OPTIONS FOR INVESTMENTS IN FRESH PRODUCE WHOLESALE MARKETS

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Background

- The livelihoods of rural households largely depend on the growing and selling of different types of crops
- Especially, growers and sellers of fruits and vegetables (fresh produce) are more likely to increase their incomes than cereal growers
- But, markets for fresh produce have been the most neglected in Zambia.
- Improved market performance for fresh produce can improve rural livelihoods in developing countries such as Zambia:
  - They are of higher value and yields per unit area can be high
  - They provide opportunities for Value addition and improved nutrition

Fresh produce an important smallholder income source in Zambia

- Although only 20% sell due to poor markets especially at the urban wholesale level
- Total per capita income for sellers is US$183 per annum compared to US$139 for non sellers
- Fresh produce forms 18% of total hh income, and 39% of total hh cash income
- Unfortunately, only 15% of sellers are female headed households, as women are more vulnerable to imperfect markets

Demand for fresh produce in urban consumption areas is very high

- A consumption and expenditure survey in the urban centers of Lusaka, Kitwe, Kasama and Mansa has shown that fresh produce form an important part of urban hh's budget
- This expenditure creates market for fresh produce produced by farmers
- The linkage between urban consumption areas and rural production areas is important as:

"It Is Markets That Stimulate Production And Not Vice Versa".

Fresh produce 2nd only to cereals & staples

Urban household expenditure shares of different food groups per adult equivalent

Food Items	Lusaka	Kitwe	Mansa	Kasama
Weighted No. of Households	267,934	78,398	9,305	20,769
	------------ % of Food Expenditures--------------			
Cereals & staples	24.1	27.4	28.0	27.2
Dairy items	5.2	3.6	1.7	2.0
Meat & eggs	16.8	15.6	12.7	14.5
Fish	7.6	8.4	12.4	12.5
Vegetables	13.7	15.0	11.4	14.2
Fruits	3.6	4.0	3.7	4.0
Legumes	3.7	3.4	3.7	3.7
Sugar & oils	7.9	8.9	8.5	8.7
Other foods	4.7	4.8	4.7	6.0
Tobacco & alcohol	5.3	4.6	6.3	4.0
Food away from home	7.3	4.3	6.9	3.2
Total %	100	100	100	100

Source: CSO/MACO/FSRP Urban Consumption Survey, 2007-2008

Fresh produce share ranges from 15% to 19% of total expenditure on food

Fresh produce is predominantly channeled through traditional markets

Market channel	Percent fresh produce market share by urban centre			
	Lusaka	Kitwe	Mansa	Kasama
Traditional system	96.8	97.6	95.7	97.0
Modern system	3.2	2.4	4.3	3.0
Total	100.0	100.0	100.0	100.0

Supermarkets and minimarts

Traditional markets and informal selling points

% Share of modern market system by household income level

Urban area	Income level		
	Low	Medium	High
Lusaka	0.4	1.2	9.5
Kitwe	0.9	1.2	7.5
Mansa	0.2	2.8	9.8
Kasama	0.3	1.4	6.2

- ***Modern market system (grocer/mini-mart/super-markets) share highest among the high income group.***
- ***But still share is much less compared to that of the traditional market system (90.2% to 93.8%) within this income group***

Role of Wholesale Markets (Soweto in Lusaka)

Plays important role in collecting produce from different parts of the country, and even from outside the country

The 3 main supply districts in Soweto (January 15, 2007 to January 15.2009

Tomato		Rape		Onion	
District	Share (%)	District	Share (%)	District	Share (%)
Chongwe	21.6	Chongwe	71.1	Mugabi	30.3
Lusaka	19.0	Chibombo	12.3	S/Africa	27.5
Mkushi	17.0	Mumbwa	12.0	Lusaka	21.0
Total	**57.6**		**95.4**		**78.8**

- Tomato supplied came from a total of 17 districts
- Rape came from 10 districts
- Onion came from 19 districts
  - Areas outside the country were also treated as districts
    - Mugabi, S/Africa, Tanzania and Zimbabwe
- Mugabi is an area on Zambia-Malawi border

Nominal value of annual flow through Soweto very significant

Total nominal value of annual flow of the 3 staple vegetables in Soweto

Crop	Total nominal value of annual flow	
	K'000,000	US$'000
Tomato	33,344	6,669
Rape	5,036	1,007
Onion	27,509	5,502
Total	**65,889**	**13,178**

Total value of flow for only 3 crops; consider the total number of fresh produce crops flowing through the market

Soweto market redistributes produce to areas outside Lusaka

- 38% of onion entering the Lusaka market system is exported through Soweto Market to the Copperbelt, DRC
- 31% of tomato entering the Lusaka Market system is exported through Soweto Market to the Copperbelt, DRC, Livingstone, Namibia
- 21% and 16% of onion and tomato is distributed to institutional consumers within Lusaka

Yet physical conditions are deplorable!

Extremely muddy in the rain season

Very dusty in the dry season

Its largely congested, chaotic and disorderly

Disorderly selling arrangements as well as human and vehicular traffic

Almost all sales by farmers especially the SSFs have to be done through brokers/agents

Brokers agree 10% commission with farmers, but usually get an additional 10% without the farmers' consent. No levies are paid to the market

All these mitigate against supplies from rural farmers which are important for rural poverty alleviation

- Apart from poor infrastructure, the law of the jungle under which the brokerage systems operates discourages farmer participation in these supply chains
- No doubt, brokers/agents the world over play an important role in trade and charge about 10% commission
- In south Africa, the market gets 5%, the broker about 7.5% (making a total of 12.5% compared to our 20%) and the system is well regulated and various services provided

Summing up and investment issues

- Urban agricultural wholesale markets play a very critical role in linking up rural supply areas with urban consumption areas
- This linkage stimulates supply from the production areas
- Fresh produce wholesale markets in particular require special facilities and their development has been long over due
- The development of these markets have been neglected for very long time thus denying rural farmers income earning opportunities

- As a matter of urgency a well designed fresh produce wholesale market in Lusaka needs to be developed:
  - Concrete slab for cleaning and drainage, roofing
  - Designated entry/exit points for vehicular/human traffic
  - Loading/off loading bays, storage facilities, etc
  - With better ownership and management involving the private sector (PPPS), including farmers
  - With better market and supply chain information flow
- This could be followed by development of other strategically located markets on the Copperbelt, Livingstone/Choma, Eastern Province, etc and in the region
- These would then be linked with transparent market and supply chain information to enable producers/traders choose which market to supply at which time

Current status of Soweto wholesale market offers opportunities to:

- To identify a new site and develop with proper rules and regulations (brokerage)
- At the same time
  - stakeholders sensitization (farmers, traders, brokers/agents)
  - Development of appropriate information systems
  - Development of grades and standards
- When functional, only allow players who can abide by the rules and regulations
- Only allow brokers who have been trained and certified

A word of caution:

- Stakeholder involvement including farmers important in physical design and ownership and management arrangements
- Its important that these developments need to be preceded by learning experiences from other countries in the region. A working group is in the process of forming a Horticultural Association of Zambia - policy lobbying and dialogue platform.
- Other stakeholder efforts including the Sangonet/IDE initiative, this project and the ADB's/MLGH/MACO market development initiative can work as synergies to achieve this.

Should such wholesaling facilities be acceptable?

THANK YOU FOR YOUR ATTENTION

From your regional perspective:

- Are fresh produce growers/sellers more likely to have better livelihoods?
- Where and through what means do most of the smallholders sell their vegetables?
- What constraints are faced by smallholders when selling vegetables?
- Would there still need for the smallholders to strive to penetrate the supermarket channels after the traditional market system was improved?