

Report: Advocacy and Lobby Workshop

**Market linkages for Small Scale Farmers and Producers in Luapula
Province**

November 20-21, 2006, Mansa, Zambia,

**Organised by
Consumer Unity & Trust Society-Africa Resource Centre
(CUTS ARC)**

**With support and Cooperation from
The Danish Association for International Cooperation, MS-Zambia**

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Abbreviations and acronyms

ACP: African Caribbean and Pacific Countries

AGOA: African Growth and Opportunities Act

CUTS ARC: Consumer Unity and Trust Society-Africa Resource Centre

COMESA: Common Market for Eastern and Southern Africa

CSTNZ: Civil Society Trade Network of Zambia

DFA: District Farmers Association

DRC: Democratic Republic of Congo

EBA: Everything-But Arms

EBZ: Export Board of Zambia

EU: European Union

EPAs: Economic Partnership Agreements

FOSUP: Farmers Organisation Support Programme

ZNFU: Zambia Nations Farmers Union

LDC: Least Developed Countries

WTO: World Trade Organisation

GDP: Gross Domestic Product

SADC: Southern African Development Community

SPS: Sanitary and Phyto-Sanitary Measures

MRL: Minimum Residual Level

PRA: Pest Risk Assessment

PAM: Programme Against Malnutrition

NAP: National Agriculture Policy

LDC: Least Developed Countries

Introduction and Background

Introduction

Since 1991, economic and trade liberalisation in Zambia has brought a mixed bag of fortunes – some positive and some, to a great extent, negative. The impact of trade liberalisation on Zambian economy varies from sector to sector, as some have benefited from liberalisation and external markets opportunities (e.g. fresh vegetables, cut flowers, sugar, processed products, etc.) and economies of scale. At the same time, several firms, especially in the manufacturing sector like textiles and clothing (T&C), glass, paper, wood and wood products, leather, rubber, etc.) lost sizeable domestic markets due to import competition.

Zambia has experienced low rates of economic growth despite high degree of economic liberalisation. The real Gross Domestic Product (GDP) growth rate was estimated at 5.01 percent in 2004. Zambia is a poor, landlocked country, surrounded by low-income countries with limited capacity to create export demand for its products. The mining sector, for example, contributed about 8.3 percent of the GDP and 61.7 percent of total exports in 2003. Recently, the contribution of services sector has increased, which accounted for 65.7 percent to the GDP in 2004. However, the sector has the least export earnings. The agriculture sector contributed 15.1 percent to the GDP and 30 percent to export earnings. The share of manufacturing sector to the overall GDP of Zambia in 2003 was 10.9 percent. The manufacturing sector mainly constitutes food, beverages and tobacco, textiles and leather products, chemicals, rubber, plastics, wood and wood products. In this category, food, beverages and tobacco alone contribute about 60 percent to the manufacturing GDP.

Since part of the philosophy behind the trade liberalisation in the 1990s was to reduce the dependency of the economy on minerals, there has been an effort to stimulate the production and export of Non-traditional Exports (NTEs), including agricultural and natural resource-based products. The major export markets for Zambian NTEs, include the European Union (EU) and the Common Market for Eastern and Southern Africa (COMESA), as both account for roughly one-third each of the exports and the remaining one-third to other countries. The major destinations for NTEs are the Democratic Republic of Congo (DRC), Zimbabwe, Malawi Tanzania and South Africa.

Zambia's agricultural exports, mainly floricultural are marketed largely out of the region, as many neighbouring countries such as Zimbabwe produce similar items. The UK and Germany are the largest importers. One of the most important exports i.e. textiles finds a market mainly in EU and Switzerland. However, since 2000, the Africa Growth and Opportunities Act (AGOA) has offered market opportunities for exports of T&C items to the US directly and through a third-country such as Mauritius. Within the COMESA region, Congo is the main export market for Zambia's products followed by Zimbabwe. As far as imports are concerned, South Africa is Zambia's major supplier, with a share in Zambia's total imports of almost one-third, followed, in order, by EU, Zimbabwe, Japan and UK.

The advocacy and lobby workshop on “*Market linkages for Small Scale Farmers and Producers in Luapula Province*” was organised by Consumer Unity and Trust Society Africa Resource Centre (CUTS ARC), with support from the Danish Association for International Cooperation (MS-Zambia), under a project titled “Trade and Market Linkages Strategy for Small-Scale Producers/Farmers in Zambia” on November 20-21, 2006 at Mansa, Zambia. The project is being implemented with the objective of empowering farmers and support organisations to advocate for

favourable trade agreements/arrangements under the WTO, EPAs, SADC, COMESA and AGOA. Further, the project aims to establish market linkages between farmers/producers and markets.

The enabling objectives of the workshop were:

- to create a long-term capacity for farmers, support organisations and business associations to make use of the domestic and international markets for their products/produce through increased knowledge and networks;
- to build an alliance of organisations, which will lobby and advocate for better policies to enhance the livelihood of the people in the province;
- to empower farmers and support organisations to advocate for favourable trade agreements/arrangements under the WTO, EPAs, SADC, COMESA and AGOA; and
- to establish practical market linkages between institutional buyers, established business chains, trade facilitation institutions, etc., and producers/farmers.

Opening Session

Session Chairperson: Sajeev Nair, CUTS ARC

Opening Remarks

Sajeev Nair of CUTS ARC welcomed the participants and made a brief overview of the workshop objectives. He stated that liberalisation in Zambia imposed both opportunities and challenges. As the state is no longer the key player in agricultural trade, entailing those farmers must develop better marketing strategies for their products – both at national and regional levels. He urged the farmers and the producers to produce for the market; hence the challenge of lobbying and advocating for farmer's interests. He stressed the importance of farmers making use of national/domestic level markets and gaining information on quality standards and other market requirements.

He informed the meeting that the Zambian Government introduced a campaign aimed at promoting Zambian products, the "Buy Zambia Campaign". This clearly shows that government's priority is aimed at promoting Zambian products. The state is the largest institutional buyer in Zambia and there is need to make use of this by improving the quality of the products. He outlined that at a regional level the Common Market for Eastern and Southern Africa (COMESA) has introduced a programme based on the Comprehensive Africa Agriculture Development Programme (CAADP), a New Partnership for African Development (NEPAD) programme. The initiative aims at developing agriculture in Zambia and other African countries, with special focus on market access. However, there remains a challenge of improving access to inputs and infrastructure for farmers.

He thanked the participants and emphasised the importance of sharing experiences, learning from each other and establishing networks and called upon Caroline Mukosa, Programme Officer MS-Zambia to present her remarks.

Remarks by Caroline Mukosa, Programme Officer, MS-Zambia

Welcoming the participants, Caroline Mukosa gave a brief account of MS-vision on market linkages and opined that the problems regarding market linkages is a returning problem which needs urgent attention, as it affects livelihood of millions of people. She called for the betterment of capacities of farmers and producers, so that they could take advantage of the existing market opportunities. Further, there should be a flow of information between stakeholders, if the problem

of market linkages is to be challenged. She urged CUTS and FOSUP to continue building capacities of organisations in the district, as it is an effective way to address the current scenario. And acknowledge prominent problems, which relate to issues of product standards, packaging branding etc, which impede the development of the sector, she wished the participants to have a fruitful discussion.

Introduction of Participants

Sajeev Nair requested the participants to introduce themselves and indicate their expectations from the workshop.

1. Session 1: Overview of Zambia's Agricultural Market Scenario

Session Chairperson: Sajeev Nair, CUTS-ARC

Overview of Trade, Development and Poverty by Vladimir Chilinya (CUTS ARC)

Vladimir Chilinya presented a brief profile of liberalisation in Zambia and said that trade has become one of the most important elements for sustaining global development and reducing poverty. He explained that trade could enhance national productivity and help attain economies of scale. In an effort to attain national productivity and poverty reduction, the Zambian Government after 1991 took steps to remove barriers to trade by opening up its markets and participating in a number of trade arrangements/agreements. These include the Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), World Trade Organisation (WTO), European Union-African Caribbean (EU-ACP) Countries, Everything But Arms (EBA) initiative, African Growth and Opportunities Act (AGOA) and the Canadian Initiative etc.

Trade and Poverty Reduction

He stated that international trade is vital for poverty reduction in developing countries. However, the links between trade and poverty are, in practice, neither simple nor automatic. Therefore, the national and international policies that can enable trade to act as a powerful instrument for poverty reduction “must be rooted in a development-driven approach to trade rather than a trade-driven approach to development. An exclusive focus on trade, which assumes that poverty is reduced through trade rather than development is likely to prove counter-productive. Trade brings benefits and losses that affect households – both as consumers and as producers or income earners. As income earners, households are affected when trade changes wages and agricultural income. Consumer households are affected when trade changes the prices of goods consumed by the family.

He said that in order to achieve gains from trade the factors, which negatively affect free trade must include: subsidies, Sanitary and Phyto-sanitary (SPS) measures, Minimum Residual Level (MRL), Market Standards, Pest risk Assessment (PRA), Restrictive Rules of Origin (RoO), lack of information and export credit.

Zambia's Agriculture Market System Opportunities and Challenges for Small Sale Farmers Mike Muleba, FOSUP

In his presentation, Muleba highlighted that small-scale farmers in Zambia own nearly about two-thirds of the agricultural land: they grow food and starchy staples. Agriculture has become an increasingly important contributor to the Zambia economy. However, small-scale farmers have not benefited much from the liberalisation, mostly because of lack of access to inputs and markets.

He explained that trade liberalisation has exposed small-scale farmers too much to broader market risks and opportunities. Small-scale farmers absorb the bigger part of inputs and produce the bulk raw materials that feed the processing industry.

The government has vehemently promoted the liberalised marketing system that allows small-scale farmers to participate fully like many other players. The National Agricultural Policy (NAP) has provided for expansion of agricultural market of all products and services. To further support small-scale farmers, government has provided resources to Programme Against Malnutrition (PAM) through the Food Security Pack, Fertiliser Support Programme and crop marketing through Food Reserve Agency (FRA). The small-scale farmer organisations, on the other hand, have limited capacity to bargain for a better marketing deal, lack of market information and venture into agricultural production blindly.

There are more opportunities than challenges and most challenges are actually opportunities, allowing for proactive participation of the small-scale farmer organisations in agricultural marketing activities. The questions which need to be answered are: how can we create long term capacity for farmers, support organisations and business associations to make use of the market opportunities in the domestic, regional and international markets for their products/produce through increased knowledge and networks? And how can we establish practical market linkages between institutional buyers, established business chains, trade facilitation institutions, etc., and producers/farmers? Markets are central to the development of agriculture. A range of factors-market structures, skills, information, attitudes and rules can and do undermine agricultural development.

Response from Participants

Participants raised the following issues after the presentations:

- wanted to find out more details with regard to institutional buyers, such as schools, hospital, prisons, etc., and the opportunities of selling directly to such institutions.
- raised concerns over corruption in public institutions, emphasising that institutions are reluctant to conclude contracts with farmers associations, because this rules out possibilities of getting commission on supplies.
- indicated experiences from Mansa DFA, with institutions such as hospitals shows that payments often take long to process. This is to the disadvantage of small-scale farmers, who lack the savings to reinvest.
- raised concern over lack of access to market information, due to poor Information Communication Technology (ITC) in rural and semi-urban areas.
- urged the DFAs to explore the use of market information facilities via mobile phones.
- discussed with each other to share both positive and negative experiences on market linkages.
- shared their experience with the DRC market, where the DFA got a contract to supply vegetable products/fruits to a certain mine in DRC. The contract offered a good price. However, it could not go beyond the expected period, due to late delivery of payments and long periods of clearance, due to the inefficiency of middlemen.
- highlighted that some products, such as *amarula* and mushroom, have great potential for both domestic market and exports.

Comment: Pl review for meaning and syntax.

- wanted to find out more details about the market information centres in Zambia, as this were an effective tool for checking market prices and advertisements. Farmers associations learnt the importance of web-advertising and resolved to acquire such facilities.
- expressed worry over the lack of access to land, due to the current land tenure system. This has a negative effect on access to finance/loans.
- wanted to know more about the AGOA being offered by the US.
- wanted to know more about out grower schemes and how they relate to their returns on production. This was raised in relations to the case of Jathropha, where they are many interested companies, but they often give the same price regardless, of the location of the farmers.
- raised concerns over the relationship between the cooperatives and associations and the issue of who should answer to whom? It was resolved that none of them is accountable to the other, as they function under different laws. Farmers have been driven in to dual membership, because of different incentives/benefits provided by both the institutions. The Government has also been changing its policy, first supporting the co-operatives, then the associations and back to the co-operatives, without getting rid of one or the other.

Comment: Pl review for meaning.

Comment: Meaning?

Presenter's Response

- Mike Muleba urged the participants to be cautious and to conduct research on the varieties of mushrooms in demand before venturing into the business.
- Vladimir Chilinya said that one way of accessing the regional market by DFAs is by applying for the membership of the Export Board of Zambia (EBZ), because the EBZ distributes exports request from different countries to its registered members.
- Mike Muleba pointed out the need for the DFA's to obtain a certificate of incorporation, to ensure that they qualify for handling large transactions. There is need for the DFA to be more business-oriented.
- Muleba said that there has been a lot of emphasis on export markets, but very little has been done to harness the local markets. Thus, he emphasised the need to develop knowledge and experience before venturing into export markets.
- Sajeev Nair addressed the possibilities of lobbying with the government and other relevant stakeholders, urging the DFAs to formally launch complaints, as this will ensure benefits from initiatives such as "buy Zambian campaign", while the participants expressed displeasure over the disunity among the members, as this cannot enable the fight for a common goal and vision.
- Chilinya explained that under the AGOA, the US opened its market for over 6000 products from the Sub-Saharan African (SSA) countries, including Zambia. However, little has been realised, as there are a number of requirements to export to the US, *vis-à-vis* the standards, Pest Risk Assessment (PRA), SPS, MRL, etc.
- Chilinya emphasised the importance of the DFAs becoming commercially oriented and develop structures which would not conflict with their welfare mandate.
- Muleba reiterated that despite Congo being a potentially big market for Zambia, it is also a high commercial risks area.
- Over the question of acquiring export licence Chilinya replied that it is dependant on product specific, and for other products the process has to go through the Ministry of Agriculture and Cooperatives, the Mount Makulu Research Trust and the Ministry of Commerce Trade and forest products through the Ministry responsible, respectively.

Session 11: Group Work

Presentation of Group Discussions

The participants were tasked to address the following challenges in groups:

- Group 1: How to establish effective institutional linkages on agriculture and natural resource trade?
- Group 2: Information gap (how to establish a network to ensure that farmers and producers have access to information on finance, markets, inputs, etc).
- Group 3: Building partnership to enhance market linkages.
- Identify ways and means to enhance product development and marketing

How to Establish Effective Institutional Linkages on Agriculture and Natural Resource Trade?

Based on the above question, the participants identified the following:

- Formation of the national information centre;
- Formation of marketing information coordinating committees;
- Promotion of open day agriculture shows;
- Facilitation of the establishment of community radio;
- Improvement of information support infrastructure telecommunication, electricity, television and radio transmission; and
- Capacity building of stakeholders to make use of market information to promote the establishment of ITC centres at District Farmers Association.

The following areas were identified as being institutions relevant to agriculture and natural resource-based trade at all levels:

- Market outlets
- Food reserve agency
- Learning institutions
- Prisons
- Hospital
- Private sector

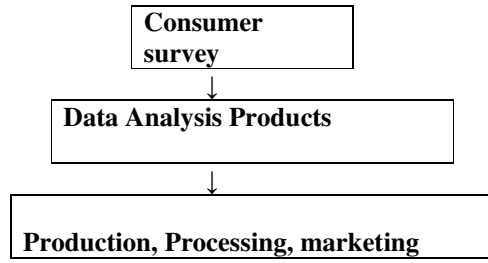
Supporting Institutions

The following support institutions were identified:

- Zambia Association of Manufactures (ZAM)
- Zambia Export Growers Association (ZEGA)
- Agriculture Consultative Forum (ACF)
- District Co-operative Union
- Ministry of Agriculture and Co-operatives (MACO)
- Ministry of Environment and Natural Resources
- CUTS-ARC
- Farmers Support Organisations Programme (FOSUP)

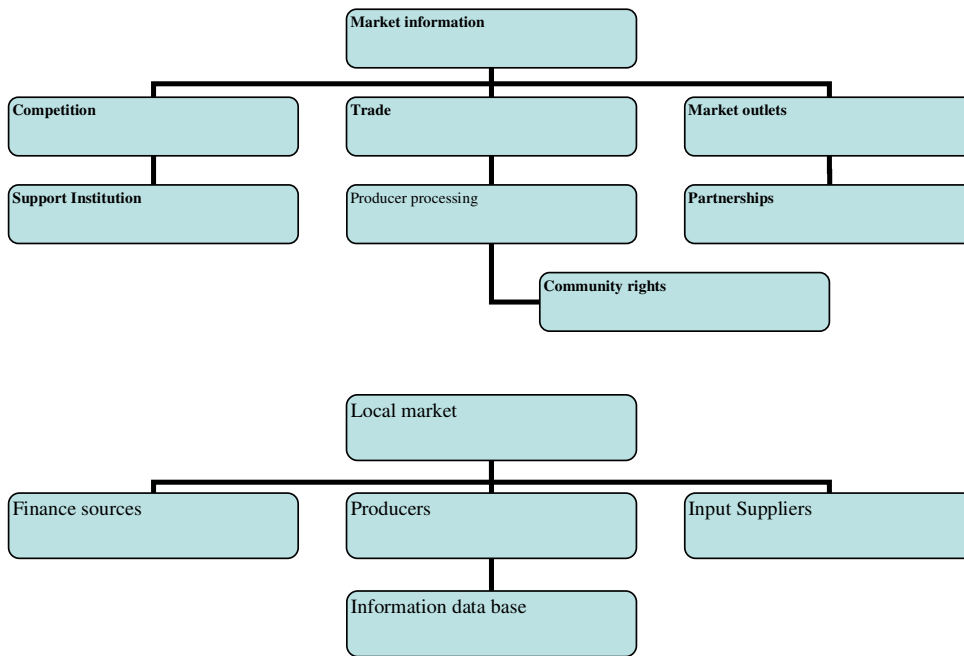
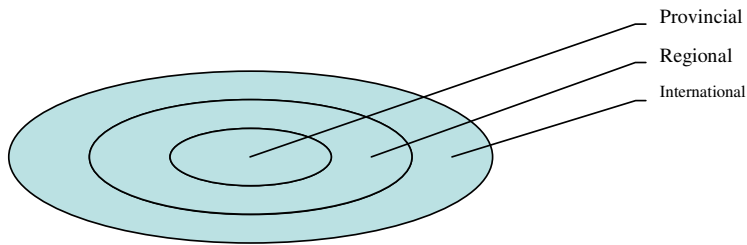
Market Information Channel

The diagram below identifies the required market information channel:



Trade Linkages

The following structures were identified to support the trade/market linkages initiative:



Product Development and Marketing

Considering the importance of product development and marketing, the following initiatives were identified:

- Improvement of production skills for farmers;
- Improvement in post-harvest techniques, these include;
 - Processing
 - Grading
 - Labelling
 - Storage
 - Transportation
- Skills in marketing and research;
- Establishment of proper channels of marketing information flow, e.g., product directory, pricing, etc.;
- Linkages with established marketing organisations, e.g., Zambia National Farmers Union (ZNFU); and
- Establishment of bulking centres at zone and district levels;

The products listed in Table 1 were identified as being high-valued products in Luapula Province.

Table 1: High-valued Products in Luapula Province

Si No	Products	Processing/Packaging	Target market
1	Beans	50 kg bags small packets	Govt, institutions exports, chain stores
2	Groundnuts	50kg bags small packs powder form peanut butter	Govt, institutions Local market exports, chain stores
3	Liquid honey	250 mls -5 liters	Domestic market exports industrial and export
4	Beewax	Candles, shoe and floor polish	Domestic market exports
5	Casava	Processed tubers in 50 kgs, cassava chips-1kg, glue, starch, gari, meal	Govt, institutions Local market exports, Domestic mkt

Session 111: Promoting Diversification and Product Development

Session Chairperson: Vladimir Chilinya, CUTS ARC

Natural Resource Management and Market Linkages

Before the presentation, Jonas Olsen, MS-Zambia, gave a brief background and outline of the natural resource products. He indicated that the forest provides a lot of different products, such as woody bio-mass building materials, charcoal, firewood, forest fruits and vegetables, natural medicines, household remedies, etc. He, later, called upon a representative of the Forest Resource Management Program (FRMP), Simushi, to make a presentation.

During his presentation, Simushi shared experiences based on a five-year project, under the International Fund for Agriculture Development (IFAD). He informed that the objectives of the project were to: build knowledge about the existing forest resources and harvesting and production technologies through improved harvesting, processing and marketing of forest products; develop

robust institutions and systems for the management and preservation of forest management arrangements; improve living conditions for forest dwelling communities through support and upgrade social infrastructure and access to basic social services; and increase in the income and assets of poor households dependent on forest resources.

Comment: Meaning?

The focus areas under the project included, beekeeping, bamboo/rakan, mushrooms, caterpillars, chikanda, carpentry and other products. A market analysis was carried out, after which, certain products were short-listed, of these being honey, which has contributed significantly to income from 2002 to 2005. He indicated that a good market analysis should include location of markets, competitors and specific strengths in the various producer groups.

Farmers and producers face the following challenges, as regards marketing: poor product quality, low production, poor packaging and labelling, poor road infrastructure and lack of market information. The programme is supporting the formation of provincial Marketing Associations, which shall handle procurement and marketing and make structures for savings by establishing savings and loans associations. The programme also focuses on commercialisation, giving producers groups a more business-oriented profile and improving on product development.

Session II – Floor Discussion

- The participants wanted to know how forest producer groups were linked in the country. In response, it was mentioned that the problem in this sector was a result of forest producers being much segmented.
- The participants wanted to know how the organisational structure would be able to address the marketing challenges. The response was that this will be done through capacity building, training section, inputs acquisition, development of marketing strategies and targeting in example institutional buyers and financial support in example for packaging.
- The participants informed the meeting that producers had a lot of honey, but there was lack of market other than the inadequate local market. Further, the meeting identified the problem relating to lack of market information standards, packaging and labelling of the product. There was a comment from one presenter that Zambia had lost its export market for honey due to poor labelling, packaging and branding.

Way Forward

The participants agreed that there is a lack of market information to enable small-scale farmers/producers makes use of market opportunities. It was recommended that a market information team be established at the provincial level, with links to the farmers at district levels. This should be further enhanced by linkages with CUTS and FOSUP. It was resolved that a mechanism be put in place to address the problem of pricing.