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**Zimbabwe  
Horticulture  
Sector  
Assessment and  
Analysis of  
Programming  
Options**

***Final Report***

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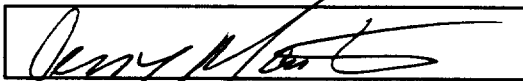
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## PREFACE

This report was prepared by an Agribusiness and Marketing Improvement Strategies (AMIS II) team in response to a request from USAID/Zimbabwe for an assessment of the horticulture sector and recommendations for programming options. These options were to be directed at relieving constraints to further growth of horticultural exports, with particular reference to the role of the small indigenous farmer and entrepreneur in that process. The full scope of work for this effort is attached to this report as Appendix F.

A four person team carried out the field work and prepared a first draft of the report during the period October 14 to November 9, 1995. The AMIS II team consisted of the following persons:

Richard D. Abbott - Team Leader (Abt Associates)  
Peter J. Clarke - Horticultural Marketing Specialist (Cargill Technical Services)  
Anthony Mushipe - Business Development Specialist (Zimbabwe)  
Dr. Phineas Maramba - Horticulturist (Zimbabwe)

Preliminary findings were reviewed with Mission staff prior to departure, and the Mission has reviewed both a rough and final draft of the report.

The authors wish to thank members of the USAID/Zimbabwe Mission staff for their support and cooperation during the preparation of the report. Sandy Shapleigh, Bob Armstrong, and Calisto Chihera were particularly helpful. We also appreciated the comments and suggestions offered by the Mission Director, Mr. Peter Benedict, and the Deputy Director, Carol Scherrer-Palma. In AID/W, Charles Whyte, Bureau for Africa, Office of Sustainable Development, participated in the early development of the project and has provided continuing support, including participating in the first week of the field work. For AMIS II, Jim Maxwell acted as Project Manager, and Jim Turnbull of Cargill Technical Services in the U.K. coordinated the field work.

The report begins with a background section on the importance of horticulture exports in the economy of Zimbabwe, and is followed by assessments of the vegetable, flower, and fruit sectors, the fruit and vegetable processing industry, and special crops. This is followed by reviews of the enabling environment for horticulture, USAID and other donor programs relevant to horticulture, and finally an assessment of constraints to the further development of horticulture as they affect the industry generally, and small farmers and agribusinesses in particular. These sections serve as supporting information for a series of recommended interventions which USAID/Zimbabwe may wish to consider in planning a program in support of horticulture. Finally, two alternative approaches to programming these interventions are presented.

## EXECUTIVE SUMMARY

Exports of high-value horticultural crops from Zimbabwe to the European Union have exhibited remarkable growth in the past decade. Fresh vegetable exports increased from 340 tons to over 8,000 tons with a value of US\$27 million during this period, while cut flower exports grew from 400 tons to 8,400 tons valued at US\$42 million. Citrus exports, which constitute the vast majority of fruit exports, are valued at approximately US\$9 million. Further increases are expected in the current season (1995/96) as market conditions remain favorable in Europe for this off-season production.

The vast majority of horticultural crops are grown on large-scale white-owned commercial farms located in the eastern highland areas within several hundred kilometers of Harare. Small-scale indigenous farmers, and farmer groups in communal areas and on resettlement schemes, have thus far participated to a limited degree in this rapidly growing industry. However, outgrower schemes which create linkages between exporters and small growers are increasing in number.

Vegetables grown for fresh export are sorted, graded and packed in modern, well-equipped packhouses operated by specialized exporting firms, or in some cases by large growers themselves. Flowers are grown mostly in plastic greenhouses which may cover as much as twelve hectares. Both fresh vegetables and flowers are exported by air from Harare airport to European destinations.

The collection, processing, cold storage, and air freighting of these high-value crops to buyers in Europe is costly -- air freight alone constitutes about 50% of the retail price -- leaving growers with a relatively small proportion of the sale price. This process is little understood by the small grower and has led to misunderstandings and mistrust. These high costs are directly related to a recent trend in the marketing of fresh vegetables in Europe: the concentration of food retailing in a relatively small number of large supermarket chains. Because of their enormous buying power, these enterprises typically deal with supplier/importers who can meet their needs for direct delivery of large volumes of uniformly high quality produce on a year-round basis. This demand has, in turn, resulted in the creation of large-volume exporting companies in Zimbabwe and works against the interests of small black-owned businesses who may seek to enter the industry as exporters.

It seems likely that outgrower schemes will remain a feature of the vegetable exporting sector of Zimbabwe since it has advantages for both parties. Packer/exporters which are not vertically integrated into production like the diversification of supply sources, avoiding dependence on a few large growers who might switch allegiance to another exporter, and the geographical dispersion of production which minimizes the risk of loss due to rainfall variations and pest and disease problems.

They also value the care which small growers are able to give to such labor-intensive crops as "mange tout" peas and baby corn. On the other hand, the intensive technical assistance supervision exporters must give small growers through their fieldmen, the facilities (cold storage and transport), and the inputs they sell on credit to farmers, represent a substantial share of their operating costs. The advantage to small farmers is that these exporters provide an assured market for their produce, technical assistance and inputs on credit. Yet many feel that there is a lack of transparency in their



dealings with exporters and a lack of control over their earnings. This has led a few black Zimbabweans to establish their own businesses and begin exporting directly, but these enterprises are few in number and often insufficiently financed and equipped.

Cut flower exporting is less demanding in terms of sanitation, quality control and packaging than fresh vegetables, though sizeable investments in greenhouses and packing sheds are needed to get started. Some small black-owned businesses have developed sales to the local market, and a few have managed to export to the Dutch flower auctions through local agents representing Dutch importers. The initial investment required is a barrier to entry for many small entrepreneurs, as they lack the necessary collateral required to get commercial bank credit. The lack of trained horticulturists and persons with management skills, and lack of information on how European markets function, are other obstacles facing these small enterprises.

Citrus is by far the most important fruit export of Zimbabwe. Exports for the 1995/96 season are expected to be about 9000 tons, worth over US\$9 million. New plantings, especially of the "easy peeler" varieties, are expected to double planted areas by the year 2000. Citrus production is carried out on large plantations with a high degree of mechanization and offer little scope for small farmer participation. Mangoes are grown widely in Zimbabwe, but plantings of "fiberless" varieties most valued in Europe are still very limited. Deciduous fruit (apples, pears, plums, peaches and nectarines) are grown in the eastern highlands, but yields are well below those in South Africa, which has developed a thriving export business. We see little scope for USAID intervention in the fruit export sector.

The enabling environment for the private sector horticulture industry of Zimbabwe is favorable. Government regulation of markets, so prominent historically for the staple maize crop, has not touched horticulture. Other than foreign exchange controls, which are being phased out, and continuing government involvement in the air freight business, few regulatory constraints exist. A number of financial institutions exist in both the public and private sectors, but only the Agricultural Finance Corporation (AFC) is dedicated to lending to agriculture. The AFC has experienced high costs and high default rates in its loan programs for small farmers; currently their policy is to act as wholesalers of loans to other institutions which deal directly with farmers. The government extension service, Agritex, while it is staffed with many dedicated and capable people dealing with traditional crops, has insufficient funds for staffing and training horticulture extension agents. The Horticulture Promotion Council (HPC) is a second-level trade association made up of associations representing large commercial farmers, flower growers, citrus growers, and other specialized groups. Until now, small farmers have not been adequately represented in the HPC, though the Zimbabwe Farmers Union (ZFU), made up mostly of small farmers is a member of the Council. Recently, the HPC announced plans to restructure the organization to make it less dependent on the support of the Commercial Farmers Union (CFU), which represents large-scale white farmers, and better equipped to deal with problems facing small farmers. A new organization, the Indigenous Commercial Farmers Union (ICFU), plans to represent the interests of medium-sized indigenous farmers.

Recognizing the substantial market opportunities open to all Zimbabwean farmers growing flowers

and vegetables for export, and taking into account the constraints mentioned above, this report recommends that USAID/Zimbabwe consider six interventions in its future agribusiness programming. These interventions would benefit the entire horticulture industry but would give special attention to increasing the stake of the small and medium indigenous farmers in the export sector. These interventions include: marketing, credit, and postharvest advisory services; financial intermediation (helping to access existing sources of credit); specialized horticulture and management training; institutional development (strengthening of the Horticulture Promotion Council); support to small agribusiness enterprises linked to horticulture; and promotion of several initiatives by government which could facilitate exporting procedures.

Two alternative programming options are suggested. The first would create a new institution in the private sector called the Zimbabwe Horticulture Development Center which would offer horticulture producers, especially small farmers and farmer groups, and small agribusiness enterprises, a complete package of services, including technical assistance, training, and mobilization of the small business support and financial resources (both debt and equity) already available through organizations such as the AFC, Barclays Bank, and the USAID-funded manpower development project (ZIMMAN), and others by acting as intermediary. These services would be carried out in collaboration with the Horticulture Promotion Council, the Zimbabwe Farmers Union, the Indigenous Commercial Farmers Union, and ZimTrade, the trade promotion agency.

A second option would be to carry out most of these functions, but on a smaller scale and with more limited resources, through the Horticulture Promotion Council, while helping to strengthen that organization so that it better serves the interests of small farmers. Both options would create a network of existing Zimbabwean organizations and help to target their resources more effectively on the horticulture sector and on small indigenous horticulture producers and agribusinesses.

While the initial emphasis of the proposed project would be on production of horticulture products for export in Natural Regions I, II, and III in the eastern part of the country, USAID may wish to consider expanding the program at a later date to cover vegetable production for domestic markets in other parts of the country. Producers located in communal areas with access to water badly need marketing, technical and financial assistance.

## Glossary of Acronyms

AED	Academy for Educational Development
AFC	Agriculture Finance Corporation
Agritex	Agricultural, Technical and Extension Service of MLAWD
AMIS	Agribusiness Marketing Improvement Strategies Project
APHIS	Animal and Plant Health Inspection Service (USDA)
ARDA	Agriculture and Rural Development Authority
CFU	Commercial Farmers Union
CDC	Commonwealth Development Corporation
EU	European Union
GOZ	Government of Zimbabwe
HPC	Horticulture Promotion Council
ICFU	Indigenous Commercial Farmers Union
IPM	Integrated Pest Management
LSCF	Large-Scale Commercial Farmer
MLAWD	Ministry of Lands, Agriculture and Water Development
RSA	Republic of South Africa
SEDCO	Small Enterprise Development Corporation
SME	Small and Medium Enterprise
SSCF	Small-Scale Commercial Farmer
ULG	ULG Consultants Ltd. (UK)
Z\$	Zimbabwe Dollars
ZDB	Zimbabwe Development Bank
ZED	Zimbabwe Enterprise Development Project (USAID)
ZFU	Zimbabwe Farmers Union
ZHDC	Zimbabwe Horticulture Development Center (proposed)
ZIMMAN	Zimbabwe Manpower Development Project (USAID)
ZimTrade	Zimbabwe Trade Development Office

# 1. Horticulture in Zimbabwe

As background to the analysis in this report, this chapter provides background information on horticulture in Zimbabwe and demonstrates its importance to the country in terms of its contribution to exports and the linkages it is creating between large and small farmers.

## 1.1 IMPORTANCE OF HORTICULTURE IN THE AGRICULTURE OF ZIMBABWE

Crop production in Zimbabwe is correlated with the five "Natural Regions" of the country, defined by rainfall and soil types. Only Regions I and II in the higher elevations are suitable for intensive farming of horticulture crops. As can be seen on the map on the following page, these areas -- consisting of parts of the provinces of Mashonaland East, West and Central, and Manicaland -- are all in the northeastern part of the country within several hundred kilometers of Harare. These are the areas which produce vegetables and flowers for export via the Harare Airport. Horticultural crops are grown elsewhere in the country wherever water is available, including some sizeable areas on irrigation schemes administered by government agencies, and are marketed locally.

Production of horticultural crops such as vegetables and cut flowers is highly intensive and utilizes a very small percent of the total arable land area in the country. In fact, statistics on horticulture production and land area are not reported by government agencies for these crops. However, horticulture is believed to be currently the fastest growing sector in terms of marketed output of any sector of the agricultural economy of Zimbabwe. The World Bank<sup>1</sup> estimates that between 1980 and 1991, the marketed output of horticulture crops achieved a 26.2% annual rate of growth, exceeded only by sunflowers, the production of which has since stagnated. Since the late 1980s, according to the World Bank report, tobacco, horticultural crops (vegetables, citrus fruit, and flowers), and wildlife products have been the only sources of growth in the agricultural sector. Furthermore, as we will describe below, high value horticultural products have contributed strongly to the export performance of Zimbabwe in recent years.

## 1.2 RELATIONSHIP OF HORTICULTURE TO LAND TENURE AND FARM SIZE

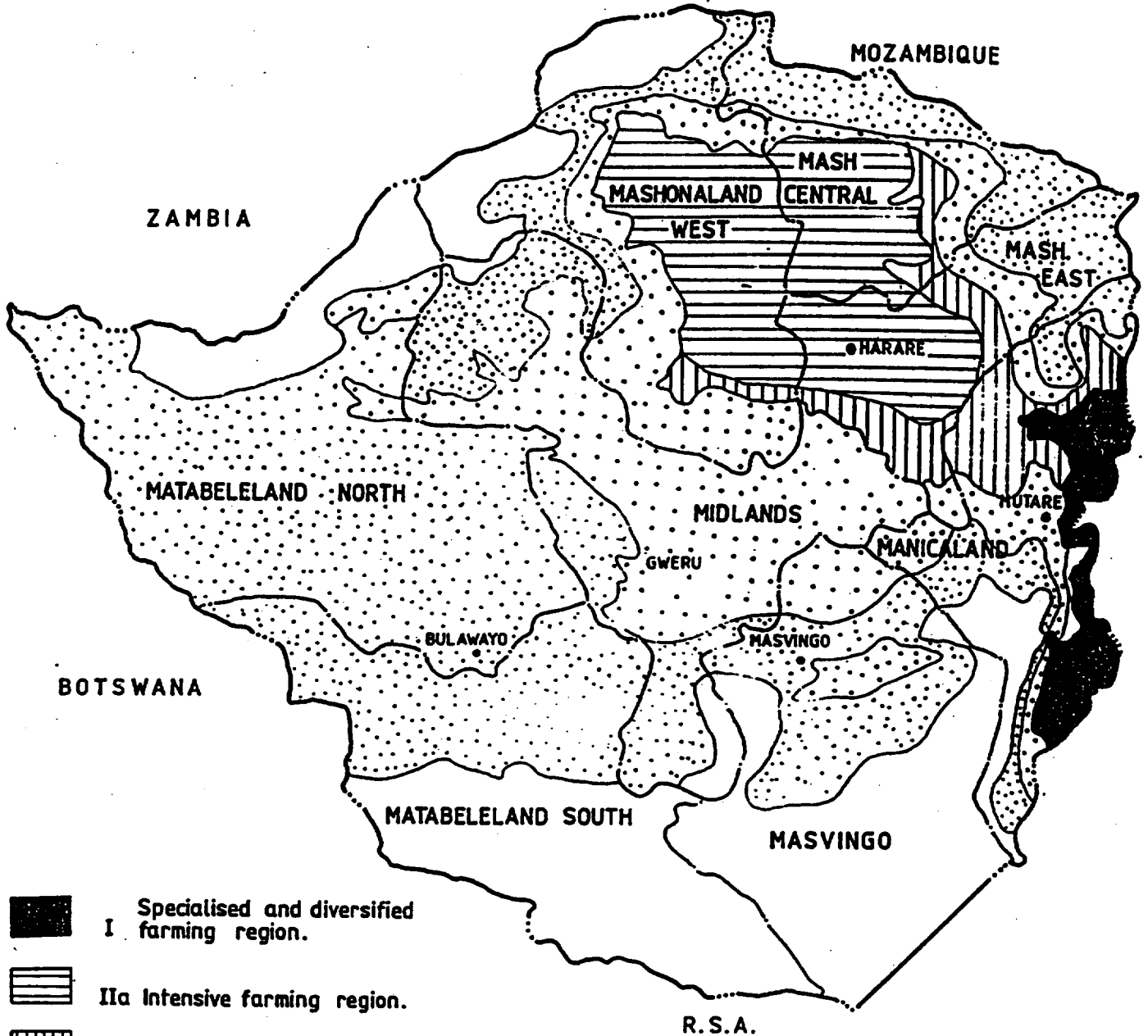
The production of high quality vegetables and flowers for export markets is a sophisticated and capital-intensive business. It has been developed in Zimbabwe by a relatively small number of large-scale farms and exporting companies, less than twenty in all. Communal farmers, resettlement area farmers and a few small-scale farmers participate in the industry almost entirely through linkages with large exporters through outgrower schemes. Only a few small, black-owned businesses have succeeded in exporting vegetables or flowers directly to European markets.







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<sup>1</sup> World Bank, *Zimbabwe: Achieving Shared Growth*, Country Economic Memorandum, April 21, 1995.

# ZIMBABWE

## Agro-Ecological Regions



-  I Specialised and diversified farming region.
-  IIa Intensive farming region.
-  IIb Sub-region.
-  III Semi-intensive farming region.
-  IV Semi-extensive farming region.
-  V Extensive farming region.

ENDA-ZIMBABWE  
 ENVIRONMENT UNIT  
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 15/05/92

In our report we will be making frequent references to these types of land tenure systems and farm sizes, so it may be useful to describe them at this juncture and indicate their relative importance in horticulture.

**Large-scale commercial farms:** The approximately 5,000 large farms have an average size of 2,200 hectares and account for about one-third of all agricultural land. The percentage of arable land on these farms varies greatly. Thirty-five percent of the area of these farms is in Natural Regions I and II, the most productive crop areas, and the site of most of the horticultural crops grown in Zimbabwe, including vegetables, flowers, and fruit. These farms are mostly white-owned.

**Indigenous large-scale farms:** These are farms of more than 100 hectares in size either owned outright by blacks or leased by them (with an option to buy) on state farms or former large private farms purchased by the state. It is estimated that there are about 500 of this type of farm. Some have water and are growing horticultural crops.

**Small-scale commercial farms:** These farms, of which there are about 8,500, have an average size of 162 hectares (10 to 40 hectares arable). They are largely black-owned, and were designated for purchase by individuals who had served the government in the military or in civil service, both before and after independence. Over 75% of these farms are in Regions III and IV. Few of these farmers are engaged in horticulture.

**Resettlement area farms:** This category includes farmers who have been settled by the government on state land, mostly purchased from white settlers who sold out and left the country. There are about 57,000 of these farms with an average size of 58 hectares, of which only 3 to 5 hectares is arable. They are located in all regions of the country, and a number of these farmers who have water available have gone into horticulture.

**Communal farms:** This very large category of farms cover 42% of the country and are found in all natural regions, though almost 3/4 of them are in the poorer Regions IV and V. Wherever there is water, such as on irrigation schemes, farmers are growing vegetables. Some communal farmers in Regions I, II, and III are supplying vegetables to exporters under outgrower schemes.

### 1.3 HORTICULTURE EXPORTS

Horticultural exports from Zimbabwe have shown spectacular growth over the last ten years. Prior to 1985 horticulture was of little importance to the Zimbabwean economy. Over the next few years, strong growth is expected to continue as the following data prepared by HPC shows.

**TABLE 1.1**  
**ACTUAL AND PROJECTED HORTICULTURAL EXPORTS FROM ZIMBABWE**  
**1985/86 to 2004/05**

Year	Flowers		Vegetables		Citrus	
	Tons	000US\$	Tons	000US\$	Tons	000US\$
1985/86	338	1,554	396	1,155	2,272	772
1990/91	3,722	17,121	4,215	12,645	8,300	2,142
1991/92	4,757	21,885	4,354	13,082	8,829	3,036
1992/93	5,208	23,947	3,998	11,885	9,000	3,060
1993/94	5,788	26,540	3,202	15,803	13,000	4,100
1994/95	8,085	41,839	8,389	26,987	20,000	8,800
1995/96 (est)	12,278	56,482	12,135	38,405	24,000	9,160
2000/01	55,058	253,270	54,414	183,243	100,000	34,000
2004/05	182,877	841,238	180,138	542,215	200,000	68,000

Source: HPC

HPC's highly optimistic estimates for 2000/01 and 2004/05 indicate how confident the industry is about rapid growth in the future. In order to achieve this level of development, an annual growth rate of 30 to 35% will be needed, which is roughly in line with the growth rate in recent years, but is not necessarily attainable in the future.

#### 1.4 SMALL FARMER INVOLVEMENT IN EXPORT MARKETING OF HORTICULTURAL PRODUCTS

The involvement of small farmers in the highly successful horticulture export sector of Zimbabwean agriculture is a principal theme of this report. In the relevant sections of the report we describe the particular characteristics of export marketing channels for fresh vegetables and for flowers -- the two main export categories -- and show what role small farmers are playing in those channels. The wide diversity of types of small-scale horticultural producers makes it difficult to separate them into neat classifications or models, but we describe below some of the more prominent examples.

In the case of vegetables, almost all the small-scale producers are linked with exporters through outgrower schemes of one type or another. Producers who participate in these outgrower schemes may include any of the following:

- Horticultural Producers Organizations created under the auspices of the Zimbabwe Farmers Union and representing groups of farmers in a given district of one of the provinces of Zimbabwe,
- Cooperatives -- groups formally organized under the Cooperative Law of Zimbabwe,
- Loosely-organized groups of farmers with access to water in communal areas or on resettlement schemes, and
- Small-scale commercial farmers who own their own farms or who lease land on state-owned farms.

There are a few instances of direct export by small farmer organizations. One we know of is made up of four tenant farmers on state land who are forming a private company jointly with groups of communal farmers to export vegetables.

In the case of flowers, the capital-intensive nature of this business has thus far precluded wide participation by small black-owned growers. Nor does the production system lend itself to outgrower systems. Nonetheless, several small grower/exporter enterprises have been created in recent years and have managed to export flowers for sale through the Dutch auction.

To illustrate the various forms which small farmer participation in horticulture can take, we have profiled seven schemes in Appendix A. These include outgrower schemes operated by two fresh vegetable exporting firms and one by a green bean canning company, an EU-supported project which provided communal farmers with vegetable post-harvest handling and marketing infrastructure, a



small black-owned flower exporting company, a newly-formed joint enterprise consisting of medium-scale tenant farmers and communal farmers, and an ARDA-supported irrigation scheme where vegetables are grown for local markets.

## 2. The Marketing of Fresh Vegetables

Fresh vegetables, along with cut flowers, are the principal horticulture export crops of Zimbabwe. This sector has great importance for the small farmer because of "outgrower" schemes which have been established by some of the leading exporters of fresh vegetables.

### 2.1 VEGETABLE PRODUCTION

The types of vegetables produced for export and domestic sales are quite different:

<u>Crops for Export</u>	<u>Crops for Domestic Sale</u>
Mange tout peas	Cabbage
Sugar snap peas	Rape (leaf brassica like kale)
Green beans	Carrots
Runner beans	Onions
Corn on the cob	Potatoes
Baby sweet corn	Tomatoes
Baby carrots	Corn on the cob
Cherry Tomatoes	Peppers
Asparagus	Garlic
Chillies	Cucumbers

Crops for export are produced on good quality, irrigated land mainly within about 100 km of Harare airport since freshness can easily be lost in transit over long distances. Some export vegetables are also being grown on the east side of the country to take advantage of climatic factors and spread risks. This produce is, however, taken to the Harare area for grading and packing.

Large amounts of vegetables are produced by home gardeners in rural and urban areas for consumption within the family. Most produce to be sold on the domestic markets is produced near to the major cities for ease of transport.

Potatoes for the domestic market are mainly grown by large-scale commercial farmers (LSCF) but the bulk of the other vegetables consumed within Zimbabwe are produced by small-scale commercial farmers (SSCF) and communal farmers. Most export vegetables come from the large commercial growers with not more than an estimated 10 percent from small farmers mainly acting as outgrowers. Production on the communal farms is mainly for consumption on the holding although small quantities are sold for cash via informal marketing channels.

### 2.2 EXPORT PERFORMANCE

The development of exports within the vegetable sector has been a spectacular success as the following data from the Horticulture Promotion Council shows:

**Table 2.1**  
**Vegetable Exports, 1985/86 to 1995/96**

<u>Year</u>	<u>Vegetable Exports (tons)</u>
1985/86	396
1988/89	1,413
1991/92	4,354
1994/95	8,989
1995/96 (est.)	12,135

The product mix of vegetable exports is roughly as follows:

Mange Tout	-	46%
Sugar Snap	-	10%
Beans	-	13%
Chillies	-	10%
Sweet Corn	-	17%
Others	-	4%

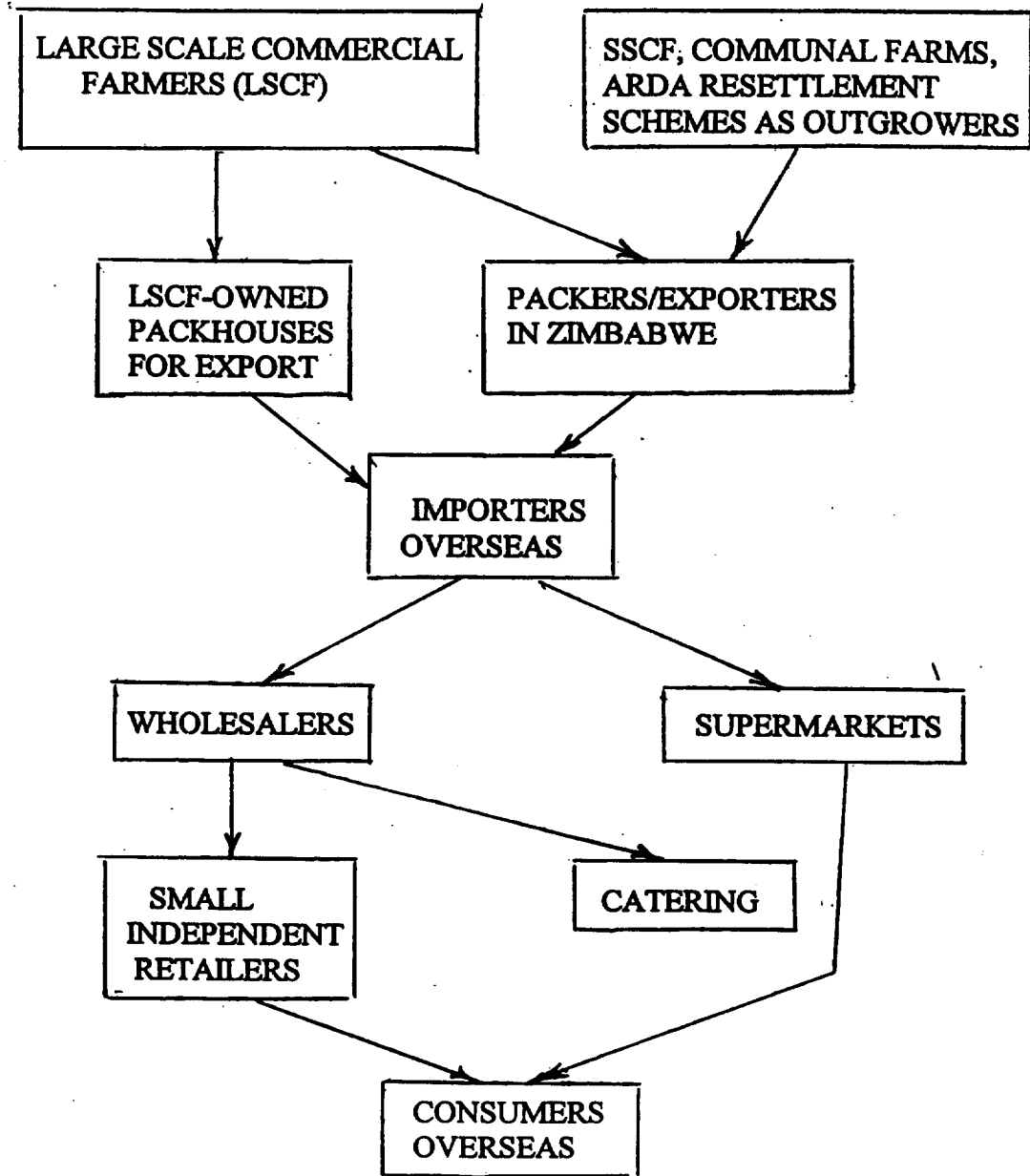
The U.K. remains the most important market for Zimbabwe vegetable exports with about a 73 percent share in 1994/95. We estimate that 65 percent of these exports were destined for British multiples. Other important EU markets were Holland with 9 percent (although it is probable that much of this was re-exported by Dutch "entrepot traders"), while Germany took 8 percent and France 4 percent. Mauritius took about 5 percent but sales have shown a slow decline in recent years.

Regional exports -- mostly to the Republic of South Africa (RSA) -- are growing well with most sales being high value products to upmarket retail chains such as Woolworths. Some sales have also been made to Australia, and to Pacific Rim customers in Singapore and Hong Kong. These markets are not expected to expand much due to the cost of freight and the limited space available in outgoing aircraft.

### 2.3 VEGETABLE EXPORT MARKETING CHANNELS

The chart on the following page illustrates the channels through which vegetables move in Zimbabwe and into export markets.

Figure 2.1  
Vegetable Export Marketing Channels



This distribution chain is not, of course, always followed but it gives a general idea of the stages involved. Throughout the chain there is a great deal of vertical integration. For example, within Zimbabwe some large commercial farmers, such as Gordon Country Fresh, act as growers, packers and exporters on a very large scale in addition to receiving produce from other large farms to market through these facilities. Another popular arrangement is for large farmers to be shareholders in packing/exporting companies which they also supply with raw materials. Hortico is an example of this approach. These companies will, however, deal with non-shareholder suppliers.

A typical packer/exporter does not own farms but instead relies on outgrowers, many of which are small farmers or farmer groups. Selby Enterprises is an example of this type of enterprise. There are now few farmer-owned cooperatives active in vegetable exports from Zimbabwe.

Unlike the cut flower industry, overseas importers do not maintain permanent representatives, or agents, in Zimbabwe but they do, of course, make frequent visits to their trade partners. A fairly new development within the industry is for Zimbabwe-based companies to open a sales office in the destination country (mainly U.K.) to act as the importer and marketer there. These sales offices will probably have to be run as a separate company registered under the laws of the country they are located in. Supermarkets overseas are not often prepared to deal directly with exporters in Zimbabwe but prefer to negotiate with importers in their own country. They do, however, attempt to build up close relationships with the trade in Zimbabwe via their import agents.

A few Zimbabwe packers/exporters buy their trade goods at a firm price in Zimbabwe and then export at their own risk but the vast majority work on a consignment basis. This means that they do not take title to the produce but act as an agent who provides services for a fee. Thus most of the risks of the venture are carried by the farmers, both large and small. The way in which this works varies from company to company but a typical system by which the price returned to the farmer is established is as follows (figures are for demonstration purposes only):

Gross selling price to U.K. supermarket:	STL (pounds sterling) 3/kg = Z\$42
<i>Less:</i> U.K. importers' commission (typically 7 ½%), customs duty, clearance charges at U.K. airport, transport to importer's depot in U.K.:	STL 0.40 (Z\$5.7) = Z\$36.30 net
<i>Less:</i> Zimbabwe exporters' commission & air freight charges (about Z\$20/kg), transit insurance & handling cost at Harare airport, inspection fees, and HPC fee:	Z\$24 = Z\$12.30 net
<i>Less:</i> Zimbabwe packers costs such as labor, packaging materials, cold storage, transport within Zimbabwe & commission to cover overheads and profit:	Z\$8 = Z\$4.3 net to grower

(Note: Any waste will have been deducted from the weight delivered at packing stage)

As will be noted from the above, if the gross selling price is not very good it would be quite easy for the farmer to end up with a negative return. We understand, however, that some packer/exporters protect farmer suppliers from this situation by bearing the loss themselves.

Although this chain may seem complex and expensive to the farmer in Zimbabwe, all the "middlemen" involved contribute to getting the vegetables to the final consumer overseas in first class condition. Without their contribution, nobody will make any profit.

The relationships between outgrowers and packers appear to be still developing. Procuring supplies from outgrowers has the following advantages and disadvantages to packers:

Advantages

- (a) Supplies can be drawn from several climatic regions, which helps maintain continuity of supply.
- (b) Individual farmers are able to give more attention to detail, which is vital for these crops.
- (c) The risk of supplies being interrupted by an agricultural disaster, such as hail damage, is reduced as not all suppliers may be equally affected.
- (d) On small farms, production costs are reduced due to lower fixed costs and labor expenses. Yields per hectare may also be higher due to more intensive crop management.
- (e) The packer does not have management problems and the capital demands of running his own farm.
- (f) The packer can obtain credit from suppliers (farmers), as typically payment to farmers is 30 days after delivery.
- (g) Some packers feel that they have a social duty to encourage small farmers to help achieve national development objectives.

Disadvantages

- (a) It can be more difficult to get crops grown and harvested to the standard needed due to the outgrowers' lack of experience.
- (b) Problems can occur if procedures for the efficient and safe use of agro-chemicals are not observed.
- (c) As the outgrowers are often some distance from the packhouse, considerable effort is needed to ensure that the produce does not lose quality in transit.
- (d) With small growers, a lot of time can be spent on recruitment, development and administrative matters, such as payments.
- (e) Some EU supermarkets are dubious about out grower schemes as they fear that quality standards will be more variable and public health risk greater due to reduced control over agro-chemical use and general hygiene.

The main advantages that the farmer gains from being an outgrower are that he/she benefits from the contacts and marketing experience of the packer/exporter, and does not have to devote

time, management and capital to developing his/her own packing and export system.

In most Zimbabwe outgrower schemes the packer provides advice on what to grow, when and how to grow, but there are few formal contracts. For small outgrowers, packers often provide one or more of the following services:

- inputs such as seed to be paid for from the proceeds of crop sales. This is effectively an interest free loan but an element of interest and margin to cover the risk of non-payment may be built into the price charged,
- a considerable amount of cultural advice by fieldmen employed by the packer,
- provision of a produce assembly point complete with cold storage (although many are not so well equipped), quality control and administrative staff,
- supply of field crates,
- provision of transport from the assembly point to the packhouse, and
- farmer training (e.g. in efficient and safe knapsack spraying).

The main problem with the vegetable outgrower schemes in Zimbabwe is the lack of trust that exists between the two parties. Most packers provide good information on the grade out of each delivery (that is, percent export grade, percent 2nd grade, percent waste) and the reasons for any serious downgrading (e.g. insect damage). It is not always easy for growers to establish how the price that they are paid is arrived at as few packers and exporters provide much information on the costs that have been deducted from the overseas selling price. Most however, state that they are prepared to show a farmer who requests it more information and provide full details, though some express doubt that farmers would be able to understand it. In any case, many growers are reluctant to make this request as they do not wish to offend the packer.

## 2.4 EU MARKETING CHANNELS AND MARKET REQUIREMENTS

The basic distribution channels within Europe for Zimbabwean vegetable exports to the EU are set out in the "marketing chain" diagram in Section 2.3 above. Some large wholesalers are also importers so there is some vertical integration here. The main demand for Zimbabwe vegetables within the EU is from the Northern European member states. France tends to import similar products from its former colonies such as Senegal and Burkina Faso.

In recent years the supermarket chains have extended their market share at retail level to about 65 percent of fruit and vegetable sales with the result that they have become the dominant force in the industry. Much of the growth in supermarket sales has been at the expense of the independent retail greengrocers who have declined in numbers. As a result the wholesalers, who serve the independent retailers, have also seen a big reduction in their numbers, turnover and profits. The catering industry in the EU is expanding as more meals are being eaten outside the home. Thus specialist fruit and vegetable wholesalers serving this sector are doing well. Some Zimbabwe products, including fine green beans, benefit from strong demand in up-market outlets.

In order to make a significant impact on the EU market, vegetable exporters have to gain access to the supermarket sector. The supermarket buyers are very demanding and use their purchasing power to good effect so it is not an easy business. As in most northern EU countries there are only about five national supermarkets the number of buying offices that can be targeted is quite small. U.K. chains (TECO, Sainsbury, Marks and Spencer, etc) are the most demanding in terms of quality and service whereas the multiples in the other EU states place greater importance on price. There are clear signs, however, that supermarkets in Germany, Holland, Belgium and France are moving towards the British approach. This is based on a long-term partnership between supermarket and supplier whereby both work together to maximize sales to their mutual advantage rather than buying on the basis of short term price based deals.

It is important to note that very few EU supermarkets will buy at any price from a supplier that they do not believe can provide good quality produce and a reliable service. In order to serve supermarkets a Zimbabwe vegetable grower must be able to show that:

- (1) He/she can consistently produce vegetables that meet the supermarkets' quality specifications. Most UK chains have their own specifications but in other EU countries they often rely on the EU statutory grading regulations.
- (2) Prices are competitive to ensure that the supermarket can obtain a gross margin of about 33 percent of the retail selling price and not be undercut by its competitors. The normal system is for prices to be negotiated between supermarket buyer and the Zimbabwe exporter's EU-based importer acting as his agent about 7 days ahead of delivery to the stores.
- (3) Many supermarkets provide their suppliers with a guide to their requirements several months ahead. These programs are not firm contracts and are only intended to assist with planning. Once a program is provided, however, the supermarkets will expect the supplier to produce a detailed plan showing how he will meet the program. This will probably include details of hectares to be planted, varieties, and planting dates. The supermarkets employ highly trained horticultural technologists who will review these plans and expect any problems they identify to be resolved. In this way supermarkets try to ensure that their suppliers will be able to maintain continuity of supply during the agreed period since any lapse results in lost sales and reduced profits.
- (4) The problem of pesticide residues in fresh fruit and vegetables is an important with EU consumers. Supermarkets are keen to maintain a good reputation in this area and so require suppliers to:
  - plan production to minimize agro-chemical use through IPM techniques, etc.,
  - ensure that no chemicals are used that are not approved,
  - see that all chemicals are used at the correct rates, and that harvest intervals are observed to ensure that any residues are kept below permitted maximum levels,
  - maintain records of chemical use and make these available to the buyers' technologists,
  - and carry out regular laboratory analysis of the vegetables to check on chemical residues and forward these results to the supermarket.



(5) Increasingly supermarkets wish to ensure that the products they sell do not present a public health risk to the consumers. This means that they will only deal with suppliers with packhouses which meet very high public health standards. Typical areas where they expect preventative measures to be taken to avoid food contamination include:

- the exclusion of smokers and animals from the packing area and cold rooms,
- effective rodent and insect control,
- adequate toilet and washing facilities for all workers,
- protective clothing, including hair covers, for packhouse staff,
- controls to ensure that foreign bodies such as first aid plasters, preparation knives and broken glass from, say, light bulbs, do not get into the pre-packs, and
- only using pure chlorinated water for produce washing.

British supermarkets have a special problem in this area as they have to comply with the UK 1990 Food Safety Act. This requires all food suppliers to the U.K. consumer, such as those in Zimbabwe, to undertake a full audit of their operations to identify any area in which food could be rendered unfit for human consumption. Measures then have to be taken to overcome these potential dangers and a recording system introduced to show that adequate measures have been used. They must also have a system of labels which enables them to trace any sub standard batch back through the production process to the field in Zimbabwe where it was grown.

The main UK multiples take their responsibilities under this Act very seriously as the only permitted defense is "due diligence" which means that every possible measure had be taken to maintain adequate public health standards. EU legislation similar to the above is to be introduced soon.

(6) Suppliers are expected to stock adequate supplies of packaging materials, including bar coded labels, at their own expense.

(7) Most supermarkets expects suppliers to contribute to the cost of promotions from time to time.

(8) Because of the close co-operation needed to meet these standards supermarkets are increasingly dealing with only one or two large producers for each product which makes it hard for new suppliers to compete.

Supermarkets are expected to soon introduce codes of practice covering ethical matters which suppliers will have to comply with. These will include such matters as paying workers fair wages and preventing environmental damage during production. These codes will be required to protect the supermarkets from adverse publicity which could reduce sales.

## 2.5 COMPETITION

The main competition to Zimbabwe vegetable exports to Europe at present comes from: Kenya, Nigeria, Uganda, Zambia, R.S.A., Guatemala, Thailand, and The Gambia. Of these probably the most important are Kenya (wide range of products), especially legumes, Guatemala (roughly 1,500 tons of legumes to the EU each year) and Thailand (about 2,000 tons of baby sweet corn to the EU each year).

Many EU exporters believe that Central America will decline in importance as it concentrates on the North American market. Thailand has pioneered the baby sweet corn business but it has the major disadvantage of high air freight costs due to its long distance from Europe.

Several other African countries such as The Gambia and Uganda have big plans to expand their trade in air freight vegetables and could become major competitors. Producers in Southern Europe (e.g. Spain including the Canary Islands, and Turkey) are extending their seasons with improved technology and so reducing the potential export windows for higher cost air freight vegetables. New post-harvest techniques such as controlled atmosphere refrigerated ocean containers will allow more vegetables to be exported to distant markets by sea with a typical 80 percent saving in freight costs/kg. This could be a threat to Zimbabwe which lacks easy access to fast shipping routes to Europe.

Several other countries, such as Ethiopia, have considerable latent potential in this field and could become important competitors in the future.

In the recent past, many EU importers have not been prepared to deal with companies in the RSA for political reasons. With the new democratic government however, this will change and we have already seen large importers such as Geest investing there. This trend could result in more competition for Zimbabwe. The main export season to the EU for Zimbabwe vegetables is November to April when the winter weather in Europe prevents outdoor production of frost sensitive crops. Increasingly, however Zimbabwe is developing a year round trade, especially in products with a high labor content, such as fire beans, mange tout and sugar snap. This is because agricultural labor in Europe to pick these crops costs about Z\$420/day plus high social security costs compared to roughly Z\$15/day for Zimbabwe farm workers.

Zimbabwe's relative competitive advantages and disadvantages, compared to other suppliers of high value air freight produce to Europe can be summarized as follows:

### Advantages

- (a) Competitively low wages compared to Central and South America.
- (b) Good reputation as a reliable, high quality supplier.
- (c) Good soil and climate.
- (d) Wide product range and willingness to innovate.
- (e) Provides an alternative supplier for importers concerned about the possible disruption of supplies from Kenya due to political unrest.
- (f) Skilled farmers.
- (g) Limited environmental controls.
- (h) Well developed input supply industry including Zimbabwe manufactured items such as packaging and fertilizers.
- (i) Reasonable fuel costs.

### Disadvantages

- (a) Higher air freight rates than competitors but less than Thailand.
- (b) High local bank interest rates.
- (c) Shortage of water for irrigation.
- (d) Limited local extension, research and development support.
- (e) High inflation.
- (f) Lack of trained specialist staff.

## 2.6 REGIONAL MARKETS

Exports of fresh vegetables to regional markets have been limited mainly to South Africa, but the potential exists to expand exports to that country and to other regional markets.

### 2.6.1 Volumes Exported

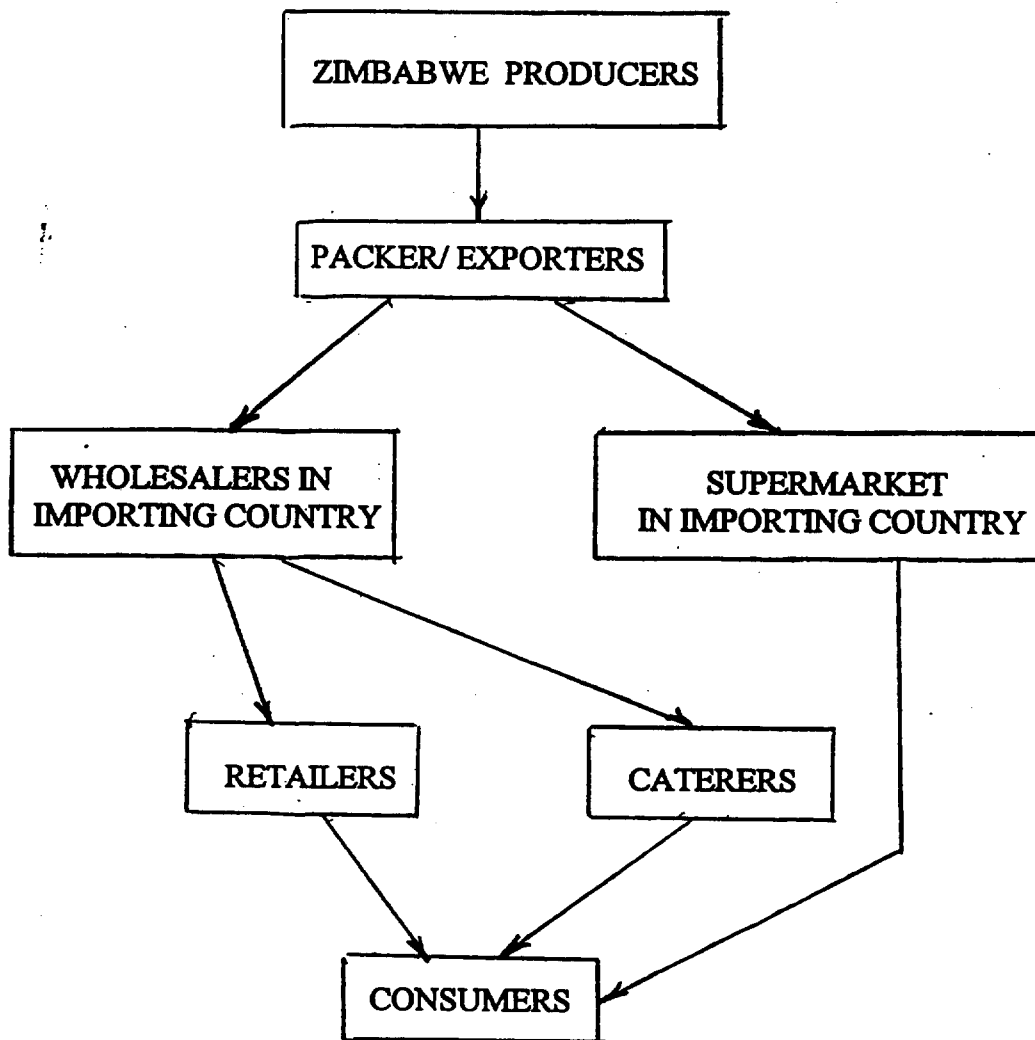
Zimbabwe has developed vegetable export markets within the region as follows:

RSA	High value vegetables to specialist stores such as Woolworth. Speculative sales of a wide range of produce when shortages occur. Trade comments suggest that exports could be as high as 3,000 tons/year but this includes bananas, apples and other fruits.
ZAMBIA	Mainly potatoes and onions
BOTSWANA	As above
MOZAMBIQUE, ANGOLA	Little trade due to low demand and problems finding reliable importers
NAMIBIA	Little trade due to low demand and problems finding reliable importers
MALAWI	Limited sales due to exchange control problems
MAURITIUS	High value vegetables. Trade declining.

### 2.6.2 Regional Marketing Channels

The following chart illustrates the regional market channels for Zimbabwe exports of vegetables.

Figure 2.2  
Regional Marketing Channels for Vegetables



Most exports to the regional markets are made by:

- exporters mainly dedicated to EU markets who have developed considerable expertise in high value specialist vegetables which enables them to compete at the top end of the market in countries such as the RSA -- many of these sales go direct to supermarket chains such as Woolworth but others are via wholesalers,
- Zimbabwe companies such as FAVCO and INTERFRESH which are well established suppliers to the domestic market and handle a full range of fruit and vegetables. These companies have proved to be able to procure and export produce, such as onions and potatoes, which the EU orientated exporters do not handle, and
- some traders come with a truck from Zambia and other regional countries and purchase produce ex farm or from the Harare markets.

### 2.6.3 Competition

Zimbabwe has some valuable comparative advantages which it can exploit in the regional markets including:

- highly skilled farmers and exporters producing a wide range of good quality vegetables,
- efficient management able to supply the EU supermarkets which are among the most demanding vegetable customers in the world,
- low labor costs particularly compared to the RSA,
- RSA exporters have to pay 40% duty when they export to most regional countries but Zimbabwe sales are duty free, (though this advantage may well be lost however as the RSA becomes more integrated into the business life of southern Africa),
- climatic advantages mean that Zimbabwe can start to export some crops about two weeks before they are ready in the RSA, and
- the current weakness of the Zimbabwe currency, which aids all exports.

### 2.6.4 Market Trends and Prospects

The evidence suggest that there are considerable opportunities to develop further trade with RSA, which is an expanding market. Other countries in the region will only develop into major markets as their economies expand.

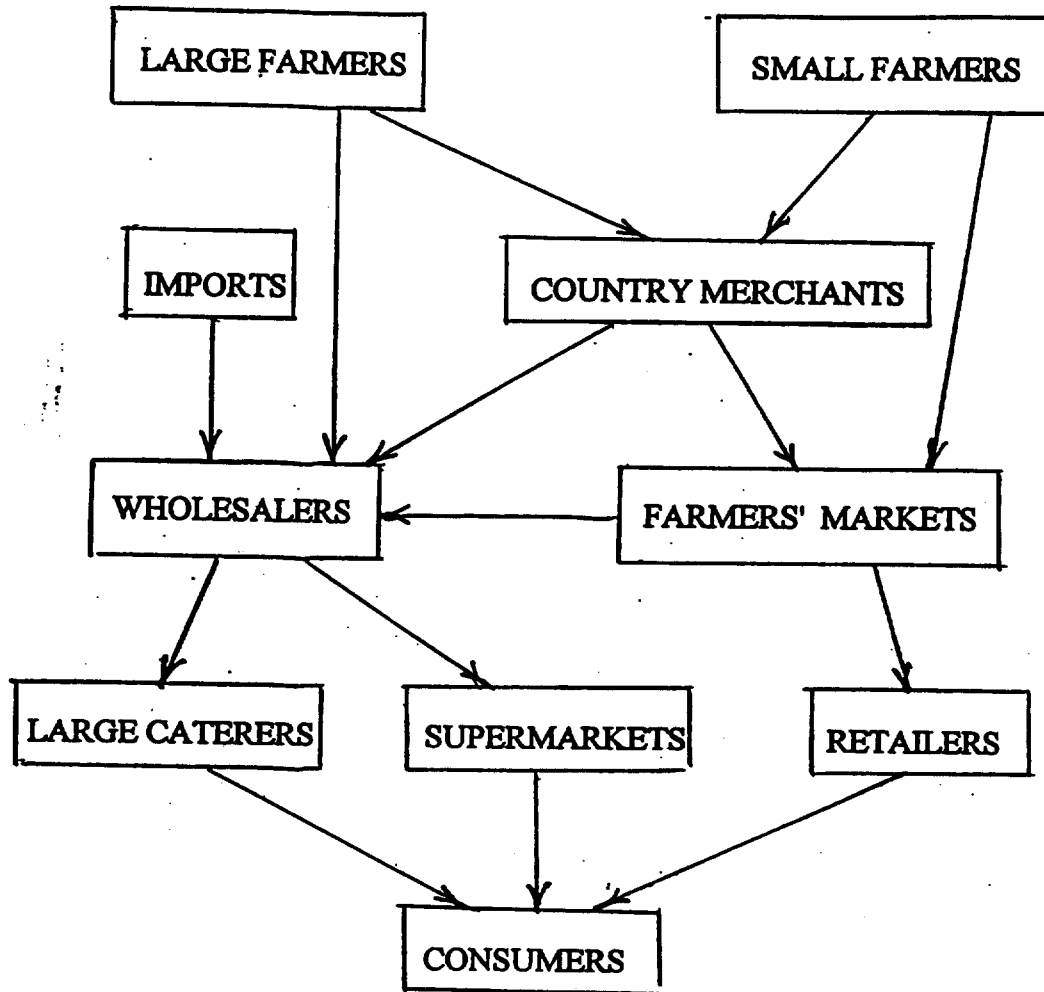
## 2.7 DOMESTIC MARKET

Domestic trade in fresh vegetables is dominated by small retail street vendors in urban areas, although demand from supermarkets for graded and packed items is increasing.

### 2.7.1 Structure

The following chart illustrates the principal channels through which vegetables reach the consumer on the domestic market.

Figure 2.3  
Domestic Marketing Channels for Vegetables



Most larger farmers working in the domestic market supply large wholesalers on a firm price or commission basis. Small farmers on the other hand sell in the Farmers' Markets or direct to retailers and consumers. Both types of farmers supply country merchants who visit their farms. These are mainly small traders with a lorry who resell to a range of outlets in the cities and may also rent a stand at a Farmers' Market. The larger wholesale firms of which there are about 12 in Harare mainly handle the top end of the market. The services they provide include grading, packing into plastic bags, banana and tomato ripening plus deliveries to shops. These companies also handle the very small volume of imports that take place. Except in times of serious shortage imports are limited to speciality lines such as fresh mushrooms from RSA, so the opportunities for import substitution are very limited.

Apart from supermarkets, most vegetables are retailed by small traders with stalls, in permanent retail markets or sold by hawkers who set up "unofficial" stalls by the roadside in residential areas. These traders mainly buy from the farmers markets. Many general stores offer a range of vegetables which they often obtain from wholesalers. The business arrangement in Zimbabwe supermarkets is a little unusual but not unique. The supermarket owners allow a large wholesaler to use the fruit and vegetable area in their stores in exchange for a rent, or a share of sales, rather than purchasing produce for resale in the normal way. Thus the wholesaler is responsible for range selection, procurement, fixing selling prices and delivery to store. Within the store the wholesaler employs staff directly to keep the shelves full, rotate stock, and order replacement goods. The supermarket staff collects the money for produce from customers at the cash registers. Produce sales are coded on a separate cash register department so that at the end of the week total sales can be added up and the proceeds paid to the wholesaler after the supermarkets "rent" has been deducted. In addition to running the cash handling the supermarket is responsible for cleaning, lightning, security, and staff facilities.

Most of the large catering outlets, such as hotels, purchase their vegetables from wholesalers who can provide a wide range, good quality and a delivery service.

### **2.7.2 Marketing Trends**

U.L.G. Consultants Ltd. of the U.K., in a 1992 report, notes that domestic vegetable consumption is 250,000 - 350,000 tons per year. Based on a population of 11 million in Zimbabwe this represents per capita consumption of only about 27 kg per year (74 gins/day). Some Zimbabwe experts are of the opinion that this is too low so it may be that total sales are more than this.

Based on our observations, we expect that the domestic market will continue to grow slowly in response to population growth, increased tourism and a greater interest in a more healthy diet.

### 3. The Marketing of Cut Flowers

Cut flowers account for more than half the value of horticultural exports from Zimbabwe to the European Union. This dynamic sector is dominated by large firms which can mobilize sufficient investment capital to construct greenhouses and packing sheds. A few small indigenous enterprises have begun operations but face numerous constraints.

#### 3.1 FLOWER PRODUCTION IN ZIMBABWE

Most cut flowers for export are grown in the Harare area so that the produce can be taken to the international airport quickly. Some types of flowers which need cool conditions are grown in the Eastern Highlands despite the long distance from the airport. A lot of *Proteas* are also grown on the east side of Zimbabwe.

The most important cut flowers grown for export, such as roses, have to be grown under plastic structures. These are much cheaper than glasshouses but still cost about Z\$2 million/ hectare (US\$200,000/ha). The size of holdings ranges from 0.5 ha to about 12 ha. Two hectares is considered a viable business. Despite the very high capital and management levels needed, the area under plastic is expanding rapidly.

Summer flowers are also produced during the October to April period when they cannot be grown outdoors in Europe. These are mainly annuals such as *gladioli* and *ammi majus* which are produced in open fields with the aid of irrigation. Production costs are low but quality is often poor and demand erratic. *Proteas* are also grown outdoors but are perennials. They are not produced in Europe so Zimbabwe can export throughout the year.

In 1993 the areas of flowers being grown for export were estimated by the HPC as follows:

Table 3.1  
Zimbabwe Flower Growing Areas, 1993

<u>Variety</u>	<u>Hectares (approx.)</u>	
<i>Proteas</i>	240	(Outdoor)
Roses	150	(Protected)
Asters	40	(Protected)
Chrysanthemum	23	(Protected)
<i>Molucella</i>	20	
<i>Bupleurum</i>	15	
<i>Hypericum</i>	11	
<i>Ammi Majus</i>	8	
<i>Liatris</i>	50	
Summer Flowers	<u>225</u>	(Outdoor)
Total	782	



### 3.2 EXPORT PERFORMANCE

As with fresh vegetables, cut flower exports from Zimbabwe have shown very rapid growth over the last ten years:

1985/86	338 tons
1990/91	3,722 tons
1995/96	13,000 tons (estimate)

The above export figures, compiled by the Horticultural Promotion Council, are projected forward by HPC to show over 55,000 tons of exports in 2000/01 and 183,000 in 2004/05. This forecast reflects, at the very least, the optimism which prevails in the industry at this time.

Zimbabwe has also out-performed its major competitors in recent years, as shown by the following data from a World Bank report<sup>1</sup>:

Table 3.2  
Cut Flower Exports from Selected Countries  
1988 and 1992

	<u>1988</u>	<u>1992</u>	<u>Percent Change</u>
Israel	19,807	24,005	+22
Columbia	8,375	20,738	+148
Kenya	9,307	19,985	+115
Zimbabwe	1,720	5,152	+200

The increase in exports of roses from Zimbabwe showed the most remarkable increase -- over 1,500 percent increase during this period.

The most important market for Zimbabwe flowers is Holland, with about 80 percent of the trade. Others include Germany 4 percent, U.K. 9 percent, and France 6 percent. Holland is the center of the world flower trade and much of the Dutch imports from Zimbabwe will be re-exported worldwide. Dutch flower exports area destined mainly to other EU countries (88 percent), and the balance goes to Switzerland (3.5 percent), U.S. (1.9 percent), Japan (1.3 percent) and other countries (5.4 percent).

The dominance of the Dutch market for cut flower exports is very common, as shown in the following table.

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<sup>1</sup> Malter, A.J., *Zimbabwe's Cut Flower Industry: Developments and Future Prospects*. World Bank, 1994.

Table 3.3  
Percentage of Flower Exports to Netherlands, 1991

<u>Exporter</u>	<u>Percent of total exports to Netherlands</u>
Israel	59.0
Spain	51.4
Kenya	61.0
Ethiopia	99.7

Source: CBI/Rotterdam

Of the major flower exporting nations only Columbia does not use Holland as its primary market. About 39 percent of Columbian exports go direct to the U.K.

Zimbabwe now enjoys a reasonable share of total Dutch flower imports, having increased its share of the market from 2 percent in 1987 to about 7 percent in 1992. Among African countries, Kenya has a slightly larger market share than Zimbabwe. Israel is the dominant supplier, as the following figures show:

Table 3.4  
Netherlands Flower Imports, by Source Country, 1992

<u>Supplier</u>	<u>Value of Imports (Million Dfl)</u>	<u>Percent Share (Approx)</u>
Israel	148,874	24
USA	63,878	11
Kenya	61,103	10
Spain	7,930	10
Zimbabwe	43,096	7
Costa Rica	39,925	6
Germany	25,942	5
Italy	24,344	5
U.K.	14,136	2
France	15,114	3
Columbia	26,660	5
Others	-	12

Source: PVS/CBS

Zimbabwe's rose exports to Holland have been particularly noteworthy. In 1992 Zimbabwe ranked eleventh worldwide in terms of growing area of roses, but supplied 28 percent of Dutch rose imports

compared with Israel (33 percent), Kenya (18 percent), Zambia (5 percent) and others (16 percent).

Flower exports from Zimbabwe to other areas of the world are small, but some shipments have been made to Mauritius, USA and Australia (roses). However, we do not expect this to develop into a major business.

The product mix of Zimbabwe and Kenya exports, based on 1992/93 data, is shown in the following table.

Table 3.5  
Zimbabwe and Kenya Flower Exports, by Variety, 1992/93  
(millions of stems)

<u>Variety</u>	<u>Zimbabwe</u>	<u>Kenya</u>
<i>Alstromeria</i>	0.1	33.9 (9%)
Carnations	0	140.0 (38%)
Asters	12.0(10%)	0
Chrysanthemums	1.0	0.2
<i>Delphinium</i>	0	7.3 (2%)
<i>Liatris</i>	19.9 (16%)	0.2
Rose-tea	32.9 (27%)	14.3 (4%)
Rose-sweetheart	16.6 (14%)	25.0 (7%)
Rose-spray	3.7 (3%)	10.0 (3%)
Solidasters	0	7.4 (2%)
Others	36.9 (30%)	142.7 (37%)

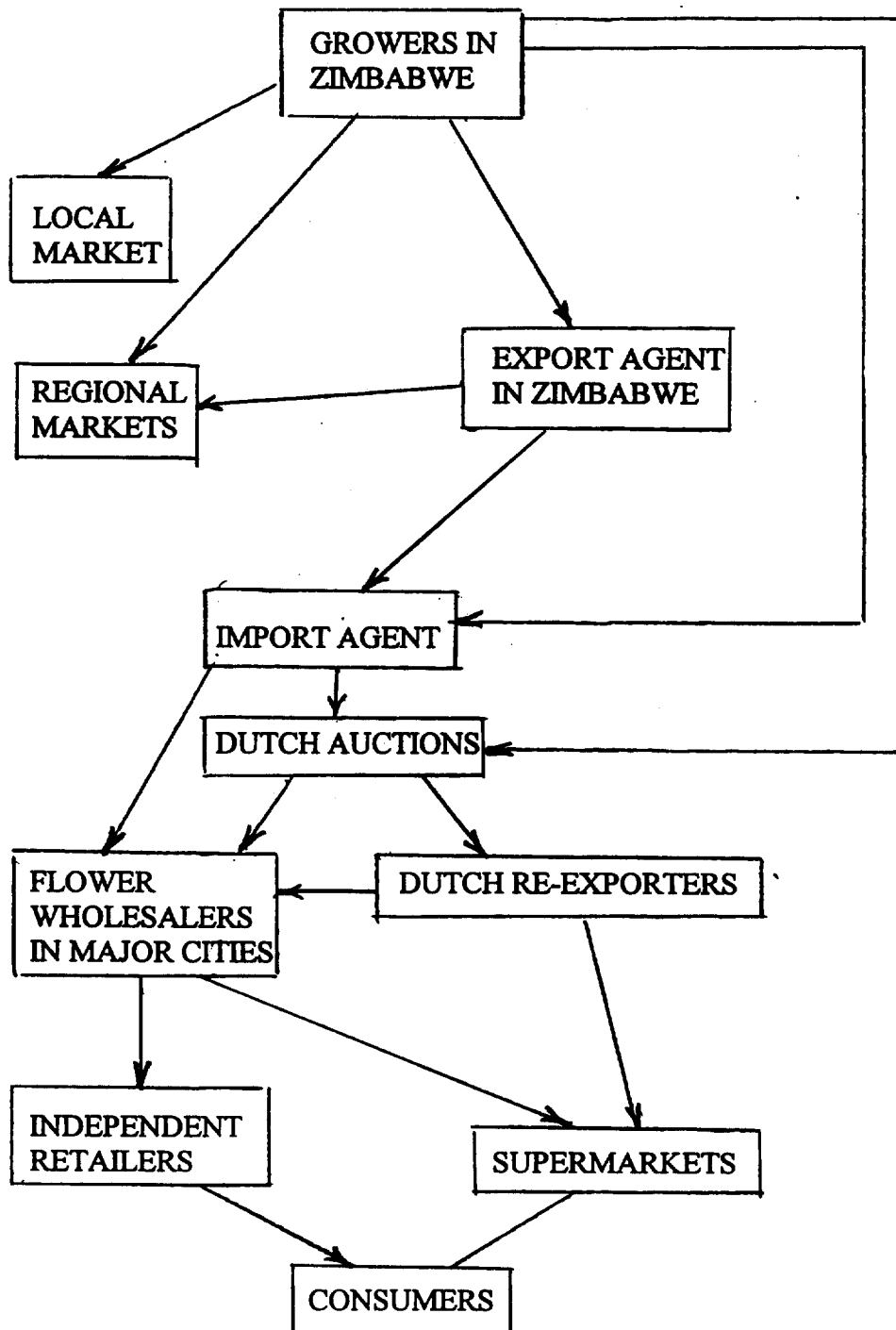
Source: VBN, Netherlands

Carnations are one of the most important flowers traded internationally. The major suppliers to Europe are Columbia, Spain, Israel and Kenya. Zimbabwe is unable to compete with Kenya on export carnations as they can be grown in the open in Kenya but would require protection in Zimbabwe. On the other hand, Zimbabwe rose production is larger than that of Kenya. Small quantities of dried flowers (e.g. roses) are produced in Zimbabwe but it is not a large sector of the industry.

### 3.3 MARKET CHANNELS

The main distribution routes for Zimbabwe flowers are shown in Figure 3.1 on the following page.

Figure 3.1  
Zimbabwe Flower Distribution Channels



Most Zimbabwe growers pack their own flowers, rather than act as outgrowers for a central packhouse, and export through one of the approximately ten export agents based in Zimbabwe. These companies are essentially either procurement offices for an overseas importer, or an independent organization with a range of outlets in the export markets. The most common route is via the Dutch flower auction system. Some exporters send direct to one of the three major auctions (VBA, BVH and Flora) but most use a Dutch importer who will clear their flowers from the airport and prepare them for sale on the auctions.

The main Dutch auctions are farmer-owned cooperatives. Their main task is to sell the members flowers but they welcome imports as they provide income for the auction and make the auctions more attractive to buyers as a better range of products is available.

Some Zimbabwean exporters send direct to flower importers, mainly in Britain and Germany. Most of these importers act as commission agents on behalf of the exporter in Zimbabwe. Typical charges are 10 percent of the selling price. In the U.K. some importers are vertically integrated with wholesalers in the major city markets.

The most important season for Zimbabwe exports is October to May, when European production is at a low level. However, when significant exports are made during the European summer months the flowers are in direct competition with Dutch growers, which can lead to conflicts of interest.

The Dutch auction system works as follows:

- (a) The flowers are inspected by auction officers and allocated a grade. They are also split up into lots of a convenient size for most buyers.
- (b) The flowers pass through the sales area on carts so the buyers can see them. (Buyers also have the opportunity to inspect the flowers before the sale starts.)
- (c) When each lot of flowers reaches the auction floor the auctioneer reads the growers name, the number of cartons, the variety and grade.
- (d) The auctioneer then starts the "clock" at a high price and lets it descend until one of the buyers pushes a button to stop it at a price he is prepared to pay.

The system is highly automated so flowers can be sold very quickly. The auction charges sellers a commission and buyers also pay a fee. The auction is responsible for payments and credit control. Typical marketing costs via the Dutch auctions are 12 to 15 percent of the selling price. All prices on the auctions are in Dutch guilders.

A recent development has been the introduction of some new auctions not owned by the Dutch growers. These include the East African Flowers Auction which we understand some Zimbabwe exporters are trying. The Dutch auctions also offer a private treaty sales services on a commission basis for growers who do not wish to use the clock. This service is called the *bemiddelings bureau*. It is popular with pot plants growers but not many cut flowers are sold this way.

After the flowers are bought on the auctions they are taken to the buyers warehouse which is often in the auction complex. Here the flowers may be re-packed or assembled into mixed bunches. Some of the buyers are wholesalers serving retailers in Holland but most re-export the flowers to specialist wholesalers in all the major European cities. These wholesalers in turn sell to retailers who are mainly specialist florist. Germany is by far the largest retail market for flowers in the EU. It takes about 59 percent of Dutch exports followed by France (13 percent), UK (10 percent) and Belgium (7 percent).

The market share of retail cut flower sales held by supermarkets in the EU varies from about 44 percent in Denmark to almost nothing in southern Europe (e.g. Spain). A typical average share would be about 15 percent, however. Supermarkets therefore are not a dominant force in the flower trade in the same way that they are in fruit and vegetables. This is mainly because a lot of flowers are used in wedding bouquets and funeral flowers which have to be prepared by a skilled florist at store level.

Up to the point that the flowers are sold on the auction they remain the property of the grower in Zimbabwe and the various people who handle them along the way act as his agent on a commission basis. Many of the EU city flower market wholesalers also work on a commission basis rather than buying the goods in their own right.

Zimbabwe flower exports enjoy duty free access to the EU. Many other developing countries also benefit from this but it gives Zimbabwe an advantage over Israel and the RSA which have to pay duty of about 15 percent on C.I.F. value.

One area of concern for Zimbabwe growers is that the prices that they receive for the flowers, variety for variety, are less than many other suppliers. This is mainly due to poor grading and presentation. Clearly this area must be addressed if Zimbabwe growers are to achieve their full profit potential.

### 3.4 EU MARKET TRENDS/REQUIREMENTS

The EU cut flower market is very quality conscious with little demand for second grade goods. Key aspects of quality are freshness and the presentation of the flowers at the point of retail sale in such a way that they will have a long vase life. Color, shape, variety and scent are also important factors.

Demand in these areas can change rapidly with fashions and growers have to respond quickly to exploit the opportunities presented. In considering the EU demand for flowers it is important to note that cut flowers share the market with pot plants. This is also a growing sector and takes about a third of the consumer's expenditure on flowers. Pot plants are difficult to export over long distances as they are bulky and easily damaged. Dried flowers and silk flowers are also an important part of the total EU flower market.

The total demand for cut flowers in the EU is growing steadily despite the poor state of the economy over the last four years when luxury purchases, such as flowers, would have been expected to fall.

The top ten of flower types in demand in Europe are:

- |                   |                         |
|-------------------|-------------------------|
| (1) Roses         | (6) <i>Freesia</i>      |
| (2) Chrysanthemum | (7) <i>Gerbera</i>      |
| (3) Carnation     | (8) <i>Gymbidium</i>    |
| (4) Tulips        | (9) <i>Gypsophila</i>   |
| (5) Lily          | (10) <i>Alstromeria</i> |

Of these, only roses and chrysanthemums are significant exports from Zimbabwe.

The main reasons for consumers buying flowers varies from country to country in the EU, but on the average 38 percent of purchases are for personal use, 36 percent for gifts, and 26 percent for special occasions such as weddings and funerals. There are some major seasonal peaks in flower purchasing such as Mothers' Day, Christmas, St. Valentine's Day and Easter. Fortunately these dates fall during the Zimbabwe export season.

Consumption of flowers per capita within the EU varies a great deal from country to country as the following table shows:

Table 3.6  
Average Per Capita Cut Flower Expenditure in European Countries, 1992  
(in Dutch florins = about Z\$5.8 in November 1995)

Belgium	68
Denmark	62
France	58
Germany	98
Italy	85
Netherlands	75
Spain	28
UK	38

Source: Flower Council of Holland

### 3.5 ZIMBABWE'S COMPETITIVE POSITION

The advantages and disadvantages of Zimbabwe's competitive position may be summarized as follows:

### Advantages

- (a) Low cost labor (but not as low as Kenya).
- (b) Good climate for some types. for example, asters can be grown without supplementary lighting, which is required in Kenya.
- (c) Reliable electricity supply.
- (d) Fertile soils.
- (e) Weak Zimbabwe dollar.

### Disadvantages

- (a) High air transport costs.
- (b) High interest rates.
- (c) Protection is needed for some types that cannot be grown outdoors.
- (d) Lack of local research and development.
- (e) Limited local advisory services.
- (f) Lack of experienced staff at all levels as the industry is so young.
- (g) Lack of common grading standards.
- (h) Limited local and regional demand.
- (i) Limited local input supply system.

## 3.6 REGIONAL MARKETS FOR CUT FLOWERS

The opportunities to export cut flowers to the regional markets are limited. Demand is poor and several countries have their own small, export orientated flower industries, as shown by the following data on production areas (from Malter, 1994):

Zambia -	24 hectares
Malawi -	20 hectares
Uganda -	13 hectares
Tanzania -	5 hectares (estimated)

Despite this, a few sales have been made to the RSA, Botswana and Angola. Of these the only market with any potential is RSA. Despite the size of the country, flower consumption is quite low and there is a local industry including about 75 hectares of protected roses. We do not believe that regional markets offer much potential for Zimbabwe exports.

## 3.7 DOMESTIC MARKET

The local market is limited to a few florists in the main cities. Consumption is very low and it is estimated that only about 1 percent of Zimbabwe cut flower production is sold within the country. Unless the population becomes more interested in flowers we see little scope for sales growth.



## 4. The Marketing of Fresh Fruit

As data in this chapter will demonstrate, Zimbabwe has developed a successful export business in citrus fruit, shipped by ocean freight to Europe. Opportunities for export of tropical and deciduous fruits to Europe are limited by distance and competition from other countries.

### 4.1 PRODUCTION AND EXPORTS

Citrus is the principal fruit crop produced, along with much smaller quantities of mangoes, deciduous fruit, and bananas.

#### 4.1.1 Citrus

The production of citrus for export is a rapidly expanding industry in Zimbabwe. At present there are about 3,000 hectares planted but this is expected to double by the year 2000. Much of the current plantings are young and will not come into full production for several years. About 33 percent is in the low veld area around Beitbridge and 67 percent in the high veld with a large concentration near Mazoe north of Harare. The mix of varieties, based on data provided by HPC, is roughly as shown in the following table.

Table 4.1  
Zimbabwe Citrus Production, Percentage by Variety, 1995

Oranges:	Valencias	55%
	Navels	18%
	Others	4%
Grapefruit:	Ruby Red & Marsh	
	Seedless	6%
Easy Peelers:		15%
Lemons:		2%

Current exports are about 7,500 tons (500,000 cartons of 15kg each) but increasing rapidly. By 2000 exports are projected to reach 6 million to 7 million cartons per year. This is a lot of fruit but does not compare with RSA exports which currently run at 30-35 million cartons per year and are expected to grow to 50-55 million by 2000.

The main destination for those exports is the EU, especially the U.K., Holland and France. The export season for citrus from Southern Africa is June to November. This fits in well with the season for EU grown citrus (Spain, Italy, Greece) and other nearby suppliers such as Israel, Morocco and Cyprus, which is from October to May. During the June to November period citrus consumption is low in Europe as consumers take advantage of seasonal supplies of European grown fruits such as strawberries, peaches and grapes.

While EU markets may be able to absorb a little more citrus (especially easy peelers) without depressing prices, the main target markets for the increased production will be the states of the former Soviet Union and Eastern Europe. There is considerable demand for citrus in these countries but the amount they purchase will depend on the growth of the economies and hence the purchasing power of consumers. At present progress is slow.

#### **4.1.2 Mangoes**

Mango trees are widespread throughout Zimbabwe but commercial production is mainly in the low and medium altitude areas. An estimated 400 hectares have been planted for export but few of these orchards are in production yet. Most mangoes in Zimbabwe are 'fibrous' types which are of little interest in export markets except for small niche markets to ethnic minorities. New plantings, aimed at the export trade, are 'fibreless' types such as Atkins, Hayden and Kent. The EU consumers also like to see some red color on the mango skins. Few exports have been made so far.

Zimbabwe will face strong price competition on this crop from exporters with good access to reefer shipping to the EU, such as Brazil. In our opinion, fruit shipped by air from Zimbabwe would be uncompetitive in price.

#### **4.1.3 Deciduous Fruit**

Deciduous fruits grown in Zimbabwe include apples, pears, plums, peaches and nectarines. Those crops require a cool period to produce good quality fruit. This restricts their production mainly to the Eastern Highlands. Even here, however, conditions are not ideal and so yields are below those obtained in parts of the R.S.A. Because of this, and the need for sea transport, Zimbabwe is not competitive with these products in the EU market but has a place in regional exports.

#### **4.1.4 Bananas**

Bananas are an important commercial crop in the low altitude, hot areas of Zimbabwe such as the Zambezi Valley, Honde Valley and Buma Valley. Exports to the EU are not practical but some are exported to the RSA.

#### **4.1.5 Sundry Minor Export Fruits**

Soft fruits are produced in the high veld areas of Zimbabwe. Token exports of strawberries have taken place to regional and EU markets. A few growers are planting raspberries to attempt to export to the EU. Avocados are grown on a reasonable scale but exports are negligible. A few growers have planted lychee for export but volumes are not yet high enough to make exports viable. Attempts have also been made to ship paw paws (papaya), kiwi fruits, and cape gooseberries but only tiny volumes have been involved. Passion fruit is a regular export to the EU but volumes are low in the face of strong competition from Kenya.

## 4.2 MAJOR MARKET CHANNELS

The European Union is the principal importer of Zimbabwean fruit, virtually all of it moving by sea freight.

### 4.2.1 Citrus

Two main organizations export citrus from Zimbabwe:

**Outspan:** The Outspan organization has the sole responsibility for all the export marketing of citrus from the R.S.A. It organizes all aspects of marketing from the packhouse to the customer in the export market on a consignment basis. It also handles fruit on the same basis from growers in Zimbabwe and Swaziland.

**Oceanic:** This is a trading company which handles export citrus from several countries. It is integrated with its own reefer shipping capacity. It also operates on a consignment basis. Oceanic has promoted the production of citrus in Zimbabwe in recent years.

In order to export to the EU, these companies growers have to grade and pack their fruit to a high standard into export cartons. This requires a packhouse including washing and waxing equipment, graders, and short term cold storage. Considerable investment will be needed in Zimbabwe over the next few years to provide enough packhouse facilities for the projected expansion of output. Some growers plan to develop co-operatives or other forms of jointly owned facilities.

Another problem which Zimbabwe citrus exports face is transporting the fruit to a suitable sea port. Oceanic mainly takes its goods to Beira in Mozambique on refrigerated trucks. Most of these vehicles come from RSA. Rail would be cheaper but there is a lack of rolling stock and the service provided is slow, unreliable and not very secure. Outspan packs also go by road to RSA ports such as Durban, Richards Bay and Cape Town. Here the Zimbabwe goods join up with RSA produce to be loaded on reefers chartered by Outspan. Both of these routes to the docks involve considerable expense and logistical problems.

Within the EU, both Oceanic and Outspan have their own offices but they mainly use a panel of wholesalers in each country to sell the fruit.

### 4.2.2 Other Fruits Exported to the EU

Highly perishable fruit crops, such as strawberry and passion fruit, sent to the EU by air use a similar route to that described for air freighted vegetables. Other fruits such as mango, paw paw and avocado have to be sent by cheaper sea freight if they are to be competitive in EU markets. Several companies that export vegetables are interested in this trade but poor access to sea ports has made progress slow.

### 4.3 EU MARKET TRENDS/REQUIREMENTS

European markets for fruit are highly competitive, particularly for citrus, where Zimbabwe competes directly with other Southern Hemisphere countries, including South Africa.

#### 4.3.1 Citrus

**Oranges:** The best opportunities for Southern African oranges are in Eastern Europe as the EU is already well supplied. Demand is strong but the customers are short of money to buy the fruit. A further problem in Eastern Europe is the lack of reputable importers and wholesalers with adequate financial backing to trade with. Phytosanitary regulations also make exports to Italy difficult.

**Easy Peelers:** Prospects for this line are much better in the EU but increasing competition can be expected from the RSA, Uruguay and Argentina during the Zimbabwe season. The most popular variety is Clementine. Satsumas, Ellendales and Minneolas are also acceptable. (The most popular fruits are seedless.) The main problem with these products is that they are more perishable than oranges and so loss levels can be high during distribution unless the highest possible levels of post-harvest management are used. The main EU markets for easy peelers are Germany, UK and France.

**Grapefruit:** The EU market for grapefruit is in decline, even in France where the per capita consumption is high. The pink/red fleshed types sell a little better but in general the EU market prospects are poor for all grapefruit exporters.

**Lemons:** The lemon market in the EU is showing very slight growth but there is considerable potential to export to Eastern Europe if they are prepared to pay realistic prices. The minimum entry price system for the exports of lemons to the EU will also hinder Zimbabwe exports.

Apart from lemons, Zimbabwe citrus faces few duty and other access problems to the EU.

#### 4.3.2 Non Citrus Fruits

**Mangoes:** The EU market now absorbs about 40,000 tons per year and is growing well. Despite this, mangoes have not expanded as rapidly as many importers expected. This is probably because European consumers find the fruit difficult and messy to eat. The key markets in the EU are the UK, France and Germany.

Zimbabwe can export during the December to April period. During the early part of this season the main competition will come from Brazil, Kenya and RSA. During April and May supplies also become available from West Africa and central America. The average price of mangoes is falling in the EU as supplies increase and better post harvest technology allows most goods to be transported by cheap sea freight. Zimbabwe can therefore only compete with sea freight produce which will have to be taken to ports in RSA or Mozambique like the citrus.

**Strawberries:** Strawberries from Zimbabwe to the EU have to be sent by air. New technology has enabled several Mediterranean suppliers who can serve the EU by road to greatly extend their season with the result that the window when air freight supplies are competitive is much reduced. This, plus the high cost of air freight, makes Zimbabwe a marginal EU strawberry supplier.

**Raspberries:** Raspberries are produced in the EU from May to October. Outside this period supplies arrive mainly from Chile. Raspberries are very perishable and air freight is essential for imports from distant countries. Zimbabwe has an opportunity to compete as its air freight rates are lower than Chile's. Great care will, however, have to be taken with post harvest handling and cold chain distribution.

**Avocado:** Avocados are now a mature market in the EU with little real growth. The most important market is France where the Hass variety is much in demand. In the UK, and several other EU countries, consumers prefer the Fuerte variety which retains its green skin color when ripe. All avocados are imported by sea. Zimbabwe will have to compete with RSA exports which have lower transport costs.

**Kiwi Fruit:** This fruit is often oversupplied and Zimbabwe would do well to keep out of the market.

**Lychee:** Madagascar supplies the EU market from December to April. Zimbabwe may be able to supply in November/December but the potential window is very small.

#### 4.4 REGIONAL MARKETS

All Southern African countries produce citrus so export opportunities are limited. It is sometimes possible to export to RSA for a week or two early in the season as Zimbabwe fruit often ripens earlier. Minor exports have also been made to Botswana, Namibia and other neighboring countries when local supplies fail. Fruit consumption in Zimbabwe itself is very low at an estimated 4.5kg per head per year.

Zimbabwe is the most northerly deciduous fruit producer in Southern Africa. It cannot compete with RSA which has better climatic conditions for these products but it can exploit its position to export to northern neighbors such as Zambia. At present exports are being sent as far as Uganda.

Bananas are being exported to RSA. We think this trade could be expanded if the fruit was better graded and packed. It may be possible to expand strawberry sales to regional luxury markets.

The basic distribution of fruit on the local market is very similar to the system described for vegetables in section 2.5 of this report. Most deciduous fruit, and a lot of the better citrus, is produced by large commercial farmers so they tend to be distributed via the formal wholesale sector. These wholesalers also dominate the top end of the banana market as they have good ripening facilities.

## 5. Fruit And Vegetable Processing

Zimbabwe has a well developed fruit and vegetable processing industry dominated by three large canning companies and one freezing company. The canners offer a wide range of products, making Zimbabwe largely self-sufficient in canned fruit and vegetables. The government holds minority shares in the two largest companies.

### 5.1 CAIRNS FOODS

The largest processor is Cairns Foods, with a cannery at Mutare and offices and a snack food plant in Harare. Cairns is 51 percent owned by Astra Holdings, which is itself 80 percent owned by government. A survey of supermarkets in Harare and smaller stores elsewhere in the country revealed a surprising range of Cairns products, including: canned peas, gooseberries, and peaches ("Border Streams" label), baked beans, tomato catsup and tomato sauce, and spaghetti in tomato sauce ("Tomango" label); spices, vinegar, various other condiments; and even potato chips. Interestingly, Cairns has a second label called "Brands" for baked beans, at a slightly higher price. Very little of their product is exported at present, although the company has plans to enter the South African and Zambian markets.

Cairns sources most of its raw materials from large-scale farmers, but management reports that last year they procured about Z\$ 1 million worth of tomatoes and beans from small farmers in communal areas. They have two produce procurement people on its staff who make the necessary contacts with growers. Cairns supplies its large growers with its own proprietary tomato seed variety. Small growers average only about 12 tons/hectare of tomatoes, while large farms are getting between 90 and 110 tons/hectare. Red spider mite infestation is one of the major problems. The company would not supply small farmers with their proprietary seed without payment of a royalty -- to compensate them for possible diversion of their seed to others not selling to them.

Management reports that the company cannot get the volume of tomatoes it needs and would support measures to increase output from small farms. They contract with large growers for their raw material at specified prices for each season, and could do the same for small farmers if sufficient product can be "bulked up" at pickup locations. They would also like to see small farmers produce more onions, paprika, and guava to meet their needs. Pulping of tomatoes and fruit takes place during the season and is stored in drums for later processing.

Constraints to increased small farmer production mentioned by management include credit for production expenses, and extension services which tell the farmer "what to do when". Cairns management made a tour of small horticultural farms two years ago with Agritex and AFC to see what could be done to increase production, but we were told that nothing came of it. The comment was made that small-scale commercial farmers (50 to 300 ha) need an organization to represent their interests.

Cairns recently acquired the assets and label of Lemco (formerly a Lever Bros. subsidiary), which sells tomato sauce, dehydrated soups, canned butter beans, canned mixed fruit and pineapple, canned sweet corn, and canned pie apples under the "Cashel Valley" label. They use a "Sun" label for their mixed fruit.

## 5.2 CHEGUTU CANNERS

Chegutu Cannery is a subsidiary of Olivine Industries, which is owned 51 percent by Heinz and 49 percent by the Zimbabwe government. The cannery at Chegutu produces baked beans and tomato catsup under the well-known Heinz label, as well as canned peas, sweet corn, apricots, strawberries and gooseberries. The company began operations in Zimbabwe in 1991, producing baked beans from locally grown Michigan pea beans and tomato paste imported from Portugal. (Baked beans are a very big seller in Zimbabwe, especially in the poorer rural areas.) They are now in their second season of tomato paste production, produced in older-model batch-type evaporators brought from Heinz's plant in Spain. In fact, much of the equipment consists of "redundant" items from Heinz's various plants in Europe. The plant is operating on a one-shift basis, since they cannot procure enough raw material from the large commercial farms who are their main suppliers. They buy tomatoes, sweet corn, and peas from 15 to 20 large farms, each with 2 to 20 hectares of each crop. These farms are constrained from lack of water from growing more. Pea beans are bought from an ARDA estate, where about 1000 small farmers grow beans under dryland agriculture conditions.

Management claims that the plant's products are competitively priced, as evidenced by the fact that imported baked beans and catsup are not on supermarket shelves, even though there are no duties on imports.

Heinz does not as a rule procure its raw material from smallholders, though they do procure some crops from the Bethel Cooperative in the Heartlands area. Asked why they did not do more of this, the representative said that small farmers generally lacked adequate supplies of water, which is absolutely essential if they are to meet delivery schedules laid down by Heinz. Another reason is that, in common with all food processing plants, they must pay a much lower price for the same product than would the fresh market, if they are to be competitive, and farmers find these prices too low. For example, they are paying Z\$4 per kg for dry beans.

Heinz is very interested in a plan being put forward by large-scale farmers and local businessmen for construction of a dam in their area. Known as "Mondoro B", the hope is that it would be financed 75 percent by private capital and 25 percent by the government. Some 2,000 ha could be set aside for small communal farmers if a way could be found to contribute additional financing on their behalf. The large-scale farmers are trying to raise off-shore financing, possibly from the Commonwealth Development Corporation (CDC).

### 5.3 CANPAC FOODS

Located adjacent to Chegutu Cannery, Canpac processes fine green beans for export exclusively, most of it going to Bonduelle in France under the *Cassegrain* label. It was founded in 1989 by a large farmer in the area, Mike Hampson, who continues to manage the operation. The company grows 150 hectares of beans on its own land next to the plant, and leases another 100 hectares in the vicinity. The market is very good for this product; Canpac hopes to increase processing of beans from the current 1200 tons per year to 2,500 tons to respond to market demand, which essentially comes from a single customer, Bonduelle. A recent development is a deal Canpac has made with Gordon Country Fresh to deliver fine green beans for export fresh. These slightly larger sizes are separated out at grading stations in the field and will be stored temporarily before shipment in a cold room now under construction at the plant.

### 5.4 OPPORTUNITIES FOR SMALL-SCALE PROCESSING VENTURES

There appear to be limited opportunities for small black-owned enterprises to get into the food processing business except possibly in some labor-intensive, non capital-intensive operations like sun-dried fruit. World markets for raisins are well developed, and in recent years a number of countries have begun exporting sun-dried tomatoes. It is unlikely that Zimbabwe could develop export markets for these products. Some opportunities may exist in regional and domestic markets but this will require further study.



## 6. The Marketing of Tea

Tea was a late addition to the list of crops to be studied as a result of a visit to a tea-growing area in the eastern highlands by one of the field teams, and the apparent potential for a new outgrower scheme in that area. Time limitations permitted only a brief review of that potential.

The Katiyo Tea Estate, located in the Honde Valley, is a government estate under the control of ARDA. Tea is the main product but coffee and bananas are also grown. Almost half the tea (about 700 ha) is grown by the estate and the balance (about 800 ha) is produced by some 400 smallholders who have been resettled on part of the estate. The smallholders have one to four hectares of tea each. The green leaf is purchased from the smallholders by ARDA and then processed in the estate factory prior to sale. This is another example of how outgrower schemes can function in Zimbabwe. It was launched with loans to farmers to help them purchase the tea bushes and maintain them until they came into production.

The estate appears to be well operated. Responsibility for marketing, which management views as their major challenge, was recently taken over by the estate from the ARDA head office in Harare. Good progress seems to have been made in this area as the estate is now adding value to its tea by producing tea bags instead of simply exporting bulk tea for further processing overseas. Good markets for this product have been developed in Sweden and Germany under the estate's own brand name.

In the area around the estate there are a large number of independent smallholders producing basic foodstuffs. Much of this land is probably suitable for tea and the incomes of these farmers could be increased if they could become outgrowers to the estate. For this to happen the following constraints would have to be overcome:

- (a) The potential outgrowers would have to be convinced that tea was a viable crop.
- (b) Many would require credit to purchase the tea bushes and to look after them until they come into production. It would only be possible for them to start to repay the loans when they begin to sell green leaf to the factory.
- (c) While some farmers have a good knowledge of tea growing, as it is a traditional crop in the area, they will probably need further technical assistance and training. The estate already assists its existing outgrowers in this way so it may be able to expand this service to include any new outgrowers.
- (d) If the amount of leaf being produced increased much through the development of new outgrowers the estate processing capacity would have to be increased. This would mean building a new factory and/or expanding the existing one. This would require a considerable capital input which would probably need external funding.

- (e) Under the proposed project, a brief study could be carried out to establish the feasibility of expanding tea production and marketing in the Honde Valley, and what would be required in the way of technical, managerial, and financial assistance to smallholders in the area to organize an outgrower scheme linked to the processing plant.

## 7. The Enabling Environment

Zimbabwe offers a generally favorable enabling environment for the horticulture sector, though coordination between the various financial, trade association, training and technical support agencies is inadequate.

### 7.1 INSTITUTIONS SUPPORTING HORTICULTURE

Several trade and producer organizations are actively involved in horticulture in Zimbabwe.

#### 7.1.1 The Horticulture Promotion Council (HPC)

The HPC serves and promotes the interests of all segments of the flower, fruit and vegetable exporting industry of Zimbabwe. Its membership includes producer associations grouping deciduous fruit growers, tree nut producers, potato growers, export flower growers, and citrus and sub-tropical fruit growers. Although it is "producer driven", there is representation on its Executive Committee of exporters, freight forwarders, airlines, and supplier enterprises connected with horticulture.

Since its founding in 1986, the HPC has been regarded as somewhat of a creature of the Commercial Farmers Union, which funded its operation through the collection of levies on its members. While it has provided some services to small growers, such as training for flower growers and helping to mobilize credit, it is not generally regarded by small-scale commercial farmers and communal farmers as serving their interests.

Currently, at least partly in response to requests from the Ministry of Agriculture, HPC is undergoing a restructuring which will make it more independent of the CFU and ostensibly better able to serve the smaller farmers. It expects to be given levying authority soon by government legislation and would be self-supporting. Membership in the Council will be open to individuals and associations which pay the required levies. Association members, the larger of which have their own staffs, include the powerful Commercial Farmers Union, the Horticulture Producers Associations (which are members of the Zimbabwe Farmers Union), and specialized commodity associations representing growers of deciduous fruits, tree nuts, flowers, and citrus and tropical fruit. The HPC Secretariat, under the leadership of Stanley Heri, hopes to set up special sub-committees for education, training, and air freight coordination as part of the restructuring process.

While it is too early to say what the effect of the restructuring will be, it seems likely that the interests of large-scale commercial farmers and exporters will continue to be the primary focus. Officials of the HPC believe that the best way to help the small-scale farmers is to "piggy-back" them on the large-scale commercial sector through outgrower schemes. Management of the HPC state their willingness to receive external (donor) funding to assist in carrying out activities such as training and information dissemination for the benefit of all members. To what extent the HPC will be willing to use its resources to support activities which strengthen small, black-owned vegetable exporters who wish to break away from outgrower schemes and go it alone remains to be seen.

### **7.1.2 Zimbabwe Farmers Union (ZFU)**

This organization primarily represents the small indigenous farmers of Zimbabwe, although any farmer may join. The ZFU activity of most interest to this report is that of organizing farmer groups for marketing and obtaining inputs.

ZFU started working with 30 farmers organized in four groups in the Shamva area three or four years ago to promote a linkage with Selby Enterprises as an outgrower of vegetables. According to ZFU, this scheme was a modest success, as the growers were able to market some product through Selby. Amounts were very small -- about 120 kilograms per week of baby corn, and 25 kg per week of mange tout peas. We understand that the arrangement included extension services and supply of inputs by Selby, that producers had to agree to deliver at least 80 percent of their production to Selby, and had to deliver the product to Selby's packhouse. Similar schemes have been promoted more recently by ZFU with Hortico (green beans, mange tout peas), and FAVCO (mostly fruit).

ZFU monitors these programs and has concluded that producers are "being skinned" by exporters. They claim that large-scale commercial farmers routinely receive higher prices than small farmers for produce of the same quality. Basically, ZFU sees its role as acting as intermediary between farmer groups and exporters to protect them from being taken advantage of. Another function is to look for markets for products already being produced, such as deciduous fruit. ZFU also helps farmer groups obtain credit through AFC, though the lack of title to the land has proved to be an obstacle.

There are on-going problems with ZFU's membership in the HPC, which regards ZFU as primarily a political organization. It is obvious that communications have not been good between the two organizations. One ZFU official expressed the opinion that some of the problems could be overcome if individual Horticulture Producer Associations organized by ZFU were to be members of HPC rather than ZFU itself. A key issue raised by HPC management is the payment of levies by small farmers; the HPC position is that small farmers can avail themselves of services provided by HPC if they pay levies as do large farmer members. A ZFU official said that this should not be a problem since Associations are already paying dues to ZFU and these could readily be increased to meet the requirements of HPC.

### **7.1.3 ZimTrade**

ZimTrade is a government sponsored organization devoted to the promotion of all aspects of exports from Zimbabwe. In the area of horticultural exports it provides valuable service in such areas as:

- Exhibiting Zimbabwe goods at the major international trade fairs.
- Arranging inward and outward trade missions.
- Preparing generic promotional material.
- Public relations aimed at, for example, the international horticultural trade press.

- Providing introductions to Zimbabwe exporters for overseas importers.
- Provision of information about overseas markets. For example regular memo letters are produced for flower growers about trends in the EU markets.

ZimTrade works mainly at the 'trade' level in the target foreign markets as it does not have enough funds to undertake promotions at the consumer level. In addition to European and other distant markets, Zimtrade is very active in the regional markets of Southern Africa. ZimTrade currently benefits from a support programme funded by the E.U.

#### **7.1.4 Indigenous Commercial Farmers Union (ICFU)**

The ICFU is a very new organization which expects to complete its registration formalities this year. There are currently about 700 members who are mainly indigenous farmers with large farms similar to those of the white farmers who belong to the long established Commercial Farmers Union. The members include both owner occupiers and tenants. The other large group of members are those with small farms near the main urban areas. Although these members have small areas of land many have developed substantial business by concentrating on intensive enterprises such as horticulture, pigs and poultry.

The Union plans to have local branches in the main farming areas which will be coordinated by a national executive committee. Finance will be provided by a levy on members once the union is established. They also hope to obtain assistance from international aid agencies to help them get started. Once the organization is established they plan to provide the following major services for members:

- Lobbying government on matters of interest to members
- Provision of a technical extension service, which they feel is needed because AGRITEX concentrates on the smaller farmers.
- Assistance with budgets, loan applications.
- Comprehensive training opportunities.
- Assistance with the Agricultural Graduates Association . (The ICFU has close links with the University of Zimbabwe and has organized a scheme to find vacation employment for agricultural students on members farms.)

The offices of the union believe that horticulture will be a key area of interest to their members. In particular they hope to be involved in the development of outgrower schemes and the provision of special credit facilities for horticulture.

## **7.2 CREDIT AND FINANCE**

Zimbabwe has a broad range of financial institutions which serve the horticultural sector, including five commercial banks, an agricultural credit bank (The Agricultural Finance Corporation), a development bank (Zimbabwe Development Bank), a venture capital fund (The Venture Capital Company of Zimbabwe) and a small enterprise development corporation (SEDCO). Access to

capital is not a constraint to large firms engaged in exports of horticultural products, as they have access to off-shore finance at much lower interest rates than the current approximately 35% bank rate in Zimbabwe. For others, the high interest rate can be a deterrent, and for small-scale commercial farmers without clear title to land it is a particularly serious constraint.

### **7.2.1 Zimbabwe Development Bank (ZDB)**

ZDB, with a majority of shares held by the government of Zimbabwe (51%) and the remainder by a number of international development banks, covers all sectors of the economy, but only began financing agriculture about five years ago. It operates much like the International Finance Corporation, in that it makes medium and long-term loans following normal commercial bank lending principals, and also sometimes takes equity positions in enterprises. The minimum size loan is Z\$100,000, though the average size loan is closer to Z\$500,000. Most loans to horticulture-related borrowers have to do with water, such as small dams, boreholes, and water pipelines, pumps, and drip irrigation systems, but greenhouses are also financed. Equipment financed by these loans is procured locally in Zim dollars, but items such as electric motors, sprinklers, and flower mother stock are typically imported.

ZDB has access to lines of credit abroad at interest rates between 9 percent and 12 percent, which enables it to offer loans to qualified local borrowers at around 22 percent when foreign-sourced equipment is involved.

Collateral requirements are such that the bank does not finance communal farmers or small-scale commercial farmers who do not have land titles. Farmer groups which are not registered as companies would also not be eligible. Officials of the bank cite unfavorable government land ownership policies as a major constraint to agricultural lending, particularly its "pre-emptive right" to take land, and the use of short-term tenant leases as opposed to outright purchase or the granting of 99 year leases.

### **7.2.2 Agricultural Finance Corporation (AFC)**

The AFC is a parastatal lending institution which grew out of a pre-independence agricultural bank geared to serve the large-scale farming sector. Since independence it has been a major source of credit to small-scale commercial farmers, communal farms, and resettlement farmers. AFC is capitalized mainly by funds from the GOZ, but it has received substantial donor funding through the World Bank, IFAD, Kreditanstalt, and the Kuwait Fund. It provides short-term loans for crop and livestock production, purchase of inputs, transport and marketing costs, and labor costs -- in the amount of about Z\$ 3 billion in 1994. Interest rates are 22 percent for the SSCF sector, compared to 31 to 32 percent for the LSCF sector.

In the past, average operating loan size was small -- only Z\$761 in 1990 -- and were tied to a recommended package of inputs. Some observers have estimated that the typical loan is only enough to finance the cost of half the farmer's needed inputs. Lending of this type was closely

linked in with maize marketing, which was controlled by the government, and procedures were very cumbersome. Since 1990, AFC has made a number of changes in its lending practices, so data from previous years may no longer be valid.

Medium term loans are granted for irrigation projects and for purchase of machinery and equipment, while long term loans are available for investment in land, establishment of tree crops, dam construction, and other infrastructure. The volume of loans of these two types granted by AFC is considerably smaller than for short-term loans -- it has varied from Z\$6 million to 90 million annually.

AFC is in the process of putting itself on a more normal footing as a bank able to raise funds in the money market, as well as off-shore. This is necessary as GOZ resources are inadequate to continue subsidizing this institution. It has also been recognized that AFC needs to be more responsive to farmers needs, and is considering ways to decentralize loans operations and speed up loan processing. Employees also need training in rural banking, including assessing the viability of agricultural loans, and in savings mobilization. AFC has access to offshore capital at 10 to 12 percent interest rates, and mixes this with local borrowings at 30 to 35 percent, so they lend at a minimum of 22.5 percent, allowing for a spread of between 7 and 7 ½ percent, which includes a 6 percent administrative margin and a 1 ½ percent mortgage cover.

AFC policy is to lend to the maximum extent possible to new indigenous farmers with collateral deficits, but it has experienced collection problems with these developmental types of loans. By 1990 arrears in loans to smallholders ranged from 68 percent to 80 percent depending on type of recipients. We understand that these loans have not produced the desired results, partly because of drought conditions, and since many borrowers are unlikely to be able to service these loans in the near future they are not eligible to borrow again. The costs of administering smallholder lending has proved to be extremely high.

After experiencing very high default rates on loans to individual small farmers, AFC started group lending programs in 1989. From 100 groups loans in 1989, about 16,000 of this type of loan were made in 1994. Loans are monitored by branch offices in every province and almost every district of the country. Groups initially averaged about 50 members, but after an evaluation of their group lending programs, the groups have been reduced to between 10 and 25 members.

Despite these changes, direct lending by AFC to groups proved to be too expensive. Current policy is to wholesale loans to farmer groups through intermediaries, such as NGOs.<sup>1</sup> AFC encourages these NGOs to link loans to savings schemes. AFC loans are guaranteed by the government, but AFC officials with whom we talked emphasized that every effort is made to monitor loans and minimize the number of defaults.

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<sup>1</sup> Examples of NGOs with which AFC works are: *The Zimbabwe Fund for Education and Production, Self-Help Financing Collective Inc., Heifer International, and Save the Children Foundation,*

The AFC officials with whom we talked exhibited a high degree of interest in the proposed USAID project to work with small farmers. They observed that loan applications by groups of horticulture farmers who had received assistance from the proposed project would receive favorable treatment. It was the lack of viable projects which was the constraint, not a shortage of funds, they said.

### 7.3 AGRICULTURAL EXTENSION SERVICES

Agritex is a department in the Ministry of Agriculture charged with providing agricultural extension services to all farmers in Zimbabwe. Agricultural extension work started as early as 1926. The agency was originally divided into two divisions, namely CONEX (Conservation and Extension) which was established to look after the extension services of white commercial farmers, and DEVAC (Department of Native Affairs) which was formed to take care of the extension needs of African or native peoples. After independence, the two divisions were merged to form the present Agritex (Agricultural Technical and Extension).

#### 7.3.1 Agritex's Mission

According to its mission statement Agritex serves the needs of its clientele by generating, providing and promoting agricultural programs and economically viable productivity on a sustainable basis. Priority areas are:

- The promotion of services and opportunities that develop the human resources base such that the full agricultural potential of man and women be they adults or youths is realized and exploited.
- Develop and promote environmentally sound technologies and management practices that aim at conserving renewable natural resources for use by future generations.
- Adopting an integrated extension approach by recognizing the existence and roles that can be played by other or agencies in agricultural development.
- The development and management of the water resources would contribute significantly to the transformation of drought prone areas of Zimbabwe into productive and habitable lands thus enhancing food security and self sufficiently at both national and household levels.
- Maintain a process of transformation rural farm families from subsistence into commercial agriculture hence, ensuring healthy farm families that have a sound base for economic growth.
- The realization that all the above activities have to be carried out only if each member of the department upholds and maintains high professional ethics and standards and make these guide their day to day conduct.

#### 7.3.2 Organization of Agritex

The Engineering Division of Agritex plans, designs, constructs, and manages irrigation projects. It also provides engineering research testing and development of farm machinery and other equipment,



and assures soil and water conservation through extension support and technical back-up and advisory services to the farming community. The Field Division provides extension services to the eight provinces through a provincial officer, supported by several district Agritex officers. The Technical Division is responsible for training in the areas of Agricultural Management Services, Animal Production and Crop Production. This division also provides land use planning services. Other functions of Agritex include water rights determination, stream bank cultivation measures, pest control measures, surveying and designing conservation subdivision reports, cropping and livestock advice etc.

### **7.3.3 Training For Agritex Staff**

Agritex has close to 3,000 officers, most of whom have diploma level of education obtained from the four agricultural institutes of:

- Rio Tinto
- Kushinga Phekelela
- Mlezu
- Esgodini

Graduates from these colleges enter Agritex as agricultural extension workers and have day to day contact with farmers.

Graduates of the two agricultural Colleges of Chibero and Gwebi come in as officers and work at district levels as extension specialists. Degreed graduates are employed at head office and provincial head quarters.

## **8. Relevant USAID and Other Donor Activities**

In this section, USAID and other donor activities relevant to the proposed project are examined.

### **8.1 RELEVANT USAID ACTIVITIES**

The interventions proposed in this document accord well with the Agency's guidelines stressing **strengthening of markets and expanding access and opportunity**, and with USAID/ Zimbabwe's Strategic Objective of **broadened ownership and increased investment at all levels of the economy**.

#### **8.1.1 The Zimbabwe Enterprise Development (ZED) Project**

The proposed project would build on all three components of the ZED Project: employee ownership, business/trade association support, and access to capital. A key recommendation in this report is to strengthen the Horticulture Promotion Council by channeling technical assistance, training, and information dissemination activities through it. Possibly program grants under ZED could support this activity. Access to capital by exporters and processors of vegetables and flowers is a constraint identified in this report, especially for purchase of small cold storage units and field grading sheds to be located on or near communal farms, resettlement schemes or irrigation schemes. Purchase of this equipment, which will increase the volume and quality of produce shipped to packers, could be greatly facilitated by loans or grants to packers, with the possibility that farmers will eventually take over ownership. Loan guarantees available through Barclays Bank under the ZED Project could be used by packers investing in this equipment. Finally, loan guarantees could facilitate the establishment of small service enterprises linked to the horticultural industry. (As noted above, AFC loans are another source of finance if supported by resources of the proposed project.)

#### **8.1.2 Zimbabwe Manpower Development II Project (ZIMMAN)**

The business training offered under this project is directly relevant to the proposed new project. Training in business planning and management is a pre-condition for the emergence of new farmer-owned horticultural enterprises as envisaged in this report, and for small black-owned flower and vegetable exporting companies already making their appearance. Some of these latter businesses have been entered into without sufficient training in marketing and business management and may fail unless they are assisted.

### **8.2 WORLD BANK PROGRAMS**

Existing Bank projects in agriculture include the Agriculture Credit and Export Promotion Project (ACEPP), which is a line of credit for lending through the Agricultural Finance Corporation

(described in Section 7 of this report), and support to the Marondera Horticultural Research Station by supplying a long-term technical expert, short-term courses for research staff, horticultural field trials, and construction of a post-harvest laboratory. Also included is a grant element for training visits by scientists and researchers from South Africa and elsewhere, study visits abroad, and participation at conferences and at short courses for HRC staff.

The Bank has recently approved the use of grant funds for field trials/demonstration plots for fruit, vegetables, and spices in communal areas. The Bank is encouraging the HRC to link such trials to private outgrower schemes, and on a limited basis is making available consultants to advise private firms in the design and administration of outgrower schemes.

It is also planned to send a consultant team to work with local consultants to develop a long-term horticulture research and training strategy and to assess the likely costs and benefits of a horticultural market intelligence service. One possibility to be looked at is the creation of a Horticulture Development Trust, with some combination of public and public management and finance, which would fund some of these activities. The Trust would draw on successful experience in Zimbabwe with the Tobacco Development Trust, in which cooperation between commercial farmers, communal farmers and the government has been nurtured.

### 8.3 THE EUROPEAN UNION

The European Union operates two horticulture projects, both managed by the Agricultural and Rural Development Authority (ARDA): the Mashonaland East Fruit and Vegetable Project (Mash East Project), and the Manicaland Fruit and Nut Project.

The Mash East Project is in its second phase and will be wound up by 1997. It is hoped that the project will then be self-sustaining. Technical backup has been provided in the form of technical assistance in horticulture, marketing, finance and institutional development for the rural farmers. The project also assists with transport in the form of trucks for ferrying produce from the rural farmers to the markets in urban centers, vehicles for staff and motorcycles for extension workers, and workshops for vehicle maintenance.

The EU has also assisted with marketing in the form of construction of assembly markets in Mutoko and in Murewua equipped with grading machines and tables, scales, cold rooms, the construction of several collection points which consist of store room, office and open-roofed shed, about 25 in total for the whole project area. The EU has also constructed project staff residential houses in the project area. At the main public market in Harare, Mbare Musika, the EU has constructed sheds and platforms.

In the Manicaland Fruit and Nut Project, the EU assisted in the Honde Valley and in the Rusitu Valley on basically similar lines to the Mash East Project with transport, assembly hall and offices. This project, however, was terminated in its first phase because of staffing problems before the completion of construction and before cold rooms were installed.

#### 8.4 DANISH BILATERAL AID

The Danish Government Institute of Seed Pathology for Developing Countries trains people from various countries on seed pathology, presenting both practical and formal courses leading to the Ph.D. on Denmark. A practical course was conducted by the Institute in Zimbabwe about eight years ago.

Currently in Zimbabwe the Danish government is constructing the National Quarantine station in the Mazoe area, now almost complete. It also supports irrigation schemes with packing sheds, irrigation infrastructure and horticulture seeds. An example is the irrigation scheme known as Nyandoro in the Chihota District of Mashonaland East Province.

#### 8.5 GERMAN BILATERAL AID

Assistance is provided by GTZ jointly with ARDA's Coordinated Agricultural Rural Development (CARD) Project in Masvingo Province. The objective of this program is to establish economically viable production systems based on self-help efforts in the communal areas of three districts of Masvingo Province -- Gutu, Zaka, and Bikita. Long-term and short-term experts are engaged to introduce improved crop husbandry, including vegetable cultivation. In this project, CARD and GTZ are involved in the production of foundation and certified seed, plant protection, post-harvest handling, and storage technology. GTZ and CARD have developed a well respected monitoring and evaluation system, which is really a logical framework used to follow the business plans worked out by participating farmers. Other activities include introduction of improved livestock management, water supply and sanitation, and land use planning.

## **9. Constraints to Growth of the Horticulture Sector**

This chapter examines the constraints currently facing the horticulture sector generally and those which particularly impact on small farmers.

### **9.1 CONSTRAINTS AFFECTING THE SECTOR GENERALLY**

#### **9.1.1 Lack of Industry Coordination at the National Level**

Large-scale horticultural producers and exporting firms are largely responsible for the rapid growth of horticultural exports from Zimbabwe. In the opinion of many in the industry, future growth will hinge on greater involvement of small producers and small agribusiness enterprises. In the case of fresh vegetables, much has already been accomplished by packer/exporters, and vertically integrated grower/exporters, to involve small farmers in communal areas, resettlement schemes, and irrigation schemes through outgrower schemes. However, further growth of such schemes could be facilitated by greater participation of small producers and organizations representing them, particularly the Zimbabwe Farmers Union, in the work of the industry-wide Horticultural Promotion Council. The problem stems in part from the fact that the HPC was entirely supported by levies collected from its members by the Commercial Farmers Union, representing large-scale farmers. A new organization representing mainly small-scale commercial farmers, the Indigenous Farmers Union, is currently being organized and may also become another factor in this equation in the near future.

As noted in a preceding section, HPC is currently undergoing a major restructuring which will make it more independent of the CFU and more responsive to the needs of small farmers. This is encouraging. As part of this restructuring, HPC would like to increase its training and information dissemination activities, both of which could benefit small farmers. One of the recommendations in this report is that a USAID project in support of horticulture could channel resources through HPC, including marketing and technical assistance to small farmer groups and training and information services targeted at these groups. Such assistance could have the effect of encouraging and accelerating the restructuring process to insure that it serves all segments of the industry.

#### **9.1.2 High Airfreight Costs**

Almost all Zimbabwe cut flowers and fresh vegetables exports are despatched by air. In the past, there have been problems with lack of space and unreliable service. Currently, the situation appears to have improved and the main constraint in air transport is the high cost.

It is an unfortunate fact of geography that Zimbabwe's main competitors in horticultural exports (Spain, Israel and Kenya on flowers and East and West Africa on vegetables) are nearer to the northern European markets. This will inevitably put Zimbabwe under pressure on freight rates.

Zimbabwe already has a well developed liaison system between shippers and the air lines. This enables estimates of freight demand levels to be made on a seasonal basis and ensures close contact flight by flight. Every effort must be made to keep this high level of contact going, and to improve on it, to the mutual benefit of both parties.

At present the airlines claim that the south-bound freight on the Zimbabwe to Europe routes subsidises the North bound freight. If north-bound horticultural exports continue to expand rapidly it is possible that the demand for north-bound space will become greater than south-bound. This could lead to demands for higher north-bound rates. The airlines and forwarding companies contacted for this study noted, however, that the expansion of the economy in the RSA would prevent this.

Affretair, the national cargo airline of Zimbabwe, hopes to have more modern, and larger, planes available to them soon. As they are the main carriers of flowers this should help to keep routes competitive. Most vegetables travel on IATA carriers. The weakness of the Zimbabwe Dollar helps exporters in general but because air freight is predominately sold in US dollars it makes it more expensive for Zimbabwe shippers.

In conclusion, while air freight rates out of Zimbabwe are higher than many competitor countries, they are not so high as to prevent the development of the industry – except for heavy products such as Gladioli and melons. In view of this, the industry will have to concentrate on products with a high value per kg. and the maximum possible level of value added.

### **9.1.3 Phytosanitary and Agro-chemical Problems**

The horticultural industry is provided with a phytosanitary services through the Ministry of Agriculture. This agency registers exporters and inspects goods destined for export. Inspections are made on the farms and in the packhouses, but the main activity is the inspection of produce and flower samples delivered by exporters at the central laboratories in Harare. If these are found to comply with the regulations of the importing country, a phytosanitary certificate is issued. Clearly it would be better if this pre-shipment inspection was carried out at the airport where the inspector can look at the whole consignment. The ministry are aware of this problem and plan to station an inspector at the airport soon. The Phytosanitary Service is currently receiving considerable assistance from the Danish Government. They are providing staff training, a plant quarantine station and plant health facilities at land border crossings.

Zimbabwe has a well developed system for the registration, approval and labelling of agro-chemicals. Areas which need further attention however include:

- An increase in the amount of residue testing of foods.
- A national training and certification scheme for agro-chemical salesmen, advisors and retailers to ensure that they give farmers sound advice.
- More training for farmers and farm workers in the safe and efficient use of pesticides, including production of a training video to use in the rural areas. These constraints need to be addressed in the interests of consumer, worker and environmental safety.

#### **9.1.4 Shortage of Trained Horticultural Personnel**

One of the main constraints holding back the horticultural industry in Zimbabwe is the shortage of trained personnel at all levels. This has come about because the rapid growth of the industry over the last ten years has overtaken the local education and training capacity.

The University of Zimbabwe has no full time course in horticulture although it does include some horticultural units in the Crop Science degree. A school of horticulture has been established within Harare Polytechnic which provides Diploma and Certificate courses, but it is at an early stage of development.

While many horticultural businesses are run by experienced farmers, some are owned by people with very little previous experience. Their lack of technical and management skills is a serious threat to the viability of their ventures. At the farm worker level many employees lack basic skills because there is no real tradition of horticultural work in Zimbabwe and there are very limited opportunities for training.

USAID pioneered a horticultural training scheme in 1993 and other entities have also made contributions but there is still a great lack of experience and skills in the industry which must be addressed if it is to achieve its full potential.

#### **9.1.5 Lack of Quality Inspection Service**

*Cut flowers for export:* At present, quality control on flowers is the sole responsibility of the individual exporter in association with the importer overseas. This has led to a few exporters sending poor quality flowers which can spoil the reputation of Zimbabwe flowers in general.

In order to overcome this we suggest that the industry should agree on common minimum quality specifications for the main flower types exported. Having done this, a quality inspector could be appointed and trained. The inspector's main duties would be to:

- Inspect exports at the airport to ensure that they comply with the specifications.
- Advise individual exporters of any problems with quality and try to assist them to resolve them.
- Help exporters to train their workers in grading, packing and quality control systems for their products.

This report recommends that once exporters have shown that they can meet the quality standards required they should be allowed to use a national 'Quality Mark' logo in their flower cartons, letter heads, etc. in addition to their private trade marks. In time buyers overseas will come to recognize this logo as a guarantee of quality which will increase their confidence in buying the goods and so provide higher prices, or at least a competitive advantage for exporters.

The ideal arrangement would be for the scheme to be compulsory for all growers but we suggest that it is made voluntary at least for the first few years, then the position can be reviewed. This scheme could be run by the industry without government intervention and funded by a modest levy on all participating exporters.

The EU has a statutory quality grading scheme for most cut flowers. Most Zimbabwe flower exports are sold via the Dutch auction (VBN) which has its own grading system, however. As these standards set out by the auction take precedence over those of the EU, they are of greater importance to exporters.

***Fruit and vegetables:*** All exporters should have internal quality control systems and most will receive quality reports from their trading partners based on the specific requirements of the export market.

In addition, most major types of fresh fruit and vegetables exported to the EU countries have to comply with the EU statutory quality standards. This lays down by law minimum quality and size rules for each product and sets out labelling requirements. The same regulations apply to produce grown in the EU and imports from countries outside the EU such as Zimbabwe.

When imports of fresh fruit and vegetables arrive in the EU the importer has to arrange for the goods to be checked by an authorized inspector in the country of arrival. In most cases the inspectors are officers of a specialist branch of the Ministry of Agriculture. Fees are not often charged for this service. If the inspector finds that the goods are not up to standard they must be re-graded so that they meet the specification before they are allowed into the EU. This inspection, and possible repacking in the case of problems, can lead to delays which must be avoided at all costs in the marketing of perishable produce.

In order to resolve this problem the EU recently introduced new inspection rules that allow imports to be pre-cleared for compliance with the grading regulations in their country of origin. Exporting nations wishing to take advantage of inspection outside the EU are required to set up an effective organization to do the work in their country. The EU will only accept such an organization if it is satisfied that the staff are well trained and the administration system for the issue of certificates is well controlled. Such an organization need not be part of the local Ministry of Agriculture. The work could be done by a private inspection agency or a reputable exporters association.

We suggest that such an organization should be set up in Zimbabwe to help to ensure that the fresh fruit and vegetable industry meets EU standards and therefore continues to grow. Probably the best organization to do this would be the HPC. The operation would have to be financed by charging exporters an inspection fee but the costs should be quite low. If the industry considers it desirable the scheme could also incorporate a Zimbabwe "Quality Mark" operation similar to the one suggested for cut flowers.



***Schemes to maintain customer confidence:*** We believe that the horticultural export industry could gain valuable publicity in its overseas markets by adopting a code of practice to cover such matters as:

- The payment of fair wages to workers.
- The use of environmentally friendly production methods, especially with regard to crop protection chemicals.

This could probably be done without any major charges in production methods or extra costs, and would be a useful means of maintaining customer confidence in Zimbabwe produce.

Enforcement could be via the above-mentioned inspection service.

## 9.2 CONSTRAINTS AFFECTING SMALL-SCALE COMMERCIAL AND COMMUNAL FARMERS

A number of constraints have particular impact on small-scale commercial and communal farmers.

### 9.2.1 Weak Position of Outgrowers vis-a-vis Exporters

Several outgrower schemes for smallholder vegetable producers appear to be functioning successfully in Zimbabwe. Examples of outgrower schemes for exported fresh vegetables described in this report are those operated by the Selby and Hortico exporting companies. These firms assemble products such as baby corn and mange tout peas produced by small farmers and farmer associations, then grade and pack them in company-owned packhouses. Individual farmer deliveries are then pooled and packed before being airshipped, each farmer receiving a printout showing the weight by grade. These companies deal on a consignment basis, that is, payment to producers is made later based on the average price received for each commodity, less the exporter's costs and commission, and the cost of seeds and chemicals previously delivered. Farmers who participate must have access to water for irrigation. Smallholders who participate do so through farmer associations located on irrigation schemes and resettlement schemes.

Food processors generally obtain their supplies from large growers who can meet the volume and delivery schedules required, but one canner of fine green beans has a successful joint venture with a farmer cooperative under which the company farms blocks of land pooled by members and employs them as laborers in the fields and grading sheds.

Management of the preparation and exporting of perishable crops collected from dispersed small farmers is a highly complex --- and competitive -- business. To be successful, exporters insist on the necessity of managing and controlling the process from start to finish. Direct involvement of outside experts in their operations, such as might be supplied through a donor aid program, would have to be carefully planned so as to benefit small producers while not disrupting operations. While there are differences among exporters as to their degree of control, these measures generally include the scheduling of crop production by farmers, crop protection procedures, the collection of produce at assembly points in producing areas, and transport to the packhouse. Exporters use their own

"fieldmen" to work with farmers and prefer to train them themselves. Some basic agricultural knowledge is useful but the enterprise does the rest.

Virtually complete control of the marketing process by the exporter has led to a lack of transparency in dealings between the exporter and the outgrower. Growers have requested more information on how payments to them are calculated, and some exporters have provided material. However, exporters generally regard information on costs and margins along the marketing chain as proprietary information and, in any case, too complex to explain to the uninitiated. One exporter has recognized that something has to be done and says he plans to hire a consultant to assist him in developing a more acceptable system. While this could lead to some improvements, the fact is that there is a climate of suspicion on the part of outgrowers that they are being cheated. This is leading some growers to attempt direct export to Europe, which can cause problems and financial losses for the inexperienced exporter.

The low level of trust that some of the smallholders have in their packer/exporter partners must be overcome if both parties are to prosper in the future. Possible ways in which relations can be improved include:

- Outgrowers should be encouraged to form, or join, local Horticultural Associations which can play a useful role in liaison between the small growers and the packer/exporter. In this way the producers will feel that they are dealing on more equal terms with the packer/exporter. This is not the case at present as the grower/packer is a far larger business than the individual small farmers.
- The growers understand that the prices they receive are controlled by the quality of the goods they produce and the price levels achieved in the export markets. Many, however, do not understand how this is calculated and so they suspect that they are being cheated. We suggest therefore that growers should be provided with more information on each assignment to show how the net return has been arrived at. This could possibly be based on the model set out in section 2.2 above. In order to make full use of this information farmers will have to have a basic understanding of the export marketing system and finance (e.g. exchange rates).
- Most of the current outgrower schemes are based on a commission sales. This means that the bulk of the risk in the venture is carried by the farmers with the packer/exporters essentially acting as a service agent. Growers would be happier if the risks were spread on a more equitable basis by the packer/exporters guaranteeing the farmers a fixed minimum price for the export quality segment of each batch of produce supplied. Even if this price was set at a fairly low level it would avoid the risk of the farmer facing a negative return and be a considerable boost to supplier confidence.
- Part of the cause of this distrust by the outgrowers is that they do not fully understand what is involved in exporting and trying to meet the demands of quality conscious overseas customers. Every effort, therefore, must be made to ensure that the farmers knowledge of overseas markets, and the complex distribution chains that supply them, is developed. This could be done by overseas study, tours, etc. Only then will the farmers realize that the pressures put on them by the packer/exporters are essential to service the market profitably.

### **9.2.2 Lack of Access to Capital for Purchase of Equipment**

Farmer groups linked with exporters through outgrower schemes generally do not have access to credit for purchase of equipment which would increase the value of their produce and, eventually, allow them to operate as a business and to negotiate with buyers from a stronger position. A prime example is small cold storage units at collection points, which have two functions: to remove field heat after harvest and thus prolong shelf life, and to store produce temporarily while awaiting transport. Trucks are also needed to speed transport of produce to collection points, from where exporters pick them up and take them to packhouses in the case of outgrower schemes, or to the point of export (Harare airport in most cases) for independent exporters. Knapsack sprayers are also needed by new entrants in the business; those already in business would have purchased them already or had them supplied by the packer/exporter.

Commercial bank loans for purchase of equipment are available in Zimbabwe for borrowers with adequate collateral and viable business plans, though interest rates are high -- from 22 percent (for loans with offshore funds components) to 35 percent for loans in local currency. However, groups of small farmers who participate in outgrower schemes are generally unable to borrow as they are too small and do not have collateral that banks will accept. Nor in most cases are they organized as legal entities able to borrow as registered companies.

Outgrower schemes linking small producers to larger players in the industry currently offer significant advantages in the form of assured market outlets for their produce at exporters' packhouses and processing plants, as well as wage labor at these facilities and in the field. While a few small black-owned enterprises have succeeded in exporting vegetables directly, for most groups of small farmers there is no substitute for these outgrower arrangements with large exporters. However, with experience gained as outgrowers, and a track record of performance, some of these farmer groups should in time be able to organize more formally and to borrow and acquire assets of their own. Training courses recommended in this report will help to strengthen them. In the meantime, most of these group will remain dependent on linkages with large firms.

An objective of the proposed USAID project would be to provide the kind of technical assistance and training, possibly through a restructured HPC which represents their interests, which will help them ultimately become independent operators. Attention should also be devoted to the role of farmer associations, including specialized local horticultural associations, in negotiating mutually satisfactory outgrower arrangements with exporters or ultimately to compete with them.

### **9.2.3 Lack of Marketing Knowledge and Market Information**

A common theme which emerged in our discussions with the small farmer groups was their lack of marketing know-how. We have discussed this problem above with respect to outgrower schemes, but it is a general problem throughout the country which stems from the government's historical control of many aspects of agricultural marketing in the past. Farmers have simply not had to think

about how to market their output. Nor has the notion that markets are demand driven penetrated the mind of most producers.

The growth of the horticulture industry, in which the government has never been involved, has opened up new prospects for both large and small producers. Large producers and exporters have access to information which small producers lack and they are therefore at a disadvantage in dealing with exporters in Zimbabwe. Those few small enterprises which export directly, mainly flower exporters and a few fresh vegetable exporters, do not have enough information on market practices or on European importing firms; by dealing at long range with these buyers they run the risk of non-payment and rejection of the shipment. Furthermore, they are generally not conversant with EU phytosanitary regulations, and the "due diligence" system regarding pesticide residues. Recommendations on establishing a horticulture market information services will be found in Appendix B to this report.

Although not directly related to the objectives of the proposed project, we would note here also how serious this information gap is in the dryer western Regions 4 and 5. Small farmers growing vegetables on irrigation schemes in these areas are not aggressively selling their produce on domestic markets. On many schemes in these regions, the predominant crop is maize, which has a sure if unremunerative market. Other crops, planted on much smaller plots, include green beans ("sugar beans"), cabbage and groundnuts. Most of these crops are sold at low prices at the farm to local residents who come and pick up the crop. Asked why they did not find a way to transport the crops to public markets in nearby -- or distant -- towns where prices are higher, growers said they had no means of transporting the crop, and did not have information on prices there.

This lack of initiative may stem in part from a habit cultivated over many years under a paternalistic government which assumed responsibility for marketing of many crops. Farmers still seem to expect that somebody else will come up with a solution to their marketing problems. The beginnings of a new more entrepreneurial attitude is, however, evident on some schemes in these regions, as witness a farmer who said that he and the other members of a local association were ready to increase their contributions (levies) in order to pay for maintenance of a truck. (Significantly, he did not say they were ready to put up the money to buy a truck. Equally significantly, he recognized the necessity for maintenance!)

#### **9.2.4 Limited Access to Water by Groups of Horticultural Farmers**

Access to water is by far the biggest constraint facing small farmers wishing to go into horticulture, especially in Regions 3, 4, and 5. Wherever there is water, as on the irrigation schemes we visited in many parts of the country, farmers are doing quite well -- far better than those in surrounding areas trying to make a living from dryland farming -- though they could do better if marketing was improved. In the western and southern parts of the country, in areas classified as Regions 4 and 5, participants in irrigation schemes represent only a small portion of the total number of smallholders.

Irrigation schemes in general appear to be fairly well managed by Agritex, which places at least one extension worker at each site, and by irrigation committees composed of farmers. Yet in a number of cases, the available water is not being fully utilized. Agritex admits to lengthy delays in completing on-farm irrigation canal systems due to bureaucratic delays, poor coordination of deliveries of cement and other materials, no budget for vehicles, and other reasons. In some cases, dams have been completed but no water delivery systems are yet in place. A different problem affects irrigation schemes pumping from rivers, such as those on the Middle Save in Masvingo Province, where silting up of the river necessitates drilling of deeper wells to reach the water level. Lack of funds has delayed this work, which is relatively simple and inexpensive (about \$5,000).

### **9.2.5 Inadequate Business Training**

Many Zimbabwe horticultural enterprises are run by experienced business men but far too many are not. Horticulture is a very young industry which has attracted a lot of new investors with little previous business experience. Probably the main areas where those people are weak is in marketing and financial management. Unless this lack of knowledge can be dealt with these new companies will not reach their full potential and some will fail.

Smaller farmers are becoming increasingly involved in horticulture, for example as outgrowers. These people do not need so much business training but it is important that they know enough about marketing to understand the distribution process for their produce. Without this basic knowledge they are unlikely to be able to produce the quality and continuity of supply required to meet export customers demands.

## 10. USAID Programming Options

In this section we recommend for USAID consideration six interventions to help overcome constraints to the development of horticulture in Zimbabwe. The objective of these interventions would be to increase exports of fresh and processed horticultural products to regional and international markets while assuring that small and medium-scale farmers and enterprises participate to a greater degree than heretofore in the growth of the sector.

Recommended interventions can be summarized as follows:

- (1) **Marketing, credit and technical advisory services** to selected small and medium-scale farmers, farmer associations, or other small horticulture businesses engaged in production and/or marketing of horticultural crops.
- (2) **Mobilization of financial resources** for purchase of equipment, such as small cold storage units, by acting as intermediary between financial institutions and small ~~producers~~ producers.
- (3) **Specialized training programs** in horticulture for managers and technicians, including study tours to European markets.
- (4) **Institutional development** through assistance to the Horticultural Promotion Council in expanding the range of services offered to small-scale commercial farms and exporters.
- (5) **Support to small agribusiness enterprises** serving the horticulture industry by facilitating access to credit, providing business training and facilitating linkages with large horticultural producers and exporters.
- (6) **Promotion of government actions** in support of the horticulture sector.

### 10.1 MARKETING, CREDIT AND TECHNICAL ADVISORY SERVICES

Small-scale commercial farmers, horticultural associations and agribusiness entrepreneurs need help in building their capacity to manage post-harvest handling and marketing of their products, and in this way to strengthen their currently weak position vis-a-vis Zimbabwean exporters and European and regional importers with whom they deal. Marketing skills are generally lacking in Zimbabwe as a result of past paternalistic policies of the government which discouraged private marketing initiatives.

#### 10.1.1 Beneficiaries

A limited number of beneficiaries would be selected to receive assistance from among these types of organizations:

- outgrowers linked to exporters of fresh vegetables, such as groups of farmers who are members of horticultural associations, irrigation schemes, or resettlement schemes,
- outgrower groups supplying food processors, such as vegetable canners, under some kind of contractual arrangement, and
- small enterprises handling and exporting flowers and vegetables directly to foreign buyers or through local marketing agents.

The criteria for selection of producer group assistance should be based on the existence of basic infrastructure, especially water resources, proximity to markets, and the capacity of the groups concerned to absorb training in marketing and business management. Marketing and technical assistance should be accompanied by mobilization of financing for purchase of key items of equipment, as described below, to create viable self-supporting marketing organizations.<sup>1</sup> Qualified new entrants into horticultural production and distribution should also be considered.

### 10.1.2 Scope of Services

The types of assistance outlined below could be provided by a combination of long-term and short-term expatriate specialists, each with a local counterpart. The objective of such assistance would be to work toward creating independent self-sustaining production and agribusiness organizations able to help their members produce high quality marketable products and to negotiate with buyers from a position of strength.

#### *Marketing Advisor:*

- advice on crop selection and timing based on market demand conditions as expressed by Zimbabwean exporters and importers in Europe and elsewhere,
- enhancing working relationships with exporters,
- advice in negotiating contracts with exporters which serve the interests of both parties,
- acting as an intermediary in finding ways to improve the transparency of dealings between producers and buyers,
- referring managers or other representatives of farmer and agribusiness groups for business training under the ZIMMAN project,
- the organization of seminars, short courses and study tours (through existing institutions such as HPC (and in combination with the U.K.-based Marketing Specialist described below) for representatives of producer organizations on how produce markets work and on regulatory issues such as phytosanitary controls,
- assistance in establishing a quality mark for Zimbabwean flower exports,
- assistance in establishing "third country" (pre-clearance) procedures so that vegetable exports to the EU could be cleared prior to departure from Zimbabwe,
- maintaining a working relationship with ZimTrade to take full advantage of the export promotion activities of this organization, including possibly the provision of consulting services in export promotion at no charge to the project, and
- education on the importance of contract/agreement compliance and developing and retaining longer term buyer/seller relationships.

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<sup>1</sup> While there are few examples of farmer groups or associations successfully becoming exporters, the KESSFA project in Kenya and PROEXAG in Guatemala should be reviewed for lessons learned from these experiences.

***Credit Advisor:***

- informing small farmer groups and agribusinesses on short, medium and long-term credit programs available to them,
- selecting and referring managers of farmer groups and agribusinesses which plan to apply for credit to management training programs, such as that offered through the ZIMMAN program,
- conducting workshops or seminars for farmer group and agribusiness managers on how to apply for credit, including understanding terms and conditions imposed by lenders, and the use of cash flow accounting to assure timely repayment,
- assistance in preparation of business plans for any planned investments to be submitted to lenders to back up loan requests,
- planning and administering a possible AID-funded matching grant program to finance equipment purchases by exporters and processors (see Section 10.2),
- acting as an intermediary to financial institutions such as the AFC, referring prospective borrowers to them for consideration, and
- in the event Option #1 described in Section 10.8 is adopted, actually administering a financial services program with funds provided by AFC and/or other institution, which would act as a wholesaler of loan and equity funds.

***Post-harvest Handling Specialist:***

- assistance in the acquisition and use of proper containers for harvesting,
- advice on field-level produce grading and quality control,
- development of procedures for the safe application of pesticides and other chemicals and the documentation of such use to satisfy EU importers,
- development (in consultation with buyers) of optimum handling procedures for moving produce from field to assembly point quickly and with minimum damage,
- advice on the loading and protection of the produce during transport to the packhouse,
- procedures for the efficient use of small cold storage units at collection points to remove field heat and to store produce while awaiting pickup, and
- record-keeping procedures for recording individual farmer shipments at collection points.

***U.K.-based Marketing Specialist (part-time):***

A consultant experienced in marketing of fresh produce in Europe, preferably based in the U.K. where the bulk of Zimbabwean produce is sold, would spend up to three days per month providing the following types of services:

- information on weekly market trends in the U.K. and on the continent for fresh vegetables related to prices, varieties, grades, and principal buyers,
- collection on a regular basis of information from buyers and trade journals on long-term market trends in the EU produce markets,
- information on the European flower markets, particularly the Dutch auctions, but also on the potential for bypassing the auctions in favor of direct sales, as favored by some small flower exporters in Zimbabwe,
- information on request as to the reliability and creditworthiness of European importers,



- organizing study tours for small Zimbabwean exporters to visit U.K. and other EU importers, wholesale and retail outlets, and
- serving as a point of contact with importers and helping to resolve any disputes.

## 10.2 MOBILIZATION OF FINANCING FOR EQUIPMENT PURCHASE OR LEASE

Exporters and processors who operate outgrower schemes tell us that the volume and quality of produce they obtain from growers could be improved if these groups had the following types of equipment at their disposal:

- refrigerated storage at collection (assembly) points to remove field heat from harvested produce and for temporary storage while awaiting pickup,
- sheds adjacent to growing areas for initial grading of produce,
- field crates of uniform size,
- irrigation and spraying equipment (knapsack sprayers), and
- transport equipment (small trucks, tractor/trailers) to transport produce to collection points.

These needs vary according to the crop and to the operating style of the packer and processor, but in general these are the kinds of investments, when combined with technical assistance (and in some cases training as described in the following section) which can lead to increased returns -- and higher incomes -- for farmers, and ultimately to the creation of independent, self-supporting farmer enterprises or associations. Exporters and processors with whom we talked believe that such an outcome is desirable from their point of view as it lessens the requirement for intensive -- and costly -- supervision of all phases of crop production, but caution that this is a development process which can take some years to achieve. The tutelage available from experienced exporters and processors represents a valuable asset to small farmers; the assistance proposed in this and the preceding section will help support, leverage, and sustain that tutelage.

One option for acquisition of this equipment is the use of matching grants to packers (fresh produce exporters or processors). Under this option, the equipment would remain the property of packers and would be operated by them. However, this would tend to lock in the producer to a particular packer. A second option would be to make the matching grant to the packer on the understanding that the equipment would be turned over to the outgrowers, or their association, after a fixed term, such as five years, when the group would have acquired the necessary experience to operate it.

A third option would be to assist outgrower groups to acquire and own the equipment from the outset, and to operate it for the benefit of a farmer/packer alliance, whatever form that alliance might take. Farmers generally have difficulty obtaining loans due to the lack of adequate collateral, but might be able to take advantage of group lending schemes with less stringent requirements which are being implemented by the AFC (with support from the International Fund for Agricultural Development support). The AFC has indicated to us that it would seriously consider loan applications which have been prepared with the help of outside experts. Should this option be taken up, any purchase decision by a farmer association or cooperative should be based on business plans, developed with the help of the marketing advisor (or other qualified person), which show costs,

returns and means of repayment of the invested capital. The repayment commitment must come from the group.

Growers who are not part of outgrower schemes and have begun exporting directly, such as small flower exporters selling to the Dutch auction directly or through local agents, could also be strengthened by the types of technical and marketing assistance described here. Those with whom we talked expressed the need for additional credit, marketing assistance, and access to better trained personnel. Although information on how well these small firms are doing is not currently available, this report concludes that at least some of the newer entrants are overextended financially -- and possibly technically and managerially as well -- and need help.

Financial intermediation services could be of great assistance also to small agribusiness enterprises such as those described in Section 10.5, below. Creating and facilitating linkages between these enterprises and larger successful horticulture industry firms would be an important function of the Zimbabwe Horticulture Development Center (ZHDC) proposed below.

### 10.3 TRAINING

The growth of the horticultural industry over the past decade has outpaced the capacity of educational institutions at all levels to provide technical and business training for employees of horticultural enterprises. We recommend that HPC play a leading role in sponsoring various kinds of training courses for its members, with particular emphasis on the needs of small producers and agribusiness enterprises. USAID/Zimbabwe sponsored a training program in horticultural crop production and business management in 1993 through HPC which was supported by the ZIMMAN Project. The lessons from this course can be applied in the design of other courses.

#### 10.3.1 Management training

The first level at which training is needed is for senior and middle management of farmer groups, small scale commercial farm owners, farm managers, and small agribusiness enterprises. Due to the demands on the time of these persons, they cannot be away from their business for long and care will have to be taken to ensure that the dates chosen do not coincide with peak work periods in the horticulture business.

This report recommends a selection of one or two day in-service courses to cover the following topics:

- crop protection for vegetable growers,
- cold storage operations,
- flower crop nutrition,
- marketing of horticultural crops, by crop type,
- staff selection and motivation, and
- account management, preparation and use.

It will be vital that these courses be kept as practical as possible and are taught by persons with considerable practical management experience in the industry. The ZIMMAN Project could contribute to this effort, though in view of the problems experienced finding suitable local trainers when it undertook a similar project with HPC in 1993, overseas specialists may be needed.

A special area of training which should be considered is the organization and management of farmer associations, including optimal sources and uses of funds and their comparative advantages, bookkeeping, member needs assessments, consensus building, and legal considerations.

### **10.3.2 Worker Training**

The other important individuals that require training are production workers and their supervisors. The best approach to this area would be for HPC to divide members desiring training into special interest groups according to the crop concerned, such as rose growers or export vegetable growers. HPC member associations, such as the Flower Growers Association, could assume responsibility for selection of candidates for forming a training group or committee to plan its workers training needs, with the assistance of the marketing advisor.

Courses for supervisors could include:

- work planning,
- controlling work quality, and
- basic leadership,

Courses for production workers could include:

- rose budding,
- aster grading and packing,
- precision vegetable seed drilling,
- safe and efficient knapsack spraying, and
- tractor driving for beginners

Most of these courses would last one day, be in the worker's language and mainly involve practical demonstrations rather than classroom work.

Such basic in-service training will increase worker productivity, reduce industrial accidents, improve product quality, develop workers' interest and enthusiasm, and boost farm profits. The report recommends that modest course fees, payable in advance, be requested. A system to evaluate the effectiveness of this program will be required. If funds allow, it should include post-training visits to participants' farms to see if they are putting to good use what they were taught.

### 10.3.3 Study Tours

Study tours to export markets would be of benefit to the industry. The operation of the EU produce and flower industries is quite different from those in Africa. It is only by seeing and understanding how these industries function that Zimbabwe growers and agribusiness operators can hope to reap the rewards that are available to those that can meet the demands of export markets. Study tour participants would need to meet some minimum size and relevant “track record” requirements.

## 10.4 INSTITUTIONAL DEVELOPMENT

The Horticulture Promotion Council is the institution representing the horticulture industry as a whole. While it has the reputation of being under the control of large scale farmers through the strong influence of the Commercial Farmers Union, it is currently undergoing a restructuring which will make it more independent of the CFU and more equipped to represent small farmers as well as large. As discussed elsewhere in this report, the restructuring is still underway. Assuming that planned changes are made, most of the interventions proposed in this report could be implemented by and through the HPC. There is little doubt that HPC will continue to represent the interests of the dynamic horticulture industry of Zimbabwe, so continuity of the proposed activities would be assured. Conversations with Stanley Heri, General Manager, and Eric Beachey-Head, Board Chairman, convince us of the sincerity of their intentions to restructure the organization and of their interest in participating in USAID activities.

Restructuring of HPC is and should be in the hands of that organization and USAID should not intervene directly in the process. However, as one option, USAID could channel activities proposed in this report through HPC, thus indirectly influencing the process and assuring that the new HPC is responsive to small farmer needs. Examples of activities which could be taken on by HPC which would assist in its further development include:

- sponsorship and organization of training activities, as described in the preceding section,
- development of an industry-sponsored flower quality inspection service at Harare airport to assure that only the highest quality products are exported,
- an expansion of the market information and data collection service currently operated by HPC to include information on prices paid for horticultural products in foreign markets, information on industry trends, and technical innovations in the industry, and
- resolving air freight availability and cost issues.

## 10.5 DEVELOPMENT OF SMALL AGRIBUSINESS ENTERPRISES

Support to development of small agribusiness service companies associated with the horticulture industry could be linked to other activities under the proposed project. Our discussions with packhouse operators showed that some of them would consider purchasing supplies and services from small black-owned business if they could demonstrate competence and reliability. Advisors attached to the project, in their regular contacts with exporters, might be able to identify some of

these opportunities, and to make business training and financial intermediation services available to interested entrepreneurs. Some could be candidates for loans through USAID's Zimbabwe Enterprise Development Project.

Some examples of small business opportunities identified in the course of preparing this report include:

**Box supplier:** Packhouse operators and exporters would be interested in purchasing supplies such as boxes, trays, and shrink-wrap from independent companies which would deliver "just in time" , relieving these companies of the cost of maintaining large stocks of these supplies and using space which could better be used for their packing operations. However, an entrepreneur wishing to enter this field should have at least some prior business experience and would have to undergo additional business training, possibly through the AED program. Even so, packhouse operators are not likely to trust these new businesses with their total requirements until they have first proved themselves on a limited scale.

**Equipment maintenance:** There is a need for small service companies to provide equipment maintenance for irrigation tractors, pumps, sprayers, and the like. A new operator would need to purchase a vehicle, tools and special equipment like welders and cutting torches.

**Contract farming operations:** Small to medium-sized farms, except for the smallest, are potential users of contract services such as plowing, planting, cultivating and spraying. The advantage to these farmers is that they can avoid the purchase of expensive equipment which won't be used enough to justify the investment. Large-scale farms are generally well supplied with such equipment and would not likely be customers.

**Labor contractor:** Some packhouse operators would like to be relieved of the necessity of recruiting and housing seasonal labor. They would be willing to pay a fee to have a private contractor be responsible for this operation, provided he can be relied on to treat workers fairly and is able to resolve disputes in a responsible manner.

Other possible small business opportunities include contract transport of produce from growers to packhouses, owner/operator of small cold storage units in growing areas, and consolidator/ grader of produce from small farmers and shipment to packhouses. Another area which deserves further study is the establishment of regional wholesalers of produce for the domestic market, something which would help overcome fruit and vegetable supply/demand imbalances between regions of Zimbabwe.

## 10.6 PROMOTION OF GOVERNMENT ACTIONS IN SUPPORT OF HORTICULTURE

There are several issues affecting horticulture generally where a USAID project could promote government actions through special studies and technical assistance. These include:

- and college level,
- studies on the need for training in marketing to be instituted for extension workers who are involved in horticulture at Agritex training centers throughout the country to enable them to better serve farmers who lack this knowledge,
- development of procedures for enforcement of regulations affecting pesticide use by small growers and suppliers,
- strengthening of the Department of Research and Specialist Services in horticulture crop research,
- development of new speciality crops for which there is a known market, and
- the feasibility of applying an additional cess or charge on all exports to support industry development.

## 10.7 IMPACT OF PROPOSED INTERVENTIONS

The following matrix lists the six proposed interventions and gives an indication of their expected impacts on four key performance indicators.

	<u>Increased Exports</u>	<u>Increased Employment</u>	<u>Increased Farm Income</u>	<u>Indigenous Ownership</u>
Advisory Services	A	A	A	A
Financial Intermediation	A	A	A	A
Training	B	B	B	B
Institutional Development	B	B	B	B
Small Enterprise Development	C	B	B	A
Government Initiatives	B	B	B	B

Key: A: High impact, B: Moderate impact, C: Little or no impact

The first, second and fifth interventions -- advisory services, financial intermediation, and small enterprise development -- would potentially have the greatest impact on the four indicators as the services will be given directly to selected beneficiaries: the small farmers and small enterprises. Employment benefits from expansion of the horticulture export sector are substantial as this industry is highly labor intensive. Likewise, increased foreign exchange earnings through increased exports is a key benefit of these interventions. The supporting activities of training, institutional development, and government initiatives have a moderate effect on the indicators only because they are indirect in nature, not because they are less important. Small enterprise development would contribute to the Mission goal of increasing indigenous ownership, and could do so fairly easily using existing Mission programs and resources of the proposed project

is highly labor intensive. Likewise, increased foreign exchange earnings through increased exports is a key benefit of these interventions. The supporting activities of training, institutional development, and government initiatives have a moderate effect on the indicators only because they are indirect in nature, not because they are less important. Small enterprise development would contribute to the Mission goal of increasing indigenous ownership, and could do so fairly easily using existing Mission programs and resources of the proposed project (business training, financial intermediation), which will be available in any case.

The access of women to the benefits of the proposed interventions is a matter deserving further attention in the project design phase. Women are already benefiting from the growth of the horticultural export industry through employment opportunities at packhouses, which are very labor-intensive and employ women almost exclusively. At issue is whether or not special measures should be incorporated in the project to assure that a given percentage of beneficiaries will be women who desire to go into agribusiness ventures such as flower or vegetable packing and export, or into related service enterprises. Alternatively, are business and management training courses targeted at women necessary before more women can become borrowers and participate fully in the project? In this connection, more information is needed on the recently-announced CIDA grant for gender training through the Zimbabwe Institute of Public Administration and Management (ZIPAM) to see whether this type of training would further the objectives of the project as far as women are concerned.

## 10.8 IMPLEMENTATION OPTIONS

The report recommends that USAID/Zimbabwe consider two alternative approaches for implementing the six recommended interventions. The first would involve creation of a new specialized private sector entity offering a wide range of services to the horticulture industry staffed by four long-term advisors. Under the second option, a single long-term advisor, and some short-term specialists, would provide a more limited range of services through the Horticultural Promotion Council. Obviously, some combination of these options is also possible.

A review of other current donor programs in agriculture (including the World Bank, EU and bilateral donors) suggests that there would be no conflict with what is proposed here. However, inasmuch as the Bank is considering expanded activities in horticultural training (through the Horticulture Research Center), there should be close coordination with the Bank on any training activities on technical aspects of horticulture. The Bank is also considering the funding of a Horticultural Development Trust which would support training and research activities; it should be consulted on its plans in this regard as a fund like this could be integrated with the proposed project and pay for some of the training costs.

### **10.8.1 Option #1: Creation of a Horticulture Development Center to Provide Comprehensive Support to the Horticulture Industry**

Under this option, all six proposed interventions would be carried out by or through a newly created

unit, the Zimbabwe Horticulture Development Center (ZHDC). The unit would be established in separate quarters somewhere in Harare with project-supported marketing and technical advisors and support staff, independent of but cooperating with existing institutions and USAID. Its primary function would be to provide technical assistance and training to the horticulture industry, especially small and medium scale farmers, while tapping into the resources of existing Zimbabwean agencies and institutions specializing in finance, trade promotion, industry association functions, extension services, and business training. Thus this “one-stop” unit would play an integrating role, accessing services available from existing institutions in Zimbabwe through a network established by the project, and supplementing these with specialized advisory services. This package of services would be targeted on a neglected segment of the horticulture industry -- small and medium scale horticulture producers and businesses.

***Marketing and technical advisory services:*** Expatriate advisors, including a marketing advisor, a credit specialist, a postharvest handling specialist, and a part-time UK-based horticultural marketing specialist would provide their services through the ZHDC. Close coordination with the HPC, the Zimbabwe Farmers Union, the Flower Growers Association, and the Indigenous Commercial Farmers Union would be required to provide the necessary links with members of these groups, to assure that their needs are being met, and as a source of counterpart personnel. The functions of these advisors was described in Section 10.1, above.

***Financial intermediation:*** A credit specialist attached to the project would be responsible for mobilizing existing sources of finance for horticulture producers, middlemen and exporters from the Agricultural Finance Corporation (AFC), the Zimbabwe Development Bank (ZDB), the Zimbabwe Venture Capital Company (ZCCV), the Small Enterprise Development Corporation (SEDCO), the USAID-supported loan guarantee fund through Barclay’s Bank (the ZED Project), and others. There is indeed a very broad spectrum of financing agencies in Zimbabwe but small and medium scale farmers and entrepreneurs have benefited little from their services because of their small size and lack of collateral. One possible approach which would likely be acceptable to AFC is for the ZHDC to act as intermediary for loans wholesaled by AFC, with an interest rate spread which would eventually help make the ZHDC self-supporting. After a presumed eighteen to twenty-four month assignment of the credit specialist, Zimbabwean personnel would take over.

***Specialized training programs:*** The management, worker, and quality control training programs described in Section 10.3 above would be organized by the ZHDC in cooperation with the HPC, possibly using the Council’s new quarters as a venue. This would have the advantage of facilitating access to member associations of HPC, such as the Flower Growers Association and the ZFU. While the on-going implementation of these training sessions, workshops, or seminars could be turned over to the Horticulture Promotion Council, the ZHDC would be responsible for designing the courses and initially obtaining the services of qualified expatriate trainers. An example, already successfully used on USAID’s Morocco Agribusiness Promotion Project, would be to bring in specialists from APHIS under a PASA arrangement with the USDA to train exporters in quality control procedures for fresh produce. Business training could be carried with the help of AED under the ZIMMAN Project, while ZimTrade staff could assist with training in EU export procedures.



***Institutional development:*** This activity would be directed primarily at the HPC to assist the Council in restructuring itself to better serve the small and medium-scale sectors of the horticulture industry. The HPC has begun this restructuring process but the course and pace of development could be strongly influenced by outside advisors who are in regular contact with these smaller operators, as the staff of the proposed ZHDC would be. At present, the organization which ostensibly represents the interests of small farmers within the HPC has not been able to do so effectively. This appears to be a political issue which might be overcome most effectively by outside non-Zimbabwean persons during the lifetime of the proposed project, leaving behind a more productive relationship. Among the activities which ZHDC could carry out for HPC are: member needs assessments, helping to develop programs to serve these needs, identifying sources and uses of funds for membership development, local and regional horticulture association development, and annual member satisfaction surveys.

***Support to small service enterprises:*** Section 10.5 describes some possible small businesses which could be enhanced and/or created to serve the horticultural industry. This aspect of the project is important as it addresses directly one of the strategic objectives of USAID/Zimbabwe -- the indigenization of Zimbabwean agribusiness enterprises. While the opportunities here may not be numerous initially, opportunities should grow along with the horticulture industry. This activity could be added to the functions of the ZHDC at very little cost because the expatriate advisors, who will necessarily be in regular contact with the entire industry, should be able to identify small business opportunities as they arise in the course of their work. One example is a supplier of boxes to fresh vegetable exporters. The ZHDC could identify these opportunities and they could be publicized by AED (through the ZIMMAN or successor project). ZHDC would also provide business training as needed and assist these entrepreneurs in preparation of business plans and loan applications to banks and other financing organizations.

***Promotion of government actions in support of horticulture:*** The Horticulture Promotion Council, restructured so that it serves the whole industry, should be the primary advocate or spokesman for the industry vis-a-vis the Government of Zimbabwe. The proposed ZHDC could use its staff to generate the information and documentation to support the industry viewpoint. Examples (referring to Section 10.6) could include a study of air freight costs and services, recommendations for university and technical-level training in horticulture, and development of procedures for enforcement of proper pesticide use. Short-term specialists could be brought in under the proposed project as necessary to carry out these studies.

### **10.8.2 Option #2: Institutional Development of the Horticulture Promotion Council**

This option is more narrowly focused in the sense that all activities are channeled through the HPC with the primary objective of strengthening the capacity of the Council to serve the small and indigenous horticultural sector. This option would be viable if there is evidence that HPC is in fact carrying through on its proposed restructuring discussed in Section 8.1. The goal of project assistance would be to sensitize HPC to the needs of the small farmer and to work together with them to expand their capacity to assist that sector.

While many of the same activities would be carried out as in Option #1, the content and pace of these activities would be geared to HPC capacities and would move forward only with the agreement and cooperation of HPC management. For this reason, it may be desirable to field a smaller team, possibly only a long-term marketing advisor, supplemented by the short-term services of a post-harvest specialist and a credit advisor as and when needed. The U.K.-based marketing specialist position should, however, be retained. Obviously, the number of small farmers, farmer groups, or enterprises targeted for assistance would be considerably less than in Option #1.

**Marketing and technical advisory services:** The long-term marketing advisor would be stationed on the premises of HPC and work alongside a counterpart on the staff of HPC (with possible USAID support for salary of the counterpart for a limited time). The short-term post-harvest specialists would also utilize this office and would also have a local counterpart. Communications with the U.K.-based marketing advisor would also be maintained through this office.

**Mobilization of financial resources:** This function would be assumed by the long-term marketing advisor on a less intensive basis than in Option #2 and would work with a more limited number of beneficiaries.

**Specialized training programs:** Under this option, HPC would assume primary responsibility for organizing training programs since the marketing advisor will be heavily occupied with other duties. The advisor, could, however, assist by conveying to HPC his or her recommendations as to training needs, and arranging for the services of trainers, such as USDA/APHIS personnel.

**Support to small service enterprises:** Under Option #2, this activity would be a marginal one, involving "targets of opportunity", given the other demands on the marketing advisor's time.

**Promotion of government actions in support of horticulture:** Inasmuch as the advisor would be closely associated with HPC, his or her role under this option would be to make recommendations to HPC management for needed government actions or policy reforms which HPC would then propose to government. Some of the kinds of data collection and analysis to back up such recommendations, discussed under Option #1, could still be carried out by the advisor but on a more limited scale as time permits.

## 10.9 SUGGESTED NEXT STEPS IN PROJECT DEVELOPMENT

Should USAID/Zimbabwe decide to proceed to the next step with the proposed interventions -- the design of a project -- this report recommends that a four-person team come to Zimbabwe as soon as practicable. Team members would be an agribusiness or marketing specialist, a person experienced in finance and small business development, a horticulturalist fully conversant with marketing in the EU, and an AID staff member to deal with programming and budget issues in the AID format. The team would spend approximately three weeks in country, leaving behind a draft project plan document for review by the Mission.

The basic objective of the team would be to evaluate and develop in more detail the two proposed options, or combination of them, and to select the most desirable approach consistent with USAID/Zimbabwe's country strategy and with GOZ development policies. The results of detailed reviews of this paper by USAID, the MLAWD, and other relevant institutions such as the Horticultural Promotion Council, would be important inputs to the scope of work for the team.

The following points should be included in the scope of work:

**(1) Selection of the first potential beneficiaries of the project.** Appendix A to this report profiles several candidates. This activity would require consultation with HPC, ZFU, AFC, MLAWD, ARDA, and Agritex. In principal, the project should work with a mix of small farmer groups, medium-scale indigenous farmer groups, there should be a focus on linkage development, a mix of types of products (flowers and vegetables, for example) should be selected, and there should be a degree of regional distribution.

**(2) Inventory of beneficiaries needs.** Discussions and prioritization of the specific needs of these beneficiaries in more detail than was possible in the present report. This would deal with the practicalities of providing the recommended assistance, such as the capabilities of the leaders of these groups and enterprises and their capacity to absorb assistance. Based on these discussions, an inventory of technical assistance, financial intermediation, and training needs would be drawn up and prioritized and used as a basis for planning the scope and duration of project services.

**(3) Discuss cooperation/collaboration modalities with other institutions.** Meetings would be held with the institutions and "stakeholders" mentioned in this report as possible partners in the project, principally HPC, ZFU, and AFC, and with other potential cooperating agencies, such as ZimTrade, ZDB, ZCCV, and MLAWD.

**(4) Decide on the best approach for project implementation.** The culminating task of the team would be to decide -- based on findings in the preceding tasks, and in consultation with the Mission -- on the preferred approach to project implementation. This could be either of the two options, a combination of the two, or indeed an entirely different one if indicated by the findings.

**(5) Estimate the cost of the proposed interventions,** taking into account cost-sharing arrangements with Zimbabwean institutions and the private sector. this would include suggested Monitoring and Evaluation approaches/mechanisms.

While the thrust of the interventions proposed in this report is to assist horticultural producers, exporters, and small agribusinesses in the main growing areas of Natural Regions I, II, and III, there are serious unmet needs in other parts of the country. Visits to widely scattered irrigated areas in the dryer western and southern parts of the country revealed a lack of marketing know-how, technical knowledge, access to finance, and infrastructure. Small farmers in these areas could potentially increase their incomes had they access to the kinds of assistance proposed in this report. USAID may wish to consider assisting these farmers in a later phase of the proposed project.

## **APPENDIX A PROJECT PROFILES**

### **1. SELBY ENTERPRISES OUTGROWER SCHEMES**

Selby Enterprises Ltd. is one of the larger vegetable packers and exporters in Zimbabwe. They were one of the first to develop an outgrower scheme with smaller farmers to supplement supplies from the large-scale commercial farmers who meet most of their requirements. They seem to be very flexible in their procurement arrangements. When dealing with communal farmers, and other small producers, they prefer to deal through a Horticultural Producers Association or other formal group if one exists in the area. This reduces administrative costs as compared to dealing with individual small farmers.

Features of Selby's arrangement with small farmers are as follows:

- Selby lays down a production program for each grower, which includes planting dates, varieties, etc.
- Typically farmers are supplied with seed, the cost of which is deducted from sales proceeds. Other inputs, such as agro-chemicals and fertilizers, are not supplied and we understand that the financing of these can be a problem for some small farmers.
- During the growing season, fieldmen from Selby visit each farmer at least every ten days to check the crop and advise on any work that needs to be done.
- When the crop is ready to harvest, the fieldmen keep in close touch with growers to maintain high standards of quality control at the field level and to arrange delivery dates.
- The farmers are responsible for picking the crop and taking it to a collection point run by Selby. Most of these collection points consist of a small cold store, often located in a petrol station. The capital cost of building these cold stores is a major constraint on the development of outgrower schemes serving Selby. Some small farmers lack suitable field crates to deliver their goods to the collection points, which can also be a problem.
- In some cases, Selby will pay growers a fixed price delivered to the assembly (collection) point, but most business is done on a consignment basis. Selby management states that they are prepared to offer a minimum guaranteed price in some situations, and to take responsibility for some of the risks involved overseas. Selby uses standard "Terms and Conditions" which govern most aspects of their business relationship with suppliers.
- The management accounting system used by Selby allows them to track each grower's goods through the marketing chain. The growers are, therefore, paid on the basis of the price their goods bring in the market, less expenses and commissions, rather than a "pool price" as used by some exporters. The account of sale sent to growers does not provide much information on how the return to growers is arrived at, but Selby states that they are prepared to explain the system if asked to do so.

In general, we feel that Selby Enterprises has established the basics of a good outgrower scheme which could be further developed with the help of more capital investment and greater transparency.

## 2. HORTICO PRODUCE LTD. OUTGROWER SCHEMES

Hortico is a private exporting company, two of whose shareholders are large growers and suppliers of vegetables to the enterprise. They work with a U.K. importer, Saphir, on an exclusive basis, supplying mainly mange tout peas, baby corn, and green beans. We talked to Andrew Wilson of Hortico.

Hortico also works with small farmers and believes that there is a good future for outgrower schemes. The company has four fieldmen who work with their growers on mange tout and baby corn, telling them how many hectares of each crop to plant each week based on European market conditions. Inputs, including seed, fertilizer and pesticides, are supplied on credit and deducted from later payments. Crops are picked up by Hortico trucks from assembly points in growing areas. Hortico agrees to take all the farmers output if they follow instructions on planted area and planting dates. Hortico feels that the major constraint to working with smallholders is the lack of infrastructure in the growing area, such as cold stores and accommodations for their fieldmen.

In 1991, Hortico worked with farmers in the Mutoko communal area in association with ARDA. Trials on sweet corn worked fairly well, Hortico supplying all the inputs as well as extension services. However, the company found that it had to restrict purchases to less perishable products -- Evening Primrose seeds -- due to the lack of infrastructure, specifically cold stores and transport. ARDA acted as middleman for purchases from farmers grown on a nine hectare area. FAO was also involved. Hortico finds that there is a trade-off between working with small farmers through an intermediary, which is simpler to administer and less costly, and dealing directly with growers, which assures quality and delivery dates are met.

In 1993, Hortico began working with farmers on the Mudotwe irrigation scheme in Mashonaland Central, where infrastructure was better. Mange tout peas were produced successfully for Hortico in 1994. In 1995, Hortico was asked to work with farmers on the Chimanda irrigation scheme, also in Mashonaland Central but about 250 km from the packhouse. The first trials on green beans, mange tout peas and baby corn were successful and the outlook is good for this group, though the distance may prove to be a constraint.

Hortico policy is to work with small farmer association representatives who, according to Wilson, set policies on how the association deals with Hortico, but have nothing to do with production. Hortico works on a consignment basis with growers, pooling their production and paying them on the basis of prices received for sale of the pooled goods. Asked about the possibility of guaranteeing a minimum price to growers instead of consignment, Wilson said they would be willing to do this but the guaranteed price would necessarily be low to protect Hortico against losses. Deliveries from farmers are graded on arrival into three grades: #1, other and waste.

On the issue of transparency in calculating returns to the small farmers, Hortico is willing to try to create a new more transparent system, including putting a representative of the farmer associations in the packhouse, but doubts that it will work because the system is difficult to understand. Wilson

mentioned the possibility of bring in a consultant to help develop a workable system. One possibility would be to pay individual farmers based on quality, but this would require a complicated bookkeeping system.

Possible AID interventions mentioned by Wilson include assisting farmers to buy spraying equipment, and investing in cold stores and an office at the assembly point for the growers representative (to keep track of deliveries). Farmers also need help in acquiring irrigation equipment such as pumps, though these would have to be gasoline-engine powered in many areas where there is no electricity. Hortico thinks that the "service company" concept which worked in Mashonaland East could be tried elsewhere. This is a joint packer/small farmer owned center which is responsible for land preparation, spraying, etc.

### 3. CANPAC OUTGROWER SCHEMES

Canpac, a green bean processor located near Chegutu, has developed several innovative schemes with small farmer groups. On a resettlement scheme known as "Khartoum Farm", Canpac has a joint venture with a farmer cooperative which is in its first year but appears to be working well. Green beans are grown on blocks of land which are pooled by cooperative members and farmed by Canpack as single units. Water is pumped from dams in the area and applied by sprinkler systems. Cooperative members work as laborers, doing the cultivating, harvesting, and initial sorting in temporary shelters in the field prior to shipment to the processing plant in the company's own trucks. They work at a daily wage rate, and the cooperative receives a share of the profits at the end of the season based on sales performance of the company. There are plans to do a similar scheme with another cooperative at Murra-Purra, where water can be pumped from a river. Canpack also plans to work with farmers in communal areas served by the Mamina Dam, about 100 km from Chegutu (built with GTZ aid in 1991). One area of 216 ha (with 155 separate farms 1 1/2 ha in size) has been developed and two other areas totaling 195 ha have yet to be developed for bean production.

Canpac is very interested in getting outside assistance to develop these schemes, which they feel are advantageous to the area by providing income from wages as well as from the profit-sharing. While these schemes essentially take away management of the land from farmers, they are attractive because they provide steady income in a virtually risk-free way. Processing is in fact a more stable business than fresh exporting, which is subject to wide price fluctuations in export markets.

Canpac can not expand production as fast as they would like due to a shortage of investment capital. What is needed in the near term is funds to put up permanent sheds near the fields for grading, equipped with a radio and with vehicles (tractor/trailers), and cold storage facilities. Management would be willing to turn over management of field operations to farmers, after they require the necessary experience. We were asked to consider ways in which a USAID program could support the acquisition of this equipment.

#### 4. EU MASHONALAND EAST HORTICULTURAL PROJECT

The Mashonaland East Project is managed by ARDA and financed by the European Union. During project planning, several areas of communal farms were identified as having potential for horticulture because they were within a reasonable distance of Harare, had access to irrigation from shallow wells, and were located in an areas of fertile soils. Farmers in that area had not been involved in horticulture because they lacked practical skills in horticulture, had no knowledge on marketing of horticulture products, and had no transport available to move crops to markets.

The EU designed a project to overcome these constraints and get local farmers into production and marketing of high-value horticultural crops. Features of the project were:

- ◆ Several Horticultural Producers Associations (HPA) were organized to represent farmers in the area. These associations were then used to promote the project and to develop marketing skills on the part of members.
- ◆ A fleet of trucks was donated, with the understanding that the project would be responsible for maintenance and operating costs. Farmers pay a charge for each crate carried on the trucks, which covers vehicle operating costs plus contributes to overall project costs. It is hoped that this system will make the project self-sustaining at the conclusion of the project.
- ◆ Extension services were initially provided to farmers until AGRITEX extension agents could be trained to take over these functions.
- ◆ Collection centers were built in each village. These are simple sheds where farmers leave their produce while awaiting collection by project trucks.
- ◆ Two assembly markets were built. These are substantial buildings with cold stores. Produce is trucked to these assembly points from the collection centers, then transported on larger trucks to the Harare market.
- ◆ Training activities included leadership and financial training for elected officers of the HPAs, and practical training for farmers, such as crop spraying.
- ◆ Inputs, mainly fertilizer, were supplied to farmers on a cash sale basis, though the cost savings from bulk buying were passed on to farmers.

In a second phase of the project, grading and packing facilities were added to the assembly markets and salesmen were employed by the project to sell produce on behalf of the farmers in the Harare Farmers' Market.

The project is generally considered to be a success. Problems encountered include lower than expected prices for graded produce (no premium price for quality), and lack of loyalty by some farmers, who prefer to sell their own goods rather than rely on the project salesmen. An interesting spin-off of the project is that Selby Enterprises, a leading vegetable exporter, has contracted with the HPA to deliver fresh vegetables to its packhouse for export, using the project cold store as a collection point. Future plans include a loan guarantee scheme for group borrowing from AFC to enable purchase of better irrigation equipment, a sun-dried fruit and vegetable production and sales scheme, propagation of fruit trees for distribution to farmers, and development of an HPA-owned vegetable packing and export scheme.

## 5. GEVS FLOWER GROWING AND EXPORTING ENTERPRISE

We interviewed Mrs. Gladys Jaravaza, operator of a flower enterprise near Harare. GEVS is well known in the industry as one of the more successful black-owned horticultural exporters and is a member of the Flower Growers Association. Asters are Mrs. Jaravaza's main product, grown in plastic greenhouses covering 2 1/2 hectares. This is her third season of operation. She exports to the Dutch auctions through local Dutch agents (Produco), and also receives technical assistance from Holland, which she complains costs her too much -- 250 guilders (about US\$160) per half day. She is experimenting with colored asters and is considering going into roses.

Her problems are:

*Finance:* Bankers are not sensitive to her needs, interest rates she pays to the Zim Development Bank are too high (22%), and she claims there are too many intermediaries.

*Information:* "The big guys keep all the information to themselves". However, Zimtrade has been helpful. She made a study tour to Europe which they sponsored.

*Market diversification:* She would like to sell directly in Germany as a way to diversify and earn higher returns. However, she recognizes the risks of direct selling and the advantages of assured weekly payment from the auctions.

*Training:* She would like to see in-service training be offered to people she would employ in the greenhouses. She mentioned the courses offered by the Tobacco Institute as an example

Mrs. Jaravaza sees land as another constraint, believing that more black could get into flower exporting if land were available for them to buy.

## 6. MRS. MAVUDZI'S FARMING ENTERPRISE

In the area around the mining town of Shamva in Mashonaland Central Province, Mrs. Mavudzi has generated a lot of interest in horticultural crop production for export among small farmers on a nearby irrigation scheme. Mrs. Mavudzi, herself a medium-scale black farmer, leases land on a government-owned commercial farm along with three other black farmers. She has acquired considerable experience growing vegetables for export since beginning in 1992. This is an interesting example of a linkage between rural small-scale farmers and emerging medium-scale black farmers.

Mrs. Mavudzi and the irrigation scheme farmers had earlier formed linkages with some white commercial exporters, but these linkages broke down due the lack of transparency in the way the exporters arrived at a price to the grower. Because of what she considered "cheating" on the part of the exporter, plus payments which were delayed up to 60 days, she decided to go it alone. She has already made some shipments of baby corn and mange tout peas to Holland, the U.K. and Switzerland, and was able to use a packhouse at "Hopedale Farm" to prepare the shipments.



Mrs. Mavudzi is forming an exporting company called "Hortpack", which is in the process of being registered by the Registrar of Companies. She and the other four farmers leasing land, plus 25 communal farmers, would be the shareholders. The company hopes to lease a packhouse in Shamva and to sell in Harare as well as export.

#### 7. FUVA IRRIGATION SCHEME, NEAR ZAKA, MASVINGO PROVINCE

This project, supported by ARDA and GTZ, promotes horticulture production in the Fuva communal area of Zaka with water from the Siya Dam. There are four areas denoted A, B, C and D, which take water from a canal running from north to south and distribute it through a system of secondary canals. Each area has from 15 to 20 households organized into informal groups. Vegetables are grown mainly in the dry season from June to December when other areas cannot produce them, while the rest of the year the main crops are maize, rape, groundnuts, cabbage and tomatoes. An AGRITEX extension worker is assigned to the project full time. GTZ's role in the project was to finance the construction of canals, and to provide credit for purchase of inputs. They are not involved in marketing.

An ARDA official in Masvingo, Mr. C.M. Ngowe, Integrated Rural Development Program (IRDEP) Coordinator, was interviewed. He reports that the farmers have difficulty marketing their surplus production and have asked the agency for help. However, ARDA has no marketing specialists on their staff. As stated by Mr. Ngowe, the groups need technical assistance in postharvest handling and marketing, and financial support for purchase of transport and cold storage, and access to market information.

The AGRITEX District Agricultural Extension Officer (for Zaka District) was also interviewed and drove us to the scheme in his vehicle. A 20 km dirt road leads from Zaka to the Mukuze Business Center, and from there a dirt track leads to the irrigation scheme.

## **APPENDIX B**

### **PROPOSED FARMERS HORTICULTURAL MARKET INFORMATION SERVICE**

Information about the marketplace is critical for any profitable business. In horticulture, however, the need is even greater as conditions often change rapidly -- often on a day to day basis -- because of the seasonality of production and the perishable nature of the products. We feel that different types of market information services will be needed for the domestic and export markets.

#### **1. DOMESTIC MARKET**

Flowers are of little importance on the domestic market but there is an urgent need for a reliable market information service which is readily available to all growers of fruits and vegetables.

##### **1.1 City Wholesale Markets**

There are wholesale produce markets in the major cities of Zimbabwe but no reports of market prices are made public on a daily basis. Agritex already collect prices and it may well be that an HPC service could be integrated with this system.

We suggest that the system should start with the Harare and Bulawayo markets. Arrangements should be made for an Agritex or an HPC worker, with a knowledge of horticultural marketing, to visit each market early every morning. As far as possible the same worker should be used every day so he can build up relationships with traders and will get to know who will provide him with reliable data and who is best avoided. As there is no standard box weight or uniform grading standards in use on the domestic market the people collecting the data will have to work together to ensure that they collect prices for goods of similar quality and use the same units of weight. After visiting the market the officers should fax a simple report to the HPC in Harare. A typical example could be as follows:

##### 1/11/95 - Harare wholesale market

**Tomatoes** (Grade 1) - Z\$3 - 4 kg (Average Z\$ 3.75kg)  
(Grade 2) - Z\$2 - 3 kg  
Tomatoes in short supply

**Cabbage** (large) - Z\$ 0.60 each  
(small) - Z\$ 0.50 each

Market oversupplied. Stocks carried over for tomorrow.

**Oranges** - Z\$ 0.40 each  
Little fruit in market

**Mango** (large) - Z\$0. 80 each  
(small) - Z\$0. 30 each

Some fruit underripe but keen demand for these early season fruits.

On receipt of these reports the HPC will put together a consolidated report each day and make it available to interested growers. If possible the daily reports should be available by 9 AM each morning.

We suggest that the report should be sent to the media (TV, newspapers, radio stations) free of charge and they should be encouraged to publish it. Copies could also be faxed to interested agencies such as AGRITEX area offices and they should find ways to make the information available to growers in their regions. Experience in other countries has shown that many businesses where growers congregate (e.g. markets, input suppliers, bars etc.) are keen to display market bulletins on their notice boards if they are sent them. The final way in which we suggest the daily reports should be available to growers is via a recorded message that they can access by telephone. (More complex electronic methods of distribution could be considered in the future in the light of demand and the funds available).

We are confident that up to date information of this type will help growers plan their daily marketing and improve their negotiating position with trades (country merchants) who call at their farms to purchase goods for re-sale in the urban areas.

## 1.2 Sales to Processors

Zimbabwe has a large, well developed fruit and vegetable processing industry which is mainly in the hands of a few large companies. Raw materials for the factories are, however, supplied by a large number of farmers all of whom are relatively small compared to the processing companies. This imbalance can result in a risk of the processors using their buying power to the disadvantage of the farmers. In an effort to increase the negotiating power of the farmers we suggest that a processing suppliers price information service should be developed.

This could be done by setting up a group of farmers who are interested in sales to processors who would all agree to:-

- (a) Promptly advise the HPC of any contract offers they receive. Details required would include price, quality, payment terms, any special conditions and the processors name.
- (b) Not to enter into any contract without first consulting with the HPC officer responsible for this service.

During this consultation the HPC will be able to tell the farmer if the offer he has received is competitive and so avoid the farmers being picked off one by one through lack of knowledge of the market compared to their processor customers. In the long term this system could lead to farmers forming co-operative groups to negotiate with the processors from a stronger position.

### 1.3 Long Term Trends

From time to time we suggest that the HPC should produce a summary of its daily wholesale market price reports so that any trends in the market can be identified. This will help farmers to plan their crops to match the needs of the market by exploiting periods with higher prices, etc.

In addition we suggest that the HPC should prepare short reports and/or trade press articles on trends in the domestic market. Examples of the sort of thing we have in mind are:

- Trends in the type of tomatoes that Zimbabwe consumers are demanding (e.g. plum, large, round, cherry, etc.)
- The premium prices, if any, that can be achieved by grading potatoes on the farm.

## 2. EXPORT MARKETS

### 2.1 Prices in Export Markets

As most Zimbabwe cut flower, fruit and vegetable exports are made on a consignment basis, the market prices in the destination markets are of vital interest to shippers. We therefore suggest that HPC should establish a system to report to Zimbabwe farmers and exporters on daily market prices, and other trends, in Europe. As U.K. is the most important destination for produce exports, and Holland for flowers, we propose that the scheme should start with these two markets. In future however it could be expanded to cover other important trading partners worldwide.

There are several agencies which collect market prices in these countries:-

- Holland - Market News Service based in Switzerland (Part of ITC)
- VBN (Federation of Auctions)
  
- U.K. - Ministry of Agriculture
- Fresh Produce Journal

These are valuable sources of information but the prices are often up to a week old. In our experience the best approach is to arrange with a reputable trader in each market to provide the data by fax daily in return for a fee. Not only does this ensure an up-to-date service but also enables the information to be tailor-made for the needs of Zimbabwe.

An example of the sort of report that we feel you could expect to receive is:

12/10/95. London  
Weather - 14 C, Rain  
General Market Situation - Slow

Oranges: Zimbabwe 15kg x 72 - 800 - 900p  
Uruguay - 15kg x 113 - 600 - 750p  
R.S.A. - 15kg - 875 - 950p  
Brazil - 20kg x 144 - 600  
Argentina 18kg 850 - 900  
Spanish Satsumas at 600p for 10kg taking a big share of the citrus trade.

Chilies (Green): Holland (3kg) - 975p  
Kenya (2kg) - 600p  
U.K. (4lbs) - 450p  
Gambia (4lbs) - 500  
Zimbabwe (2kg) - 600p

Mange Tout: Zimbabwe (5lbs) - 600p  
Kenya (2kg) - 600p  
Guatemala (5lbs) - 680 - 700p  
Ecuador (5lbs) - 790p  
Zambia (5lbs) - 625p

Market oversupplied

Sugar Snap: Guatemala (5lbs) - 750 - 850p  
Uganda (2.5kg) - 600p  
No Zimbabwe produce seen

In addition to price information and general comments on the state of trade this source of information would provide news of any urgent developments such as the liquidation of an importer handling Zimbabwe goods or an industrial dispute causing delays at the airports.

Information on export markets is not of general interest so the Zimbabwe media would probably not handle it. Instead we suggest that it is sent by fax to the larger firms and be available on a telephone answering machine for any caller.

### 3. EXPORT MARKET DEVELOPMENTS AND TRENDS

We suggest that at regular intervals the HPC should produce information sheets and/or trade press articles on developments and trends in the export markets such as:

- New EU pesticide residue regulations.
- Changes in access to Eastern Europe markets.
- Trends in the colours of roses in demand.

We believe the HPC could best obtain the information for this from:

- Its contacts in the industry
- The English language trade press, e.g., Flora Culture International, The Packer  
The Fresh Produce Journal, The Flower Trades Journal, The Grower

#### 4. EXPORT PRODUCTION INFORMATION

At present farmers and exporters have only a limited knowledge of what is being grown for export each year. We suggest therefore that the HPC should conduct a confidential census of its members to obtain statistics of the number of hectares of export crops. This could be done in September for flowers, just before the main export season, and probably two times a year for vegetable growers - In the case of flowers the areas of the main varieties for each type, e.g. roses, would have to be collected. This data could be collected via a postal census. It would, of course, be vital to ensure that the details of individual grower is kept secret.

**APPENDIX C**  
**REVIEWS OF REFERENCE DOCUMENTS**

**(1) *Fresh Fruits and Vegetables: A Survey of the Netherlands and Other Major Markets in the EU.* C.B.I., Rotterdam, 1993.**

This booklet gives a valuable basic picture of the EU produce marketing system with special reference to Holland. A lot of interesting statistics are included. This data is now rather old.

**(2) *Agricultural Export Market Study, D.A.I., 1993, for USAID/Abidjan***

This report reviews the marketing situation, mainly in the EU, for a number of fresh fruits and vegetables on a product by product basis. Although the report was prepared to assist West African exporters much of the data is applicable to Zimbabwe. The statistics are dated but the general trends are still of value.

**(3) *Horticultural Strategy, Task P24, Zimbabwe Grain Marketing Reform Research Project, 1995***

This report gives an indepth review of the cut flower, fresh fruit and vegetable industries in Zimbabwe. Constraints and current structures are explained and a large number of interventions suggested. Although this report is only a few months old several recommendations are already out of date. Despite this the report makes a valuable contribution to planning horticultural developments in Zimbabwe.

**(4) *Zimbabwe's Cut Flower Industry: Development and Future Prospects, by A.J. Malter for World Bank, 1994***

This report covers the current situation of the cut flower industry. Its opportunities and problems are discussed in some depth. Long-term prospects are also identified. The report provides very valuable information and should be useful for a few years.

**(5) "Added Value, The Way Forward", *UK Fresh produce Journal, 8/9/95***

This trade press article on evaluates the progress of horticultural exports from Kenya. It provides an interesting comparison with Zimbabwe. The information will rapidly become out of date.

**(6) "Zimbabwe: The Sky's the Limit", *UK Fresh Produce Journal, 10/3/95***

This trade press article on horticulture in Zimbabwe deals mainly with the problems of air freight to Europe. It also contains interesting interviews on general marketing matters with leading exporters and importers. It will date rapidly.

**(7) *Financial and Marketing Strategies for African Exporters of Horticultural Products, Conference, Harare 1994. University of Ohio, USAID, et al***

The papers mainly covered the experiences of selected African nationals in developing horticultural exports to the E.U. The demands of importers in major produce markets are also covered. These papers provide some very valuable data which should be of use for several years as background material.

**(8) HPC & ZIMMAN (AED): Training - Volunteers in Overseas Co-operative Assistance 1993**

This report covers I.P.M. training and a survey of farms. It is very specialist on I.P.M. but certain sections are of general interest, mainly cut flowers. (Parts should be regarded as confidential where they deal with individual farmers). Already out of date in parts.

**(9) *Mashonaland East Fruit & Vegetable Project Evaluation*, for EU and ARDA by Huntings Technical Services Ltd. 1992**

This report reviews the projects achievements and further plans. It also contains a lot of general information on horticultural marketing, training and the effectiveness of AGRITEX.

The information is now rather dated as the project has progressed to a new phase.

**(10) *Zimbabwe: Achieving Shared Growth, Country Economic Memorandum* - World Bank 1995 (2 Volumes)**

This report gives a very good review of the general economy including agriculture. The opportunities and problems of small farmers and agro-industrial firms are considered in some depth. There is little specific data on horticulture. Most of this data will only be valid for a couple of years due to the rapid changes in the economy.

**(11) *Floricultural Products - A Survey of the Netherlands and Other Major Markets in the EU*, CBI, Rotterdam 1993**

This little book provides a useful guide to the EU flower, foliage and pot plant market. Useful statistics are also included but they are now rather old.

**(12) *Pre-investment Study for the Agro-industries in Zimbabwe*, for the Government of Zimbabwe and FAO, Price Waterhouse Agriculture 1994**

Only a small part of this report deals with horticultural producers. The large scale factories and small ventures are however covered in outline and some important points made. Since this report was produced there have been some merges in the industry but the general issues raised are still of value.

**(13) "Fruit and Vegetable Exports: New EC Quality Inspection Rules", by E. Sierra, *International Trade Forum Magazine*, 1994.**

This article deals with changes to the EU fruit and vegetable statutory grading regulations regarding inspections outside the EU. Phytosanitary and pesticide residue law is also reviewed briefly. This data should be of use for several years.

**(14) *Prospects for Fruit, Europe and Beyond: Markets, Legislation and GATT Implications*, Dr. S. Carter, FAO, 1995 (Presented to Citrus and Subtropical Fruit Growers Association, Harare)**

A very good review of the international market for fruits grown in Zimbabwe covering trade agreements, marketing chains etc. Prospects for a range of products are reviewed. This data will rapidly become out of date.



**(15) *An Investigation into the Viability of Setting up a Direct Marketing Network into Europe and Other Worldwide Markets for Exports of Fresh Cut Flowers from Zimbabwe*, S. Humphreys, University of Kent 1994.**

A useful review of flower production in Zimbabwe and worldwide marketing systems. Importer and customer quality demands are explained and possible changes in marketing considered. The general approach is rather academic but still of value. Although some statistics are already out of date the general principles will be of long-term interest.

**(16) *Third International Horticultural Exhibition and Seminar* , Harare International Conference Center 23 - 26 Feb, 1995**

Most papers are still relevant though they need updating as the industry changes along its fast growing progression. Some export markets grow faster than others, for example the cut flower market in Europe. Dr. S. Carter's paper is very comprehensive and serves as a good reference to Zimbabwe's horticultural industry in relation to world trade.

**(17) *Horticultural Export Marketing Study: Final Report Vol. 1*, ULG Consultants, for Ministry of Lands, Agriculture and Water Development, Sept. 1992**

Some of the information is out of date though the paper serves as a reflection of historic sequent. The question of forex is no longer a problem; export incentives are no longer a priority; the proposed Horticultural Promotions Board (HPB) concept has since been dropped and anywhere, it would have strongly been opposed by the Commercial Farmers; a healthy Horticultural Industry is better left to market forces, without Government interference. Government's role should only be to provide essential services rather than give directives to the industry. The report, however, correctly diagnosed the constraints of the industry as inadequate credit, transport facilities, local research, extension services and low level of packaging, processing as well as lack of market information and irrigation water. We feel that the emphasis on HPB was misplaced and would be detrimental to the development of the industry.

APPENDIX D

ZIMBABWEAN EXPORTERS OF FRESH PRODUCE

Agricultural Production Services  
P O Box CH295  
Chisipite Harara  
Contact : John Logan 475014

Chiparawa (Pvt) Ltd  
P O Box 45  
Marondera  
Mr Chris Kay  
Telephone Marondera 450022

Dona Producers  
P O Box 7  
Mhangura  
Zimbabwe  
Telephone (160) 52129 Telex 221432W

Enterprise Co-op  
P O Box HG9  
Highlands  
HARARE  
Telephone 499030/6 Telex 4014 ZW  
Contact : Mr Peter Lombard

FAVCO  
P O Box 1910  
HARARE  
Tel 786961 786962 786967 786968  
787133 786836 786854 787259  
Fax 787134  
Contact : Mr Gerry Van Tonder, Mr Gordon Burr

Hilbre Farm (Pvt) Ltd  
P O Box 78  
Darwendale  
Telephone Norton (162) 2536/7/8 or Darwendale 3242/3221  
Fax (162) 2689  
Mr Ian Gordon

Hortico Produce  
P O Box HG697 703838 (Town Office)  
Highlands Fax 708968  
HARARE Fax 174 503  
Telephone Arcturus (174) 382 Telex 260632W  
Contact : Mr J Perlman

Nanica Produce Market  
P O Box 3238  
Paulington  
MUTARE  
Tel (120) 64330  
Contact : Mr Neil Sharples

Mr H Nottoux  
Private Bag V7410  
Mutare  
Zimbabwe  
Telephone (120) 214193

(Passion Fruit)

Mazowe Valley Marketing  
P O Box 109  
Concession  
Zimbabwe  
Telephone Mr Frank Millar  
Telephone (175-8) 43822

Oceanic Fruits  
P O Box 5375  
Harare 68 Central Avenue (6th/7th Streets)  
Harare  
Tel Bill Collatt 738172 Fax 793454

Selby Enterprises  
P O Box A450  
Avondale  
HARARE  
Contact : Adam/Giles Selby 732833

Utopia Fresh Exports  
P O Box 66293 1st Floor West, 162 Harare Street  
Kopje  
Harare  
Tel: 750829 752675 Fax: 752675 Tlx: 26198/26707

Wholesale Fruiterers  
P O Box 1740  
Harare  
Zimbabwe  
Telephone 730661/4/5 24228 ZW FAX 730664  
Contact : Mr Babiolakis

**ZIMBABWEAN FLOWER EXPORTERS**

**Fl'Air**  
P O Box 6804  
Harare  
Contact : Jon Laphan 728653

**Flodac**  
6 Wainona Flats  
85 Baines Avenue  
Harare  
Contact : Tim Ford Telephone Harare 702851

**Flora Marketing (Pvt) Ltd**  
P O Box 892 Harare  
24 East Road, Avondale, Harare  
Contact : Edith de Robillard 737666 Fax 737668

**Marginpar Africa**  
P O Box 39  
Runiville  
HARARE  
Contact : Aart Nugteren 722850

**Produco (PVT)Ltd**  
Norgen House  
G. Silundika Ave.  
Harare  
Telephone 720810 739338 Fax 791994  
Contact : Keith Ball

**Savannah Exports**  
P O Box HG 221  
Highlands  
Physical address from 1.9.92  
53 Airport Road  
Hatfield (next door to Matombo Galleries, opposite the shops)  
Tel : 570046 570186 After hours : 46311 Fax 570786

**ViaFlor**  
St Michaels' House  
Samora Machel Avenue  
Harare  
Contact : Mr E de Bie Telephone Harare 708431

**Wingflora**  
P O Box A667  
Avondale  
HARARE  
Telephone 335360, 304536, 731703. Fax 731766. Mr Sharples

**DRIED FLOWER PRODUCERS**

**K Baywood  
P O Box 177  
KAROI  
Telephone (Karoi) 640215**

**J Meikle  
Mountain Home Farm  
P O Box 60  
Penhalonga  
Telephone (Penhalonga) 208**

**R J Rook  
Protea Valley  
P O Box HG244  
Highlands  
HARARE  
Telephone Ruwa 25382**

**P Sharples  
Wingflora  
P O Box A667  
Avondale  
HARARE  
Telephone 35360/304536**

**Zimbabwe Protea Association  
P O Box UA518  
Union Avenue  
Harara  
Mrs J Oliver  
Telephone (173) 25784**

Zimbabwe Protea Association  
P O Box UA 518  
Union Ave  
Harare  
Telephone 173-25784  
Contact : Joyce Oliver

Zimflora  
P O Box 3168  
Paulington  
MUTARE  
Contact : Conrad Archer (120) 63759

#### CONSULTANTS

ImpHort  
280 Herbert Chitepo Avenue  
Harare  
Contact : Steve Wornald, Lawrence Kirton  
Telephone Harare 738798/9 Fax 738796

Xylocopa Systems (Pvt) Ltd  
P O Box BW 1011  
Borrowdale  
Telephone/Fax 882094  
Mr Peter Wilkinson

#### GREENHOUSES

Greencon  
P O Box BW 597  
Borrowdale  
Contact : Julian Vant Telephone/Fax Harare 790327

Greenhouse Industries Africa  
P O Box HG 50  
Highlands  
Harare  
Telephone Harare 734741/793759  
Fax 737480 304782  
3 Kelvin Close (off Kelvin Road South)

**ROSE BREEDERS' AGENTS**

**KORDES**  
Cherry Wood  
P O Box 29  
Concession  
Telephone 175-6-23816/245

**MEILLAND**  
Doug Miller  
P O Box CH 109  
Chisipite  
Harare  
Telephone 475017

**SELECT ROSES**  
Jan Smitman  
P O Box 2464  
Harare  
Telephone 736691

**TANTAU**  
Shorty Tarr  
P O Box 1  
Concession  
Telephone 175-6-23824

**NIRP INTERNATIONAL**  
Bonnie Pascoe  
P O Box CH 246  
Chisipite  
Harare  
Telephone 174-275/25629

## APPENDIX E

### ARTICLE I- SCOPE OF WORK:

Attachment 1

### **Statement of Work Horticulture Sector Assessment and Analysis of Programming Options**

#### **A. Background**

Zimbabwe is poised for major growth in the horticulture industry, driven by market opportunities and led by private sector firms (large, medium, and small). Substantial increases have already been achieved in horticulture exports, and there appear to be significant opportunities for increased domestic market sales as well. Given the labor intensive and high value-added dimensions of horticulture production and sales, this agribusiness subsector carries high promise as a source of increased employment, income, enterprise creation, and foreign exchange earnings, i.e., a substantial contributor to future economic growth.

In addition, the horticulture industry, by the nature of its requirements for high quality production and sophisticated marketing in a highly competitive international marketplace, is likely to rely significantly on industry-wide cooperation (as well as healthy competition) among firms, including means to reduce overall costs via contract grower arrangements benefitting small producers. As the industry expands, forward and backward linkages with agro-processing firms and input suppliers will further stimulate growth and employment, and may be particularly beneficial to increased employment of women. Finally, expansion of the horticulture sector is expected to contribute positively to a Zimbabwe-specific national goal, which is the "indigenization" of the economy through the creation of new opportunities for ownership and investment by small, predominately black firms.

USAID has accumulated a wealth of experience worldwide in promoting horticulture sector growth. The lessons of this experience, as well as the research and analytical work already completed on the specific conditions of the horticulture sector in Zimbabwe, need to be applied by USAID as it pursues the design of a new Zimbabwe Agribusiness Activity. The new activity, should it prove feasible, is scheduled for start-up in FY 1996. The present exercise, as outlined below, is the key first step in the design of the intervention, intended to serve as a comprehensive source of information and recommendations on what the new activity should address (over a notional six year time frame).

The target beneficiary groups for the new USAID activity are small and medium enterprises (SMEs). A main purpose of the assessment is therefore to get answers on constraints in the



horticulture sector particularly as they affect the predominantly black-owned and operated SMEs, e.g, how SMEs can increase their direct access to domestic and export markets, how they can be linked in business relationships with larger companies where significant shares of income end up with the SMEs, how barriers to entry can be dealt with, industry-level product quality requirements which SMEs must meet to be welcomed as exporters, how the more dynamic "emerging" SMEs can be targeted for assistance, etc.

Overall, the new agribusiness activity will form part of USAID/Zimbabwe's larger economic growth strategy (Strategic Objective No. 2, "Broadened Investment and Ownership at All Levels of the Zimbabwean Economy").

## **B. Objectives, Definitions and Methodology**

The objectives of the work described in Section C., below, are to:

- o Conduct a rapid appraisal of the horticulture industry in Zimbabwe and the overall climate for horticulture-related business development;
- o Produce a Horticulture Sector Assessment and Programming Options Report, including a summary of constraints facing the sector and ways in which USAID could help address those constraints; and
- o Interact with members of the USAID/Zimbabwe staff as they begin to determine the outline of the contemplated Zimbabwe Agribusiness Activity.

For purposes of this assessment, the horticulture sector is defined as consisting of six product categories:

- o Fresh vegetables
- o Fresh fruit
- o Processed fruit and vegetables
- o Cut flowers
- o Spices, essential oils and herbs
- o Grapes and wine

A non-exhaustive list of individual products within each category is provided in Annex A. It is also noted that, while the Zimbabwe Agribusiness Activity would be limited to the horticulture industry, this does not mean that USAID will ignore other agribusiness-related development initiatives, affecting other industries such as cereal grains, oil seeds, dairy and livestock, other natural products, etc. As opportunities arise for initiatives in these areas, such as commercialization or privatization of parastatal enterprises, USAID expects to have resources in other projects to address them. On the other hand, the horticulture sector by

itself should command sufficient concentrated attention to justify a major new USAID initiative.

The methodology to be employed should consist of a mix of (a) reviews of relevant existing reports, assessments, economic data, and available sector-wide and company specific information and (b) interviews and discussions with industry representatives, business firms at all levels (large, medium, small), government offices and other support institutions, financial institutions (debt and equity), and donor organizations involved in horticulture sector development. The contractor's consultant team will interact frequently with USAID staff to help insure that all key appointments are made, questions answered, and feedback provided on work in progress.

Depth of analysis: A rapid appraisal of the horticulture sector is desired. Summary statements and indications of market prospects, supply constraints, government policies, facilitating institutions, etc., are needed, together with preliminary recommendations on the types and magnitude of USAID interventions via the proposed project. Detailed analysis will be pursued at a later date, once USAID determines that it should proceed with project design.

All activities which may eventually be supported by USAID/Zimbabwe will be consistent with U.S. law e.g. Bumpers Amendment and Section 547 of the FAA.

### C. Tasks

#### 1. Document Review

Very substantial work has already been performed focused on the Zimbabwean horticulture sector, its opportunities and its constraints. The contractor will review all of the documents listed in Annex B, plus other relevant documents which may be collected during the course of the work, and utilize these documents as warranted in producing its report. An annex to the report shall list all documents reviewed, with brief summary comments on their continued relevance and importance for the design and implementation of the contemplated activity.

In addition to Zimbabwe-specific documents, the contractor will review the other documents listed in Annex B which relate to USAID's worldwide experience in agribusiness promotion, and apply relevant lessons learned elsewhere to considerations of what may be most appropriate for Zimbabwe.

#### 2. Current and Projected Performance of the Horticulture Sector

Using available statistical information, as well as considerations based on results of Tasks 3, 4 and 5, the contractor will report on both current and projected performance of the horticulture sector in Zimbabwe in order to assess the magnitude of the sector's potential. The two parts of this task are to determine:

- The current importance (using 1994 data and showing previous year data and trends as available) of the horticulture sector in the Zimbabwean economy.

Data assembled should show both direct and indirect contributions to GNP, export earnings, employment and incomes, with indirect impacts to include forward (agro-processing) and backward (input supplier) linkages;

- The potential for growth in the horticulture sector, in volume and value terms, covering time horizons from 1995 through 2000 (five years) and 2005 (ten years), using the same direct and indirect impact indicators as above.

### 3. Demand Identification/Assessment

This task entails an examination of market prospects for each of the six horticulture product categories, including summary assessments of both domestic and export market demand.

- Domestic market demand - current and potential, based on consumer demand projections (price/income elasticities, other factors); and
- Export market demand - current and projected, including regional (Southern Africa) markets, European markets (broken down by country), and other international markets.

In assembling information on specific markets, detailed breakdowns of different products (individual vegetables, fruits, etc. -- see Annex A) within the six horticultural categories should be made as relevant based on current volumes and values and special potential in particular markets. The information provided should comment on, but not be limited to:

- size of the markets, including relative market shares by country of origin (degree of competition by country/region);
- market structure (marketing chains, number of players between producer/marketer in Zimbabwe and end buyers, ease of/barriers to entry to marketing channels);
- market requirements (price, quality, minimum quantities, environmental/health standards, other special market rules and regulations);
- import advantages/restrictions (tariffs, preferential treatment, quotas);
- seasonality factors (e.g., windows for imports of off-season fruits or vegetables);
- domination of market by large, medium or small producers; and
- special niche markets for small producers.

### 4. Supply Identification/Constraints

The contractor will assess the current and potential response of private Zimbabwean businesses to horticulture market opportunities. With information segregated as relevant by horticulture product categories, the assessment should include:

- identification of firms engaged in horticulture production, defined by size (large, medium, small, micro enterprises) in terms of their acreage, volumes, values, and shares of total production;
- existing and potential linkages between large/medium and small/micro firms through contract growing (outgrower) arrangements, and specific problems/constraints to expanded use of contract growing to meet production requirements;
- degrees of vertical or horizontal integration in the industry (direct and indirect linkage of production, processing, and/or marketing functions among firms); and
- a summary presentation of major supply-side constraints faced by Zimbabwean firms (large, medium, small, micro) engaged in production, processing, and/or marketing, including but not limited to:
  - access to land, water, and other on-site physical infrastructure;
  - transport issues (road, rail, airfreight);
  - access to production inputs;
  - technology requirements;
  - access to credit/equity finance/insurance;
  - management/workforce/other human resources; and
  - barriers to entry for new firms

##### 5. Government Policy and Facilitating Services/Institutions

The contractor will review the current business climate affecting increased investment in the horticulture sector, encompassing government policies and facilitating services (by both government and private institutions) in support of the sector.

- Government regulation and control: Summarize the appropriateness of current policies, including but not limited to:
  - foreign exchange controls;
  - foreign ownership rules;

- export incentives;
- import duties on raw material/industrial inputs;
- formalities to establish a business;
- tax regime; and
- price controls

Of these (or other) policies, the contractor will indicate which ones need special attention for further reform actions.

- Facilitating services: Summarize the role, functions and effectiveness of the government and private institutions charged with or able to serve the horticulture sector, including services entailing:
  - investment promotion;
  - export promotion;
  - export/domestic credit insurance;
  - finance (pre-/post-shipment credit, equity capital, etc.);
  - sector representation (associations/chambers);
  - education and research

Of these services, the contractor will indicate which ones need special attention for further development.

## 6. USAID Programming Options

The contractor will conduct a comprehensive review of the assessments assembled in the previous tasks and identify potential programming options for the Zimbabwe Agribusiness Project. The contractor should consider its recommendations based on specific problems and constraints faced by the horticulture sector in Zimbabwe, but reference should also be made to USAID's accumulated experience in similar projects and lessons learned elsewhere (see Annex B).

The recommended interventions should consider, but not be confined to, the following actions:

- Access to markets (export and domestic);
- Access to technology (production/processing/marketing);

- Access to finance (debt/equity/insurance);
- Policy/regulatory reforms;
- Institutional development (government and/or private); and
- Human capital development

The contractor will distinguish between interventions with short/medium term vs. long-term impacts, and how interventions may overlap and reinforce each other. Indications should be offered on where impacts will occur (direct and indirect beneficiary groups) and how they could be measured (employment, incomes, foreign exchange earnings, other), with special attention to impacts on small firms, women, and possible regional distribution within Zimbabwe.

The contractor will indicate the form which the recommended USAID interventions might take, i.e., a mix of technical assistance, training, commodities, and grants (including grants to for-profit firms and/or non-profit associations).

Other donors: The contractor will list all current or planned interventions by other donors in Zimbabwe that involve the horticulture sector. As relevant, comments should be made on how USAID should coordinate its proposed Zimbabwe Agribusiness Project with these other efforts. Special attention should be given to programs of the World Bank.

#### 7. Conclusions and Recommendations

The contractor will provide a brief summary of conclusions and recommendations derived from the overall work performed and will present this summary at the end of the report consistent with an Executive Summary, which the contractor will include as the first section of the report.

#### 8. Industry Profiles

The contractor will prepare an annex to the report presenting in narrative format, supported as needed by graphs, a series of six "industry profiles" corresponding to the six horticulture product categories. No more than 3-4 pages in length, each profile should briefly present, for each product category:

- the resource base and natural comparative advantages;
- industry structure and technology;
- marketing issues;
- opportunities and constraints; and
- industry-specific interventions recommended for USAID

The profiles will complement other information contained in the report and should also be the section where detailed analysis otherwise collected would be included.

#### **D. Level of Effort, Roles/Responsibilities and Reports**

The work is to be completed over a period of 4 weeks (5 weeks for the Team Leader), all work to be performed in Zimbabwe. A six-day work week is authorized with no premium pay. The contractor's consultant team will work closely with USAID staff in carrying out its assessment. The contractor will report to the Chief, Private Enterprise Division, USAID/Zimbabwe, who will provide overall guidance on the assignment and assure coordination with other USAID staff. All logistical support required by the consultant team while in Zimbabwe will be provided by the contractor.

The contractor will prepare and present to USAID a complete work plan no later than one week after arrival in Zimbabwe. USAID will provide additional guidance to the contractor based at that time and the work plan will be modified as needed to ensure that the assessment covers all needed information.

The contractor will present a draft report to USAID at the end of the third week. Following feedback from USAID, the consultant team will produce a final report prior to departure from country. The contractor will present fifteen (15) bound copies of the final report no later than three weeks thereafter.

#### **E. Consultant Team and Qualifications**

The contractor will assign a team of four professionals, two expatriates and two local experts for this task.

##### **1. Expatriate Experts**

###### **a. Agribusiness Expert (Team Leader) (30 person days)**

The team leader shall be a senior professional with a minimum of ten years working experience in agribusiness development preferably in Southern Africa. Demonstrated work experience that includes the following is required: agribusiness management, horticulture and agribusiness sector assessment, coordinating and directing team members to accomplish tasks in a timely and effective manner. Strong analytical and operational capabilities are also essential for this position. The team leader should possess a postgraduate degree in Agricultural Economics or a related discipline or a Masters in Business Administration with specialization in Agribusiness.

###### **b. Agri-Marketing Specialist (24 person days)**

The agri-marketing specialist shall have at least a post-graduate degree in Agricultural Marketing or Agricultural Economics with at least five years work experience in agricultural

marketing preferably in Southern Africa. Demonstrated work experience in horticulture marketing and possession of working knowledge of horticulture crops are highly desirable.

2. Zimbabwean Experts

a. Horticulturalist (24 person days)

The horticulturalist shall be a senior professional with a minimum of ten years working experience in the technical production and marketing of horticulture crops preferably in Zimbabwe. Experience with technical advisory services for smallholder horticulture enterprises is necessary. The horticulturalist shall possess at least a post-graduate degree, preferably a PhD in horticulture.

b. Agribusiness Specialist (24 person days)

The Agribusiness Specialist shall be a local consultant with considerable experience in one or two of the following fields of business management: finance, agribusiness management and marketing. Demonstrated work experience and exposure to private sector Agribusiness development issues particularly in the horticulture industry is preferable. Strong analytical capabilities are required for this position. This individual should have at least a post-graduate degree in business studies, business management, business finance, or a related field.



## ANNEX A

### Illustrative Products in the Six Horticulture Product Categories

1. Fresh Vegetables
  - potatoes
  - mange tout peas
  - tomato (cherry and table)
  - baby corn and baby carrot
  - onion, garlic
  
2. Fresh Fruit
  - mango, banana
  - passion fruit
  - kiwi, lychee, pears, peaches, apples
  
3. Processed Fruit and Vegetables
  - tinned beans, peas, etc.
  - apple juice
  - potatoes
  - dried fruits
  - tree nuts
  
4. Cut Flowers
  - carnations
  - roses
  - asters
  - chrysanthemum
  - field flowers, protea
  
5. Spices, Essential Oils and Herbs
  - paprika
  - chilli
  - herbs
  
6. Grapes and Wine
  - fresh fruit
  - wineries

Annex B  
Resource Documents

A. Zimbabwe-Specific Documents

- Ministry of Industry and Commerce, Pre-Investment Study for the Agro-Industries in Zimbabwe, Final Report, Price Waterhouse, January 1994
- USAID/Zimbabwe, ZIMMAN II Project, Horticulture Training Reports, Academy for Educational Development et al, 1993-1994
- ZimTrade, 3rd International Horticultural Exhibition and Seminar, Seminar Papers, Harare, February 1995
- Republic of Zimbabwe, Ministry of Lands, Agriculture and Water Development, Horticultural Export Marketing Study, Final Report, ULG Consultants Ltd, September 1992
- USAID/Zimbabwe, A Study on the Foreign Currency Needs of the Horticulture Agribusiness in Zimbabwe, DSS Consultancy Ltd, July 1991

B. Documents Relevant to USAID Worldwide Experience

- USAID Center for Development Information and Evaluation, Generating Broad-Based Growth Through Agribusiness Promotion, November 1994
- USAID/Africa Bureau and Ohio State University, Conference on Financial and Marketing Strategies for African Exporters of Horticultural Products, Conference Papers, Harare, Zimbabwe, July 1994
- USAID/Africa Bureau, A Strategic Framework for Promoting Agricultural Marketing and Agribusiness Development in Sub-Saharan Africa, January 1991
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**APPENDIX F  
LIST OF CONTACTS**

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