

STRUCTURAL TRANSFORMATION AND THE PRIMACY OF SMALLHOLDER AGRICULTURE MOVING ON

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INTRODUCTION

In this 7th instalment of 12, I start to look into the future. I actually get more inspiration looking into the limitless possibilities of the future. After all we cannot change history, but we can create a new history. The Creator gifted us with time on this earth, not to change 10 billion years of history, and certainly not to change a decade of fast track land reform, but to move on in building productivity and competitiveness. For land and agriculture and the drive into a manufacturing and an urban-industrial society, I am going to argue that the next stage of our transformation is based on smallholder farming, especially A1 and Communal areas.

In Europe, the Americas, and more recently Asia, countries that have successfully industrialized had to go through sustained agricultural growth. Zimbabwe can't jump this stage of development. A third agricultural revolution is the precursor to a second industrial revolution in Zimbabwe. The first was large scale farms (1950-2000); the second by smallholder farmers (1980-1990). An increase in agricultural demand and productivity stimulates manufacturing and industrialization. Agriculture will have to play a crucial role in re-building Zimbabwe's manufacturing sector. Smallholder farms are the mainstay for spearheading sustainable and inclusive economic growth because of the efficiency and equity benefits and prospects for inclusive growth.

ROLE OF AGRICULTURE IN ECONOMIC DEVELOPMENT

In this regard the roles of agriculture in Zimbabwe's growing economy are:

- Contributing to both household and national food security and feeding the growing urban industrial population;
- Supplying raw materials to the manufacturing sector;
- Building domestic capital through savings and investment;

- Providing an effective market for industrial products, as shown by the tobacco industry;
- Earning FOREX and improving balance of payments;
- Releasing excess labour from agriculture into the growing industrial sector.

These contributions promote the economic transformation from an agrarian to an urban industrial economy. Zimbabwe is expected to follow global experience, which confirms that an economy transforms from an agrarian base to an urban industrial economy through four stages: a) The majority of the population is in agriculture and natural resource mobilisation; b) Agriculture and mining become the backbone of economy as government establishes infrastructure that links rural and urban economies and a large proportion of the population is linked to the market economy; c) Agriculture and mining become fully integrated into the manufacturing sector and the majority move to urban-industrial centres; d) Agriculture, Mining and Manufacturing all are part of the industrial economy, which is less than 10% rural. The re-birth of the manufacturing sector in Zimbabwe is therefore dependent on its ability to re-establish direct links with large numbers of small-businesses in the agriculture and mining sectors.

CHALLENGES IN RESTORING ZIMBABWE'S MANUFACTURING SECTOR

The advent of the GNU and a multi-currency environment, combined with de-regulated markets, has provided the best economic environment for agriculture in a long time. By relaxing the import tariffs and restrictions, this allowed Zimbabwe to regain food security. Yet the relaxations are not well analysed and are poorly regulated thereby throttling and quickly killing the viability of local farming. Zimbabwe is fast becoming a South African supermarket. This would be fine if Zimbabwe had no agricultural potential. To the contrary, Zimbabwe has enormous agricultural potential and to unlock the potential this now requires courageous and committed leadership in both Industry and Government. The 2011 Manufacturing Sector Survey reveals that locally sourced raw material supply declined by 8% from the second half of 2010 to the first half of 2011. The price of sourcing raw materials has also increased significantly, with the cost of local raw materials increasing by 7%, while that of imported raw materials increasing by almost 100% in the same period. The 2008 Euro zone debt crisis triggered a downward spiral in commodity demand and prices. This had detrimental ripple effects on Zimbabwe's export sector as 93% of Zimbabwe's exports are commodities.

STRUCTURAL CHANGES IN THE ECONOMY AND THE SEARCH FOR COMPETITIVENESS

Zimbabwe has deindustrialised. The double edged sword is that the manufacturing sector relies more on imports for raw material. Conversely, Zimbabwe is exporting most of its raw material and losing value and jobs to foreign countries which process. Why should Zimbabweans, for instance, seek jobs in South Africa's textile industry, instead of Zimbabwe working to overtake South Africa and Mauritius as a textile hub? Exports of raw material

now contribute half of GDP up from 28%, while the share of **primary** exports is up 95% from 82%.

RE-BUILDING KEY VALUE CHAINS INTO COMPETITIVENESS

Zimbabwe has gone backwards to being a Factor (raw material) Driven Economy. Zimbabwe has to graduate to an Efficiency (high productivity) Driven Economy. Zimbabweans are hard workers but fast losing this quality. We have to work as hard, and even harder than the Asians. Hard work and efficiency will lead us into an Innovation (“ideas as capital”) (Driven Economy). Industry has now to work with the farmers in analysing and developing these value chains. Agriculture on its own has lost the capacity to drive the value chains. It follows therefore that Industry has to work with emerging commodity syndicates and commodity associations in driving the value chains so that where possible, local farmers supply local manufacturing competitively.

WORKFORCE DEVELOPMENT FOR A MODERN ZIMBABWEAN FOOD SYSTEM

In planning economic development over several decades ahead, the demographics suggest that Zimbabwe’s urban population is growing at a faster pace and is estimated to reach 50% urban by 2035, that is in 20-odd years time. The second dynamic is that today’s youth is moving out of agriculture and prefers manufacturing and service industries. This has implications for skills requirements. The increasing urban population will mean an increase in the demand for processed foods and high value foods such as dairy, meat, fresh fruits and vegetables. By investing in these value chains now, and by transforming training and skilling programmes to shift from primary production to processing, packaging, distribution and so on, Zimbabwe will need to create more jobs and higher labour productivity and incomes. To date, public institutions do most skills training. In future there is need for investing more in business sector skills training and development as we expand the skills base for the youth into manufacturing: distribution, packaging and the processing economy.

SMALL FARMS OFFER GREATEST OPPORTUNITY

The effect of the Fast Track Land Reform Programme was to transform the agrarian sector, with the majority of former large farms now subdivided into small (A1) and medium/large sized (A2) farms. Both small and large farms can be highly productive given the right investment and skill. For now the value-chains I am proposing will largely be based on the small farms as already experienced with tobacco and cotton. This has now to be extended to horticulture, poultry, dairy, soybean, beef, and many other commodities driven by farmer commodity groups and cooperatives. There is even greater need for innovative financing solutions beyond traditional credit to smallholders. Government and donors have to consider “catalytic” financing, as well as other forms of patient money such as venture capital and equity investments into small and medium sized agribusinesses.

GETTING AGRICULTURE MOVING AGAIN: “WHEN AGRICULTURE SNEEZES,
MANUFACTURING CATCHES PNEUMONIA”

PERFORMANCE OF ZIMBABWE’S AGRICULTURE SO FAR

National 2011 statistics indicate that maize output has increased by 9%, tobacco output by 44%, finger millet by 34% groundnuts by 24% and soya beans by 20%. Of the total agricultural output, communal farmers accounted for the largest share of 43%, while large commercial and A2 farmers accounted for 4% and 20% respectively. The balance of 33% is attributable to A1 farmers who contributed 24%, old resettled farmers who contributed 5% and small-scale commercial farmers and peri-urban farming activities contributing 2% each. Small farms are therefore becoming a new force to reckon with. However, there are commodity-specific issues that I believe require a value chain strategy if we are to catalyse sustainable growth of the small farm business.

There is need to invest into the 7 major prime mover investments which succeeded in the past in promoting large scale agriculture in the colonial period and smallholder agriculture in the first decade of independence as follows:

- *Land development investments*: land tenure security; access to long term finance;
- *New technology*: produced by public and private investments in agricultural research.
- *Human capital*: professional, managerial and technical skills from investments in schools, agricultural colleges, on-the-job training.
- *Rural finance*: for seasonal, medium-term and long term investments.
- *Biological and physical capital*: Biological capital- genetic and husbandry improvements of crops and livestock, and forests. Physical capital - and investments in dams, irrigation, roads, grain storage, etc.
- *Farmer support institutions*: such as in marketing, credit, research, extension, and settlement.
- *Favourable economic policy environment*: political support for agriculture over the long haul.

Worldwide experience has shown that no single prime mover, such as new technology or higher prices, can by itself increase agricultural production and sustain it over time. The challenge is to mobilize public and private investments in all seven as a policy package over a period of decades.

STRUCTURAL TRANSFORMATION ISSUES

There is need for inclusive growth and to avoid agricultural growth without jobs and poverty reduction. We have to increase total factor productivity: labour, land, capital, and technology. A leaf can be borrowed from Asian examples of structural transformation in

Thailand, China and India. These countries adopted a small farm model in the process of economic transformation.

THE NEED FOR SOFTWARE AND MINDSET CHANGE

REDEFINING POVERTY

The delay and/or inability to re-establish vibrant agricultural and manufacturing sectors in Zimbabwe are a symptom of intellectual and spiritual poverty rather than material poverty. Zimbabwe has the potential to accelerate from a resource/factor driven economy to an efficiency driven economy and this starts with re-building the agricultural and manufacturing sectors and linking agriculture and mining more directly to manufacturing. Zimbabwe, for instance, produces cotton. Yet in the region, Mauritius, a country that does not produce cotton, is the regional textile giant! So why Mauritius? Because they transmute the material poverty in cotton, to 'brain-works' of technology and efficient manufacturing that makes it possible for them to import raw materials and still be a textile giant. Even if Zimbabwe's cotton production is still low productivity, that is no excuse for not having a vibrant and efficient ginning and textile manufacturing industry that can be built through the old Zimbabwean virtues of hard work, education, good management and high productivity. The idea of analyzing and investing strategically in the various agriculture-manufacturing value chains is now the main strategy that Zimbabwe can use in getting industry to drive a supply response from its agricultural sector. Time has come for manufacturers to tell farmers, Ministry of Agriculture, Ministry of Industry and Commerce, and Ministry of Finance that enough is enough, why should we as manufactures have to import raw materials, thereby worsening our balance of payment and exporting jobs to foreign countries? Time has come to take one value chain after another and re-identify those agricultural commodities such as soybean, maize, sorghum, beef, milk, pigs poultry and others, that have inherent comparative advantage but now require a sober trade and import policy. Farmers and industry now have to take the war to Government as a whole (agriculture, trade, industry, finance, foreign affairs and so on), and not take partisan positions, and demand sufficient protection for our farmers from unfair trade practices and violation of rules of origin and other impediments to viability and competitiveness. Moreover Zimbabwe's highly literate population has potential for labour productivity and efficiency that can be translated to manufacturing efficiency and jobs for our bulging young population.

It is clear that an inclusive growth based on a value-chain approach and targeting the eventual establishment of an efficiency-driven economy is a way to transform the subsistent farmer into a successful business person who is fully integrated into the market economy. We must teach, coach, mentor and impart the characteristics of successful business people into our communities. These include enthusiasm, ambition; the discipline of getting things done; confidence, self-belief and self-reliance; boldness and the resilience of being

grounded; and the ability to learn fast and adapt to change. The spirit of entrepreneurship is basically the ability to see opportunities where others do not; to have the guts to act; confidence to do things that have never been done before; and the inspiration to innovate and be creative. Zimbabweans today have to change from dependency on government, donors, churches and NGOs. Our smallholder farmers and youngsters now need to re-discover that material poverty will be overcome by confidence, intellectual rigour and hard work.

CONCLUSION

The third agricultural revolution is the successor to a second industrial revolution. Smallholder farmers are the key to the third agricultural revolution in Zimbabwe. There is need therefore to rebuild agricultural production capacity. Key to achieve this is a revamping of the agro-chemical industry. Diversifying into cash and commercial commodities is obligatory, and so is the need to innovatively target value-chains and high-end markets. If we can add value locally and own the farm-to-supermarket value chains, we have set the tone for a strong relationship between agriculture and manufacturing and their potential to contribute to an efficiency driven economy.