

Key Characteristics and Main Challenges in Zambia's Fresh Produce Marketing System



By

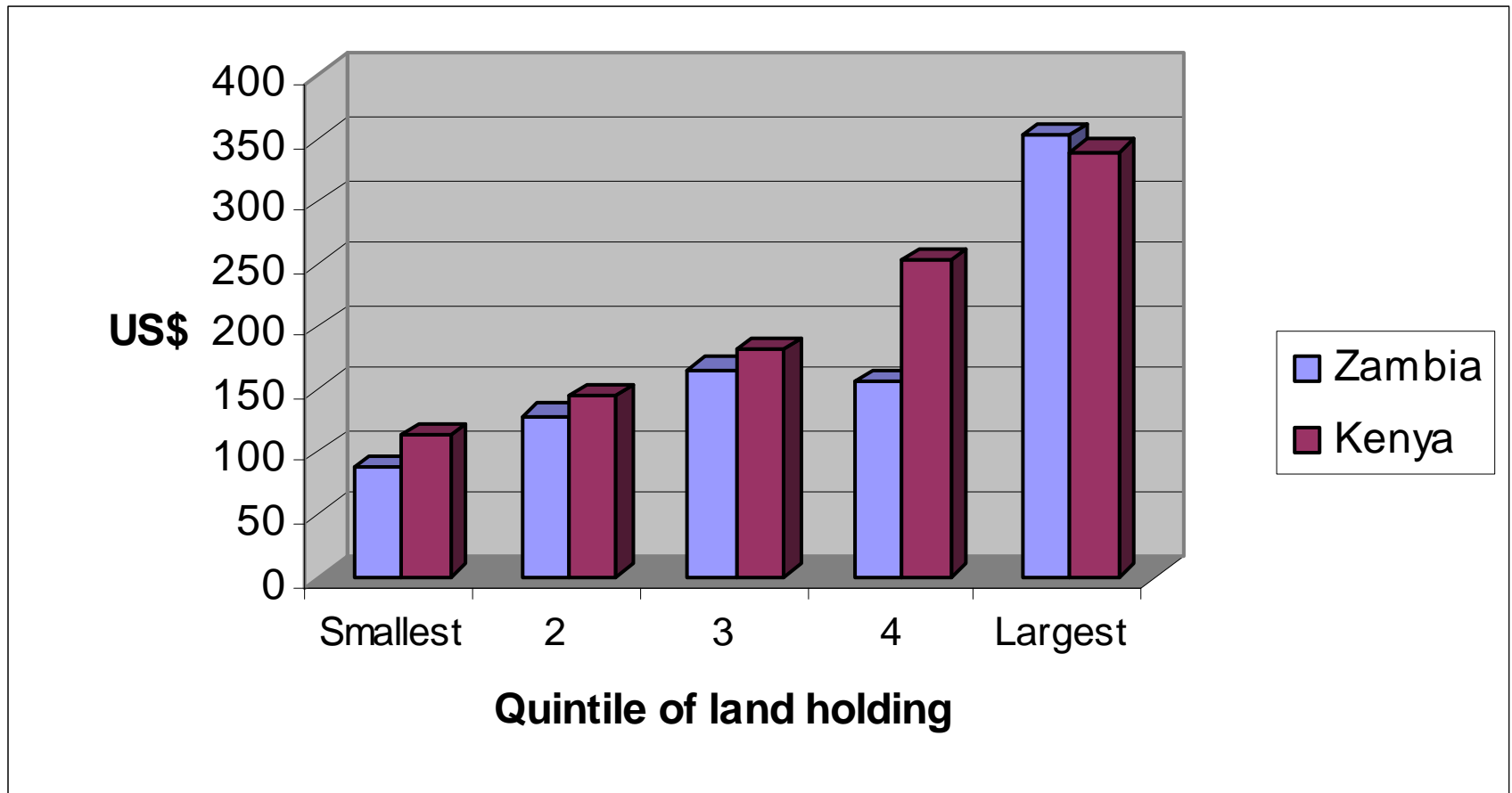
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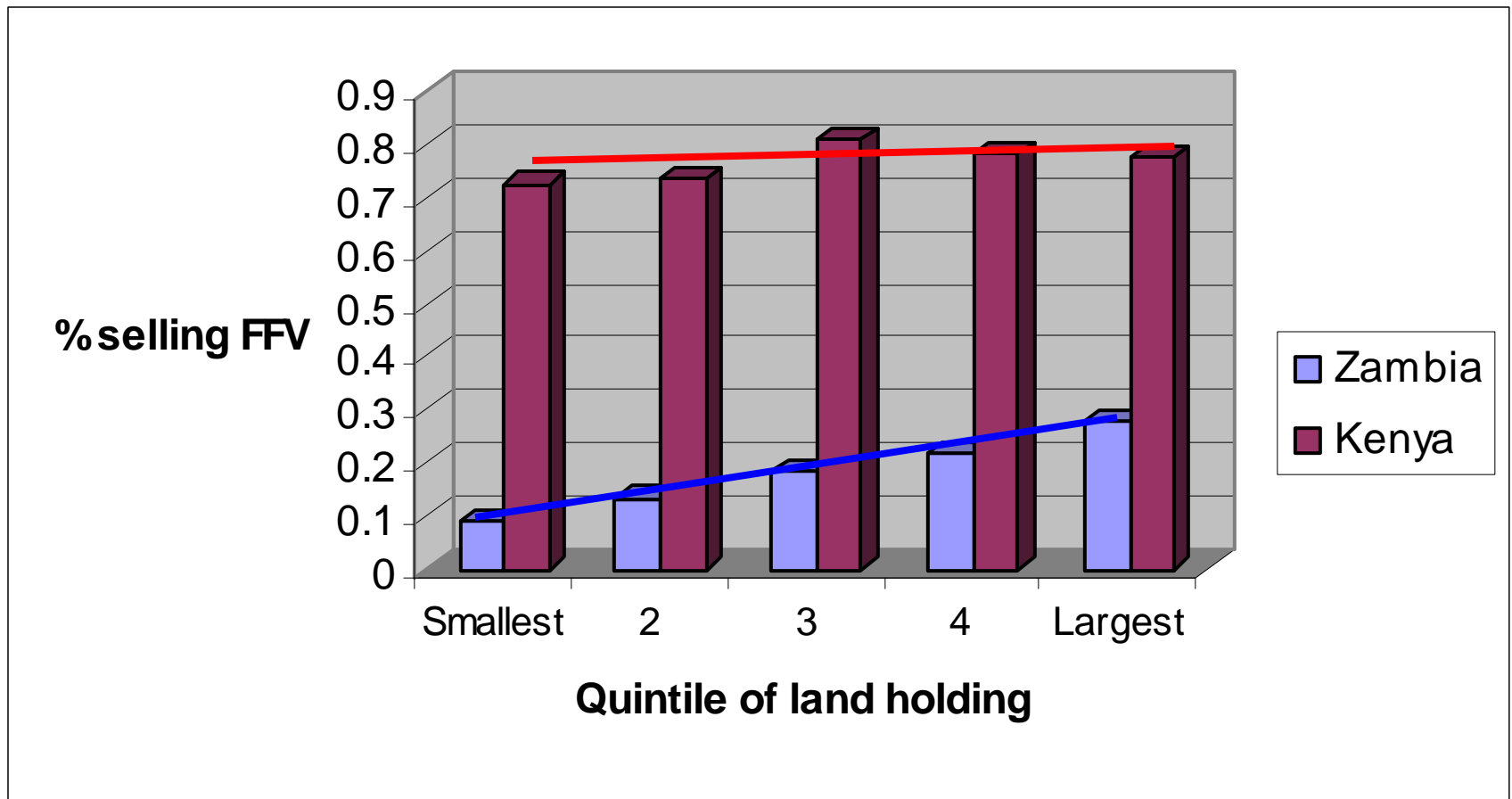
#1: Horticulture (FFV) presents opportunities for land constrained farmers:

- Yields per unit area much higher
 - FFV farmers in Guatemala earning high incomes from one-eighth of a ha (or 0.5 lima)
- But this opportunity largely missed in Zambia
 - Compare % growing FFV and amount earned by size of farm in Zambia and Kenya ...

Similar earnings to Kenya for those who sell ...



But many fewer sell in Zambia, especially among the smallest

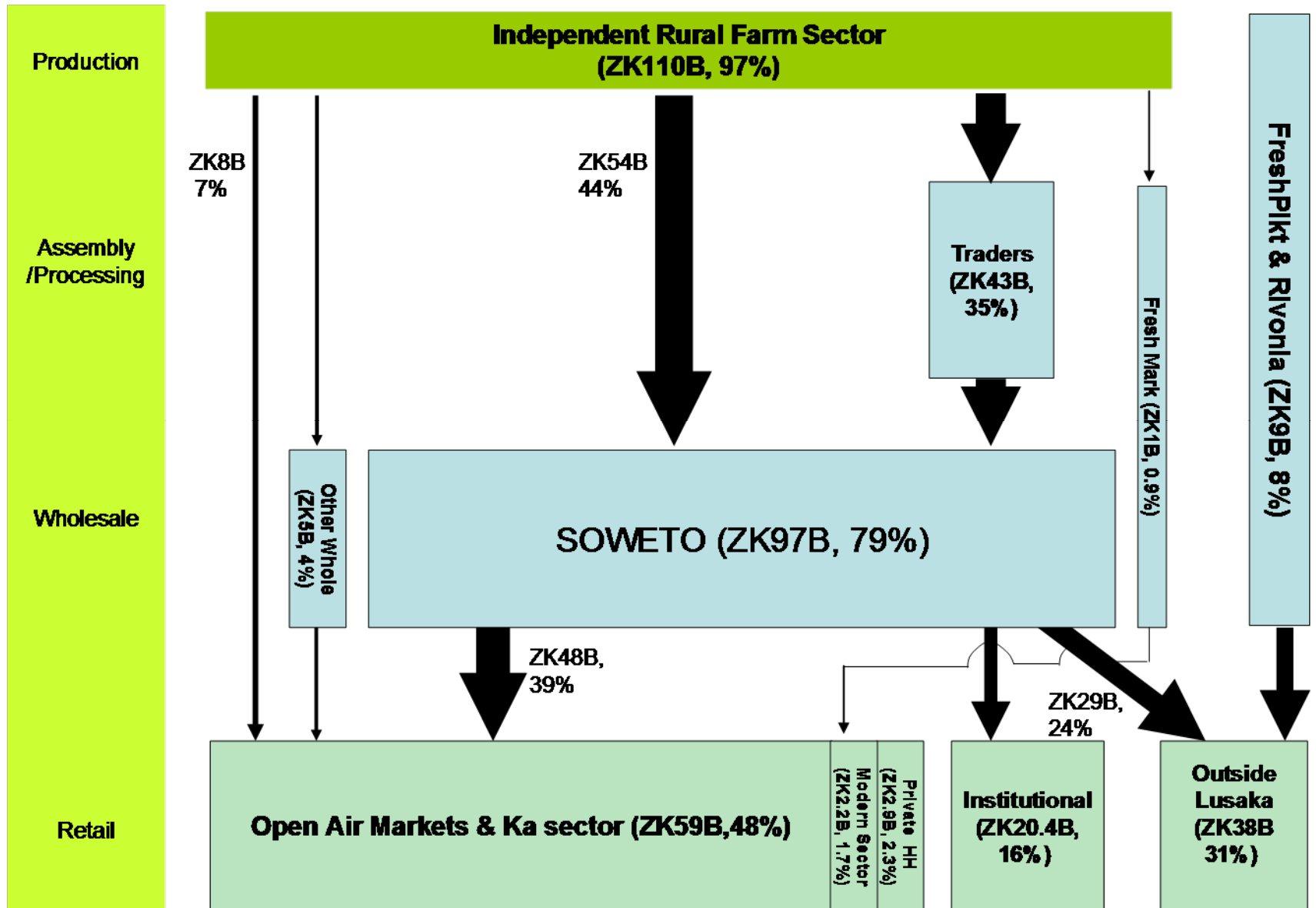


#2: Those farmers that do supply Lusaka have direct access to markets

- Not many intermediaries:
 - Earning margins
 - And depressing farmers' prices
- We illustrate this with tomato channel map

Only 35% passes through intermediaries to Soweto

Tomato



#3: But benefits of direct access reduced by way in which brokering operates:

- Insecurity at the market for both produce and personal effects
- No regulatory framework for brokering activities
- Hidden commissions mean that total commission is about 20%
 - Even though transparent commission is about 10%,
 - RSA (Johannesburg): market charges 5%; brokers 7.5% (total=12.5%);
 - but services for all are dramatically better!

#4: Soweto dominates FFV marketing in Lusaka and whole country:

Total nominal value of annual flow of the 3 staple vegetables in Soweto

Crop	Total nominal value of annual flow	
	K'000,000	US\$'000
Tomato	33,344	6,669
Rape	5,036	1,007
Onion	27,509	5,502
Total	65,889	13,178

Total value of flow for only 3 crops; consider the total number of fresh produce crops flowing through the market

Yet physical conditions are deplorable!



Very dusty in
the dry season

Extremely muddy
in the rain season

But physical conditions are deplorable (2)

- There is little or no value added:
 - Little information flow
 - No cleaning or sanitation
 - No Automated payment system
 - Poor security
 - Chaotic ehicular and human traffic
- Ownership unclear - a major problem
- Worst condition for FFV wholesaling across Zambia, Malawi, Mozambique and Kenya

#5: Very high price variability harms farmers and consumers

- Driven by even higher quantity variability due to:
 - Poor control of production environment by farmers:
 - Poor access to inputs
 - Lack of appropriate knowledge
 - Poor access to irrigation facilities
 - Poor information flows, related to:
 - Poor infrastructure
 - Chaotic brokering activities
 - Lack of formal market information

#6: Margins from wholesale to retail are high, but retailers probably not earning a lot

Crop	Soweto Retail Market		Chilenje Retail Market	
	Gross Margin (GM) in ZK	%GM of retail price	Gross Margin (GM) in ZK	%GM of retail price
Tomato	1,295	47	2,352	64
Rape	1,880	62	2,549	68
Onion	1,247	26	2,536	40

Small scale of operation drives up unit costs (margins) and drives down trader earnings

#7: Market share of modern system very low

	Lusaka	Kitwe	Mansa	Kasama
Retail channel	%	%	%	%
Market stand / stall	68.04	70.48	68.29	66.79
KaSector (Mobile/street vendors, Katable/Kantemba/Kashop (kiosk))	26.58	23.25	24.81	25.36
Retail/whole grocer / general dealer / shop	.35	.51	.30	.14
Mini-mart / small supermarket	.49	.12	.00	.09
Large supermarket, independent	.24	.00	.00	.02
Large supermarket, chain	2.46	2.35	4.34	2.92
Bakery	.01	.00	.00	.04
Private household	1.82	3.30	2.26	4.63
Other	.00	.01	.00	.00

CSO/MACO/FSRP Urban Consumption Survey, 2007-2008.

Market and KaSector have largest market share accounting for 92% - 95% leaving 5% or less for modern system

Share of modern market sector low (2)

- Share of modern sector sure to grow over time
- But traditional sector will remain dominant for years to come
- So supermarkets alone will not solve the problem
- The solution is in investment in the traditional system

#8: Investment must emerge from private-public collaboration

- Development of new markets:
- Addressing requirements of FFV marketing (especially, wholesaling)
- With real & substantive private sector involvement
 - Ownership and management

Summary

#1: Horticulture (FFV) presents opportunities for land constrained farmers

- But these opportunities largely being missed in Zambia

#2: Direct access among most that do sell

- Not a problem of too many intermediaries

#3: But benefits reduced by how brokering operates

- Need a regulatory structure!

#4: Soweto dominates fresh produce marketing

- But deplorable conditions!

Summary (2)

#5: Very high price variability

- Infrastructural and regulatory deficiencies!

#6: High margins, low earnings by retailers

- Low volumes, high costs

#7: Very low market share in modern sector

- Private investment alone in integrated supply chains will not solve the problem

#8: Public investment is need but must emerge from real public-private collaboration

- A real and substantive role for private sector in ownership and management

Over-riding Messages

- Improved wholesaling at center of an improved system
 - More efficient trading
 - Cleanliness
 - Information services
 - Value added
- No durable resolution without a new balance between public and private sector activity
 - The emerging example of Kenya