR Congo, where cross-border trade is already intense.

If the underused potential in diversification, value chain linkages and market information were fully exploited, Zambia’s farmers could rapidly increase production, produce a surplus, and conquer regional and global markets. “However”, stresses Dick Siame, “the anti-agriculture bias in people’s minds needs to be changed so that the sector is actually considered an income-generating opportunity”.

References

Further reading:

Five detailed case studies (Ghana, Mali, Senegal, Tanzania and Zambia) are available at: www.oecd.org/dev/publications/businessfordevelopment

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