

INSTITUTE OF CURRENT WORLD AFFAIRS

Think (capitalist) and grow rich

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Dear Peter:

Alfred Chioza's greed got away from him. The Zambian businessman turned farmer planted 22 acres of burley tobacco. He expected huge profits in the new free-market agricultural economy, so he figured more acres meant more money. Maybe. But it also meant a tobacco glut of horror film proportions.

Now, at harvest time, the brown leaves are tied into clumps and not only packed into two huge thatch-roofed barns at his farm in Zambia's Eastern Province. Stacks of drying tobacco fill the tractor sheds, displace cars from the carport and rise to the rafters of his guest house. Inside Chioza's home, leaves hang from ceiling lights. Behind a little pass window opening onto the kitchen, densely packed tobacco ascends to the ceiling. Last year, Chioza was a wheeler-dealer selling imported South African goods at a 500 percent mark-up in the capital, Lusaka. This year, he lives in a newly built house in the countryside, where he is watching his tobacco harvest fill every available space. "I may be a farmer bearing an 'L' badge for 'learner' on my back, but I believe there is a lot of future in farming now," he said.

Chioza's change in attitude underscores a dramatic transformation of agriculture taking place in Zambia. For decades, many Zambians thought of farming as the demeaning and unremunerative toil of a peasant or as the unattainable economies of scale of huge, white-owned commercial farms. Agriculture was a pastime for retired civil servants. Now, young African white-collar professionals are trying their hand at tilling the soil. The lure of profit -- once a dirty word in Zambia -- is prompting many urbanized Zambians to reclaim their forefathers' livelihood.

When President Frederick Chiluba took office in November 1991 after winning 80 percent of the popular vote, he began dismantling the socialist policies and institutions created by former president Kenneth Kaunda, who ruled Zambia since its independence in 1964. The aim of this capitalist redesign, mandated by creditors like the World Bank, is to liberate market forces and limit government intervention in the economy. Private

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commercial farming is expected to become the "engine of growth."

It's a tall order. Today, as in colonial times, Zambia has an economy based upon a single commodity: copper. It provides 93 percent of the nation's foreign exchange. For decades, the copper mines pulled much of the population from villages into cities in search of work. As a result, Zambia has one of the highest urbanization rates in Africa, with six of every 10 people in a population of 8.2 million living in towns. Seeds, fertilizer, fuel and other inputs were heavily subsidized during Kaunda's rule but farmers could sell crops only to the state at fixed prices that rarely covered production costs. Instead of cash, often government paid in vouchers honored months later, if ever. Kaunda declared all land valueless and assumed ownership "in trust" for all Zambians. As white farmers left, state farms and cooperatives sprang up but then floundered from mismanagement. Large firms were nationalized and civil bureaucracy became the major source of jobs. By the time Chiluba and his Movement for Multi-party Democracy (MMD) took office, government corporations overstuffed with staff made up 80 percent of industry. Prejudice against rural life remained economically rational because few could make a living outside of towns.

Under Chiluba, however, it is subsidies and not profit that are routinely condemned in political speeches. In the 1991 elections, Chiluba won support of the business community in Zambia by promising tough economic reforms to promote private enterprise. In his inaugural speech, Chiluba told the nation: "Let nobody labor under the illusion that the progress we seek will be easily and speedily attained. The hour has come, we have seized it and now, to work!" Since taking office, the former trade union leader has introduced tough measures, like removing subsidies that kept staple foods affordable, quadrupling fuel prices, devaluing the currency by 500 percent and trimming more than 70,000 people from the government payroll. Despite the hardships, many Zambians expect to prosper under capitalism. Even die-hard socialists still loyal to Kaunda jump into new ventures.

Down the road from Chioza's tobacco fields is the farm of Ben Zulu, an incumbent politician of Kaunda's United National Independence Party. Zulu recently defeated Chioza, his nephew who supports the MMD, in the area's elections to become one of the few opposition members still in parliament. Zulu commutes to parliament sessions from his 1,650-acre farm, where he grows maize, soya beans, peanuts, sunflowers and, of course, tobacco.

"I will never go back to town," said Zulu as he fingered a leaf of a tobacco plant in delight. "This is where the money is. During my lost years, I was in politics without thinking. Politicians are good at making speeches but the reality is growing food. The future of Zambia lies in land, not mining. Copper is a finished asset. We must go back to the rural areas."

Despite his enthusiasm for making money, socialist-minded Zulu remains skeptical that capitalism will benefit rural people. He foresees cash crops displacing food crops, making peasant farmers vulnerable to famine if international prices plummet or drought strikes. The fear could be realized: Crops like tobacco, cotton, coffee and soya beans are far more lucrative, so many farmers are planting them instead of the traditional food crops, such as corn. One 90-kilogram bag of soya beans earns at least 60 percent more than the same amount of corn. An equivalent amount of tobacco is worth 15 bags of corn. In addition, without subsidies fertilizer is too expensive to use on crops that earn lower prices. And finally, leaving agriculture to "the invisible hand of the market" means many citizens may fail to sell their produce. Most of the district Zulu represents is hard to reach, so farmers formerly relied on the state to purchase and transport their harvests. Middlemen with private trucks scarcely exist and the condition of roads is appalling. Without government help, Zulu believes much of this year's corn harvest will be wasted because private truckers won't risk a broken axle to get to them.

But capitalism has proven versatile enough to solve these problems -- at least for some Zambians. Both Zulu and Chioza grow their tobacco through a scheme set up by a British-born entrepreneur, Graham Younger. They are among a group of about 1,700 small-scale farmers that received seedlings, fertilizer and technical advice from a joint venture between Younger's company, Kestral Investments, and the multinational corporation Casalee. At harvest time, a farmer is even given the string to tie his tobacco into bundles, which are then put into company sacks and picked up by company trucks. At a central depot, each farmer's tobacco is weighed and graded. A state arbitrator stands by to settle disputes. Once the price is fixed, the cost of the inputs is deducted and cash is paid out on the spot.

Liberalization of the marketing system has created a tremendous incentive for production. Said Younger: "Tobacco, until recently, was a pain in the ass to market. If the tobacco crop failed, you couldn't go to an old man and take his goats away. After taking the risk, if you did get a good crop, you had to sell to the National Tobacco Company at a low price. Now we've won that fight to export it ourselves at our prices. We have nothing to do with the state; anything to do with the state doesn't work." Growing for Kestral can be profitable. Each farmer plants an average of one acre of tobacco, yielding a net profit of \$80 to \$120 compared to the nation's typical labor wages of \$20 to \$50 a year. One farmer earned \$160, enough to buy and stock a small store. Another, a Mozambican refugee, bought two oxen and a cart with the \$360 he received. Figures like that make Kestral popular. At the start of the program, there were only 600 farmers. Next year, it could expand to 4,000 growers.

Kestral has room to enlarge because its farmers are peasants

cultivating small plots scattered across territory controlled by traditional chiefs: No new land needs to be cleared of bush. But if Zambia's agriculture is to take off, the nation's inaccessible expanse must be opened up. Only 6 percent of 60 million arable acres is cultivated. Chiluba's government is taking action, offering about 3.75 million acres of virgin land for private development along the rail line that stretches to Tanzania. The cost of preparing such land for viable farming, however, would be about a million dollars, according to Paddy Fleming, an agribusiness consultant. He said a better buy might be some of the neglected state farms, about 80 of which are being offered. On the auction block could soon be one million acres, much of that land once used for peasant resettlement. Already 300 potential land investors have inquired about what is available.

Also up for grabs are state-owned agricultural processing industries, which are among the 150 government enterprises that operate at a loss of about \$290 million annually. An ambitious privatization program will sell about 60 percent of them during the next five years. In January, 17 firms ranging from a tire dealer to a cannery were advertised as bargains. More than 170 bids were placed and negotiations are ongoing. Now on sale is a more significant group, including the National Milling Company and Dairy Produce Board. Many are ready-made monopolies.

The most controversial aspect of Chiluba's liberalization of agriculture is his open-door policy to foreigners wishing to establish farms. Foreign investors are attracted by incentives that include a flat tax rate of 15 percent on farm profits and 100 percent retention of foreign exchange export earnings. But the government treats some investors with caution. Hundreds of white South Africans have come to Zambia, fleeing political turbulence or drought. But only about 30 have been granted farms. "We are not going to have a mini-Boer republic in Zambia and that was their initial thrust," said Wina Kawana, Ministry of Lands permanent secretary. "They were coming in groups, caravans from South Africa. We cannot have them in their own communities, with their own schools and teaching their own language."

Other Zambians agree caution is needed to avoid domination by outsiders, but they also view foreign investors much like they do capitalism: as a promise of better times. Shadreck Nyendwa, a Kestral agricultural extension officer, works alongside a white South African and white Zimbabwean. He studied agriculture with a heavy dose of scientific socialism in East Germany, but today he talks like Adam Smith with a green thumb. "Foreign investment doesn't mean that we enslave ourselves," Nyendwa said. "True exploitation is when people who don't work want something for nothing. Making capitalist profits is a hard way, but it's a way of disciplining minds that no country is developed for free."

Sincerely,

