

# What are Agricultural Subsidies Doing for Smallholder Agriculture in Zambia?

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# Evidence-Based Policy-Making

“Evidence-based policy helps people make well-informed decisions about policies, programmes and projects *by putting the best available evidence from research at the heart of policy development and implementation.*”  
(Davies, P.T., 1999)

# Presentation Outline

Smallholder  
agriculture  
in Zambia:  
Context

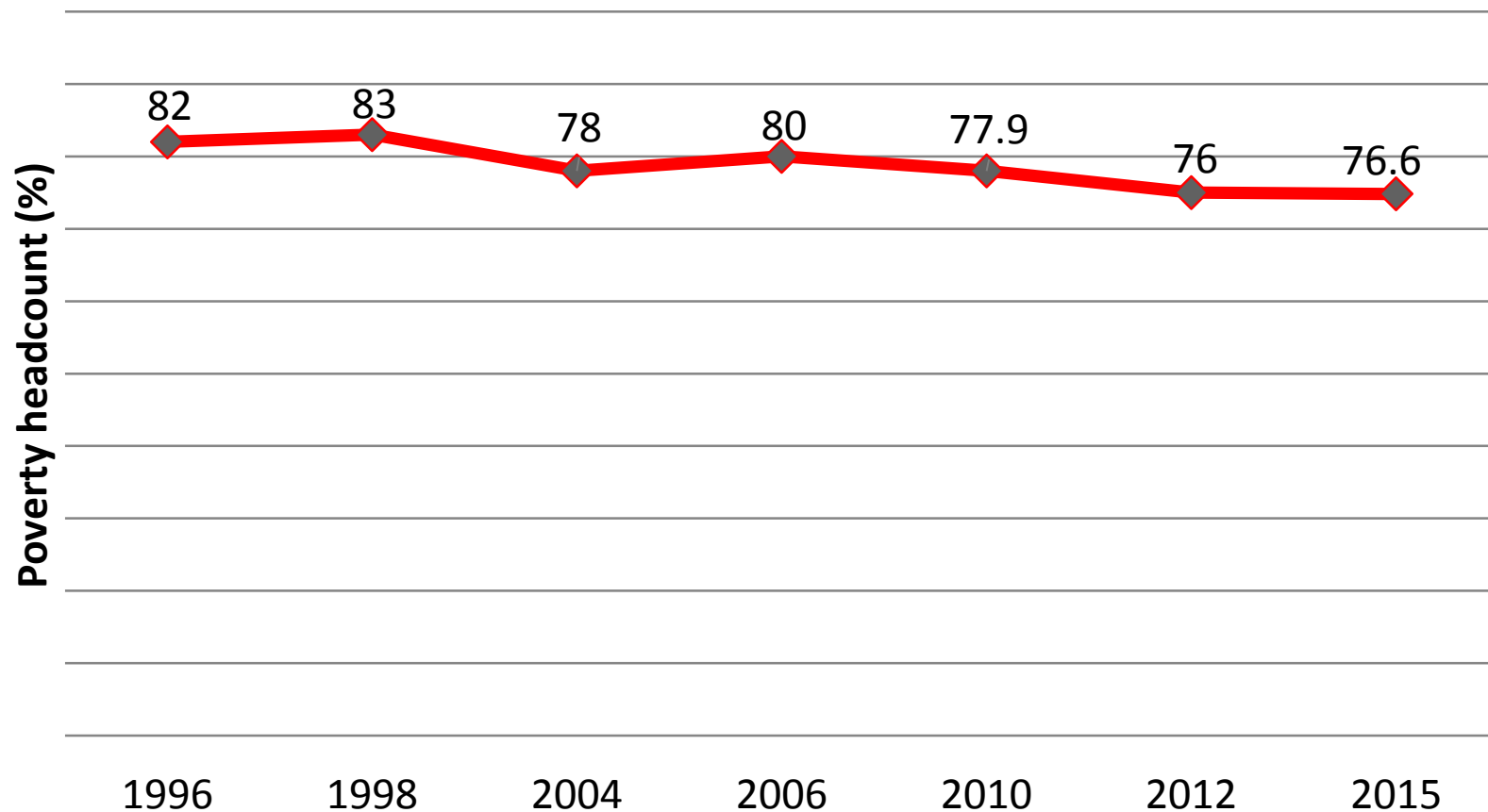
Agricultural  
Subsidies in  
Zambia

Facts About  
Subsidies:  
Research  
Evidence

Policy  
Options

# 1. Smallholder Agriculture in Zambia: Context

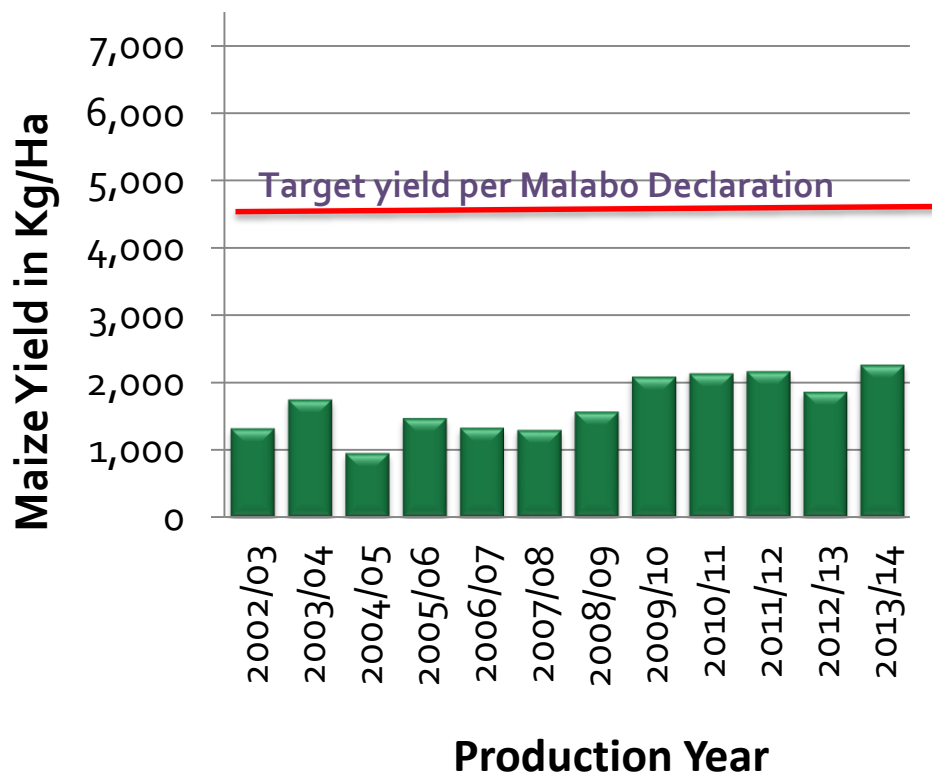
# High Rural Poverty Rates (National level)



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

# Persistently low productivity

## Maize yields



Sources: MAL/CSO Crop Forecast Surveys, 2006/07 - 2013/14

### Groundnuts

- Yield: below 0.5 MT/ha
- Potential yield: 2 MT/ha

### Soyabeans

- Yield: below 1 MT/ha
- Potential yield: 2 MT/ha

### Cotton

- Yield: 600 – 900 kg/ha
- Potential yield: >1500kg/ha

# Land constraints

Many smallholder households are land constrained

- More than 25% have less than 1 ha of land
- 58% indicate there is no unallocated land in village

## 2. Agricultural Subsidies in Zambia



# Farmer Input Support Programme (FISP)

## ➤ 1<sup>st</sup> Wave – Fertiliser Support Programme (02/03 – 08/09)

- Obj: to improve input access, private sector participation, national food security

- Fertiliser and hybrid seed, 1ha pack

- Subsidy rate (50%), 60% in 2006/7

- 9 – 11% of Zambian smallholders benefitted each year

## ➤ 2<sup>nd</sup> Wave - FISP (09/10 – 14/15)

- Obj. remained the same

- Fertiliser and hybrid seed, half hectare pack

- Subsidy rate (50%), 75% in 2010/11 for fertiliser only

- 30% of smallholders benefitted

## ➤ 3<sup>rd</sup> Wave - FISP + e-voucher (15/16 – date)

- Emphasis placed on targeting and diversification

- 13 districts, 241,000 farmers

- Electronic VISA card platform

- More inputs

- MAL, ZNFU and Agrodealers



# Food Security Pack (FSP)

## ➤ 1<sup>st</sup> wave (2000/01 – 09/10):

- Targeted towards “vulnerable but viable” HHs
- Ministry of Community Development, Mother and Child Health (MCDMCH)
- Intended target - 20% of “vulnerable but viable” HHs → 200,000 HHs
- Cereal, legume, Cassava cuttings or sweet potato vines, fertilizer and lime

## ➤ 2<sup>nd</sup> wave (09/10 - date)

- Expanded FSP
- E-voucher system intended to improve the traditional FSP
- Minimum of 27,000 HHs
- Strengthened the role of agro dealers



# Food Reserve Agency

- Established in 1996 following enactment of Food Reserve Act of 1995
- To establish and administer a national food reserve
- 1<sup>st</sup> Wave (96/97 – 97/98)
  - Purchased maize through private traders at market price
  - Minimal market share
- 2<sup>nd</sup> Wave (98/99 – 01/02)
  - No FRA Purchases
- 3<sup>rd</sup> Wave (02/03 – 04/05)
  - Direct purchase from smallholders
  - Market share increases but not a dominant player
- 4<sup>th</sup> Wave (05/06 – date)
  - Act amended to give FRA maize marketing mandate
  - Dominant player



### 3. Facts About Subsidies: Research Evidence

# Zambia's Economic Achievements

## ➤ Zambia

- GDP growing at 6% per annum
- Agricultural growth rate at 7% - **above 6% CAADP Goal**

**BUT, Rural poverty has remained high!!!!**



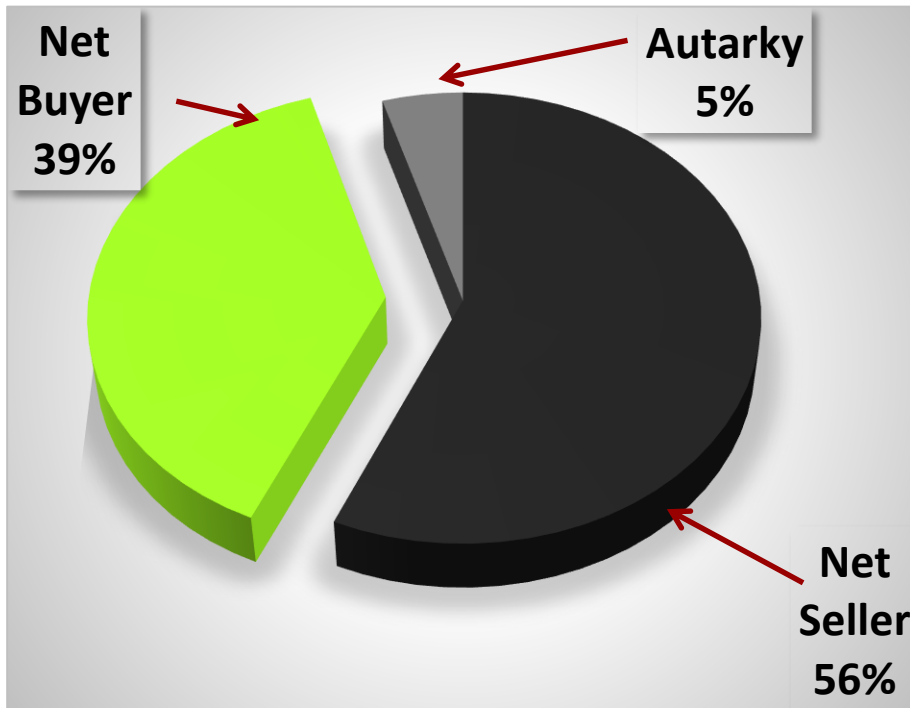
## Fact #1 – Late Delivery of Inputs

- ☐ FISP recipients reported to have received fertilizer late:
  - ☐ 22% in 2010/11 (RALS 2012)
  - ☐ 35% in 2013/14 (RALS 2015)
- ☐ Late receipt of inputs was associated with:
  - ☐ Reduction in input use efficiency by 4.2%
  - ☐ Yield losses → reduction in national maize output by 85,000MT
  - ☐ Farm-level income losses
- ☐ HH and individual characteristics have influence on timely receipt of fertilizer
  - ☐ Landholding size, value of assets, kinship relations

## Fact # 2 -FISP is benefiting mostly the larger and relatively already well off HHs

Total area cultivated	Number of farms	% of farms	Poverty Rate (%)	% of farmers receiving FISP fertilizer	kg of FISP fertilizer received per farm household
	(A)	(B)	(C)	(D)	(E)
0-0.99 ha	515,415	34.1	83	18	28.7
1-1.99 ha	503,656	33.3	80	39	83.24
2-4.99 ha	408,169	27.0	68	50	143.3
5-9.99 ha	70,822	4.7	35	61	229.17
10-20 ha	14,316	0.9	25	50	227.54
<b>Total</b>	<b>1,512,378</b>	<b>100.0</b>	<b>75</b>	<b>36</b>	<b>89.07</b>

## Fact # 3 – Rural farm HHs are maize net buyers



- Nearly 39% of rural farm HHs are net buyers of maize
- Net Buyers Negatively affected by high FRA maize prices

Source: RALS 2012

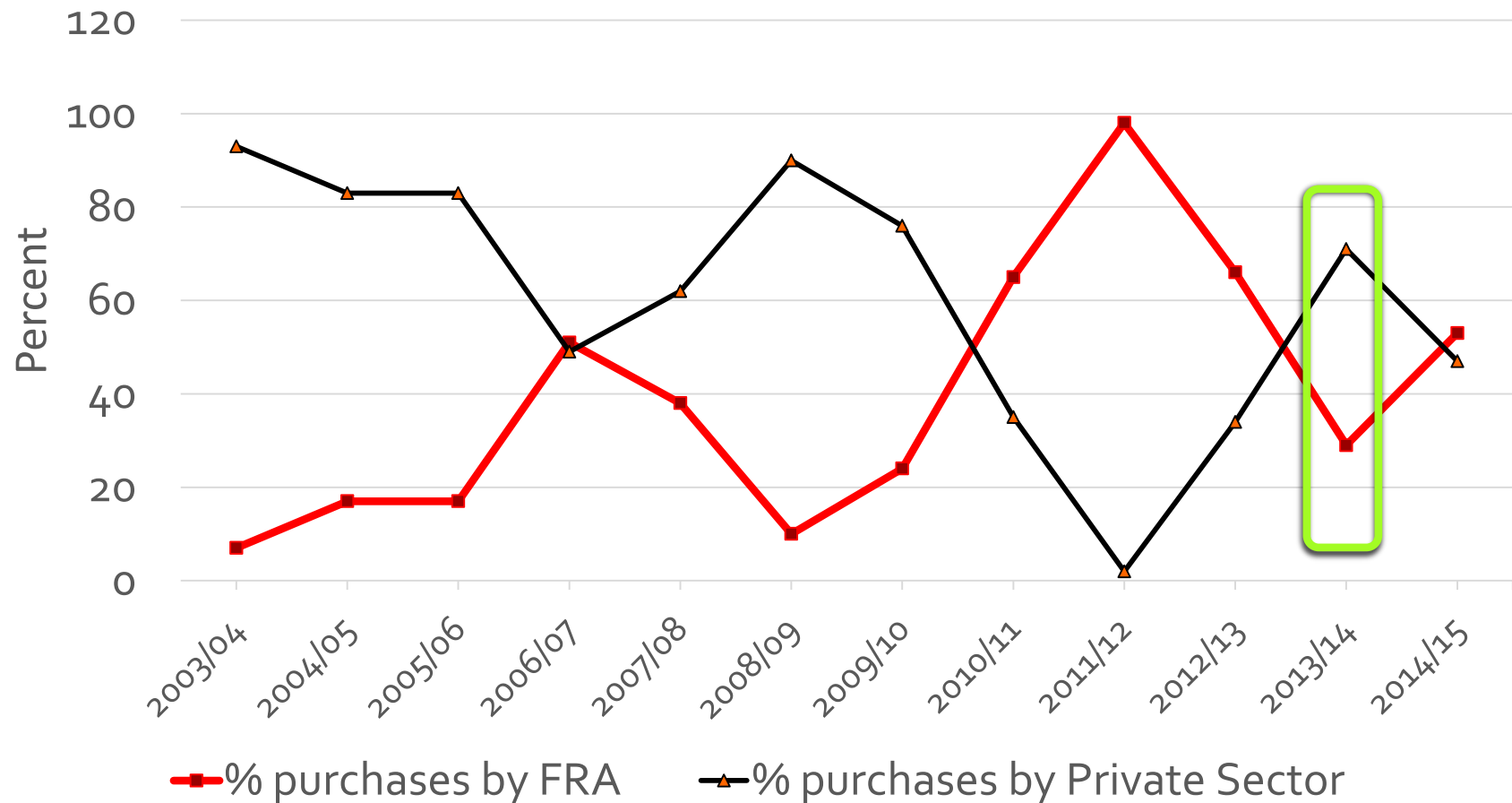


## Fact # 4: Highly concentrated patterns of maize surplus production, Zambia

	Households		Land cultivated	Maize Sold
	Number	Percent	Hectare	50kg Bags
Maize sellers	<b>690,885</b>	<b>52.5</b>	<b>2.56</b>	<b>60</b>
Top 50% of maize sales	59,961	4.6	6.87	345
Rest of all other maize sales	630,924	47.9	2.15	33
Non maize sellers	625,562	47.5	1.38	0

Source: RALS 2015

## Fact #5 - Excessive FRA participation in the maize market reduces private sector participation



# Fact# 6: Maize centric policy environment

- Policies are oriented towards achieving mainly maize self-sufficiency
  - 57% of 2016 agricultural budgetary allocation to maize subsidies
  - 89.4% farmers grow maize
  - Area under maize 54%





# What are the policy options?



## ➤ Input markets

- Address the bottlenecks of the e-voucher
- Lessons from FAO

## ➤ Output markets

- Enhancing the role of the private sector

## ➤ Vulnerable HHs

- Improve effectiveness of social protection initiatives

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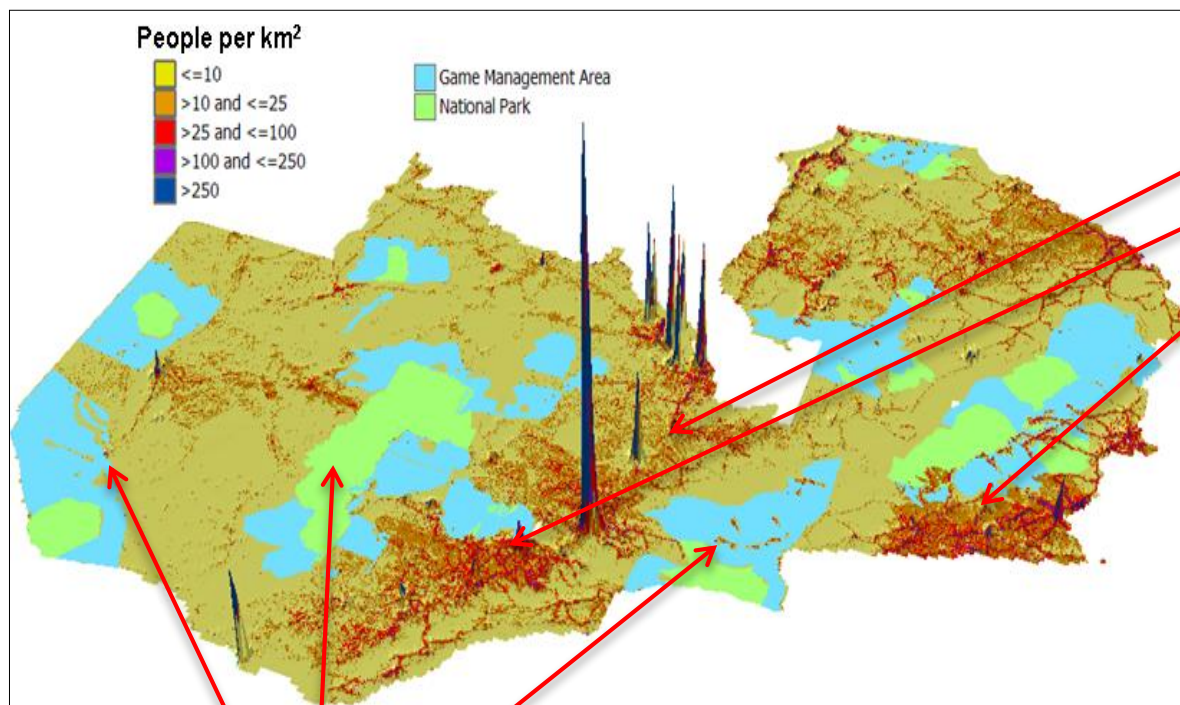


**Thank you for  
listening!!**



# Why are Zambia Farmers land constrained?

Population Density and Distribution in Zambia, 2007



Source: FSRP (2009). *Agricultural Surveys – Voice of smallholder farmers*

Settlements concentrated on areas with infrastructure

Hence, the land constraints in a land-abundant country is not a paradox

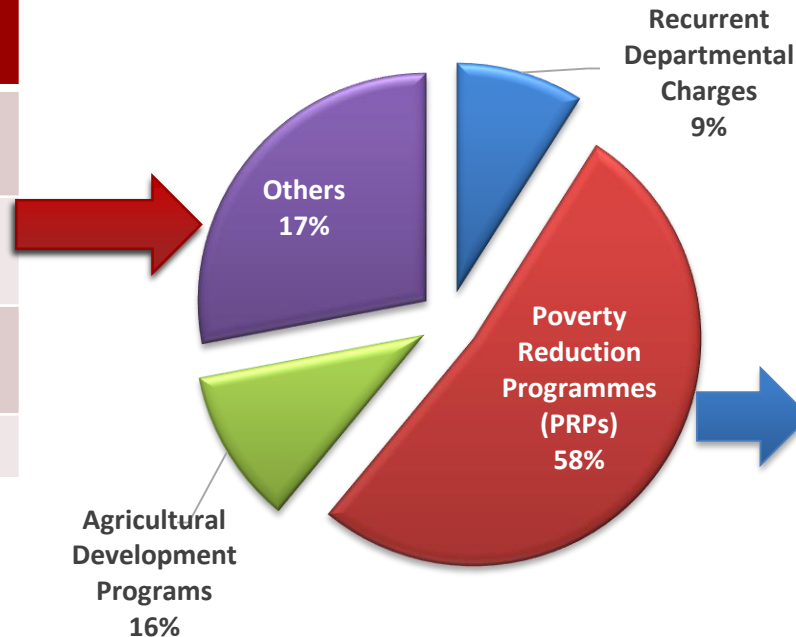
Considerable land is covered by water, national parks, GMA



# 2015 Zambia Agriculture Budget Allocation

- FRA and FISP taking too much
- Staff receive salaries but delayed release of operational funds

Program	% of others
Personnel Emoluments	62
Capital Expenditure	21
Grants & other payments	13
All others	4



Program	% of PRPs
FISP	56
FRA	42
All others	2
<b>Total PRP</b>	<b>100</b>