Land Access & Impacts on Public Spending on Agriculture in Zambia

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Presentation at IAPRI to the World Bank
Lusaka, Zambia, September 17, 2012

Background

Rural poverty head count rates in Zambia

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>82</td>
</tr>
<tr>
<td>1998</td>
<td>83</td>
</tr>
<tr>
<td>2004</td>
<td>78</td>
</tr>
<tr>
<td>2006</td>
<td>80</td>
</tr>
<tr>
<td>2010</td>
<td>78</td>
</tr>
</tbody>
</table>
Background

Therefore the key challenge of Zambian agriculture
  - Effective contribution to poverty reduction
  - And broad based economic growth

Taking note of:
  - Concentrated nature of smallholder commercial production
    - At least half of smallholders very little or nothing at all
  - Evidence that smallholder face land access constraints (co-existing with extensive unutilized land)

Background (cont’d)

Figure 1. Population Density and Distribution in Zambia, 2007

Settlements concentrated on areas with infrastructure

Hence the paradox of land constraints in midst of plenty

Considerable land is covered by water, national parks, GMA
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Smallholder Farm Size Distribution in Zambia - 2010/11

- About three quarters own less than 2 ha

Outline

- Having demonstrated the reality of smallholder land constraints:
  - Present 4 key findings on IAPRI work on smallholder commercialisation as shaped by land constraints
  - Dr Mason will then present perspectives from public expenditure
  - And Dr Sitko will share some commercialisation pathways and wrap up
Key point 1: Smallholder commercialization has marginally increased over the last decade

![Graph showing crop sales (ZMK) from 2001 to 2011 for male, female, and total smallholders.]

Key point 2: Smallholder sales increase with farm size, but at a diminishing rate after some point

![Graph showing the relationship between smallholder crop sales and farm size with a Lowess smoother.]

Increasing farm size from 0-3 ha is associated with a large increase in the value of crop sales. Thereafter up to about 6.5 ha, the increase is much reduced. Afterwards, increase in crop sales is minimal, if any at all.

Source: 2008 SS and authors’ computations.
Key point 3: Increase in commercialization for smallholders with larger farms

Figure 3: Trends in smallholder crop sales per farm size quartile

Source: CFS 2000/1 to 2010/11 and authors’ computations

Key point 4: Agricultural sales could significantly increase by increasing land access for the land constrained

Improving land access among the most land constrained seems a most effective way to reduce rural poverty

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Since 2002, approx. 6-13% of total government spending to agricultural sector

**So why no decline in rural poverty rates?**

- Types of government spending in agriculture and who is capturing most of the benefits (closely linked to landholding size)

Public spending on agriculture, 2010

**Benefits of FRA & FISP highly concentrated in hands of HHs with larger landholdings**

FRA + FISP =

- 85% of total ag spending
- 99% of total ag poverty reduction programme spending
HHs with larger landholdings receive disproportionately more FISP fertiliser

FISP fertiliser received by farm size category, 2010/11

<table>
<thead>
<tr>
<th>Total area cultivated</th>
<th>% of small-holder HHs</th>
<th>% receiving FISP fertiliser</th>
<th>Mean kg of FISP fertiliser received</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(A)</td>
<td>(B)</td>
<td>(C)</td>
</tr>
<tr>
<td>0-0.99 ha</td>
<td>72.7%</td>
<td>39.6%</td>
<td>14.3%</td>
</tr>
<tr>
<td>1-1.99 ha</td>
<td>33.1%</td>
<td>30.6%</td>
<td>227</td>
</tr>
<tr>
<td>2-4.99 ha</td>
<td>23.5%</td>
<td>45.1%</td>
<td>310</td>
</tr>
<tr>
<td>5-9.99 ha</td>
<td>3.8%</td>
<td>58.5%</td>
<td>529</td>
</tr>
<tr>
<td>10-19.99 ha</td>
<td>0.5%</td>
<td>52.6%</td>
<td>657</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>28.6%</td>
<td>270</td>
</tr>
</tbody>
</table>

Source: CSO/MACO 2010/11 Crop Forecast Survey

Smallholder maize sales to FRA highly concentrated among HHs with larger landholdings

<table>
<thead>
<tr>
<th>Landholding size</th>
<th>FRA bought ~400,000 MT</th>
<th>FRA bought ~900,000 MT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(A) (B) (C) (D) (E)</td>
<td>(A) (B) (C) (D) (E)</td>
</tr>
<tr>
<td>0-0.99 ha</td>
<td>35.5 2.6 7.6 24.7 8.9</td>
<td></td>
</tr>
<tr>
<td>1-1.99 ha</td>
<td>29.0 6.4</td>
<td>10.5 27.0 21.1</td>
</tr>
<tr>
<td>2-4.99 ha</td>
<td>25.8 13.4 34.3 31.1 34.5</td>
<td></td>
</tr>
<tr>
<td>5-9.99 ha</td>
<td>7.0 18.6 22.4 12.1 39.7</td>
<td></td>
</tr>
<tr>
<td>10+ ha</td>
<td>2.8 22.8 25.2 5.1 49.6</td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>100 8.2 100 100 25.9</td>
<td></td>
</tr>
</tbody>
</table>

Source: CSO/MAOC/FSRP 2008 Supplemental Survey, CSO/MAL 2011/12 Crop Forecast Survey
No decline in rural poverty rates in despite massive expenditures on ag because …

- Vast majority of gov’t ag spending has been on input subsidies (FISP) & maize price supports (FRA)
- Benefits of FISP/FRA concentrated in hands of relatively wealthy / larger landholding HHs
- Rural poor (land-constrained) benefit very little

Rapid Growth of the Emergent Farm Sector

Over the last 10 years:

- Total Small and Medium-Scale Farms: 33.5%
- Households farming 2 ha or less: 38.9%
- Households farming 10-20 ha: 100%
Context of Growth

- As mentioned, public spending on agriculture disproportionately goes to farmers with more wealth and assets.
- 1995 Land Act:
  - Enables conversion of customary land to leasehold tenure
  - Does this provide the opportunity for smallholders to alienate land or does it lead to expropriation of customary land by the economically and socially better off?

Where is this growth coming from?

- Two Hypotheses:
  1). The rapid growth in the number of emergent farmers reflects a general improvement in conditions for smallholder agriculture.
      Or
  2). A process of elite capture of land and public spending on agriculture.

<table>
<thead>
<tr>
<th>Entered emergent farming after having non-farm job</th>
<th>Have title to land</th>
<th>No title to land / usufruct tenure structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entered emergent farming through growth of small-scale operation</td>
<td>Group 1</td>
<td>Group 2</td>
</tr>
</tbody>
</table>

| Entered emergent farming through growth of small-scale operation | Group 3            | Group 4                                    |
Key Findings

Majority followed a lateral entry pathway into emergent farming
The majority of the lateral entry farmers were or are public sector employees

Little evidence of farmers following an agricultural-led growth path using markets to acquire land:
Suggestions that the opportunities created by the 1995 Land Act are being captured by those with off-farm income and social power
Key Finding

<table>
<thead>
<tr>
<th>Growth pathway</th>
<th>Lateral Entry in Medium-Scale Farming</th>
<th>Agricultural-led Growth Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Status</td>
<td>Titled land Group 1</td>
<td>Customary land Group 2</td>
</tr>
<tr>
<td>Size of Initial Land Acquisition (ha)</td>
<td>Hectares</td>
<td></td>
</tr>
<tr>
<td>25th percentile</td>
<td>25</td>
<td>8</td>
</tr>
<tr>
<td>50th percentile</td>
<td>49</td>
<td>16</td>
</tr>
<tr>
<td>75th percentile</td>
<td>240</td>
<td>35</td>
</tr>
<tr>
<td>Mean</td>
<td>176.9</td>
<td>27.79</td>
</tr>
</tbody>
</table>

- Farmers with title to their land control large swaths of land
- Even at the 25th percentile emergent farmers began with relatively large land holdings:
  - No evidence in our sample of farmers beginning with 2 ha or less of land

Implications

- Current approach to agricultural development in Zambia provides few opportunities for the majority of smallholders to use agriculture as a vehicle for wealth creation and farm expansion.
- Current land administration policies limiting future potential for Zambia to use agriculture as a way out of poverty for the poor.
- Entrenching policies that benefit the already well-off:
  - ZNFU policy advocacy overwhelmingly favors these emergent farmers, including FRA, FISP, and Farm Block Development
Ways Forward

- Redirect public spending towards public goods that can be appropriated by all smallholders, not expropriated by an elite minority:
  - Public goods investments
  - ZNFU is not THE voice of the smallholder farmer, it is A voice

Ways Forward

- Improve the process of customary land conversion
  - Currently no figures on the amount of customary land being converted and by who
    - Land Commissioner has stated that most of the new titles are issued to urban Zambians
  - Work with customary authorities so that they better understand the implications of ceding title to their land
  - Support smallholders to acquire title