SOME KEY FACTS ABOUT ZAMBIA’S AGRICULTURAL SECTOR

Antony Chapoto, PhD
A Dialogue on Making Agriculture Work for Lusaka Province Agenda
5 June 2018, Southern Sun Hotel, Lusaka
Agriculture is critical for:

- Employment
- Economic development
- Food & nutrition security

**MEGA TRENDS**

- Rapid population growth
- Rapid urbanization and rising incomes
- Rise of 'investor farmers' / changing farm sizes
- Labor force exit from farming
- Large-scale capital intensive investments
- Rising land scarcity

**Creating Opportunities and Challenges**

**Looming unemployment**

Population in millions

- Male 2015
- Female 2015
- Male 2035
- Female 2035

Sub-Saharan Africa
THE YOUTH BULGE

- Demographic dividend or demographic bomb?

Headache or Opportunity?
HIGH POVERTY RATES IN ZAMBIA

Source: GRZ's Central Statistical Office and RALS 2012 and 2015

Indaba Agricultural Policy Research Institute
OVERALL AND YOUTH UNEMPLOYMENT RATES IN ZAMBIA, Q1-Q3 2017

Source: CSO’s January 2018 monthly bulletin.
**YOUTH LIVELIHOOD OPTIONS**

*Illustrative Example*

- **Non-farm**
  - 5% post-secondary education, invested in skills
    - *Will find decent jobs*

- **Pulled out of agriculture**
  - Primary/secondary education, no land, no skills
    - *Will find poverty jobs - hawking, etc.*

- **Pushed out of agriculture**
  - No access to land, finance, markets, etc.
    - *Will just be kept in agriculture*

- **Pushed into agriculture**
  - Good access to land, finance, markets, infrastructure, etc.
    - *Will find agriculture viable option*

**YOUTH LIVELIHOOD OPTIONS**

- 62% < 25 years
- 25%
- 75%
- 5%
- 20%
- 50%
- 25%

Adapted from Milu & Jayne, 2017
Indaba Agricultural Policy Research Institute

NEED STRUCTURAL TRANSFORMATION

Illustrative Example

YOUTH LIVELIHOOD OPTIONS
62% < 25 years

Non-farm

25%
5%
20%
75%
50%
25%

Farming

Policies
• Jobs creation
• Education
  – Post-secondary
  – TVET

Policies
• Land access
• Finance
• Infrastructure & investments along value chain
  – Irrigation,
    Mechanization
  – Roads, Electricity
  – Storage, Etc.
• Package technology for your farmers
  – Greenhouse farming
  – Drone technology etc.

Transformation
Lots of Opportunities for Inclusive Agricultural Development and Growth
AU-MALABO DECLARATION, 26-27 JUNE 2014

- To uphold Maputo declaration of allocating at least 10% of public expenditure to agriculture
- To sustain annual agricultural GDP growth of at least 6%
- To end hunger and cut poverty in half by 2025
- To accelerate agricultural growth by doubling current agricultural productivity levels by 2025
- To halve post-harvest losses by the year 2025
- To triple agricultural intra-African trade by 2025
- To eliminate child undernutrition by bringing down stunting to 10% and underweight to 5% by 2025

Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods
PRIVATE SECTOR-LED ECONOMIC DEVELOPMENT

The buzz words in all: ‘Agriculture will be private sector-led, transparent and predictable’.
Hindrances to change and growth:
• Not so progressive agricultural policies
• Low productivity
• Price Volatility
• Trade barriers
• etc.
## What do the Honorable Members think?

<table>
<thead>
<tr>
<th>Statement</th>
<th>1= True</th>
<th>2=False</th>
<th>3=Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of input subsidies will result in food insecurity</td>
<td>21.1%</td>
<td>78.9%</td>
<td>0</td>
</tr>
<tr>
<td>Removal of input and output subsidies will increase poverty</td>
<td>36.8%</td>
<td>57.9%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Removal of maize subsidy will push the price of mealie meal up</td>
<td>33.3%</td>
<td>61.1%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Elections are won and lost based on how government handles maize production; maize marketing and the price of mealie meal</td>
<td>55.5%</td>
<td>44.5%</td>
<td>0</td>
</tr>
</tbody>
</table>
SMALLHOLDER FARMERS IN ZAMBIA

- Millions of small family households cultivate less than 2ha
  - Not a homogenous group but cultivate small parcels, majority remain poor, malnourished and less educated
  - Increasingly becoming more vulnerable to a host of challenges as follows:
    - Land constrained
    - Low productivity
    - High post harvest losses
    - Limited input and output markets
    - Unpredictable weather (climate change)
    - Unpredictable agricultural policies
    - Liquidity constraints and limited access to credit
    - High transport costs
    - Rampant land degradation
    - Weak public agricultural research & extension programmes
    - Volatile prices etc.

Source: RALS 2015
Millions of small family households cultivate less than 2ha. Not a homogenous group but cultivate small parcels, majority remain poor, malnourished and less educated. Increasingly becoming more vulnerable to a host of challenges as follows:

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Source: RALS 2015
MORE THAN 30% OF RURAL FARM HHs ARE NET BUYERS OF MAIZE

- Nearly 39% of rural farm HHs are net buyers of maize
  - More than 50% of rural farmers do not sell maize

Source: RALS 2015
2-5% OF SMALLHOLDER FARM HOUSEHOLDS ACCOUNT FOR 50% OF MARKETED MAIZE
EXPORT BANS AND TRADE RESTRICTIONS DO NOT STOP TRADE FROM OCCURRING

Effect:
- depress prices for farmers
- raise costs for consumers
TOO LITTLE TO KEY DRIVERS OF AGRICULTURAL GROWTH

- Quality of expenditure?
- Key drivers of agricultural growth
  - Agricultural R&D
  - Extension services
  - Livestock production and disease control
  - Rural infrastructure i.e. feeder roads
  - Irrigation

2016 Budget allocation

FISP 56%
FRA 42%
All Other 2%
Allocation to PRPs K1,793m
## Subsidies Not in the Top Three in Terms of Returns of Investment in Poverty Reduction

<table>
<thead>
<tr>
<th>Investment Category</th>
<th>China</th>
<th>India</th>
<th>Thailand</th>
<th>Vietnam</th>
<th>Uganda</th>
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</thead>
<tbody>
<tr>
<td>Agricultural R&amp;D</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Roads</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Education (Agricultural Extension Services)</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

Recent announcement that some of FISP beneficiaries to revert to traditional FISP:

- Adoption of system
- Implementation
POLITICAL ECONOMY OF PUBLIC RESOURCE ALLOCATION

Government budget

- Long-term productive investments: R&D, infrastructure, education, etc.
  - High social payoffs
  - But payoffs come 5-20 years later
  - Critical for sustained poverty reduction

- Immediate political payoffs;
  - Visible support to constituencies
  - Contribution to sustained growth / poverty reduction is unclear

- Input subsidy programs
  - Marketing board price supports
MARKET-SMART SUBSIDIES

1. Subsidies should be part of a wider strategy
2. Support market development / private sector investment
3. Promote competition
4. Pay attention to farmer demand
5. Insist on economic efficiency
6. Put farmers in the driver’s seat
7. Have an exit strategy
8. Pursue regional integration
9. Ensure sustainability
10. Promote pro-poor growth
ALBERT EINSTEIN (1879-1955) - QUOTES

- “Our task must be to free ourselves.”
- “Once we accept our limits, we go beyond them.”
- Insanity: doing the same thing over and over again and expecting different results

Resisting Innovation
THANK YOU