SAPRI / ZIMBABWE

LIBERALISATION OF AGRICULTURAL MARKETS

FINAL REPORT

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Executive summary

The liberalisation of agricultural marketing is part of the Structural Adjustment Programme (SAP) introduced in Zimbabwe with the support of the Bretton Woods Institutions in 1991.

Trade liberalisation in the agricultural sector has mainly involved reduction of the government's direct involvement in the production, distribution and marketing of agricultural inputs and commodities; removal of price subsidies on farming sub-sectors; conversion from single channel to multi-channel marketing of agricultural products; privatisation of agricultural marketing and transformation of some marketing boards into private entities where government has a limited shareholding; and liberalisation of import and export trade on some commodities. Zimbabwe is also a signatory to the World Trade Organisation (WTO) and other regional and bilateral trade agreements, which requires the country to open up the agricultural sector. The reforms introduced in the agricultural sector are largely compliant with the WTO Agreement on Agriculture (AoA).

Before the introduction of the Economic Structural Adjustment Programme (ESAP), the government controlled the marketing of key agricultural produce for purportedly the following reasons:

- ➔ Ensuring farmers got fair prices;
- ➔ Ensuring (urban) consumers got cheap food;
- ➔ Maintenance of food security and emergency grain reserves;
- ➔ Taxation of agricultural produce.

The system was however often inefficient, expensive to run (marketing boards made large losses), encouraged corruption and patronage and created policy distortions that were often disadvantageous to agriculture.

The aim of liberalisation was to unleash the creative forces of private entrepreneurship within smallholder agriculture and indigenous trading systems. The major objective of the liberalisation measures was to increase productivity in agriculture, particularly small holder activities so as to enhance incomes and food security at both household and national levels.

It was assumed that market reforms would favour the production of tradables such as horticulture, tobacco and cotton through affecting the relative prices of these commodities. The local prices of these externally tradable commodities rises faster through devaluation than the locally tradable commodities such as maize.

As the output mix of the agricultural sector, including many smallholder sub-sectors, has a higher share of tradables and near-tradables than most other key economic sectors, a vigorous agricultural supply response had been anticipated

via the improved terms of trade brought about by liberalisation. Likewise, by lifting restrictions on private sector entry into the marketing of agricultural produce, it was hoped that there would be a strong private sector response in supplying inputs and in purchasing, storing, processing and (where appropriate) exporting produce. Additionally, it was thought that parallel financial sector reforms (encompassing monetary management at the macro-level, through banking sector reforms down to the commercialisation or privatisation of State-supported agricultural finance organisations) would catalyse the other elements of structural adjustment by channelling funds to emerging opportunities for profitable farming and trade.

Arguments for the greater involvement of the private sector in agricultural marketing centred largely on the inefficiencies of the State provision and the difficulties of improving the quality of services provided by the State sector. Relatively little attention was however given to the capacity of the private sector to provide the services in place of the State and to the likely nature of service provision by the private sector under existing conditions. In rural areas, roads and communication facilities are poor and the volume of business insufficient to encourage private sector service provision. Moreover, services such as research and extension have clear public good properties, which will tend to discourage private sector involvement. There are, in other words, high probabilities of market failure in key liberalised markets.

The SAP however made an incorrect assumption that production in the sector is homogenous and that farmers have equal opportunities to enter and gain within this capitalist liberal market system.

Other services such as wholesale grain trade and some agricultural processing operations exhibit significant economies of scale such that even where private operators provide services, the market may not be competitive and prices offered to farmers may be depressed.

The study of liberalisation of agricultural markets was therefore carried out as a result of widespread concern about the generally weak response of smallholder and communal agriculture to SAP and market liberalisation. While proponents of liberalisation, coming mainly from the neo-classical tradition, had correctly diagnosed the problems of State failure in service provision to support smallholder agriculture, they have been criticised for lack of consideration of institutional constraints to private sector engagement. Neo-classical economics provides a very partial view of the reasons for the failure of economic organisations or of approaches to their reform.

Objectives of the study

The overall objective of the study was to assess the impact of the various agricultural marketing policy reforms on various players in the agricultural sector. Special emphasis was put on smallholder and communal farmers in terms of household food security, incomes and the production of high value crops. In other words, using a participatory approach, the study investigated whether or not the liberalisation of agricultural markets has improved productivity in the smallholder and communal farming areas.

***Specific objectives included*:**

- Giving an account of the agriculture sector policies of the past and their impact on smallholder and communal farmers.
- Assessing the extent to which farmers and agricultural workers participated in the formulation and implementation of the policy of agricultural marketing reforms.
- Examining whether changes in land use patterns, together with access to credit, technology and markets occurred following the implementation of the policies and programmes.
- Providing quantitative and qualitative analysis of the effect of such policy interventions on smallholder and communal farmers.
- Analysing the impact of agriculture marketing reform policies on household income.
- Dis-aggregating the impacts of such policies in relation to the different categories of smallholder farmers with emphasis on men and women farmers.
- Using participatory methods to document people's views on implementation and acceptability of agricultural marketing reforms.
- Making recommendations (based on the above) on how present policies can be modified and monitored with the participation of affected groups.

Methodology

The study used both qualitative and quantitative analysis of the impact of the liberalisation of agricultural marketing. An extensive review of literature buttressed by interviews with major players in the agriculture sector was carried out.

Fieldwork using structured questionnaire, group and focus group discussions was carried out in October. The study therefore fully satisfied the participatory approach.

Hypothesis tested

1. Liberalisation of agricultural markets and the resultant competition between buyers will increase prices for farmers and leads to an overall improvement in productivity in the smallholder and communal farming sector
2. As a result of liberalisation policies, incomes and incentives will improve for all farmers, thereby enhancing overall household food security and quality of life in the rural areas.

Results

The study found out that while trade liberalisation to some extent benefited the production of tradables than non-tradables, on the whole productivity in the agricultural sector, particularly smallholder activities, fell significantly during the period of reforms. The same applies to food security at both household and national levels. ESAP, with its emphasis on efficiency and austerity, did not address the problem of land ownership. As a result, there was no way smallholder and communal farmers were going to benefit from liberalisation when they did not own the most productive land.

Macroeconomic instability characterised by soaring inflation, high interest rates and high taxes etc which accompanied trade liberalisation eroded the viability of farming. Producer prices paid have not been enough to compensate for the escalation in costs of production. The phenomenal profits enjoyed by some of the buyers of farm produce have not been transferred to strengthen farmer production.

While an element of competition between private traders and public state enterprises has been introduced in the marketing of agricultural commodities and products, some of the previous marketing boards continue to play the role of market leader, a situation that distorts effective competition. Various constraints still exist in this multi-channel marketing system such as poorly developed market information systems to link farmers and buyers, limited agri-business dealers in rural areas and absence of essential rural infrastructure, particularly feeder roads, irrigation facilities, telephones, electricity and banking services.

The expected market diversification did not materialise due to the absence of pre-requisites such as irrigation development, technological development, access to markets, availability of capital, farmer advisory services and re-distribution of land.

The negative impact of liberalisation on women farmers and children was more severe than on men farmers because of the key role played by the former in smallholder and communal farming.

The study found out that there was minimal participation of stakeholders such as farmer and producer organisations (Zimbabwe Farmers Union, Commercial

Farmers Union, Indigenous Commercial Farmers Union etc), agro-industrialists and individual farmers in the formulation of agricultural liberalisation policies. Although the government commissioned a number of reviews in the agricultural sector such as the Land Tenure Review Commission, there was no active participation of small holder and rural farmers in these reviews. In addition, implementation of the recommendations of the reviews has been disappointing, particularly on the resettlement programme.

The study highlights the importance of information as well as formal institutional development in the establishment of an efficient market economy. Vital factors for sustainable agriculture in the smallholder and communal sector include the conditions in which farmers and communities are farming – secure access to suitable land, maintenance of roads, appropriate extension advice, markets, prices and many other components of the external environment such as drought.

A properly defined land resettlement programme is key to achieving productivity and food security in the smallholder and communal farming areas. The programme has to be implemented on the basis of efficiency, equity, cost and efficacy. Re-distribution without productivity increases will not improve the well-being of the marginalised smallholder and communal farmers. Enforcement of the 20 % quota set aside for women in the current land reform programme would go a long way in addressing the problem of access to productive land by women.

Land tenure security is an essential incentive for farmers to invest in long-term sustainability. Communities need to be supported to develop systems that encourage sustainability and access to land by women.

As far as WTO negotiations are concerned the study notes that liberalisation has socio-economic effects on the economies of less developed countries where the majority of the working population is employed in the agricultural sector which consists mostly of smallholder and communal farmers. The scope of the new negotiations on agriculture should therefore take into account the special needs of less developed countries which should be given flexibility regarding provision of domestic support for their agricultural sector. Developed countries spend approximately US$251 billion a year subsidising their agricultural trade, costing developing countries a loss in trade to the tune of US$700 billion a year. Yet developing countries are expected to adhere to a robust cutting of subsidies and protectionist policies through structural adjustment programmes.

INTRODUCTION

Agriculture is the backbone of Zimbabwe's economy. It provides employment and incomes for 70 % of the population, 60 % of the raw materials required by the industrial sector and contributes 40 % of total export earnings. The sector directly contributes between 15 % and 19 % to annual GDP depending on the rainfall pattern. It contributes more than 60 % of the country's total foreign currency earnings annually.

However, the average growth rate of agriculture since the launch of ESAP in 1991, at 1,4 % per annum (target is 3,2 % per annum)), has been inadequate to maintain national food supplies, improve the incomes of small holder farmers, meet the basic requirements of industry and viable export markets.

Post-Independence and Pre-ESAP Agricultural Policies

At Independence in 1980, Zimbabwe inherited from Rhodesia an agricultural base characterised by a high degree of government intervention, associated with indirect stimulation and interference. Up until now, the agricultural sector in Zimbabwe has been dualistic, comprising of a large-scale commercial farming sector and a smallholder and communal sector. In 1980, the contribution of smallholder and communal farm sector to total national production and marketed output was insignificant because of colonial era discriminatory practices.

As expected, in the 1980s the post-independence government's agricultural policies focused at developing a high degree of food security while at the same time improving the welfare of the long marginalised rural population. Government policy also sought to enhance land and labour productivity in agriculture, increase employment and promote local markets for agricultural produce.

In pursuit of these objectives, there was direct stimulation of agricultural production by way of policies and measures on land, water, infrastructure, credit and technology. Indirect stimulants in the form of subsidies and income policies were employed to stimulate production and demand.

Policy on land and water

At independence, there was an uneven distribution of basic means of agricultural production namely land and water to the detriment of smallholders. Policy measures therefore were required in order to correct this anomaly. However, there was a stumbling block in the form of the Lancaster House Agreement of 1979 which required that all land be acquired on a "willing buyer – willing seller" basis and that compensation for any land seized was to be denominated in foreign currency. Donor support to this programme was poor while disbursements were relatively small.

In the first few years after independence, government seemed very enthusiastic about land reform. However, its policies and actions portrayed its cautious and

conservative approach. The government was very cautious because it did not use instruments other than designation, such as laws on farm sub-division and land tax for stimulating the selling of land by large-scale commercial farmers, and so increase the size of land available for redistribution. It was conservative and bourgeoisie oriented because it encouraged the provision of loan facilities through the Agricultural Finance Corporation (AFC) to aspiring black middle class to enable them to acquire large scale commercial farm (LSCF) holdings at the expense of the landless and the disadvantaged.

The black middle class, after benefiting from the skewed policy on land, later resisted genuine reforms. Consequently, the government gradually abandoned issues of equity. The policy gradually evolved towards resettling Master Farmers – people who, in one way or another, had proved to be good farmers. Moreover, the institutional set up became mingled in bureaucratic red tape because too many government Ministries became involved.

Different settlement models were pursued. In the Model A resettlement, farmers were settled in similar fashion to communal lands but under a permit. In Model B resettlement, collective farms were established. The Model B approach was a general failure because of poor infrastructure, financing and management.

A number of obstacles plagued the land resettlement programme in the 1980s. Land was costly and since it was purchased under the 'willing-seller/willing-buyer' it was available mainly in marginal production areas and on an *ad hoc* basis. Despite the passing in 1985 of the Land Acquisition Act that gave the government the first option to purchase land that was put on the market, it did not redress the problem of the lack of large blocks of land where planned resettlement would be more feasible. The limited infrastructure and access to water also hindered progress. By 1990, only 52,000 families had been resettled on 3.3 million hectares *(Zimbabwe Congress of Trade Unions, 1996*).

Indeed, more than 70% of the land acquired in the 1980s had been bought in the first 5 years of independence. More than 44% of the 3.3 million hectares was in the dry and infertile Natural Regions IV and V, while another 37% was in region III. This means that most of the land that had been acquired had very low agricultural potential. Moreover, over 235,000 hectares of land acquired for resettlement had not yet been put to use by 1990, despite great demand throughout the country (*Rukuni M and Eicher C. K., 1994*).

From independence up to 1990, the government did not succeed in structurally changing the ownership and control of water in favour of smallholder farmers. In fact, the government did not change the Water Act No. 41 of 1976, which favoured the established large-scale commercial farmers. It built only 16 large-scale dams compared to 35 built by the private sector. It established a National Farm Irrigation Fund from which, because of the restrictions attached, only

Z$50,000 was taken up by small farmers as compared to almost Z$6 million that went to the large-scale farming sector (*Zimbabwe Congress of Trade Unions, 1996*).

As a result, during the first ten years of independence the large-scale farming sector was left to appropriate an increasing quantity of Zimbabwe's limited water resources to the detriment of smallholder farmers. Whereas in 1981 in the communal areas 3,200 hectares were under irrigation (2.5% of the total of 130,000 hectares), this had increased to only 5,548 hectares by 1991(*Zimbabwe Congress of Trade Unions, 1996*).

As the government paid lip service to either land or water redistribution and the population size in communal lands swelled, the situation deteriorated. Communal areas became increasingly overpopulated and overgrazed, and environmental degradation worsened.

Any large-scale and successful resettlement programme requires massive financing. Indeed, one of the critical lessons from the resettlement programme of the 1980s is the high resource intensity required for planning, servicing and staffing resettlement areas. The current fast track resettlement programme is unlikely to improve productivity in the smallholder and communal farming sector as it is experiencing similar problems.

Moreover, the resettlement programme had a fundamental weakness of resettling many displaced and landless people who did not have their own draught cattle. As a result, they struggled to make a living and secure their food needs.

Basic features of agricultural marketing channels

The government mandated a variety of commodity marketing boards, through the Agricultural Marketing Authority (AMA), to purchase most agricultural produce and also regulated the transportation and distribution of agricultural inputs. For example, the Grain Marketing Board (GMB), with a highly centralised system had the mandate to purchase grain (wheat, maize, sorghum and millet) as well as oilseeds (sunflower and soya beans). Three channels of distribution linked the producers to the GMB: producers could sell grain through GMB depots, located in urban areas and growth points, to GMB collection depots or to specific GMB approved grain buyers. Grain buyers were rural traders who had been granted permission to buy grain on behalf of the GMB. Both collection points and approved buyers were prohibited from selling grain to individuals, and had to forward the grain to GMB depots. This resulted in backtracking of grain in times of food shortages, as the GMB had to transport grain back to the rural areas. The movement of grain across boundaries of urban and commercial farming areas was prohibited.

In the meat and livestock sub-sector, the marketing, slaughtering and processing of livestock for beef was regulated, with the first two functions being the responsibility of the Cold Storage Commission (CSC) and the later involving the Commission and a few meat processing companies like Cairns Foods and Colcom. The Dairy Marketing Board was responsible for the purchase and processing of milk, Sugar Industry Board for sugar and Cotton Marketing Board for seed cotton.

Infrastructure policies 1980-1989

The government took the infrastructure development process to smallholder farmers. Up to 1984, approximately 22,000 kilometres of communal area roads had either been constructed or reconstructed *(Rukuni M and Eicher C. K., 1994*).

More capital was made available to smallholder farmers through the (AFC). The number of loans issued to the smallholder sector increased from 18,000 valued at Z$4.2 million in 1980 to 77,000 valued at Z$60 million in 1986. Between 1986 and 1990, both the total amount of loans and the number of smallholder recipients plummeted by more than half. The decline was mainly due to repayment failures by smallholder farmers, who were duly excluded from further borrowing.

From 1980 onwards, government redirected its research, extension and training services towards the development of smallholder agriculture. Research, however, only got substantial attention in the first few years of independence. From 1984 onwards, its allocation as a percentage of the total budget of the parent government ministry decreased considerably. The Agricultural Technical and Extension Service (Agritex) expanded its services and coverage of the communal areas substantially. However, extension service remained less appropriate as its content was similar to the one directed towards the large-scale sector, that is, capital intensive, high input-oriented and conditioned to high rainfall/irrigation areas. Therefore, the extension services provided were appropriate for LSCF and the better-off smallholder farmers only.

Pricing policies 1980-1990

During the 1980s it was the government's prerogative to set the prices of all agricultural products. The policy led to a negative growth rate of real prices for farmers over the ten-year period. Only wheat, barley and tobacco experienced positive but marginal growth rates in prices (**see annex 4**).

Local and export markets

The statutory introduction of minimum wages and the substantial increase in incomes in general stimulated local demand during the first 3 years of independence. Initially, the price controls and subsidies assisted in making basic commodities more affordable to the majority. From 1983 onwards, food prices

started rising sharply and subsidies were phased out as part of the stabilisation programme adopted that year.

It was only after 1986 that the government started to take measures to stimulate production for export. Foreign exchange allocations were made to exporters, air transport was improved and wildlife legislation allowed LSCF to keep wildlife. The Horticultural Promotion Council was formed and Operation Campfire established towards the end of the 1980s. In addition, the government policy indirectly stimulated export production through the law; government set producer price for maize, which made many LSCF diversify into cash crops destined for the more lucrative export markets.

Government's financial commitment to agriculture

Government expenditure on agriculture as a percentage of overall expenditure increased until 1987/88, but declined thereafter, affecting all crucial departments and their operations. While, for instance, government spending on extension services almost quadrupled at independence, in real terms its commitment to extension services increased until 1986/87. Expenditure on water development increased gradually from Z$44 million in 1982/83 to Z$104 million in 1989. It however went down markedly in 1989/90 to Z$70 million *(ZCTU, 1996*). All in all, government's financial commitment to agricultural development increased at independence, but declined during the second half of the 1980s.

Women and agriculture

Women in smallholder agriculture have contributed to the growth of the sector because of their roles as *de facto* farm managers and members of the rural labour force. Over the 1980s, Agritex gradually shifted its emphasis from working with individual farmers – for example, the Master Farmer approach – to group extension approaches. Women constituted the majority of membership in extension groups.

In addition, Agritex extended the recruitment of female extension agents. At Independence, there were just 2,000 extension workers of which 120 of them were women. In 1991, the country employed 311 women out of 2,895 extension workers (*Rukuni M and Eicher C. K., 1994*).

As members of extension groups, women in smallholder agriculture became direct beneficiaries of extension education and enjoyed easier access to credit facilities. The passing of the Age of Majority Act in 1982 made it easier for women to secure agricultural credit from the AFC. However, these legal rights were still circumscribed by culturally determined practices, such as the husband's final approval in a legal transaction. The ability of women to sell their produce directly to the GMB gives them more control over their produce.

At independence it was only the heads of households - male - that had registered land rights. Married women's appropriation rights still operated through the husband. Other problem areas included co-registration of spouses, inheritance rights, and a rise in polygamy as registered male heads of households sought to increase the family labour supply.

It appeared that the position of women in agriculture in the communal and resettlement areas during the 1980s might have improved in terms of access to some services and support systems. But the social structure within which women participated in agriculture was still similar to that of the colonial period.

Agriculture policy impact 1980-1989

Maize, groundnut and cotton yields declined during the 1980s and so was the acreage under maize and groundnuts. Tobacco also decreased in both yield and acreage. The total area under maize in communal and resettlement areas increased during the 1980s from 1.086 million hectares in 1980/81 to 1.160 million hectares in 1984/85 before decreasing to 1.030 million hectares in 1989/90. The acreage under sorghum decreased in the second half of the eighties, while cash crops – cotton and sunflower – gained a lot of ground in communal and resettlement areas (*ZCTU, 1996*).

Yields per hectare varied widely over the years, due to variations in rainfall. Empirical studies have found that while the average rate of growth of total factor productivity (TFP) of communal/resettlement farmers was 4.3% during 1975-1990, much of the growth was confined to the early 1980s. TFP growth of the period 1980-85 was 3.9%, and declined to –0.7% for the period 1985-90 (*Rukuni M and Eicher C. K., 1994*).

One of the reasons for this decline was that only the better-off farmers in the agro-ecologically better areas could afford and profitably exploit use of fertilisers. Many other farmers who had bought fertiliser with AFC credit could not repay their loans and were denied further assistance. Other contributing factors were the increased use of marginal (grazing) land for crop production and continued environmental degradation.

Large scale commercial maize production decreased sharply during the 1980s from 1.7 million tonnes in 1981 to 0.7 million tonnes in 1989 due to unattractive government set prices.

Agriculture policies – ESAP and beyond

ESAP was born in 1991 and consisted of a series of economic policy reforms which were to be carried out over a five-year period. The government instituted policies that were aimed at market deregulation, liberalisation and export promotion. In the Second Five Year National Development Plan (1991-95) the government said its major thrust was to enhance food self-sufficiency for the population, increase exports, expand employment and meet the raw material requirements of the manufacturing sector.

In general terms, ESAP resulted in government cutting budgets in several ministries and instituted measures towards curtailing losses of parastatals. The government reduced its intervention that had been aimed at the further development of the agricultural sector, while at the same time it pushed for export-oriented production (production of tradables).

In its agricultural policy statements over the years, the government repeatedly pointed out that one of the most important problems facing Zimbabwe was to generate substantially greater farm output from smallholder farming (communal, resettlement and small scale farming), in order to meet direct household consumption needs and to generate greater net farm cash incomes.

The Zimbabwe Agricultural Policy Framework 1995 – 2020, which gives vision for the development of the agricultural sector in the next 25 years, is build upon four pillars:

1. The transformation of small holder agriculture into a fully commercial farming system.
2. An average increase in total agricultural output each year that is significantly larger than the increase in population.
3. The full development of physical and social infrastructure in all rural areas throughout the country.
4. The development of fully sustainable farming systems throughout the country which reverse current environment degradation and soil erosion.

Generally, the design of Zimbabwe's agricultural sector policies as part of the country's structural adjustment process since 1991 has been largely influenced by the following key strategies:

- Reduction of government's direct involvement in the production, distribution and marketing of agricultural inputs and commodities.
- Removal of price subsidies on farming sub-sectors, including input supply and State-run credit schemes.
- Liberalisation of export and import trade.
- Privatisation of agricultural marketing
- Supply/demand balance for agricultural commodities.

Liberalisation of agricultural exports

The government in 1990 started an all out export drive and designed a number of policies to stimulate exports. The Export Retention scheme (ERS) was introduced which allowed exporters to retain a percentage of their export earnings. The Open General Import Licence (OGIL) was started in October 1990. Amongst the first items to be placed on OGIL were agricultural inputs like stockfeed, tyres and spares. The Export Revolving Fund (ERF), which was introduced in 1983 to provide exporters with foreign exchange for needed imports, was replaced by the Export Support Facility (ESF) as an addition to the ERS. The biggest export incentive however, was the devaluation of the Zimbabwe dollar throughout the 1990s. As a result, agricultural producers suddenly got much higher prices in Zimbabwe dollars for their exports. There has now been partial liberalisation of export and import trade. Statutory Instrument 350, 1993 under the Control of Goods Act requires a permit for the importation and export of agricultural produce and even inputs like fertiliser. The importing country imposes most of the regulations on beef exports. The Meat and Livestock Council is responsible for processing beef export applications. However, due to stringent requirements of the export market, the Cold Storage Company has been the dominant exporter of beef products. The sequence of liberalisation measures is shown by annex 5.

Impact of the Reforms

The economic reform programme implicitly made an incorrect assumption that production in the sector is homogeneous, therefore farmers in Zimbabwe have equal opportunities to enter and gain within this capitalist liberal market system.

In order for producers to obtain higher producer prices in a liberalised market, they will have to produce those commodities for which they have a comparative advantage with respect to available markets. Producers located further away from markets will have to produce high value commodities – and they need support to be able to make this transition.

By definition, market reforms favour the production of tradables such as horticulture, tobacco and cotton through affecting the relative prices of these commodities. The local prices of these externally tradable commodities rises faster through devaluation than the locally tradable commodities such as maize.

While to some extent this has happened during the period of reforms, on the whole agricultural productivity in the small-holder sector has been threatened by lack of effective marketing systems, shortage of land, lack of storage and transport facilities.

Soaring inflation especially since the start of the economic reform programme in 1991, the high cost of money, high rates of taxes and other costs, have eroded

the viability of farming and hit hard smallholder farmers who do not enjoy economies of scale than their large-scale counterparts. The removal of input subsidies (for example fertiliser) has caused a predictable crisis for smallholder and communal farmers, yet alternatives to them are underdeveloped.

According to the ***Ministry of Lands and Agriculture September 1999 report***, the cost of producing one hectare of wheat has risen by 68,54 % between 1998 and 1999, and the direct costs of producing cotton have escalated by 120 %. The cost of stockfeed has increased livestock costs of production tremendously. For example, from the period January 1998 to January 1999, most beef concentrates increased over 100 %, dairy concentrates over 100 %, ostrich concentrates over 120 %, poultry and rations 72 %, pig concentrates over 76 % and in some cases stockfeed additives have increased over 200 %.

Very few agricultural production systems give a return of the order of 50 % and farmers who borrow money from commercial finance houses to grow crops, particularly non-export commodities which cannot benefit from devaluation, cannot expect to make any profit out of the exercise. Interest rates for example, now comprise one of the largest components of production costs.

In smallholder agriculture, transport costs alone constitute about 25 % of total costs per tonne produced compared to around 12 % in other sectors (***ZFU paper, August 9, 1997)***

The high cost of credit has hampered rural traders from constructing warehouses for input supply, provision of trucks to smallholder farmers to transport inputs and farm produce and the development of smallholder irrigation schemes.

Diversification

Market reforms call for diversification has not happened. Such diversification, while essential, cannot be assumed that it will just happen. Pre-requisites for effective diversification include:

- ➔ Irrigation development
- ➔ Development of adequate technology options in the various farming regions
- ➔ Access to capital
- ➔ Availability of markets
- ➔ Improved farmer advisory services
- ➔ Stabilisation of food crop production
- ➔ Specialised settlement schemes.

Most of the diversification options currently available on the market such as ostrich production and specialised horticulture are capital intensive and the start-up capital is far beyond the reach of many communal farmers. Options that take

a long time for returns to be realised will not be taken up by the resource starved small holder farmers.

Infrastructure, credit, technology and extension

The marketing nightmares for smallholder farmers increased as the GMB dramatically reduced its number of temporary collection points within the smallholder sector. This greatly affected farmers in areas furthest away from centres of consumption. This is because of the high cost of transporting produce to demand centres (mainly urban areas). At the same time, local demand for the same produce in outlying production or consumption areas is small because of low-income levels and a dispersed population.

Following independence, the government decided to address difficulties faced by many farmers before independence. These problems included lack of guaranteed marketing infrastructure and high transport costs to depots which were constructed in, and to cater primarily for the needs of, large-scale commercial farming areas. The establishment of a marketing infrastructure in rural areas was one of the major documented reasons for increased marketing of maize from the smallholder sector (World Bank, 1995).

When the GMB was commercialised proposals to close depots in communal areas were not implemented at once, but some of the depots in the commercial areas were rented out. However GMB gradually reduced the number of depots in rural areas to zero by 1996. In effect, the gains made in the 1980's in providing a guaranteed market for smallholder farmers were eroded during the reform period.

Under ESAP, involvement of small traders, transporters and other entrepreneurs was recommended, but lacked policy measures to enhance fairness and effectiveness. Following the worst drought in living memory in 1992, the government introduced to targeted smallholders free crop packs consisting of seeds, fertilisers, crop chemicals and contract ploughing in order to help resource poor farmers recover and increase their productivity. Since 1992, the government implemented five phases of seed, fertiliser and transport crop pack programmes even during favourable rainfall years to ensure that smallholders achieved food security and reduced the cost of drought relief food distribution. However, the government stopped the free crop pack programme in 1997 and began to assist smallholder farmers to set up agri-input dealer agencies which however did not take off in earnest.

Declining public investments in agriculture were however partly offset by expanded private expenditures on research and extension. For example, hybrid maize breeding is now dominated by five research-based agri-business seed companies: the Seed Company of Zimbabwe (Seed Co), Cargill Hybrid Seeds, Pioneer Hi-Bred International, Pannar Seeds and Africa Pacific Seeds National Tested Seeds. Seed Co, Pannar and Cargill are promoting their proprietary

hybrids through demonstration plots and strip trials in collaboration with government extension officers.

Market development

In ***Reaping the Whirlwinds- Economic Liberalisation and food security in Zimbabwe*** by Munhamo Chisvo, he acknowledges the emergence of alternative marketing channels as a welcome development, as it brought wider choice to farmers about where and when to buy and sell their produce.

In the focused group discussions conducted for this study in Chivi and Mutasa districts, farmers confirmed a four-fold increase in the use of private marketing channels. The study showed that the shift to private channels was in some cases attributable to low transaction costs and early payment of produce (see Annex 1 and 2)

A similar study conducted by Intermediate Technology Development Group (ITDG) indicated that, in the case of groundnuts, sunflower and small grains, farmers in the district (for example, Gutu) has shifted completely to private marketing channels, to take advantage of higher producer prices, low transaction costs and timely payment.

Despite these positive developments, various constraints still exist in the marketing of agricultural products. These include, among others:

- poorly developed market information system to link farmers and buyers,
- lack of guaranteed markets for smallholder produce
- limited agribusiness dealers in rural areas
- the absence of essential rural infrastructure, particularly feeder roads, irrigation facilities, telephones, electricity, banking services. For example, the National Farm Irrigation Fund, which was established in 1985 to meet the requirements of irrigation development, was used to a large extent by the large-scale sector.
- Inaccessibility of some emerging marketing channels to smallholder farmers; and
- Partial liberalisation of certain agricultural products *(Chisvo et al 1999)*

The results of a research published under the title: "**Economic Policy Reforms and Meso-Scale Rural Market Changes in Zimbabwe: The Case of Shamva District**" also found out the negative impact of reforms on agricultural marketing to be greater on smallholder farmers. The researchers say: "The marketing and input supply channels for the smallholder sector had lengthened as middlemen had moved in to market and provide inputs. Smallholder farmers at times appeared to make irrational choices on market outlets. For example, during the 1995/96 season some farmers sold produce to middlemen far below the recommended prices."

Box 1: Impact of ESAP on Agriculture Marketing; The Case of Shamva

A study by M. Matanda and P. Jeche on the Impact of ESAP on Agricultural Marketing Activities and System in a Rural Economy – The Case of Shamva District, showed that the mean district to the market was 34,8 km for maize, 89,8 km for tobacco, 34,4 km for cotton, 39 km for sunflower, 100 km for onions and 115 km for tomatoes. Only 3,6 % of the producers used their own vehicles to transport crops to the market.

The survey also found out that the small holder sector showed limited response to changes in the global markets while there was a significant shift from non-tradables to tradables within the commercial farming sector while small holder farmers were still concentrated in the production of the staple food crop, maize. The involvement of the smallholder sector in the production of tradables was hindered by the limited access to some factors of production needed to produce tradables such as irrigation facilities, agricultural inputs, access to information and financing.

Findings of the study also refute the hypothesis of this study. While liberalisation did bring in more players on the market for different agricultural commodities as predicted, this did not necessarily result in higher prices. Liberalisation did not improve the lives of rural households as anticipated. Some farmers (those with better access to factors of production) did benefit from liberalisation in some ways and were able to improve their lives, whereas the majority were actually in a worse off position than before the introduction of ESAP.

Impact on land and water

Although the government embraced land designation, very little progress was made on the ground. The work of the belated Commission of Inquiry into Agricultural Land Tenure Systems of 1994 and the long overdue revision of the Water Act are the two notable events of the 1990s. These events only confirmed the non-commitment of the government to fundamental structural changes.

Throughout the reform period, there remained a large imbalance in land distribution, with about 4 500 large scale white commercial farmers owning in excess of 12 million hectares under freehold or leasehold tenure and over 1 million black smallholder farmers congested in 14,4 million hectares under communal tenure. In addition, the total population residing in that communal land is over 9 million (**Ministry of Lands, Agriculture and Rural Resettlement**).

The majority of communal farmers are still located in the dry area of natural regions 3, 4 and 5. These agro-ecological zones often receive below average rainfall. Agricultural production in these areas is highly variable and this has devastating effects on farming.

The new Water Act of 1995 committed only 10% of Zimbabwe's water to the communal areas, thereby completely ignoring the importance of water redistribution for increasing and improving agricultural production in the smallholder sector. In effect, no structural changes in water redistribution took place. The government built 17 large dams between 1990 and 1994 when compared to 37 built by the private sector, thereby allowing the LSCF sector to continue appropriating to itself more and more of the limited agricultural water resources in the country.

Trends in major selected agricultural commodities

Maize

The balance between demand and supply has not improved, but deteriorated. Maize, which had been in persistent surplus for some years, now faces a serious shortage. In 1997/98 and 1998/99 seasons, maize production in Zimbabwe has been estimated at 1,42 million tonnes and 1,54 million tonnes respectively, falling far too short of approximately 2,5 million tonnes required for human consumption and livestock feed largely due to adverse weather conditions.

Grain Marketing Board

There are serious policy problems in terms of how the GMB is expected to operate in the market. The requirements for the GMB to register profits and pay tax to government has been described as "unreasonable" by maize farmers who recommend that any profits registered by the GMB in its trading accounts should be paid back to producers as supplementary payments. There is also need for the GMB to use the strategic grain reserve to defend a viable floor price and at the same time to timely intervene on the market to moderate consumer prices (***Maize Producers Associations statement 1998)***

The continuing controls on the price of maize means maize marketing is fraught with a lot of imperfections. To quote from **ZIMACE administrator Ian Goggin**: *"…the maize market is distorted and indeed depressed by these controls. As an example, the maize market was going strong until June. In February (1999), 14 000 tonnes were traded, 12 000 tonnes in March, 16 000 tonnes in April, 33 000 tonnes in May and 24 000 tonnes in June, 20 000 tonnes being traded in the first 10 days alone. In June, the maximum buying price was confined at $4 200 and the selling price at $4 900 and the market died. In July, August and September, the traditional big months for maize trading, only 4 000 tonnes, 5 000 tonnes and 5 000 tonnes again were traded."*

While the GMB has been expected to retain a role as "buyer of last resort", and therefore maintain the floor price, this has not always been achieved. In most cases, it does not have the liquidity to do so, meaning that actual prices have fallen below the official minimum price. Lack of financial resources by the GMB means that farmers have not been paid on time, thereby affecting preparation for the next season. The GMB floor price has become more of a ceiling price, with transporters buying maize at considerably lower prices in communal areas which they then sell to the GMB. In the maize market, smallholders and communal farmers have suffered from increased uncertainty, not knowing what price they are likely to get for their crop. Farmers have seen prices rise to over double that of the GMB in the poor agricultural years when they have little to sell; however, in the good years when they have a surplus, the private traders are either not buying or offering less than the GMB. Such uncertainty makes planning for the future extremely difficult for smallholders with no cash reserves.

Cotton

The advent of competition in the marketing of seed cotton has seen the position regarding cotton improving considerably over the years. Communal and resettlement farmers, at 70 %, account for the largest proportion of national cotton intake. However, a major supply shortage still remains in relation to the current level of domestic and export demand. The Cotton Company of Zimbabwe continues to play the role of price leader in the market, distortions which limit effective competition in the seed cotton industry. The price war that was witnessed between the Cotton Company, Cargill and Cotpro during the 1998 marketing season benefited farmers in the form of improved producer prices. However, the take over of Cotpro by the Cotton Company has affected the much needed competition in the industry.

Cottco, a product of the former parastatal organisation, the Cotton Marketing Board formed in 1969, has witnessed phenomenal growth since the deregulation of the industry in 1993. Table 1 below traces the growth of the industry since 1991.

Table 1: Growth of cotton production since 1991.

Year	**99**	**98**	**97**	**96**	**95**	**94**	**94**	**93**	**92**	**91**	**90**
	Z$	Z$	Z$	Z$	Z$	Z$	Z$	Z$	Z$	Z$	Z$
Profit / Loss	1.3bn	1,2bn	171,1m	71,9m	48,1m	8,2m	101,4m	(76,5m)	39,6m	22,2m	(22,2m)
Subsidies	-	-	-	-	-	-	-	-	2,6m	46,0m	17,7m
Seed Cotton Purchases (tonnes)	204.3	203,4	193,4	231,7	80,3	N/A	204,9	60,0	204,5	187,6	621,4

There is concern however that the huge profits enjoyed by Cottco are not being translated into improved producer prices for farmers.

Box 2: Cottco's Assistance to Farmers

Inputs credit scheme

Under the inputs scheme, initiated in 1992/93, growers are provided with inputs and/or cash and undertake to deliver their cotton to Cottco. The demands for loans by farmers has been increasing, resulting in a significant jump in the number of participants in the scheme from 86 426 in 1995/96 to 53 868 in the 1998/99 season. Recoveries from participants was 92 % in the 1998/99 season. Recoveries from small-scale farmers were 96 % while those from large-scale farmers were 90 %. This shows that small-scale farmers are not bad debtors after all. (***Cottco Annual Report, 1999).***

It is however disturbing to note that Cottco is planning to scale down the scheme, which it says, will in future be on quality of growers and not numbers. This means the majority of communal and resettlement farmers will be left out, thereby exacerbating the problem of access to input credit.

Information

Growers are given agronomic information and technical advice to help them improve their yields.

Cotton collection

The group has a wide network of depots and ginneries located in all major cotton growing areas for the convenience of growers.

Beef

The beef industry is an important component of the agricultural sector and indeed the national economy. Table 2 below shows its contribution to total agricultural sales between 1990 and 1997.

Table 2: Contribution of Beef to Total Agricultural Sales

Year	Total Agricultural Sales (US$ million)	Value of cattle slaughtering (US $ million)	%
1990	921.9	103.8	11.3
1991	727.5	72.0	9.9
1992	508.8	81.7	16.1
1993	767.70	101.6	13.2
1994	817.8	101.1	12.4
1995	798.6	116.7	14.6
1996	1061.6	115.8	10.9
1997	571.5	91.5	16.0

Source: Central Statistical Office & Reserve Bank of Zimbabwe

The cattle population in Zimbabwe has declined significantly due to periodic droughts and the adverse macroeconomic environment. The national cattle herd stands at approximately 5 million with about 70 % in the communal sector.

The Cold Storage Company (CSC) is making frantic efforts to ensure that the industry does not lose its 9 200 tonnes annual quota to the European Union. Farmers have been de-stocking to repay debts and also avert likely losses from farm invasions.

The industry is facing a decline due to increased stocktheft, poor prices and the de-stocking exercise. Stock theft has increased mainly as a result of farm occupations by self-styled war veterans and reports at the time of going to print said 80 cattle worth more than Z$1 million were missing from the occupied farms in Masvingo, while 2 000 cattle valued at more than Z$2 million were missing at an invaded commercial farm in Kadoma.

The livestock industry activities were addressed by government in 1937 with the establishment of the Cold Storage Commission (CSC) as a statutory body, for

the orderly marketing of livestock meat and meat products in the country. The CSC was responsible for all livestock purchases, slaughtering and marketing of beef locally and had the monopoly to export beef. The CSC acting as a policy instrument of the government through the provision of a guaranteed market, can be credited for the growth of the beef industry to its peak in 1977, stability in the immediate post-Independence period and successful entry into the European Union markets.

The liberalisation of the beef industry from 1991 under ESAP has led to the proliferation of private slaughterhouses. There are about 54 registered private abattoirs at the moment. Despite the commission being registered as a private company in 1995, its dominance in the beef market has declined significantly as shown by Table 3 below.

Throughput to the CSC has dropped quite substantially from a peak of 656 396 in 1977 to 137 285 in 1999. The company is now handling between 20 and 25 % of national slaughtering. On the other hand, registered private sector activity has increased significantly since 1981 from 42 923 head of cattle slaughtered to 204 964 in 1999.

Table 3: Estimated number of cattle slaughtered by different sectors (1972 – 1999)

Year	CSC	Registered abattoir	Others	Estimated total	CSC as a % of total slaughter
1972	549,792				
1973	600,050				
1974	457,965				
1975	444,160				
1976	560,402				
1977	656,396				
1978	649,397				
1979	562,126				
1980	455,704				
1981	349,328	42,923		392,251	89.1
1982	449,428	23,980		473,408	94.9
1983	455,183	30,573		485,756	93.7
1984	429,734	49,832		479,566	89.6
1985	399,108	38,518		437,626	91.2
1986	307,908	44,943	47,866	400,717	76.8
1987	391,231	13,865	153,297	558,393	70.0
1988	326,857	45,125	163,831	535,813	61.0
1989	293,795	50,191	167,541	511,527	57.4
1990	309,377	67,330	221,929	598,636	51.6
1991	306,792	88,681	331,332	726,805	42.2
1992	377,531	118,499	253,482	749,512	50.3
1993	276,352	126,713	207,600	610,665	45.3
1994	217,661	108,847	197,297	523,805	41.6
1995	253,186	117,564	262,140	632,889	40.0
1996	189,786	129,602	209,601	528,989	35.9
1997	195,320	146,986	203,326	545,632	35.8
1998	176,641	187,514	193,992	558,147	31.6
1999	137,285	204,964	293,872	636,121	21.6

Source : Meatmark / Cold Storage Company Limited

The viability of the CSC has therefore worsened during the reform period. The situation has been worsened by the fact that CSC prices are based in US dollars at the exchange rate prevailing at the point of slaughter. Following devaluation, prices always shoot up thereby hitting hard the final consumer. Private abattoirs benefit most from devaluation. CSC benefits from devaluation are always wiped off by costs associated with shipping beef to the EU market where prices have

remained static for a long time. In other words, liberalisation has only benefited private abattoirs.

According to beef industry experts, the biggest mistake that was made by the government was not to make the beef industry strategic and provide enough support to producers.

The Dairy Industry

Currently, Dairibord Zimbabwe Limited (DZL) buys about 85% of the national milk deliveries while Nestle Zimbabwe accounts for about 8.5% and the remainder is handled by a number of smaller processors. The industry has a processing capacity of 350-400 million litres per year.

Milk is produced around the main cities and towns with DZL processing plants in Bulawayo, Gweru, Kadoma, Harare, Mutare and Chipinge. Nestle Zimbabwe has only one facility in Harare. The smaller units are dispersed around the country. The combined effort of all the processors offers a comprehensive range of high quality products for both domestic and regional markets.

The smaller processors tend to focus on niche markets. One such entrepreneur, situated in a prime tourist destination, attracts visitors to the dairy farm, not only to walk around the facilities and view animals, but also offers a range of home made products and a restaurant in most pleasing surroundings.

Production systems vary from extensive, i.e. ranching type systems to intensive i.e. zero grazing, with a range between the two extremes. The 3-4 months rainy season followed by 8-9 months of relatively warm and dry weather are conducive for good cow health. The downward side is the harsh nutritional environment as a result of Zimbabwe's geographical position whereby it is impossible for producers to grow high forages, with the exception of maize silage.

A fundamental characteristic of dairying is the long-term nature of the business in terms of management/marketing decisions. For instance, many of the large commercial producers in Zimbabwe have taken 25-30 years to reach levels of efficiency, management and production that make them comparable with their counterparts in other milk-producing countries around the world.

Fodder and feed production, as well as breeding policies, have a 3-4 year window. In other words, decisions made today only manifest or yield results in 3-4 years' time. This is more pertinent to breeding policies.

Capital costs for establishing dairy units are extremely high and returns on this capital are low and slow for long-term type enterprises. Entrepreneurs cannot get in and out of milk production for short gains. This is the main reason why

Zimbabwe has not been able to attract new and young entrants into the dairy industry.

Table 4: Producer Distribution by Cows-in-Milk (Actual Data)

Cows in milk	1997 No. of Producers	1998 No. of Producers	1999 No. of Producers
0-49	49	29	60
50-99	54	30	55
100-149	25	17	33
150-199	25	21	20
200-249	12	12	8
250-299	8	3	6
300-349	3	3	2
350-399	3	-	1
400+	6	6	10
No of Responses	187	121	195
Return Rate	55%	37%	61%

Source: National Association of Dairy Farmers of Zimbabwe (NADFZ)

Horticulture Industry

Zimbabwe's horticultural export industry is the fifth largest agricultural commodity after tobacco, maize, sugar and beef. In addition, horticulture is the second largest agricultural foreign exchange earner after tobacco and accounts for approximately 3,5 to 4,5% of GDP. Foreign exchange earnings have increased by an average of 20% over the past ten years. Participation by smallholder and communal farmers is however limited in this industry.

This growth is however beginning to slow down, primarily due to a number of macro-economic and socio/political factors which appear to favour Zimbabwe's competitors, chiefly Ethiopia, Uganda, Malawi and Zambia.

The success of the industry has been based on a free market situation requiring considerable entrepreneurial flair from producers. Most exporters employ agents who act on their behalf, and an increasing number of growers access expertise in the form of consultants. Negligible numbers of smallholder and communal farmers participate in horticultural production.

Wheat

Wheat is mostly grown by large commercial farmers who have the necessary infrastructure needed to irrigate the crop in winter, the usual growing season of the crop. The production of wheat has been stable over the years except in 1992 and 1995 the years when serious droughts occurred.

Farm invasions continue to interfere with farm activity including irrigation of winter crops. Wheat production is expected to fall by more than 30% this year. This would mean Zimbabwe having to import an additional 190 000 tonnes. To avert collapse, some companies have shown ingenuity through forward contracts to secure wheat. The on-going electricity power load shedding is likely to negatively impact on irrigation programmes despite abundant water supplies.

Coffee

The plight of the coffee sector has been eased by the recent devaluation of the Zimbabwe dollar which has increased export earnings. The 1999/00 season has been the most difficult for the coffee sector due to declining prices over the past four years. The decline has been caused by over supply of the commodity on the world market.

It is estimated that about 200 farmers in Zimbabwe have about 9 200 hectares of coffee planted. Producers are anticipating to get an average yield of 2.5 tonnes per hectare through which the country would realise an annual production output of 30 000 to 40 000 tonnes.

However, the 1999/00 season has been a challenging one for the sector due to Cyclone Eline's devastating impact and the farm invasions.

Investment in agriculture

According to the Zimbabwe Investment Centre (ZIC), investment in the agricultural industry has been very low when compared to other sectors of the economy. For instance, only three investment projects in the sector were approved by the ZIC between January and June 2000 constituting a mere 3,5% of the total projects approved over the period (see table 5 below). The value of total investment in the sector constituted only 1,1 percent of total value of projects approved over the same period. In addition, no machinery was invested in the three projects that were approved. New jobs that were created amounted to 103 or 4,7 percent of jobs created in all the projects approved over the six months period.

Table 5: ZIC approvals: analysis of economic activities related to investment in agriculture: January-June 2000

		Percent of total
Number of projects	3	3.5
Total investment	16,800,000.00	1.1
Foreign currency outlay	12,500,000.00	1
Jobs created	103	4.7
Export earnings	3,900,000.00	0.1
Machine	0	0
Foreign currency injection	76,900,000.00	12.4

Source: Zimbabwe Investment Centre

Funding for the agricultural projects approved by ZIC between January and June 2000 came from two countries namely France and the United States. These projects include joint ventures (see table 6 below)

Table 6: ZIC Approved foreign investment projects (including joint ventures) according to country of origin; January-June 2000

Country	**Zimbabwe dollars**
France	2,100,000.00
USA	14,700,000.00
Total	16,800,000.00

Source: Zimbabwe Investment Centre

Impact of liberalisation on household food security

Studies have found out that household food security has worsened during liberalisation. While Zimbabwe is generally food secure in terms of national requirements, it is certainly still experiencing unacceptable levels of household hunger as evidenced by the fact that 30 % of children under the age of five are chronically malnourished. National food security does not guarantee household food security. Food security in Zimbabwe will only be guaranteed when each and every Zimbabwean household has access to an adequate diet necessary for a healthy and active life, day in and day out.

The commercialisation of smallholder agriculture has in practice meant the use of bought inputs (fertiliser, hybrid seed etc) and an increased concentration on cash sales, rather than production for home consumption. This has tended to encourage agricultural extension services to provide more support to better-off smallholders and giving exclusive grazing and water rights to better-off farmers.

According to ***"Reaping the Whirlwinds of Change- Economic Liberalisation and Food Security"***, a study conducted in the Mutasa and Chivi districts by Munhamo Chisvo , few households purchased maize grain from the market because most farmers were consuming grain from their own supplies at the time. However, maize production in recent years has been sufficient to cover the period immediately before the next harvest. With the rising cost of inputs, the proportion of food-deficit households usually rises during the November to March period. The respondents preferred to borrow or to buy grain from neighbours to replenish their depleted supplies, because of the prohibitive costs of more refined roller meal.

With the implementation of ESAP, the sources of income for rural people have become more diverse (See table 7 below). The main source of income for most respondents was crop production. The poorest households said they supplemented their income from agriculture by hiring out their labour to better-off farmers for cash or food.

Table 7: Main Sources of income and ranking, Mutasa district

Source of Income	**Rank**
Sale of Maize, wheat, groundnuts and soya beans	1
Horticultural crop sales	2
Brewing	3
Brick Moulding	4
Hiring out labour	5
Sale of merchandise from neighbouring countries	6
Remittances	7

Source: Reaping the Whirlwind, Economic Liberalisation and Food Security in Zimbabwe

The sale of livestock for income is not common in the area because few people own more than three cows or goats. However, farmers said that during hard times or when schoolchildren are sent home for non- payment of fees, some families would sell goats and cattle. In such times of need, farmers are forced to accept any price for their crops. A trend has developed for private buyers to come to the area to buy grain and other crops when the schools open.

All respondents cited the following as common reasons for food insecurity:

- Low yields, owing to limited use of now-expensive hybrid seed and fertilizers
- Sale of stored grain to raise school fees for children leading to shortages before the next harvest
- Land becoming infertile owing to limited use of inorganic fertilisers

- Hiring out labour to raise cash to buy essential food leaving little time to work in their own field(s)
- Rising inflation, making basic food prohibitively expensive;
- Land shortages, owing to subdivision of parents' plots to support childrens families and;
- The increasing burden of AIDS-related deaths in the family-orphans are usually brought to the village for support.

Respondents pursued many different strategies to overcome household food insecurity. Each household depending on their situation, pursued a mixture of methods to survive. Below is a list of survival strategies adopted by the respondents in all the wards:

- Hiring out labour to better of farmers
- Moulding bricks,
- Gold panning
- Having only one meal a day
- Using millet from the previous season (only about 10% of households in the district do this because millet is becoming unpopular with the new generation)
- Growing more vegetables for home consumption and for sale
- Brewing beer for sale (mutual support within the community)
- Selling paraffin and sugar in exchange for maize grain
- Sale of livestock

Box 3: Household Food Security

The SAPES research project on Social Policy Within the Context of Economic Reform, confirms that food availability at household level has worsened during agricultural market reforms. The project co-ordinated by Allan Mwanza embarked on baseline and monitoring surveys on the impact of ESAP on the vulnerable and marginalised and their coping strategies in times of adversity. As happened during the baseline survey, food availability was again assessed during the monitoring survey. The following section presents the food situation as found during monitoring and makes comparisons with the baseline findings whenever possible. In addition to looking at the food situation within individual households, the monitoring survey went further to investigate the broader food production and attendant activities within the communities. Discussions with community groups focused on production capacities especially in the preceding five years (1993-1998).

An important finding was the reduction of the communities' capacity to produce their own food. This fact stood out even within those communities where there was potential for food self-sufficiency. The reason for this state of affairs was said to be two pronged.

Firstly, the years in question were characterised by erratic rains in most areas. An even worse factor contributing to their failure to produce enough food was the rising cost of commodities and the general cost cutting measures that were being implemented across the country. The rising cost of commodities affected communities directly in that prices of inputs like seed and fertiliser became so high that communities were forced to drastically reduce acreage under cultivation because they could not afford the inputs. On the other hand, their traditional sources of assistance were also not so readily accessible anymore. Organisations like the Agricultural Finance Corporation (now Agribank), which used to assist most communal farmers, were also streamlining their operations and were introducing more stringent ESAP-driven repayment procedures. These new procedures had the effect of disqualifying most small producers, further incapacitating communities in food production. Thus, the combination of recurrent droughts and the rising cost of inputs resulted in communities living in a state of perpetual food deficit.

Furthermore, the inability of most communities to produce food for their own needs has meant that people were now relying more and more on purchasing even maize and/or maize meal. Communities were thus caught up in a vicious circle where they could not produce enough because of escalating costs of inputs and ended up buying basic foods whose prices have been increased to unaffordable levels. The end result was that generally less food was available.

Some of the communities visited had the state sponsored relief scheme in place, but the amounts given were said to be insignificant. There was no state assisted

scheme going in all areas visited in Matabeleland at the time of the survey but the overall food situation in these provinces was just as bad and communities wondered if it was their local leadership which was not presenting the situation accurately. It was against this general background that the food situation at household level was analysed.

Arable land

The majority of the respondents (63.8 per cent) during the survey stated that they had adequate arable land while 36.0 did not have enough land. This situation had changed during the monitoring survey when more respondents (53.4 percent) said they did not have adequate land. The problem was more acute in the rural areas than in the urban areas because many people in rural areas rely on agriculture. Responses to questions on land varied greatly. Some viewed land in simple acreage terms regardless of quality, while others looked at adequacy of land in relation to its quality. At the time of the monitoring phase, questions on land were highly influenced by public debate and confrontation, which were going on at the time in some areas.

Livestock

Ownership of livestock is often used as an indicator of stored wealth within a community. The study looked at whether or not households in rural areas owned some livestock. Ownership of cattle especially, attracts a lot of respect within communities, while goats and poultry are usually used to supply the families' meat requirements. Goats and poultry also serve as a ready source of cash as people can easily sell these off to raise some needed money. As can be seen from table 7, 55% of households had no cattle at all.

Cumulatively, 21 % had up to four head of cattle while only 23 percent had five or more cattle. Relatively, more households had some poultry although 26% did not own any. A cumulative total of 25% of households possessed between one and four goats while 18 % had five goats or more. Very insignificant proportions owned donkeys, sheep or pigs. The picture emerging was that of general lack of livestock, which is a traditional source of wealth. This was the same trend found during the baseline survey. When this is coupled with lack of incomes and lack of harvests, the total picture that emerges is that of increased poverty among communities.

Crop and livestock sales

When the rural household needs to supplement their incomes, they usually resort to selling crops and/ or livestock. However, during the survey it was found out that very few households had any livestock. This affected the production of crops that were intended for sale. Most rural households are still reeling from the impact of the 1992/ 1993 drought which decimated their livestock. Despite the introduction of the national restocking programmes designed to increase the country's livestock, very few people seem to have benefited from it. However, of

the few lucky households who had livestock, about 17 percent acknowledge raising additional income after selling some. Of this category, 7 percent were of the opinion that the prices had risen in nominal terms.

Table 8: Livestock

Number	Livestock					
	Cattle	Poultry	Donkeys	Sheep	Goats	Pigs
None	55.3	25.6	91.3	95.9	57.2	98.6
1	5.4	2.5	1.1	0.5	6.0	0.3
2	4.4	6.3	2.5	1.4	8.7	0.8
3	5.7	5.2	2.7	0.3	4.1	0.0
4	5.7	5.4	1.4	0.5	5.7	0.3
5+	23.4	55.0	1.1	1.4	18.3	0.0
Total	100	100	100	100	100	100
Number of households	367	367	367	367	367	367

Source: Social Policy Within the Context of Economic Reform

Table 9: Households perception of current crop prices compared to the previous season. (%)

Perception	Monitoring	Baseline
This is more than the last season	64.4	38.8
This is less than the last season	24.4	47.9
The same	2.2	10.9
Not stated	8.9	2.4
Total	100.0	100.0
No. of households	45	165

Source: Social Policy Within the Context of Economic Reform

Gender impact of agricultural marketing reforms

Women play a key role in subsistence and surplus cash economy of the household. Women and children, mostly undertake farming in Zimbabwe, particularly in communal areas. Most men work in the urban areas.

Women smallholder farmers have not been able to access loans because they lack collateral and therefore are regarded as high risk. A few organisations such as the Zimbabwe Women's Finance Trust, ZAMBUKO and others have loan facilities for women, but it is inadequate. The ongoing land reform programme has not made a deliberate effort to target women. The Women and Land Lobby Group has analysed access to credit schemes in Zimbabwe and discovered that women receive less than 10 % of the credit awarded to smallholder farmers.

Since women are the major players in the day-to-day farming operations, a small proportion has received extension services compared to men during liberalisation. While female headed households may be able to acquire land for resettlement, married women face difficulties. This is because in distributing land and giving land rights, the focus culturally and thus administratively is to give such rights to heads of households. These heads of households are often male and married women are considered as part of the men's family and therefore benefit through their husbands. This has led to discrimination of married women in controlling land. The Constitution does not guarantee women's rights to own land or acquire property. This gender insensitive Constitution overrides all laws and policies that may be out in place by the Zimbabwe government, according to **Lydia Zigomo-Nyatsanza, Director of the Zimbabwe Women Lawyers Association**.

Women have been severely marginalised in terms of access to loans to carry out agricultural activities as shown by table below.

Table 10: Number of beneficiaries under AFC Group Lending Scheme

Year Ended March	No of beneficiaries			Loans to total beneficiaries	
	Female	Male	% Women	Number	Value Z$(?)
1992	1 191	3 220	27	191	4.5
1993	1 191	2658	43	246	6.6
1994	7 007	10 083	41	1 065	30.6
1995	9 878	15 864	38	1 583	48.0

Source: Agricultural Finance Corporation, 1995 and 1998

Box 4: Gender and sustainable agriculture

Extracts from Living Farms – Encouraging Sustainable Smallholders in Southern Africa by Martin Whiteside

Women remain key players in most smallholder agriculture throughout the region. What this means in practice, however, can be very variable. Family structures are changing rapidly, with increased divorce and breakdown of the extended family (lessening both the security and constraints it provided. Gender roles vary from household to household, from area to area and are changing over time. In very general terms:

- Inheritance patterns vary throughout the region, being patrilineal or matrilineal in different areas; there is some indication of an increased tendency towards patrilineal inheritance in some areas, and more even sharing of inheritance between sons and daughters in others. The degree of security a woman has over land and other farming assets, particularly on divorce or widowhood, can depend on the interaction between the individual family, local traditions (particularly whether partilineal or matrilineal) and national law (which is slowly becoming less gender biased in most countries).
- Husbands and wives may have separate fields or share the same fields; even when they have separate fields, they may both work on each other's fields, and the produce may be kept separate or combined.
- Women tend to be responsible for food crops, storage and processing; however, men may help or be responsible for various stages. There is great variability over who decides key issues, such as the proportion of food versus cash crops to plant, or how much grain to sell and how much to store, or making investments such as buying a plough or planting trees. In some cases, although a woman may do all the day-to-day work, she may not be able to take larger decisions – which can constrain timely management if the husband is away working, for instance.
- Although men are often considered necessary for ploughing when using animals, in nearly all areas there are examples of individual women ploughing; this is particularly common when donkeys are used.
- Individual animals are often owned by different members of the household, both men and women – although the animals are often managed together in the same herd, with either men or women doing the work. Although small stock (chickens, ducks, goats, sheep and pigs) tend to be more often the responsibility of women, there are exceptions. Men tend to be responsible for issues relating to common property grazing management and livestock water points, although again there are exceptions.
- Women (and children) tend to be responsible for gathering firewood, although when firewood procurement and sale become a commercial activity, then men are generally involved. Women (and children) tend to be responsible for

gathering wild fruits and vegetables. Both women and men may be responsible for planting or protecting trees; men are sometimes considered necessary for the heavy work of clearing and destumping bush to make fields – although there are examples of women taking this on.

- Though in most communities men tend to be over-represented in rural community decision-making structures, there is often some involvement of women. Much less is known about the actual role of men and women in informal decision-making processes. The age divide in decision-making may be even more marked than the gender divide.

Women and men tend to be treated differently by government and NGO agricultural programmes:

- The majority of programme mangers, fieldworkers and researchers are men; despite some initiatives in gender training this is likely to have and impact on how the programme relates to women farmers.
- Although there us more awareness of gender, it is often an issue that is tacked on the agricultural programmes, rather than the whole programme being based on a thorough gender analysis – including the different roles, perceptions, constraints and ways of working with women and men in agriculture.
- Some programmes, such as the Arable Lands Development Programme (ALDEP) have tried to improve the participation of women by affirmative action and offering better terms of female-headed households; programme had been based on a thorough gender analysis.
- There are a small but growing number of programmes working specifically with women farmers – the challenge is to ensure that some of the lessons they are learning, and approaches they are developing, are transferred to more widespread programmes and replicated more extensively. There are also a growing number of organisations with a specific expertise (such as women and the law, or gender training) which should be of use to other organisations involved in sustainable agricultural development.

Alternative marketing channels

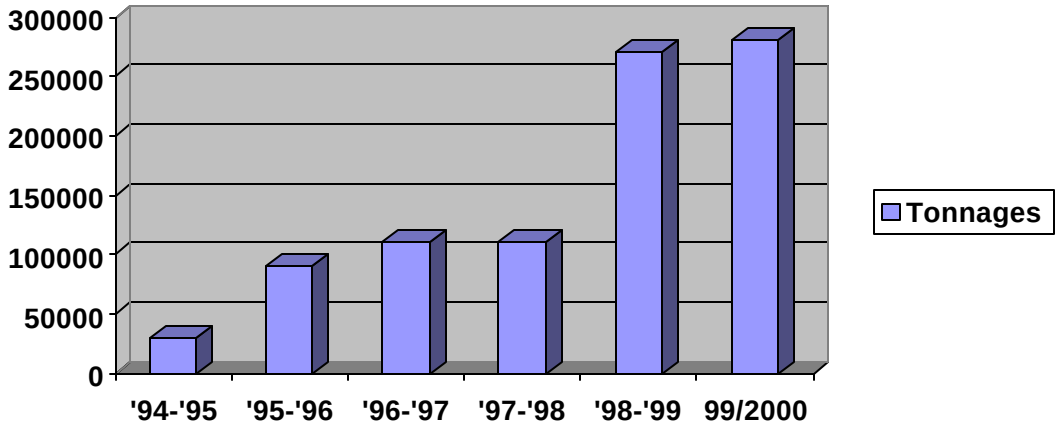
Zimbabwe Agricultural Commodity Exchange

ZIMACE was formed in March 1994 to provide an alternative route for agricultural marketing in line with the liberalisation of agricultural markets.

It operates on an open outcry system whereby bid and offer prices are called out at each trading session and confirmed by the brokers in attendance. This enables market forces, particularly supply and demand, to achieve a price

agreed to on a 'willing seller, willing buyer' basis. The exchange has grown significantly as shown by graph 1 below

Graph 1: Total volumes traded – 1 April 1994 – 29 February 2000



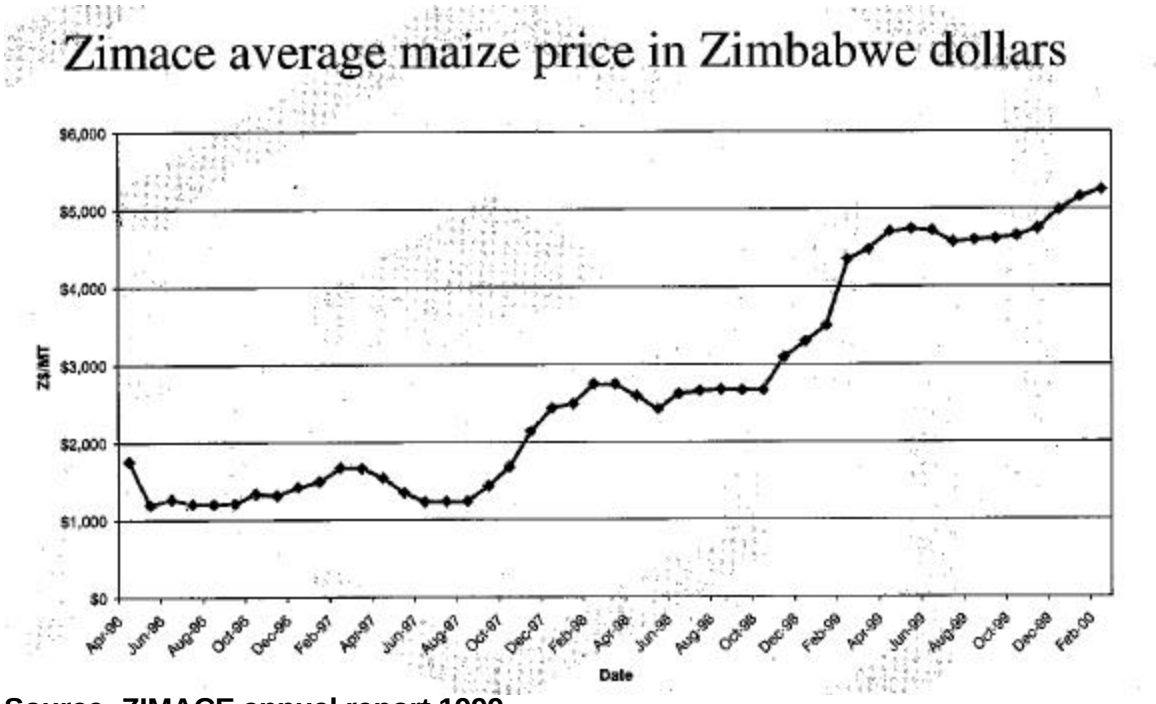
NB. Year runs from 1st April to 31st March **(11 Months)**

Source: ZIMACE 1999 report

The Exchange is gaining popularity among producers (in the last two years, more and more small scale farmers are now trading their commodities through ZIMACE) who are looking for a transparent market place with security, for legally binding contracts and for an arbitration facility which protects both parties. Three main crops traded at the exchange are maize, wheat and soya beans. There is also potential to expand the commodities traded at ZIMACE.

Farmers are generally happy with the prices offered through ZIMACE which have strengthened over the years as shown by graph 2 below.

Graph 2: Zimace Average Maize Price in Zimbabwe Dollars



Source: ZIMACE annual report 1999

Through ZIMACE, the farmer now has that most important commodity, information, at his fingertips. He can look at prices in the market place, he can talk to his broker, he can consider factors like the probable exchange rate at harvest time and can get information on international commodity prices. All this is vital in deciding what crops to grow.

Box 5: Gokwe Farmers Association

The Gokwe Farmers Marketing Association is a good example of small farmer participation in the exchange. The association has been trading small volumes of maize for the last two years. About 400 tonnes were traded in the 1998/99 marketing season. Bruce Milliken of Bateleur Ventures says there are still some difficulties which have to be overcome for more small-scale farmers to trade their commodities through ZIMACE. Among these are the small-scale farmer's need for instant cash payment instead of waiting the normal 14 days, and the amount of paperwork involved when trading small parcels of maize.

To facilitate the Gokwe farmers' entry onto ZIMACE, Bateleur has had to provide bridging finance needed to meet the farmers' demands for instant payment. Support from banks is therefore critical.

With more information, the exchange could provide small-scale farmers with protection against grain buyers who offer lower prices for cash.

Employment, incomes and distribution of wealth

Formal employment in the agricultural sector remained constant at 300,000 in the first years of ESAP. However, the high inflation rate, triggered by ESAP, reduced the real value of agricultural wages such that in 1992, real wages were half their 1990 level. (*ZCTU, 1996*). Permanent employment in the LSCF sector – particularly tobacco and horticulture – increased by 10,000–15000, while casual labour increased by about 30,000. The share of wages in the value of LSCF marketed output fell from an average of 36% over the 1980-83 period to 35% during the period 1988-91, and less than 15% by 1993.

Farmers' response to the new SAP measures were largely conditioned by the size and nature of their operations.

The total acreage under crop in the communal and resettlement areas declined, while at the same time more and more people became dependent on agriculture within the communal areas due to natural growth of the population and ESAP-induced retrenchments. The World Bank attributes this decline, among other reasons, to reduced availability of credit; less fertilisers and agro-chemicals; the reduced availability of seed; lower rainfall levels; expansion of cultivation into more marginal areas; declining soil fertility; continued clearance of wood cover and erosion. While this analysis has its merits, it however places little emphasis on the lack of land redistribution as a key constraint for smallholder production growth and basic cause of environmental degradation.

Thus, the attainment of improved productivity and higher food production among small-scale farmers, for example, remains an area of critical concern as shown by table 11 below.

Table 11: Percentage distribution of crop production in communal and commercial sectors.

Year	Commercial Sector	Communal Sector	National Total
		(Percentage Distribution)	
1983	81.8%	18.2%	100.0%
1984	80.1%	19.9%	100.0%
1985	67.5%	32.5%	100.0%
1986	72.8%	27.2%	100.0%
1987	81.5%	18.5%	100.0%
1988	80.2%	19.8%	100.0%
1989	83.0%	17.0%	100.0%
1990	89.1%	10.9%	100.0%
1991	91.5%	8.5%	100.0%
1992	96.7%	3.3%	100.0%
1993	66.9%	33.1%	100.0%
1994	86.8%	13.2%	100.0%
1995	72.0%	28.0%	100.0%
1996	89.0%	11.0%	100.0%
1997	89.5%	10.5%%	100.0%

Source: The Agricultural Sector of Zimbabwe Statistical Bulletin March 1999

According to the Ministry of Lands and Agriculture: "***Policy Strategies for Stimulating Agricultural Production and Food Security for the 1999/2000 Farming Season and Beyond"*** the problem of low productivity in the small holder farming areas is a function of factors which include poor farming skills, limited use of technical inputs, unavailability of technical inputs owing to poor infrastructure, poor soils and inadequate provision of extension back-up and farmer training.

For example, small holder farmers currently consume 25 % of the total fertiliser in Zimbabwe and on average apply 50 kgs of fertiliser compared to 700 kgs per hectare by large-scale commercial farmers (***Policy Strategies for Stimulating Agricultural production and Food Security for the 1999/2000 Farming Season and Beyond).***

Well-intentioned as the policy may have been, Government did not implement complementary policies such as information flow, market research and infrastructure development. This led to the exploitation of farmers by traders in a liberalised market and dwindled the little benefits further.

Information

The one imperative component for a liberalised market to work is accurate crop forecasting. There is currently a huge variance between forecast figures and actual realisations. The crop forecasting committee is a good idea, but the existing one is viewed as inconsistent in terms of crop forecasts.

Agricultural Policy Management and Marketing Information System (APMMIS)

The recent establishment by the Ministry of Lands and Agriculture of an Agricultural Policy Management and Marketing Information System is a welcome development in an effort to bridge the market information gap. However, the effectiveness of this system is hampered by capacity constraints. The fact that the technical assistance component is donor funded raises questions of sustainability.

Producer prices

Producer prices awarded to farmers have been inadequate to compensate for the escalation in the costs of production. For example, the beginning of the 1999/2000 marketing season was characterised by a price dispute as cotton prices had increased marginally from $8,50 to $11,30 from 1998 to 1999 while costs of production had increased by a whooping 130 % per hectare during the same period.

The following have been the floor prices for maize that have been set by the Ministry of Lands and Agriculture.

Year	Producer price/tonne for white grade A
1992/1993	325
1999/2000	4 200
2000/2001	5 500

Source: Ministry of Lands and Agriculture

The low producer prices have plunged many farmers, particularly small holder farmers into serious debt.

Delays by the Ministry of Lands and Agriculture in announcing the producer prices and controls on selling prices by traders and millers have caused a lot of uncertainties and inefficiencies in the marketing system. Traders and millers are not prepared to commit themselves to market-related producer prices if they are to sell their products at controlled prices.

During fieldwork, cotton growers reported that cotton marketers bought their cotton at unjustifiably low prices using what they call " our grading system" as a scapegoat. Under the system, cotton is graded according to quality, the highest

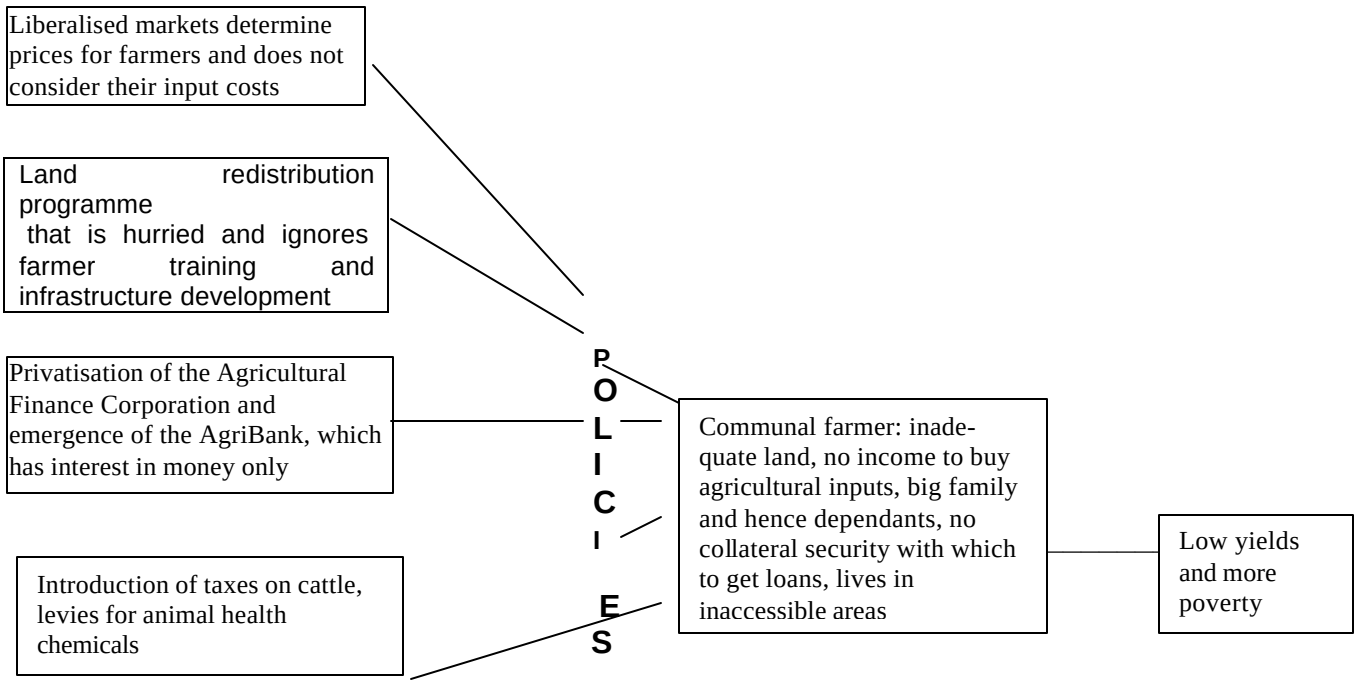
and best paying being grade A. They are surprised to discover that the cotton from communal farmers was graded as C or D so that they earned less than they deserved.

> "*We know that no cotton exceeds the quality of handpicked cotton, but ours is graded as C or even D while the cotton from commercial farmers, which is picked by machines in graded as A."*

On the informal market, rural farmers in inaccessible areas are forced to sell to middlemen and women who, however offer unrealistically low prices on a take-or-leave deal, taking advantage of the farmers' desperate bid to sell their produce. The obvious consequence is low or no profit for small-scale producers. (see Annex 2 and 3)

Rural producers are restricted to poor domestic markets unlike commercial farmers who have easy access to foreign and more lucrative markets which usually pay them in foreign currency. Commercial farmers can afford to withhold their produce until prices of their commodities on the market become more favourable. They did the same in 1999 when tobacco prices on the market were low. Communal farmers are unable to manipulate the market in manners like that because they are desperate to sell.

The diagramme below sums up the feedback obtained from the participatory exercise



Commercial farmers also experience hardships in their operations in the form of increased input costs, especially considering that they employ a huge labour force. They responded by either laying their workers off or removed some favourable working conditions such as payment in both cash and kind. In recent years, commercial farmers have received pressure from both their workers and employee representative unions to raise wages and numerous farm worker strikes were reported in the mid and late 1990s.

In terms of what should be done, farmers in the focused group discussions suggested the following:

- They would like to have a say in the determination of the prices of their commodities.
- The decentralised marketing structures should be reopened to avoid middle-men benefiting from farmers.
- Droughts and other natural disasters should be taken into consideration when recovering loans from farmers.
- Farmers who are resettled do not only require land, but they also do require capital means of production, above all they need training and technical skills to make the land productive.

Direct Central Government Support

Direct central government support was marginal. This support is needed to build livestock health breeding and fattening centres, construction works, micro projects, (boreholes, wells, weirs and small dams), farm input delivery centres, draught/traction power stations and farming systems research centres. Low productivity by small holder and communal farmers is also as a result of limited and constrained accessibility to agri-inputs and the costs associated with procurement of agri-inputs. Input markets have not been completely liberalised in Zimbabwe, with the result that there is no competition and producers have not been able to import cheaper inputs. This is confirmed by the participatory survey exercise which was aimed at providing the raw voices of the ordinary persons, their conceptualisation and interpretation of the impact of agricultural marketing reforms to their welfare.

Through focused group discussions, the people said they had been buying agricultural inputs such as seeds, fertilizers, farming equipment and so forth at cheaper prices until ESAP liberalized trade and allowed traders to charge exorbitant prices for these inputs. They therefore could not cope with the higher prices, especially considering that they had other household financial obligations such as paying educational fees for their children. To try and cope, small-scale farmers had cut down on their expenditure on inputs. The obvious result was low yield, particularly for people in areas that received low rainfall and characterised by poorer soils.

The people also reported that during ESAP, a lot of acquisitions had become taxable, including cattle and other domestic animals. People were also required to pay dip tank chemicals and cattle treatment, although the frequency of dipping cattle had been reduced from weekly to fortnightly. The costs of cattle tax and dip tank levies combined with inputs costs further dig deep into already shrunken pockets of poor people.

A sample breakdown of expenditure done by people from Nemamwa, Masvingo is shown by table 12 below:

Table 12

Budget item	Cost for 1 acre (Z$)	Output
Tillage	04,500	- 2 tonnes of maize produced - $10,000 earned - a loss of $3,100 is made
Seed	00,800	
Fertilizer	03,000	
Transport	01,000	
Chemicals (e,g pesticides)	01,000	
Labour	02,000	
Packaging	01,000	
Total cost	**13,100**	

Source: own calculations

Box 6: Zimbabwe Farmers Union (ZFU)

Due to the difficulties experienced by the small holder sector in acquiring inputs, the actual input consumption potential of the sector has not been realised. For example, the **Zimbabwe Farmers Union** has found out that most of its members do not usually get their actual requirements for the year's plantings. This is usually manifested through:

- Lower recommended seed rates (plant population). This result in lower yields. A survey they carried out showed seed rates of about 60 % of the recommended rates.
- Land left fallow throughout the season.

Removal of farming subsidies has resulted in the cost of basic goods and services escalating thereby affecting food availability at household level. The phase-out of subsidies should have been done in a cautious manner.

An enabling environment should be created through, among others, speeding up the surveying and developing of growth points, giving incentives to business

people to start small scale, labour intensive input and processing industries at growth points.

Loan availability

Loans to the communal sector decreased further, both in value and number because government policy on provision of credit did not change in line with the new demands. Where it is available, the cost is prohibitive. Table 11shows the trend in short-term credit extended to farmers.

Table 13: Short – term credit extended to farmers by source (Z$ Thousand)

Year Ending	Commercial Banks (Advances)	Agricultural Finance Corp (S-T Loans)	Agricultural Coops & other Companies	Total
1970	28,186	12,159	19,235	59,580
1971	32,804	13,494	26,603	72,901
1972	33,678	14,824	24,238	72,740
1973	36,309	14,619	29,003	79,931
1974	45,109	18,535	34, 415	98,059
1975	51,917	26,222	33,014	111,153
1976	54,227	30,819	36,338	121,384
1977	47,753	36,751	33,264	117,768
1978	51,553	33,770	36,218	121,541
1979	51,613	38,944	37,544	128,101
1980	55,961	61,461	46,653	164,075
1981	54,084	61,943	63,844	179,871
1982	79,469	84,239	65,003	228,711
1983	97,622	124,211	82,403	304,236
1984	106,022	142,952	84,187	333,161
1985	109,458	148,599	112,810	370,867
1986	149,482	166,834	124,232	440,548
1987	296,525	210,415	285,574	792,514
1988	278,079	259,239	116,772	654,090
1989	308,610	297,300	155,803	761,713
1990	NA	295,947	201,179	497,126
1991	837,931	349,378	258,017	1,445.326
1992	726258	343,044	313,731	1,383,033
1993	NA	447,003	297,768	744,771
1994	NA	554,105	361,743	915,848
1995	NA	635,183	586,210	1,221,393
1996	NA	764,038	663,883	1,427,921

Source: The Agricultural Sector of Zimbabwe Statistical Bulletin March 1999

Participants at workshops convened during field-work reported serious difficulties in accessing loans. AgriBank, the former AFC was now demanding substantial property as collateral security, which most poor people could not afford. Poor people, unlike the rich, first undergo more discouragingly cumbersome processes of completing thick volumes of loan application forms written in languages they find too technical to comprehend before getting loans, if at all they do. The interest charged on the loans became increasingly unbearable and loan recovery systems more shrewd for farmers, who also face the risk of unpredictable droughts and crop failure. One participant said:

> "*Today the loan givers no longer care whether there was a drought or not. What they want is their money and they are ready to apply ruthless measures to get it back"*

According to an ***Intermediate Development Technology Group – Zimbabwe, ITDG-Z*** survey in 1998, less than 1,5 % of farmers in four districts – Guruve, Gutu, Chivi and Matobo – reported having access to credit from the formal sector. At the same time, the survey showed that about 25 % of farmers received informal credit, largely because of the mushrooming of informal financial institutions.

There was no change in terms of content or direction of research and extension during the first five years of ESAP. It remained a supply driven, high input, commodity centred event instead of a participatory, holistic and demand driven process. The quality of both research and extension deteriorated further because, while the number of farmers increased, a rising proportion of the budgets for research and extension (up to 70%) went towards salaries and wages, thereby causing a considerable cut-back in field operations and, consequently, reduced interaction with farmers..

Box 7: Key Public Sector Research Biases

(1)	The majority of experiments are run for short time period (one to five years) and are designed to provide short-term recommendations. While most institutions acknowledge the importance of sustainability in their reports and plans, experiments looking at sustainability are additional, and often peripheral, to the work of the research institution. Practically no institutions use an approach in which long-term sustainability is a factor in all relevant experiments.
(2)	The majority of research still had the objective of production or yield maximisation with little attention paid to other trade-offs. Relatively few experiments are designed to find either financial or economic optimum combinations of inputs and yield. Even in land surplus areas, nearly all crop experiments are designed to reveal yield per hectare, rather than yield per unit of labour (which if often the more relevant constraint).

(3) Very little attention is paid to risk minimisation or the balance of achieving high production with acceptable risk. In reality technologies need to produce sustainable livelihoods that can weather severe set-backs.

(4) Similarly, despite over a decade of nominal adherence to a farming systems approach, most institutions have a farming systems unit as an add-on rather than a guiding approach to all their work (this is about to change in Zimbabwe). Crops, livestock, forestry and wildlife are often responsibilities of different institutions, with limited collaboration. Farming system work often tends to be donor driven and funded, rather than part of the core budget and staff of the institution

(5) Agricultural economists and rural sociologists are underrepresented (or non-existent) in most institutions. Where they do exist, they are often not used strategically and may be marginalised.

(6) Many agricultural research stations are situated on favourable soils or in higher rainfall areas and are therefore not typical of smallholder conditions.

(7) There is still relatively little consideration of gender in most research programmes and, where included, gender is often not integrated into the overall approach.

(8) In most institutions there has been a shift in policy towards smallholder participation, but, in practice, it is mainly the better-resourced, larger-scale smallholders that are involved in trials, field days and represented on committees.

(9) With budget cuts, on-farm research tends to be hardest hit (often because of pressure on transport budgets).

Box 8: Farmers Development Trust

The Farmers Development Trust trains and provides technical and financial assistance small holder farmers to enable them undertake viable commercial farming. The Trust is concerned at the inadequate budgetary allocations to the Ministry of Lands and Agriculture, in particular the important areas to small holder agriculture of research, extension services, land reform and land survey. For the 2001 national budget, the Trust has proposed that the recurrent budget for extension services be doubled to ensure that the government reaches out to small holder and communal farmers. About $5 billion (compared to 100 million which was allocated in the 2000 budget) has been recommended for the Agricultural Development Assistance Fund so as to finance input procurement by small holder farmers. The tobacco levy should be abolished to enable more small holder farmers undertake viable tobacco farming.

Exports

Agricultural exports became increasingly unbalanced and earnings became unpredictable as by 1992 the contribution of the total agricultural export earnings of tobacco alone had increased to 78%. The LSCF sector gained most from the government stimulated export drive under ESAP.

WTO Agreement on Agriculture

Article 20 of the Agreement on Agriculture provides that negotiations for the reform of the agricultural sector are an on-going process. However, five years into the implementation of the Uruguay Round, there have been no meaningful benefits accruing to developing countries. If anything, developing countries' share of total agricultural exports are still below the 1970 – 72 levels of 31,7 %. High subsidies in OECD countries on agricultural and the use of sanitary and phytosanitary standards (SPS) and protectionist measures are still prevalent.

Conclusion

Structural adjustment involved reforms to macroeconomic and trade policies, which were designed, among other objectives, to improve price incentives for producers of tradables. As the output mix of the agricultural sector, including many smallholder sub-sectors, has a higher share of tradables and near-tradables than most other key economic sectors, a vigorous agricultural supply response had been anticipated via the improved terms of trade brought about by liberalisation. Likewise, by lifting restrictions on private sector entry into the marketing of agricultural produce, it was hoped that there would be a strong private sector response in supplying inputs and in purchasing, storing, processing and (where appropriate) exporting produce. Additionally, it was thought that parallel financial sector reforms (encompassing monetary management at the macro-level, through banking sector reforms down to the commercialisation or privatisation of State-supported agricultural finance organisations) would catalyse the other elements of structural adjustment by channelling funds to emerging opportunities for profitable farming and trade. Although Zimbabwe has gone very far in the area of liberalisation of agricultural markets, it has realised modest success in smallholder and communal agriculture.

In many developed economies, agricultural markets are still controlled and subsidised, with their farmers continuing to receive subsidies and other support. Proponents of SAP, in particular the World Bank and IMF however expect farmers in developing and less developed countries to adapt to an unsubsidised market-led environment in an unfairly short time period. Small holder agriculture has therefore failed to provide a route out of poverty for the majority.

The role of the State in a liberalised agricultural marketing system and efficiently functioning institutions is critical to the success of the various measures.

Programmes to enhance smallholder agricultural productivity and relieving poverty in the communal areas need long-term government and donor support.

Recommendations and the Way Forward

Market Liberalisation

Market liberalisation has caused serious hardships for farmers, especially small holder farmers due to poor infrastructure and inadequate preparation.

Trade liberalisation should therefore be approached in a planned and phased manner to give farmers the necessary chance to adapt to changing circumstances. The major role by government and sustainable interventions are needed to reduce market failure. These include support to farmer organisations, improved marketing and input retailing, investment in appropriate rural infrastructure, appropriate market regulation which provides protection but not unnecessary restrictions for the smallholder, improved financial services and market information.

Subsidised investment in farm capacity is likely to boost sustainable smallholder agriculture. The investments being subsidised should be relevant to diverse smallholder needs. Farm capacity subsidies also need to be developed alongside other initiatives that support sustainability, including more appropriate extension advice, community natural resource management capacity and interventions to improve the enabling environment such as marketing.

The government should, by all means possible, not attempt to substitute for the market by engaging in market activities that could be undertaken by the private sector. Its interventions should be directed at empowering hitherto marginalised individuals so that they can participate in the market productively, and at resolving market failure.

Land reform

Land reform must be vigorously pursued as it leads to the growth of smallholder farmers. The resettlement programme must embrace views and inputs from a spectrum of stakeholders – marginalised communal farmers, commercial farmers, the government, political parties, international organisations and other interest groups – otherwise a narrowly focused process will not be sustainable in the long term. Ideally, the programme must embrace the proposals contained in the 1998 Donor Conference on land reform held in Harare. Quite a substantial proportion of the land in the commercial areas remains under-utilised, and its acquisition could proceed without sacrificing production. It should however be noted that resettlement alone will relieve the pressure on the land only in the medium term. The need for concurrently increasing productivity on the communal and smallholder farming sector is of paramount importance.

Box 9: Interventions to reduce market failure for smallholders

Intervention	**Experience and Comments**
Lowering transaction costs Through farmer organisation.	Farmers' organisations can link to outside service providers or become service providers in their own Right. In South Africa, it is suggested that small new coops in smallholder areas might link with established coops in commercial areas.
Incentives to commercial Marketing in remote areas.	For instance: • Capital grants to open depots • Organisation and provision of plots (as in growth point development in Zimbabwe); • Facilitation of entry into retail business • Seasonal credit to grain purchases and input suppliers; • Market days in which a market might be held in a community once a week, attracting a wide variety of mobile traders – these are a way of lowering transaction costs and are traditional in Europe and much West and Eastern, but not Southern, Africa.
Improved infrastructure	Lack of feeder roads, bridges and telephones is repeatedly cited as limiting factor. A report from an multicomponent NGO project in Malawi concluded village access infrastructure was their most successful intervention.
Supporting contract culture	By legislation (e.g. Zambian Agricultural Credit Act (enabling agricultural 1995); by example - ending the political interference marketing and rural business which has contributed to the failure of government to be carried out within a credit schemes and undermined the repayment ethos.
Secure, just and legal environment	Levels of theft and violence in some rural areas make production and trading uneconomic.

Box 9: Interventions to reduce market failure for smallholders (continued)

Market regulation.	Some regulation is needed: • Quality regulation; • Food hygiene • Pesticides need regulation on human safety and Environmental grounds; • Accepted standards for organic produce are needed to develop this specific market. However, much regulation in the past has discriminated against small-scale farmers and traders who are unable to meet what are sometimes unnecessarily strict or expensive requirements. Regulations need to be reviewed with smallholder sustainability in mind.
Market intelligence	Informing small farmers of prices charged or offered can empower farmers and confront monopolistic suppliers and buyers. A simple example from Mozambique is a notice board, run by an NGO, where a long dirt road meets the tar, giving vegetable and other prices in the city in one direction compared with the other direction. On another scale, the Ministry of Agriculture in Namibia runs a millet marketing intelligence unit and ZFU provides market information and contacts.
Improved financial services.	Savings, seasonal credit and insurance ar needed to: • Enable rational farm planning • Enable seasonal and long term investment; • Reduce risk.
Alternative 'temporary' non-profit supply and marketing seed, interventions.	These are quite widespread and are typically run by Egos or extension offices (e.g. selling Fertilizer, implements); they can be very important in the short term – the difficulty is that interventions like these tend to stifle the development of more sustainable alternatives.

Source: Living Farms, Encouraging Sustainable Smallholders in Southern Africa by Martin Whiteside

WTO Agreement on Agriculture

The position, which Zimbabwe should push for during the negotiations, is the exemption of all less developed countries from undertaking commitments on domestic support and export subsidies. Developed countries should eliminate export subsidies within an agreed time period, particularly the agricultural products of strategic interest to less developed countries.

Urgent contribution is also required by developed countries and international financial institutions towards a revolving fund to help less developed countries to cope with rising food requirements and associated high food import bills and to assist them to increase local food production and capacity, inter alia, in marketing, storage and distribution.

Diversification

While diversification is required for small holder farmers to survive under the new economic and climatic conditions, this will not just happen on its own. Any strategy to achieve greater diversification within the small holder farming sector will require increased research in low cost technologies, development of water and irrigation facilities, increased farmer training in farm management skills and establishment of functional market information systems.

Producer prices

Increase in producer prices should be commensurate with the cost of production and not based solely on market forces. Windfall gains from devaluation and exports should be shared with all farmers involved in the production of these tradables. A viable strategy to increase viability and stabilise consumer prices hinges on increasing local production. Increasing production requires adequate incentives for producers in terms of viable producer prices.

Information

Government and farming organisations should channel more information on market opportunities to small holder farmers.

Finance

An agriculture input scheme revolving fund should be set up for access by small holder farmers at concessionary rates.

Research, Training and Extension

Governments must accept financial responsibility for research with some support from large farmers and industry. Research stations should be allowed to retain income generated. Research policy should be user-determined. Autonomous and fully representative national research council with legal powers to direct research is critical. On farm research is highly desirable to ensure closer liaison between farmers and researchers. The importance of research and extension should be

reflected through increased budgetary allocations. Farming unions should encourage farmer to farmer training to benefit from the practical knowledge possessed by experienced farmers. Most farmers prefer training through field days, agricultural shows and demonstrations rather than long residential courses at farmer training institutions.

Irrigation development

Government should allocate substantial resources towards irrigation development now and in the future. Where there is a potential to develop irrigation schemes, these should go ahead on a priority basis.

Enabling environment

An enabling environment should be created through, among others, speeding up the surveying and developing of growth points, giving incentives to business people to start small scale, labour intensive input and processing industries at growth points.

The government must aim at intervening proactively in order to maximise net social benefits from smallholder agriculture and desist from the promotion of narrow, partisan interests.

Direct central government support must be increased in order to support the building of livestock health breeding and fattening centres, construction works, micro projects, (boreholes, wells, weirs and small dams), farm input delivery centres, draught/traction power stations and farming systems research centres.

Any policy formulation, implementation and monitoring must be transparent and must include all stakeholders involved or affected.

There is need to promote private trader development through appropriated incentives – credit, training.

Considerations on the promotion of women's participation

A deliberate effort should be made to remove the bottlenecks that have long hindered the full participation of women in smallholder agriculture.

There is need to focus on increasing the efficiency and productivity of women's agricultural activities rather than attempting to substitute their agriculture role with non-profitable off-farm activities. Off-farm activities tend to increase the demands on women's time and possibly negatively impact on food production. The opportunity costs of non-food agricultural income-generating projects are rather high.

National policy goals to achieve food security and to make rural areas economically viable should include gender variables as an integral aspect of the

planning process. Whether this viability is to be achieved through land reforms or promoting rural small-scale industry, women are an integral part of rural and agricultural development.

Studies must be carried out on gender relationships in different land tenure systems, the proportion and sources of women's contribution to household income, time studies on how women and man allocate their time by roles, season and other considerations.

Annex 1
Crops grown and ranking before and after in Mutasa district

Crop	Gonde Jenya Ward		Chandisinayi Ward		Mudzindiko Ward	
	Rank		Rank		Rank	
	1	2	1	2	1	2
Maize	1	1	1	1	1	1
Wheat		5		6		5
Rapoko	2		6	6	2	2
Grounduts	3	4	3	4	3	4
Roundnuts	5	6	5	5	5	6
Sunflower		6		3		7
Cowpeas	6	5	6	6	6	5
Soyabeans		7		7		7
Beans	4	2	4	4	4	3
Horticultureal crops	4		4		4	
- Rape, carrots, - tomatoes Onion Cabbages - Potatoes - Sweet potatoes						

Source: Reaping the Whirlwind, Economic Liberalisation and Food Security in Zimbabwe

Key

- 1 represents the pre-ESAP period
- 2 represents the period after ESAP
- The field crops are ranked in descending order, with 1 being the most important
- A blank shows that the crop was not grown in that period.

Annex 2

Crops Grown and ranking before and after ESAP in Chivi district

Crop	Ward 6			Ward 1			Ward 8		
		Rank			Rank			Rank	
		1	2		1	2		1	2
Cotton			1			7			7
Groundnuts		5	2		3	3		3	3
Maize		1	3		1	1		1	1
Sorghum		3	4		4	5		4	5
Rapoko		2	5		2	2		2	2
Millet		4	6		1	1		1	1
Roundnuts		6	7		5	4		5	4
Sunflower			8			6			6
Cowpeas		7	9		6	6		6	6
Horticultural crops • Rape • Tomamtoes • Onion • Cabbages • Sweet potatoes	**4**			**4**			**4**		

Source: Reaping the Whirlwind, Economic Liberalisation and Food Security in Zimbabwe

Key:

- 1 Represents the pre-ESAP era
- 2 represents the period after ESAP
- Ranking of the field crops is in descending order, with 1 being the most important
- A blank indicates that the crop was not grown in that period.

Annex 3

Crops marketed and main buyers, Mutasa District

Crop	Main Buyers
Maize	GMB, local businessmen, local Masere Small Milling Company, neighbours and private traders
Wheat	GMB, private buyers
Rapoko	Neighbours for beer brewing
Groundnuts	GMB,neighbours, private buyers
Roundnuts	GMB, neighbours
Potatoes	Neighbours, vendors
Beans	Neighbours, and private buyers
Horticultural Crops	Mutare vegetable market, Wholesale
Rape, carrots	Fruiterers, Manica Produce
Tomatoes, peas	Neighbours, vegetable vendors
Onions, cabbages	From Mutare and business centers

Source: Reaping the Whirlwind, Economic Liberalisation and Food Security in Zimbabwe

Annex 4

Annual Growth of Official Producer Prices (1979-1989)

Crop	Nominal Prices (%)	Real Prices (%)
Maize	8.80	-2.68
Sorghum (red)	7.65	-3.78
Sorghum (white)	9.41	-2.11
Pearl Millet	0.00	-9.39
Finger Millet	0.00	-9.39
Wheat	12.00	0.26
Barley	12.34	0.62
Groundnuts	10.60	-1.01
Sunflower	11.44	0.25
Soya beans	10.51	-1.10
Cotton	8.77	-2.71
Tobacco	16.2	4.01

Source: Food Studies Group, 1990.

Annex 5
Sequencing of agriculture reforms in Zimbabwe

Commodity	Reform undertaken	Period
Yellow Maize	- Commercial farmers allowed to sell among themselves	1991/92
	- Producer price of yellow maize discounted by 5 percent over white maize	"
	- GMB allowed to buy at its own determined price below that of white maize	1992/93
		1993/94
	- Free Trade	1994/95
	- GMB only allowed to buy at its own determined price but below that of white maize	"
	- Freely traded by both GMB and private traders	1995/96
Maize	- Movement of maize between non-contiguous communal areas allowed	"
	- Unauthorised or informal marketing of maize by communal farmers to commercial farmers and/or other buyers was not permitted during this period	1991/92
	- Maize deregulated in Natural Regions IV and V (it could be bought and sold freely by producers and traders only in these two regions)	1992/93
		"
	- GMB provided a floor price for producers wishing to sell to it	"
	- Maize freely available at all GMB depots for those requiring a minimum of one bag	
		1993/94
	- Government fixed a producer price (retreat from 1992/93 policy)	"
	- Government fixed a consumer price	"
	- Free trade in maize within communal price	1994/95
	- Maize movement allowed throughout the country, with the exception of specified maize millers	"
		"
		"
	- GMB operated as residual buyer at a given floor price	"
	- Specified millers allowed to buy maize only from GMB	"
	- Maize consumer price subsidy withdrawn	
	- Stock accumulation target of 936 000 tonnes set (stock held by GMB)	
	- GMB given flexibility to dispose of stocks in excess of reserve requirements and to import when stocks fall below the desired level	
		1995/96
	- GMB free to set own producer and selling price	"
	- Free movement of maize through out the country	"
	- Floor price of $900 per tonne maintained	
Red Sorghum	- Contracts by both communal and commercial producers with Chibuku Breweries and any other commercial outlet continued to be encouraged	1992/93
	- GMB operated a floor price determined by GMB directors	"
	- Above policy maintained	1993/94
	- Decontrolled	1994/95
White	- Contracts encouraged	1992/93

Sorghum	- GMB maintained a residual price - Decontrolled - Above policy maintained	" 1994/95 1995/96
Rapoko	- Completely decontrolled - GMB made its own arrangements for both prices and intake - Above policy maintained - Decontrolled - Decontrolled	1992/93 " 1993/94 1994/95 1995/96
Millet	- Same as for white sorghum	
Wheat	- Still controlled - Regulated - GMB authorized to determine selling price - GMB authorized to determine producer price and selling price - Private trade allowed - Above policy maintained (decontrolled)	1991 1992 Sept 1993 1994/95 " 1995/96
Sunflower	- Still controlled - Floor price fixed by government - GMB authorized to buy at prices dependant on market realizations - Processors given authority to set contract requirements - GMB authorized to set its own price (decontrolled) - Private traders allowed to buy and sell commodity - Above policy maintained	1991/92 1992/93 1993/94 " " 1994/95 " 1995/96
Ground-nuts	- Fixed price charged dependent on net market realizations (now regulated) - GMB, not government, determined the floor price - Floor price fixed by government (reversal of policy) - GMB authorized to buy at prices dependent on market realizations - Processors given authority to set contract requirements - GMB authorized to set its own price (decontrolled) - Private traders allowed to buy and sell commodity - 1994/95 policies maintained - Same policy - Still controlled	1992/93 " 1993/94 " " 1994/95 " 1995/96 1996/97
Soya Beans	- Floor price fixed by government (regulated) - Processors given authority to set contract requirements	1991/92 1992/93 1993/94

	- GMB authorized to set its own price (decontrolled) - Private traders allowed to buy and sell commodity - 1994/95 policies maintained - Same policy	" " 1994/95 1995/96 1996/97
Cotton	- CMB given full autonomy to negotiate prices with producers - CMB given full autonomy to determine prices - Minimum producer price set by government - CMB maintained autonomy to fix producer price - Buying, processing and selling of cotton liberalised completely - 1994/95 policies maintained - same policy	1991/92 1992/93 " 1994/95 " 1995/96 1996/97
Beef	- Producer prices still negotiated by government - CSC free to negotiate prices with products (decontrolled) - CSC free to determine wholesale prices of beef - CSC and other buyers free to compete at communal cattle sales - Private traders formally allowed to participate in the marketing of beef provided they conformed to hygiene regulations - No restrictions on prices (CSC) (decontrolled) - Slaughter quotes at all private abattoirs abolished - 1994/95 policies maintained - Same policy	1992/93 1993/94 " " " 1994/95 " 1995/96 1996/97
Milk	- DMB given flexibility in pricing of milk - Maximum selling price set by government - 1992/93 policies maintained - Other players allowed to buy and sell milk - DMB free to determine own price without restriction (milk freely marketed) - 1994/95 policies maintained - Same policy	1992/93 " 1993/94 " 1994/95 1995/96 1996/97

Source: Reaping the Whirlwind, Economic Liberalisation and Food Security in Zimbabwe

Notes:

As stated in the 1992/93 Agricultural Policy statement (ministry of Agriculture), the three price and marketing categories are:

- Controlled products, for which prices are set by government with the marketing board as the exclusive buyer; producers are obliged by law to deliver the product concerned to the marketing board through the single marketing channel.
- Regulated products, for which government allows limited flexibility of prices and marketing channels. In some cases, government directs the marketing boards to determine prices within specified limits and in order to meet specified objectives. Where appropriate, private traders are encouraged to compete with marketing boards, to

ensure that producers and consumers receive the most efficient and cheapest marketing services. In these cases,, marketing boards may be directed to provide minimum (floor) prices to protect producers from excessive price declines, and/or maximum (ceiling) prices to protect consumers from excessive price rises; and

- Free market products, with no direct involvement apart from relevant or plant health regulations.

Acronyms

AFC	Agricultural Finance Corporation
AGRITEX	Agricultural, Technical & Extension Services
AMA	Agricultural Marketing Authority
APMMIS System	Agricultural Policy Management and Marketing Information
ALDEP	Arable Lands Development Programme
COTTCO	Cotton Company of Zimbabwe
CSC	Cold Storage Commission
DZL	Dairiboard Zimbabwe Limited
ERF	Export Revolving Fund
ERS	Export Retention Scheme
ESAP	Economic Structural Adjustment Programme
ESF	Export Support Facility
ESF	Export Support Facility
EU	European Union
GDP	Gross Domestic Product
GMB	Grain Marketing Board
IMF	International Monetary Fund
LSCF	Large Scale Commercial Farmers
NADFZ	National Association of Dairy Farmers of Zimbabwe
NGO	Non Governmental Organisation

OGIC	Open General Import License
TFP	Total Factor Production
SAP	Structural Adjustment Programme
SPS	Sanitary and Physotanitary Standards
WTO	World Trade Organisation
ZIC	Zimbabwe Investment Centre

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