EFFECTS OF AN AGRIBUSINESS COLLAPSE ON CONTRACT GROWERS AND THEIR COMMUNITIES: A CASE STUDY OF MAKENI COOPERATIVE SOCIETY, LUSAKA, ZAMBIA

A thesis submitted in partial fulfilment of the requirements of a Master of Arts degree in Rural Development (Sociology and Industrial Sociology) at Rhodes University, Grahamstown

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Abstract

This study assesses the effects of an agribusiness collapse, on the contracted growers and their surrounding communities in Lusaka Province, Zambia. In 2004, Agriflora Limited, a Trans-Zambezi Industries Limited (TZI) agribusiness in Lusaka Zambia was sold off. Agriflora Limited was one of the largest fresh vegetable exporters in Africa. It had contracted almost 500 small-scale farmers with 1-4 hectares of land within 50 km radius of Lusaka to grow vegetables for export. Makeni Cooperative Society was one of the targeted groups of growers. It grew baby corn, mangetout peas, and sugar snap and fine beans for export.

The case study relied on both primary and secondary data. I undertook two months of ethnographic fieldwork utilising observations, in-depth interviews and informal discussions with some community members in Makeni. I also reviewed the literature on contract farming schemes (documenting both the negative and positive effects for growers) in developing countries.

The case study showed that the impact of the collapse of Agriflora on the growers has been severe indeed; there has been a significant reduction in production with only a few farmers producing for export. Those that are producing are limited to one crop, baby corn. The effect on the local labour market (farm workers) has been quite drastic with a drop in employment. A new agribusiness company, York Farm, was sourced by the government for the contract growers of Makeni. York Farm has signed a procurement contract under which only sale and purchase conditions are specified. This means that, services such as extension services are no longer provided. It was

also found that despite the price for baby corn at York Farm being better than what Agriflora used to offer the farmers, farmers are not producing peas which have a higher turnover than baby corn because York farm does not buy peas from the farmers. However, the farmers are hopeful that they will soon start producing peas after they pass the Eurep gap requirements. Furthermore, the farmers are still interested in contract farming as they are convinced that it can lead to higher farm incomes.

While the neoliberal critique of the pre- Structural Adjustment agricultural policies was based on the need to improve rural farming income and productivity, my study shows that the contract farmers are not the "traditional" peasant farmers but retired civil servants or former public sector employees who lost their jobs during the contraction of the sector.

In conclusion, my field work revealed that the collapse of Agriflora has had negative effects on the growers of MCS in terms a significant decrease in crop production, decline in farmer income, lack of technical assistance such as extension services, transportation problems (to take produce to the new market-York Farm) and reduced contraction in employment opportunities for farm workers.

Table of Contents

Abstract		ii
Dedication		vii
Acknowledgements		viii
Financial Assistance		ix
Glossary of Terms		x
Chapter One: Introduction		**1**
1.0	Introduction	1
1.1	The Context of Research	1
1.2	Makeni Cooperative Society	2
1.3	Agriflora Collapse	2
1.4	The Purpose of the Study	3
1.5	Methods and Procedures	3
1.6	Ethical Considerations	4
1.7	Limitations	4
1.8	Chapter Outline	5
Chapter Two: Literature Review		**7**
2.0	Introduction	7
2.1	Agribusiness and Contract Farming Schemes	7
2.1.1	Agribusiness	7
2.1.2	Contract Farming	8
2.1.3	Agribusiness Contracts	9
2.1.4	Contract Farming Schemes	11
2.1.5	History of Contract Farming	11
2.2	Economic Logic of Contracting in Africa	13
2.2.1	Access to Markets	15
2.2.2.	Access to Credit and Inputs	15
2.2.3	Managing Risks (Risk Protection)	17
2.2.4	Provision of Extension Services	18
2.2.5	Employment for Farm Family and Labourers	18
2.3	Contract Farming Schemes in Zambia	18
2.4	Agribusiness Collapse	21

2.4.1	The problem of Exclusion	22
2.4.2	Social differentiation and Accumulation	23
2.4.3	Exploitation	23
2.4.4	Proletarianisation	24
2.4.5	Contract Default	25
2.5	Contract Farming and Agribusiness Collapse	25
2.6	Case Studies of failed Contract Farming Projects	26
2.6.1	Asian Vegetable Production under Kenya Horticultural Exporters Contract in Kenya, East Africa between 1982 and 1986	26
2.6.2	Campbell Frozen Vegetable in Mexico, South America	28
2.7	Conclusion	29
Chapter Three: Research Methods, Procedures and Techniques		**30**
3.0	Introduction	30
3.1	Research Design	30
3.2	Conducting the Case study (Data Collection)	31
3.2.1	Phase 1 of Data Collection: Entry into the Field	32
3.2.2	Phase 2 of Data collection: Routinisation of Fieldwork	35
3.2.3	Phase 3 of Data Collection: Bringing Fieldwork to a Close	40
3.3	Data Processing and Analysis	41
3.4	Conclusion	43
Chapter Four: Discussion		**45**
4.0	Introduction	45
4.1	Contract Farming in Makeni	45
4.2	Nature of the Contract between MCS Farmers and Agriflora	48
4.3	The Benefits of Contracting with Agriflora	49
4.4	The Relationship that MCS farmers had with Agriflora	50
4.5	What Led to Agriflora Collapse	53
4.6	Impact of Agriflora Collapse on MCS Contracted Farmers	54
4.6.1	Decline in Crop Production	55
4.6.2	Decline in Farmer Income	57
4.6.3	Unemployment	59
4.6.4	Transport Problems- Transportation to York Farm Depot	60

4.6.5	Lack of Extension Services	61
4.7	The Impact of the Collapse on the Communities around Makeni Farming Area	62
4.8	Response of the Government to the Impact of Agriflora Collapse	62
4.8.1	New Market -York Farm	66
4.8.2	Finance	67
4.9	Response of the Company that Bought the Major Assets of Agriflora (Chalimbana Fresh Produce Limited)	69
4.10	The Response of the MCS Farmers to the Impact of Agriflora Collapse	69
4.11	Lessons learnt by MCS Contract Farmers	74
4.12	Conclusion	75
Chapter Five: Conclusions, Implications and Recommendations		77
5.0	Introduction	77
5.1	Conclusions	78
5.2	Implications	79
5.3	Recommendations	80
Bibliography		**82**
Appendix 1- Interview Schedule		88
Appendix 2- Units of Observation		91

Dedication

This thesis is dedicated to my late mum and dad for instilling in me the importance of having a solid education; my brothers, sisters, nephews and nieces for always believing in me. Through their support and encouragement this work was made possible.

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Glossary of Terms

Agribusiness Normalisalisation- refers to the process wherein agribusiness firms, in their start-up stage, offer promotional policies such as high prices, low quality standards, and generous input and credit support to contract growers which exceed what they expect to maintain over the long run. This is done to shelter the growers from the high risk associated with contract crops and to establish a procurement base for raw material supply. But the firm may find it impossible to sustain these costs for along time, by which time growers have committed substantial resources to contract crops and have incurred heavy debts (Singh 2002:1632).

Eurep gap- is a set of good agricultural practices (gap) based on accepted standards and promoted by European Retailers Group (Eurep) (Nair 2004). Eurep gap protocol for vegetables and fruits includes crop management and quality control procedures applicable to both commercial and small-scale farmers

Ejidatarios - members of the traditional semi communal villages or ejidos

Ejidos - Communal villages

Monopsony- refers to market situation in which the product or service of several sellers is sought by only one buyer. It is market similar to a monopoly except that a large buyer not seller controls a large proportion of the market and drives the prices down. It is sometimes referred to as the buyer's monopoly. A monopsony producer has significant buying power in the market for their inputs, be they raw materials and components or the purchasing of labour inputs (Wikipedia Encyclopedia, 2005).

York Farm - An agribusiness firm located in the Makeni farming area in Lusaka, Zambia which has been exporting conventional high-value/low-volume conventional vegetables to the United Kingdom supermarkets since 1989.

Chapter One
Introduction

1.0 Introduction

This chapter provides an outline of the context of the study, the research setting, and the collapse of Agriflora, an agribusiness firm in Zambia. It also highlights the reasons, goals and methods and procedures for the study. The chapter also discusses the ethical considerations and limitations of the study. It concludes with a general outline of the whole thesis.

1.1 The Context of Research

This study assessed the effects of an agribusiness collapse on contracted growers in Lusaka Province, Zambia. In 2004, Agriflora Limited, a Trans-Zambezi Industries Limited (TZI) agribusiness in Lusaka Zambia was sold off. Trans-Zambezi Industries Limited (TZI) is a Zimbabwe based, multi-business group operating in Sub-Saharan Africa (Mugabe 2004). Established in 1994, Agriflora grew horticultural crops for export to Europe (Haantuba and Wamulume 2004).

In three years from start up, Agriflora Limited grew to be one of the largest fresh vegetable exporters in Africa. In 1999, Agriflora, in conjunction with the Cooperative League of United States of America (CLUSA), established Agriflora Outgrower (Small-scale) Scheme. CLUSA is a United States Agency for International Development (USAID) funded non-governmental organisation (NGO) running the Rural Group Business Program in Zambia. Introduced in Zambia in 1996, Rural Group Business Program aims to improve rural incomes and qualities of life by helping small-scale farmers form their own, democratically self-managed, financially viable and sustainable group businesses (USAID/Zambia 2005).

Under the Agriflora Outgrower (Small-scale) Scheme, small-scale farmers were contracted to grow vegetables for export (Agriflora 2005). The scheme targeted growers with 1-4 hectare plots within 50km radius of Lusaka. Makeni Cooperative Society was one of the targeted groups of growers (Haantuba and Wamulume 2004).

1.2 Makeni Cooperative Society

Makeni Cooperative Society was established as a result of a need to produce for export, particularly vegetables. To achieve the *wider macroeconomic strategy*[1], the government of Zambia obtained aid and channelled it to certain agribusinesses to contract farmers to grow vegetables for export. Through USAID Zambia, the Zambia Agribusiness Technical Assistance Centre (ZATAC) was created. ZATAC was initiated in November 1999. It is being implemented by a Bethesda-based Development Alternatives Inc. (DAI) in consortium with J.E. Austin Associates (Arlington, VA) and Mano Consultancy Services Ltd. (Lusaka, Zambia). The main objectives of this institution is to support and stimulate initiatives, which will create and expand markets for Zambian produced agricultural products; increase incomes of small-scale producers through partnerships with agribusinesses, associations, and cooperatives; and enhance the development of agribusinesses and other rural agro-enterprises.

With resources from ZATAC[2], Agriflora contracted small-scale farmers through cooperatives, to grow vegetables for export. Makeni Cooperative Society (MCS) was one of them. Initially, Agriflora contracted three cooperatives in the Makeni area. Overtime, it advocated for an amalgamation of these cooperatives. These amalgamated cooperatives came to known as Makeni Cooperative Society. A depot was then set up in Makeni to serve as a pick up point for all the produce.

1.3 Agriflora Collapse

This research on agribusiness collapse was inspired by the collapse of Agriflora Limited, an agribusiness that contracted 8 cooperatives within 50 km radius of Lusaka to grow vegetables for export. Due to management and financial irregularities, Agriflora Limited was placed under receivership at the beginning of 2004 (Mugabe 2004). By the end of the year 2004, Agriflora was sold off to Chalimbana Fresh Produce Limited (Allafrica Online, 20th December 2004). However, my findings from

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[1] This involved efforts to shift the economy in the direction of private sector led economic growth and social development which was expected to eliminate the 'subsidies' that put pressure on the State fiscus (Hantuba 2005, Mwanaumo 1999)

[2] Like Cooperative League of United States of America (CLUSA), Zambia Agribusiness Technical Assistance Centre (ZATAC) is also a USAID initiative supporting outgrowers and agribusinesses in Zambia.

fieldwork revealed that, as of July 2005, Chalimbana Fresh Produce Limited had not entered into any relationship with the cooperatives that were contracted by Agriflora.

1.4 The Purpose of this Study

The overarching goal of this study is to assess the effects of an agribusiness collapse on the contracted growers and their communities. It attempts to answer the following questions:

- What happens to the growers when a contracting agribusiness collapses?
- What are the farmers' perceptions of the collapse of Agriflora?
- What was the government's response to the collapse of Agriflora?
- What are some of the implications of contracting agribusiness collapse for rural development in a country?

In exploring the nature of the contract, the relationship that the growers had with Agriflora and also the benefits of contracting with Agriflora determined the brunt of the collapse. This study highlights important lessons we could learn from, which in future could help ensure that the negative impact of the collapse of an agribusiness are managed effectively, minimising the distressing impact on growers and local communities.

1.5 Methods and Procedures

In this study, a case study approach was adopted so as to gain detailed understanding of how the collapse of Agriflora has affected its contracted farmers from the Makeni Cooperative Society and the community. The Makeni Cooperative Society was purposively selected from the cooperatives which were contracted by Agriflora, as it provided easy access to the growers. Additionally, the fact that Makeni Cooperative Society is located near Lusaka reduced on my fieldwork expenses.

The study included an ethnographic field-study of Makeni Cooperative Society and the use of secondary data which consisted of a detailed literature review on contract farming and also data from collected reports and brochures. I spent 10 weeks collecting data for this case study. I used in-depth interviews technique (with the help of an interview guide). I conducted in-depth interviews with four groups of people; key informants and community leaders in Makeni, officials at the Ministry of

Agriculture and Cooperatives in Lusaka, a member of L ACCU[3] and an official at SFAP[4]. I also used content analysis technique in connection with analysing the secondary data I obtained from the documents that related to the case study.

1.6 Ethical Considerations

In any qualitative research, it is important to pay attention to the ethical issues that may arise in the process of doing research; "Informants are human beings and therefore the researcher is obliged to respect their rights, needs, values and desires" (Creswell 2003:201). Since this study included observations and in-depth interviews that could reveal sensitive information, I took the ethical issues very seriously. Before making any observations and interviews, I asked for permission to conduct research from the key people. I further informed them about the purpose, methods and intended and possible uses of my study. These were also highlighted in the introductory letter from my department, the Department of Sociology at Rhodes University. Furthermore, I assured them of confidentiality of information they had supplied. To make this more practical, pseudonyms have been used in the report except for the Ministry of Agriculture and Cooperatives (MACO) and Support to Farmers Association Project (SFAP) personnel whose positions have been mentioned in some instances. However, the information provided by these officials is general information open to the public.

1.7 Limitations

Naturally, the selection of the single case study design has many limitations as regarding the extent to which we can generalize the findings from the study (Yin 2003). However, generalisations can only be made on Makeni Cooperative Society growers and the situation they faced, that is, the collapse of Agriflora. By having an in-depth understanding of this particular case, we might learn something about the more general phenomena[5] (Merriam 2002). The main aim of this study was to assess

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[3] Lubulima Agricultural and Commercial Cooperative Union (LACCU) is an apex of seven cooperatives which was formed in 2002 and registered in 2003; by small scale growers previously contracted by Agriflora so as to address farmers' problems.

[4] Support to Farmers Association Project (SFAP) is a joint fresh produce project between Zambia Agri-business Forum (ABF), Zambia National Farmers Union and the government of Zambia with financial assistance from the Royal Norwegian government through the Norwegian Agency for Development (NORAD).

[5] That is, the effects of an agribusiness collapse on contracted growers

the impact of an agribusiness collapse on a single case (Makeni Cooperative Society). The conclusions drawn from this case study can be used as lessons for similar situations, as Little (1994:245) concluded, "History tends to repeat itself... enough lessons are available world wide to warrant considerable caution in promoting contract agriculture".

Apart from this, a few other practical limitations were encountered during the course of study. Whereas most of the farmers were readily available for the interviews, it was difficult to have further interviews with them as they were busy preparing their fields for the Eurep gap[6] certification deadline. This was also the case with the project manager at SFAP. This project came to an end on the 30th of June 2005. The manager was busy finalising the project. He was also meeting with some visitors from East Africa.

In spite of these limitations, the study was successfully conducted as further information was provided through documents.

1.8 Chapter Outline

This thesis consists of five chapters. In the present chapter, I first highlight the context in which the case study took place. I also attempt to explain the rationale for the study. Ethical considerations and limitations are also presented.

In Chapter 2, I review the literature on the agribusiness and contract farming. I also review the literature on agricultural transformation in developing countries, which saw the diversification of contract farming in Zambia. I further the review literature on contract farming as an attractive mechanism for promoting rural development and give case study accounts of failed contract farming.

In Chapter 3, I present the methods, techniques and procedures of data collection and analysis. A qualitative research design utilising an ethnographic case study approach was used to assess the impact of Agriflora collapse on the contracted growers of

[6] A set of good agricultural practices (gap) based on accepted standards and promoted by European Retailers Group (Eurep) (Nair 2004).

MSC. Constant comparison method and qualitative content analysis were used in the analysis.

In chapter 4, I interpret and discuss the findings from the observations, in-depth interviews and the content analysis of documents of the case study. The thesis ends with conclusions, implications and recommendations in chapter 5.

Chapter Two

Agribusiness Collapse and Contract Farming Schemes

2.0 Introduction

This chapter reviews the literature on agribusiness and contract farming, in which the literature on the effects of an agribusiness collapse on contracted growers, is embedded. It is organised into six sections. The first section looks at the concepts of agribusiness and contract farming in depth, citing examples where necessary. The second section looks at the economic logic of contracting for small-scale producers especially in the context of Africa. The third section reviews literature on contract farming in Zambia so as to give a background to the rationale of contracting in the Zambian context. The fourth section looks agribusiness collapse and the criticisms of contract farming. The fifth section looks at contract farming and agribusiness collapse; and the final section gives examples of collapsed agribusiness ventures (mainly in developing countries).

Section 1

2.1 Agribusiness and Contract Farming Schemes

2.1.1 Agribusiness

The term agribusiness refers to "the systematic way in which the activities of farming are integrated into a large industrial complex which could include the manufacturing and marketing of technological inputs and processed food products, under highly concentrated forms of corporate ownership and management" (Guthman (2004:121). The activities of farming are usually carried out by '*trans-national corporations*'[7] (TNCs) as producers, processors, or traders of commodities or as sellers of inputs or machinery' (Glover 1984:1143).

An agribusiness company is an example of a trans-national corporation. This type of corporation is known to "drive rural development and increase agricultural productivity to meet social goals of poverty reduction, economic growth, and environmental conservation" (World Bank 2005:1). This is one of the reasons agribusiness proponents argue that the activities of farming carried out by

[7] Enterprises that own and control productive activities located in more than one country. They own the outputs of these activities even though they do not own the assets (Kuper and Kuper 2004)

agribusiness firms "lead to big jumps in incomes and employment in agriculturally backward regions and brings a break from low levels of productivity and instability in production, thus putting the local economy on a dynamic path of growth and development" (Singh 2002:1622). Contract farming has been identified as one activity that can lead to these big jumps (Levin 1988, Watts 1994, Singh 2002).

2.1.2 Contract Farming

Contract farming is an attempt by usually large agribusiness firms to expand their operations so as to 'improve profitability or manage risk by diversifying their sources of agricultural products' (Simmons 2004:3). It entails

> "relations between growers and private or state enterprises that substitute for open –market exchanges by linking normally independent family farmers of widely variant assets with a central processing, export or purchasing unit that regulates in advance price production practices, products, quality and credit" (Watts 1994:27)

Furthermore, this institutional innovation takes the form of a central processing or exporting unit purchasing harvests of independent farmers through contracts (Eaton and Shepherd 2001, Simmons 2004). It involves the production of either *traditional crops*[8] and/or *non traditional crops*[9]. In developing countries (especially of Africa) it has developed as part of the,

> "internationalisation process (since the 1980s) in agriculture which involves globalisation of production, capital and trade...through interventions in input supply and production decisions, supply of capital and finance and global sourcing (where in a firm can produce anything , anywhere, by sourcing inputs from anywhere to be sold in any market in the world" (Singh 2002:1622).

To carry out the activity of contract farming, agribusinesses write contracts with farmers, something we will examine in the next sub-section.

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[8]These are crops that are part of the customary diet of the local population and grown primarily for their high cash values and export potentials (Singh, B.P 2002:86). These may include cereals, sugar, cotton coffee, cocoa, tobacco

[9] Crops that are not part of the customary diet of the local population and grown primarily for their high cash values and export potentials (Singh, B.P 2002:86). These include flower (especially roses), snow peas, cauliflower, broccoli, French beans, mini-zucchinis, berries, and other exotic crops

2.1.3 Agribusiness Contracts

An agribusiness contract is a verbal or written agreement between the agribusiness company and the grower(s)[10] where an agribusiness company agrees to provide the growers with inputs and other services needed for production and also purchase the produce of the growers (thus providing market for their produce); and the grower in turn makes a commitment to produce and supply specific crops, at a specified time and price and in quantities and quality standards determined by the agribusiness (Glover 1984; 1994, Little 1994, Key and Runsten 1999, Watts 1994, Singh 2002). The contract therefore, basically involves "[an agreed] price, quality, quantity or acreage (minimum/maximum) and time" (Singh 2002: 1621). In having a contract with such specifications, the agribusiness contracting company ensures a regular production of commodities under contract from suppliers engaged in contract farming. Watts (1994:27) argues that this kind of a contract "defines the social space of autonomy and subordination that the grower occupies the agricultural labour process". Of particular importance is that, agribusiness companies and growers enter into contract farming for different reasons but 'may prefer contracts to complete *vertical integration*[11]' (Singh 2002: 1623) so as to make profits by reducing *transaction costs*[12] (Glover 1984; 1994, Singh 2002).

According to Goldsmith (1985) and Singh (2002), contracted growers enter contractual arrangements so as to gain additional capital to expand their businesses; a more assured price for their produce (by shifting part of the risk of adverse price movement to the buyer); and access to new technology and inputs which otherwise may be outside their reach. Agribusiness companies on the other hand, enter contractual arrangements because contract farming imposes less on scarce capital resources such as labour, ownership of land, farm production activities and management (Singh 2002). This increases profits-margins of the agribusiness company operations. Apart from this, agribusiness companies also project an imageof

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[10] Growers can be 'impoverished peasant households (that is, small peasant producers who depend to a larger or smaller extent on family labour), capitalised family farms or fully fledged capitalist enterprises' (that is, medium or large capitalist farmers relying on wage labour) (Little and Watts 1994, Korovkin 1992).

[11] The control and ownership of more than one stage of the extraction, production and sales process by one company (Hoogvelt and Puxty 1987)

[12] Transaction costs represent the resources (physical as well as human) deployed to complete an exchange of goods and services between parties (individuals and /or organisations) (Kuper and Kuper 2004)

working with local growers as a partner through contract farming, which may land them with state and international agency incentives for their activities as international projects (Singh 2002).

For agribusiness contracts to be a success, they must be attractive to potential growers. Growers need to be convinced and assured that they will increase their net income and also reduce risk exposure by contracting with the respective agribusiness company (Simmons 2004). Significantly, the nature of the contract(s) across the growers in terms of the specific provisions and their implications is important. Contracting involves "many actors and environmental factors which influence the working and outcomes of the contracts" (Singh 2002:1622). There are three main types of contracts in the agribusiness industry. These include: marketing or procurement contract; contract specifying some measure of company control (partial contract); and full company control of production (full contract) (Kirsten and Sartorius 2002, Singh 2002).

In a marketing contract, only sale and purchase conditions are specified. The growers sell their produce to the agribusiness company at a specified price, quality and time. The growers have full autonomy regarding production decisions (Kirsten and Sartorius 2002, Singh 2002).

In a partial contract, the agribusiness company specify some measure of control. It supplies some of the inputs required for production, and buys the produce at pre-agreed prices. The grower(s) agree(s) to produce the crops under some degree of the agribusiness company control and specification, as well as to sell the crops to the agribusiness company at an agreed price, quality and time (Singh 2002, Kirsten and Sartorius 2002).

In a contract specifying full company control of production, the agribusiness company controls production completely. The agribusiness company supervises production, provides the necessary inputs and services and remunerate growers for crops they have grown at the agreed price (Singh 2002, Kirsten and Sartorius 2002). The growers in this case, are merely suppliers of land and labour (Singh 2002).

Having given a background to what an agribusiness, contract farming and agribusiness contracts are, it is important to discuss agribusiness contract farming schemes which are the main focus of this study.

2.1.4 Contract Farming Schemes

Contract farming schemes are agribusiness companies projects where the grower(s) make commitments to produce specific crops in quantities and quality standards determined by agribusiness companies which in turn, retain the responsibility of providing market for their produce, inputs and other services needed for production (Glover 1984; 1994, Little 1994, Key and Runsten 1999, Watts 1994, Singh 2002).

In these schemes, an agribusiness company forms an alliance with grower(s) and through written or verbal contracts, provide farm inputs such as credit and extension. This would be in return for guaranteed delivery of produce of specialized quality often at a pre-determined price (Simmons 2004). Apart from providing direct inputs into farm-level decision making, an agribusiness company may also encourage (in its scheme) integration of various activities across a population of growers through farm groups which may coordinate planting and harvest as well as facilitate or manage storage and transports arrangements (Simmons 2004).

2.1.5 History of Contract Farming

Contracting of crops has existed from time immemorial. In Europe's ancient Greece for example, "'*Hektemoroi or sixth partner*', similar to contract farming was practiced, with specified percentages of particular crops being a means of paying tithes, rent and debts" (Eaton and Shepherd 2001:1). Similarly, China in Asia, recorded various forms of sharecropping (also similar to contract farming) in the first century. In the United States of America (at the end of the nineteenth century) sharecropping arrangements, allowing between one third and one half of the crop to be deducted for rent payment to the landowners, have been recorded.

Contract farming has spread rapidly, owing to the higher returns by high value export crops, the impact of new technologies (Clapp 1994, Eicher and Staaz 1990, Kirsten and Sartorius 2002:508) and changes in food consumption habits of people in developed countries (Echánove and Steffen 2005). This has influenced planners in developing countries in considering outgrower schemes and contract farming

arrangements, involving small-scale producers, as an alternative mechanism for rural development (especially government directed modernisation/improvement' type rural development programmes) (Levin 1988). For example, in Latin America, contract farming has developed in a series of import substitution programmes (Clapp, 1994, Little and Watts 1994, Daddieh 1994, Runsten and Key 1996, Kirsten and Sartorius 2002). The growth of agribusiness was largely influenced by trans-national corporations which established agribusiness companies dealing in the production, processing, transportation, and marketing of agricultural commodities and farm supplies (Korovkin 1992). Chile represents one of the most spectacular cases of agribusiness expansion in Latin America (Korovkin 1992). Its adoption of neo-liberal economic policies after several years agrarian reforms (import substitution) led to the growth of agribusiness (especially visible in the areas of fruit production) (Korovkin 1992).

In Africa, the expansion of contract farming can be traced to the 1970s. Carney (1994:182) reveals that,

> "by the end of the 1970s, agricultural development policies for sub-Saharan Africa began converging on contract farming as the tool with most potential for transforming agriculture into a vibrant sector of national economies in the Sahelian region... contract farming was promoted as a rural development strategy based on a partnership between smallholders and agribusiness capital that would improve farmers' access to inputs, new technologies, national and international markets"

Multilateral corporations such as the World Bank and the International Monetary Fund (IMF) have influenced governments to adopt contract farming as a rural development strategy. Hence most African governments have adopted contract farming hoping that, its variants (outgrower schemes, nucleus estates, satellite farming) would bring about improved incentives that would increase income for farmers and also provide positive multiplier effects for impoverished rural communities' (Kirsten and Sartorius 2002, Daddieh 1994, Carney 1994).

Furthermore, there was an increase in contracting schemes in Africa in the period 1975-85. Sixty schemes were recorded to be operating in 16 countries (Watts 1994, Eicher and Staaz 1998). Over the years contract farming has been considered as ' one system that has considerable potential for providing a way to integrate small-scale

farmers in developing countries into export and processing markets and into market economy' (Kirsten and Sartorius 2002:504, Carney 1994).

Following the above, I wish to proceed to the economic logic of contracting for growers in Africa. This is important as it gives a background to why growers in Africa enter contracts with agribusiness companies.

Section 2

2.2 Economic Logic of Contract Farming in Africa

Most rural communities in Africa are embedded in market economies and consequently depend on cash incomes to secure many basic needs (Little 1994:242). Ponte (2000) argues that, a major effect of modernization is the replacement of traditional exchange mechanisms based on mutual obligation, kinship and class structure with cash exchanges. "Farm families now need cash for school fees, weddings and funerals and basic items such as food clothing and medicine" (Simmons 2004:19). Importantly, these rural families rely on agriculture as an income generating activity.

Agriculture in Africa has undergone transformation with the intention to diversify agricultural income activities which would help rural communities increase their cash income in order to secure many basic needs. This was so because ventures that come with *agricultural transformation*[13], such as contract farming, provide linkages that make rural farmers and small-scale producers cultivate in ways that generate more income for them (Kirsten and Sartorius 2002, Little and Watts 1994, Daddieh 1994, Carney 1994). Goodman and Watts refer this to as 'the emergence of New Agricultural Countries' (NACs), where

> "the export of traditional crops such as cereals, sugar and tropical beverages (tea, cocoa, coffee) are declining while exports such as Brazilian citrus, Mexican non-traditional and exotics, Kenyan off-seasonal vegetables and Chinese shrimp from Argentina are becoming an increasing proportion of both total and exports agricultural income"(1997:11).

[13]Kirsten and Sartorius (2002:505) define agricultural transformation as the process by which "individual farms shift from a highly diversified subsistence production to a more specialized oriented towards the market or other systems of exchange".

Kirsten and Sartorius attribute this increased industrialised nature of agriculture worldwide, "to the biological and information technologies, economic growth, mechanisation, increasing scale of organisation and the modernisation of production, processing and distribution systems" (2002:506).

Furthermore, contract farming on the African continent also reflects the restructuring and readjustment of economic activities as a result of pressures that have characterized political economies as the prolonged continental economic crisis on states and societies (Little and Watts 1994). In his study on the growth in High Value Foods (HVF) since the 1980s, Jaffe (1994) attributes it to market liberalization, technical breakthroughs and the development of contract farming. Moreover, the changing policy trends can partly be attributed to the "convergence of development thinking and interests among African state officials, local and foreign businesses, and international aid agencies with respect to the potential benefits of contract farming over alternative forms of agricultural organisation" (Daddieh 1994:188). Therefore, in "the context of pressures from reduced government support associated with liberalisation of domestic markets, contract farming has become a facilitating component in the broader shift in developing countries agriculture towards a cash exchange culture" (Simmons 2004:19).

The economic rationale of contracting in Africa is based on the premise that entering into contract farming with agribusiness companies can bring benefits to growers (Singh 2002, Glover 1984, 1985, 1987). The next part of the section will therefore review literature on the benefits of contract farming.

Benefits of Contract Farming

Some writers have attempted to demonstrate the technical efficiency of outgrower schemes and the positive role they can play in the overall agricultural development. They proceed from a neo-classical populist assumption that, 'under perfect market conditions, rational peasant producers will make unitarian choices and decisions and will become viable agricultural producers through membership of contract farming or/and outgrowers schemes (Scott 1977, Bernstein 1985, Levin 1988:102). Glover (1994) argues that some large contract farming schemes in remote areas have acted as growth poles. For example 'in sugar schemes in western Kenya, tea schemes in

Tanzania and in a frontier asparagus scheme in Peru: all the schemes have performed well in terms of opening up the underdeveloped areas of the countries in which they are located' (Glover 1994: 171).

Some of the benefits of contract farming that are attractive to growers include: access to new and assured markets, access to inputs, access to credit (which make borrowing easier), managing of risks, access to important information required for production, increase in employment opportunities for family and community members and empowerment of women (Simmons 2004, Singh 2002). All these benefits in turn, reduce transaction costs for production hence profits are made out of the crop to be grown.

2.2.1 Access to Markets

Agribusiness companies are instrumental in opening markets for growers (Porter and Phillips-Howard 1997). These companies have advantages over growers "in market knowledge and experience, information links, legal expertise, economies of scale in processing and transport and have the financial muscle necessary for sustaining international trade relationships" (Simmons 2004:9). Notably, with the abolishment of marketing structures such as marketing boards as the case of Zambia in 1991, the growers have no access to the export markets. This is because 'transaction costs of accessing markets on a small scale are effectively infinity' (Simmons 2004:9). Therefore most growers enter contractual relationships because it provides a ready market for the crops grown under contract.

2.2.2 Access to Credit and Inputs

Since the 1970s, governments in many developing countries have been encouraging export led growth with growing of non-traditional agricultural cash crops for export. Most of these cash crops are usually non-traditional (High Value Food crops (HVF)). However, these non-traditional crops are more costly to produce than traditional crops (Simmons 2004) as they

> "...are highly perishable in their harvest form requiring close coordination of production...to avoid loss of value...; they are labour intensive to produce and or require careful crop husbandry rendering centralized large scale production costly (producers must pay for labour recruitment, supervision and maintenance...); they frequently must be harvested and sold on a carefully

> scheduled basis in order to maintain high and input levels for processing facilities or to take advantage of "market window" opportunities in the fresh produce trade" (Jaffee 1994:102)

This therefore makes cash requirements for farm inputs relatively high (Key and Runsten 1999) as "HVF crops often require specialty inputs and have more exacting quality requirements requiring sophisticated technology and flexible use of labour and chemicals" (Simmons 2004:9). Some more practical example include Singh (2005)'s case studies of potato and sweet corn contract farming in Thailand. In these case studies, it was found that both Berli Jucker Foods (BJF) and Frito Lay Thailand (TLT) operated without pre-financing from the contracting agribusiness company, as they had no access to seeds of processing variety (Singh 2005). It is importance to note that, for contract growers to produce especially export crops, they often need inputs and credit to undertake production (Simmons 2004). However, in many instances, growers are credit constrained in the sense that they either have no access to credit at all (Glover and Kusterer 1990) or where credit is available , 'they face interest rates, often three to four times the bank rate, from local moneylenders or excessive transaction costs if they use bank credit' (Simmons 2004:10).

Agribusiness pre-financing or forward payment system (guided by a contract) acts as collateral in contract farming. This is because collateral is one of the major problems for most smallholders especially in developing countries. However, in cases where a grower has collateral, it is often in the form of traditional land; and since this does not confer individual title deeds, land held under the system cannot be used as collateral (Smith 2001). For example in Zambia, until recently, there were no title deeds to traditional land. This meant that land holders could not use the land as collateral to obtain bank loans (Hanyona 2003). In addition to this, transformation of customary rights into leasehold is a lengthy and difficult process.

Furthermore, when growers have collateral and are able to seek credit from agricultural banks and micro-lenders, transaction costs are usually too high (Simmons 2004). On even small loans, they may face forced purchases, loan delay costs, travel costs, application fees, legal service costs and collateral titling costs (Key and Runsten 1999). These credit constraints make agribusiness companies better ventures to contract with, as they provide several areas of potential savings. Additionally, if the agribusiness company is large and well established, 'it is likely to obtain funds at

normal business rates from the banks' (Simmons 2004:10). This therefore makes borrowing for the growers easier as they literally borrow from the agribusiness company through contracts. Contracts reduce the need for collateral as the agribusiness company monitors its credit (protects its loans to the growers) by 'monitoring input use, ensuring a degree of control over crop management decisions that might jeopardize repayments and specifying how cash advances are to be repaid' (Simmons 2004:10). In cases where an agribusiness does not give loans to its growers, some commercial banks will generally accept a contract between a contracting company and a grower as collateral (Glover 1984).

2.2.3 Managing Risks (Risk Protection)

Growers in developing countries face the difficulties of shifting risk. As Bernstein (1985) points out, crop yields are subject to the uncertainties of rainfall and input supply, and farming incomes are subject to the uncertainty of both yields and prices. In this context, entering into contract may therefore, lessen growers' risk. Opportunities for reducing growers risk through contracting include

> "diversification into new crop with price movement largely independent of those for traditional products, reduced risk associated with start-up costs and seasonal operating costs met by the firm through subsidies and start-up and forward payments and reduced yield risk from the firm's extension activities" (Simmons 2004:11).

Generally, non-traditional crops are more likely to be risky than traditional crops. This is because non traditional crops have higher production costs (Jaffee 1994) hence more income is at risk in the event of crop failure. In addition, prices of non-traditional crops are more volatile due to thinly traded market, yield is more uncertain than traditional crops and such crops are often more perishable (Runsten 1995). Thus, adoption of these crops can be unattractive from a risk stand point without some forms of risk protection (Simmons 2004). Such protection can occur in contracts in different ways such as providing *subsidies*[14]. Glover and Kusterer (1990) report that growers with contracts were subsidised in the early years of their participation and extension from the contracting companies was important in reducing yield risks. Risk

[14] Subsidies may be provided when farmers first enter contracts to reduce risks in setup of the new enterprise, cash assistance with operating costs and extension and management input from the firm may reduce yield risk (Simmons 2004:11).

aversion is therefore an attraction to growers who enter into contracts.

2.2.4 Provision of Extension Services

In most developing countries, government extension services disseminate information about crops. However, most of these governments have limited access to specialized information about new crops (Simmons 2004). Agribusiness companies therefore, provide specialized information about new crops such as 'chemical restrictions related to food safety requirements in specific market, timing of planting and harvest to meet markets, management of products quality and other market and technical information' (Simmons 2004:12). This therefore is an attraction to farmers entering a contracting venture.

2.2.5 Employment for Farm Family and Labourers

Generally, the crops grown under contract are quality, quantity or acreage bound and hence labour intensive (Little and Watts 1994, Jaffee 1994). These crops usually require large numbers of farm workers. Thus a multiplier effect is clearly present in the great expansion of daily farm labour employment in the community surrounding the project (Warning and Key 2002, Key and Runsten 1999). A study in cauliflower and broccoli cultivation in Guatemala found this to be the case (Glover 1994, Glover and Kusterer, 1990). Furthermore, "growers benefit from additional employment benefits arising from contracts..." Simmons (2004:18).

The previous section of this chapter looked at the benefits of contract farming (which encourages growers in Africa to enter into contracts with agribusiness companies). The following section reviews literature on contract farming in Zambia reviewing literature as to why it diversified.

Section 3

2.3 Contract Farming Schemes in Zambia

Contract farming schemes run by agribusinesses are not a new phenomenon to Zambia. Little and Watts (1994) show that, such schemes existed in the 1980s. An example is the Kaleya Smallholder Sugarcane Scheme in Mazabuka, in the Southern Province of Zambia. The schemes in the period involved production of traditional crops such as sugar and cotton. From 1991 up to date, there has been a rapid growth

in contract farming. It has included the production of traditional crops such as sugar, tobacco and cotton and new non-traditional export crops such as fresh vegetables, paprika, castor seed, maize, sunflower, soybeans, cowpeas, groundnuts and sorghum (Mwanaumo 1999). Some agribusinesses that have emerged in Zambia to provide small-scale farmers with inputs, credit and technical assistance and purchase the farmers' produce include Cheetah Zambia, Dunavant Cotton, Lonrho Cotton, Omnia Small Scale Ltd, Kynoch Ltd and Agriflora Limited. Non-traditional production through contract farming has become one of Zambia's top export earners. The export of such crops in Zambia has been influenced mainly by the economic reform and market liberalism that many developing countries have experienced.

Economic Reform and Market Liberalism

Policy reforms and market liberalism have seen the replacement of marketing boards by contract farming (Little 1994). In Zambia, the government influenced by the (International Monetary Fund (IMF) and the World Bank's structural adjustment programmes, abolished marketing boards. The abolition of the marketing boards was a result of deteriorating terms of trade in the world market for *copper*[15], together with declining export volumes in some cases which constrained the *capacity to import*[16] (Bernstein 1992). This led to increased international borrowing consequently massively increasing external debt in the 1980s, under IMF guidance (Saasa 1996, Mwanaumo 1999).

Falling export volumes and declining import capacity (since the 1970's) lead to rapid escalation of external borrowing followed by declining creditworthiness (the particular concern of the International Monetary fund, IMF). The Zambian government therefore agreed with the World Bank and IMF to introduce Structural Adjustment Programmes (SAP) aimed at solving Zambia's economic adversity. However, these programmes did not solve the problem; there was a problem of food supply to the various cities, causing a rise in food prices. This created fears of political instability for the government, at that time. The 1983-1987 structural

[15] Zambia's major export at that time

[16] Declining import capacity has a range of serious effects. It exacerbates the underutilization of industrial capacity due to lack of spare parts and materials, 'knocking on' to shortages of basic consumer goods. It also exacerbates the deterioration of physical and social infrastructure. In many rural areas, lack of inputs and basic consumer goods, deteriorating roads and vehicles and increasing transport costs, have contributed more to losses in marketed crops than the effects of producer prices

adjustment programme package was consequently "abandoned in 1987 when the people put government under pressure" (Saasa 1996:13). There were food riots[17] on the Copperbelt Province, which at that time had a lot of political influence because of the trade unions and mineworkers unions (Mwanaumo, 1999).

After the multi-party elections in October 1991, the new government led by President Fredrick Chiluba committed itself to the structural adjustment programme with added zeal (Saasa 1996). This led to the liberalization of agricultural sector and the promotion of private sector development. The liberalisation of the agricultural sector was driven by new agricultural policies. These emphasized government withdrawal from direct involvement in agricultural marketing and input supply, elimination of price controls, removal of subsidies, privatisation of agro-parastatals, and renting out or selling public storage facilities to the private sector (Mwanaumo 1999, Chilufya 2004). The Zambian government implemented these policies promoting export crops which included non-traditional crops with the objective of diversifying their agricultural exports, generating foreign exchange and creating new sources of employment and income for the rural poor (Hantuba 2005). The result was the mushrooming of private investments activities such as agribusinesses.

For the new government, contract farming outgrower schemes were part of the wider macroeconomic strategy to shift the economy in the direction of private sector led economic growth and social development (Mwanaumo 1999). In the specific case of small-scale cultivators, a private sector-led programme was expected to eliminate the 'subsidies' that put pressure on the state fiscus, while shifting the structure of incentives through the growers more direct interaction with the market. This was to achieve a rise in productivity and income for the small-scale cultivator households (Hantuba 2005, Mwanaumo 1999). Not only was this expected to meet the rural development challenges facing Zambia but also reduce the budget deficit (Hantuba 2005). Central to the argument underscoring the adjustment programme, in Zambia specifically was that the state driven development agenda had shifted the terms of trade (between the rural and the urban areas) against the urban areas and cultivators. This, Bates (1981) argued was impoverishing the rural areas. The enthusiastic

[17] Sparked by increased maize-meal prices

embracing of outgrower schemes by the new government of Zambia was expected to be the solution to earlier 'failed' policies of state-led growth strategy (Hantuba 2005).

Section 4

2.4 Agribusiness Collapse

According to Eaton and Shepherd (2001:1), "there is a danger that rural people engaged in agriculture will find difficulty in fully participating in the market economy" as a result of market liberalisation, globalisation and expanding agribusiness, in which contract farming is embedded. However, literature on agribusiness and contract farming "leaves the impression that contract farming schemes entail monolithic structures that once created are stable over time" which may in fact not be the case" (Jaffe 1994:135). Like any private sector commercial venture, agribusinesses have sometimes existed only for a short time (Little 1994). A political economy of contracting perceives contract farming as:

> "One mode of capitalist penetration of agriculture for capital accumulation and exploitation of farming sector in ... the social relations of production determine the aspects of production systems... Product differentiation and monopolistic tendencies cause contracting" (Singh 2002:1624).

The "intrinsic *monopsonistic*[18] nature of large agribusiness (often multinationals) could result in total marginalisation of many farming communities if the introduction of this new agriculture and the relationships in developing areas are not well managed" (Kirsten and Sartorius 2002:507). The following subsection reviews literature on the criticisms of contract farming.

Criticisms of Contract Farming

As stated earlier in this chapter, "farmers usually enter into contract with agribusiness due to the profitability of the crop, efficiency of payments and input supply, market assurance for the produce and farmer participation in crucial decisions relating to contract production"(Singh 2002:1632). However this trend may not last long due to

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[18] Monopsony refers to market situation in which the product or service of several sellers is sought by only one buyer. It is a market similar to a monopoly except that a large buyer not seller controls a large proportion of the market and drives the prices down. It is sometimes referred to as the buyer's monopoly. A monopsony producer has significant buying power in the market for their inputs, be they raw materials and components or the purchasing of labour inputs (Wikipedia Encyclopedia, 2005).

the monopsonistic tendencies and the practice of '*agribusiness normalisalisation*'[19] over time by contracting firms (Singh 2002). Thus, in as much as contract farming is beneficial to smallholders, it has effects that do not benefit the smallholders. Literature that criticises contract farming is largely dominated by questions related to the dependency and world systems approach (Kirsten and Sartorius 2002). Those writing from this perspective examine contractual relationships (Levin 1988). Simmons (2004:19) argues that,

> "The expansion of contract farming is not a sufficient condition for poverty alleviation among smallholders. Issues exist about whether smallholders are likely to be excluded from benefits and whether contracts may in some situations lead to increases in poverty (absolute or relative) where some are 'left behind' in the development process".

Similarly, the arguments on the technical efficiency of outgrower schemes and the positive role they can play in the overall agricultural development,

> "Tend to ignore the analysis of the relationship between petty commodity producers and the multinational companies which engage in contracts with them... this approach does not examine the historical processes in the development of this form of capitalist production and ignores the structure of social relations which contract farming creates"(Levin 1988:102-103).

Some of the criticisms of contract farming include:

2.4.1 The Problem of Exclusion

Exclusion of benefits from contracting can occur through bias by agribusiness firm against relatively small farmers in selecting farms for contracts (Simmons 2004). Contract farming has the potential to improve the welfare of smallholders. However it is not a sufficient condition for such improvement. Smaller farmers can be excluded from the contracts because of selection bias by agribusiness firms awarding contracts to larger farms (Glover 1984, 1985, 1987, Jaffee 1994, Key and Runsten 1999). Agribusiness firms seem to benefit from

[19] Agribusiness normalisalisation refers to the process wherein agribusiness firms, in their start-up stage, offer promotional policies such as high prices, low quality standards, and generous input and credit support to contract growers which exceed what they expect to maintain over the long run. This is done to shelter the growers from the high risk associated with contract crops and to establish a procurement base for raw material supply. But the firm may find it impossible to sustain these costs for along time, by which time growers have committed substantial resources to contract crops and have incurred heavy debts (Singh 2002:1632).

> "contracting with larger farmers who are likely to have lower average costs and be more reliable as suppliers in terms of quality and quantity...This follows from pure monopsony theory where 'large firms sell in competitive market where they are price takers however acts as price makers when they purchase supplies from farmers" (Simmons 2004:20).

In such as situation, agribusinesses profits are maximised by paying as low a price as possible for raw materials. However, these firms can stop contracting with larger farmers if they envisage contracting with small farmers will be more profitable. Key and Runsten (1999) cite a study in Mexico where Campbells (a United States of America) frozen vegetable firm initially contracted exclusively with larger growers because of transaction costs associated with contracting with smallholders. Similarly Singh's study on contract farming in vegetable crops in the agriculturally developed Indian Punjab found that "agribusiness firms deal with relatively large producers and their contract, which are biased against the farmer, perpetuate the existing problems of the farm sector such as high chemical input intensity, and social differentiation"(2002:1621)

2.4.2 Social Differentiation and Accumulation

It has been argued that, "accumulation that occurs on contracting schemes typically involves wealthier farmers, who already have significant amounts of capital and non-farm investments" (Little 1994:222). For example, in the Mohoroni Sugar scheme of western Kenya, the largest income from contract farming was earned by absentee farmers who earn income from several sources (Little 1994). Similarly, in the oil palm schemes of Cote d'Ivoire most benefits accrued to larger and more profitable plantations whose proprietors tended to be urban – or semi- urban based weekend farmers rather than local peasants (Little 1994). Thus, the poorest farmers in a region are rarely recruited as contract growers as contract farming appears in regions were class differences based on agriculture are firmly embedded in the local social structure (Watts 1994, Daddieh 1994).

2.4.3 Exploitation

Contract farming has been criticised as "just another form of exploitation with limited equity impact, [and aggravating] socio-economic differences" (Kirsten and Sartorius 2002:504). In as much as contract farming can empower women, for example, a

significant number of studies show that women in contract farming are usually exploited (Glover and Kusterer 1990). In contracts women and younger family members usually provide much of the labour while the payments are made to male household heads that (usually) hold title to the contracts (Glover and Kusterer 1990). For example, Singh's case studies of hybrid cotton seed production in Andhra Pradesh and vegetable farming in Punjab examined the labour conditions in contract farming in India. Results showed that,

> "while the new labour arrangements (where women have become the preferred labour type for many employers) have led to marginal increases in real income for some women workers and also changed relationships between workers and employers, workers and work (which led to differentiation within labour), women's wages were generally lower than men's, working conditions poorer and their bargaining power more limited. Of greater concern is the issue of child labour; one of the major problems in contract farming throughout the developing world. India is one of the main users of child labour in the Asian region, with almost 80% of working children employed in the agricultural sector. The majority of these child workers are girls; preferred by employers for their docility, obedience and 'nimble fingers" (Singh 2003:2).

Similarly, Porter and Phillips-Howard (1997) report an African case study where women, despite being principle farmers, held titles only when they had no husbands and where additional labour demands arising from contracts were met by women and children. This therefore indicated the potential of exploitation in some family situations.

2.4.4 Proletarianisation

In contract farming literature, it is often argued that, "agribusiness in general and contract farming in particular reinforces the trend towards proletarianisation of the peasantry" (Korovkin 1992:230). To reduce their production costs, transnational corporations and capitalist farmers rely on seasonal rather than stable labour (fulltime). Consequently, the majority of workers employed in agribusinesses are

> "either semi-proletarianised peasants or pauperized labourers- the rural semi and sub-proletariat with little or no land and stable jobs...in the case of peasant contract farming, the trend towards proletarianisation appears in a disguised form, whereby peasant producers preserve their access to land but lose their productive autonomy to agri-corporations" (Korovkin 1992:230).

Clapp (1994) argues that in such a case the smallholders are little more than the company's 'piece worker[s] who must bring tools to the job.

2.4.5 Contract Default

Glover (1987:442) points out that "companies may attempt to manipulate or take advantage of their suppliers". He gives an example of his fieldwork in Panama where "farmers delivered tomatoes to a processing plant and often found themselves waiting at the gate for up to a day and half. During the delay, the tomatoes would lose weight due to evaporation and the company would then receive a more concentrated product for the same price per pound" (Glover 1987:442). Furthermore, 'a contracting company may cheat or provide insufficient specification in growers' accounts. The growers may be charged for goods and services not actually delivered or may at times fail to specify quantities and dates for such kind of manipulated deliveries' (Glover 1987).

Section 5

2.5 Contract Farming and Agribusiness Collapse

Demands met by the agribusiness companies through contract sourcing "need to be both strong and not too volatile if contracts with smallholders are to succeed" (Simmons 2004:12). Some literature on contract farming reveals that unstable market conditions, contract default, crop failure and management problems have pushed contract farming scheme to the verge of collapse (Little 1994, Singh 2002). Apart from this, there is a need for long term commitment from both the agribusiness and the growers for a contract farming scheme to be successful.

The quality of management and types of actions taken by management for example, are very important in sustaining contract farming schemes. Note that Agriflora Limited collapsed as a result of management and financial irregularities (Mugabe 2005). Thus 'managers' exploitative arrangements are liable to have a limited duration and can jeopardise agribusiness investment' (Eaton and Shepherd 2001:3). The following case studies provide examples of such problems that lead to the collapse of the contract farming schemes.

Section 6

2.6 Case Studies of failed Contract Farming Projects

2.6.1 Asian Vegetable Production under Kenya Horticultural Exporters Contract in Kenya, East Africa between 1982 and 1986.

In the 1960s the Kenyan government initiated and directed settlement schemes in the Yatta Plain where a sixty kilometre furrow had been built a decade earlier (Jaffee 1994). Plots of 0.4 to 1.2 hectares were demarcated for farmers living in the area for vegetable farming purposes. The Yatta irrigation furrow made the production of these vegetables easier as the farmers were able to produce even when the rains were limited.

Yatta farmers at this time had traders based in Nairobi (the capital of Kenya) as their main market for their produce. By the late 1970s, few fresh produce exporters had become aware of the high quality vegetables grown in the Yatta area, hence hired local farmers to act as their agents, buying from other farmers and then selling to them. At this time, the Thika-Kitui road connecting the Yatta area to Nairobi was barely passable. However in 1980, the Kenyan government paved the road. This made transportation of farm produce to the city of Nairobi much easier. Aided by this development, the exporters became directly involved in the purchasing of vegetables from the farmers. The exporter's purchase varied considerably from week to week and from day to day. These variations in purchase created great uncertainty for farmers causing losses from unsold and unharvested produce. Moreover, "quality requirements and purchase prices fluctuated widely reflecting the fact that exporters relied primarily on other sources of supply and used the Yatta farmers as a residual source" (Jaffee 1994:122-123).

In the face of these problems, the Yatta farmers organised an informal cooperative called the Matuu Self Help Group (MSHG). This group approached Kenya Horticultural Exports (KHE), then Kenya's largest fresh produce firm accounting for nearly one-fourth of such exports. This firm traditionally relied on medium to large scale growers for the bulk of its produce supplies. It generally developed long term relationships with growers providing them with seed on credit and offering guaranteed purchase volumes and prices.

At the time that the Matuu farmers approached KHE, it was undergoing expansion with the core product being Asian vegetables to be exported to the United Kingdom to serve the country's South Asian immigrant communities. "KHE had a reputation for reliability and stability though well known for paying farmers prices below prevailing spot market prices" (Jaffee 1994: 123). Matuu farmers got the contract (as potential major new source of supplies) with KHE[20]. A formal contract was signed so as to signal KHE's long-term intentions to contract Matuu farmers. Crops that were to be grown under contract included chillies, okra, eggplants and fresco chillies[21]. KHE established eight collection centres for farmers' produce pick ups. Farmers grouped themselves into groups of 25 members. KHE, through the collection centres,

> "Provided inputs and payments through centre managers; developed small nurseries; conducted field days to instruct farmers on production techniques and grading; provided purchasing orders, specifying the types and volumes of crops to be purchased on a monthly basis and weekly basis and indicating prices to be paid for the entire season" (Jaffee 1998:123-124).

The first production season (1982 to 1983) brought mixed results. KHE bought from the Matuu farmers Asian vegetables constituting 30% of the company exports. However, volumes of individual crops supplied did not meet KHE requirements. Jaffee (1994) argues that, it was evident that many of the participating farmers were using KHE contract as a safety net- planting speculatively outside the contract, looking for alternative buyers offering higher prices and falling back on the KHE commitment only when market circumstances dictated.

In the second season (1983 to 1984), the project expanded, yet large discrepancies between purchase orders and actual deliveries persisted. Supplies from the Matuu schemes enabled KHE to expand its exports and improve its competitive position. However the scheme encountered problems of mismanagement and fraud at some of the collection centres. KHE therefore closed several centres and placed some farmers on individual accounts.

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[20] Matuu farmers got the contract from KHE as they had access to water for irrigation (thereby able to produce vegetable through out the year) and experience in growing some Asian vegetables.

[21] Note that, of these crops to be grown under contract, only fresco chillies were new to the area (Jaffee 1998:124)

In the last season (1984 to1985) before the collapse, the March-April 1984 short rains and September- October 1984 long rains created drought conditions affecting many parts of the country significantly reducing vegetable production. However the Matuu farmers were still able to draw water for irrigation from their Yatta Furrow hence production continued at levels similar to the earlier season. Consequently, severe water shortages in the country induced official restrictions on using water. This subsequently reduced vegetable output and major shortages of vegetables from other sources created a chaotic scramble for supplies. Other exporters came to Matuu offering cash payments two or more times above those stipulated in the KHE contract (Jaffee 1994). When the other exporters offered the Matuu farmers more cash payments for the vegetables, the farmers concluded that "if the other exporters could still earn profit after paying two or more times the KHE buying price, then KHE must have been 'exploiting' them over a long period of time" (Jaffee 1994:125). KHE for some time did not get into the 'price war' with other exporters hoping that Matuu farmers would be loyal.

However, the Matuu farmers breached the contract with KHE, selling some of the vegetables to other exporters. Although KHE finally entered into the 'price war', it had already incurred significant loses in input loans that were not recovered. KHE's contract farming scheme completely fell apart in this season.

In the 1985 to 1986 season, KHE attempted to re-establish the project, but was unsuccessful as more than a dozen exporters were operating in the area, offering cash payments normally well above those offered by KHE. KHE decided to undertake direct production on a few large farms owned or leased by the company.

This case study shows how contract default, drought conditions and breach of contract can lead to the collapse of an outgrower scheme.

2.6.2 Campbell Frozen Vegetable in Mexico, South America.

The Mexican frozen vegetable industry was one of the most dynamic sectors of the Mexican agriculture in the 1980s. From 1979 to 1980 the annual average rate for growth was 34%. This industry was initiated by Birdseye, a United States firm in

1967. Birdseye contracted with many of the same farmers as those of a group of US processors such as Del Monte, Heinz and Campbells. The crops grown under contract for the processing and export were primarily broccoli and cauliflower. The processor firms were restricted from owning or renting land themselves and had to rely on local growers for product supply. The local growers comprised of both large and small growers. Importantly, these processor companies increased contracting with groups of small producers during the boom periods when high profits created a high demand for the crops. When economic conditions became less favourable in the middle to late 1980s, the firms shifted production increasingly to larger growers.

Campbells contracted small-scale *ejidatarios* (members of the traditional semi communal villages or *ejidos*) in Valle de Santiago for production of pickling cucumbers. It believed that the *ejidos* had the best access to the large amount of labour the crop required (they needed to be picked every other day). This ejidal program was expanded to include other crops in the 1980s during the vegetable boom. When a bust (crash of the market) followed boom years, Campbells abandoned frozen vegetables project in Mexico altogether by 1990 (Key and Runsten 1999).

2.7 Conclusion

In this chapter, we have evaluated the existing body of literature on agribusiness. We have shown that contract farming is an option for reorganizing agriculture in order to increase incomes and productivity. It ensures self-sustained development. It has been argued that contract farming has been a component of the most successful income generating projects for smallholders, as well as an important earner of foreign exchange in developing countries. It often involves a greater number of variations and multiple objectives, which include welfare, political, social and economic criteria. However other case studies have revealed its unbeneficial nature especially with small-scale growers. The case studies provided above show how the problems of unstable market conditions, contract default, crop failure and management problems, may lead to agribusiness collapse. It is important to note that, the advantages, disadvantages and problems arising from contract farming will vary according to physical, social and market environments.

Chapter Three
Methods of Data Collection and Analysis

3.0 Introduction

This thesis draws on a detailed case study of the effects of an agribusiness collapse on contracted growers carried out in the Makeni farming area in Lusaka Zambia. This chapter provides an overview of the research protocol that I used to investigate the effects of the collapse of Agriflora on Makeni Cooperative Society growers and the surrounding communities. In it, I discuss the research design used, how I conducted the case study from gaining access, description of the physical location of the study, units of analysis, sampling methods as well as data collecting methods. The chapter concludes with a discussion on data interpretation and analysis. It is important to note the ethical issues and limitations of the study have already been discussed in chapter one.

3.1 Research Design

A qualitative research design was used to investigate the effects of the collapse of Agriflora on the growers of Makeni Cooperative Society and the surrounding communities. The qualitative procedure was adopted as it involves the use of flexible techniques when investigating social phenomena (Patton 2002). Furthermore, it is

> "naturalistic to the extent that the research takes place in real world setting and the researcher does not attempt to manipulate the phenomenon of interest...the phenomenon of interest unfolds naturally in that it has no predetermined course established by and for the researcher such as would in a laboratory or other controlled settings " (Patton 2002:39)

Within this design, I adopted the case study approach, with ethnography as my main research method; two of the strategies of inquiry used in qualitative research. These approaches allow a researcher to go to the site of the participants to conduct the research (Creswell 2003). They are also, more the same as "extensions of normal human activities: looking, listening, speaking, reading and the like" (Lincoln and Guba 1985:199). This allows for the development of detail about experiences of the participants. In short, the approach used for this study would therefore be summed as an 'ethnographic case study'.

A case study is "an empirical inquiry strategy that uses multiple sources of evidence to investigate contemporary phenomenon within its real life context especially when the boundaries between phenomenon and context are not clearly evident" (Yin 1994:13, Yin 2003). Ethnography, on the other hand, is concerned with understanding the way of life of groups of people and places emphasis on understanding that culture from the participant's perspective. Its goal is 'to grasp the subject's point of view, his reaction to his life, to realise his vision of his world' (Hammersley and Atkinson 1995, LeCompte et al 1993). Therefore, it seems, in this kind of research (that is an ethnographic field study), the focus is on the sociology of meaning by means of close field observation of the phenomena under study. The researcher usually focuses on a community, selecting informants[22] who are known to have an overview of the activities of the community (Denzin and Lincoln 1994, Patton 2002).

A case study becomes particularly useful where one needs to understand some special people, particular problem or unique situation in great depth (Patton 1980:54, 2002:5). A similar view is held by Yin (2003) who argues that this approach is appropriate when one wants to define topics broadly or narrowly; cover contextual conditions; and rely on multiple and not singular sources of evidence. In this case, the method facilitated our understanding of how the collapse of Agriflora has affected Makeni Cooperative Society growers and the surrounding communities.

The use of multiple sources of evidence in case studies, as mentioned in the definition, allows an investigator to "address a broader range of historical, attitudinal and behavioural issues" (Yin 2003: 98). In this study, this view enabled me make use of multiple sources of evidence such as field observations, in-depth interviews and review of documents. Yin further points out that "any findings or conclusions in a case study are likely to be much more convincing and accurate if based on several different sources of information" (2003:98).

[22] Such informants are asked to identify other informants representative of the community, using qualitative non probability purposive sampling to obtain a saturation of informants in all empirical areas of investigation

3.2 Conducting the Case study (Data Collection)

Data was collected from June to July 2005. This included two 60 minutes recorded in-depth interviews every fortnight, observations of Society events (meeting), the physical setting (Makeni Cooperative Society and growers' farms), and analysis of available documents. To assist in data collection phases, I utilised a diary, providing a detailed account of how the day went and also the findings of the day. Bernard (1995) recommends that when in the field, the researcher should spend at least a half-hour each day making diary entries; these may have value when you putting together the field notes as it shows biases based on the researcher's emotional state at the time. Below is a detailed account of how I conducted the whole research that is fieldwork.

Fieldwork

Fieldwork is a qualitative research term used to describe "the data collection phase when an investigator leaves his or her desk and go out 'into the field'... that is a setting or a population" (Delamont 2004:218). The data for this research study came from three phases of fieldwork. These include entry into the field, routinisation of fieldwork and bringing fieldwork to a close (Patton 2002).

3.2.1 Phase 1 of Data Collection: Entry into the Field

I arrived in Zambia for my data collection on Friday, the 3rd of June 2005. I set to start my data collection on Monday 6th of June 2005.

Gaining access (Entry)

Although contact had been made with some officials at the Ministry of Agriculture and Cooperatives and CLUSA a few months before the fieldwork was scheduled to begin, there was need for further planning and establishing new informants especially at Makeni Cooperative Society and other important participants that were to emerge. According to Taylor and Bogdan (1998), it is important to secure access to the premises before one starts fieldwork so that the gate-keepers[23] and informants are aware of your interests. These also have to be convinced that you are a "nonthreatening person who will not harm their organisation in any way" (Taylor and Bogdan 1998:29); hence the need to explain one's research procedures and interests.

[23] Those in charge of the setting

The first place I contacted was CLUSA. I first of all phoned to make an appointment with the Project Manager. Unfortunately I was unable to talk to him as he was out of office. I was told by the secretary that he would be in the office towards the end of that week.

I went on to secure access at the Ministry of Agriculture and Cooperatives where I was to obtain information on the cooperatives in Zambia and also the response of the Zambian government to the collapse of Agriflora. I met with the Registrar of Cooperatives under the Department of Cooperatives with whom I set an appointment for an interview. This was easier as I explained clearly the purpose of my study, what access I required, and what documents I would need. I also had an introductory letter from my department (Sociology and Industrial Sociology) at Rhodes University. He then referred me to the Deputy Director of Field Services under the Department of Agriculture, who was to provide me with further information regarding the response of the Zambian government to the impact of Agriflora collapse. I was very fortunate as I found him in his office. We had a brief conversation, after reading my introductory letter. He spoke briefly about a project in place (for contracted growers) before the collapse. This project cushioned growers at the time of Agriflora's collapse. On this particular day, dates for interviews were set, with both the Registrar of Cooperatives and the Deputy Director of Field Services.

In the week that followed, I followed up on my initial contact with CLUSA. I still could not get hold of the Project Manager. I therefore decided to locate the offices for Makeni Cooperative Society (MCS) so as not to loose time on one setting. I established contacts with the MCS and made a few initial observations of the setting on the day of first contact with them. I reserved further observations to the time I would have access to the premises. I decided not to set an appointment with the Chairman of the association as I still wanted to be through with the interviews in Lusaka. Subsequent follow-ups to CLUSA were made but could not secure access. I therefore not to make any further follow-ups to this organization and proceeded with my research.

Physical Location (and Settings) of the Study

Taylor and Bogdan (1998:29) argue that "an ideal research setting is one in which the observer obtains easy access, establishes immediate rapport with informants and gathers data directly related to the research interests". This study was conducted in Lusaka Province, Zambia at four organisations and one community namely Makeni Cooperative Society offices, Ministry of Agriculture and Cooperatives, Support to Farmer Association Programme offices, LUBULIMA[24] Agricultural and Commercial Cooperative Union (LACCU) offices and Makeni Cooperative Society Community respectively. I was able to establish immediate rapport with the informant which made access easy.

Units of Observation

In this case study, the units of observation were individual people. In such a case, "the primary focus of data collection is usually on what is happening to individuals in a setting and how individuals are affected by a setting" (Patton 2002:228). In my proposal, I indicated that I would interview growers from the Makeni Cooperative Society and some farm workers from their surrounding communities, officials from the Ministry of Agriculture and Cooperatives and officials from CLUSA (Agriflora contracting partner). However, I could not interview some farm workers from surrounding communities adjacent to the Makeni Cooperative Society; all the farm workers present at the farms were new and efforts to get hold of the previous farm workers proved futile. Another group I could not interview was officials from CLUSA (Agriflora contracting partner). I could not get hold of the Project Manager in spite of efforts that I made to get an appointment with him. Nevertheless, I managed to interview growers at Makeni Cooperative Society, officials from the Ministry of Agriculture and Cooperatives, a member of Lubulima Agricultural and Commercial Cooperative Union (LACCU) (a farmers' union which was formed as a result of problems faced by farmers just before the collapse of Agriflora) and an official at Support to Farmers Association Project (SFAP) (a joint project between Zambia Agribusiness Forum, Zambia National Farmers Union and the government of Zambia with major funding from NORAD).

[24] **Lu**saka South, **Bu**teko, **Li**layi and **Ma**keni (LUBULIMA) Cooperatives were the initial founders but now the number of cooperatives that form LUBULIMA have grown

The aim of the project[25] was to enhance the relationship of contracted growers and their export markets such as Agriflora. The primary informants in this research were growers at Makeni Cooperative Society.

Description of Key Informants (growers)

All the farmers that I interviewed could speak English and had once worked in the civil service as, teachers or agriculturalists. Hence all interviews were conducted in English. They had either obtained early retirement or normal retirement. Therefore they have taken up farming as a business (fulltime farmers). The size of farms is 20 acres on average. At the moment, the crop under contract is baby corn which they are supplying to York Farm[26]. Note that the crops grown by Makeni Cooperative Society farmers for Agriflora included baby corn maize, mangetout peas, sugar snap peas, and fine beans (Haantuba and Wamulume 2004). At the moment, the farmers' production in terms of contract crop output varies. The type of contract they hold with York Farm through their cooperative is for procurement only - meaning they have only been offered a market for one crop under production. It is important to note that the terms of contract are the same for all the farmers. Appendix 2 shows the units of analysis used in my research.

3.2.2 Phase 2 of Data Collection: Routinisation of Fieldwork

I entered the field to collect data with an open mind in order to build on the methods and techniques that I had planned to use when I was preparing my research proposal. It is important to note that, data collection "requires the use of methods whose quality criterion is whether, and to what extent, they are suitably for discovering and reconstructing the relevance of the other" (Honer 2004: 113). In this study, I utilised three methods: observations, in-depth interview, and document analysis. It is important to use multiple source of information as a single source of information cannot "be trusted to provide a comprehensive perspective on a program. By using a combination of observations, interviews and document analysis, the fieldworker is able to use different data sources to validate and cross check findings..."(Patton

[25] which started in 2000

[26] An agribusiness firm located in the Makeni farming area in Lusaka, Zambia which has been exporting conventional high-value/low-volume conventional vegetables to the United Kingdom supermarkets since 1989.

2002:306). Validity is strengthened as the strength of one method can be compensated for the weakness of another (Patton 2002).

Observations

In this phase of data collection, I first of all choose to further use the method of observations that I had started using during gaining access stage. In this way I took up the role of an ethnographer participating in farmers' activities by watching what was happening, listening to what was said; asking questions, in fact collecting whatever data was available to throw light (Lüders 2004) on the effects of the collapse of Agriflora on Makeni Cooperative Society farmers. I further observed the physical setting, the farmers' interactions and conversations, and other activities that were going on at Makeni Cooperative Society depot. This is supported by Yin (2003:15) who argued that "case studies need not always include direct detailed observations as a source of data. Observations can be made on the setting and the activities going on". This lasted for a week and some days. It is important to note that within this same period, I had some interviews with the officials[27] at the Ministry of Agriculture and Cooperatives. These two officials that I interviewed at the Ministry of Agriculture and Cooperatives had repeatedly referred me to the Project Manager at SFAP. This is the case in "most programs or systems, a few key names or incidents are mentioned repeatedly. Those people or events, recommended as valuable by a number of different informants, take on special importance" (Patton 2002:237). Thus, I made sure that I asked him extensive questions during the interview.

After the interviews at the Ministry of Agriculture and Cooperatives, I set an appointment to conduct interviews at SFAP. After the interview at SFAP, I had another interview with an executive member of LACCU. I also had an informal (that is unrecorded) conversation with other members of LACCU regarding the effects of the collapse of Agriflora on small-scale farmers. At LACCU, the Chairman informed me about a meeting that was to take place at Makeni Cooperative Society. He arranged with the Chairman at Makeni Cooperative Society for me to attend the meeting. He then gave me the date, time and venue for the meeting. It was at this meeting that I had *initial contact* with some of the potential informants.

[27] These officials referred me to SFAP where I was further referred to LACCU.

On the day of the meeting, I arrived at the venue (Makeni Cooperative Society depot) about 45 minutes earlier. I spent the 45 minutes observing what was going on at the depot. I observed that farmers had formed 2 small groups. In one group which I became part of, there were three farmers, two depot workers and one female farmer who were going to attend the meeting for the first time. In this group, the discussion was on farming issues and other general farming community issues. The new member asked a lot of questions regarding farming. In the other group, there were two female farmers. These were seated in a Toyota GX landscruiser. They seemed to be having a heated discussion. After a few minutes these two farmers left saying they would be back in a short while.

After 15 minutes, the Chairman of the society arrived. He came straight to where we were seated and introduced him to me. He spoke about the agenda for the meeting and also the importance of having such meetings. Details related to my observations were recorded the *field notebook.* The intent of the notes was to generate more questions that required interviews or more observations in order to broaden understanding about the Makeni Cooperative Society. For all the observations made, I used an *'observational protocol'*, "a single page with a dividing line down the middle to separate descriptive notes (such as description of the physical setting or activities) from reflective notes (such as my own personal thoughts, such as feelings, ideas, impressions)" (Creswell 2003:189). For the rest of the study, I took field notes of the activities that were taking place at Makeni Cooperative Society and also at the growers' farms. The field notes helped me keep track of what was happening in the community and organisation (Taylor and Bogdan 1998).

After the arrival of the chairman, another farmer arrived. For the next one hour, no farmers arrived. The chairman then decided to call-off the meeting. At this stage I had already had initial contact with the farmers. The chairman then sat with me to sample potential informants for my study.

Sampling

Sampling is a very complex issue in qualitative research as there are variations (Patton 2002, Miles and Huberman 1994). However, "qualitative researchers typically define their samples on an ongoing basis as the study progresses" (Taylor and Bogdan 1998:26). Furthermore, they focus on

> "relatively small samples, even single cases (N=1), selected purposefully...The logic and power of purposeful sampling (sometimes called purposive or judgement sampling) lie in selecting *information-rich cases* ...from which one can learn a great deal in depth, about issues of central importance to the purpose of the inquiry" (Patton 2002:230).

It is important to note that for the purpose of this study, Makeni Cooperative Society, which is one of the cooperatives that was contracted by Agriflora, had already been purposively sampled[28] as a case for this study. Sampling decisions are made for the explicit purpose of obtaining the richest possible source of information to answer the research questions (Patton 2002, Miles and Huberman 1994). The choice of Makeni Cooperative Society growers and their surrounding communities was motivated by the fact that it provided easy access to growers. Makeni Cooperative Society is located near Lusaka city[29] and this cut down on my fieldwork expenses. Apart from this, Haantuba and Wamulume (2004) study on Rural Producer Organisations (though not based on contract farming) revealed that Makeni Cooperative Society contracted growers faced problems of access to inputs, credit and market for their products. I therefore purposively selected it so as to assess the impact of the collapse of Agriflora.

There are a number of strategies for purposefully selecting a sample that would yield information rich for the research (Miles and Huberman 1994). After the initial field observations, I used *snowball or chain sampling.* This kind of sampling is dependent on initial contacts suggesting further people for the researcher to approach (Silverman 2001). A researcher "begins by asking well situated people: "Who knows a lot about.....? Whom should I talk to?"

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[28] The terms purposeful and theoretical are viewed synonymously and used interchangeably in the qualitative sampling literature. In this study, I use the term purposeful sampling.
[29] Note that Lusaka city is in Lusaka province

The Chairman of MCS recommended some farmers to be interviewed. Four farmers were identified as potential informants. It is important to note that,

> "There are no rules for sample size in qualitative inquiry. Sample size depends on what you want to know, the purpose of the inquiry, what's at stake, what will be useful, what will have credibility, and what can be done with available time and resources" (Patton 2002:244).

Furthermore, sampling in qualitative research is flexible and often continues until no new themes emerge from the data, a point called *data saturation* (Maykut and Morehouse 1994).

After sampling, I set dates for interviews with the potential farmers that were present at the depot. The chairman promised to set other appointments on my behalf[30] for the identified potential farmers that were not present. The dates and times for the appointments would be collected the following Monday. This was the start of the in-depth interviews that I conducted.

In-depth Interviews

The bulk of my fieldwork revolved around in-depth interviews with the growers of MCS. In-depth qualitative interviewing means "repeated face to face encounters between the researcher and informants directed toward understanding informants' perspectives on their lives, experiences or situations as expressed in their own words" (Taylor and Bogdan 1998:88). In this study, in-depth interviews were employed to obtain rich descriptive information on the effects of the collapse of Agriflora Limited on the growers of Makeni Cooperative Society and their surrounding communities. Other in-depth interviews were conducted with an official at SFAP, an executive member of LACCU and two officials at the Ministry of Agriculture and Cooperatives. The informants in this study not only revealed their own views, but also described what happened when Agriflora was closed and how others viewed it.

In order to ensure that the interviews remain focused on the issues relevant to my research, I used an interview guide which listed the questions and issues that were to be explored in the course of the interview (Patton 2002:343). Questions on this guide focused on the different aspects that were relevant to the particular respondents (refer

[30] It is important to note that this kind of sampling has a high degree of bias built-in. For instance the chairman could have chosen the farmers that are part of his network.

to Appendix1). For example, for MCS growers, questions revolved around grower's involvement with MCS; how the grower benefited from Agriflora Small-Scale out grower scheme; their relationship with Agriflora; impact of the collapse; and what they have learnt from this experience. The questions also related to contracting issues such as access to market, access to inputs and services (such as extension services), and employment for the surrounding communities. Responses to these questions gave a deep understanding of how Makeni Cooperative Society growers have been affected by Agriflora collapse with relation to contract farming issues. Taylor and Bogdan (1998:29) argue that, "a good qualitative study combines an in-depth understanding of a particular setting investigated with general theoretical insights that transcend that particular type of setting".

3.2.3 Phase 3 of Data Collection: Bringing Fieldwork to a Close

All in all, it took me 3 weeks to complete the in-depth interviews. Although I faced some time constraints, transport problems due to road blocks in Lusaka city and occasional farmer unavailability, I believe the four farmers interviewed provided all the necessary information that was required for the study. After interviewing the last farmer, I felt it was time to bring the field work to a close. I went back to the depot and thanked the chairman of the Society for all the support rendered.

I then went back to the Ministry of Agriculture and Cooperatives and SFAP to collect the documents that I was promised. During the fieldwork, I negotiated access to potentially important documents and records, which included the official and unofficial documents generated by or for the program (Patton 2002, Taylor and Bogdan 1998).

Documents

Written documents such as official report, newspaper articles provide an important source of data (Taylor and Bogdan 1998: 81). They "... prove valuable not only because of what can be learned directly from them but also as stimulus for paths of inquiry that can be pursued only through ...observations and interviewing (Patton 2002:293). The key documents that I reviewed included *Status of Co-Operatives in Zambia (2003)* and some brochures from SFAP. These documents not only provided me with 'information about many things that I could not observe' (Patton 2002:293)

but also an extensive literature on the status of cooperatives in Zambia and also general information about SFAP. Finally, I also read Zambian newspapers such as *The Post Newspaper, Zambia Daily Mail* and *the Times of Zambia* almost everyday to follow the latest agricultural news.

After I was done with data collection, I started the final data processing and analysis.

3.3 Data Processing and Analysis

Data gathered using qualitative research is usually bulky. "Sitting down to make sense of out pages of interviews and whole files of field notes can be overwhelming" (Patton 2002:440). If this information is not well organised, it may become problematic when one wants to interpret and analyse it. Therefore there is a need for good organisation of the data before analysis (Patton 2002). With reference to this point, I organised my data in an orderly and easily retrievable manner in readiness for analysis. I transcribed the interviews into verbatim, "the essential raw data for qualitative research" (Patton 2002:441). Patton (2002:441) argues that, "transcribing offers a point of transition between data collection and analysis as part of data management and preparation". He further points out that, it is important for a researcher to transcribe his/her own interviews as this

> "provides an opportunity to get immersed in the data, an experience that usually generates emergent insights...Doing your own transcriptions, or at least checking them by listening to the tapes as you read them, can be quite different from just working off transcripts done by someone else" (Patton 2002:441)

This can also make it easier for the interviewer to interpret ambiguous statements (Hardy and Bryman 2004:522). This immersion in the data is what grounded theorists Strauss and Corbin (1998) refer to as 'being grounded in the data' so that embedded meanings and relationships can emerge. The resulting analysis of a study grows out of the groundedness (Patton 2002)

There are different procedures of interpreting and analysing qualitative data (Patton 2002). Whatever the procedure a researcher decides to take, it is "fundamentally a non mathematical analytical procedure that involves examining the meaning of people's words and actions" (Maykut and Morehouse 1994: 121). It involves "making sense of what people have said, looking for patterns, putting together what is said in

one place with what is said in another, and integrating what different people have said" (Patton 1990:347-348, Creswell 2003).

Qualitative data analysis is an ongoing process involving continual reflection about data, asking analytic questions, and writing memos throughout the study (Creswell 2003:190). Therefore, in this study, the process of data analysis started during observations of the setting. This continued through the interviews stage. In all these stages, 'what became important to analyse emerged from the data itself out of a process of inductive reasoning (Maykut and Morehouse 1994: 127). Inductive reasoning is a type of analysis in which a conclusion is drawn from particular case based on facts or observations (Maykut and Morehouse 1994). Most importantly, transcriptions of the interviews were done immediately after the interviews. This helped in analysis and determined what was to be asked in the next interview.

To analyse the meaning of the field notes, in-depth interviews scripts and document notes, I made use of the Constant Comparison Method, a grounded theory strategy of qualitative data analysis. Constant Comparison Method is one of the methods used to conduct inductive analysis of qualitative data (Lincoln and Guba 1985, Maykut and Morehouse 1994). This method combines inductive category coding with simultaneous comparison of all units of meaning combined (Maykut and Morehouse1994: 134). Inductive analysis involves "discovering patterns, themes and categories in one's data. Findings emerge out of the data through the analysis's interactions with the data (Patton 2002:453).

Apart from Constant Comparison Method, I also utilised *qualitative content analysis* to analyse the documents that I derived from the field research. In this research, a more general context of content analysis was used. Content analysis is used in this study to refer to "qualitative data reduction and sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings" (Patton 2002:453)

Data Analysis Procedure

As I proceeded with the interviews, I transcribed the audio taped in-depth interviews, which provided initial data analysis. I would later type all the interview transcripts,

field notes and document notes so as to make analysis easier. "Typing and organising handwritten field notes offer an opportunity to immerse oneself in the data in the transition between fieldwork and full analysis, a chance to get a feel for the cumulative data as a whole" (Patton 2002:441) After doing this, I proceeded to code the typed scripts and notes according to data type. On top of the first page of each transcript, I wrote a code for the type of data, the source of data (according to the objectives of the research) such as Interview with Farmer 1 or Field notes- MCS depot. Page numbers of a particular set of data were automatically set by Microsoft word. For example: Interview transcript (IntTRAN) from In-depth interview with SFAP official (SFAP). It looked like this: IntTRAN/SFAP

Once I had coded all data to their sources (interview transcripts, filed notes and document notes), I would print more copies (instead of photocopying as recommended by Patton (2002)). This was done so as to protect the data. Patton (2002:441) argues that, "...it is prudent to make back-up copies of all your data, putting one master copy away some place secure for safe keeping". The printed copies of the data pages were then divided into chunks or units of meaning for analysis. I used the printed copies of the data pages for analysis because

> "a great deal of the work of qualitative analysis involves creative cutting and pasting of the data, even if done on a computer, as is now common, rather than by hand. Under no circumstances should one yield to temptation to begin cutting and pasting the master copy. The master copy or computer file remains a key resource for locating materials and maintaining the context for the raw data" (Patton 2002:442).

These units of meaning were identified by carefully reading through transcripts, field notes and document notes (Maykut and Morehouse 1994).

Responses from the scripts were then compared to establish the most frequently occurring responses and differences in statements and opinions. These were turned into categories (themes) with topics that relate to each other, which were used in the analysis and interpretation of data. According to Creswell (2003), these themes are the ones that appear as major findings in qualitative studies as they display multiple perspectives from informants. They should however, be "supported by diverse quotations and specific evidence" (Creswell 2003:194). The data was then

summarised in a narrative form and the most important quotations are used to illustrate the major findings of the study presented in Chapter Four.

3.4 Conclusion

In this chapter, I have presented the methods of data collection and analysis used to carry out the study. I have shown that observation, in-depth interviews and document analysis were the qualitative data collection tools the study employed. With these techniques, I was able to obtain vital information from the respondents. The chapter also highlights the research procedure, the physical location of the study, sample selection, as well as data analysis and processing, and the limitations which were encountered in the course of the study. The next chapter presents and discusses the findings of the study, in accordance with the literature reviewed in Chapter Two.

Chapter 4

The Effects of Agriflora Collapse on Contract Growers of Makeni Cooperative Society (MCS) and their Surrounding Communities

History tends to repeat itself, and enough lessons are available worldwide to warrant considerable caution in promoting contract agriculture

Peter D. Little, Contract Farming and the Development Question

4.0 Introduction

In the previous chapter, I presented the methods of data collection and analysis for this case study. In this chapter, I discuss and interpret the major findings of the effects of Agriflora collapse on growers of MCS. According to Patton (2002: 477-478),

> "Qualitative research begins with elucidating meaning. The analysis consists of ... a set of interviews or collection of field notes and asks: What does this mean? What does this tell me about the nature of the phenomena of interest? In asking these questions, that analyst works back and forth between the data (the evidence) and his or her own perspective and understanding to make sense of the evidence".

In this case study, I first of all, give an overview of contract farming in Makeni, the nature of contract, the benefits to the farmers of contracting with Agriflora, the relationship that they had with Agriflora and what led to Agriflora collapse. I then discuss the impact of the collapse on the growers of Makeni and also on the surrounding communities. Finally, I discuss the responses of the government, the company that bought the major shares of Agriflora and the MCS farmers.

4.1 Contract Farming in Makeni

For more than four years, Makeni Cooperative Society (MCS) farmers grew vegetables crops such as baby corn, mangetout peas, and sugar snap and fine beans for Agriflora Limited. Such vegetables are classified as horticultural crops[31].

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[31] That is, crops (especially flowers, fruit, and vegetables) cultivated in gardens or greenhouses. Horticultural crops have technical and production characteristics that render them suitable for "contract farming [especially]... for organising ... production and trade" (Jaffe 1994:102, Binswanger and Rosenzweig 1986, Glover 1984, Goldsmith 1985).

Contract farming in Makeni became prominent with the entry of Agriflora Limited into growing vegetables for export. Agriflora Limited attracted farmers in this area as it provided incentives such as irrigation loans, inputs, technical assistance and market for produce. For a farmer to be part of the scheme, he/she had to have a 1-4 hectare plot[32] and also belong to a cooperative (Haantuba and Wamulume 2004).

Initially, there were 60 active registered farmers in MCS. At the time of this study, there are between 25 and 30 active growers. The collapse of Agriflora Limited largely explains the drop in grower membership. Furthermore, the number is anticipated to drop if the growers do not start growing peas. At the time of this research, the farmers had not been growing peas; they were still waiting for Eurep gap[33] certification.

From our field data obtained at the MCS, it was apparent that most of the farmers in the society were male. However, I interviewed two female farmers and two male farmers. From the interviews and informal conversations at the society, I found that most of the farmers were retired civil servants who owned an average land of 20 acres. The farmers had experience with and knowledge of horticultural crops under contract as they had been growing export crops for at least 4 years. Since these interviewed farmers were once in formal employment, they can be considered as farmers in search of a second career. This therefore shows that, Agriflora excluded traditional farmers[34] who owned land less than a hectare. Traditional farmers therefore did not benefit from the contracting arrangement. As Simmons (2004) points out that exclusion of benefits from contracting can occur through bias by agribusiness firm against relatively small farmers in selecting farms for contracts. Thus such exclusion makes contract farming insufficient for improving the welfare of smallholders.

The farmers interviewed reported that they started farming before the year 2000. They all joined MCS in 2000 so as to contract with Agriflora. Before 2000, they grew vegetables and reared chickens for the local market. Some of the vegetables included

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[32] 1 Hectare = 2.47105 Acres

[33] A is a set of good agricultural practices (gap) based on accepted standards and promoted by European Retailers Group (Eurep)

[34] For the purpose of this study , I refer traditional farmers to farmers that have not been in formal employment before (especially those that own less than one hectare of land)

rape[35], cabbage, green beans, okra, carrots and tomatoes. Below are accounts as to when the farmers started farming:

> We (*referring also to the husband*) started farming in 1988. We were not big at that time. So we grew local vegetables (rape, cabbage, chibwabwa (pumpkin leaves), green beans, and carrots). And also we had 2 chicken runs. So we were also rearing chickens. Then later on, in 1992, I started rearing broilers on a larger scale. I was still growing vegetables but at a small scale mainly for consumption. I went on with the broilers until I was disappointed in 1995. The chickens got this ... disease ... New castle disease[36]. I stopped for some time then started again *(Rearing chickens)* bit by bit until 2000 when I joined Makeni Cooperative Society...
> **Chileshe Chipasha**

> I started serious farming in 2000... before I started serious farming, I had a vegetable garden in my backyard. At that time I was still teaching. And then in 2000, I joined Makeni Cooperative Society, so as to take up farming as a business. At this time I had already retired and was now ready to farm.
> **Madaliso Phiri**

From these two accounts, the farmers interviewed referred to joining the Agriflora contract farming scheme as serious farming or becoming big farmers. The farmers anticipated benefiting from the venture hence the joining of MCS. Daddieh (1994:109) points out that "farmers' involvement in contracting is based primarily on anticipated increases in income and hence on improved standards of living". The contracting arrangement made by Agriflora was to contract farmers through cooperatives. Thus farmers with at least 1-4 hectares of land around Makeni farming area interested in this venture registered with Makeni Cooperative Society. This is shown in the following accounts:

> I joined Makeni Cooperative Society because I heard about Agriflora and that if we joined the cooperative, we would benefit a lot. What attracted me a lot, were irrigation loans that Agriflora was going to give us
> **Chileshe Chipasha,**

> I decided to join MCS because, as a farmer I felt I needed support from especially other farmers and any other well wishes. You know farming is a type business where you need a lot of support in terms of ideas and most importantly in terms of inputs and other things.
> **Hamabwe Choongo**

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[35] A local green leafed vegetable that is related to the broccoli and turnip family of vegetables.
[36] Newcastle disease (ND) is a highly contagious, generalised virus disease of domestic poultry and wild birds characterised by gastro-intestinal, respiratory and nervous signs

> I was motivated to join Makeni Cooperative Society because I had no irrigation system and Agriflora had promised to provide loans for equipment to established cooperatives. So I joined the cooperative in 2000
> **Madaliso Phiri**

4.2 Nature of the Contract between MCS Farmers and Agriflora

At the onset of the Agriflora (Small-scale) outgrower scheme, Agriflora signed a written contract with MCS which in turn signed another one with the members. As one farmer noted:

> We did have a contract pertaining to pricing, grading, payments, the requirements and expectations of the farmer, and what we would be getting from Agriflora in terms of inputs, extension services and other services... It was a written contract between the cooperative and Agriflora... and another one was between the members of the cooperative and the cooperative.
> **Hamabwe Choongo**

Pricing

A price for the vegetables was set before production. The growers retained ownership of the vegetables under contract and any resources (such as inputs, paying farm workers) needed to produce right up until delivery. Agriflora provided extension services.

Grading

The initial arrangement in terms of grading was such that the produce would be taken to Agriflora sheds and graded without the knowledge of the cooperative members. However the grading was not transparent; MCS members were not happy with this arrangement. The cooperative representatives then addressed this matter and grading was then done at the MCS depot.

Payments

When the growers delivered the crop, Agriflora recovered the input cost at source and only paid out the difference which was due to the farmer.

Requirements and Expectations

MCS growers retained ownership of the vegetables under contract and any resources (such as inputs, paying farm workers) needed to produce right up until delivery. They

were expected to supply the produce, at a specified time in quantities and quality standards determined Agriflora.

Services

Agriflora provided extension services (such as spraying and field days[37]); administered irrigation loans on behalf of ZATAC; and also provided cold room and pre-grading / storage facilities.

In the next sub-sections, I discuss the benefits of contracting with Agriflora for the farmers, the relationship that the growers of Makeni Cooperative Society had with Agriflora prior to the collapse, as well as what led to Agriflora collapse. These facilitated an assessment of the impact of Agriflora collapse on the contracted growers of Makeni Cooperative Society.

4.3 The Benefits of Contracting with Agriflora

As mentioned earlier, the farmers' anticipation of benefiting from the venture informed their decisions to join MCS. It has been argued that farmers usually enter into contract with agribusinesses due to the 'profitability of the crop, efficiency of payments and input supply, market assurance for the produce and farmer participation in crucial decisions relating to contract production' (Singh 2002:1632, Glover 1987). In line with this argument, the growers of MCS entered into contract with Agriflora because it provided irrigation loans, seed, extension services (such as having field days and spraying), and a guaranteed market for the farmers' produce among others. As the following farmers noted:

> What attracted me a lot were irrigation loans that Agriflora was going to give us…They told us about the things that we were going to benefit and irrigation loans was one of them…. things like buying the produce from us farmers, that is through our cooperative, providing inputs (fertilisers, pesticides) and also doing the spraying for us. You know these things are very good for farming. The most important things in farming are seed, pesticides, and rain or water of course and

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[37] MCS growers were serviced by an agronomic team that visited farms on a weekly basis giving advice and direction in all aspects of production.

> also market for the crops is very important because at the end of the day you need to sell what you have grown. So this was very attractive.
> **Madaliso Phiri**

> Agriflora ...supplied inputs on credit to farmers...by inputs I am talking of seed, fertiliser, agro-chemicals and this happened up to the time of closure. This arrangement worked well in as far as this aspect is concerned. Agriflora also provided extension services, market, that is pack house and international market. Agriflora picked up the vegetables, took them to the pack house, graded them and exported what was acceptable quality...
> **Chimuka Chinene**

Although contract farming ventures provide benefits to growers, empirical evidence indicates that objectives of contract farming are not always met (Glover 1987). The following discussion summarizes the problems that the growers of MCS had with Agriflora. These are presented in terms of the relationship that the growers of MCS had with Agriflora.

4.4 The Relationship between MCS Farmers and Agriflora

Contract farming ventures that promote close and stable relationship between an agribusiness and the growers have been advanced as potentially innovative forms of agricultural and rural development (Goldsmith 1985). Contractual relationships between growers and the contracting company have been known to provide growers with the assurance that a contracting company can appropriate a share of the benefits from the investments it makes in production at farm level (Glover 1994, 1987, 1984). With reference to this study, at the beginning of the contract farming venture, Agriflora and Makeni Cooperative Society growers shared a stable relationship. This is shown in the following verbatim quotes:

> At first, we were in good terms; they provided irrigation loans ...we were having field days every month. They used to organise training as well
> **Chileshe Chipasha**

> Well at first things seemed to be fine. We produced the baby corn and the peas and supplied it to Agriflora. We used to take the produce to the cooperative ... and then a truck from Agriflora would pick it from there and take it to Agriflora to have it graded and then exported. We would get our payments after a delivery.
> **Madaliso Phiri**

As stated in the literature on contract farming, contracts are signed to "ensures a regular throughput of commodities for contractors engaged in contract farming"

(Watts 1994:43). However Makeni Cooperative Society growers interviewed in this research reported having experienced a 'high manipulation of contract in terms of legal and tacit arrangement' (Glover 1984, 1987). The manipulation was in terms of Agriflora deducting money from the farmers' supply before the agreed time. For example:

> When the farmers delivered the crop to Agriflora, Agriflora recovered the input cost at source and only paid out the difference which was due to the farmer. But as time went by... we were seeing the problems which were coming ...sometimes they would deduct money from the cooperatives for people who got money for inputs...not within the arranged period because the arrangement was that the farmer would obtain 120 day credit but they were recovering the credit at 60 days and that constrained the cash flow for farmers... some of the farmers' crop would still be in the ground not harvested. The input cost would already been recovered
> **Laban Kumena**

Another form of manipulation of the contract was in terms of late payments. The farmers' payments would be given after the specified time in the contract. This is stated in the following account.

> We used to take the produce there (*MCS depot*) and then a truck from Agriflora would pick it from there and take it to Agriflora to have it graded and then exported. We would get our payments after a delivery. Nowwww (*stressing the point*)... these payments ... uhum. These payments used to delay... they would take sometimes three to four months. This made us have debts with the workers... there was no money to pay them
> **Madaliso Phiri**

The problem of late payments has been documented in contracting ventures. Delays up to two years have been recorded (Glover 1987). In the case Agriflora, it not only deducted the money before the agreed time, the payments would be made very late. Apart from Agriflora deducting money from the farmers' supply before the agreed time and delaying in payments, grading of the produce was done without the farmer being present. This is summarised in the following account:

> The relationship between Agriflora and Makeni Cooperative Society was not open or rather transparent because when they took the produce from the depot, they graded it on their own without the farmer being there. The farmer was just told about the grade, quality; ... the farmer had no say. No information was given about the rejects
> **Chimuka Chinene**

As stated in the literature reviewed, quality and quantity specifications are usually determined by the contracting agribusiness. This therefore allows the agribusiness to reject produce that does not meet its requirements. However, MCS farmers had to continue growing for fear of breach of contract. The following account illustrates this:

> A lot of farmers felt that they were being used. This arrangement only made us debt attached and forcing us to continue growing so that we pay Agriflora... what I mean is that...it was like we were tied to Agriflora. We could not stop producing for them. We had loans to pay and also we were in a contract.
> **Chileshe Chipasha**

According to Glover (1984: 1148), "a grower may voluntarily enter a contract relationship but subsequently be unable to terminate it when the expected benefits do not materialise". The agribusiness company advances the grower inputs and sometimes even machinery and then take payments by making deductions from the crop payment due to the growers. In such a situation, a farmer could have to keep contracting with the company year after year just to pay off these loans (Little and Watts 1994, Glover 1984). This was the case with MCS growers. They were at a disadvantage as they had already signed a contract and had to continue growing for Agriflora so as to pay off the loans. For example:

> Because we had loans ...we could not do anything. The irrigation loans forced us to continue growing because we knew that we had to pay back the loans
> **Chileshe Chipasha**

> The money that we were getting from Agriflora was loans ...so the money would be deducted from the money that they were to pay us for the supplies... This arrangement only made us debt attached and forcing us to continue growing so that we pay Agriflora.
> **Madaliso Phiri**

Makeni Cooperative Society growers where unlikely to challenge Agriflora's judgement regarding grading as they had already signed the contract. Worse enough, they had no where to report their grievances. Agriflora used to handle all grievances. One of the farmers revealed:

> For any grievances Agriflora was the one to iron them out because there was no where else to go
> **Hamabwe Choongo**

Furthermore, the growers were also not happy with the pricing. As one of the farmers revealed:

> The other thing was the pricing ...due to lack of transparency, farmers did not know how Agriflora arrived at their prices...so this generated a lot of unhappiness amongst the farmers and suspicion of course
> **Chimuka Chinene**

Another farmer interviewed expressed sentiments of resentment and suspicions,

> You know...Agriflora people were thieves...Ehhhe... *(She laughs)* they were thieves. They were making a lot of money out of our produce and paying us very little
> **Chileshe Chipasha**

Apart from the above mentioned problems, the growers of MCS, at times experienced some problems with extension services by Agriflora. As one of the interviewed farmers pointed out that:

> At times extension officers were not as effective as farmers would have liked... for example, a farmer would come to this depot and report that their crop is being affected by a pest, and so they would like an extension worker *(Staff)* to go and look at it and take some measures. This took a bit of time and in some cases very little attention was paid to farmers problems.
> **Chimuka Chinene**

Having discussed the relationship that the growers of MCS had with Agriflora, I will now discuss what led to Agriflora collapse.

4.5 What Led to Agriflora Collapse

The Zambia Daily Mail newspaper (14- 23 December 2004) reported that, Agriflora collapsed due to management and financial irregularities; which contributed significantly to the overstatement of the TZI conglomerate's accounts. The former management of Agriflora inflated Agriflora' accounts so as to make the company continue to access bank loans. This led the company incurring more debt than its underlying assets. In June 2004, Agriflora was placed under receivership. At the time of my fieldwork, the major properties of Agriflora had been sold to Chalimbana Fresh Produce, a subsidiary agribusiness of United Kingdom-listed Plantation and General Investments. The collapse of Agriflora was anticipated to have a negative effect on the horticultural and floricultural industry in terms of export revenue losses and

employment opportunities.

In the next sub- section, I discuss the impact of Agriflora collapse on MCS growers.

4.6 Impact of Agriflora Collapse on MCS Contracted Farmers

Already experiencing the problems mentioned in the sub-section 4.4, the growers were faced with the collapse of Agriflora. To some farmers, this collapse came as a surprise. This is revealed in the following verbatim quote:

> It was a complete surprise to us... there was no warning...we actually thought it was a downfall of us especially that we were completely dependent on agriculture, supplying to Agriflora.
> **Hamabwe Choongo**

Most farmers depended on Agriflora for production inputs and services; hence were affected by the collapse. Some farmers felt helpless as they depended on agriculture for their living. This is shown in the following account:

> When Agriflora collapsed, we could not do anything. We felt cheated. You know we are small farmers and we depend on this agriculture for a living. Ehhheeee... (*Stressing the point)*... We depend on the success of our production or harvest and sales. We are not like those big farmers. It is different when you have other sources of income or when you are working. Farming is a business and like any other business you need to make a profit if you are to survive. And now we are not working. Ehhheeee, we had a lot of problems. You know it was also difficult because now we were used to growing these crops for export. So now we had to start growing the old crops in old ways again
> **Madaliso Phiri**

At the time of collapse, most farmers had crops in the fields. This is illustrated in the following account:

> At that time I was out of the country in South Africa where I was visiting my daughter. I had left peas in the fields. I was just informed on phone that Agriflora had been closed
> **Chileshe Chipasha**

Since there was no warning, the farmers continued to grow the crops. Nevertheless, after Agriflora went under receivership, farmers could still take there produce to the depot. Agriflora continued to accept the crop but stopped picking it from the depots. It is important to note that the crops were grown in specified volumes for export. This means that, even if the farmers were to decide to sell them at the local market, the

price would be too low especially that the crops would be flooded[38]. Apart from this, there are quite a number of vegetables that are consumed by the local people; these high value crops are not in high demand in Zambia. Vegetables like mangetout peas and baby corn are consumed by a relatively smaller population; the crops are meant for the clientele in Europe.

The case study also found that MCS farmers have not been paid money for supplies that were delivered two months before Agriflora was put under receivership. This is shown in the following accounts:

> Agriflora ... collapsed and money for May and June was not paid. We lost
> **Chileshe Chipasha**

> I lost some money...however, the money for the crop that I supplied at the time Agriflora was under receivership, I got some payment but then the money that we lost was for supplies we had made before the time...so there are two months which we have not been paid for
> **Hamabwe Choongo**

Apart from feeling helpless and loosing money due to the collapse of Agriflora, MCS farmers experienced a lot other problems which included decline crop production and farmer income, unemployment, transport problems and lack of extension services. The situation was worse off for farmers who where depending on contracting.

The following part of the discussion looks at the problems experienced by the growers of Makeni cooperative Society as a result of the Agriflora collapse.

4.6.1 Decline in Crop Production

This case study revealed that, Makeni Cooperative Society growers are faced with decline in crop production. In spite of an alternative new market being secured after

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[38] At Soweto market, for example, small-scale independent farmers also sell such vegetables. These farmers do not grow for export; they mainly grow such vegetables to supply to Freshmark, a subsidiary of Shoprite (South Africa). Freshmark buys fresh produce on behalf of Shoprite (Zambia) and supplies it to all the Shoprite stores in Zambia. However, "the supply agreements between these farmers and Freshmark are largely verbal...[therefore], it quite often happens that there is excess supply to the Freshmark depot resulting in them not being able to purchase the produce and thus forcing the farmers to make alternative marketing arrangements at short notice such as selling at the Soweto market where the produce fetch much lower prices" (Emongor et al 2004:27)

the collapse of Agriflora, MCS farmers were unable to produce at the output level as they did with Agriflora. As one of the farmers revealed that,

> So far we are only growing baby corn but for Agriflora we used to grow baby corn, mangetout peas, and sugar snap and fine beans.
> **Chimuka Chinene**

Similarly the project manager at SFAP revealed that:

> York Farm is now buying produce from the farmers but only one product- baby corn and on a very limited scale

Apart from this, farmers have to wait up to three months before they can plant for export. For example:

> Though there was a smooth transition, I mean the government organising a market for us... what followed later was that LACCU[39] together with York Farm, though it was actually York Farm dictating to LACCU that there should be stages in planting. So you find that you can go for three months without planting...So there was that vacuum which meant that the income for the farmers was also lacking because of that. We the started growing... going into some local vegetables. So you find that farmers have also shifted into producing vegetables for the local market.
> **Hamabwe Choongo**

Growing baby corn only, however, is part of the arrangement that has been made by LACCU (a farmer's union) with York Farm. The growers of MCS have signed a written procurement contract under which York Farm accepts to purchase from the growers. The growers have to drop their produce at York Farm. They have also agreed to be producing in turns, that is, farmers have to have turns in producing and supplying to York Farm. This means that the number of times a farmer supplies to York Farm is less than it was with Agriflora. This has contributed to the reduction in farmer income. For example:

> We were very lucky. They (*York Farm*) agreed to have a gentleman's agreement with LACCU... Meanwhile we signed a contract to grow for them for the year 2005...So that is where we are delivering our baby corn. But there is a problem, we are still not happy because our market has been squeezed out, that means that only a few people can grow...As I said earlier on York Farm had their

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[39] This stands for Lubulima Agricultural and Commercial Cooperative Union (LACCU). LACCU is an apex of seven cooperatives formed in 2002 and registered in 2003 so as to deal with the interests of the farmers contracted by Agriflora.

> programme for the year... only a few farmers could grow but the number has increased.
> **Laban Kumena**

The increase in the number of growers to be supplying to York Farm was confirmed by the project manger at SFAP. He revealed:

> We have 82 farmers that have been growing in the past last cycle. We have been told by some farmers...that York farm has increased allocations with outgrowers by 30 percent. So it means we will have over 100 growers

As stated above, not all the farmers previously contracted by Agriflora Limited are growing for export. However, all the 25 - 30 members of Makeni Cooperative Society are producing for export. For example

> All the active members of MCS are growing for York Farm. We are encouraging our current members to keep producing
> **Chimuka Chinene**

Despite being faced with limited production, the farmers interviewed kept on mentioning that they were happy with York Farm's pricing structure. The contract price for the baby corn is the same for all farmers. Farmers are happy with the new price.

To increase their farm income, farmers have started growing for the local market. However one farmer complained,

> As farmers, we had stopped growing other crops and when we started growing new crops...we stopped growing other crops. These guys came with new methods. For the past 5 years we have been growing using new methods. This spoilt farmers' old methods of farming. Now we have to go back to our old ways of farming. We have to grow other crops as well. Last season 2004/2005 we did not grow much.
> **Madaliso Phiri**

4.6.2 Decline in Farmer Income

One of the benefits of contract farming is increase in farmer income (Little 1994). As stated earlier on, this is one of the reasons why the growers of MCS contracted with Agriflora. However Agriflora collapse has affected the growers' income in that, the revenue from the contract production is not enough to allow growers to diversify their

production and as well as meet their household and farming costs. This is illustrated in the following verbatim quote:

> I have no money to pay for electricity and other household bills…You see when Agriflora collapsed electricity was disconnected from my farm. I owed ZESCO (*Zambia Electricity Supply Corporation*) a lot of money. At least now I have been put on a payment programme. But am telling you I still cannot cope because payments come in very late. So this problem cannot be solved... Farmers feel they are working for the seed companies and electricity companies
> **Madaliso Phiri**

Importantly, reduced farmer income has had wide range of negative consequences. Farmers have become inactive in the society's activities. From the failed meeting, I observed that the meeting room was almost empty. One of the interviewed farmers confirmed that farmers have stopped attending meetings because they feel demoralised. As one farmer revealed:

> Now the morale is very low. We are not sure if this thing is going to happen again. That why you saw at that meeting that you attended that there were very few farmers... when things were still good, that day that meeting room would have been full. It used to very nice. We would meet as farmers, discuss farming issues, and get updates of what is happening. Even when negotiations were done on the pricing, we would be told in the meetings… So meetings used to be held and our chairman would give us feedback in the meetings
> **Madaliso Phiri**

Apart from this, a decline in farmer income has made MCS farmers reduce production scale owing to their inability to pay farm workers and other farm bills. When farm bills such as electricity bills are not paid for example, electricity is disconnected. Disconnection of electricity on a farm with an irrigation system that depends on electricity (such as on most farms in Makeni) means no electricity to pump the water and no irrigation for the fields. This will then mean compromised yields and quality of crops harvested hence a decline in farmer income.

Decline in farmer income as a result of a decline in production (that is growing of baby corn only), has reduced the MCS membership. The case study found that, there is a further possibility that farmers' membership in Makeni Cooperative Society will continue to drop. As one of the farmers pointed out:

> When we started, the cooperative had 60 members. As time went by some farmers started pulling out as a result of the problems that I told you about earlier on. Some of these farmers felt that it was not profitable so they opted to become independent farmers. Now we have between 25 to 30 farmers. Even this number is likely to drop unless we start growing peas.
> **Chimuka Chinene**

4.6.3 Unemployment

This case study found that, MCS growers have experienced a decline in crop production and farmers' income which has resulted in unemployment. This is because, vegetable crops grown under contract are quality, quantity or acreage bound hence labour intensive (Singh 2002, Little and Watts 1994); they require large numbers of farm workers. However, most farm workers lost their jobs on the farms because the farmers did not require their services either because production was limited or the farmers could not afford to pay them.

Since the crops grown under contract by MCS growers were labour intensive, a large number of people are employed on farms with such crops under production; employment for the farming communities is one of the major benefits of contract farming. From the informal conversations I had with the people living in Makeni, I found that, during sowing or harvesting time, even the wives of the farm workers found what they call "piece work" meaning temporal jobs. However, at the time of my fields work, there were few (in most cases one full time employee) on the farms. The average number of full-time workers for each farm, before the collapse, was six but now has dropped to one. This was attributed to the problems that farmers are facing as a result of the collapse of Agriflora such as decline in production scale and farmers' income.

Decline in production scale, for example limits the number of full time employees. The growers would only employ a relatively small number of wage workers according to the size of land cultivated and when there was a need (when planting or at harvest time). Similarly, reduced farmer income meant there was limited money to pay the workers. In other cases, workers left due to delays in salary payments. Such problems have led to unemployment in the communities. For example:

> Some workers left because first, there were delays in payments; then later I couldn't pay them. You know... you cannot stay in a job without being paid...

> you know how life is nowadays. And it is not because I just didn't want to pay them. I had no money. Ehhheeee ...this Agriflora left us in problems. I had no money to pay them at that time...I had five workers but four have left because of lack of payments. You can't blame them
> **Chileshe Chipasha**

Welfare Impact of Unemployment on Farm Workers and Families

It is also important to note that, at the time of my field work, most employees on these farms were relatively new as the old ones left after the collapse due to non payments of their salaries. Since the farmers are mainly producing baby corn for export, most of the labour that the growers use is seasonal and is based on "a piece rate system of wages" that is, wages that paid according to the amount of work done on the farm such as planting or harvesting (Singh 2002). This can either be sowing or picking the baby corn. However, given that piece work is seasonal, it is often temporal and insecure. Thus, most farm workers leave in search for other alternative jobs. For the farm workers who used to live on the farms, they leave in search for other jobs as they have to feed, clothe and send their children to school.

4.6.4 Transport Problems - Transportation to York Farm Depot

With a new contract with York Farm, MCS farmers have to take their produce to the York Farm depot. After the collapse of Agriflora, a truck was sourced to help all the previously Agriflora contracted farmers transport their produce from their farms to York Farm. As one of the farmers revealed:

> After Agriflora collapsed, the American government gave us a truck but that truck...but we still use our own transport
> **Madaliso Phiri**

Some interviewed growers of MCS complained of transport problem despite LACCU and the government of Zambia obtaining a truck from USAID[40]. The following account from one of the interviewed farmers reveals this:

> I have no money to pay ...for transport to York Farm, and other farmers charge to deliver for us. We live in debts. Those without transport have to pay K12 000 to a farmer with transport to take produce to York Farm...And that truck ...me I have never seen it. I usually organise my own transport...
> **Madaliso Phiri**

[40] This will be discussed further in sub-section 4.7

Agriflora used to manage transport arrangements. After the collapse, contracted farmers had to manage transport arrangements for any deliveries of farmers' produce. The above extracts imply that, not all the farmers are benefiting from this transport arrangement. In any case, it is not feasible for one truck to transport the produce for all the contracted farmers. It is important to note that the collection points for Agriflora are still operating as meeting places for the farmers. However the truck has to pick up the farmers' produce from the farms. The use of the truck is coordinated by LACCU.

4.6.5 Lack of Extension Services

Another impact of the collapse of Agriflora on MCS growers was lack of extension services. Agriflora before its collapse used to provide specialized information about new crops such as chemical restrictions related to food safety requirements in specific market, timing of planting and harvest to meet markets, management of products quality and other market and technical information. It was of Agriflora's interest to provide such effective extension services because it required high quality produce. Extension services are important as they are central to economic development; they boost agricultural efficiency (Leonard 1977). In contractual arrangements, they transfer knowledge from extension officers to farmers. Thus farmers are given advice and education on decision making, enabling them to clarify their own goals and possibilities, and stimulating desirable agricultural developments (Leonard 1977). Unfortunately, York Farm is not providing extension services as farmers have a procurement only type of contract with the farmers. It only buys baby corn from the growers. One of the interviewed farmers revealed that:

> York Farm is not operating like Agriflora which used to supply ... extension services. They are not providing these... ...so there is a vacuum there as far as extension services are concerned.
> **Chimuka Chinene**

Worse enough, the government of Zambia does not provide extension services to MCS farmers. This is shown in the following account:

> We basically don't get any extension services, not even from government. You see government extension services are what I can call 'collapsed extension services'. I don't know (*he shrugs*) now...They are trying to revive the services. Definitely at some point these people (*extension service staff*) were getting no

> support...how do you expect an extension officer to walk from farm to farm...eeeehhee (*and expression used to stress a question*). That is unacceptable. You know, there was a time when extension officers were just sitting in their offices without doing anything. They would just report for work just for the sake of reporting. That was a waste of government resources. So now we hope that extension services will change. Let's hope things change. Really extension services are a government function.
> **Chimuka Chinene**

This therefore implies that, the output of the produce is more likely to decline and worse enough, more likely to be rejected for poor quality. When extension advice is lacking, there is no guidance with regards to the food safety requirements (for example) such as chemical restrictions. Such a situation has a negative multiplier effect on production and income.

4.7 The Impact of the Collapse on the Communities around Makeni Farming Area

As mentioned in Chapter Three, I could not interview some farm workers from surrounding communities adjacent to the Makeni Cooperative Society; all the farm workers present at the farms were new and efforts to get hold of the previous farm workers proved futile. However, from the informal conversations with the people living in the Makeni farming area; it was apparent that the communities surrounding Makeni farming areas were affected by the collapse of Agriflora. Some of the workers who used to work on the farms lost their jobs. Most MCS growers had reduced their production scale on vegetables for export and hence only needed a few full time workers. Apart from this, some workers left as a result of non payment of salaries. The workers that lost their jobs had to find alternative jobs or work on these farms on piece work arrangements.

4.8 Response of the Government to the Impact of Agriflora Collapse

When Agriflora Limited collapsed, the government of Zambia through the Ministry of Agriculture and Cooperatives sourced a market and transport to ferry the farmers' produce from their farms to the new market (York Farm). This was facilitated by a joint fresh produce project, Support to Farmers Association Project (SFAP) (already operational at the time of Agriflora collapse). A department of Agriculture official interviewed revealed that:

> We (*the Ministry of Agriculture and Cooperatives*) have a programme in which we are providing support to growers. Under this programme, the government supports coffee, cotton, tobacco, paprika and fresh vegetable growers. So the farmers who were growing fresh vegetables for export were dealing directly with Agriflora... as a ministry, we had no direct link with the farmers. However, we channelled some money through Support to Farmers Association Project.

Support to Farmers Association Project (SFAP) is a joint fresh produce project between Zambia Agri-business Forum (ABF), Zambia National Farmers Union and the government of Zambia with financial assistance from the Royal Norwegian government through the Norwegian Agency for Development (NORAD). It is a part of the private sector development initiative of the Ministry of Agriculture and Cooperatives (MACO) in Zambia. On behalf of the Ministry of Agriculture and Cooperatives, SFAP dealt with the contracted farmers directly providing them with necessary inputs needed for farming. As the above verbatim quote illustrates, the government through SFAP assisted contracted farmers that were growing vegetables for export for Agriflora. Additionally, MACO had extension officers who were seconded to this project. The department of Agriculture official further revealed:

> We used to have extension officers who were seconded to the project. They are no longer there. The project is coming to an end at the end of this month. However, the project's ideas will still run but this will be under Agribusiness Forum.

SFAP was established in 2000. The main aim of the project was to improve the relationship of contracted growers and their markets thereby contributing to the improvement of agricultural sector performance. SFAP dealt with specific crops. The project manager revealed:

> In this project we dealt with only crops. We didn't do livestock

The crops that this project supported are summarised in the following statement:

> We are supporting export fresh vegetables, paprika, cotton, bananas, essential oils as well as honey.
> **Project Manager (SFAP)**

Since 2002, the government of Zambia through the Ministry of Agriculture and Cooperatives put in a total of 4 billion kwacha (equivalent to US$ 851,064) into Support to Farmers Association Project. The project manager revealed:

> As you will see from the leaflet, *(He picks up a leaflet and gives it to me)* the government, when we were half way through the programme started putting money... meaning they bought the concept of the project other than just being members on the committee or on the board. They put in money from the treasury, so we have been receiving money since 2002 through the treasury. It's now been like 4 billion kwacha that we have received in the last two and half years... meaning that we have basically received the benefit from the government.

As mentioned earlier, the project was aimed at the farmers that were growing horticultural crops. MCS vegetable growers were one of the project's main beneficiaries. The project manager at SFAP revealed:

> Now the fresh vegetable guys are our clients... they *(Makeni Cooperative Society growers)* were basically one of our initial clients. We started with them as soon as the project took off in 2000. Then our main intervention with the vegetables... You remember from the beginning, I mentioned that we work with the market...in this case the market was Agriflora and then the cooperatives were the growers. Basically the model on vegetables was that Agriflora worked with about 10 cooperatives around Lusaka and of course one of them was Makeni Cooperative Society

It is important to note that, SFAP dealt with all growers that were contracted by Agriflora. There were about 500 registered farmers with Agriflora; usually, at each particular growing season, they would be about 200 to 250 active growers. As the project manager at SFAP revealed:

> Under Agriflora, there were about 500 registered farmers but usually at each particular growing season, they would be about 200 to 250 active growers

In 2002, SFAP took over the input provision service for Agriflora. This is revealed by project manager at SFAP:

> You see Agriflora started with providing inputs and ... in 2002, we took over ... From the government funds the 4 billion kwacha I mentioned earlier, some of the money was meant for inputs. We also had a memorandum of understanding with the government, that this office will be ... managing development of vegetables outgrower schemes and paprika ...we are the designated office for the Ministry of Agriculture and Cooperatives to promote outgrower schemes.

Apart from this, SFAP also took over paying farmers so as to avoid late payments that farmers had been experiencing. A pre-shipment financing or trade financing deal was settled between Agriflora and SFAP. SFAP would pay the farmers for the produce

delivered to Agriflora within 30 days. The money would then be recovered by SFAP from Agriflora after Agriflora had sold and was paid by the importers; normally between 90 and 120 days. This system of payment between Agriflora and the growers was adopted by SFAP so as to provide frequent payments to the farmers and also improve financial viability of the scheme.

However, the MCS farmers interviewed reported that they have not been paid for the two months before Agriflora was put under receivership. This show that even with SFAP in place, payment for the supplies would still be delayed.
For example:

> I lost some money...however, the money for the crop that I supplied at the time Agriflora was under receivership, I got some payment but then the money that we lost was supplies we had made before the time...so there are two months which we have not been paid for
> **Hamabwe Choongo**

> Money for May and June was not paid. We lost
> **Chileshe Chipasha**

> At the time of closure, Agriflora still owed farmers some money for the produce that they supplied...and that money still hasn't been paid to farmers.
> **Chimuka Chinene**

As a result of the shipment financing arrangement[41] that SFAP developed with Agriflora, it lost some money in the process. As the project manager at SFAP revealed:

> We ... lost money during the receivership as an office and as a government programme supporting fresh produce because at the time that Agriflora went into receivership, we still had money that had not been paid to us... We clinched [a deal] with Agriflora...Besides giving farmers inputs; we also paid farmers for their produce. So if a farmer dropped their crop at an Agriflora depot, they came to be paid here, basically because, Agriflora was exporting this produce and it took between 90 and 120 days before Agriflora could get paid so Agriflora would also take almost the same period of time to pay the farmers. So our program would give money to the farmers to bridge that period ...one of the justifications or rational for government to give us money to basically do the things like that so that the cost of borrowing could be reduced on the part of Agriflora as well. So using government money provided ,we pressured crop for production and we also provided shipment financing or trade financing where

[41] It would take more than 120 days before SFAP recovered its money.

> the agribusiness company sold and waited to be paid and we paid the farmers immediately they sold within 30 days so that the farmers were not kept waiting for payments ...

The next sub-section is a discussion on the new market (York Farm).

4.8.1 New Market -York Farm

York Farm one of the agribusinesses that exports High Value vegetables in Zambia. It located in the Makeni/Lusaka west farming area. York Farm has 574 hectares of irrigated land most of which is utilised for export vegetables. It also buys from outgrowers who own at least 20 hectares of land to reduce on excessive transaction costs (Emongor et al 2004). After the collapse of Agriflora, the affected farmers were given a contract to supply to York Farm.

As mentioned earlier, when Agriflora collapsed, the farmers still had crops in the field. The government in conjunction with LACCU found a new market for the growers so that they could sell what they already had in the fields and also continue growing. This case study found that, York Farm has signed a procurement contract with LACCU on behalf of all the cooperatives that are growing vegetables for export. From the in-depth interviews that I had with the farmers, it was apparent that most of them where happy with their new market York Farm despite the fact that their production was limited to baby corn only. This is revealed in the following accounts:

> With York Farm there are two things in their favour...The price they offer is much higher than what Agriflora used to offer; and there is more openness now...There are more open discussion between LACCU and York Farm because you find that the General Manager is always available and anyone can reach him at any time; whereas with Agriflora...Ehhhe... for one to see the General Manager or any management staff it was not possible
> **Chimuka Chinene**

> You know with York Farm, we are growing only baby corn. They only allowed us to supply baby corn. We will only start growing peas after the Eurep gap. But we are happy...it's better than nothing ...actually better than Agriflora
> **Chileshe Chipasha**

> When we compare ourselves with Agriflora and with York Farm, York Farm's [pricing] is very good. Agriflora was dishonest with us. For the volume of the produce supplied they would say that only a small percentage was good for export...Which was not good. With York Farm, there has been a great improvement with [with regards to pricing] ...They don't have the management

> arrangement to deal with smallholders and they say that they cannot do much yet. But at the moment the experience is so far promising
> **Laban Kumena**

This goes to show that the relationship between the contract farmers (who include MSC growers) and York Farm is growing. For example:

> We have eighty two farmers that have been growing in the past last cycle. We have been told by some farmers...that York farm has increased allocations for the outgrowers by 30 percent. So it means we will have over 100 growers growing for York Farms.
> **SFAP Project Manager**

This was confirmed by one of the farmers interviewed though the exact number of growers was not given.

> As I said earlier on York Farm had their programme for the year... only a few farmers could grow but the number *(of farmers to supply to York Farm)* has increased.
> **Laban Kumena**

The third response of the government was provision of funds to the distressed farmers.

4.8.2 Finance

The government of Zambia provided funds to the cooperatives faced with the demise through a government programme called Agricultural Sector Investment Programme (ASIP). However, only a few farmers in MCS benefited. One farmer was unhappy with the criteria used for selection of beneficiaries. She lamented,

> You see the government provided funds to the cooperatives through Agriculture Sector Investment Programme (ASIP). Funds were given to a few farmers; twelve farmers... They said these funds would be given to twelve consistent farmers, now how would the government come up with the figure twelve when it comes to helping out distressed farmers because we were all distressed. And what criteria did they use to determine that a farmer was consistent. In any case the consistent farmers are the ones that do not need so much help because at least, it means that ... consistency means that at least they are able to get money for inputs and other things needed to produce. It does not mean that when you are not consistent with producing, then it means that you are not serious with producing. When they said consistent they meant those farmers who did very well...those with better yields. That was not fair.
> **Madaliso Phiri**

The above verbatim quote implies that, those that had not been performing well did not benefit from these funds. These are likely to be affected by the collapse more than those that received some funding from the government.

Another point regarding government financing is funds provided through SFAP. At the time of my fieldwork, SFAP was still operational meaning that farmers could still get financial assistance to purchase inputs. It is important to note that, SFAP does not support farmers who are not contracted. The project was designed for farmers under contract for export. Those growing for the local market are not eligible due to uncertainties and price fluctuations of the local market. The project manager at SFAP revealed that:

> After Agriflora collapsed and went into receivership it meant that these growers basically had no market… for export …this meant that their (Agriflora) farmers could no longer grow for export… they continued to grow for the local market and for Soweto market[42] of course… Now the local market as you may know is problematic…the local market has instabilities, a lot of uncertainties, price fluctuations name it. And in our office we do not support production that is not contracted, because you don't know what will happen, so you cannot secure your investment. We have a credit component in our programme. We can extend credit to a contractual arrangement because then we can do our calculations whether the venture is profitable for the farmer and for the agribusiness as well.

This means that, farmers growing exclusively for the local market had to find alternative sources of inputs and credit. Nevertheless, all the farmers in MCS can still get support from SFAP as they are all still producing under contract for York Farm. For example:

> All the active members of MCS are growing for York Farm. We are encouraging our current members to keep producing because we know that like our friends (*Kenya contact growers*) from Kenya who came to as visit us, things will become better.
> **Chimuka Chinene**

[42] Soweto market is a wholesale and retail market for fresh fruit and vegetables in Lusaka, Zambia

4.9 Response of the Company that Bought the Major Assets of Agriflora (Chalimbana Fresh Produce Limited)

One of the major objectives of my research was to find out the response of Chalimbana Fresh Produce[43] to the impact of Agriflora collapse. When asked about Chalimbana Fresh Produce, the project manager at SFAP revealed that:

> In their *(Chalimbana Fresh Produce)* negotiations and also with government - they basically were not negotiating with government but with creditors of Agriflora ... Standard Chartered Bank and Barclays Bank - they were briefing government on their intensions...Chalimbana Fresh Produce were committed to continue with the contracted growers, but as at now, they are still trying to find their feet. They haven't [spoken] with us to see what we can do. But we hope that they will soon be in a position to contract the growers.

However, one farmer pointed out:

> Well, they haven't gotten their feet on the ground. But I don't think we should waste time with such. Chalimbana is exactly like Agriflora. What do you expect from them? What we know is that nothing has happened. We had a meeting in March. Anyway, they won't contract anyone without LACCU's agreement.
> **Laban Kumena**

The above verbatim quote shows that, the collapse of Agriflora has created some mistrust of agribusinesses. The farmers feel that Chalimbana Fresh Produce will operate like Agriflora.

4.10 The Response of the MCS Farmers to the Impact of Agriflora Collapse

There are two main ways in which the MCS growers have responded to the collapse. Firstly, they have channelled all the negotiations regarding farmer's interests to the LACCU. Secondly they are now concentrating on future production of High Value Crops. This is discussed as follows.

Having experienced contract manipulations and defaults, the contracted growers formed an organisation that would represent their interests. One of the interviewees reported that:

> By the year 2003, we were seeing the problems which were coming...I could see the signs of the failure coming in and we *(contracted farmers)* said no...it's not a question of whether but a question of when. What I mean by this is that

[43] The company that bought one of the major assets for Agriflora (the packhouse and Kalangu farm)

> they started delaying payments without arrangements with the cooperatives, they started making bad payments, sometimes they would deduct money from the cooperatives for people who got money for inputs (not within the arranged period)
> **Laban Kumena**

This led to the formation of Lubulima Agricultural and Commercial Cooperative Union (LACCU). According to Glover (1987:443), "... where individual growers are dissatisfied with their relationship with the contracting company, a very common response is to ... form a growers' organisation"; as was the case with growers that were contracted by Agriflora. This is because when farmers are organized into an organisation, they have a voice to lobby for better prices and subsidies.

LACCU is an apex of seven cooperatives. It was formed in 2002 and registered in 2003. The reason for its formation are summarised in the following verbatim quote:

> We found it necessary to form this (*union*) because in the first place, we were getting a raw deal from Agriflora. We felt that the owners (Agriflora) decided not to have anything to do with us. What I mean by this is that (1) when we had a problem, we would call upon the Managing Director of Agriflora, but he never came to talk to us (2) we were seeing a situation were there was divide and rule. One cooperative would be treated differently from the other and so forth, which meant that, if lets say two farmer cooperatives had a similar problem, you find that one cooperative, gets positive response whist the other and the rest negative; the third point which is a major one is that, we were seeing a decline in our income stream. What I mean by that is that when we started exporting in the year 2000, for every 100kgs of raw baby corn for example, one would export around 12 percent at least or even about 10 percent meaning when you export raw baby corn at least you generated 12 British pounds for a kg. Now by the beginning of the year 2003, that had declined to as low as 4 and a half, meaning that for the same kilograms of baby corn, we were losing about 8 British pounds. A situation of monopoly came in where there was no where we could go to complain. We talked to government and other stakeholders, nothing was done. So the only way to deal with that scenario was for us to get together to speak with one voice.
> **Laban Kumena**

When Agriflora collapsed, LACCU with the help of the government secured a market for the distressed farmers. This is revealed in the following verbatim quote:

> We had a lot of problems at the time the receivers were appointed. Our farmers had a lot of peas on the ground and also baby corn. By mid July, Agriflora even stopped going to collect the crop from the depot. You know the way we were working; each cooperative had a depot which had a cold room... basically we had seven cold rooms at depot level. Now the farmers delivered from the fields

> to the depots. The crop was not sold until it was collected and taken to the buyer by the buyer. So since the farmers had to sell their produce and Agriflora had stopped collecting, we lobbied the government and we are grateful to the Minister of Agriculture and Cooperatives Mr Mundia Sikatana, because really, he came to our aid. He sourced a truck to transport our crop from the depots to Agriflora because they were still packing. They continued to accept the crop.
> **Laban Kumena**

It is important to note that MCS growers have left all their dealings with contracting agribusinesses in the hands of LACCU. For example:

> As of now, when we sell, LACCU is there to deal with policy matters. The cooperatives will only deal with growing of the actual crop, but LACCU deals with sourcing inputs, finance, lobbying government and NGOs on behalf of the cooperatives...the marketing [and] signing [of] contracts
> **Laban Kumena**

The other way in which the MCS farmers have responded to the collapse of Agriflora is by concentrating on future production. After the collapse of Agriflora, another agribusiness York Farm was sought to buy baby corn from the farmers. Some Makeni Cooperative Society growers are optimistic about future production. All the MCS farmers interviewed have continued to grow for export as it is profitable. For example some of the interviewed farmers pointed out that:

> We are happy to produce these crops because they are profitable
> **Chileshe Chipasha**

The MCS farmers also look forward to growing peas because it is much profitable than baby corn. For example:

> Sugar snap, mangetout and fine beans... these three are the greatest sources of income because if you...with a good management, a Lima of peas will give you the same income for a hectare of baby corn.
> **Chimuka Chinene**

The above account indicates that, peas are much more profitable. However, the farmers are still awaiting certification from Eurep gap. As one of the farmers interviewed revealed:

> This year, we have not grown peas... because of the requirements of the export market. The European market has got standards that have to be met. They are called Eurep gap. You must have heard of Eurep gap. But we hope to meet this before the end of the year...The Eurep gap comes in because they (*York Farm*)

> are not sure of the pesticides residues in the crop that we may grow. Once we get past the Eurep gap, we will be able to grow peas. So far we are able to grow for export only with York farm and other farmers grow for the local market.
> **Laban Kumena**

Exporting companies that contract growers are required to supervise the crop management and quality control, training and provision of other necessary requirements to outgrowers (Nair 2004). Such services mainly fall under extension services. However, for the MCS growers, these services are lacking. Nevertheless, MCS farmers have started preparing the fields for Eurep gap inspection. One of the farmers showed me her fields that were being prepared for Eurep gap inspection;

> As you can see *(pointing at a field that had been ploughed)* ...we have started preparing for it (*Eurep gap inspection*)...you see that small shelter there... it is a requirement...workers will be putting what they have harvested in there. There will be another shelter over there 100 metres way from the field where the workers will be washing up the chemicals... you know these Europeans are very strict with chemicals... but we have been growing this peas for some time. We are experienced farmers but ...anyway the shed will be somewhere there *(pointing to the other side of the field)*. All chemical activities... washing and everything will be done there. Inspectors will come to inspect all fields and when we pass this, that's when we will start producing peas
> **Madaliso Phiri**

MCS growers have to meet the Eurep gap as vegetable retailers in Europe play a decisive role in structuring the production and processing of fresh vegetables exported from Africa. This is as a result of consumers in Europe who have particular preferences of these high value foods (HVF) in terms of moisture and sugar content, size, shape, colour and flavour. Retail supermarkets therefore also have their own requirements. As one of the farmers interviewed revealed:

> Those supermarkets in Europe who buy these produce, they have laid down certain standards which must be met, and that is what we are now struggling to meet. After we have met them, then we will be given a go ahead to grow the other crops, this will be quite good because mangetout and sugar snap proved to be profitable even with Agriflora unlike baby corn.
> **Chimuka Chinene**

This account shows that extension services are a prerequisite to passing Eurep gap. However, MCS growers are not receiving these. This means that MCS Eurep gap certification might be delayed unless York Farm or the government starts providing extension services. In this light, the growers could continue facing a decline in crop

production and farmer income as they are producing one crop and might continue to do so for some time.

Furthermore, some of the interviewed farmers did not see the relevance or need for the overly strict Eurep gap procedures because farmers had been growing High Valued Foods for almost five years for Agriflora. For example:

> Right now we are just waiting to fulfil this Eurep gap. You see this is another problem we are being faced with. With Agriflora we were already certified. Agriflora also used to do the spraying that they require for us. So now we have to get certified again. Anyway we have been producing for a long time so I think we are able to produce good quality.
> **Madaliso Phiri**

> By the way we [are as good as having] met these requirements (*stressing the point*). We just haven't been given the certificate because, imagine farmers have... been growing [peas] for 5 years and we have the experience. All the farmers understand the quality. They have the experience and know what to do. They understand the quality.
> **Laban Kumena**

The above account shows that, the control over the fresh vegetables trade exercised by United Kingdom (UK) supermarkets has consequences for producers. The cost of achieving these standards, already been borne before has become worrying to MCS farmers especially that they had and are still facing a number of problems after the collapse of Agriflora. As one farmer interviewed lamented:

> These people require so many conditions to be in place. They will ask for many things like wages - how much you pay your workers; water - if you have enough water for washing out pesticides and also they would want to see where the water with chemicals will be disposed...you see that big pit there (*pointing at a pit being dug*), it will be for the dirty water. Also they need to see toilets; pack sheds...a lot of things...Ehhheeee. You know they require so many things from the farmers when they [contracting companies] pay the farmers less...where are we going to get the money from after what has happened to us. Agriflora went with our money... imagine I lost money for supplies for 2 months.
> **Madaliso Phiri**

For farmers that have faced a decline in income and production as a result of the collapse of Agriflora, investments such as building of new shelters and other structures may not be economically viable (even though I noticed that some of the structures where already in place). Alternative sources for funds for such investments

are the banks. However these banks have high interest rates or excessive transaction costs (Simmons 2004). For example:

> These banks have interest rate problems ...They are too high. You get a small loan and by the time you finish paying for it, if you ever do, you would have given the bank twice or three times more. And where do you get the money to pay the bank when companies like Agriflora are delaying your payments or they have left with your money? Those people at the banks don't care... it's also a business for them. That's how they also make there money.
> **Madaliso Phiri**

The above discussions reflected on the responses of the MCS farmers to the impact of Agriflora collapse. In the next sub-section I discuss the effect of the collapse on the communities around Makeni farming area.

4.11 Lessons learnt by MCS Contract Farmers

The growers of Makeni Cooperative Society have started growing crops for sale at the local market. When asked about the lessons learnt from the collapse of Agriflora, some of the interviewed farmers revealed that:

> [Contracted farmers should] not depend on one source of income. Farming is good and has problems ... In the mean time; we are growing baby corn only. But as for me am also growing carrots, cabbages, tomatoes and any other crops that are in season for the local market.
> **Chileshe Chipasha**

> Personally, I feel that we have to reach a situation where most farmers have got alternative sources of income either livestock or producing for the local market so that they can get immediate cash when they need it; not what I saw when Agriflora collapsed. Those who depended on vegetables for exports really suffered but anyhow we were lucky that we...LACCU and the government found York Farm to buy our produce.
> **Chimuka Chinene**

However, the farmers are optimistic about future contract farming. This is shown in the following statement:

> We *(contracted growers)* are actually going to be stronger than we were. We would like to be independent. We do not want to find ourselves in the same situation again. We hope that in the next 2 to 3 years, with our certification from Eurep gap, we *(contracted growers)* will achieve our vision ... to have our own export market. This means we would be able to export on our own.
> **Laban Kumena**

At the time of my field work, MCS depot had newly built a dairy processing centre (with a cooling tank) for dairy products. This is one of the initiatives that the growers have come up with as a way to diversify their activities. All the Makeni Cooperative Society registered members with dairy cows will be supplying milk to MCS which will serve as the collection point.

Apart from this, all the farmers interviewed had started growing coffee. For example:

> Most of the farmers are now growing coffee as you will see from the fields. Almost all of them have coffee trees...I personally feel that coffee has a future and I wish all the members where growing coffee
> **Chimuka Chinene**

4.12 Conclusion

In conclusion, this chapter shows that the collapse of Agriflora has affected the growers of Makeni Cooperative Society and their surrounding communities. The growers' production is now limited and they are also experiencing a decline in production scale which has led to unemployment and a decline in farmers' income. The decrease in farmers' income has also led to non payment of farm bills (such as electricity and transport to York Farm) and workers. MCS are also not receiving extension services.

To respond to these problems, the MCS growers through their union LACCU have negotiated an alternative market and have also started growing for the local market. LACCU is also trying to establish the independent export market for all HVF growers. The government of Zambia on the other hand, has also assisted in the establishment of a new market through SFAP and LACCU. Apart from this, it had provided funds through ASIP to a few selected productive farmers.

This chapter also shows that the company that bought the major assets for Agriflora has not entered into a formal contract with the cooperatives that were contracted by Agriflora. The growers of MCS however, are happy with their new market York Farm.

Finally the farmers have learnt from the collapse of Agriflora that they should not depend on the production for export only.

The next chapter gives the conclusion, implications and recommendations for this study.

Chapter 5
Conclusion, Implications and Recommendations

5.0 Introduction

This thesis assessed the effects of an agribusiness collapse on contracted growers in Lusaka Zambia. Makeni Cooperative Society growers experienced the collapse of Agriflora Limited in 2004. Two and half months of qualitative field research in Makeni farming area (specifically on MCS and its members) and extensive literature on agribusiness and contract farming, allowed me to investigate the phenomena under study.

In Makeni farming area, farmers entered into contract with Agriflora Limited so as to earn income from contract crops (that is, mangetout, sugar snap, fine beans, and baby corn), input supply, and market assurance for the produce. MCS informants however reported that, before Agriflora collapse, they had experienced problems such poor extension services, delayed payments and outright cheating in dealings and manipulation of the contract by Agriflora.

MCS farmers however, continued growing for Agriflora because they had signed a contract hence had to continue growing. This did not last as Agriflora collapsed in June 2004.

Consequently, the growers of Makeni Cooperative Society experienced a decline in production and farmers' income, unemployment, transport problems and lack of extension services. Contract relationships unfortunately, are developed in an atmosphere in which agribusinesses have monopsony (that is monopoly-like market power and farmers possess little legal protection to obtain fair returns on their investments of capital and labour). Therefore, in an event that an agribusiness company collapses, growers are on the losing side as they are bound to the terms of a contract but leave the agribusiness free to abrogate it (Clapp 1994). The loss depresses farm income and threatens the economic viability of small-scale farming communities. However, it is also important to note that, not all contracts are negative for the all the farmers.

For the farm workers and their families, their welfare is compromised as their income is either completely cut off due to the loss of jobs or reduced as they have to depend on seasonal piece work arrangements on the farms. However, these arrangements are often temporal and insecure. Farm workers have to search for other alternative jobs so as to feed, clothe and send their children to school.

In response to the collapse of Agriflora, MCS growers have left all dealings (with contracting agribusinesses) in the hands of Lubulima Agricultural and Commercial Cooperative Union (LACCU). Apart from this, they have started growing crops (such as carrots, cabbages, rape, okra, green beans, and fresh maize) for the local market. Furthermore, they have continued growing baby corn for export for their new market York Farm. The growers are happy with their new market. However, MCS growers are interested in LACCU establishing an export market for all farmers growing crops for export. They also hope that the government will start providing extension.

5.1 Conclusions

From this case study, one can therefore conclude that when the contracting agribusiness collapses, contracted farmers are affected, in that they no longer have access to the benefits that were provided by the contracting company, such as extension services (for example having field days and spraying), crop pick up services from the depots, irrigation loans, inputs (for example seed, pesticides), and a guaranteed market for the farmers' produce. Thus, this lowers the income of the growers and hence farmers are unable to pay farm bills such as salaries and electricity bills and their welfare is compromised.

Additionally, state involvement seems to be focused on dealing with market failure. For example SFAP project was about filling the gaps in market imperfection.

Furthermore, the collapse of an agribusiness brings about negative socio-economic implications and other negative multiplier effects on the contracted growers.

An interesting but unintended finding from this study is the category of people that make up the contract growers. Much of what can be referred to as the neoliberal critique of the pre-Structural Adjustment agricultural policy focused on how state policy and the coalition of urban interest groups skew policy against the rural

agricultural producers (or the "traditional" peasant farmers). In the case of Zambia, the negative rural/urban terms of trade was claimed to undermine the income and welfare of the rural farming households. Hence, the liberalisation of the agricultural market (from inputs to market outlets); which was supposed to shift the structure of incentives in favour of the "traditional rural peasant farmers". Liberalisation a more direct interaction between farmers was supposed to benefit the traditional farmers.

The interesting finding from this study is that contract farmers that we came across were predominantly retired civil servants or public sector employees who lost their jobs when the state was being rolled back- via retrenchments and public sector labour market contractions. Many of these are people in a second 'profession' or relocating into the new labour/production market rather than the "traditional peasant farmers"; a phenomenon not too unsimilar to what happened in the "informal sector" under adjustment.

The structure of relations that agribusinesses themselves favoured (that is, farmers with a minimum of 1-4 hectares plots), shows the complexity of contractual relationship. The contracting companies might have skewed things in favour of the educated former public servants in search of a second occupation rather than the "traditional peasant farmer" that the neoliberals claimed to be championing.

As in much of the other findings in this study, the assumption that market will automatically self equilibrate or favour a particular previously disadvantaged group, is only in the imagination of the market fetishist.

5.2 Implications

For Makeni Cooperative Society Farmers

Agriflora contracted 8 cooperatives in Lusaka. The collapse of Agriflora implies that, MCS contracted farmers have lost all the benefits that were provided by Agriflora. Since MCS farmers no longer have access to the benefits that were provided by Agriflora, they have to find alternative sources. This however can take a relatively long time.

For the Communities Surrounding Makeni Farming Area

Makeni is one of the largest farming communities in Lusaka. It provides employment for the surrounding communities such as Chawama, John Laing, John Howard, Linda and also Makeni. The collapse of Agriflora implies that the farm workers[44] from these communities no longer have jobs. This therefore implies that the farm workers have to rely on piece work arrangements or have to find alternative jobs in the city. However unemployment rate in Zambia is high and hence poverty is a major problem in our country. A significant proportion of the Zambian population is deemed to be living in poverty. This collapse of Agriflora has contributed to unemployment and poverty. The escalation of poverty and unemployment will continue to exacerbate social problems such as crime, and street children.

5.3 Recommendations

Firstly, the use and regulation of contracts within agriculture could be considered a critical issue by the government of Zambia for the reason that, farmers who want to continue growing High Value Foods for export will almost certainly have to operate within a market dominated by trans-national contracting companies. Although farmers are working on establishing their own export market through LACCU, chances are access to international market in the next few years will still be through these contracting companies. Those farmers wishing to diversify will have few economically viable choices that do not involve contracting.

Furthermore, due to the structure of production (in which the farmers with small pieces of land are not eligible to contract with contracting agribuinesses), the majority of small-scale farmers are unable to access emerging markets. Therefore, the government should come up with a contract farming policies that sets basic contract standards that include even traditional farmers with small pieces of land; and also help balance the contract relationship which could protect the rights of farmers' organisations when negotiating contract terms on behalf of their members. Furthermore, these strategies need to have a minimum protection for all farmers.

Secondly, the government should also come up with programmes to strengthen the upcoming and already established producer unions to effectively participate in the

[44] Who used to work on the farms for MCS growers

development of agricultural contracts. This would provide organized growers the opportunity to work with agribusinesses to eliminate unfair or unreasonable terms.

Thirdly, government needs to revamp its extension services as contracted farmers need them so as to produce quality crops hence reduce on rejects, improve farmers' income and their competitiveness.

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Appendix 1: Interview Schedule

1. Interview 1

- Thank you very much for accepting to be interviewed. Not to waste much of your time, I would like to get an overview of this department in terms of what it does?
- Does your department deal with agribusiness issues, if so have you dealt with the Agriflora contracted farmers?
- Do you have documents that I can review on cooperatives in Zambia?
- Thank you very much for awarding me an opportunity of having this interview with you.

2. Interview 2

- Thank you very much for accepting to be interviewed. Not to waste much of your tine, I would like to get an overview of this department in terms of what it does?
- Does your department deal with agribusiness issues if so have you dealt with the Agriflora contracted farmers?
- So is that programme still operating?
- What happened when Agriflora collapsed?
- You mentioned of channelling funds through SFAP, is this a department of agriculture project?
- Do you have officers from this department working in this project?
- That's interesting, are there any members of staff in this department that I can interview regarding government involvement in this project?
- Okay, do you have reports on this project?
- Well, I would like to thank you most sincerely for your time considering that you had to put aside you work.

3. Interview 3

- Thank you for taking the time off to meet with me. I appreciate it.
- Now, tell me about Support to Farmers Association Project?
- Okay... (Nodding)
- Now, earlier on you mentioned that you are dealing with crops only what are some of the crops that you deal with?
- Oh really! (Personal observation- I was excited especially that I knew I would have to interview some officials from this Union. It would be very much easier to get a referral from SFAP considering they were in the same premise. This was also going to cut on my transport costs)
- Since you have given me such an extensive background to the project, I will straight away ask you questions regarding your dealings with Agriflora. Having dealt with it as a client in the context of agribusiness, am sure you have some information regarding their dealings.
- Okay... how many farmers had Agriflora contracted?
- Now, what happened when Agriflora collapsed?

- You have just mentioned that you lost some money as well when Agriflora went into receivership, could you please elaborate on that?
- So after Agriflora collapsed, I read from the papers that another agribusiness Chalimbana Fresh Produce bought some of the assets that belonged to Agriflora, has it continued where Agriflora left from, did it take up the farmers?
- So then, what happened to the farmers after the collapse? Was there any warning? If not what happened to the farmers produce that was still in the fields?
- I seem to have exhausted all the questions I wanted to ask. But before we end this interview I would like to request for documents on your dealings with agribusinesses?
- Okay. Thank you very much, once again for taking time to take part in this research.

4. Interview 4

- Thank you very much for accepting to be interviewed. Not to waste much of your time I will go straight into the interview, could you please give me a background of LACCU?
- What was the motivation of forming this Apex?
- Now, could you brief me on your connection with SFAP?
- So now, June 2004, Agriflora collapsed, what happened?
- Earlier on you mentioned that you started seeing the problems way before Agriflora collapsed could you tell me more on that.
- You have jut mentioned that only a few people can grow for York Farm, how is that so and what has happened to those that are not growing?
- So how are you relating with York Farm?
- From the time we started our interview you have been mentioning York Farm as your only new market for export. When I was reading the papers, Chalimbana Fresh Produce has bought the major assets for Agriflora. What's the story with this company?
- Well I seem to have exhausted all the questions that I planned to ask you in this interview. Thank you very much for participating in this interview, But before we close this session, is there anything you would like to say?
- Thank you very much

5. Interview 5

- To start off with, thank you very much for giving me your time. I really appreciate it. When did you start farming?
- Why did you decide to join for MCS?
- What were these other things that Agriflora was promising?
- What kind of relationship did you as a farmer have with Agriflora? How were you relating?
- Now, what happed when you heard that Agriflora had collapsed?
- You have just mentioned to me that were away in South Africa at the time of collapse, I am curious to know how long peas takes to mature.
- What happened after this?
- How did you as a farmer respond to these problems?
- What have you learnt from this experience?
- Is there anything that you would like to add to this interview that I have not asked (or you want to say)?

6. Interview 6

- When did you start farming?
- Why did you decide to join for MCS?
- What did you like best about contracting with Agriflora? Why did you like it?
- What kind of relationship did you as a farmer have with Agriflora?
- Were you having a contract with Agriflora?
- What type of a contract was it?
- If I may take you back a bit, you have mentioned some of the specifications of the contract; I would like to know if Agriflora abided to this agreement. (In other words where the rules of the agreement stuck to?)
- Now, what happened when Agriflora collapsed?
- Did you supply anything to Agriflora at the time of collapse?
- Apart form the money you lost, what other problems did you experience?
- Is there anything that you would like to add to this interview that I have not asked (or you want to say)?

7. Interview 7

- Thank you for taking the time to meet with me. I know farming is a very busy job, and I appreciate the time taken off. Now, tell me about Makeni Cooperative Society?
- When was MCS formed?
- Where you a member then?
- Apart from establishing the cooperatives and setting the depots what else did Agriflora do?
- What kind of relationship did you have with Agriflora?
- What do you mean by not being effective as farmers would want?
- Did you have extension workers from the ministry of Agriculture and Cooperative?
- Earlier on you mentioned that you experienced late payments; how long did Agriflora take to pay you?
- Now, what happened when Agriflora collapsed?
- How are things going with York Farm?
- Now this question I am going to ask you is with reference to your capacity as Chairman of Makeni Cooperative Society. What were your observations of Agriflora collapse?
- Again am going to ask you a question that I was supposed to ask you earlier on regarding Makeni Cooperative society, how many farmers are in this society?
- Are all these farmers growing for export, because I understand that only a limited number of growers are growing for export?
- I think I have covered all the questions that I wanted to ask you. But before we end our interview, is there anything that you would like to add to this interview that I have not asked (or you want to say)?
- Thank you very much for taking part in this research. I would also like to say that I might come back for more information if need arises. Thank you.

8. Interview 8

- Thank you for taking the time to meet with me. I know farming is a very busy job, and I appreciate for finding time to be interviewed
- Thank you. First of all, I would like to know when you started farming
- Now that you have given me the background to when you started farming and what motivated you, I would like to know more about the relation ship you had with Agriflora?

- What happened when Agriflora collapsed?

Appendix 2: Units of Observation

Unit of Observation	**Data Collection Technique**	**Desired Outcome**
Makeni Cooperative Society (officials, depot, growers' farms, surrounding) communities)	- Observations - Interviews	-The impact of the collapse of an Agriflora agribusiness on the growers of the Makeni Cooperative Society their communities. -The responses of the growers to the demise of the sole buyer of their crops.
Support to Farmer Association Programme (SFAP) officials	- Interviews	-The impact of the collapse of an Agriflora agribusiness on the growers of the Makeni Cooperative Society their communities. -The responses of the Zambian government and the company that took over the assets of Agriflora to the impact of its (Agriflora) collapse.
Lusaka South, **Bu**teko, **Li**layi and **Ma**keni Cooperatives (**L**UBULIMA) **A**gricultural and **C**ommercial **C**ooperative **U**nion (LACCU) officials	- Interviews	- The responses of the growers to the demise of the sole buyer of their crops. - The impact of the collapse of an Agriflora agribusiness on the contracted growers in Zambia
Ministry of Agriculture and Cooperatives officials	- Interviews	-The responses of the Zambian government to the impact of Agriflora collapse.
Documents	- Document Analysis	-Cooperatives in Zambia - SFAP operations - The impact of the collapse of Agriflora on the contracted growers in Zambia.