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The successful integration of smallholders in vertical coordination arrangements

Experiences of the KASCOL model in Zambia

A thesis presented in partial fulfilment of the requirements for the degree of

Master of AgriCommerce

at Massey University, Manawatu, New Zealand.

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2011

Abstract

Agribusiness firms have been increasingly engaging in closer vertical coordination arrangements in order to better meet their customer's changing needs. On the other hand, as the fight against poverty in developing countries continues, policy makers seek ways in which they can reduce this poverty. One such way has been to integrate smallholders in vertical coordination arrangements. However, reports show that this has been with little success. Therefore, the purpose of this study was to examine a successful experience of smallholder inclusion in a vertical coordination chain, in order to determine the reasons underpinning such a success. The case under investigation was the Kaleya Smallholders Company Limited, a model operating within the Zambian sugar industry.

The research design was qualitative in nature, with 20 in-depth interviews being conducted with representatives of the four main stakeholder groups to the model: Kaleya Smallholders Trust; Kaleya Smallholders Company Ltd; Zambia Sugar Company; and the smallholders.

The results show that the model, which had been in existence for 30 years, was able to increase the smallholders' participation over time. The variables explaining the success of this model are classified as follows: (1) the context that created an enabling environment for profit and healthy interdependency; (2) the governance structure that allowed balance of power relationships; (3) the managerial skills, which were instrumental in operational efficiencies; and (4) the growth of social capital. The conclusion is that, although context, governance structures and managerial competence were necessary factors for the sustainability of the model, the variables related to social capital were determinant for the long-term successful integration of the smallholders.

The results obtained in this study cannot be generalised to other contexts, due to the nature of the research design, but they have led to some useful implications, among them being: the need for managers to not only correctly establish their governance and management, but also to correctly establish their social capital; and the need for the government to become

involved in the initial stages of developmental projects involving smallholders, in order to help reduce the power imbalance between smallholders and firms.

Key words: Vertical coordination, smallholders, KASCOL, social capital, participation, and successful integration.

Dedication

I dedicate this thesis to my dear husband, Yamvwa Kahokola, for his support and patience during my study period. You are simply the best, and may God's glory continuously shine on you. I love you.

Acknowledgements

First and foremost, I give all the glory and praise to God Almighty for seeing me through my study at Massey University, and giving me the strength to finish my programme. I am nothing without you, Lord.

Next, I would like to thank my chief supervisor, Mr Daniel Conforte, for taking keen interest in my work and for believing and encouraging me that I had ‘a good piece of work’ which could result in some valuable lessons. I would also like to appreciate my other supervisor, Dr Tanira Kingi, for his guidance.

I would like to thank KASCOL management for their cooperation during my fieldwork. Special thanks go to Mr Redson Sialwiindi and Mr Moola Namakando for their help whenever I needed it. I would also like to appreciate all my participants for sparing time in their busy schedule to chat with me.

It is with sincere sadness and regret that I acknowledge the support of my translator, colleague and very good friend, Mr Oswald Mbulo, who was murdered five months after my fieldwork (in circumstances not related to this study). Without him my fieldwork would have been a struggle. Thank you very much for always having been there for me. My thesis will always be a reminder of you.

My deepest thanks go to the New Zealand government for providing me with the scholarship to study in New Zealand. My appreciation also goes to the international office at Massey University, in particular, Mrs Olive Pimentel, for her kind heart and advice that helped to keep me going.

Lastly, but certainly not the least, I want to give a big ‘thank you’ to all my friends and colleagues in Zambia who assisted me in one way or another during my fieldwork; and to all my friends and colleagues in New Zealand whom I consulted. May God richly bless you all.

Table of contents

Abstract	i
Dedication	iii
Acknowledgements	iv
Table of contents	v
List of tables	x
List of figures	xi
List of acronyms.....	xii
Chapter One : Introduction.....	1
1.1. Background	1
1.2. Problem statement	4
1.3. Research questions	5
1.4. Objectives.....	6
1.5. Thesis outline	6
Chapter Two : Literature review	7
2.1. Introduction	7
2.2. Vertical coordination	7
2.3. Transaction cost economics (TCE)	7
2.3.1. Asset specificity	8
2.3.2. Uncertainty.....	8
2.3.3. Measurement costs	9
2.3.4. Frequency.....	9
2.4. Forms of vertical coordination	10
2.4.1. Spot markets.....	10

2.4.2.	Vertical integration.....	10
2.4.3.	Contracts	12
2.5.	Contract farming.....	12
2.5.1.	Contract farming models.....	13
2.5.2.	Benefits of contract farming for the firm	16
2.5.3.	Benefits of contract farming for the small-scale farmers.....	16
2.5.4.	Disadvantages of contract farming.....	19
2.5.5.	Increasing benefits of contract farming to the firm.....	20
2.5.6.	Increasing benefits of contract farming to small-scale farmers	21
2.5.7.	Facilitating the inclusion of poor rural dwellers	26
2.6.	Factors that affect the success of vertical coordination arrangements	28
2.6.1.	Context	29
2.6.2.	Management of relationships	32
2.6.3.	Social capital	34
2.7.	Summary	37
Chapter Three : Study country		38
3.1.	Introduction	38
3.2.	Country description	38
3.3.	Agriculture.....	38
3.4.	Zambian sugar industry	42
3.5.	Zambia Sugar Company.....	44
Chapter Four : Methodology.....		46
4.1.	Introduction	46
4.2.	Research design	46
4.3.	Data collection methods	47

4.3.1.	In-depth interviews.....	47
4.3.2.	Key informant interviews.....	49
4.3.3.	Document search.....	49
4.4.	My fieldwork process.....	49
4.5.	Data analysis.....	52
4.6.	Limitations.....	53
4.6.1.	Methodological problems	53
4.6.2.	Access to data.....	54
4.6.3.	Reliability of the data collected.....	54
4.7.	Summary	55
Chapter Five : Results.....		56
5.1.	Introduction	56
5.2.	The KASCOL model.....	56
5.2.1.	The model: initial circumstances	56
5.2.2.	The model: organisation.....	56
5.2.3.	The model: ownership.....	57
5.2.4.	The model: smallholders.....	57
5.2.5.	The model: division of work.....	58
5.2.6.	The model: governance.....	59
5.3.	Changes overtime	60
5.3.1.	Ownership	60
5.3.2.	Governance	60
5.3.3.	Management.....	62
5.3.4.	Smallholder participation.....	62
5.4.	Reasons for the success of the KASCOL model.....	64

5.5. Summary	74
Chapter Six : Discussion	75
6.1. Introduction	75
6.2. Definition of success	75
6.3. Differences in the KASCOL model	76
6.3.1. Alternative markets	76
6.3.2. Alternative sources of income.....	77
6.3.3. Previous experience	77
6.3.4. Ownership of production assets	77
6.3.5. Type of commodity	78
6.4. Factors contributing to the success of the KASCOL model	78
6.4.1. Context	79
6.4.2. Governance	81
6.4.3. Management skills	83
6.4.4. Social capital	84
6.5. Summary	87
Chapter Seven : Conclusions, policy implications, and suggestions for future research.....	89
7.1. Introduction	89
7.2. Summary of findings	90
7.3. Conclusions	91
7.4. Policy and managerial implication.....	92
7.5. Suggestions for future research	94
References	95
Appendices.....	103
Appendix 1: Photographs.....	104

Appendix 2: Interview guide.....	105
Interview schedule for smallholders	105
Interview schedule for Zambia Sugar Company.....	106
Interview schedule for farmer group representatives.....	107
Interview schedule for KASCOL management	108
Appendix 3: Information sheet.....	111
Appendix 4: Consent form	114
Appendix 5: Confidentiality form.....	115
Appendix 6: KASCOL model facts	116

List of tables

Table 1.1: Incidence of poverty by province, 1991 - 2006	3
Table 2.1: Transaction cost conceptual framework	11
Table 2.2: Sources of inter-organisational power	31
Table 3.1: Classification of farmers in Zambia.....	40
Table 3.2: Contribution of Agriculture to GDP	43
Table 3.3: Sugar cane supply to Zambia Sugar Company (ZSC) in 2005/2006.....	45
Table 4.1: Interview participants.....	48
Table 5.1: KASCOL sugarcane yields	72

List of figures

Figure 1.1: Proportion of people in developing countries living on less than USD1.25 a day (percentage).....	2
Figure 2.1: The centralised model.....	14
Figure 2.2: The multipartite model	15
Figure 2.3: Factors affecting the successful integration of smallholders in vertical coordination arrangements (contract farming).....	28
Figure 3.1: Map of Zambia	39
Figure 6.1: The KASCOL model for success	88
Figure App-1.1: Interview with the KAST chairperson.....	104
Figure App-1.2: Interview with a smallholder in his vegetable garden	104
Figure App-1.3: A smallholder showing off produce from his ½ Ha plot.....	104
Figure App-1.4: Cane harvesting	104
Figure App-1.5: A group of women smallholders’ extra source of income	104

List of acronyms

ACP-EBA	African, Caribbean and Pacific Group of States-Everything But Arms
ACI	Agrifood Consultancy International
AGM	Annual General Meeting
CAM	Corporate Affairs Manager
CDC	Commonwealth Development corporation
CEO	Chief Executive Officer
CFL	Consolidated Farming Limited
CSO	Central Statistical Office
DC	Development Committee
EO	Extension Officer
EU	European Union
GDP	Gross Domestic Product
GRZ	Government of the Republic of Zambia
IMF	International Monetary Fund
ISO	International Sugar Organisation
KASCOL	Kaleya Smallholders Company Limited
KASFA	Kaleya Smallholders Farmers Association
KAST	Kaleya Smallholders Trust
KSE	Kalungwishi Sugar Estate
LCMS	Living Conditions Monitoring Survey
MACO	Ministry of Agricultural and Cooperatives
MCGA	Mazabuka Cane Growers Association
MCGT	Mazabuka Cane Growers Trust
SADC	Southern African Development Community
SAP	Structural Adjustment Programmes
TCE	Transaction Cost Economics
ZIAH	Zambia Institute of Animal Health
ZMK	Zambian Kwacha