POSITIONING THE COTTON SECTOR
AS ZAMBIA DEVELOPS THE CAADP
INVESTMENT PLAN

Stephen Kabwe

Presentation at the Zambia Cotton Sector Exchange – Promotion of Cotton in Zambia,
Cresta Golf View Hotel, Lusaka
4th May, 2012
Outline

- Overview of Zambia’s Agricultural Sector
- Policy challenges
- Cotton Sector overview
- Cotton Sector and CAADP
- Way forward
Overview of Zambia’s Agricultural Sector

Zambia is characterized by:

- Rapid population growth
- Population ≈13 million (64% rural) in 2010
- Stubbornly high rural poverty rate: ≈80%
- High food and income inequality in urban areas
- Rapid urbanization & increasing demand for food
- Stagnant agricultural productivity (yields)
Overview of Zambia’s Agricultural Sector [2]

Rural headcount poverty rates, Zambia

<table>
<thead>
<tr>
<th>Year</th>
<th>Poverty 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>
Many smallholder households are land constrained
- 25% have less than 0.5 ha of land
- 58% indicate there is no unallocated land in their village
Smallholder Farm Size Distribution in Zambia - 2010/11

Source: MACO/CSO Crop Forecast Survey, 2010/11

- 0-0.99 ha: 41.90%
- 1-1.99 ha: 33.30%
- 2-4.99 ha: 21.40%
- 5-9.99 ha: 2.90%
- 10-20 ha: 0.50%

Indaba Agricultural Policy Research Institute
Policy Challenges

- Zambia maize-centric policies through FRA and FISP are stifling:
  - Crop diversification
  - Under investment in key agricultural growth drivers (e.g., irrigation, research and development, extension, feeder roads etc.)

- Zambian smallholders highly vulnerable to weather shocks
Overview of Zambia’s Agricultural Sector [3]

Public expenditures to agriculture, 2010, Zambia

- Food Reserve Agency (56.5%)
- Farm Inputs Support Programme (21.8%)
- Other Min. Agriculture programs (14.7%)
- Other Ministry programs (7.0%)
Overview of Cotton Sector

- Private led sector since privatization in 1994 and supports input and output markets
- Ever since privatization, the sector has grown by over 100%
  - area planted, seed cotton production
- Sector contributes over 60 million US dollars per annum into the Zambia economy
- Working with over 150,000 rural households or over one million farmers
Overview of Cotton Sector: Evolution

- **Privatization**
  - Post-Reform Boom (Private sector success story)
- **1st Crash** (Credit default)
- **Second Boom** (Private innovation, rising gov’t involvement, increased private sector entry)
- **2nd Crash** (Macro-economic + credit default)
- **Growth period**

Seed Cotton Production (MT)
Some of the Constraints faced in the Cotton Sector

- Productivity of seed cotton is low
  - National average is between 550-800kg/ha of seed cotton

- Inconsistent Government policy on provision of agricultural inputs
  - Fertilizer (FISP) and maize marketing (FRA) support create a big swing out of other crops like cotton, tobacco
Opportunities

- Cotton production is under contract farming through out-grower schemes
  - Private companies finance cotton production
- Government has seated the Cotton Board
  - To effectively regulate the sector
- Current installed ginning capacity is around over 260,000MT
  - The sector can increase its production
What is CAADP?

- Is the AU Heads of State Initiative to reach HIGHER levels of Agricultural Growth. It has four pillars or Investment Areas:
  - Land & Water Management
  - Rural Infrastructure and trade related capacities for market access
  - Food & Nutrition Security
  - Agricultural Education, Research and Extension
Why CAADP?

- It Helps To Ensure Implementation of national agricultural programs and builds on local initiatives such as FNDP
- CAADP helps to increase agricultural sector spending – minimum of 10% of budget
- Helps to Ensure focus on growth: minimum of 6%
THE CAADP PROCESS IN ZAMBIA

The CAADP preparation process in Zambia:
- Seeks to build on national development plans (e.g. National Agricultural Policy, Vision 2030 and the Sixth National Development Plan).
- Seeks to achieve at least 6% of sector annual growth
- Seeks to achieve least a 10% annual national budgetary allocation (GRZ and donor) to the sector
- Has been participatory and inclusive of key stakeholder groups
What is the CAADP Compact?

- It is a **Strategic Agreement which commits** Government, Donors, Private Sector, COMESA, AU and Civil Society to provide financial and technical support to the agreed agenda.

- **CAADP is also a BANKABLE DOCUMENT as donors provide direct support to it. It is now a PRE-REQUISITE for donor support**

How Involved is the Cotton Sector in this process?
Way Forward

- Government has to promote policies that would ensure **diversification from maize to other cash crops**
  - Development of the country CAADP Investment plan:
    - Effectively reform FISP and FRA
      - Streamline the FRA activities
      - Flexible FISP programme covering other farm inputs (crops and livestock)
      - Use of E-voucher with private sector procuring and distributing the inputs
  
- Farm productivity crucial if cotton is to reduce poverty
  - Provision of effective extension required
THANK YOU