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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.

Sepiso Mungandi

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