

# **Agricultural Growth and Poverty Trends in Zambia: Key Findings**

By:

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## **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

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### **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

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## **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

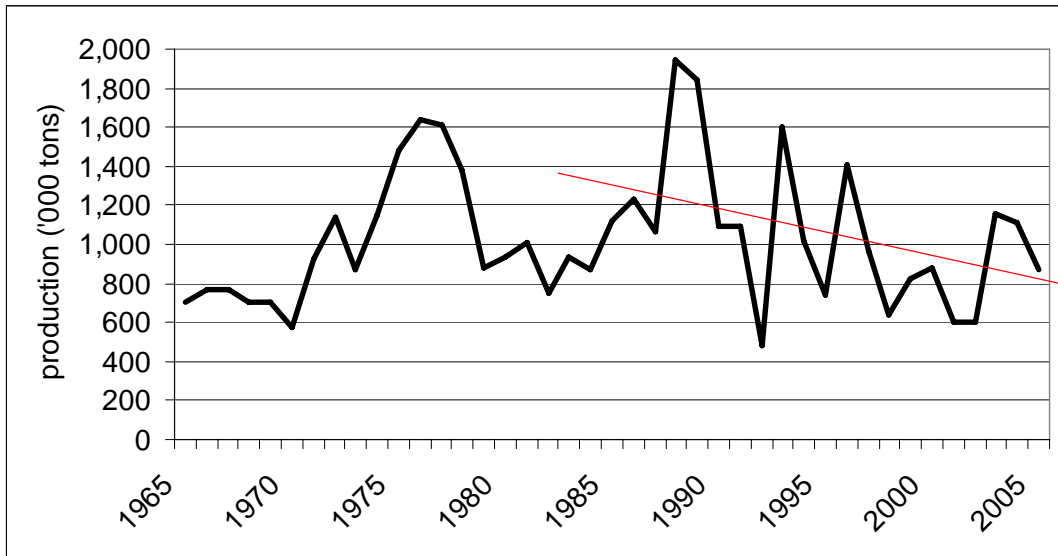
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## **2003 – current: Unpredictable Policy Implementation**

- 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

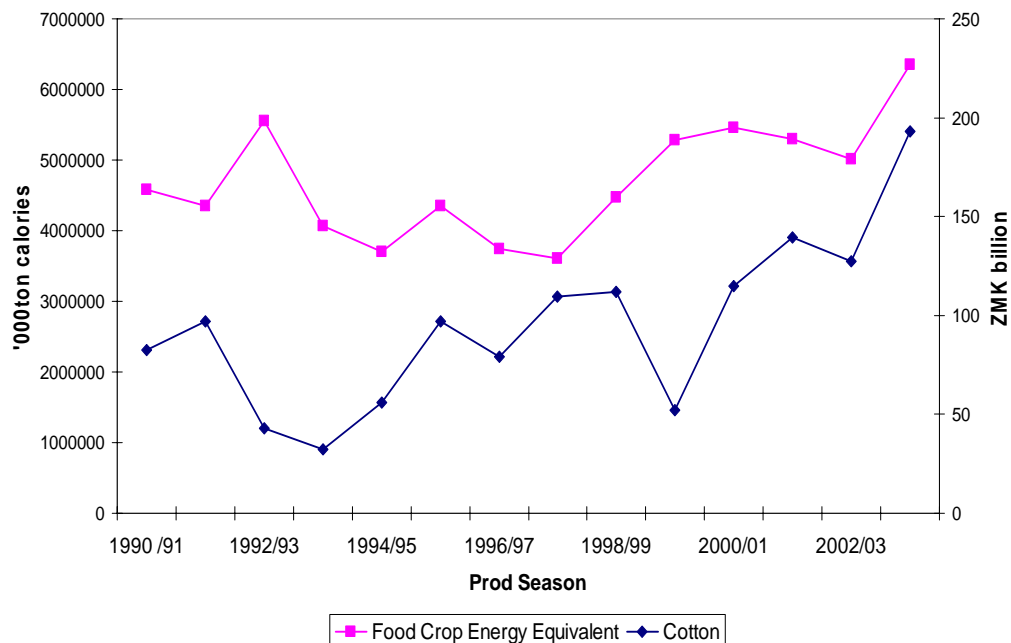
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## Maize production fluctuates over time



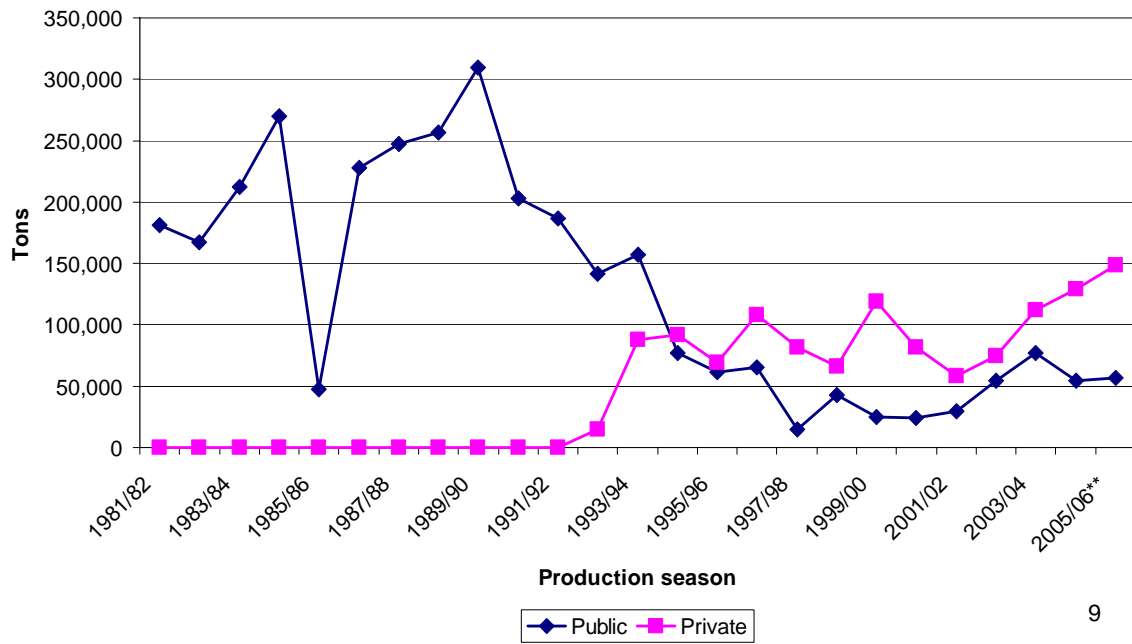
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## Trends in food balance, smallholder farmers, 1990 - 2003



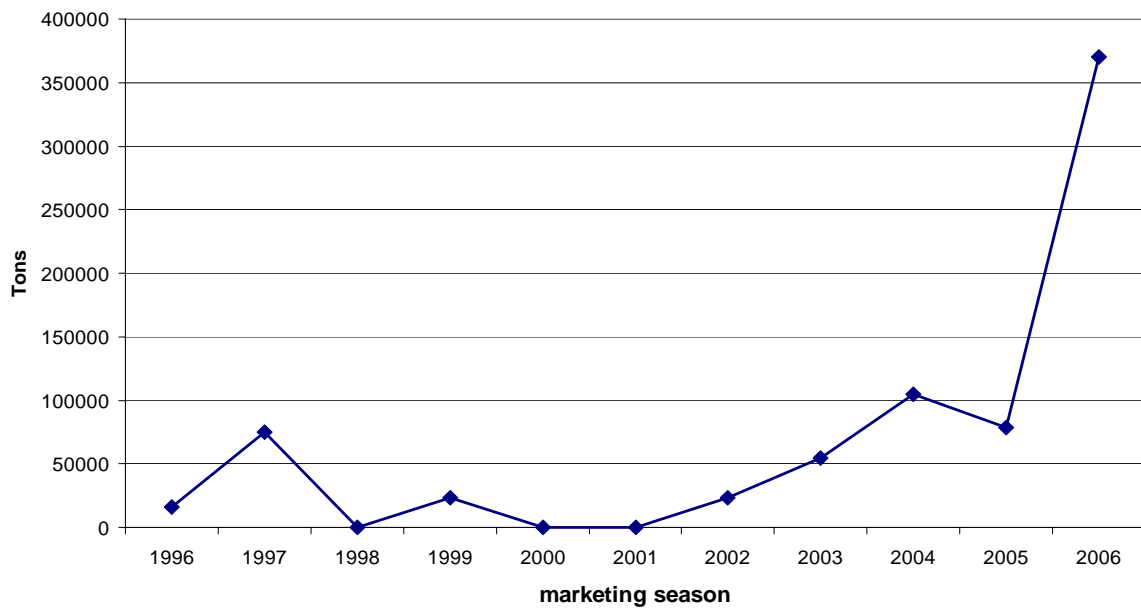
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# Public vs Private fertilizer sales



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# FRA domestic maize purchases



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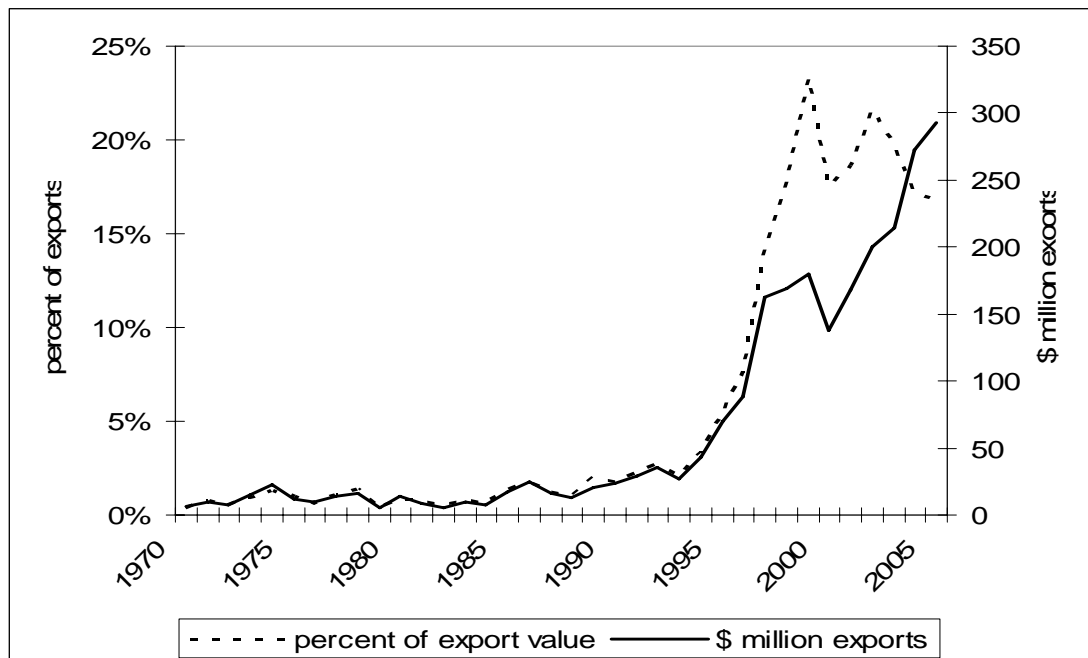
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## Growth (%p.a) in Smallholder Area & Output (1990 – 2004)

Crop	Area	Production
Maize	0.5	-0.3
Sorghum	0.2	-0.3
Millet	0.2	0.5
Cassava	2.1	4.1
Groundnuts	0.9	3.0
Sweet potatoes	5.0	5.7
Mixed beans	1.6	2.5
Cotton	3.4	3.2
Soybean	2.0	3.0
Sunflower	-1.1	-0.5

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## Trends in agricultural export revenues



## Poverty (%) trends in Zambia

Year	Urban Poverty	Rural Poverty
1991	48.6	88.0
1993	44.9	92.2
1996	46.0	82.8
1998	56.0	83.1
2003	52.0	74.0

## **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

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## **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

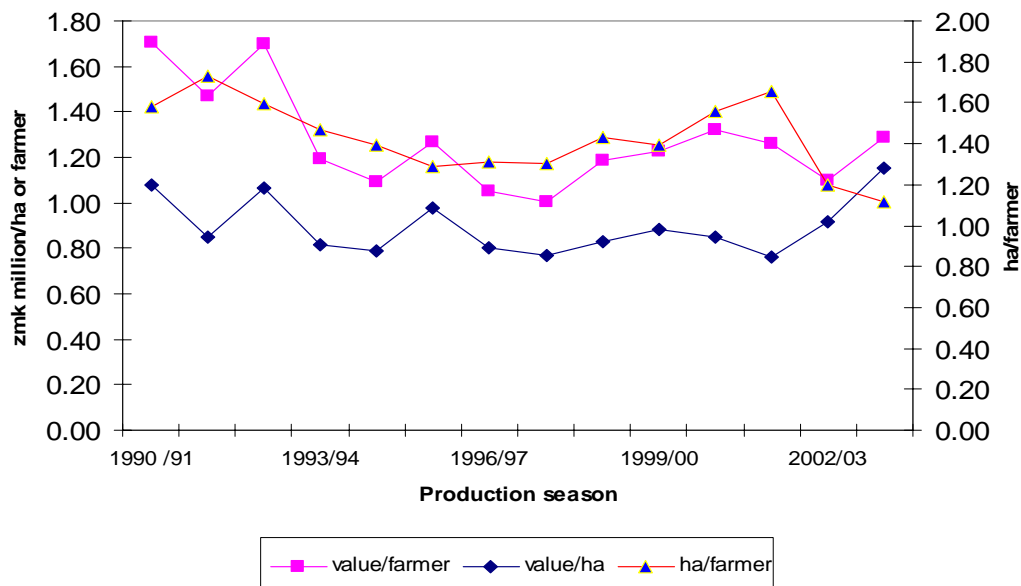
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# Threats to diversification

- 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

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## Trends in crop productivity for smallholder farmers



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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

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