

Cooperatives and Market access in Zambia

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Cooperatives and Development

Cooperatives are pathway out of poverty for the developing world and in particular for the rural poor.

- **Democratic pathway:** promote democratic principles through membership and various appointments.
- **Social pathway:** increase trust and solidarity among its members, and through programs i.e developmental and capacity building programs, cooperative members learn to improve their relationships in respect of ensuring the effectiveness of their cooperatives as well as serving their needs
- **Economic pathway:** Designed as business models, cooperatives help households especially smallholder producers improve their income and in turn livelihoods

Cooperatives as business entities;

Cooperatives are business entities that allow the entrepreneurs to;

- 1.) Reduce transaction cost thus increasing production (Economies of scale)
- 2.) Increase efficiencies along the value chain through networking and information access
- 3.) Promote collective agreements resulting in substantial collective bargaining
- 4.) Create a new markets with improvement of quality and value addition.
- 5.) Increase capital opportunities from financial institutions and joint pool of resources from cooperative members.

"Although Cooperatives are designed to be business models, more often than not its members do not fully benefit from being entrepreneurs"

Market access

- Market access entails being able to export your product or services on the basis of fair trade or competition with a level playing field". (UNIDO, 2006)
- Cooperatives have failed without a market-driven approach that allows small business owners and farmers to compete effectively in local, regional and global markets, with the motivation of increased profits
- The types of markets accessed determine the profit and economic contribution by the targeted sector. In respect of agriculture produce in Zambia, markets accessed by different stakeholders include;
 - i) Farm- Gate markets
 - ii) Markets using Middlemen
 - iii) Urban/ Peri Urban markets
 - iv) Markets with institutions
 - v) Supermarket
 - vi) Cross Border Trade

Contributing factors to Markets inaccessibility

- Transportation: Road facilities i.e. feeder roads and costs
- Infrastructure: Lack of proper storage facilities and equipment, contributing to compromise in the quality of the product
- Lack funds for investment: Due to lack of access to credit facility, high interest rates, lack of collateral
- Knowledge gap/Transfer: interest/access to information i.e. appropriate value addition, marketing.
- Engagement with government on policy formulation and implementation.
- Limited professional management, operational inefficiency
- Low quality of products and inability to gaining competitive pricing

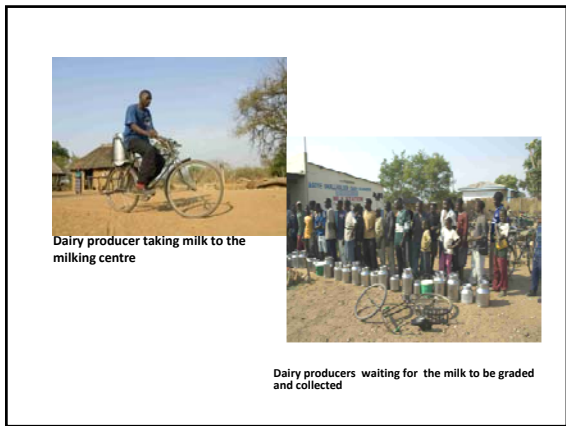
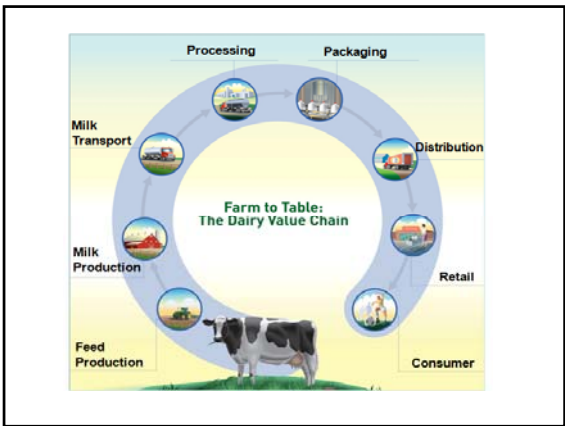
Lack of access to markets entails;

- a) High input costs
- b) High transaction costs
- c) Low price of output.

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Low bargaining power or lack of it entails Low income increases poverty

DAIRY SECTOR IN ZAMBIA-CASE STUDY



BENEFITS FOR COOPERATIVES MEMBERS
Monze Small scale Dairy farmer: Ms Nelly Chiyumba
•Widow, member of the Monze Dairy cooperative and beneficiary of the Heifer project
•13 member household, 11 orphans
•Produces about 10l, average income ZMK900,000 from 2 Dairy animals

BEFORE

AFTER

The Ngandu Family who are Small Scale Dairy producers




- Disability is not a factor
- On average 13l of milk per cow
- Sustains household, able to send children to school.
- Beneficiary from Land O lake initiative
- Average income ZMK1,000,000

DAIRY SECTOR ..

- Zambia's dairy sector is characterized by three categories of milk producers; commercial farmers, traditional/smallholder dairy farmers and emergent dairy farmers, with a cattle population of over 2.5million.
- On average Smallholder production stands at 44,000 litres per day, which translates to 40% of the total milk produced.
- With one dairy cow, consistently producing 6 litres per day the smallholder farmer earns approximately ZMK 4,968, 000 per annum which is sold to monopolized market i.e.Italian milk processing giant Parmalat.
- About 70 to 80% of the milk consumed in Zambia is marketed directly to consumers through open air markets while 20 to 30% goes through the dairy processing industry

DAIRY SECTOR cont..

- In total farmers produce approximately 193 million litres of milk per year (Smallholder dairy farmers' contribution 40% of the all marketed milk)compared to the country's total milk requirement of about 253 million litres of milk per year which renders Zambia to import about 25% of its milk deficit.
- Despite Zambia's milk production failing to meet national consumption demand, the country has been exporting milk i.e Democratic Republic of Congo, while the deficit is met by importing powdered milk from New Zealand,long life milk from South Africa and other countries

DAIRY SECTOR cont..

- Globalization and the liberalization policy reforms have played their part in Zambia's dairy sector development or lack thereof i.e policy reforms(1990s) made it easier for dairy processing companies to import powdered milk from the developed world.
- This implied smallholder milk producers had to compete with cheap powdered milk imported from countries where dairy farmers benefit from agricultural subsidies.
- Although Zambia is a signatory to regional and international trade organisations i.e the Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA) and World Trade Organisation (WTO) which opens its border to regional and international trade its benefits are yet to be realised

Recommendations

Cooperatives should:

- Take a pro-active role in the market place
- Strengthen its members capacity in marketing, negotiations, financial management and contract development to increase their participation in agro-markets
- Increase lobby and advocacy on policies that affect them
- Advocate for pro- poor policies that improve marketing and service arrangements, reduce constraints to market access, technologies, credit and inputs to benefit cooperatives
- Promote professional management of cooperatives in ensuring that they are more business oriented.

Recommendations cont.

Government should:

- Promote the growth and viability of cooperatives i.e. enter into partnerships with cooperatives where appropriate
- Facilitate access to investment finance and credit for cooperatives,
- Enhance efforts aimed at promoting economic development for cooperatives i.e. Government policies that provide an enabling environment for the development of cooperatives
- Enforce consultations with cooperatives when drafting or revising legislation or regulations that promote effective policies
- In partnership with private sector create market support centers in provinces that will provide well packaged information(i.e. available markets, standardization of products, access to markets, prices for commodities)
- Promote agro-markets that seek to capitalize on range of multiple stakeholders

Recommendations cont.

Government :

- Increase engagement with other trading partners both at regional and internationally levels to reduce non-tariff barriers which limit smallholders and cooperatives direct access to market
- Provide marketing trainings and promote options such as access to trade shows and local, regional and international learning program for cooperatives members.
- Increase extensive market research study to monitor the progress and impact of cooperatives

Recommendations

Private Sector should:

- Establish/manage investment fund that can enhance credit options for producers, processors and others within the value-chain
- In partnership with government promote improved rural financial credit facilities development
- Assist in infrastructure development by partnering with cooperative in different initiatives.

Recommendations cont.

Nongovernmental Organization (NGOs) should:

- Enhance market analyses and assessments, feasibility studies and similar research targeted to cluster development and product/market linkages as a contribution to research on cooperatives.
- Facilitate cooperative networking and promote collaboration among various non-state actors.
- Facilitate trainings for cooperatives in understanding trade policy, lobby and advocacy, policy engagement, negotiation, marketing skills etc..
- Assist cooperatives in taking advantage of export trade opportunities at regional and international trade liberalization initiatives through making provision of information,
- Facilitate learning exchange programs with other like minded successful cooperatives in increasing knowledge and creating networks

CONCLUSION

- Co-operatives provide opportunities to participate in global exchange without sacrificing local control
- In promoting development there is need for more investment in cooperatives. Investment in cooperative development is to invest in creating as well as strengthen sustainable businesses that have the potential for large scale impact
- Vibrant co-operative sector in Zambia can open opportunities for international exchanges, trade, and collaboration as well as lifting households out of poverty in addition to providing services that can contribute to development
- Importance of market access cannot be over emphasized as the lack of it hinders growth. Markets are pivotal to development and the ultimate impact of any business entity including cooperatives

“Before you've finished your breakfast this morning, you'll have relied on half the world” *Martin Luther King*

THANK YOU!!