ZAMBIA NATIONAL POSITION PAPER

Video Conference on High Value Agriculture in Eastern and Southern Africa:

Smallholders Involvement in Commercial Agriculture/Horticulture in Zambia

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1. Present status of involvement of smallholders in horticultural production;

The Horticulture in general and Floriculture sector in particular are of great importance to the Zambian economy in that it not only contribute to poverty reduction but also generate employment. At its peak (2006), the sector employed over 12,000 people of which more than 50% were women. These women are widely engaged during growing and packing stages of the chain. Most of the employees on the horticultural /floriculture farms support an average extended family, which effectively increases the total number of people whose livelihoods depend on earnings from these sectors.

Small holder horticulture can be structured into two groups, those that are engaged in high value/ export commodities (cut flowers – roses, baby corn, peas etc) mostly for export and the other consisting of relatively low value high volume commodities Vegetables like cabbage, rape, tomato). Furthermore, some horticultural farms are involved in out growers, both individual farmers and cooperatives. This is also another way of economically empowering low-income groups in the country. The firms assist with provision of seeds, chemicals, fertilizers, training and other forms of technical support and strictly supervise the growing of vegetables to ensure that European Union (EU) phytosanitary standards are met. Thus, apart from ensuring food security for small growers, economic empowerment is guaranteed

During the year 2006, the sectors contributed a total of 12.9% to the non-traditional exports (NTE) earnings and as such, horticulture and floriculture earn the country the much-needed foreign exchange and contribute to government tax revenues. The horticulture sector through the NRDC ZEGA Training Trust was a major contributor to training of Zambians in export horticulture and it is an important supplier of horticultural/floricultural products to the EU market. Export earnings for the two sectors in the years 2001 to 2005 are shown in **Table 1**.

Table 1: Trends in export revenue from the horticultural sector in Zambia (in US’000)

Year	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Sector revenue	45,969	35,851	20,508	23,024	37,252	36,350	16,623
Share (%) of total NTE	11.1	7.4	3.6	3.0	4.5	3.0	1.2

Source: Zambia Development Agency

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In 2005, the Horticultural Products Sector registered a decline in export earnings from US$ 35,851,258 recorded in the previous year to US$20,507,670. The sector reached its peak in 2003 with export earnings amounting to US$45,969,290 but has since been experiencing a decline in both export volume and earnings. Its total contribution to total NTEs in 2005 reduced to 3.63% as compared to 7.39% in 2004. The decrease in exports over the past years could largely be attributed to rapid increase in value of the local currency (kwacha), non-expansion in production, reduced volumes from small holders due to cessation of support to out growers by one of the major producers and inelastic prices in traditional markets. This has further been compounded by the high freight costs. Nearly all export vegetables and flowers are produced by medium- and large-scale farmers under outgrower schemes in limited geographical areas. Medium scale farmer involvement this sector sharply declined following the demise of Agriflora around 2004/5 which was by then the largest outgrowing company. Information about the export horticulture sector is ably captured by ZEGA, and well reported by the Zambia Development Agency among other institutions.

There is greater smallholder involvement in the domestic horticulture sector. According to a nationally representative survey conducted in 2008 by the Central Statistical Office, Ministry of Agriculture and Cooperatives and the Food Security Research Project, about 38% of the 1,700,000 small and medium scale farmers in Zambia produce fresh produce and 18% of the total number of the all the small and medium scale farmers sell fresh produce (see **Table 2**). Table 3 shows the level of fresh produce market participation by the category of the smallholder farmers. All market participation indicators are more favourable for the medium scale farmers than their small scale counterparts.

Table 2: Smallholder market participation in fresh produce

Market participation	Number of Farmers	Proportion (%)	Cumulative Percent
Did not produce fresh produce	1,039,614	62.3	62.3
Produced fresh produce but did not sell	332,253	19.9	82.2
Produced and sold fresh produce	297,995	17.8	100.0
Total	1,669,861	100.0	

Source: CSO/MACO/FSRP Third Supplemental Survey, 2008

Table 2: Smallholder market participation in fresh produce by category

	Smallholder category (%)		
	Small scale holding	Medium scale holding	Total
Did not produce fresh produce	62.4	58.1	62.3
Produced fresh produce but did not sell	20.0	17.1	19.9
Produced and sold fresh produce	17.6	24.7	17.8
Total	100.0	100.0	100.0

Source: CSO/MACO/FSRP Third Supplemental Survey, 2008

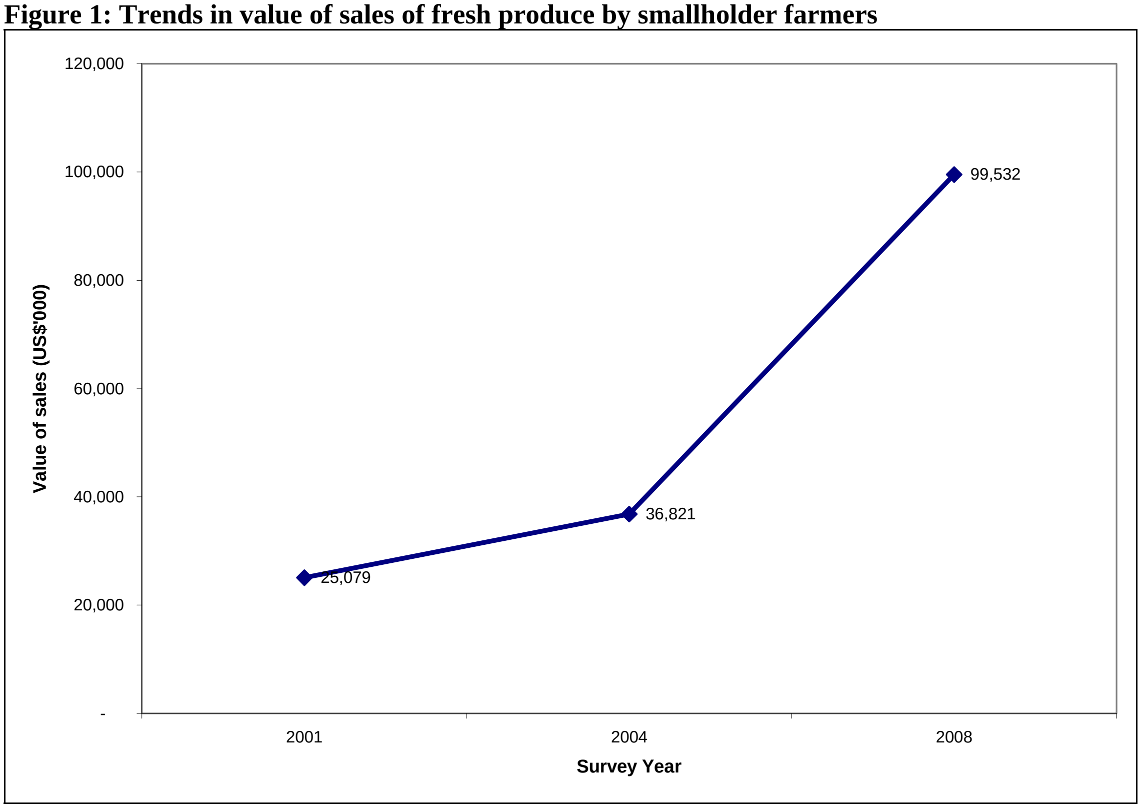
In spite of the above, the smallscale smallholder account for 89% and 84% of the total value of fresh production and sales respectively among the smallholder farmers (**Table 3)**. Further more, it is important to note that the total value of sales among the smallholder farmers (both categories) was much larger that of the export sector reported in **Table 1**. Though the proportion of smallholder farmers participating in fresh produce supply chains has remain about 18 – 20 % in the last ten years, the total value of sales has been increasing as was captured by the three nation-wide supplemental surveys conducted by the Central Statistical Office, Ministry of Agriculture and Cooperatives and the Food Security Research Project (see **Figure 1**). This survey is the only one that captures comprehensive and reliable smallholder agricultural production (especially horticulture) and is conducted after every four years with the fourth survey expected to be conducted in 2012.

Table 3: Value of smallholder fresh produce and marketing

Smallholder category	Value of production (US$'000)	Value of sales (US$'000)
Small scale holding	150,833	83,205
Medium scale holding	18,658	16,327
Total	169,490	99,532

Source: CSO/MACO/FSRP Third Supplemental Survey, 2008

Figure 1: Trends in value of sales of fresh produce by smallholder farmers



Source: CSO/MACO/FSRP First Second and Third Supplemental Surveys, 2001, 2004 and 2008 respectively

Smallholder participation in horticultural supply chains has great potential for rural poverty eradication and general national development. National survey data in Zambia shows that smallholder farmers who produce and sell fresh produce are more likely to move out of poverty. They earn an annual mean per capita income of US$183 compared to US$139 for non-sellers. The amount of income earned actually more than doubles to US$384 among the top quintile of fresh produce sellers. Fresh produce account for 18% of total smallholder income and 39% of the total smallholder cash income. Smallholder fresh produce producers are the ones that are actively involved in regional trade though quite often much of it not captured in statistics/data.

In spite of the above, there has been no national organisation or committee addressing issues to smallholders' increased access to markets, inputs or capacity building. It is hoped that these issues will be embraced by the Horticultural Working Group still in formative stages and later the Horticultural Association of Zambia when it is formed. On the production side, however, there have been projects or programmes aimed at developing smallholder irrigation but these have largely ended the facilitation at the production level neglecting the much needed market linkages. A number of private and non-governmental organisations are running programmes aimed at promotion of cheap irrigation technologies among smallholder farmers which are also centred on market linkages. The International Development Enterprises (IDE) has been running such programmes for about a decade now has reported significant increases in household income.

Some of the constraints regarding smallholders' involvement in horticultural production include

i. Product quality variability arising out of lack of standards,
ii. Low product volumes.
iii. Insufficient capital investment and currency instability;
iv. Inadequate extension and training services throughout the value chain;
v. Lack of supportive policy environment.

Expertise to address issues related to smallholder participation in horticultural supply chains is available in the national universities, colleges and research institutions. These are all Government institutions drawing funds from the national budget while the FSRP is solely funded by cooperating partners.

2. Present policy and policy management for smallholders' involvement in horticulture;

The vision for the agricultural sector is ***"to promote development of an efficient, competitive and sustainable agricultural sector, which assures food security and increased income"***. It recognizes the need to strengthen and expand the emerging opportunities and to also deal with the challenges facing the agricultural sector. This vision also strives to contribute to the overall goal of the Poverty Reduction Strategy Paper (PSRP), which is to achieve "***poverty reduction and economic growth"***.

In line with this vision, the specific objectives of the agricultural sector are:

i. To assure national and household food security
ii. To ensure that the existing agricultural resource base is maintained and improved upon
iii. To generate income and employment to maximum feasible levels
iv. To contribute to sustainable industrial development and
v. To expand significantly the sector's contribution to the national balance of payments.

To achieve the above objectives, important strategies regarding smallholders include:

i. Strengthening and monitoring the liberalization of markets and facilitating private sector development.
ii. Diversification of agricultural production and utilization.
iii. Promotion of sustainable and environmentally sound agricultural practices.
iv. Promoting irrigation development.
v. Promoting and strengthening Cooperatives and Farmer Organizations as a vehicle for agricultural development.
vi. Strengthening information collection and dissemination.

Zambia developed an irrigation policy and strategy for the development of the irrigation sector in Zambia in 2004. This policy document attempts to address various issues as they pertain to the irrigation sector but does not pay any particular focus to the peculiar requirements of fresh produce supply chains especially among smallholder farmers.

Stakeholders are beginning to realise the significance of smallholder participation in supply chains especially in light of rapid urbanisation. It is for this reason that a number of organisations such as the IDE are promoting low cost irrigation technologies among smallholder farmers as well as facilitating market linkages. Work by the FSRP has shown that the fresh produce market share of supermarkets in urban Zambia is 3.1% ranging from 0.4% to 9.1% from the lowest to the highest income quintiles. This means that the traditional market system accounts for over 90% of the fresh produce market share. This system also accounts for about 85% of the fresh produce market share among the highest income quintile.

These traditional fresh produce market systems are largely supplied by smallholder farmers and they are end up supplying regional markets as well. So poverty reduction at a reasonable scale through horticulture has to take place through traditional channels serving domestic and regional markets. But these systems suffer for very little investment in both hard and soft infrastructure. The systems need appropriate and adequate investments.

Horticulture offer opportunities for smallholders as an avenue for poverty reduction for land constrained farmers. But land constrained farmers tend to poor in income and assets (including education) while horticultural production requires high use of cash inputs and knowledge which lets out a countervailing force. Nevertheless horticulture provides cash income to smallholder farmers not selling maize or other cash crops.

Outreach activities by the FSRP complimented by participation in these video conference has emphasised the need for a national institution which will spearhead the development of the sector and will pay particular attention to facilitating increased smallholder participation in the supply chains as well as improvement of the traditional market systems at the wholesale level. While a number of fragmented programmes across the country are in place mobilising smallholder farmers in the horticultural sector national efforts are yet to be put in place for enhanced results. The Farmer Organisation Support Project (FOSUP) for example is an umbrella organisation for a number of smallholder farmer organisations and associations dealing in all issues relating to the agriculture sector and has never had any dedicated attention to horticultural development issues. Most of the programmes mobilising farmers in low cost irrigation and market linkages are donor funded and are yielding positive results but more can be done at the national level. Outgrower schemes are also assisting smallholder farmers participate in export horticulture through production management and localisation of certification of standards. Notable among these are services provided through ZEGA (for export oriented producers) and the Organic Producers and Processors Association of Zambia (OPPAZ). The Zambia Development Agency with support of International Trade Centre conducted value chain analysis of the Horticulture sector.

3. On-going strategy at regional level.

The national institution specifically for the horticulture sector will mobilise/coordinate any necessary actions needed for the development of the sector. This institution will at the same time have communication channels to the region through the COMESA network. Some of the issues that will need addressing are:

- Improving quality/standards volumes produced for local, regional and international markets
- Simplifying and increasing access to finance for all necessary activities across the supply chains
- Developing and implementing training skills programmes at each stage of the value chain rather than focus on some parts of the chain as has mostly been the case at production
- Facilitating and strengthen flow of market information and products visibility
- Developing appropriate production technologies that cost competitive and climate smart
- Well developed communication and transportation systems to get the product to the market quickly before substantial post harvest losses are incurred considering the perishable nature of the produce.
- Promoting processing facilities at various scales in order to develop products that have longer shelf lives and create additional employment opportunities
- Improved and more focused extension services, considering that the sector is quite specialised, this can be done through Public, Private sector partnerships (PPP).

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