ECONOMIC DIVERSIFICATION IN ZAMBIA: AGRICULTURE LEADING THE WAY?

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“The agriculture sector, fisheries and livestock will be the main focus around which other sectors will be developed in an integrated manner under the seventh national development plan. Agriculture will therefore be the major priority of our economic diversification agenda.”

His Excellency President Edgar Chagwa Lungu – 30th September, 2016, National Assembly
Trends Demanding Economic Diversification

Population Trends in Southern Africa

Source: World Bank
Raising Incomes

GDP per capita (constant 2005 US$)

Year: 1990-2014

- Zambia
- Sub-Saharan Africa (developing only)
Increased demand for agricultural produce

Source: Chisanga and Zulu-Mbata, (2016)
Changing consumption patterns

<table>
<thead>
<tr>
<th>Year</th>
<th>Beef</th>
<th>Poultry</th>
<th>Eggs</th>
<th>Aquatic Products (Fish)</th>
<th>Other Meat</th>
<th>Meat, Milk, Eggs &amp; Fish</th>
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</thead>
<tbody>
<tr>
<td>1996</td>
<td>6.0</td>
<td>4.6</td>
<td>1.4</td>
<td>11.5</td>
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<td>25</td>
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<tr>
<td>1998</td>
<td>3.3</td>
<td>4.6</td>
<td>1.4</td>
<td>9.7</td>
<td>4.5</td>
<td>26</td>
</tr>
<tr>
<td>2010</td>
<td>3.0</td>
<td>6.8</td>
<td>1.7</td>
<td>11.5</td>
<td>3.0</td>
<td>28</td>
</tr>
</tbody>
</table>
Current economic growth rate: 2.9% in 2016 - Estimated to improve to 4% in 2017 & 4.2% in 2018 based on investments from the mining and the agricultural sectors

Agriculture employs 48.8% of the total labour force compared to 1.6% (88,251) employed by the mines

Foreign exchange earning from the mines range from 60 to 95%

Agricultural and mining contribution to GDP
Agriculture leading the way?
Frameworks for Agriculture leading Industrialization

- Agricultural-Development Led Industrialization (ADLI)
  - “The development strategy that aims to achieve initial industrialization through robust agricultural growth and close linkage between the agricultural and the industrial sector.”
Alternative Value Chains

- Alternative agricultural value chains:
  - Horticulture
  - Soybeans
  - Groundnuts
  - Rice
  - Livestock
  - Fisheries
Rainfall, Soil and Crop Suitability by agro-ecological Region

**Region IIb:**
- Rainfall range 800 – 1,000 mm/annum
- Loamy to sandy soils
- Cassava, sorghum, millet, sesame, cashew nuts, livestock, fisheries

**Region I:**
- Rainfall Less than 800mm/annum
- Loamy to clay soils
- Cotton, sorghum millet, sesame, cashew nuts, livestock, fisheries

**Region IIa:**
- Rainfall range - 800 to 1,000mm/annum
- Inherent fertile plateau soils.
- Maize, cotton, tobacco, sunflower, soybeans, irrigated wheat, groundnuts, flowers, paprika, vegetables, cassava, millet, horticulture, livestock.

**Region III:**
- More than 1,000mm of rainfall/ annum
- Very deep soils, sandy clay loam.
- Cassava, millet, sorghum, beans, groundnuts, rice, coffee, tea, pineapples, fish farming, livestock.
Livestock Production Opportunities by Province

Cattle Ranching Small Ruminants Fish Farming

Cattle Ranching Dairy Poultry

Small Ruminants Fish Farming

Cattle Ranching Small Ruminants Fish Farming Dairy

Cattle Ranching Small Ruminants Fish Farming Dairy, Piggery and Poultry

Cattle Ranching Small Ruminants Fish Farming Dairy, Piggery and Poultry

Cattle Ranching Small Ruminants Fish farming

Cattle Ranching Small Ruminants Piggery Poultry

Cattle Ranching Small Ruminants Piggery Poultry

Cattle Ranching Small Ruminants Piggery Poultry

Dairy, Piggery and Poultry

Source: Ministry of Fisheries and Livestock and Livestock and

Indaba Agricultural Policy Research Institute
Agriculture leading the way?

- Agriculture is recognised as the main vehicle to achieve economic transformation
  - Revised SNiDP - “…to attain more inclusive agricultural growth there is urgent need to address the unbalanced agriculture policies which have favoured maize production and disadvantaged the production of other crops”.
  - SNAP – Promote diversification for agricultural production and utilization
  - CAADP - “…increase sustainable crop production, productivity, and value addition for a diversified range of competitive crops apart from maize.” (MAL 2013).
Why agriculture has continued to lag behind

Inadequate investments in key agricultural growth drivers

Focus on subsidies – crowded out the private sector

Weak linkages from Agriculture to other sectors
2017 Budget promising policies and programmes to diversify and grow the Agricultural sector

- Fully migrate to E-voucher
- To promote fisheries and livestock
- To promote diversification to cash crops -cotton, cashew nuts, soya beans, cassava and rice
- Setting up of 20 irrigation schemes under the PPP model
2017 Budget promising policies and programmes to diversify and grow the Agricultural sector

Use of ICT to improve delivery of extension services to farmers

Scaling up FSP from 30,000 to 40,000 beneficiaries and increased allocations to social cash transfers

Policy consistency (agricultural marketing and trade)?

Creation of a Fund under the Emergent Farmer Support Program (US$40 million) to support 1,000 emergent farmers in mechanization of crop production?
What these pronouncements can achieve if well implemented

1. RAISING AGRICULTURAL PRODUCTIVITY
2. COMMERCIALIZING AGRICULTURE
3. SUSTAINED INVESTMENTS INTO RESEARCH AND DEVELOPMENT
4. STRATEGIC INSTITUTIONAL REFORMS
5. PRIVATE SECTOR LED AGRICULTURAL GROWTH AND TRANSFORMATION
6. SMART SUBSIDIES CAN HELP BUT NOT THE PANACEA

Economic Transformation
Recommendations for Broad-based economic growth through agriculture

- Increased and sustained investment in research and development
- Guided public and private investment in infrastructure
- Increased promotion of the diversification - implementing policies that utilize the comparative advantage of the diverse agricultural conditions in the country.
Recommendations for Broad-based economic growth through agriculture

Promote of the commercialization of the agricultural sector through
  • Removal of the constraints to accessing finance
  • Productivity enhancement technology
  • Extension messages
  • Creating markets

Promotion of value addition and industrialization
  • Generate stronger forward and backward linkages between sectors of the economy
Recommendations for Broad-based economic growth through agriculture

- Creation of an enabling, conducive, and stable policy environment that allows for the greater participation of the private sector.
- Stronger institutions that support the agricultural transformation agenda.
Thank you!
There is limited evidence of structural transformation in Zambia. Ideally, with structural transformation, the contribution of agriculture to GDP declines whilst that of the manufacturing and industrial sectors increase.

This only happens when the land and labour productivity in agriculture increases resulting in a shift of surplus labour force to other sectors of the economy.