Agricultural Growth and Poverty Trends in Zambia: Key Findings

By:
Jones Govereh and FSRP Colleagues

MACO Outreach Workshop
28th November, 2006 (working draft 1)

Research and Outreach Supported By:

Ministry of Agriculture & Cooperatives
FSRP/MATEP

Outline

• Agricultural policy changes
• Smallholder production performance
• Summary
Three phases of Zambia agricultural policy

• 1960s – 1992: subsidized maize growth
• 1993 – 2003: structural adjustment & diversification
• 2003 – current: unpredictable policy implementation

1960s – 1992: subsidized maize growth

• Maize-centric agricultural policy
• Budget costs massive yet unproductive
• These subsidies were not sustainable
  – Led to fiscal crisis and crippling international debt
1993 – 2003: Structural adjustment & diversification

• Tight fiscal management & reforms
  – Cash budget, Privatization & Market liberalization

• Quasi-liberalization
  – Parallel public and commercial marketing channels

• Agricultural diversification
  – Declining maize dominance – enter cassava
  – Export crops

2003 – current: Unpredictable Policy Implementation

• Donor moved from conditionality to untied budget support

• Re-emergence of past maize-centric policy
  – Increase in subsidized fertilizer
  – Increase in maize price support

• Private investment not realized in this environment of unpredictability
Maize production fluctuates over time

Trends in food balance, smallholder farmers, 1990 - 2003
Public vs Private fertilizer sales

FRA domestic maize purchases
Outline

✓ Agricultural policy changes
• Smallholder production performance
• Summary


<table>
<thead>
<tr>
<th>Crop</th>
<th>Area</th>
<th>Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize</td>
<td>0.5</td>
<td>-0.3</td>
</tr>
<tr>
<td>Sorghum</td>
<td>0.2</td>
<td>-0.3</td>
</tr>
<tr>
<td>Millet</td>
<td>0.2</td>
<td>0.5</td>
</tr>
<tr>
<td>Cassava</td>
<td>2.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Groundnuts</td>
<td>0.9</td>
<td>3.0</td>
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<tr>
<td>Sweet potatoes</td>
<td>5.0</td>
<td>5.7</td>
</tr>
<tr>
<td>Mixed beans</td>
<td>1.6</td>
<td>2.5</td>
</tr>
<tr>
<td>Cotton</td>
<td>3.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Soybean</td>
<td>2.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Sunflower</td>
<td>-1.1</td>
<td>-0.5</td>
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</table>
Trends in agricultural export revenues

Poverty (%) trends in Zambia

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban Poverty</th>
<th>Rural Poverty</th>
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</thead>
<tbody>
<tr>
<td>1991</td>
<td>48.6</td>
<td>88.0</td>
</tr>
<tr>
<td>1993</td>
<td>44.9</td>
<td>92.2</td>
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<tr>
<td>1996</td>
<td>46.0</td>
<td>82.8</td>
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<tr>
<td>1998</td>
<td>56.0</td>
<td>83.1</td>
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<tr>
<td>2003</td>
<td>52.0</td>
<td>74.0</td>
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</table>
Possible drivers of poverty reduction

• Growth in non-maize staple production
• Growth in cotton and tobacco
• Reduction in cost of living due to falling maize meal prices

Drivers of diversification

• Food crops:
  – Removal of massive maize subsidies (17% budget in mid-1980’s)
  – Publicly funded research: cassava, sweet potatoes
• Export crops
  – Privatization of parastatals
  – FDI liberalization
  – Foreign exchange market liberalization
  – Tax incentives
Threats to diversification

• Export crop
  – rapid, unanticipated fluctuation in the Kwacha
  – Inconsistent MACO attempt to suspend cotton marketing

• Food crops
  – research pipeline dry
  – reintroduction of maize subsidies and trade controls

Trends in crop productivity for smallholder farmers
Outline

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Summary

• Structural adjustments worked to drive diversification and reduce rural poverty levels
• Further growth & poverty reduction still required
• Government action & investment is needed but sustainable growth requires positive dynamics between public & private sector