

**A History of Coffee Growing in Zambia: The Case of Kateshi and
Ngoli**

Estates in Kasama District, 1967 to 2012

By

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**A Dissertation Submitted to the University of Zambia in Partial
fulfilment of the requirements for the degree of Master of Arts in**

History

University of Zambia

Lusaka

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Declaration

I hereby declare that the dissertation represents my own work, and that it has not been previously submitted for a degree at this or any other University.

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Abstract

Kateshi and Ngoli Coffee Estates, the focus of this study, are located north of Kasama in the Northern Province of Zambia. The post-colonial Zambian government decided to develop rural areas through viable Agricultural Schemes of which the Coffee Company was one of the government rural industries. In this study Post-independence rural agricultural development was examined through the development of the Coffee Company under both government control and private ownership. The study looked at the development and the evolution of the company from the initial pilot schemes, to a government parastatal and finally to a privately owned entity.

The study has argued that like other rural industries, the Coffee Company had some limited degree of prosperity in the initial stages but turned out to be a moribund economic venture and finally folded up. This study discusses reasons that inhibited rural development through Rural Agricultural projects by reconstructing the history of the Coffee Company in Kasama. This study, therefore, focused on the history of the company, its performance and the social and economic impact it had on the local community.

What also comes out of this study is typical of similar unfortunate situations that Agricultural projects face in Africa. Under the management of the government, the Coffee Company could not survive due to serious managerial and financial problems. As a result of this, the original company failed to bring meaningful and sustainable development. Thereafter, the company changed hands and eventually passed into private investors who have made it viable to this day.

The study used a qualitative approach and made use of a wide variety of primary and secondary sources. Among the primary sources consulted included data from the National Archives of Zambia and UNIP Archives in addition to a wide collection of relevant secondary sources. These were complemented by interviews with relevant key informants.

The study concludes that the two Estates namely, Kateshi and Ngoli have the potential to produce high quality coffee and have an opportunity to spur economic development if properly organised. Local Out-Grower involvement in the production of coffee at the two Estates should be seen as a viable option for poverty alleviation among the rural populace of Zambia.

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I would also like to thank other lecturers of the History Department. They gave me valuable advice especially at proposal draft level. In particular, I greatly benefited from Professor B.J. Phiri's lectures in Historical Methodology and the Philosophy of History course, Dr Kalusa's and Professor Musambachime's lectures. These in turn shaped my analyses.

I am thankful to the staff at the National Archives of Zambia, University of Zambia Library, the Institute for Economic and Social Research (INESOR), the United National Independence Party (UNIP) Archives and Mount Makulu Library. Without their cooperation, it would have been impossible to find relevant material for this study. I am also grateful to the staff at Zambia Development Agency (ZDA) and Zambia Coffee Growers Association (ZCGA) for providing me with valuable information.

Special thanks also go to the Management of Olam Northern Coffee Corporation Limited for allowing me to interview its workers and to do research at their Company and to other numerous informants in Kateshi and Ngoli and the surrounding villages of the Estates who provided valuable information. Without them most of the information contained in this dissertation would not be present. I wish to acknowledge the Post-graduate classmates for their moral and academic support which saved me from many errors of judgement and gave me confidence and hope in my work.

I would also like to express my gratitude to my family members for their encouragement, prayers and support and who in no small way made my stay manageable and for appreciating my long periods of absence from them. I also thank all those who might have assisted in one way or another.

Dedication

I dedicate this dissertation to my Son Mwila Mukuka, whom I denied the love and parental care during the long period of this research and the entire MA programme hoping that he would be inspired and go beyond where I have reached.

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List of Abbreviations

APC.....	African Plantation Company
CBD	Coffee Berry Disease
CBZ.....	Coffee Board of Zambia
FAO.....	Food and Agricultural Organisation
GRZ.....	Government of the Republic of Zambia
Ha.....	Hectares
ICA.....	International Coffee Agreement
ICO.....	International Coffee Organisation
INDECO	Industrial Development Corporation
KCC	Kasama Coffee Company
MT.....	Metric Tonnes
NAZ	National Archives of Zambia
NCCL.....	Northern Coffee Corporation Limited
PAO.....	Provincial Agricultural Officer
PRDO	Provincial Rural Development Officer
RDC	Rural Development Corporation
RUCOM.....	Rural Community
ZCCL	Zambia Coffee Company Limited
ZCGA.....	Zambia Coffee Growers Association
ZDA	Zambia Development Agency
ZIMCO.....	Zambia Industrial Mining Corporation

CHAPTER ONE

Introduction and Historical Background

This study intended to reconstruct the history of coffee growing in Kasama district of Northern Province of Zambia, from 1967 to 2012. It explored the factors that led to the establishment of the coffee company, assessed its performance from inception and highlighted the challenges on its development. The study further investigated the social and economic impact coffee production had on the local people and the surrounding areas of Kateshi and Ngoli. The year 1967 was chosen as the starting point of investigation because that was when the coffee project was started and 2012 was taken as the terminal point of the study because that was the year when the Kasama Coffee Company that had been under receivership since 2008 was re-purchased by the new investor, Olam International Limited of Singapore.

The origins of Arabica coffee, which is the type commonly grown in Zambia, is believed to be the Ethiopian highlands. More genetically diverse strains of coffee Arabica exist in Ethiopia than anywhere else in the world, which has led botanists and scientists to agree that Ethiopia was the centre of origin, diversification and dissemination of the coffee plant.¹ It is believed that it was in Ethiopia where it was first cultivated by the Arabs from Yemen around 575 AD, before spreading to other parts of the world.² Over 80% of the coffee that has been cultivated over the past few centuries originated from just a handful of seeds obtained from Ethiopia. In the late 1690s, the Dutch took some coffee seedlings to Java,³ now the Republic of Indonesia. Coffee first became popular as a beverage in Mediterranean countries. Today it is cultivated throughout

¹ L. M Fernie, "Some Impressions of Coffee in Ethiopia", *Kenya Coffee*, No. 31, (1966), pp 115-119.

² Rene Coste, *Coffee: The Plant and the Product* (London: Macmillan Press LTD, 1992), P.250.

³ NAZ, Shelf no. 19 Box No. 25 Agriculture Miscellaneous, *Coffee Growing in Northern Rhodesia* by Tait, Ministry of African Agriculture Northern Rhodesia Bulletin 2190, Salisbury: Government Printers (no date).

the tropics, with Brazil producing about a third of the world's supply.⁴ Brazil's history with the coffee industry has been longstanding, beginning with the crop's entry in 1727 from French Guiana. Brazilian produced coffee penetrated the international coffee market in 1822 when Brazil gained independence from Portugal's colonial rule.⁵ Brazil has since developed into the largest coffee producing country in the world.

In Africa, two countries among the main producers of good quality coffee are Kenya and Tanzania, each making a significant contribution.⁶ In these two countries, as in Zambia, coffee is processed by the "wet" method, which involves the removal of the outer skin, fermentation and washing before the bean is sun dried whereas with the "dry" method used in countries such as Brazil, the berries are dried whole in the sun.

Most of coffee production has its roots in colonialism, during which missionaries or colonialists usually imported the seedlings. Coffee then became a "cash crop, planted and harvested by serfs and wage labourers on large plantations before the beans were exported to imperial countries".⁷ The growth of the United States of America's economy in the 1920s, led to the expansion of the market for coffee. Therefore, coffee became a major source of income for many countries in Central and South America, Africa and Southeast Asia where the environment was ideal for coffee trees.

As the countries in these regions gained independence, coffee production continued to expand. In the 1950's the market suffered from "stock piles, over production and the growing popularity of

⁴ K. Trewren, "Coffee Growing in Zambia. A Promising investment", in Farming in Zambia, Vol. 10, No.2, (May 1976), p.6.

⁵ K. Watson and M. Achinelli, "Context and Contingency: The Coffee Crisis for Conventional Small-Scale Coffee Farmers in Brazil" in The Geographical Journal, No. 174, (2008), P. 225.

⁶ "Coffee Estate geared to boost production", Zambia Daily Mail Monday, 1st June, 1981 and K. Trewren, "Coffee Growing in Zambia. A Promising investment", P.6.

⁷ D. James, "Justice and Java. Coffee in a Fair Trade Market", Report on the Americas, No. 2, (2000), P.11.

African Robusta varieties” which sent Arabica coffee prices into a rapid downward spiral.⁸ This crisis led to the signing of the International Coffee Agreement (ICA) in 1962 during the United Nations conference. The ICA was an attempt to “stabilise the global coffee market by imposing quotas and price controls on 99% of the world coffee market”.⁹ After the ICA fixed prices, the international coffee production and the market continued to expand, thus coffee production continued as a way of life for many.

Before 1789, coffee production in French colonies constituted almost the entire coffee supply of Europe. After that year, production gradually declined due to social and economic consequences of the French Revolution. Coffee growing was largely replaced by sugarcane. However, coffee production in the above colonies increased considerably between 1920 and 1940 as a result of supportive measures taken by the French government.¹⁰ The French historian Michelet described the advent of coffee as “the auspicious revolution of the times, the great event which created new customs and over modified human temperament.”¹¹

Certainly coffee lessened the intake of alcohol while the cafés provided a wonderful intellectual stew that ultimately spawned the French Revolution.¹² It may not be surprising that coffee has become the second largest traded commodity next to oil.¹³ Coffee has dominated and moulded the economies, politics and social structures of the entire countries. Revolutions have been planned and friendship cemented over this potent brew. In the Cote d’Ivoire, the first plantations date back to 1881, when the settlers first introduced coffee Liberica in Elima, after which it spread throughout the region. However, production did not develop until spontaneous and

⁸ I. Kamola, “The Global Coffee Economy and the Production of Genocide in Rwanda”, Third World Quarterly, No. 28, (2007), P.580.

⁹ Kamola, “The Global Coffee Economy and the Production of Genocide in Rwanda”, p.580.

¹⁰ Coste, Coffee: The Plant and the Product, P.250.

¹¹ Mark Pendergrast, Uncommon Grounds: The History of Coffee and how it transformed Our World (London: Texere, 2001), P.8.

¹² Pendergrast, Uncommon Grounds, p. 8.

¹³Pendergrast, Uncommon Grounds, P.XV.

imported varieties of Coffee Carephora were planted. Since 1963, the Cote d'Ivoire has remained as one of Africa's leading producers of Robusta coffee and was, in the 1970s, the third largest producer of the crop in the world after Brazil.¹⁴

In Central Africa, the first seedlings were imported into Nyasaland from the Edinburgh Botanic gardens by the Blantyre Mission in 1877.¹⁵ By 1901 coffee from Southern Mlanje Plateau was Nyasaland's principle export crop but later low prices and the effects of pests and diseases caused production to drop until it was negligible.¹⁶ Later in the century, coffee was imported into Southern Rhodesia and in the early years of the 20th century, into Northern Rhodesia.

Efforts were made to grow coffee in Northern Rhodesia from a very early date. The first serious attempt to grow coffee in this country was made by the British South Africa Company (hereafter, BSACO) who imported seed from Jamaica and planted a plot at Chilanga before the First World War. It was however found that the environment at Chilanga was completely unsuitable.¹⁷ The coffee was uprooted in 1923 but not before the seed had been collected and sent to Abercorn (now Mbala) in Northern Province.¹⁸ In 1923 about 12.1 Hectares (Ha) (30 acres) of coffee were planted out in the Abercorn District.¹⁹ Even though Northern Province did not attract many European settlers, a handful of white settlers endeavored to grow coffee and while missionaries were already engaged in attempts to introduce coffee production among the Mambwe and the Lungu of the area near Lake Tanganyika²⁰ in the North-East of the country just south of the

¹⁴ Coste, Coffee: The Plant and the Product, P.253.

¹⁵ NAZ, Shelf No. 19 Box No. 25, Agriculture Miscellaneous.

¹⁶ R. W. Kettlewell, "Agricultural Change in Nyasaland: 1945-1960", Reprinted from Food Research Institute Studies Vol. v, No. 3 (California: Food Research Institute, 1965), P. 235.

¹⁷ Trewren, "Coffee Growing in Zambia. A Promising investment", P. 6.

¹⁸ NAZ, Shelf No. 19 Box No. 25.

¹⁹ J. Mansfield, Summary Agronomic Research Findings in Northern Province, Zambia, Land Resource Division, Tolworth Tower, England Supplementary Report 7, 1973, P. 53.

²⁰ NAZ, B1/ 1/ 946, 1920-21, South-Tanganyika's Proposal Industrial Development.

Tanganyika border.²¹ Some 20 acres had by then been established. Initially, growth and development of coffee was promising and the first crop was well reported on in London and by the early 1930's European settlers were already experimenting with commercial coffee growing.²² Following favorable reports from London on the quality of the first crop such as "in our opinion this coffee is of such a character and quality that the production should be encouraged,"²³ settler interest was aroused because Abercorn district was already used to growing coffee which was widely consumed in this country and renowned for its good quality. It was known then as "Abercorn Coffee".²⁴ That was the coffee which was grown by expatriates on their free hold farms.²⁵

By 1933 an estimated 158 Ha (390 acres) were in production of which 69 Ha (170 acres) produced a crop averaging 247 kg/ha (220 lbs/ac).²⁶ By 1936-1937 approximately 238 acres were in bearing, yielding an average of 196 lbs. clean coffee per hectare.²⁷ Environmental disadvantages soon became apparent, and irrigation was recognised as essential for survival during the long dry season extending from the end of April to the end of October. Manuring, mulching and shading were also considered indispensable if any yields were to be obtained.

However, for various reasons, these early attempts at coffee production did not result in any viable or sustainable development of the sector. In 1938 the infant industry began to decline, a situation which was accelerated by infestations of White Stem Borer (*Anthores leuconotus*) and

²¹ Robin Palmer, "Land Allienation and Agricultural Conflict in Colonial Zambia" in Robert I Rotberg (ed) Colonialism and Hunger: East and Central Africa (Toronto: DC Heath and Company, 1983), P.93.

²² Webby S. Kalikiti, "The Northern Plateau of Northern Rhodesia and the Colonial Political Economy: The Case of Settler Ranchers 1896-1932", The Zambia Journal of History, Vol. 1, No. 9, pp19-20.

²³ NAZ, 817/COF/1 Report on Coffee from Northern Rhodesia, 1931.

²⁴ NAZ, 817/COF/1 Report on Coffee from Northern Rhodesia, 1931.

²⁵ NAZ, NP 3/13/3/ Location 6436 Agriculture 1957-1972.

²⁶ Mansfield, Summary Agronomic Research Findings in Northern Province, Zambia, P. 53.

²⁷ NAZ, Shelf No. 19 Box No. 25 Agriculture Miscellaneous.

adverse climatic conditions. Marketing problems further aggravated the situation.²⁸ This was because in the twenties and thirties the Abercorn farmers exported some of their coffee via Lake Tanganyika and Dar-es-salam to London, a method of marketing that involved many difficulties.²⁹ Furthermore, with the advent of the Second World War, the growers' problems became acute because there was no market for coffee and the industry finally collapsed.³⁰ Coffee production in the area therefore ended with the departure of the few Europeans who had settled in the area.

In 1952 the high prices paid for coffee in the southern Highlands of Tanganyika revived the interest of some farmers in the crop in the Nakonde area in Isoka District. It had also become necessary to find a cash crop to graft on to the African subsistence farming.³¹ Three factors in particular influenced the choice of Isoka district because (i) the area possesses good soils, (ii) was in close proximity to the Mbozi coffee growing area in Tanganyika Territory, just 40km (25 miles) away and (iii) the local population was also interested in growing the crop because coffee was already being grown successfully over the border.

In 1954, the Department of Agriculture opened an agricultural station at old Fife and a coffee nursery at Muli within the IKumbi area in Isoka.³² Although indigenous coffee growing was encouraged during the 1950s, an individual was not allowed to grow more than fifty trees.³³ This

²⁸ NAZ, MAG 2/17/111 Coffee in General.

²⁹ R. Harkema, "Zambia's Emerging Coffee and Tea Production", in Zambia Geographical Association Magazine, No. 17 (1972), P. 25.

³⁰ Harkema, "Zambia's Emerging Coffee and Tea Production", p. 25.

³¹ Trewren, "Coffee Growing in Zambia. A Promising investment", P. 6.

³² Sontwa Sinkala, "Spatial Diffusions Pattern in the Results of SIDA Supported Integrated Rural Development Program (IRDP) Activities in Ikumbi Project Area of Isoka District", MA Dissertation, University of Zambia, (1983), P. 54.

³³ Sinkala, "Spatial Diffusions Pattern in the Results of SIDA Supported Integrated Rural Development Program (IRDP) Activities in Ikumbi Project Area of Isoka District", p.56.

idea probably came from neighbouring Tanganyika where at first Europeans were completely opposed to Africans growing coffee. It was argued by Europeans that Africans were not capable of looking after the crop and that this would lead to disease outbreaks which could spread to their farms too. It can also be argued that Europeans feared for their own labour supply, as if Africans grew their crops for sale, they would not need to work on European's farms to obtain cash for tax and consumption purposes. Nevertheless, despite the above noted official encouragement, development of coffee growing among Northern Rhodesian Africans of Isoka district was very slow. Their production totaled 35 cwt of parchment and this was obtained from about 26 acres of young un-irrigated coffee. In 1960 there were about 100 local coffee growers but in 1962 only 27 were able to produce coffee for sale.³⁴

Coffee from Ikumbi was sold on the Tanganyika auction floors, specifically through the Tanganyika Board in Moshi. Yet, this proved unsatisfactory given that farmers did not receive payment until some two years later. Marketing through Tanganyika also proved problematic presumably because the Zambian crop tended to get lost and overlooked on the sales floors.³⁵ For example, payment for the 1965 crop was only sorted out in 1967 after intervention of a three man team from Kasama.³⁶ Delays in payment for the crop were variously attributed to incorrect labelling, late dispatch from Ikumbi and the different seasons for picking coffee in the two countries. Marketing problems discouraged coffee farmers in the Ikumbi area.³⁷ Additionally, farmers were also unfamiliar with the coffee crop resulting in low standards of management and low yields per acre while the long periods between planting and harvesting watered down local interest in coffee production.

³⁴ Harkema, "Zambia's Emerging Coffee and Tea Production", p. 26.

³⁵ NAZ, MAG 2/17/111 Location 205, Coffee.

³⁶ F. L. Cockcroft, A Policy for Coffee (Lusaka: Ministry of Agriculture, 1967), P.4

³⁷ Harkema, "Zambia's Emerging Coffee and Tea Production", p. 24.

Meanwhile, experiments by the Department of Agriculture continued following the Legislative Council of 1961 proposals to grow tea and coffee in the Northern part of Zambia.³⁸ In the sixties, trials with coffee were carried out on several research stations in Northern, North Western and Luapula provinces under the following districts; Mpika, Kasama, Mbala, Kawambwa, Solwezi and Mwinilunga. Experiments demonstrated that a good crop of coffee could be produced in Zambia, provided that sufficient water was available and good husbandry practices were applied.³⁹

Following the encouraging results obtained on the various research stations, it was decided that Zambia should extend its coffee industry. In March 1965 a Mission of the Commonwealth Development Corporation (CDC) visited the country to make a feasibility study and to prepare a plan for future coffee production.⁴⁰ The Mission recommended the development of up to five pilot schemes at Kawambwa, Solwezi, Mwinilunga, Nakonde and Mbala each with 240 hectares (600 acres) of irrigated coffee of which 80 hectares (40 acres) would be developed as a small holder's scheme nearby.⁴¹

Unfortunately, none of these places were selected to start the first coffee project. Instead Ngoli some 56km north of Kasama on the Kasama-Mbala Road was selected, an area on which a report was written by the Provincial Agricultural Officer in 1966.⁴² All the areas surveyed by the CDC Mission had certain advantages and disadvantages and it is extremely difficult to give weight to the various locational factors involved. It may well be that within this pattern of alternatives, socio-political factors had been decisive in the location of the project. People in the Ngoli area

³⁸ Northern Rhodesia, First Session of the Twelfth Legislation Council: no.106e, 22nd Jan, 1963 col. Pp 275-6.

³⁹ Harkema, "Zambia's Emerging Coffee and Tea Production", p. 26.

⁴⁰ Harkema, "Zambia's Emerging Coffee and Tea Production", p. 26.

⁴¹ Harkema, "Zambia's Emerging Coffee and Tea Production", p. 26.

⁴² Harkema, "Zambia's Emerging Coffee and Tea Production", p. 26.

were prior to the ultimate decision informed that they would get the opportunity to grow coffee. Location of the project elsewhere could have led to discontent in the Ngoli area.⁴³ In contrast no advance publicity was given in other parts of Zambia. At this time the Ngoli Estate was being brought into production by the Projects Division of the Ministry of Rural Development.

The establishment of rural agricultural schemes such as Ngoli was a consequence of the growing realisation that in colonial days the rate of development in Zambia had not been equal in all areas of the country. It also came after the advice from a joint UN/ECA/FAO Mission headed by Dudley Seers, which advocated rapid modernisation of Zambian agriculture as an aid to the diversification of the economy away from copper.⁴⁴ The post-independence Zambian government therefore, embarked upon the task of developing rural areas so as to reduce the imbalance that existed between the rural and urban areas. Besides, the government intended to use rural development to discourage the rural-urban migration and also the need to diversify the country's economy. Other such schemes were the Kawambwa Tea Estate, Mununshi Banana Scheme and the Nakambala Sugar Estate that were established in other parts of the country.⁴⁵

Apart from retracing the history of coffee growing in the Northern Province, this study attempted to assess the impact this modern agricultural enterprise has had on the local people, the community and the environment. This was done by taking a critical look at the social and economic changes that had occurred in areas of coffee production as well as the environmental changes that were engendered by the development of coffee plantations.

⁴³ Cockcroft, *A Policy for Coffee*, P. 2.

⁴⁴S. M Makings, *Agricultural Change in Northern Rhodesia/ Zambia 1945-1965* (Stanford: Stanford University, 1966), P.238.

⁴⁵ A. Kwaku Osato and Adrian Mugwagwa, "Water Resources Development and Irrigation", in Adrian P. Wood, et al (ed) *The Dynamics of Agricultural Policy and Reform in Zambia* (Ames: Iowa State University, 1990), P.130.

GEOGRAPHY AND SITE OF THE AREA OF STUDY

Kateshi Estate is situated in the Northern Province of Zambia. It is located about twenty six kilometres north of Kasama on the Kasama-Mbala Road,⁴⁶ and about nine hundred kilometres from Lusaka the capital city of Zambia. It covers 2 062 hectares of moderately good lands of which 1 716 hectares are particularly suited for coffee production with irrigation. The approximate location is 10° 1' south and 31° 15' East. The altitude of the area ranges between 1 300 metres and 1 400 metres above sea level. It is bounded by three rivers, Lukupa, Kafika and Lukoso-Likalamba. To the East, the Estate is bounded by the Kasama-Mbala Road. To the North, it is bounded by a cut line which starts from Kasama-Mbala Road approximately 1.7km north from the access road to the scheme running approximately west of the Lukupa River. Lukupa River forms the boundary to the West while the Lukoso-Likalamba stream and the cutline that extends from its source to the Kasama-Mbala Road forms the Southern boundary. The Estate is well provided with water from Lukupa River and the entire area drains towards the Lukupa River and is now being re-located close to the Kasama-Mbala Road. With easy access to the rail-link and with its favorable conditions, the area is well suited to coffee growing as well as other agricultural activities.⁴⁷

Ngoli is 56 Kilometres North of Kasama also on the Kasama-Mbala road and covers Five Hundred and Forty hectares (540 Ha).⁴⁸ The area has plenty of water throughout the dry season. The altitude is 4, 700 feet approximately. The approximate location is 10° 46' South and 31° 13' East. The land falls from the Hills-main road alignment draining this high area off eastwards to the Chambeshi River. The area lies in the top of this drainage system and is dissected by the

⁴⁶J. A. Slordal, Detailed Soil Survey of Kateshi Rucom Coffee Estate, Northern Province (Department of Agriculture, 1978), P. 4.

⁴⁷Slordal, Detailed Soil Survey of Kateshi Rucom Coffee Estate, Northern Province, P.4.

⁴⁸ Osofa and Mugwagwa, "Water Resources Development and Irrigation", P.131.

Kafulukutu, Chifunama and Chilunga streams.⁴⁹ Ngoli Estate is surrounded by Kabulukutu River to the North West, Chamfubu to the North East, Mpando to the South East and Chilunga to the South West. There is a dam across the Chifunama stream with a furrow 3.86 M³/s leading into the area and a second furrow takes off lower down after this stream joins the Kafulukutu.⁵⁰

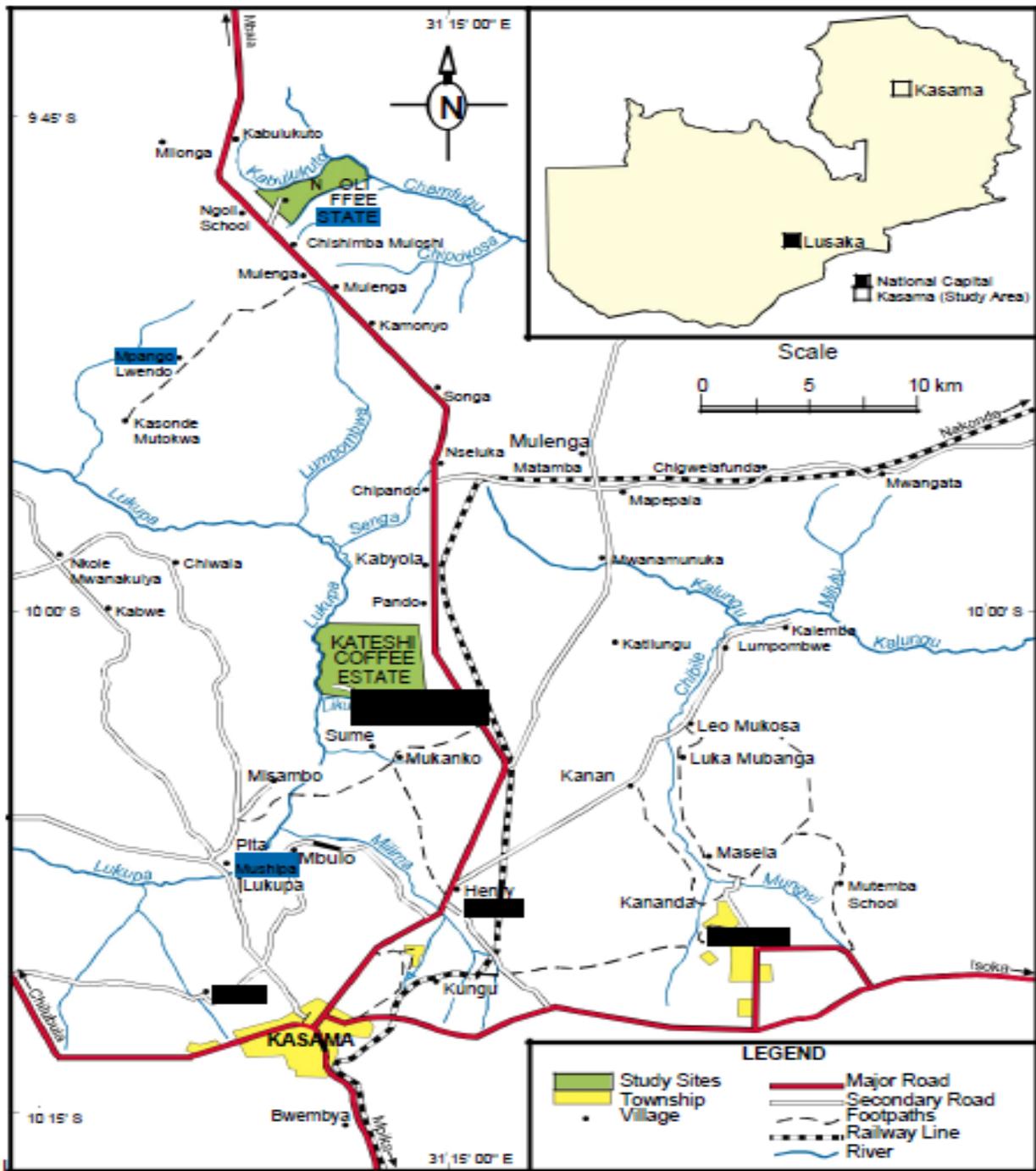
The Kabulukutu River has a catchment area of 250km² giving maximum yield of 1 cubic metre per second (M³/S) and minimum of 0.8 cubic metres per second (M³/S) of good irrigation water of PH value 6.7. It feeds into a canal which runs unlined for 6km to the uphill side of the Estate from where it is pumped down hills from the pumping station into a drip irrigation system.⁵¹

⁴⁹ James Doyle, Ngoli Coffee Scheme, (Lusaka: Land Use Development Ltd, 1968), P.1.

⁵⁰ Doyle, Ngoli Coffee Scheme, P.1.

⁵¹ Doyle, Ngoli Coffee Scheme, P.1.

Location of Kateshi and Ngoli Estates



Source: Slordal, *Detailed survey of Kateshi Rucom Estates, Northern Province, P.4*, and the **Base map:** Surveyor-General Lusaka, SC-36-9 Kasama 1:250,000.

STATEMENT OF THE PROBLEM

The Coffee Company in Kasama as a rural economic enterprise was similar to other rural industries that grew out of substantial interest and quest by the post-independence government to mitigate the effects of the lopsided economy which it inherited from the colonial government. However, Government-directed rural development through agricultural schemes, despite showing much potential in terms of economic growth in the early stage, turned out to be moribund economic ventures which all later folded up. It is therefore important to understand the reasons behind those failures.

Though it was one of the government driven rural development schemes, the Coffee Company in Kasama has never attracted any historical scholarly attention despite its being the major pioneer Coffee Company in Zambia with a lot of potential in attempts to diversify from the copper based economy and its promise to contribute to the improvement of social and economic well-being of local inhabitants. The consequence of such neglect has been that the social and economic impact the coffee company has had on the local people and the environment has never been fully investigated. It is in this regard that the study endeavors to find out the reasons that inhibited rural development through rural agricultural projects by reconstructing the history of the Coffee Company in Kasama.

This study therefore, will focus on the history of the Coffee Company, its performance and the social and economic impact it has had on the local people and the surrounding areas of Kateshi and Ngoli.

OBJECTIVES OF THE STUDY

The objectives of the study are:

1. To reconstruct the history of coffee growing in the Northern Province of Zambia.
2. To examine the opportunities and challenges faced by the coffee producers at Kateshi and Ngoli from 1967 to 2012.
3. To assess the social, economic and environmental impact of coffee production at Kateshi and Ngoli.

RATIONALE

A number of studies provide glimpses on coffee growing in Kasama and elsewhere in Northern Province, but have not taken into account or analysed the performance and challenges faced by coffee growers or the social, economic and environmental impact coffee production has had on the local community and environment.

This study therefore is firstly, intended as a contribution to the existing literature on the history of rural development projects. Secondly, it is hoped that the study will stimulate further historical research on coffee production and other similar agricultural enterprises in Zambia.

LITERATURE REVIEW

Agriculture in Zambia is one of the priority sectors that contribute to economic growth and poverty reduction. Several scholars have written on the role of agriculture and rural agricultural projects in the building of Zambia's national economy. Available records indicate that coffee growing has a long history especially in the Northern Province of Zambia. However, there is very little, especially of historical nature that has been written on coffee in the country or on companies that were involved in its production. This has created a gap in literature with regards

to the significance of this cash crop and the Coffee Company in Kasama, the main vehicle through which coffee production in the country was anchored.

D'haeza and others' research offers an in-depth perspective on the impact of coffee production on the Dak Gan region of Vietnam. The case study shows that the reasons for the rapid expansion of coffee production in the region were because of the resettlement of the region as a result of a few wealthy coffee farmers who became larger scale producers in Vietnam, allowing the country to become the second most important coffee producers and forcing the indigenous to the fringes of society.⁵² Other reasons were because of the liberalisation and development of a free market economy and also the opportunity of legal land ownership.⁵³ The article highlights the impact of coffee production on the region's economy and the subsequent decline in sustainable production of coffee in the region.⁵⁴ This paper was an ideal case study of the direct and long term effects coffee production could have on a specific region of the world. This work is important to the current study in that its findings will help in an attempt to appreciate the history of coffee production in Northern Province and the impact this has had on the local community and environment.

Watson and Achinelli explore the effects of globalisation and liberalisation of the coffee market on small-scale coffee farmers in Brazil. The article shows how the changes in the coffee market have forced the farmers to expand their production, which causes soil degradation therefore throwing the farmers into a cycle of unsustainable practices.⁵⁵ They also show how the reactions

⁵² D. D'haeze, et al, "Environmental and Socio-economic Impacts of Institutional Reforms on the Agricultural Sector of Vietnam Land Suitability Assessment for Robusta Coffee in the Dak Gan Region", Agriculture, Ecosystems and Environment, 105, (2005), P.60.

⁵³D'haeza, et al, "Environmental and Socio-economic Impacts of Institutional Reforms on the Agricultural Sector of Vietnam Land Suitability Assessment for Robusta Coffee in the Dak Gan Region", P.74

⁵⁴ D'haeze et al, "Environmental and Socio-economic Impacts of Institutional Reforms on the Agricultural Sector of Vietnam Land Suitability Assessment for Robusta coffee in the Dak Gan Region", p.76.

⁵⁵Watson and Achinelli, "Context and Contingency: The Coffee Crisis for Conventional Small-scale Coffee Farmers in Brazil", Pp223-234.

and effects of small-scale farmers are engrained into their livelihoods and ability to provide for themselves and their families. This article provided for our study both a historical context and a basis for an appreciation of the kinds of impact coffee production could have on local communities' livelihoods.

Kamola argues that the Rwandan genocide was caused by ethnic conflicts but also shows that another cause of violence was economic mainly rooted in the coffee economy. The article gives a historical account from colonialism to the genocide, showing how the rise and fall of international coffee prices gave power to a few and caused political and class instability.⁵⁶ This information provided our study with a unique and perhaps extreme account on how the production of coffee can greatly affect a nation's stability.

Mark Pendergrast has written on the history of coffee and how it transformed the world. He has demonstrated that coffee growing popularity complemented and sustained the industrial revolution.⁵⁷ He further shows that coffee is the second most valuable exported legal commodity on earth after oil.⁵⁸ From its original African home, coffee propagation has spread in a girdle around the globe, taking over whole plains and mountainsides between the tropics of Cancer and Capricorn and that it provides a livelihood for over 20 million human beings. Pendergrast's work is of use to this study through its contribution to a better understanding of the history and importance of coffee in the world.

⁵⁶Kamola, "The Global Coffee Economy and the Production of Genocide in Rwanda", Pp.571-592.

⁵⁷ Pendergrast, Uncommon Grounds, P. 15.

⁵⁸ Pendergrast, Uncommon Grounds, P. XV.

Yona Ngalaba Seleti who has written on the Coffee Industry in Angola has demonstrated how coffee played an important role in the economy of Angola.⁵⁹ He has noted that although coffee has always been important to the economy of Angola, historians have paid little attention to the development of the coffee industry even after the potential of coffee as a viable commercial crop was established.⁶⁰ He has tried to answer how and why coffee became the major capitalist export commodity for Northern Angola in the 19th Century and how the Angolan government attempted to encourage Angolan coffee production. This work was significant to this study in that it provided information on coffee production and the role played by the government in establishing the potential of coffee as a viable commercial crop. Seleti's study may also be helpful in assessing the role the colonial and post-colonial governments could have played in ensuring the potentialities of coffee as a viable crop in Zambia.

Crawford's work was vital to this work because he has highlighted the potential contribution of agriculture towards attempts to improve rural incomes in developing countries. He has noted that the inequality of incomes between the urban and rural areas drew people away from agricultural production to search for work in towns. This development resulted in urban unemployment forcing government to look at rural development as a strategy that could help in reversing labour migration from rural to urban areas. He further argues that the process however, contributed to economic distortion that resulted from heavy subsidies and capital investment that never generated profits to retain people within rural areas.⁶¹ This work was beneficial to this study in that it established the relationship between agriculture and rural poverty reduction, one of the

⁵⁹ Yona Ngalaba Seleti, "The Coffee Industry of Angola in the Nineteenth Century", MA Dissertation, (1982), University of Zambia, P. xiii.

⁶⁰ Seleti, "The Coffee Industry of Angola in the Nineteenth Century", MA Dissertation, (1982), University of Zambia, P. xiii.

⁶¹ I. M. Crawford, Agricultural and Food Marketing Management (Rome: Food Agricultural Organization of United Nations, 1977), Pp. 2-3.

reasons why the Coffee Company was set up but also drew attention to the potential for failure of government led agricultural enterprises, an aspect that this study addresses.

The above argument is shared by Michael Lipton who noted that Third World countries made efforts to develop rural areas as a way to discourage rural people from migrating to towns. He argues that rural people migrated to urban areas because of poverty. As more people migrated into towns, towns got over populated and the available social amenities and jobs that were at first readily available could not meet the demands of the large population and as a result urban poverty was created. It was for that reason that the governments of third world countries thought of developing rural areas to end the situation.⁶²

The same argument has been emphasised by Bwalya Sunday Ng'andu who points out that the economic stagnation of rural areas caused the rural- urban drift. People left the rural areas in search of employment opportunities and improved social services. To reverse the trend, the government decided to set up enterprises such as agricultural schemes in rural areas.⁶³ This was a valuable source to this study because this work gave a historical background for the establishment of agricultural schemes in rural areas and was helpful in understanding why the Coffee Company in Kasama was established.

Baldwin who assessed the social and economic problems of the Mokwa agricultural settlement Scheme in Nigeria noted that it was opened in 1949 and closed in 1954 due to lack of appreciation of factors such as fundamental data on soil, suitable crop and needs of people in the initial tages and inadequate planning.⁶⁴ The work was relevant because some of the issues that

⁶²Micheal Lipton "Why Poor People stay Poor" in John Harries (Ed) Rural Development: Theories of Peasant Economy and Agrarian Change (London: Hutchinson University Library for Africa, 1986), P.74.

⁶³Sunday Bwalya Ng'andu, "Constraints on the Development of Mungwi Agricultural Settlement Scheme in the Northern Province of Zambia, 1957-1991", MA Dissertation, University of Zambia, (1998), P.49.

⁶⁴ K. D. S. Baldwin, The Niger Agricultural Project (Oxford: Blackwell, 1995), P.183.

led to the failure of government directed rural agricultural project have been brought out which may explain why the Coffee Company in Kasama failed as a government project in the early 1990's.

Other scholars consider the establishment of rural development projects to have been politically motivated. Among these scholars are Kate Crehan and Achim Von Oppen who argue that establishment of rural development projects was embarked upon to frustrate efforts by nationalists movements to mobilise fellow Africans for the struggle for independence.⁶⁵ Jeremy Gould also considers political motives in the establishment of rural development projects and argues that the colonial government set up the Intensive Rural Development Schemes in Luapula in order to prevent Africans from going to towns and to frustrate nationalist movements' mobilisation. He argues that the government wanted to develop rural areas so that Africans could remain in their villages making it difficult for nationalist movements to mobilise them for the struggle for independence.⁶⁶

Henrietta Moore and Megan Vaughan's work was a valuable source of information to the study because it provided insights into the genesis and dynamics of post-colonial rural development Schemes by showing how rural development projects were politically motivated.⁶⁷ They have also demonstrated that some officials in the colonial government wanted rural areas to be developed with the view of preventing pressure and political unrest likely to be caused by the influence of nationalist movements.⁶⁸

⁶⁵Kate Crehan and Akim Von Oppen, "Understanding of Development, an area of Struggle: The Making of Development in North-Western Province", in Kate Creham and Achim Von Oppen (Eds.) Planners and History: Negotiating Development in Rural Zambia (Lusaka: Multimedia Publications, 1994), P.263.

⁶⁶Jeremy Gould, Luapula: Dependence or Development (Finland: Zambia Geographical Association, 1989), pp 144-145.

⁶⁷ Moore and Vaughan, Cutting Down Trees, P. 110

⁶⁸. Moore and Vaughan, Cutting Down Trees, P. 110

Robert Bates also considers attempts at rural development to have been politically motivated arguing that the United Independence Party (UNIP) Government decided to undertake rural development programmes in various parts of Zambia in particular in the Northern, Luapula, Western, Eastern and North Western provinces, to frustrate disappointed and annoyed politicians' support especially from their home provinces. He cited examples of politicians from Western and Eastern provinces who were dismissed from the cabinet in 1966 and defeated for the post of Vice President of UNIP by a Northerner in 1967 respectively, a move which led to discontent among politicians from the two provinces. Furthermore, politicians from Luapula and North Western provinces did not win any influential positions in the 1967 General Congress in the Central Committee of UNIP and that made them complain bitterly.⁶⁹ The above works were significant to the current study because they showed how politics influenced the policy of agricultural development in rural areas.

Henry Meebelo on the other hand does not see the role of politics in the implementation of rural development programmes in Zambia. He argues that rural development in Zambia was a way of implementing the country's philosophy of Humanism which called for equal distribution of the country's wealth between the rural and urban areas.⁷⁰

A. Kwaku Osafu and Adrian Mugwagwa give an outline of major irrigation projects of which Zambia Coffee Company was one of them stating that this parastatal had two Coffee Estates in the Kasama area where supplementary irrigation was used namely Ngoli and Kateshi.⁷¹ This work was significant to this study because it gave a historical background of Ngoli and Kateshi schemes, the Cornerstone of this study.

⁶⁹ Robert H Bates, Pattern of Uneven Developments: Causes and Consequences in Zambia (Deniver: University of Deniver, 1974), P.35.

⁷⁰ Henry Meebelo, Main Currents of Zambian Humanist Thought (London: Oxford University Press, 1973), P.67.

⁷¹Osafu and Mugwagwa, "Water Resources Development and Irrigation", P.131.

Charles Kakulwa who has reconstructed the history of Mununshi Banana Scheme has shown the importance of agriculture in rural development. His study highlighted economic, political and social challenges that rural agro industries like the Mununshi Banana Scheme faced by looking at the scheme's origin, economic history, and pattern of organisation, intended outcomes and the end results of the scheme.⁷² The study concluded that Luapula Province was economically marginalised during the colonial period.⁷³ Details in this work were relevant to this study in that Northern Province in which the area of study is situated was equally marginalised and the Coffee Company in Kasama was similar to the Mununshi Banana Scheme. The former was established for the same purpose of boosting rural agricultural activities through state funded projects and with the view to mitigating the effect of the lopsided economy which was inherited from the Colonial government.

Wickson Mulobelwa Mwandu who has reconstructed the history of Kawambwa Tea Company has demonstrated how rural agricultural projects faced numerous problems which adversely affected performance. He has highlighted some of the major constraints that affected Kawambwa Tea Company citing poor management, political interference and the country's poor economic performance especially in the 1970s and 1980s.⁷⁴ The work was critical to this study because the Coffee Company in Kasama was created for the same purpose of reducing the imbalance between the rural and urban areas and might have experienced similar constraints.

Donald Hezie Josamu Bwalya's work was illuminating to this study in that he analysed the agricultural change in the Northern Province of Zambia from 1948-1978 focusing on maize production in Kasama District. He has also examined the policies and practices of the British

⁷² Charles Kakulwa, "Rural Development through Agriculture: A History of Mununshi Banana Scheme 1967-2010", MA Dissertation, University of Zambia, (2012), P. IV.

⁷³Kakulwa, "Rural Development through Agriculture", P.115.

⁷⁴Wickson Mulobelwa Ng'andu, "A History of Kawambwa Tea Company, 1970-1996", MA Dissertation, University of Zambia, (2000), Pp.30- 45.

South Africa Company and the British Colonial Office and how indigenous agricultural practices in Northern Province were affected by policies.⁷⁵ He further assessed how post-colonial government policies led to the creation of peasant farming and settlement schemes stating that Northern Province witnessed the establishment of settlement schemes in various areas following a presidential directive. These schemes were either under direct state control, parastatal controlled or private owned.⁷⁶ Among these were Ngoli and Kateshi established in 1967 and 1978 respectively.⁷⁷ Bwalaya's study was vital to this study because it gave a historical background on why Ngoli and Kateshi schemes were established. However, the study did not show how these two schemes operated and hence the need to assess the performance of the two Estates during the period under discussion.

Stephen C. Lombard examined the emergence of productive agricultural cooperatives and their role in rural development in colonial and post-colonial Zambia. The cooperatives were established as possible solutions to some of the difficulties faced by rural farmers. He noted that the government played a role in the management of agricultural production cooperatives and in the process of developing rural areas.⁷⁸ This work was important to this study for it demonstrated the role of the state in the management of agricultural development programmes. It also helped the study in assessing reasons and circumstances that enabled rural agricultural programs to succeed or fail.

Bonnard Luckson Mwape's work was significant to this study in that it enabled us to appreciate the significance of the welfare of the rural population in development. He identified major

⁷⁵ Donald Hezie Josam Bwalaya, "Agricultural change in the Northern Province of Zambia, 1948-1978: A Case Study of Maize Production in Kasama District", MA Dissertation, University of Zambia, (1989), P. 5.

⁷⁶Bwalaya, "Agricultural change in the Northern Province of Zambia, 1948-1978, p.73.

⁷⁷ Bwalaya, "Agricultural change in the Northern Province of Zambia, 1948-1978, p.73.

⁷⁸ Stephen C. Lombard, *The Growth of Cooperatives in Zambia 1914-71*, *Zambian Papers*, University of Zambia Institute for African Studies.No.6 (London: Butler and Turner Ltd,1972).

constraints inherent in the agricultural policy, planning, and implementation and made suggestions for a successful agricultural policy and performance which can enhance rural development.⁷⁹ He also argued that over dependence and the greater emphasis placed by the colonial government on copper production caused economic retardation in economic sectors more especially in the agricultural sector.⁸⁰ He further argued that Zambia's intention of introducing agricultural programmes in rural areas was to solve the problem of unemployment, income inequalities and of malnutrition among the rural people.⁸¹

Joy Kalyalya's dissertation on the Nakambala Sugar Estate gives the historical background of the Estate stating that the development of the Estate started as a pilot scheme after Tate and Lyle Limited acquired land which later grew into a big Estate following government's quest to develop rural areas.⁸² He noted that the intention of Estate agriculture was to provide employment to rural populations and consequently facilitate import substitution and foreign exchange earnings.⁸³ He further examined the nature of the impact of Nakambala Sugar Estate on the area in which it is situated. Kalyalya's work was significant to the study because it assessed an Estate whose objectives and operation were similar to the Coffee Company in Kasama and therefore were helpful in an attempt to reconstruct the history of the latter company.

Doris Jansen Dodge who examined the performance of the agricultural sector in the post-colonial period observed that the objectives set up by the Zambian government were not achieved.⁸⁴ The failures were attributed to the government's inability to utilise the existing available resources.⁸⁵

⁷⁹ Bonnard Luckson Mwape, "Zambia's Agricultural Policy and Performance 1960-1990", PhD Thesis, University of Pittsburg, (1984), Pp ii- iii.

⁸⁰ Mwape, "Zambia's Agricultural Policy", P. 239.

⁸¹ Mwape, "Zambia's Agricultural Policy", P. 49.

⁸² Joy M. Kalyalya, "A History of Nakambala Sugar Estate 1964-84", MA Dissertation, University of Zambia, (1988), P.9.

⁸² Kalyalya, "A History of Nakambala Sugar Estate", P. 49.

⁸⁴ D.J. Dodge, Agricultural Policy and Performance in Zambia: History, Prospects and Proposal for Change (Berkley: University of California, 1977), PP 28, 51.

He therefore called for need to investigate how the government's inability to utilise the existing resources contributed to failure of the agricultural sector in the post- colonial period. The work by Dodge was significant to this study in that it sharpened the current researcher's understanding of government's role in agriculture and provided a basis for analysis of the experiences of rural agricultural schemes in both colonial and post-colonial Zambia.

Klaas Woldring identified some principle factors that contributed to the failure of state farms in Zambia and concluded that such farms failed because of lack of political will and managerial discipline.⁸⁶ Klaas's work was imperative to this study because it gave an invaluable insightful analysis of the expected performance by the government and the role which the local communities were expected to play in order to sustain projects meant to develop rural areas.

Robert Klepper analysed the Zambian agricultural structure and performance in the first fifteen years of independence. He attributed rural underdevelopment in Zambia to imbalances of colonial strategic developmental programs which did not favour rural areas.⁸⁷ Klepper further noted that the continued dominance of the mining economy was the fundamental barrier to agricultural development in the post-colonial period.⁸⁸ Klepper's work was significant to this study because it helped in examining policies that the Zambian governments implemented that favored urban areas rather than rural agriculture.

Hellen noted that schemes that were undertaken in various parts of Zambia to reduce the imbalance between the rural and urban areas brought about by the lopsided colonial economic

⁸⁵ Dodge, Agricultural Policy and Performance in Zambia, P. 28.

⁸⁶ Klaas Woldring, "The Rural Malaise in Zambia, Reflection on the Rene Dumont Report and the State Farms Project", in Klaas Woldring (Ed) Beyond Political Independence: Zambia's Political Predicament in the late 1980s (Berlin: Mouton Publishers, 1984), Pp 95-99.

⁸⁷ R, Klepper, "The Zambian Agricultural Structure and Performance", in Turok, Ben (Ed) Development in Zambia (London: Zed Press, 1979), P.137.

⁸⁸ Klepper, "The Zambian Agricultural Structure and Performance", P.140.

development were ineffective in most areas.⁸⁹ The poor performance was attributed to government's late adoption of regional planning.⁹⁰ This work was relevant to this study because it provided some useful information on the nature and performance of rural development schemes in Zambia.

RESEARCH METHODOLOGY

The data for this study was obtained from a variety of sources. Research was firstly done in the University of Zambia Library where we consulted a number of published and unpublished secondary sources such as books, Journals, articles, Quarterly Review of Zambia, Newspapers, Agricultural Annual Reports, MA dissertations and PhD Theses. These sources provided essential preliminary data on the topic of research but were also important in helping establish what additional data needed to be collected from documents in the Archives and fieldwork.

Secondly, data collection was done at Mount Makulu Research Station library. From this library, various books and Annual Reports of the Ministry of Agriculture were consulted. Faith Encounter in Zambia (FENZA) library was consulted for secondary works on rural development and other sources relevant to our study. INESOR was also consulted for secondary data relevant to the study. However, we did not have access to a number of files at the Ministry of Agriculture because of poor record keeping.

Thirdly, research was carried out at the Zambia Development Agency (ZDA) in Lusaka. At the ZDA, progress reports together with ZCCL and ZDA Reports were consulted. Further research was done at the Zambia Coffee Growers Association and an oral interview conducted with the manager.

⁸⁹ John A. Hellen, Rural Economic Development in Zambia 1890-1964 (Munich: Welt Forum Verlag, 1968), P.250.

⁹⁰ Hellen, Rural Economic Development in Zambia, P.267.

Primary data was obtained from Archival materials in the National Archives of Zambia and UNIP Archives in Lusaka. Consulted at the two archives were a number of files containing Agricultural Annual Reports, Agricultural Reports for the period 1957 to 1972, Minutes, Reports on coffee from Northern Rhodesia for 1931, secretariat files, tour reports and Member of Central Committee correspondence for the period 1976 to 1980 which gave us insights on policy statements. Archival analysis enriched the data collected from secondary sources.

The last part of the research consisted of collection of oral data from a purposely selected sample of people in the study area. Some of the people interviewed were current and former managers of the Estates and workers who had worked longer or were still working at the Estates. Also interviewed were people in the surrounding villages, teachers and workers at the two Estate schools and clinics. These sources provided us with primary oral data on the Estates. Oral data was analysed, compared and cross checked with other sources of data in our attempt to produce a research report that was as Objective as could be. However, we did not have access to any files at the Estates due to changes in ownership of the coffee producing company which in turn led to poor record keeping.

ORGANISATION OF THE DISSERTATION

This dissertation is organised into five chapters. The first chapter is the introduction and historical background which looks at a variety of literature on coffee and agricultural projects both abroad and at home. It covers aspects such as the statement of the problem, study objectives, methodology, significance of the study, the earlier attempts at coffee growing in Northern Rhodesia and feasibility studies and experiments that were undertaken before the location of the coffee project was settled for Ngoli and Kateshi.

Chapter two looks at the establishment and development of the Coffee Company in Northern Province. The chapter points out that the Coffee Company started as pilot schemes first at Ngoli

and later at Kateshi. The two then merged into a parastatal commercial enterprise the Zambia Coffee Company Limited (ZCCL) a subsidiary Company of INDECO in 1985. In 1996, the company changed hands with the private investors who have made it viable to this day.

Chapter three looks at the problems in the development and establishment of the Coffee Company and brings out to light the constraints on the development of the Coffee Company. It argues that the problems the Coffee Company faced were not only institutional but also had to do with policy related issues. Political interference and the administrative changes in the Ministry of Agriculture too, affected the performance of the Coffee Company.

The fourth chapter looks at the socio-economic impact of the Coffee Company on the local community and the surrounding areas. The chapter argues that in spite of the numerous problems the Coffee Company faced, it impacted positively on the local community and surrounding areas. Through the provision of employment, workers derived some socio-economic benefits and earned some income which circulated in the area through trading in local products. Further, the Coffee Company provided social services which benefited not only the workers and their families but also the local community.

The last chapter is a conclusion which provides the overall argument of the dissertation. It has been concluded that efforts made by the post-independence government to develop rural areas as a result of the lopsided economy inherited from the colonial government did not bring about meaningful development under government control because of a number of issues such as faulty planning from above rather than bottom up approach and financial problems. Kateshi and Ngoli coffee Estates have the potential of bringing Zambia back on the coffee growing map of the world and may help in the diversification of the copper based economy if local out-grower coffee schemes are promoted and linked to the already established coffee Companies like Olam NCCL. In that way, local farmers will be encouraged to start growing coffee.

CHAPTER TWO

Establishment and Development of the Coffee Company in Kasama 1967-2012

Introduction

This chapter illustrates how the Coffee Company in Kasama began, its objectives and how it developed from the two pilot projects Ngoli and Kateshi and became Zambia Coffee Company Limited (ZCCL), a government parastatal and a subsidiary company of INDECO.

The chapter then proceeds by examining the performance of ZCCL. It attempts to demonstrate that the interruption in the flow of anticipated funds from the coffee 11 World Bank Funded development programme disrupted expansion plans for the company between 1989 and 1992 leading to the termination of the management contract with Booker Tate. The chapter then shows how ZIMCO Management team proceeded with the survival plan initiated in 1990 by Booker Tate that led to the consolidation of productive areas and a reduction in staff.

The chapter concludes by assessing the performance of the Coffee Company under private ownership period. It argues that the company was privatised as part of the general privatisation policy and was sold to an international investor in 1996 and the Coffee Company became known as African Plantation Company (APC). It then proceeds by examining the performance of other Coffee producing Companies that followed after the latter company.

Rural Development has been a major commitment of the Zambian government at least since 1968 and was enshrined as the central theme of the Second National Development Plan which took effect on 1st January 1972. Government assistance to the rural areas had taken various forms ranging from the establishment of cooperatives, provision of marketing facilities, rural credit and farming equipment to the introduction of new administrative structures.⁹¹ Unfortunately, the

⁹¹ William Tordoff, "Rural Administration" in William Tordoff (Ed) Administration in Zambia (Manchester: Manchester University, 1980), P207.

record of achievement so far has not been impressive. The government's programme of agricultural development adopted as a policy in the Second National Development Plan (SNDP) was aimed at promoting diversification in production and increasing the production of possible export crops and reducing the country's overdependence on copper.⁹²

This move was taken because the colonial economy gave rise to unequal distribution of national income between urban and rural areas creating an imbalanced development in favour of urban areas which in turn resulted in large populations of the rural community flocking to urban centres.⁹³

Furthermore, the colonial economy did not seek a balanced diversified, self-generating economy and instead it was primarily concerned with and interested in facilitating the extraction of copper for industries in Western Europe and America.⁹⁴ The rural sector, where the majority of the people lived, lacked basic services and agricultural facilities.

Agricultural development in Zambia had been lopsided towards rain-fed agriculture which had a well-developed commercial sector along the line of rail and the Mkushi farming block.⁹⁵ This form of agriculture was restricted to one harvest per year and to a limited number of crops. Irrigated agriculture on the other hand is a relatively new phenomenon which emerged at the dawn of independence in 1964. However, informal irrigation activities were taking place on a very small scale in some localities in various parts of the country. The informal irrigation, which is sometimes referred to as traditional irrigation was practiced by rural people in wetland areas.⁹⁶

⁹² Samuel N Chipungu, The State, Technology and Peasant Differentiation in Zambia: A Case Study of the Southern Province 1930-1986 (Lusaka: Historical Association of Zambia, 1988), P. 203.

⁹³ Michael Bratton, The Local Politics of Rural Development Peasant and Party State in Zambia (London: University Press, 1980), p.27.

⁹⁴ UNIP, The National Policies for the Decade 1985-1995, Aims and Objectives of the Third Phase of the Party Programme, Lusaka, Freedom House, P. 4.

⁹⁵ Review of Irrigation Policies and Activities in Zambia, p.7.

⁹⁶ Republic of Zambia Ministry of Agriculture, Food and Fisheries. Agricultural Sector Investment Programme. A.S.I.P. A New Approach to Agriculture in Zambia, P.3.

Having realized the importance of irrigation in the late sixties, the Zambian Government developed a number of irrigation schemes in many parts of the country for the production of specific crops such as coffee, bananas, tea and many others. This development was however skewed towards development of large scale schemes such as the Nakambala Sugar Estates. This period also saw the establishment of a banana scheme in Luapula province in Mwense District, a pineapple factory in Mwinilunga in North Western Province,⁹⁷ a tea company in Kawambwa and a coffee scheme in Kasama at Ngoli.⁹⁸ The main implementing agency of these developments was the Project Division of the Department of Agriculture. The overall objective in developing these schemes was in part to improve rural lives of the people and to make the country self-sufficient in cash crop production.

Pilot Schemes

The Ngoli Coffee Scheme

When the Ngoli Coffee Scheme was first planned, the objective was to supply coffee to the local Zambian market.⁹⁹ It began as a small holder coffee development Estate and was planned as a settlement where a farmer was to have 2 acres of coffee under irrigation.¹⁰⁰ In addition, each farmer was to be provided with an extra 4 acres on which to grow subsistence crops. Initially, before taking over the 2 acres plot of coffee, a farmer was required to work as a labourer to acquire knowledge in coffee culture and as a result, prospective settlers were to be employed as casual labourers on the project from the beginning and were to be chosen by a committee of officials selected from the Provincial Office and the elected rural authorities called the Rural council.¹⁰¹

⁹⁷ C.S Lombard and A. H C Tweedie, Agriculture in Zambia since Independence (Lusaka: NECZAM, 1972), p.33.

⁹⁸ UNIP, A Promise Fulfilled 1964-1968, (UNIP Election Strategy Committee, 1968), P.10.

⁹⁹ UNIP 7/6/5 Location158, Ministry of Rural Development, Processing of Zambian coffee.

¹⁰⁰ Doyle, Ngoli Coffee Scheme, p 29.

¹⁰¹ Doyle, Ngoli Coffee Scheme, P. 3.

Farmers were to pay for the costs of land clearing, access road and land survey among other things over a period of ten years.¹⁰²

Ngoli Coffee Scheme was established in 1967 to produce coffee to supply the Zambian market, thereby relieving the needs for imports following a proforma for a direct production scheme which was written in 1966 by the Provincial Agricultural Officer. All the costs were to be borne by the government and the wage payment of labour for the first three years of the scheme until an income could be expected from the crop.¹⁰³

The first crop consisting of 19 Ha (46 acres) of coffee was planted in 1969 at Ngoli coffee scheme.¹⁰⁴ However, progress had been much slower than had been planned. At 31st January, 1972, only 250 acres had been cleared and only 126 acres of coffee planted. Accompanying this initial attempt at coffee production was maize first planted in the 1969/70 farming season and in 1972, 92 acres of the land at Ngoli were under maize which was known to grow exceptionally well.¹⁰⁵ During the 1972/73 season, Ngoli Coffee Scheme reduced its area to 29.1 Ha by removing some of the 1972 planting that was obviously not of use and parchment yield was 2 993 Kg from 9.1 mature hectares.¹⁰⁶

The main access road and scheme roads were constructed and the housing for the manager and labourers built. Approximately 80 labourers on average were employed.¹⁰⁷ By 21st January 1972, approximately K400.00 had been spent on the scheme.¹⁰⁸

¹⁰² NAZ, NP 3/13/3 Location 6436, Agriculture 1957-1972.

¹⁰³ Cockcroft, A policy for Coffee, P.26.

¹⁰⁴ Trewren, "Coffee Growing in Zambia", p6.

¹⁰⁵ NAZ, NP 3/13/3 Location 6436, Agriculture 1957-1972.

¹⁰⁶ Ministry of Rural Development Department of Agriculture Annual Report of the Extension Branch 1972-73.

¹⁰⁷ NAZ, NP3/13/3 Location 6436, Agriculture 1957-1972.

¹⁰⁸ NAZ, NP3/13/3 Location 6436, Agriculture 1957-1972.

By 1973, the planted acreage, after uprooting parts of the neglected plantations, gapping of the remained 70 acres and replanting 7 acres was 77 acres and the growth of the plant was good and production was between 3 and 4 tons of clean coffee.¹⁰⁹ Mr Kumar, the administrator of the scheme, then complained that taking the ripe cherry to Misamfu for further processing was a costly exercise and to that end it was proposed that Ngoli should have its own factory by 1974. A sum of K5 000 was approved for the building of the factory.¹¹⁰ About 80 per cent of the work on the factory was completed by 1974. However, even then there were some setbacks. For instance, owing to the non-availability of stainless steel sheets and 2½ GI pipes and fittings, the water reticulation could not be done. There were also other materials which were lacking and therefore the pulping factory could not be completed by the end of 1974.¹¹¹

The Minister of Rural Development then Honorable P. J. Lusaka who visited the scheme in 1974 advised that local farmers be invited to settle besides the scheme and start producing coffee as Out-Growers. After talking to the local people, six (6) farmers came forward to join the scheme and actually took up their plots which were demarcated by the Land Use Services in Kasama. Eight (8) more farmers also joined the scheme before the end of 1974.¹¹² These started growing coffee on about 1 acre each besides growing some maize for their own consumption.

By 1974, Ngoli coffee scheme grew coffee on 94½ acres and produced 7 tonnes of parchment coffee which was also sold to Rural Community (RUCOM) Industries.¹¹³ The scheme also produced 450 bags of maize on 30 acres of land some of which was sold to Rural Community Industries.¹¹⁴ Coffee production at Ngoli however, remained limited. This was despite the fact

¹⁰⁹ NAZ, MAG 2 /17/111/ Location 205, Coffee.

¹¹⁰ NAZ, MAG 2/17/111 Location 205, Coffee.

¹¹¹ Government of the Republic of Zambia. Ministry of Rural Development Northern Province Annual Report 1974, P. 28.

¹¹² Government of the Republic of Zambia. Northern Province Annual Report 1974, P.28.

¹¹³ Government of the Republic of Zambia. Ministry of Rural Development Northern Province Annual Report 1974, P.28

¹¹⁴ Government of the Republic of Zambia, Northern Province Annual Report 1974, 28.

that several farmers in the area were already growing coffee and had cleared land for that. Two hundred (200) acres of land were available for irrigation and a stream with a flow of 5 cubic metres per second (5 m³/s) was considered adequate to irrigate the area.¹¹⁵ The standard of management was very low at first and yields were less than 150 Kg clean coffee per hectare, but coffee production kept on improving so much that in 1975 the yield was 445 Kg clean coffee per hectare.¹¹⁶ The table below bears this out.

Table 1: Coffee production in tonnes at Ngoli Coffee Estates, 1971-1975.

Year	1971	1972	1973	1974	1975
	—	0.30	5.48	7.0	9.0

Source: Department of Agriculture (no. date).

Coffee production at Ngoli coffee scheme kept on improving as shown in the table above.

Kateshi Coffee Estate

After seeing the potential of coffee growing at Ngoli, the government thought of extending the same initiative of coffee growing to Kateshi. With the intention of developing and expanding coffee production, the Government of Zambia (GRZ) approached the World Bank and the United Nations Development Programme (UNDP) for assistance in the establishment of two parastatal Coffee Estates, coffee extension services and an expanded research programme.¹¹⁷ In considering the strategy for increased coffee production and help the country turn the crop into a foreign exchange earner, the World Bank made an offer to invest in the production of this

¹¹⁵ Cockcroft, *A Policy for Coffee*, P2.

¹¹⁶ Ministry of Agriculture and Water Development. Department of Agriculture Northern Province, Provincial Agricultural Officer's Annual Report 1974-1975 Season.

¹¹⁷ Coffee Production in Northern and North- Western Provinces of Zambia, Project Finding and Recommendations, United Nations Development Programme, Food and Agriculture Organisation, The United Nations, Rome, 1987, Report Prepared for the Government of Zambia by FAO of the United Nations Acting as Executing Agency for the United Development Programme, P1.

crop.¹¹⁸ A project was agreed upon and a project document was signed on 28th December 1979, with UNDP designating, Food Agricultural Organisation (FAO) as executing agency and the Ministry of Agriculture and Water Development of Zambia as government implementing agency.¹¹⁹

In 1976, RUCOM Industries with the help from the World Bank for a period of five years cleared 1 700 Ha.¹²⁰ Development work started very well at Kateshi and was being partly financed by the World Bank. It provided funds for research and extension work on coffee as well as laying out infrastructure in Estates and transport.¹²¹ The World Bank officials were posted and joined other Zambians who were already there.¹²² Although the planning was faced with usual transport problems, the Land Use Service Section tried its best to ensure that planned programmes were at least implemented. The Section was involved in pegging and supervision of digging water furrows and also ensured that farm demarcations, surveys on soils were done.

Farm planning was done for Kateshi Coffee Estate and the total area involved was 400 Ha extension.¹²³

The first phase of the initiation of the scheme involved the construction of approximately 4.5 Km of an access road into the plantation, construction of approximately 1.5 km of water furrows from Lukupa river and planting of 14 Ha from the original nursery planted in 1976.

¹¹⁸ Z-Magazine, No.95, June 1978, P. 3.

¹¹⁹ Coffee Production in Northern and North Western Provinces Zambia, P.2.

¹²⁰ I.M. Akayombokwa, J. B. Siakantu and A.C. Chipeleme, Republic of Zambia Ministry of Agriculture and Water Development. A Guide to Development Priorities and Policies for Irrigation Development in Zambia (Lusaka: Department of Agriculture, 1988), P.53.

¹²¹ Ministry of Agriculture and Water Development. Department of Agriculture Annual Report of the Extension Branch 1978-79.

¹²² Ministry of Agriculture and Water Development. Department of Agriculture, Northern Province Provincial Agricultural Officer's Annual Report 1978-79 Season, P.63.

¹²³ Ministry of Agriculture and Water Development, Department of Agriculture Northern Province Provincial Agricultural Officer's Annual Report 1978-79, P.67.

Picture 1: Water Furrow at Kateshi Estates from Lukupa River.



Source: Field Data.Kateshi, Kasama.

A further small block of land of approximately 3.25 Ha was planned for stover to be used as mulch for the young coffee. A temporary office was also constructed.¹²⁴ In 1977, about 3,562 Ha of land were stumped and 14 Ha were planted with coffee while 8.5 Ha were used for the maize crop.¹²⁵

At the time, the producer price for coffee was very high and nations that had invested in the growing of coffee were doing well. The Estate was managed by Mr Kakowa from January 1978 to May 1979 who was assisted by Mr Shumba in July 1978 and coordinated from Lusaka by the

¹²⁴ UNIP 8/9/29/ Location 276.

¹²⁵ RDC/CC/78 28th June,1978.Report on the Tour of Rural Reconstruction Centres, Projects and Production Units in Northern Province, Undertaken by Hon E. H.K. Mudenda, MCC- Chairman of the Rural Development Committee.19th May, 1978 to 3rd June,1978, P. 22.

Project coordinator whose duties in this respect were terminated with the arrival of Mr Fredrick Rimmer.¹²⁶

In 1978/79 major developments were effected in form of mechanical clearing of some 400 Ha which was carried out by the Land Clearing Unit utilising D7G Caterpillar Tractors.¹²⁷ Other works done involved ripping and ploughing of 200 Ha carried out by the same unit. The result was relative a success probably due to inadequate fumigation. There was a small shortfall in the anticipated planting for 1979.¹²⁸ A total area of some 34 Ha was planted with coffee during the same period.

A contract was awarded to Willy Kit for the construction of 21 prefabricated buildings.¹²⁹

However, this was thwarted to some degree because of the unsatisfactory supply of raw materials and backup services were of low standard. Stage two of the contract consisted construction of a central workshop and related buildings plus 3,500 square metres (M²) of stores, H type 35 staff houses, 50 single chalet labour quarters and related ablutions.¹³⁰

Work also commenced on the permanent residence for the Project Manager Mr Rimmer who had been internationally recruited by the World Bank for an initial period of three years with the possibility of an extension to five years. Mr Rimmer had a good deal of experience in the training of indigenous plantation managers and in that way it was assumed that he was going to assist the project greatly in the field of plantation. Mr Rimmer also had considerable experience in running plantations and he had also managed the largest coffee plantation in Papua New Guinea producing up to 1 600 tonnes of finished coffee per annum in four consecutive years.¹³¹

It was assumed that the same figure could be reached at Kateshi if a high level of management was maintained throughout the operations. Electricity was also connected to the project by

¹²⁵ UNIP 8/9/29 Location 276.

¹²⁷UNIP 8/9/29 Location 276.

¹²⁸ UNIP 8/9/29 Location 276.

¹²⁹ UNIP 8/9/29 Location 276.

¹³⁰ UNIP 8/9/29 Location 276.

¹³¹ UNIP 8/9/29 Location 276.

Zambia Electricity Supply Corporation (ZESCO) while a private contractor was engaged to electrify the internal system and that was successfully completed in July 1979. Lastly, provision for a pumping station was incorporated to supply the main coffee growing sections.¹³²

Work at Kateshi commenced in September 1976 with the establishment of a nursery occupying 56 Ha. Production of coffee started in 1977 from 13.6 Ha of well-prepared land under coffee. In addition, 140 000 coffee seedlings were raised in readiness for planting in the 1978 planting season. Since then, there was steady progress and Kateshi Coffee Estate was all set to boost crop production to meet both local demand and have a surplus for export. This came to light when President Kaunda toured the Estate in 1981 to view part of the crop which had already ripened. He commended the workers for being hard working and said their effort put an end to the drift of people from rural to urban areas where job opportunities were almost nil.¹³³

Picture 2: Dr Kenneth D. Kaunda admiring coffee berries at Kateshi Coffee Estates in 1981.



Source: Zambia Daily Mail, Monday, June 1 1981.

¹³² UNIP 8/9/29 Location 276.

¹³³ Zambia Daily Mail, Monday, 1 June 1981.

Mr Andrew Luombe, the factory Manager for RUCOM Industries which was managing the Estate told Dr Kaunda, the then president of Zambia during his visit, that they had already received orders from West Germany, Britain, Sweden and Japan and that more orders were likely to be made by other countries as soon as they received samples of the Arabica coffee which was of very high quality and in great demand on the World market.¹³⁴

Zambia was among few countries in the world which were growing this type of coffee. Others were Tanzania, Kenya and Columbia. The price of coffee at that time stood at K2 500 per tonne.

This made Dr Kaunda to comment that, “this is more than the price of copper and the country can earn a lot of revenue in foreign exchange”.¹³⁵ By 1981, 100 000 Kg of coffee, had been picked from the Estate.¹³⁶ At the time, Kateshi Coffee Plantation was made up of 2,333 Ha of which 400 Ha were under coffee growing. However, as already noted coffee growing normally went hand in hand with maize growing.

Therefore, apart from the 400 Ha under coffee in 1981, another 400 Ha were under maize. Maize growing was undertaken to boost crop production in the area and also to utilise the land which was lying idle since the Estate was not yet fully developed. Approximately, maize output was 1 800 tonnes on average. One of the Estates section officers, Mr Bruno Handiya, told the president during his visit to the Estate in 1981 that when all the 400 Ha reserved for coffee were developed, the Estate would need about 3 500 workers. At that time the Estate had 50 permanent and 361 casual workers. The labour force could not be increased because of financial stringencies.¹³⁷ Kateshi and Ngoli produced 57.62 tonnes of coffee in the 1982/83 season.¹³⁸

¹³⁴ Zambia Daily Mail, Monday, 1 June 1981.

¹³⁵ Zambia Daily Mail, Monday, 1 June 1981.

¹³⁶ Zambia Daily Mail, Monday, 1 June 1981.

¹³⁷ Zambia Daily Mail, Monday, 1 June 1981.

¹³⁸ UNIP, SGP/01/12/2 Secret Agricultural project schemes.

It is also worth noting that in 1969 there were administrative changes in the Ministry of Agriculture under which a consolidated Ministry of Rural Development was established.¹³⁹

Through this change, the projects that were initially under the control of the Projects Division were now being administered by Rural Development Corporation (RDC), Kateshi and Ngoli coffee schemes inclusive in the late 1970's. The latter was established by government in 1969 to speed up agricultural development in both rural and urban areas.¹⁴⁰ This was done because the Ministry of

Agriculture in the Ministry of Rural Development could not sustain the Schemes' operation due to inadequate funding which resulted from the economic situation of the country that was prevailing at that time and which never improved throughout the 1970s. It was for that reason that the Ministry of Rural Development had to transfer all government directed schemes to the RDC with the view that it would sustain their operations. The move was also aimed at reducing government bureaucracy.¹⁴¹

The RDC, however, could not fund the schemes as was expected because it was also experiencing a diversity of problems some of which were managerial while most of them were as a consequence of rapid growth of activities and vulnerability of agricultural operations. Thus many projects which were drawn up by the RDC became non-operational due to non-availability of investment funds.

¹³⁹ NAZ, Reference Index, Ministry of Agriculture Administration History 1990.

¹⁴⁰ Tenth Anniversary Year Book of the Ministry of Rural Development, Lusaka; Government Printers, P.30.

¹⁴¹ Republic of Zambia Ministry of Agriculture, Food and Fisheries. Agricultural Sector Investment Programme. A.S.I.P. A New Approach to Agriculture in Zambia, P. 5.

Company Establishment (ZCCL) 1985-1995

The quasi-government schemes including Kateshi and Ngoli Estates were then handed over to the Zambia Industrial Mining Corporation (ZIMCO) in the early eighties.¹⁴² A review conducted by World Bank indicated that coffee produced in Northern Province at Kateshi and Ngoli was of high quality and would fetch good prices on the world market. The government through INDECO established ZCCL which came into being in 1985 at a cost of K15 million¹⁴³ and most of the RUCOM industries staff were redeployed elsewhere.

The company was formed to oversee operations of the parastatal Coffee Estates in Northern Province and to spearhead the production, processing and marketing of the Zambian coffee.¹⁴⁴ The objective of the company was to export coffee to generate foreign exchange and to substitute imports. ZCCL became the sole exporter of Zambia's coffee and was responsible for applying a coffee classification system and providing feedback and back up to growers in respect of quality and processing.¹⁴⁵ The company did not only become the largest employer of labour in an area that had few alternative opportunities for work, but was considered an important component of the national coffee industry.

The Company was established after the merging of the two government financed coffee projects, a pilot Estate and a small holder coffee development Estate after the phasing out of RUCOM.¹⁴⁶ ZCCL was a subsidiary Company of INDECO Group responsible for the development of the Zambian Coffee industry to compete in the world coffee market. INDECO expected to produce about 1 000 tonnes of coffee beans a year and it was expected that out of that amount, 800 tonnes

¹⁴² Republic of Zambia Ministry of Agriculture, Food and Fisheries, Agricultural Sector Investment Programme A.S.I.P. A New Approach to Agriculture in Zambia, P.5.

¹⁴³ "Coffee to earn Zambia K3M", Times of Zambia, Wednesday, 25 January 1984.

¹⁴⁴ Coffee Production in Northern and North-Western Provinces Zambia, P. 3.

¹⁴⁵ Zambia Coffee Company Limited File (no. date).

¹⁴⁶ Zambia Privatisation Agency, Zambia Coffee Company Limited, Tender Package, August 1995.

would be exported, leaving the rest for local consumption.¹⁴⁷ Coffee was also to earn Zambia K3 million at that time (now K3 000) an issue that was reported by the company's acting general manager Mr Alex Lufwendo former Nakambala Sugar Estates Cultivation Manager who was quoted in the Wednesday Times of Zambia of January 25, 1984 commenting that, "when fully operational, the Zambia Coffee Company will export an estimated 800 tonnes of coffee annually worth between K2.4 m and K3.2m".¹⁴⁸

The World Bank was the source of funding to ZCCL and it was hundred per cent (100%) owned by ZIMCO. The authorised share of the Company was K20 million split into K11.5 million equity share capital and K8.5 million preference share capital. Of the share capital K1 million was paid up in K1.00 shares.¹⁴⁹

The ZCCL operated two Estates; Kateshi and Ngoli. The Estates were planted with SL 28 and SL 34 the Arabica variety, both of which were susceptible to CBD and Fusarium.¹⁵⁰ The two Estates also shared services of the company but could operate independently of each other up to parchment production. They could stand alone as separate entities but were sharing services from Kateshi. The administrative and processing centre was at Kateshi. It was 2 476 Ha in extent. Both areas had ample, reliable, good quality water sources and well-designed irrigation systems. These covered 160 Ha under flood and 126 Ha under drip at Kateshi and a further 108 Ha under drip at Ngoli.¹⁵¹

The two Estates operated by the company were situated at an altitude and latitude that is naturally better suited to coffee production than other sites in the country where more coffee is produced. The potential for good quality coffee production was therefore better at Kateshi and

¹⁴⁷ Times of Zambia, Wednesday, 25 January 1984.

¹⁴⁸ Times of Zambia, Wednesday, 25 January 1984.

¹⁴⁹ Zambia Privatisation Agency, Zambia Coffee Company Limited. Tender Package August 1995, P.5.

¹⁵⁰ Zambia Privatisation Agency, June, 1995, P.11.

¹⁵¹ Zambia Privatisation Agency, August 1995, P. 4.

Ngoli than at other existing Estates where technical input was applied in pursuit of yield but where the potential for quality was not as great. It is the quality that attracted the high prices achieved by Zambia coffee producers.

The ZCCL is what introduced Zambian coffee into the international markets after joining the International Coffee Organisation (ICO) in 1985. Zambia was admitted as a producer member of the ICO thereby entitling the country to a quota under the ICA. Quota sales benefited from the price protection provided by ICA.¹⁵² At the time Zambia joined the International Coffee Industry, the world market was facing an oversupply of low quality coffee and a short supply of high quality coffee.¹⁵³ Zambia was therefore allowed to join on the grounds that the country was going to grow and export the coffee type that was in short supply known as Arabica as opposed to Robusta.¹⁵⁴

Zambia's accession to the membership of the ICO was a blessing for the country as it gave Zambia another golden opportunity to earn foreign exchange after the fall in the copper prices on the world market. It also offered Zambia a challenge in organising the industry in order to compete with other 48 coffee producing members to sell to the 35 consuming countries.¹⁵⁵ The first person to recognize the opportunity and challenge was Permanent Secretary then, in the Ministry of Agriculture and Water Development, Mr Namukolo Mukutu, who in fact spearheaded Zambia's campaign for membership to ICO.¹⁵⁶ He was quoted saying that:

¹⁵² Quarterly Economic Review of Zambia, No.1, 1985, p.11.

¹⁵³ "Coffee Move big Challenge", Times of Zambia, Sunday, 21 October 1984.

¹⁵⁴ J. Taguma ZCGA, "Coffee Industry in Zambia, Status and Opportunities", Update of December 2013.

¹⁵⁵ Times of Zambia, Sunday, 21 October 1984.

¹⁵⁶ Times of Zambia, Sunday, October 21 1984.

It is difficult to improve production because the coffee industry has been neglected for a very long time. It is only now that we are interested in coffee which can easily substitute copper as the country's main foreign exchange if properly organized.¹⁵⁷

The ICO granted Zambia an initial quota of 330 tonnes in September 1984 at a cost of about 30 000 US Dollars a tonne, which was later increased to 350 tonnes.¹⁵⁸ At the end of August 1985, ZCCL set out to ensure Zambia exported its full ICO quota before the marketing year ended. Zambia exported coffee for the first time in 1985, with a total of 377 tonnes mainly to quota markets.¹⁵⁹ The ZIMCO Director then, James Mapoma said, *"it was vital that the full quota was met, for Zambia to default in its first year of ICO membership, he said, "Would prejudice its chances of asking for an increased quota in the next round of ICO negotiations"*.¹⁶⁰ Mr Lufwendo the acting manager then, when addressing the employees at a Christmas party at Kateshi in 1984 explained that the firm was producing less than one tonne per Hectare which he described as very bad and that the danger of not meeting the quota was that the short fall would be deducted each time Zambia failed to meet the export obligation and then the allocated quota was to decline. *"The consequence of this will be that if Zambia eventually produces much coffee in future, the crop will go to waste because only very little would be exported under the existing quota"*.¹⁶¹

It is not known whether the full 1984/85 quota was in fact met, but the Zambian allocation was increased for 1985/86 to 7, 500 bags or 450 tonnes.¹⁶² Zambia also became the 25th member of

¹⁵⁷ Times of Zambia, Sunday, October 21 1984.

¹⁵⁸ Coffee Production in the Northern and North Western Provinces Zambia, P.12.

¹⁵⁹ Coffee Production in the Northern and North Western Provinces Zambia, P.12.

¹⁶⁰ Quarterly Economic Review of Zambia, No.1, 1985, p.11.

¹⁶¹ "Coffee exports in a hitch", Times of Zambia, Monday, 24 December 1984.

¹⁶² "Zambia retains coffee Export Quota", Zambia Daily Mail, Monday, 12 October 1987.

the Inter Africa Coffee Organisation, a pressure group within African producers in 1985.¹⁶³ It sold 200 bags of coffee of 60 Kilograms each to South Africa at a non-quota price the same year in 1985.¹⁶⁴

However, at the time ZCCL was introduced into the international markets, it only had 450 Ha in Northern Province at Kateshi and Ngoli on which to produce less than 300 tonnes and as such could not meet the country's obligations to ICO on its own. Since Zambia did not intend to default on its allocation and was determined to meet its quota allocation, ZCCL started buying the product from peasants and commercial farmers while laying the ground work for a thriving coffee industry.

To increase its hectareage, the company was expected to receive a Second World Bank assistance loan under which it was to cultivate a further 6 000 Ha in Northern and North Western provinces.

Suffices to mention that in the late 1983 Lint Company of Zambia assumed responsibility for coffee extension and the project area was extended to cover North-Western, Luapula and Copperbelt.

To that effect, the Lint Company of Zambia raised 35 000 coffee seedlings from its nurseries at Solwezi, Mwinilunga, Chizela and Kasempa for distribution to farmers. However, efforts to boost the production were hampered by the World Bank decision to withhold the loan which was earmarked for increasing coffee growing because of Zambia's failure to pay back some of her debts to the Bank. Even then, ZCCL went ahead with building a K4.5 million coffee processing factory.

Gerico, a French Company in the Tardivat Group won the contract of \$1.2 million to build a coffee factory in Kasama which was to clean, sort and grade Zambia's high quality Arabica coffee at an estimated 2 000 bags of 60 Kilograms each per year.¹⁶⁵ Thus, a well-equipped factory was built to handle the national output. On 20th June 1986, a processing factory at

¹⁶³ Quarterly Economic Review of Zambia, No. 1, 1985, P.11.

¹⁶⁴ Quarterly Economic Review of Zambia, No. 1, 1985, P.11.

¹⁶⁵ Quarterly Economic Review of Zambia, No.4, 1983, P.10.

Kateshi was commissioned by Dr Kenneth D. Kaunda with a capacity to process 2 000 tonnes of coffee annually and designed for the needs of the entire Zambian coffee industry of the 1980s at a time it was recommended that all coffee produced be processed in Kasama.¹⁶⁶

The plant was designed and built to accommodate all Zambia's coffee production. It had a capacity to produce finely graded coffee beans for export and roasted and grounded coffee for the local market.¹⁶⁷ The plant was expected to have an annual processing capacity of 1 000 tonnes but could handle up to 6 000 tonnes with slight modifications. Satisfactory progress was made on the coffee processing factory at Kateshi.¹⁶⁸

Picture 3: Processing Factory at Kateshi with some of the coffee milling equipment.



Source: Field Data.

¹⁶⁶ Zambia Privatisation Agency, June, 1995, P.20.

¹⁶⁷ Z- Magazine, October, No.90, 1977, P.3.

¹⁶⁸ ZIMCO Annual Report, 1985, P.11.

In addition, at the time when the company was being established, it was planned that a total of 830 Ha of coffee were to be established and dedicate further hectareage to other crops at the end of the project's first phase but this was curtailed after planting 407 Ha by a withdrawal of support from the World Bank following payment defaults in a break in relations with the bank at the national level in 1987.¹⁶⁹ The World Bank withheld 20.4 million dollars loan earmarked for increasing coffee growing because of Zambia's failure to pay back some of her debts to the international financial institution in 1987.¹⁷⁰ The Bank however extended the deadline for the release of the funds to December 1987 under the condition that funds would only be released if Government started repaying the loans due to the Bank before the actual date.

The consequence was that ZCCL began to operate under uncertain conditions. The hectareage at the end of the phase was maintained at 407 Ha mainly due to water limitations as the Estates were under furrow irrigation. The average production between 1984 and 1993 was 290 tonnes per annum with the peak in 1989 of 750 tonnes.¹⁷¹ During 1989/90, ZCCL increased its production levels nearly four-fold from 189 MT of green beans in 1988/89 to 750 MT an improvement which was due to eradication of insects, new investments in irrigation and improved field management.¹⁷²

On the other hand, the largest coffee crisis which begun in 1989 caused the ICA to collapse as already noted.¹⁷³ With the suspension of ICA, coffee prices remained below economic levels and consequently the Company started budgeting for the loss of K11.4 million on a turnover of

¹⁶⁹ Zambia Coffee Company Limited File (no date).

¹⁷⁰ "Coffee 'Aid' Cut", Zambia Daily Mail, Wednesday, 23 September 1987.

¹⁷¹ Zambia Coffee Company Limited File (no date).

¹⁷² ZIMCO Corporate Budget 1990-91, Lusaka, Zambia.

¹⁷³ Annual Coffee Statistics Pan American Coffee Bureau 33, 1969, P. 5.

K62.5 million.¹⁷⁴ The reasons for budgeted loss were because of the uneconomic world coffee prices and

increased operating costs. Out of the 40 Companies in the INDECO group, all Companies with the sole exception of ZCCL budgeted for pre-tax profits during 1990/91. In the previous year 1989/90, ZCCL and Mwinilunga Canneries made losses.¹⁷⁵ It was assumed that with assistance from INDECO, K25 million would be made available for capital expenditure mainly for factory, field and transport.¹⁷⁶ This, however, did not come through.

Locally, a survival plan was implemented which reduced coffee hectareage to 300 Ha and entailed staff cuts and the termination in 1992 of the management contract with Booker Tate.¹⁷⁷ Financing by the parent company ZIMCO for operational costs continued but the capital loan from the World Bank supported coffee project was still suspended. Loans were therefore secured for urgent completion of capital projects from both the Development Bank of Zambia (DBZ) and Zambia National Provident Fund (ZNPf).¹⁷⁸ But even then, the major capital development project was suspended. The company's financial situation was so serious that operational funds were generated from coffee proceeds and an overdraft facility.¹⁷⁹

Alternative crops

ZCCL diversified production into maize and soya beans in order to reduce risks associated with dependency on coffee and to maximise the use of productive resources.¹⁸⁰ Northern Province was proving increasingly interesting as a maize production area since the rainfall is more reliable, and the close proximity of TAZARA provided access to both the Zambian Market to the

¹⁷⁴ ZIMCO Corporate Budget 1990-91.

¹⁷⁵ ZIMCO Corporate Budget 1990-91.

¹⁷⁶ ZIMCO Corporate Budget 1990-91.

¹⁷⁷ Zambia Privatisation Agency, August 1995, P.6.

¹⁷⁸ Zambia Privatisation Agency, August 1995, P.6.

¹⁷⁹ Zambia Privatisation Agency, August 1995, P.6.

¹⁸⁰ Zambia Privatisation Agency, August, 1995, P. 19.

South and the export market to the north. The company had appropriate mechanical equipment to plant the crops and labour was not fully occupied on coffee at the time of maize and soya planting and of soya harvesting. There was an additional advantage in maize production in conjunction with coffee in that the stover makes a valuable mulch for the coffee and a demand of a labour force for maize meant a ready local market for a portion of the crop.¹⁸¹

Departure into these crops was on a modest scale in the 1994/95 season with production of 60 Ha of maize at Ngoli Estates and Kateshi and 8 Ha of soya beans at Kateshi.¹⁸² Harvesting was done by hand using the large concrete slab at the Kateshi factory for winnowing the soya beans. There were also plans for other enterprises including beans, vegetables and poultry. Some production was undertaken but could not be expanded because of financial and economic difficulties the company was facing.

Employment Welfare, 1985 to 1995

ZCCL in 1989 had 574 unionised employees. In 1990 the number reduced to 546 and in 1993 the number reduced further to 282.¹⁸³ Limited alternative employment opportunities in the area allowed the company to keep rates of pay to a minimum. In spite of this, labour relations were good and ZCCL only experienced three work stoppages. There were only 3 strikes in 1987, 1990 and 1991 which related either to misunderstandings on the part of labour as to government announcements or to direct objections to government policies and the removal of mealie- meal subsidies in particular.¹⁸⁴ The General Manager was the only one employed on contract. Four of the employees were university graduates and there were 8 holders of Diplomas and 11 Certificate holders from 1985-1995.¹⁸⁵

¹⁸¹ Zambia Privatisation Agency, August, 1995, P. 19.

¹⁸² Zambia Privatisation Agency, August, 1995, P. 19.

¹⁸³ Zambia Privatisation Agency, August, 1995, P.34.

¹⁸⁴ Zambia Privatisation Agency August, 1995, P.34.

¹⁸⁵ Zambia Privatisation Agency, August 1995, P. 34

The Management Structure

The Estate management section had the highest number of permanent employees at 144 but this would increase to around 1500 casual workers at the time of picking. The Estate Manager had a Diploma in Agriculture (1979) from National Resource Development College (NRDC), the Field Manager at Ngoli had a Bachelor of Science degree (1985) from the University of Zambia (UNZA), the Section Officer for section C had a Diploma in Agriculture (1985) from NRDC and the Section Officer for Development had a BSc in Agriculture (1985) from UNZA. The factory management and workforce amounted to 28 permanent employees.¹⁸⁶

By January 1993, the total area of coffee planted on the two Estates was 313Ha.¹⁸⁷ The reduction in hectareage was due to the survival plan which entailed reduction in hectareage that the financial limitations would sustain.¹⁸⁸ The higher turnover levels too, were inadequate to cover the increase in the cost of production and the Company recorded a loss of K2.00 million.¹⁸⁹ Since then the scale of operations had been reduced approximately to 150 MT of which 100 MT was exported.¹⁹⁰ By 1994/95 ZCCL was not able to procure inputs like fertilizers, chemicals and other related items on time as it was no longer a viable economic venture. Lack of funds also deprived the Company from using adequate chemicals and fertilisers. Following the dissolution of ZIMCO in 1994, ZCCL fell under the Directorate of State Enterprises in the Ministry of Finance.¹⁹¹

¹⁸⁶ Zambia Privatisation, Agency, Lusaka, October, 1995, P.32.

¹⁸⁷ Zambia Coffee Company Limited File (no. date).

¹⁸⁸ Zambia Coffee Company Limited File (no. date).

¹⁸⁹ ZIMCO Corporate Budget 1990-91.

¹⁹⁰ Zambia Privatisation, August 1995, P.6.

¹⁹¹ Zambia Privatisation Agency, August 1995, P.4.

Table 2: ZCCL's Financial Performance from 1991 to 1994

K'mill	1994	1993	1992	1991
Turn over	232	139	91	59
Profit before tax	192	94	23	15
Fixed Assets	453	65	60	58
Net current assets	143	26	38	4
Long term loans	138	128	102	50
Differed Liabilities	56	17	9	2
Net Assets	116	106	13	10

Source: Zambia Privatisation Agency Report for October 1995, Lusaka.

The company's financial situation as reflected in these figures remained precarious.

The members of the Agency and cabinet decided that ZCCL be privatised as part of the general privatisation process and approved that ZCCL be sold on a competitive bid basis. The privatisation objectives were to ensure future viability for the company, to enhance production capacity and also to reduce the Government's financial burden.¹⁹² Hundred per cent (100%) of the shares of ZCCL was to be sold to the preferred bidder¹⁹³ and the sale of shares comprised all assets and other liabilities as registered by ZCCL at the date of sale. African Plantation Corporation, Uneximp, Finsbury Investments Limited and Mr Joseph Simon Chitambala and others submitted the bids.

¹⁹² Zambia Privatisation Agency Progress Report from 4th July 1992 to 31st December 1992, P.3.

¹⁹³ Zambia Privatisation Agency Lusaka, October, 1995, P.1

Table 3: The results of the bid Evaluation

Rank	Bidder	Qualitative Score/600	Quantico/400	Total
1	African Plantation Corporation	575	355	930
2	Uneximp Limited	295	400	695
3	Finsbury Investment Limited	115	102	217
4	Mr Joseph Simon Chitambala et al	0	0	0

Source: Zambia Privatisation Agency Lusaka October 1995.

The Zambia Privatisation Agency recommended that negotiations be commenced with the top two bidders, APC and Uneximp Limited respectively and that all the other bidders be rejected. APC was the best evaluated bidder.

African Plantation Company Limited 1996-2000

Following the introduction of the privatisation policy in 1996, ZCCL was sold to an international investor, Mr Golan Mekel from Israel under the privatisation programme. The latter was sold through a competitive tender for US \$115 694 plus all liabilities and all sales agreements were signed on 10th April 1996.¹⁹⁴ The Company changed its name and became African Plantation Company Limited (APC) in 1996.¹⁹⁵ APC was a private company registered in Bermuda but operated and managed coffee plantations in Central and East Africa. In order to maximise the potential of investments in coffee projects, APC had formed strategic alliances with world leaders in the field of coffee Estates development in Africa. Foremost, amongst these alliances was that with

¹⁹⁴ Zambia Privatisation Agency Status Report as at 30th April 1996.

¹⁹⁵ John Sutton and Gillian Langmead, *An Enterprise Map of Zambia* (London: International Growth Centre, 2013), P.52.

Agriconsulting affiliate of the Espirinto Group, which had a presence in coffee since the seventeenth century.¹⁹⁶ APC was owned by Dr Thomas S Kaplan and Mr Dekel Golan. The managing Director of APC was Mr David Hanna. Mr Golan had served as a chief of several multinational firms such as Mada Management Holdings, Apex Asia Mines Limited, PAZ Limited which was Israel's largest oil company, Dead Sea Bromine Group, APC and others. At the time of purchasing the company, Mr Kaplan was currently advisor to leading Fund and Trust Managers and also served as Director of Apex Silver Mines LCD and Andean Silver Corporation.¹⁹⁷ APC comprised of two farms only at the time of acquisition; Kateshi and Ngoli Estates, both situated in Kasama.

APC subsequently acquired two other farms Isanya and Lucheche Estates both in Mbala under a separate company called African Highland Plantation (AHP) but under one umbrella the Rift Valley Holdings (RVH) which was the holding company. Lucheche is yet to be developed and is currently not utilised. There was significant irrigation and the area planted with coffee was expanded to 1 500 hectares. The incidence of Coffee Berry Disease in 1998 had the effect of reducing both yield and quality output which aggravated misunderstanding between the financiers and the main shareholders as will be explained more in the following chapter.

Moreover, the major shareholders adopted a family business type approach where the recruitment of some managers was not necessarily based on merit. The end result was poor governance and mismanagement of funds and consequently, the major shareholder Dekel Golan became bankrupt and disposed of interest in the company.¹⁹⁸

In 2001 the company changed its name to Kasama Coffee Company (KCC) after the merging of the two Estates in Kasama and those in Mbala into which they transferred all the assets and

¹⁹⁶ Zambia Privatisation Agency Lusaka, October 1995, P.9.

¹⁹⁷ Zambia Privatisation Agency Lusaka, October 1995, P.9.

¹⁹⁸ Interview, Brahim Banda, Operational Manager, Kateshi, 1st September, 2015.

liabilities of APC and AHP.¹⁹⁹ The merging of the Mbala Estates and the Kasama Estates was because it was found out that it was expensive for one shareholder to have two similar companies in the same area and also to manage the government taxes.

KCC was engaged in the growing and processing of Arabica coffee in the Northern Province. Since KCC took over production reached 3 000 MT in 2004 which was more than a third of Zambia's 6 500 tonnes output that year.²⁰⁰ The three operational Estates Kateshi, Ngoli and Isanya had a combined hectareage of 4 405 of which approximately 1 173 hectares were under coffee in 2004. The coffee was mainly sold on the export market. KCC projected for a much higher production and borrowed huge amounts of money from ZANACO and Standard Chartered Banks to increase coffee hectareage. In 2005, coffee was however vulnerable to CBD because the main rains arrived when the coffee berry was expanding and one-third of the yield was lost to CBD because rainfall was too heavy to spray.²⁰¹ The reduction in production put KCC in an awkward position resulting in an inability to recover their operating costs and in turn had no means of paying back that loan.

Need for Immediate Funding

In order to rescue KCC and thereby continue with coffee production, it was estimated that approximately US \$4 million would be required as capital over a period of 3 to 4 years. The amount of US \$4 million included funding to revive the existing coffee as per KCC independent Assessment done in September 2005 and also funding required for the smallholder coffee scheme at Ngoli Estate as per Small holder Coffee Mobilisation Programme (SCMP) report by

¹⁹⁹ Interview, Banda, Operational Manager, Kateshi, 11th May 2015.

²⁰⁰ <http://ukzambia.co.uk/home2011/05/01/zda>.

²⁰¹ A.W Orr, Socio-economic Report of Smallholder Coffee in Zambia, A Socio-economic Field Report Working Paper A1163/15 University of Greenwich, November 2005, P.11.

Coffee Board of Zambia (CBZ) and Ministry of Agriculture and Cooperatives (MACO) done in 2006.²⁰²

Out of the US \$ 4 million, approximately US \$ 1.5 related to the setting up of the coffee scheme. The foregoing was intended to resuscitate the salvageable coffee at the Estates as well as establish a coffee out-grower scheme at one of the Estates, Ngoli Estate. ZANACO and Standard Chartered Banks as well as Zambia Development Agency came in to salvage the operations of the company.²⁰³ KCC continued its operations in that state until 19th September 2008.

Appointment of Receivers

On 18th September 2008, Messrs Nitesh Patel and Mark Libakeni both partners of Pricehouse Coopers were appointed as joint receivers and managers of KCC.²⁰⁴ Once appointed, the receivers made several efforts to engage various stakeholders in an effort to explore options available for salvaging the business from total collapse. These stakeholders included the Banks (ZANACO, and Standard Chartered), the Government of the Republic of Zambia (GRZ), in particular the Ministry of Commerce Trade and Industry (MOCTI) and the Ministry of Agriculture and Cooperatives (MACO), Zambia Development Agency (ZDA), the Coffee Board of Zambia (CBZ) and Zambia Coffee Growers Association (ZCGA).²⁰⁵

Given the broader objective to rescue KCC and thereby avoid shutting down the company, a proposal based on discussion among stakeholders (MOCTI, MACO, ZDA, CBZ, ZCGA and the Banks) which could be a plausible rescue plan for the troubled KCC was formulated. The discussions were centred on assessing possible avenues by which GRZ could intervene in order

²⁰² Small holder Coffee Mobilisation Programme, Report by Coffee Board of Zambia and Ministry of Agriculture and Cooperatives, June 2006.

²⁰³ Interview, Banda, Operational Manager, Kateshi Coffee Estates, 1st September 2015.

²⁰⁴ www.comesaria.org/site/en/opportunities-details.php.chaine--kasama-coffee-company-limited and id-article-286.21:34hrs Tuesday 24th march.2015.+1s

²⁰⁵ Zambia Development Agency Report for September, 2009.

to rescue the operations at KCC. Suffice to mention that the proposal that was being promulgated was premised on the following key underlying assumptions:

1. A smallholder coffee out-grower scheme would be implemented at Ngoli Estate, and
2. Rather than continue to trade under the receivership, KCC's assets would be transferred into a separate entity or a special purpose vehicle (SPV) thereby enabling the business to operate without the negative effects associated with companies in receivership.

Based on a previous assessment undertaken by a coffee expert in September 2009, it was estimated that the total costs of salvaging the coffee plantation at Kateshi and Isanya Estates would amount to approximately US \$ 1.9 million in the first year. It was anticipated that the average cost per hectare after the first year would reduce and the income generated from the salvaged coffee after the second year would in turn reduce the funding requirements thereafter.

With regard to establishing a coffee Out-Growers scheme at Ngoli Estate, the estimated total costs in the first year was US \$890 000. This amount was estimated using a standard budget contained in the Small holder Coffee mobilisation Programme (SCMP) for a 60 hectare coffee cooperative society which was prepared by CBZ, in collaboration with MACO, in June 2006.²⁰⁶

²⁰⁶ Smallholder Coffee Mobilisation Program Report by CBZ and MACO June, 2006.

Table 4: Estimated costs, specifically for the first year for salvaging/replanting 659 hectares spread out over the three Estates

Estate	Coffee that could be salvaged/replanted (Ha)	Estimated costs for the first Year
Kateshi	227	US \$1,031,000
Isanya	192	US \$873,000
Sub total	419	US \$1,904,000
Ngoli	240	US \$890,000
Total	659	US \$2794,000

Source: Zambia Development Agency Report for September 2009.

Given the huge investment already locked into the business, the Banks indicated that they were unable to justify any further funding to KCC. In view of this, GRZ intervention was sought and stakeholders held preliminary meetings wherein issues concerning KCC were deliberated.

Furthermore, the Receivers made efforts at marketing the business and assets of KCC for sale from December 2008. The Receivers also sought the assistance of ZDA to market and dispose the KCC assets through its international investor network.²⁰⁷ The ZDA invested US \$ 1.2 million in the coffee plantation and an additional US \$ 2.8 million as a loan. The ZDA chairperson then, Luke Mbewe said:

²⁰⁷ Zambia Development Agency Report for September, 2009.

The board had decided to invest US \$ 4 million to revamp the operations at the coffee plantation which was under receivership. The funds had been drawn from the ZDA basket to re-launch the project. ZDA noted that the project failed as a result of the global recession in 2008 among other reasons. In addition, the project would offer opportunities for small scale Out- Growers who were to be engaged in order to improve production.²⁰⁸

The former Republican President of Zambia Rupia Banda in October 2009 visited the Company which was at that time in receivership and assured the people in Northern Province of the reopening of the Company when he said that “*Kateshi Plantation in Kasama will soon resume operations following government’s consideration to re-open the scheme whose closure left the rural population out of permanent or seasonal employment*”.²⁰⁹ The President directed the Minister of Finance and National Planning then, Situmbeko Musokotwane to make funds available for resumption of operations at the coffee plantation.²¹⁰ In his address, Rupia Banda said:

I want to inform you that Kateshi Coffee Plantation will be reopened soon. Immediately I saw the state of the plantation, I phoned the Minister of Finance to come and see the plantation and this morning he has arrived. So I am assuring you that operations will resume very soon and the resumption of operations at Kateshi Coffee Plantation would create jobs for the people in Kasama. He also said that Government was concerned about the closure of the coffee Plantation, which provided the people of Kasama with employment. Mr Banda further said Government was to find an investor for the coffee plantation.²¹¹

In order to reduce the negative perception associated with companies in receivership such as issues of credibility and viability, it was proposed that the assets of KCC be transferred to

²⁰⁸ <http://ukzambians.com.uk/home> 2011/05/01/zda.

²⁰⁹ “Jobs coming to Kasama”, Zambia Daily Mail, Monday, 12 October 2009.

²¹⁰ Zambia Daily Mail, Monday, 12 October 2009.

²¹¹ Zambia Daily Mail, Monday, 12 October 2009.

Special Purpose Vehicle (SPV) (herein after called Newco), which would be jointly owned by the Banks and ZDA. A suitable name for the special purpose vehicle was selected and cleared with the patents and companies Registration office (PACRO) and is known as Northern Coffee Corporation Limited (NCCL). Names such as Kasama Coffee 2010 Limited, Kasambala (taking into account Kasama and Mbala farms) were also considered before settling for NCCL.²¹² The name was synonymous to the Northern Province because the company was intended to serve the social and economic needs of the entire province.

The NCCL was formed in March 2011 to take over the assets of KCC which had been in receivership since 2008.²¹³ NCCL became Zambia's largest coffee Estate and had 124 permanent employees and an annual turnover of US\$ 2.5 million. NCCL's assets consisted of five Estates on 5 866 Ha of land in Northern Province of which approximately, 1 580 Ha of the three Estates were previously cultivated for irrigated coffee production before Kasama coffee went into receivership in 2008. The country's investment agency ZDA and indebted Banks were to remain shareholders on the coffee firm until its acquisition.²¹⁴

Initially, the shareholders of NCCL were the two Banks ZANACO and Standard Chartered Bank and ZDA who had turned their debt into equity as earlier noted. It was 49% owned by ZANACO, 43% by Standard Chartered Bank and 8% by ZDA.²¹⁵ The Banks therefore acquired the assets of KCC at market value though the transaction was by way of a set off against the existing debt owed to the Banks. Assets included the wet and dry processing facilities, ware house, drip irrigation system, employee housing, a recreational centre and a research centre.²¹⁶

²¹² Interview, Banda, Operational Manager, Kateshi Coffee Estates, 11th May 2015.

²¹³ Sutton and Langmead, An Enterprise Map of Zambia, P.52.

²¹⁴ www.lusakatime.com/2012/09/19/zda-sales-northern-coffee-olam-international,us615m.

²¹⁵ Sutton and Langmead, An Enterprise Map of Zambia, p.52.

²¹⁶ Interview, Banda, Operational Manager Kateshi Coffee Estates, 11th May 2015.

The company invested over \$30 million in four coffee Estates (Kateshi, Ngoli, Isanya and Lucheche) involving 1 300 Ha of coffee and started looking for more land to expand and a more stable ZESCO power supply.²¹⁷

It must be emphasised that the Banks' objective was to recover their discounted debt in the shortest period of time and thereafter dispose off their interests in the Company. A board of monitoring body was established in order to rescue the operations of NCCL. The board of NCCL included representatives from the two Banks, ZANACO and Standard chartered, ZDA and ZCGA. It was proposed that the Banks and ZDA could exit from SPV within a period of four to six years, after which time it was anticipated that the coffee plantation would have been able to repay a significant portion of the funding provided to salvage the coffee operations. As such, this scheme was considered as a medium term investment for the Banks. Section 75 (6) of the Banking and Financial Services Act provides that the Banks can only hold their interests in the NCCL for a period not exceeding two years. The Banks however negotiated a dispensation with the Bank of Zambia and held their respective interests in NCCL for at least five years on consideration that coffee is a long term crop and the business would have not generated sufficient revenues in two to three years' time.²¹⁸

Given that any excess revenues that were to be generated from the operations of NCCL were meant to service the debts owed to the Banks, it was likely that a significant portion of the Bank's debts would be recovered. As such, the Banks would have recovered the bulk of their debts at the point when they exit from the SPV scheme. The exit routes available to the Banks included the following:

²¹⁷ Zambia Weekly, Week 12, 20 March 2015 issue 224 volume 6 www.zambia-weekly.com.

²¹⁸ Zambia Development Agency Report for September 2009.

- i) The Banks and ZDA could dispose of their equity interests in NCCL to either local or international investors as a going concern.
- ii) The Banks could dispose of their equity interests in NCCL through a Management Buy-out (MBO) and after the NCCL was operational, the management at the Estates could raise the necessary financing to acquire the Banks and ZDA's equity stakes.

And lastly,

- iii) The Banks could also consider an initial Public Offering (IPO) of NCCL on the Lusaka Stock Exchange after the operations were resuscitated and able to generate profits.

The NCCL was made operational under the above arrangement. It started preparing the Company to get back into production. The company restarted operations with an initial amount of US\$ 1.2 million utilising the Trade and Industrial Fund and worked with the receiver and the two banks to formulate a rescue plan which was accepted by government and over 100 jobs were to be created.²¹⁹ NCCL embarked on preparing nursery for new coffee which was expected to be ready for planting in the following year, 2012 at Kateshi and Isanya Estates, the nurseries which accommodated 1 226 675 coffee seedlings.²²⁰

In the meantime and rather than leave the Estates idle, wheat on 224 Ha was planted with a estimated production of over 2 000 tonnes a crop valued at US\$ 1.4 million and was bound to be cultivated at the end of September 2011.²²¹ The operational manager then Mr Brahim Banda who was quoted in the Zambia Daily Mail said the company had employed 500 workers, a number that was expected to increase to 1 000 once full production of coffee resumed in the following five years.²²² Mr Banda further said that the NCCL had planted 368Ha of winter wheat and said

²¹⁹ <http://ukzambians.com.uk/home2011/05/01/zda>.

²²⁰ Zambia Daily Mail, Monday, 25 July 2011.

²²¹ Zambia Daily Mail, Monday, 25 July 2011.

²²² Zambia Daily Mail, Monday, 25 July 2011.

that after the harvest, the company would grow 512 Ha of soya beans expected to produce 1 792 tonnes.²²³

Rupia Banda, when launching coffee plant in Kasama, said government would take development to rural areas by encouraging the opening up of industries in such areas. He further said that industrialisation was the key to the development of the country. He was speaking in Kasama when he graced the opening of the NCCL, formerly Kasama Coffee Company. He also thanked ZANACO and Standard Chartered Bank for coming up with a rescue plan for KCC. He said the resuscitation of the coffee company would create jobs for local people and boost economic activities in Northern Province. Mr Banda said his government through the ZDA would support the NCCL in its initial phase and ensure that it remains viable.²²⁴ He also challenged shareholders in the coffee company to make sure that in the next five years, the coffee industry in Kasama was expanded.

On 12th September 2012, the global agribusiness company Olam International Limited of Singapore acquired a hundred per cent (100%) equity in NCCL for approximately US\$ 6.15 million through a competitive bidding process organised by ZDA. The Minister of Defence then Geoffrey Mwamba in whose constituency the Coffee Estate falls in the northern Zambia said all the formalities had been completed and that the Singaporean firm had since taken possession of the plantation. The acquisition was reported in the Times of Zambia of Wednesday 26th September 2012:

²²³ Zambia Daily Mail, Monday, 25 July 2011.

²²⁴ 3 march 2di at 12: 21//ZNBC Rupia launches coffee plant in Kasama, Times of Zambia, Wednesday, 26 September 2012.

I must say that everything is under control and that the investor has already taken possession of the plantation and all that is remaining was to start mobilising, he was quoted as saying by the paper.²²⁵ According to him, the Zambian government which previously had a 10 per cent shareholding had given it out to the investor who now owned 100% equity. The Singaporean firm is expected to inject a further 40 million dollars as capital expenditure and pre-operative expenditure to fully develop 2 000 Ha of the Arabica coffee plantation over the next five years, he added. The estate which would employ about 3 000 people during harvest time was expected to yield about 4500 tonnes of Arabica coffee beans by the company's financial year 2021 at steady –state while the first 300 Ha are expected to be planted in financial year 2013. Once production starts, Zambia will return to the coffee map and make Olam the largest producer and exporter of coffee from Zambia.²²⁶

The firm started as in all previous occasions by growing soya beans and wheat, planting these two seasonal crops in between the longer term coffee bushes. In addition to producing wheat and soya beans, the firm began to prepare land in order to plant an initial 300 Ha of new coffee bushes. It started by cultivating 1 245 000 coffee seedlings in a nursery which was enough to plant out 350 Ha.²²⁷ Olam International planned to develop an area extending beyond the 1 580 Ha cultivated before Kasama coffee went into receivership, eventually bringing a total of 2 000 Ha under production. It also hoped to spend US\$ 40million of capital expenditure and pre-operative expenditure to fully develop 2 000 Ha devoted to Arabica coffee over the next five years. This was translated into an output approximately 4 500 MT of Arabica coffee over the next five years.²²⁸

²²⁵ Singapore firm takes over Zambia's biggest coffee estate published: 26 September 2012 Short URL: <http://farmlandgrab.org/21059postedinolam/zambia.xinhua/26september2012>.

²²⁶ "Olam takes over Northern Coffee", Times of Zambia, Wednesday 26 September 2012 and <http://olamgroup.com/locations/southern-africa>.

²²⁷ Sutton and Langmead, An Enterprise Map of Zambia, P.53.

²²⁸ Sutton and Langmead, An Enterprise Map of Zambia, P.53.

Picture 4: Olam NCCL Kateshi Coffee Nursery



Source: Field Data at Kateshi.

Picture 5: Olam NCCL Ngoli Nursery



Source: Field Data at Ngoli.

Olam Managing Director and Global leading of coffee Vivek Verma commented that:

Their successful bid to acquire NCCL marks another milestone in executing their upstream strategy for coffee. Their selected investment in their upstream was well as in processing soluble coffee, coupled with their strong and growing supply chain business gave them a unique balanced portfolio. With that portfolio and configuration of assets integrated selectively across the value chain, they were well positioned for continued sustainable growth with consistent earnings in all price scenarios.²²⁹

The company had strong and long-established relations with its buyers. The firm began to attend seminars with the National Milling Company on meeting quality standards for wheat production and company sourced inputs from local companies such as MRI seed Limited, Greenbelt Fertilizer, Precision Farming and Crop Serve. Even though the company was not expected to export coffee in 2012, it planned to start once production had been established.²³⁰

Conclusion

The chapter has shown that after independence the government decided to diversify the country's economy so that copper was not the only main employer in the economy. It has shown that the coffee project was among agricultural projects designed soon after independence to boost development through agricultural production and with the view to diversifying the country's copper dependent economy and promoting balanced growth and equity.

The chapter has demonstrated that with continuous funding and good management, the coffee company proved to be viable. The latter could also contribute substantially to the realisation of the primary national objective of diversifying the economy and widening the export base of

²²⁹ www.lusakatime.com/2012/09/19/zda-sales-northern-coffee-olam-international,us615.

²³⁰ Sutton and Langmead, An Enterprise Map of Zambia, P.53.

non-traditional items. The quality of Kasama coffee has attracted good prices and commands high premium on the world market. Increased production of coffee would not be hampered by inadequate market outlets as the coffee has been accepted as among the high quality coffees in the world. However, despite the fact that Zambia's economic policies have for a long time emphasised export diversification, copper remains the main export commodity for Zambia.

Therefore, the promotion of coffee production in Kasama can assume self-sufficiency and help increase the foreign earnings to the country. Coffee can easily substitute copper as the country's main foreign exchange if properly organised. The industry has great potential to spur economic development and claim its position as the second export commodity after oil.

CHAPTER THREE

Challenges on the Development of the Coffee Company in Kasama, 1967-2012

Introduction

This chapter focuses on the challenges the Coffee Company faced in its development. It argues that the problems experienced by a good number of quasi-government schemes that were developed by the projects' Division of the ministry of Rural Development were not only institutional but also to some extent policy related. The chapter attempts to demonstrate that the challenges the company faced also came from the government administration and the changes that took place in the administrative arrangement and policy implementation through the Ministry of Agriculture which were in one way or another politically motivated.

The chapter moves on to show how the handing over of the two schemes, Kateshi and Ngoli to RUCOM Industries and later to Rural Development Corporation (RDC) just created more problems in the operations of the Estates because the latter had too many responsibilities beyond its powers leading to maladministration and poor coordination in the process of administering the projects. The chapter also reveals that political interference in the running of the Estates was yet another factor that adversely affected the operations of the Estates.

The chapter then highlights how management changes that took place especially from 1984-1993 inhibited access to operating and development loans because of the state of flux in ownership and related questions of management stability. It further highlights how the suspension of the World Bank funding created a problem in the capital investment program and how financing of Technical Assistance and capital investment fell directly on the fledgling company thereby resulting in the company experiencing several financial problems that hampered expansion plans.

Lastly, the chapter examines how the fall in the coffee prices in 1989 negatively impacted on the company's financial outlook. It argues that the severe financial crisis experienced about the same period forced the company to embark on a survival plan which further impeded the development of the company.

This chapter concludes by looking at the challenges of the scheme under private ownership. It argues that APC, a private entity that bought a governmental parastatal company after privatisation could not be financed because of the misunderstanding between the company and the financiers after the outbreak of Coffee Berry Disease (CBD) which brought down production.

Early Economic and Management Challenges faced by Kateshi and Ngoli

Coffee Estates

A good number of quasi-governmental Schemes that were established in the 1970s were developed by the Projects Division of the Ministry of Rural Development. The major problems faced by these schemes such as the Kawambwa Tea Company, Mununshi Banana Scheme, Ngoli/Kateshi coffee among others were institutional and to some extent policy related issues. To a greater extent these schemes were poorly and improperly designed resulting in many operational and maintenance problems at a later stage.²³¹ Failure of most rural projects to sustainably take off was reported in *Zambia Daily Mail* issue of Monday June 27th 1988. The minister of State for Higher Education then, Geoffrey Simasiku pointed out that although large financial resources had been allocated to projects in rural areas, the results had been disappointing. He was quoted saying *“one of the principal reasons is that the projects undertaken have not been effectively planned and managed. Consequently, resources have continued to be misappropriated and misallocated with disappointing results”*.²³²

²³¹ Akayombokwa, Siakantu and Chipeleme, Republic of Zambia Ministry of Agriculture and Water Development. *A Guide to Development Priorities and Policies for Irrigation Development in Zambia*, p.21.

²³² “Poor planning hinders rural progress- minister”, *Zambia Daily Mail*, Monday, 27 June, 1988.

Operation challenges for the schemes started in their initial development state. One of the early challenges was the decision by the Ministry of Rural Development to administer the coffee Estates from Lusaka. This had an immediate negative impact on their operations and performance. Centralisation of administration led to lack of proper control of the project within the province.²³³

This arrangement also denied the actual doers participation in running the affairs of the Estates and also robbed them of the power to make and implement decisions suiting the development of the Estates in that decisions and plans for the Estates were now always done in Lusaka. This development undoubtedly slowed down activity and operations of the Estates in that there were difficulties of communication arising from this arrangement. Centralisation of administration in capital cities was also observed in Tanzania where it has been noted that decisions took long before being passed down to the field personnel and decisions were made without considering the reality on the ground.²³⁴

Apart from lack of proper control of the projects, information regarding progress on expenditure of funds and other related matters was difficult to obtain without reference from Lusaka.²³⁵ This was because the managers of the schemes were provided with a small imprest of say K2000 to K3000 to cater for daily operations and also for paying labour. Materials for capital projects were obtained by the managers on Long Purchasing Order (L.P.Os.) and paid for by the Headquarters. The latter controlled funds and prepared monthly financial statements showing allocations and expenditure for each scheme. Copies of such statements were supposed to be sent to the Provincial Rural Development Officer (P.R.D.O), Provincial Agricultural Officer (PAO) and managers of the Schemes. However, that was not the case as intended originally. For

²³³ NAZ, MAG 2/17/111 Location 205 Coffee.

²³⁴ Paul Collins, The Institutionalisation of Basic Needs for Rural Development: Lessons from an African Experience (The Hague: Institute of Social Studies, 1981), P.22.

²³⁵ NAZ, MAG2/17/111/Location 205 Coffee.

instance, the office of the P.R.D.O had only one statement for the period 1st January to 31st July 1971 and nothing for 1972. This situation was similar to that of PAO and the managers of the schemes. As a result it was difficult to extract reports on expenditure of funds on the schemes other than labourers's wages making it difficult to evaluate achievements and losses of the schemes.²³⁶

The other problem that rose as the result of centralisation of authority in Lusaka was that all major decisions now had to be made in Lusaka and after they were made, they had to be passed down to the Estates. That arrangement took long and in that way affected the performance of the Estates. For instance, technical supervision with authoritative powers had to come from Lusaka just to undertake a very minute job but at very high travelling costs.²³⁷ Managers of the Estates could no longer use their own discretion or make their own decisions on day to day issues without consulting the Manager, Projects Division in Lusaka. That was because that same arrangement made managers of the Estates answerable to the former and therefore no decision could be made from within the province.

These changes were made at a time when there were no communication facilities linking the Estates directly with Lusaka. It encouraged the inefficiency in its operations. Sometimes long delays were experienced before feedback could be received from Lusaka. Centralisation of administration in capital cities was not unique to Zambia but was a common practice elsewhere in newly independent Africa such as in Kenya where implementation of some projects for rural development were negatively affected by similar administrative changes.

²³⁶ NAZ, NP3/13/3 Location 6436, Agriculture 1957-1972.

²³⁷ NAZ, MAG/2/17/111 Location 205, Coffee.

Uma Lele noted that:

The centralisation of administration in Nairobi for rural development in Kenya created problems in the design and implementation of some projects. This was because decisions were to be made in Nairobi and after that was done, they needed to be passed down to the field staff and as a result much of the planning had been based on inadequate knowledge of the reality that prevailed on the ground.²³⁸

The other challenge experienced in the initial development of the Estates was the uncompromising attitude of some managers who administered the Estates. For instance, when the office of the P.R.D.O which was responsible for coordinating all the activities in the province requested to the manager who administered the Ngoli Coffee Scheme in 1971 to provide copies of his monthly reports which were to be sent to headquarters in Lusaka, he just kept on giving promises.²³⁹ Apart from the uncompromising attitude, the office of the Projects Division in Lusaka authorised a two to three week leave for the manager of the Estate to go to East Africa without the consent of the office of the P.R.D.O which was responsible for coordinating all the affairs in the province. This undoubtedly made a number of duties stall and created a problem in the operations of the Estates in that the manager of the Estate was not only responsive to his immediate supervisor but could also act on the basis of authority from Lusaka without any due regard to his immediate superiors.

Lack of ability of some managers who administered the Estates and failure to put into effect the advice given as well as failure to develop their own ideas was another challenge in the initial development of the Estates. Even though managers acquired a lot of experience under

²³⁸ Uma Lele, The Design of Rural Development: Lessons from Africa (London: The Johns Hopkins University Press, 1975), P.144.

²³⁹ NAZ, NP3/13/3 Location 6436, Agriculture 1957-1972.

supervision, they did not have any of their own.²⁴⁰ The inability exhibited by some of the managers was as a result of use of unqualified staff in managerial positions probably due to political interference in appointments who were not only incapable but also ineffective.

The other challenge that most negatively affected the Estates was that which resulted from administrative changes in the Ministry of Agriculture. From 1964 to 1989, the administrative structure and operational policies changed six times creating challenges in the operations of the Estates. In 1969 a major ministerial reorganisation brought together all the departments involved in Ministry of Agriculture into a new Ministry of Rural Development, the latter provided a central focus for rural development organisation.²⁴¹ Although this ministry focused on rural development, it was inefficient. It was too large with many departments and it became difficult to manage all the departments effectively.²⁴²

Apart from administrative challenges, financial constraints faced by the Zambian government beginning in the 1970s, because of a combination of the international and domestic factors, copper prices and exports declined and that resulted in the budget cuts for the Projects Division and that meant less funding to the schemes.²⁴³ For instance, a comparison of the 1968 and 1969 budget allocations, reveals that when the Ministry of Agriculture was a single ministry in 1968, it was allocated K13,043,376 while in 1969 the Ministry of Rural Development with ten subsidiary companies and under which the Ministry of Agriculture also fell was allocated K17 500 000.²⁴⁴ This signified a reduction in real terms in funding allocation to the Ministry of Rural Development and of Agriculture. This development created a lot of challenges in the operations of all rural agricultural projects including the coffee project. Problems of inadequate funding did

²⁴⁰ NAZ, MAG 2/17/111 Location 20, Coffee.

²⁴¹ Cherry Gertzel, "Two Case Studies in Rural Development" in Tordoff (Ed) Administration in Zambia (Manchester: Manchester University, 1980), P.240.

²⁴² NAZ, Reference Index, Ministry of Agriculture Administration History 1990.

²⁴³ Bratton, The Local Politics of Rural Development Peasant and Party- State in Zambia, P.29.

²⁴⁴ "BUDGET", Times of Zambia, Friday, 26 January 1968.

not improve throughout the 1970's. Ultimately, the schemes like all other such projects experienced severe operational difficulties. This was due to numerous challenges; administrative as well as financial and political interference.

The government handed over the two schemes to RUCOM Industries in 1976. However, the multiple problems faced by the two schemes including those related to the supply of inputs continued. RUCOM experienced considerable difficulties from the onset. Among its multiple problems was lack of financial branch to a financial intermediary. But RUCOM also lacked a good financial reputation making it difficult for the Estates to source working capital or arrange mortgage money for its clients.²⁴⁵

When RDC was established by the government in 1968 the major aim was to spearhead rapid economic and social development in the rural areas and to assist in narrowing the gap between the rural and urban areas. It was thus engaged in agricultural development projects. All the rural development projects were thus placed under RDC in the late 1970's including the Kateshi/Ngoli Coffee Schemes in order to make them viable business ventures.²⁴⁶ This was done because the Department of Agriculture in the Ministry of Rural Development was not able to sustain the operations of the Schemes due to inadequate funding.

Unfortunately, the RDC could not sustain its country wide projects as was expected because it was also experiencing a diversity of problems that ranged from internal administration, lack of trained and fully committed human resource and chiefly, because of the economic situation of the country at that time.²⁴⁷ As a result, the Schemes could not be recapitalised due to insufficient funds from the Department of Agriculture. Thus many projects which were drawn by the RDC

²⁴⁵ Akayombwa, Siakantu and Chipeleme, Republic of Zambia Ministry of Agriculture and Water Development, P.53.

²⁴⁶ NAZ, LP1/2/1 Location 6450, National Development Plan Progress Reports 1968-1969.

²⁴⁷ NAZ, Location 6450, LP/1/2/1 National Development Plan Progress Reports 1966-1969.

became non-operational due to non-availability of investment funds.²⁴⁸ In addition, the RDC had suffered an operational loss of K143 442 in 1973, a significant improvement over the previous year's loss of K22 million.²⁴⁹ However, in 1982/83 financial year it made an even bigger loss of K35 million. The RDC was administratively dissolved on 1st April 1984 and was officially dissolved on 28th June 1984 by the then president Kaunda.

After the dissolution of RDC, the management and operation of most of the non-settler Schemes such as Kateshi and Ngoli Coffee Schemes, Mununshi Banana Scheme and Kawambwa Tea Scheme were taken over by ZIMCO. It was thought that the problems would improve by this time in accordance with the Third National Development Plan (TNDP) projections. ZIMCO was however a financial drain on the government and the Banks and it was experiencing challenges of lack of personal accountability and moreover, the channels of communication were long and complex. It was because of that fact that Dr Kenneth Kaunda during a meeting with all ZIMCO chief executives in February 1983 said "*it is a public knowledge that the commercial viability of the ZIMCO group of companies despite assistance from the government and banks continues to be a major cause of national concern*".²⁵⁰ He therefore called upon them to rectify that problem even though those challenges had been compounded by the continuing and deepening world economic crisis.²⁵¹ The economic difficulties ZIMCO faced were as a result of the Third National Development Plan (TNDP 1979-1985) objectives which did not materialise on account of non-realisation of its major assumptions due the second oil shock of 1979/80 slump which led to the declining in export earnings to 14.6 per cent in 1981 and to 20 per cent after the latter year.

²⁴⁸ NAZ, Location 6450, LP/1/2/1 National Development Plan Progress Reports 1966-1969.

²⁴⁹ Z-Magazine, No.68, January 1975, P. 2.

²⁵⁰ Z- Magazine, No.123, July 1983, P.14.

²⁵¹ Z-Magazine, No.123, July 1983, P.14.

The TNDP for the period 1980-85 gave a priority to rural development in general and to increased agricultural production in particular. It also focused on achieving sufficiency in staple foods, the provision of adequate supplies of raw materials for domestic agro-based industries and also on the export potential of certain crops such as tobacco, sugar, rice, a wide range of fruits, vegetables and coffee. It re-emphasised its commitment to making agriculture the main source of Zambia's foreign exchange as well as domestic food needs.²⁵²

Zambia, however, did not succeed in replacing copper as the country's main foreign exchange earner even though the mining industry had been sliding. Agriculture remained insignificant in the export sector. It contributed only 1.5 per cent to the total value of exports in 1977, 1.8 per cent in 1979, and its contribution failed to 0.3 percent in 1979.²⁵³ It has also been argued that after the nationalisation of industries and parastatals, the main beneficiaries were the elites who were not only corrupt but also accumulated capital for their own benefit. In addition, the government's expansion of the state control of the economy put public resources at their disposal.²⁵⁴

Although at the time of re-organising ZIMCO in 1978, the Holding company finances were in a parlous state, it was made to assume a number of liabilities on account of the dissolution of National Transport Corporation (NTCO), Mining Development Corporation (MINDECO) and Financial Development Corporation (FINDECO). A number of measures were taken to strengthen the finances of the Holding Company and to enable it to play an effective role. These measures included the establishment of the ZIMCO Development Fund (ZDF) from which dividends received were to be re-invested in new and economically viable projects. A sum of

²⁵² Chipungu, *The State, Technology and Peasant Differentiation in Zambia*, P.205.

²⁵³ U.N., INTERNATIONAL TRADE STATISTICS YEARBOOK FOR 1983, 1024.

²⁵⁴ Megan Vaughan, "Exploitation and Neglect: Rural Producers and the State in Malawi and Zambia", in Hand Birmingham and Phyllis, M. Martine (Eds.) *History of Central Africa: The Contemporary Years to 1960* (London: Longman, 1998), P. 180.

K17.8 million was available for investment in the ZDF. As at 31st March 1984, K6.9 million had been in subsidiaries. During the six year period between 1978/79 and 1983/84, the Holding Company was able to invest in total K31.9 million in subsidiary companies including K6.9 million of the Development Fund. Projects funded out of ZDF included Kasama Coffee Project, Zambia Ceramics Limited, Lublend Limited, Ethanol Project, Tractor Assembly Project, Fisheries Project, Soya bean Project, Indo Zambia Bank and Hotel Intercontinental expansion.²⁵⁵

While the Second National Development Plan (SNDP, 1972-1976) stressed the expansion of agricultural production as a top priority and as a way of abolishing disparities in rural and urban incomes, planned investment expenditure by the Ministry of Rural Development for 1972 to 1976 period was only K152.5 million out of the total investment of K1 956 million and was in sharp contrast to K655 million earmarked for mining and industry.²⁵⁶ Indeed, despite the repeated policy emphasis on agriculture, in practical terms, the pattern of investment in rural development “*were never large, either in absolute terms or relative to investment in the urban development or industrial infrastructure*”.²⁵⁷ Urban wage earners had access to privilege and subsidies unavailable to the rural population such as loan allowances and advances for special purchases, housing, transportation and access to clinics.²⁵⁸ Thus, the agriculture’s share of the public budget “declined from 7% in 1966-70 to 3% in 1975-80 and between 1965 and 1980 the terms of trade for rural dwellers deteriorated more than 5% per year”.²⁵⁹ Rural development was generally granted low priority. Insufficient funds were allocated to agricultural development.

²⁵⁵ UNIP 7/25/4 Zambia Industrial and Mining Corporation Limited Board Papers.

²⁵⁶ Dodge, Agricultural Policy and Performance in Zambia, P.68 and Government of the Republic of Zambia, Second National Development Plan 1972-76, (Lusaka: Government Printers, 1972), P. 33.

²⁵⁷ Bratton, The Local Politics of Rural Development Peasant and Party State in Zambia, P. 29.

²⁵⁸ Michael Bratton, “Economic Crisis and Political Realignment in Zambia”, in Widner, Jenifer A. (Ed) Economic and political Liberalisation in Sub-Saharan Africa (Baltimore, Maryland, The John Hopkins University Press, 1994), P.105.

²⁵⁹ Bratton, “Economic Crisis and Political Realignment in Zambia,” P. 106.

The first five years of the SNDP budget for capital expenditure on rural development was not equitable to what was to be given. True to say that the rural population needed the benefit of education, Transport and industry, the total investment designated to rural capital and investment was not enough as it was fixed at only K152.5million a mere 7.3 per cent of the total investment predicted during the plan. This was however less than a quarter of the funds allocated to mining and manufacturing put together.²⁶⁰

An Employment Advisory Mission Report of 1977 stated:

A depressing feature of public policy which strikes the observer of the rural sector is the gulf between words and deeds. In contrast with the government's declaration about the urgency of the need to transform the rural sector, and the priority to be given to rural development in national planning, one is struck by the neglect of agriculture, by the low priority given to rural activity in the allocation of economic resources and skilled manpower, and overall by the absence of a clear and coherent framework for rural development, within which decisions were taken.²⁶¹

Desirable progress on the Schemes was further hindered by lack of properly qualified and experienced staff to manage them in the initial development of the Estates ²⁶²The problem of right personnel to administer the Estates adversely affected the operations of the two Estates. It has been noted that there were only 22 non clerical staff Europeans and 8 Africans in the country in the field of Agriculture at independence.²⁶³ Inadequate manpower meant that there was little that the Schemes could achieve of their intend purpose. This handicap coupled with many other physical limitations and operational problems resulted in the reduction of yield of up to 25-30%

²⁶⁰ JASPA EMPLOYMENT ADVISORY MISSION, Narrowing the Gaps: Planning for Basic Needs and Productive Employment in Zambia (Addis Ababa: International Labour Organisation, 1977), P.79.

²⁶¹JASPA EMPLOYMENT ADVISORY MISSION, Narrowing the Gaps: Planning for Basic Needs and Productive Employment in Zambia, P.78.

²⁶² Review of Irrigation Policies and Activities in Zambia, p.15.

²⁶³ Robert E Baldwin, Economic Development and Export Growth: A Study of Northern Rhodesia, 1920-60 (Berkeley: University of California Press, 1966), P. 16.

in the early 1970s.²⁶⁴ Most of these problems could have been overcome by employing properly qualified manpower and injecting the required capital into the Schemes.

In addition to unqualified and inexperienced staff to manage the Estates, lack of knowledge and extension services and shortcomings in their quality was yet another set of problems which Estates had to contend with.²⁶⁵ Extension services could not be effectively implemented on account of also serious problems such as lack of transport and poor office equipment. It has been observed that lack of skills and education in Zambia was the major challenge to economic expansion in the years after independence. For instance, at independence, Zambia had fewer skilled and educated citizens than any other ex-British colony.²⁶⁶ State Production Schemes were also not spared with the handicap of right personnel. Lombard and Tweedie have pointed out that management had proved to be an extremely scarce resource and Zambia had to “literally scour the world to find people of the right caliber.”²⁶⁷ Suffice to mention that that situation was not only unique to Zambia but it was also common in countries like Malawi where most rural industries were managed by unqualified personnel. Undoubtedly, these lacked the required technical and managerial skills to run the rural Estates and hence the latter’s failure.²⁶⁸

The other problem was that development of irrigated agriculture had in the past lacked adequate institutional support at the technical research and extension levels as well as lack of well-defined policies. Farming under rainfall conditions received priority in agricultural development programmes. Large scale irrigation schemes were restricted to the cultivation of some specialised crops meant for export. This serious handicap resulted in slow development of individual

²⁶⁴ Akayombwa, Siakantu and Chipeleme, A Guide to Development Priorities and Policies for Irrigation Development in Zambia, p. 21.

²⁶⁵ Mansfield, Summary of the Agronomist Research Findings in Northern Province, Zambia, P.61.

²⁶⁶ Richard Jolly, “The Skilled Manpower Constraint” in Charles Elliot (Ed) Constraints on the Economic Development of Zambia (Nairobi: Oxford University Press, 1971), P. 21.

²⁶⁷ C.S. Lombard and A.H. C. Tweedie, Agriculture in Zambia since Independence (Lusaka: NECZAM, 1972), p. 70.

²⁶⁸ Fredrick, L Pryor and Chinyamata Chipeta, “Economic Development through Estate Agriculture: The Case of Malawi”, in Journal of African Studies, 24, 1 (1990), P. 55.

(commercial) schemes. These handicaps were further compounded by the high costs involved in setting up schemes that use overhead systems.²⁶⁹

Political interference in the running of rural development programmes became a critical factor especially during the era of the one party state. Party (UNIP) officials saw the creation of the one-Party State as an avenue through which their demands could be realised and as an opportunity to gain the financial rewards and status owed to them for their contributions to the Nationalist movement.²⁷⁰ Throughout the first Republic 1964-1972, political leaders and Kaunda in particular had expressed dissatisfaction at lack of ability to implement policies and that the party's effort to reach its objective were hindered by poor and inefficient administration. Due to its essential position in the economic restructuring efforts which aimed at the national economic recovery, the Department of Agriculture in the Ministry of Rural Development was made focal point of the party UNIP and its government economic strategic plan. In fact, formal responsibility for policy making and implementation lay with the UNIP National Council and the Central Committee.²⁷¹ The party also ensured that a party official was represented on all committees of Rural Development.

Unfortunately, under the one party state agriculture was not only viewed as a vehicle for economic development but projects under the Department of Agriculture were turned into vanguard of UNIP to win mass popularity. This move or perception distorted the economic image of Rural-agro industries such as Kateshi/Ngoli Coffee projects. It was therefore not possible for them to operate as profitable economic institutions. Moore and Vaughan also noted that the projects that were set up during post-independence period more "often acted to obstruct

²⁶⁹ Akayombokwa, et al, *A Guide to Development Priorities and Policies for Irrigation Development in Zambia*, P. 9.

²⁷⁰ Ian Scott, "Party and Administration under the One-Party State", in William Tordoff (Ed) *Administration in Zambia* (Manchester: Manchester University Press, 1980), P.146.

²⁷¹ Scott, "Party and Administration under the One-Party State", P. 150.

than to enable. They became sources of income in their own right and centres of local political patronage networks”.²⁷² As a result, the UNIP controlled all the government funded projects and interfered in their operations.

Similarly, at Kawambwa Tea Company, UNIP interfered in the running and operations of the company. For instance, the party (UNIP) during the Humanism week which was an annual event running from 18th to 24th October of each year used to direct the company management to send some workers to go and participate in the community based development programmes.²⁷³ That in turn stalled some duties and the workers were to be considered as having worked for the company on those days. In addition to the use of company employees during Humanism Week, UNIP would also request the company manager to provide some employees for party functions as well and demanded for tractors and motor vehicles to transport building materials and delegates to the meetings and back to their homes at the expense of the company’s operations.²⁷⁴ The situation got even worse whenever important party officials like the governors and Members of Central Committee visited the area in that almost all the workers were required to turn out to welcome them and also to attend meetings.²⁷⁵

The Mununshi Banana Scheme too, was built on political promises and as such, party structures were part of its operational organisation. UNIP perceived the Mununshi Banana Scheme as a vanguard of their political ambitions. The whole general work system of the scheme was controlled by UNIP staunch supporters. Workers could abandon work for party functions and were to be considered as on duty with full pay. The company management had no say for fear of being accused of being anti-party whose consequence was instant dismissal.²⁷⁶ Sometimes

²⁷² Moore and Megan Vaughan, *Cutting Down Trees*, P.137.

²⁷³ Kawambwa Tea Company, Political File, UNIP Luena Ward Offices, Humanism Week Programme, 1973-1985.

²⁷⁴ Ng’andu, A History of Kawambwa Tea Company 1970-1996, P. 38.

²⁷⁵ Ng’andu, A History of Kawambwa Tea Company, P.39.

²⁷⁶ Kakulwa, “Rural Development through Agriculture”, p.110.

Scheme's resources were abused for the benefit of party organisation. Political interference also extended to the Scheme's products and usage of machinery. Schemes vehicles and tractors were sometimes engaged in ferrying party cadres to and from political meeting centres causing production to be at stand still. During meetings the scheme manager was commanded to provide bananas for party members' consumption.²⁷⁷

Political interference in the administration of Rural Development programmes was not only unique to Zambia but it was also common in other countries. In Tanzania for instance party resolutions influenced the formulation and implementation of Rural Development Programmes.²⁷⁸ In addition to that, the party ensured that it was represented on all committees charged with the implementation of Rural Development Programmes and was in fact responsible for the overall policy making.²⁷⁹

The situation was the same in Mali where the ruling party exercised undue influence in the running of the Groundnut project. The manager for instance, was requested to surrender his official vehicle to the circle Commandant for a week at the expense of company's operations. Uma Lele noted that the project manager had no choice but to abide because of fear to be demoted in that loyalty to the party was more important than being submissive to the rational operations of the company or project at that time.²⁸⁰ Undoubtly, such activities did not only interrupt the smooth running of Rural Development Programmes but contributed to their poor performance.

²⁷⁷ Kakulwa, A History of Mununshi Banana Scheme, P.112

²⁷⁸ Collins, The institutionalization of Basic Needs for Rural Development, P.22.

²⁷⁹ Collins, The Institutionalisation of Basic Needs for Rural Development, P.22.

²⁸⁰ Lele, The Design of Rural Development: Lessons from Africa, P.135.

Financial Difficulties under Zambia Coffee Company Limited 1985-1995

A World Bank Mission recommended to INDECO that unless it got foreign management for the schemes the bank would not fund any rehabilitation programmes. So management contract for the company was given to the Booker Tate in 1988 which ran up to 1992.²⁸¹ Booker Tate recruited a General Manager, an Estate Manager and Civil Development Engineer. The Booker Tate high level of staff took over the management of the Estate with only one Zambian Assistant Estate Manager. Despite the fulfilment of the foreign management conditionality the World Bank funding did not come but the management fee for Booker Tate had still to be paid as per contract.²⁸²

Furthermore, ZCCL had relied solely on the sale of coffee and loans for its funding of mainly recurrent expenditures. Ever since its inception in 1985, the Company's performance had been plagued by managerial and financial problems. In the nine years of existence, the company experienced three managerial changes each implementing programmes aimed at improving the company's financial base. The first management team had, apart from coffee growing, also embarked on field crop production. When management was transferred to Booker Tate in 1988 a series of rehabilitations and expansion works were planned for the future and it concentrated its efforts on coffee growing only. In 1992 the management of the company was reverted back to INDECO. With the latter take over, the number of employees was reduced and the company began operating below strength due to financial and economic difficulties. In its endeavor to have a regular inflow of income the latest management had embarked on a diversification programme which included field and seed crop growing, poultry rearing and vegetable

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²⁸² Akayombokwa et al, A Guide to Development Priorities and Policies for Irrigation Development in Zambia, p53.

²⁸²

²⁸³ Akayombokwa et al, A Guide to Development Priorities and Policies for Irrigation Development in Zambia, p53.

production. However, the diversification programme was to be undertaken on a reduced level due to inadequate machinery and finances.²⁸³

The World Bank was the source of funding to ZCCL. Access to operating and development loans through the World Bank was inhibited by the state of flux in ownership and related questions of management stability. Between 1988 and 1992 ex-INDECO Limited assisted the company with K120 million.²⁸⁴ This period also saw the withdrawal of funds which were to have been made available to the company under the World Bank Coffee 11 Project an offer which was suspended as a result of the break down in relations between the Bank and GRZ. Consequently, there was a significant drop in the operation of the company. Since then, ZCCL began operating under precarious conditions. Retrenchment and consolidation of the company as well as a general curtailment of expansion plans were the end results. The number of employees was reduced from the 1989 level of 627 to 301 in 1994 which complied more closely with the industry standard of one worker per hectare of coffee.²⁸⁵

It might be argued that, the World Bank project's second phase which should have started in 1987 but suspended created a problem in the company's capital investment programme. During the first phase, a factory had been constructed which should have been able to process all the coffee grown in the country. However, while the factory was operational a number of essential equipment was to be installed during the second phase of the project. The suspension of the project put these programmes on hold.²⁸⁶ This resulted in under operation of the company.

²⁸³ Zambia Privatisation Agency, October 1995, P.15.

²⁸⁴ Zambia Coffee Company File (no date).

²⁸⁵ Zambia Privatisation Agency August 1995, p. 31.

²⁸⁶ Zambia Coffee Company Limited File (no date).

The Coffee Company and the International Climate

The international and national challenges faced by the Coffee Company were compounded by instabilities in the international coffee markets. Faced with the largest coffee crisis which began in 1989 most influential coffee producing nations called for negotiations. However, ensuing disagreements ultimately caused the ICA to collapse as earlier noted.²⁸⁷ This led to drastic drops in the price of coffee and the “regulation of coffee production and quality left to each individual producer country”.²⁸⁸ Within two months after the ICA Failed, the price of coffee lost two thirds of its value ²⁸⁹and “country after country flooded the market with coffee reserves which pushed prices lower and lower”.²⁹⁰ Apart from internal and national problems, the Coffee Company also suffered on account of external problems. The issue of the ICA and the consequent collapse of the coffee prices compounded the problems faced by the Zambia’s coffee producers. Slackened demand in the United States and Europe caused the price of coffee to continue dropping. World coffee prices that peaked in 1985 collapsed together with the ICA in 1989.

The above international developments aggravated the financial crisis facing the company. In addition, incomplete development of the company coupled with the fall in the international coffee prices and high costs of inputs made operations of ZCCL unviable. Insufficient funding to maintain the plantation led to poor yields and necessitated re-liming the soil to balance the PH. Both production and sales remained below break-even levels. Further the 300 Ha were not large enough to sustain the operations of the company.

On the other hand, ZCCL’s poor financial position meant that the company could not borrow money from anywhere. This had a negative impact on the company’s financial outlook in that the severe financial crisis experienced about the same period due to the fall in coffee prices and high

²⁸⁷ Annual Coffee Statistics Pan American Coffee Bureau 33, 1969, P.5.

²⁸⁸ H. Eakin et al, “Responding to the Coffee Crisis: A Pilot Study of Farmers’s adaptations in Mexico, Guatemala and Honduras”, in The Geographical Journal, No.172, 2002, P.158.

²⁸⁹ Kamola, “The global Coffee Economy and the Production of Genocide in Rwanda”, P. 584.

²⁹⁰ Watson and Achinelli, “Context and Contingency: The Coffee Crisis for Conventional Small-Scale Coffee Farmers in Brazil”, P.227.

finance, management and administration changes forced the company to embark on a survival plan that entailed reducing on hectareage, staff and capital investment. The fall in yields due to insufficient funding to maintain the plantation and marked increase in input costs exacerbated the situation and the operations became unviable. The four year financial record (1990-1993) bears this out.

Table 5: Five Year Financial Record Year Ended 31st March 1993

ITEM/YEAR	1993	1992	1991	1990
Turnover	143016	91223	59249	29908
Profit/(Loss) Before Tax	90299	22679	15425	287
Taxation	-	-	-	-
Profit/(Loss) Before Tax	90299	22679	15425	287

SOURCE: Zambia Coffee Company Limited File (no date)

Due to the suspension of the World Bank supported project, Financing of Technical Assistance and capital investment fell directly on the fledgling company. Capital investments were suspended. The coffee hectareage reduced to about 300 Ha by January 1993 a reflection of reduction in operating costs, inputs and labour. Yields dropped from 750 MT in 1989/90 to 204 MT in 1993/94 primarily due to a reduction in the area cultivated and a significant reduction the yields obtained from each hectare.²⁹¹

Table 6: Coffee Hectareage 1993/1994

	Estate	Total Area	Area planted
A	Kateshi		
	Section A	76.7	47.8
	B	92.7	36
	C	125	125
B	Ngoli	108	108

Source: Zambia Coffee Company Limited File (no date).

²⁹¹ Zambia Coffee Company Limited File (no. date).

From the total area of 294.4 Ha from Kateshi, only 208.8 Ha was planted with coffee and 85.6 Ha was not utilized for the period 1993/94. This in turn reduced the yields obtained from the Estate.

During the following years, ZCCL continued implementing a survival plan which concentrated on investing in the essential equipment. Most of the capital requirements were supposed to have been met by the second World Bank funded coffee project in 1987 which however never came through. This therefore meant that at the time the major agricultural equipment reached the end of economic life and at a time when un-serviced equipment and vehicles posed a threat to its operations, ZCCL was not able to get any loan to purchase the needed equipment and machinery. It was therefore hoped that once the World Bank Funded Coffee project was re-introduced, the company would purchase the overdue equipment and machinery.

Even though the project was resuscitated and ZCCL was included in its programme, the World Bank continued to express reluctance in releasing the US \$300 000 for equipment before ZCCL could pay back the previous loan K116 253 698.1 owed to it.²⁹² The World Bank loan would have helped ZCCL to purchase the most urgent equipment as the machinery available at that time had reached the end of economic life. This was not done and replacement of equipment could only take place when funds became available for the most essential items.

Without doubt, the survival plan initiated in 1990 envisaged the reduction in hectareage and the aim was to have a hectareage that was manageable and one that the financial limitations could sustain until the situation improved. A number of cost-saving measures were undertaken, including the reduction in manpower levels. For a coffee Estate to be run effectively, coffee Growers' on average employ about 1.0 worker per hectare excluding administrative staff. ZCCL manpower levels kept on reducing from a total of 627 in 1989 to 332 in 1993 thus

²⁹² Zambia Privatisation Agency, June, 1995, P.7

causing delays in harvesting the crop and denying ZCCL to the benefit of taking advantage of the high coffee prices and that in turn impacted negatively on the performance of the company.

Table 7: Breakdown of manpower levels 1993/1994 in various Departments

Department of agriculture	Section	Non-Represented	Unionized	Total
	A	02	28	30
	B	-	25	25
	C	01	24	25
	Development	01	17	18
	Picking	-	05	05
	Workshop	04	05	09
	Ngoli	02	54	56
Civil Development		03	23	26
Factory		05	31	36
Marketing		03	-	03
Finance/Stores		04	06	10
	Accounts	13	01	14
Human Resource				
	Administration	03	-	03
	Personnel	08	15	23
	Security	-	43	43
Total		49	277	326

Source: Zambia Coffee Company Limited File (no date).

Discounting administration and factory staff the balance can be considered to be directly involved in one way or another in the field operations. This figure gives a ratio of 0.6 worker per hectare, which is much lower than the average in coffee industry. The consequence of this was delays in the carrying out of essential programmes such as weeding, pruning and canal maintenance. All the labour force had sometimes to be deployed when need to carry out programmes became extremely urgent. A case in point is when harvesting of coffee was underway. Due to the low pay offered not many casual pickers turned up necessitating the

redeployment of all field and factory staff to picking. The situation was exacerbated by the company's diversification programme into field crops.

Production of coffee as is the case with other crops, depended to some extent on the availability of nutrients, lime and chemical spraying for satisfactory growth and yields.²⁹³ Coffee production does well in soils that fall within the PH range 4.1 to 5.5. Soils at Kateshi and Ngoli have PH range of 4.1 to 5.6. The liming programme at the two Estates was started in 1989 after leaf analysis showed an imbalance in some nutrient levels and soil PH. Soils were on the border lines. Initially, 2 MT of lime were applied to older trees and 3MT to younger trees in replanted areas. The programme should have continued for a minimum of three years until PH levels were above the minimum level. The budget quantities per year over the 1989-1991 period were about 600MT, most of which lime was to be applied on replanted lands. However, from the beginning the amount of lime applied never reached the required levels.

Even though the company embarked on the survival plan, some fields that were replanted after 1989 did not receive adequate quantities of lime. This meant that such fields continued to suffer from low levels of soil PH and therefore remained more acidic. High acidity had a detrimental impact on the production of coffee in that it leads to flower abortion, locking of some essential nutrients in the soil (making them unavailable to the plants) and increasing the toxicity levels of some nutrients.

The constraints applied under the survival plan led to poor total yields due to the diminished hectareage under production and reduced application of inputs to those productive hectareage resulting in poor nutrition of coffee trees and high incidences of pests and disease. The irregular pest and disease control programmes which arose from inadequate funding coupled with inadequate nutrient application resulted in lower productivity. A Fusarium attack in 1992/93

²⁹³ B. H Haandiya, Kateshi Coffee Plantation, Project No.863 ZA, Kasama Project, Zambia.

season due to lack of fungicides led to poor production in 1993/94 season.²⁹⁴ And in the late 1994/95 season spraying against Coffee Berry Disease (CBD) did not start until January due to late arrival of chemicals whereas the normal spraying programme should have started at the onset of the rains in October. Lack of funds constrained the company's ability to purchase and apply adequate chemicals and fertilisers to its coffee crop.

The other challenge that impeded development of the coffee industry in the northern part of Zambia was competition that came from the Lyons Brook Bond (LBB). As a major local competitor, Lyons Brook Bond supplied French coffee and had 60% share on the local market.

While its distribution network spanned the whole country, ZCCL's coffee had 30% share on the local market and the balance 10% was shared between Copper Harvest, Chundu and Liberty.²⁹⁵

By 1993/1994 it was no longer possible to make operations of the company viable even after substantial injection of funds. ZCCL continued operating under precarious conditions. Following the dissolution of ZIMCO in 1994, ZCCL fell under the Directorate of State Enterprises in the Ministry of Finance and it was suggested that the Company be privatised at the earliest opportunity.²⁹⁶ The financial Commitments of ZCCL to 31st March 1994 bears this out.

²⁹⁴ Zambia Privatisation Agency, June P.16.

²⁹⁵ Zambia Privatisation Agency, October, 1995. P.3.

²⁹⁶ Zambia Privatisation Agency, August 1995, P.4.

Table 8: Financial commitments to 31st March 1994

Loans		
DBZ	Principal	K22,574,115
	Interest	K5,541,67
ZNPF	Principal	K1,985,160
	Interest	K63,996
Statutory		
	PAYE	K4,510,012
	ZNPF Contributions	K3,839,889
	Workman's Compensation	K1,634,350
	Sales Tax	K7,486,537
		K17,470,788
Others		
	ZESCO (electricity)	K34,178,000
	Insurance Premium	K5,791,996
	Booker Tate	K34,125,000
	Wages/Salaries	K12,550,500
	Fuel	K5,850,000
	Printing/Stationary	K500,000
	Telephone/ Telex	K405,000
	Repairs to Agriculture vehicles	K4,800,000
	Audit Fees	K6,020,000
		K104, 220, 496.

Source: Zambia Coffee Company Limited File (no date).

The company had too many financial commitments at a time it was facing severe financial problems and staggering in its operations and was no longer a viable economic venture as reflected in table 8.

Challenges faced by the Coffee Company in Kasama under private ownership 1996-2011

After realising that ZCCL was no longer a viable economic agro industry in that production had declined tremendously due to lack of funds and given that the company was operating under precarious conditions, the government thought of privatising this entity as a way to rescue its operations.

The company was subsequently bought by APC in 1996 as earlier noted. In its initial stage of its acquisition, the company experienced some improvement in its operations but in the process, APC also went under because of Coffee Berry Disease (CBD) a fungal coffee disease that is very harmful to coffee and which if not controlled ends up wiping off the crop. The disease was detected a bit too late and brought coffee production down from 3 000 MT to 200 Tonnes of coffee in 1998.²⁹⁷

The outbreak of CBD was compounded by misunderstanding with the financiers. With that misunderstanding the funds dried up. Regrettably, APC had already started the replanting programme with Catimore 129 which had been identified as the Arabica variety highly tolerant to CBD. The following year in 1999, the company was expected to produce 600 Tonnes of coffee. This figure, it was hoped could rise to a thousand tonnes with the replanting they had done with the variety which was resistant to CBD.²⁹⁸ However, because of that financial misunderstanding, the company's plans could not proceed and the coffee trees that were beginning to develop were left to die. APC was almost shut down.

²⁹⁷ Interview, Joseph Taguma, Manager, Zambia Coffee Growers Association, (ZCGA) Lusaka, 16th March, 2015.

²⁹⁸ Interview, Taguma, Manager, ZCGA, Lusaka, 16th March, 2015.

In 1999, the managing Director Mr Golan Mikel disposed of his interest in the Company in favour of Saxionian Estate Limited (SEL), a member of the Rift Valley Holdings (RVH) group.²⁹⁹

Subsequently in 2004, recognising the impact of CBD, RVH set up the Rift valley Company under the guidance of Carole Hemmings a CBD expert and incorporated a separate company, Kasama Coffee Company, in which they transferred all the assets and liabilities of APC and AHP.³⁰⁰

Production levels continued to decline from a high of about 3 000 tonnes in 2004 to less than 200 tonnes in 2008/09 season.³⁰¹ This poor performance was mainly attributed to a number of reasons that included (i) lack of replanting programme for over six years in that ordinarily the life of a coffee bush should not exceed nine years, however part of the coffee plantation was over eleven years old, (ii) prevalence of CBD, Antestia bugs and other diseases in the area, (iii) over-bearing research practices whose methods were ineffective and detrimental to the coffee bushes, (iv) poor governance as the major shareholders adopted a family business type approach where the recruitment of some managers was not necessarily based on merit, (v) lack of diversification to other crops to ensure continuous year round positive cash flows, (vi) delayed and / or insufficient application of agro chemicals leading to stress to the coffee bushes and hence the resultant lower than average yields and low voltage and power failures leading to insufficient power for irrigation and coffee processing.³⁰²

In addition to the above, the company's problems were compounded by its inability to meet debt obligations to the two banks, ZANACO and Standard Chartered. KCC was technically insolvent. As at 18th September 2008, the debt exposure of the company to the banks stood at

²⁹⁹ Interview, Taguma, Manager, ZCGA, Lusaka, 16th March, 2015.

³⁰⁰ Interview, Melvin Lwiindi, Kateshi Estates, Kasama, 12th May, 2015.

³⁰¹ Interview, Taguma, Manager, ZCGA, Lusaka, 16th March, 2015.

³⁰² Zambia Development Agent Report for September 2009.

approximately US \$ 10 million.³⁰³ The banks interests were secured by all the assets belonging to KCC. In addition, whilst KCC had been in receivership, the Banks further provided approximately US\$ 1.4 million for its operations. In addition to the secured creditors, KCC owed in excess of US \$1.5 million to its trade and other creditors including statutory creditors.³⁰⁴

Following KCC's failure to service its debt obligation to the two banks, ZANACO and Standard Chartered Bank, several meetings were held between the banks and the shareholders of KCC in a bid to agree a feasible repayment plan. Unfortunately, in 2008 the shareholders wrote to the banks and gave an ultimatum for the banks to accept their proposal to write off approximately seventy per cent (70%) of the existing debt failure to which they threatened to place the company into voluntary liquidation.³⁰⁵ In view of this threat, the banks made a pre-emptive decision to place the company under receivership in order to secure their interests in KCC. The latter was placed under receivership due to the company's default on loan payments owed to ZANACO and Standard Chartered Banks.

At the time, global economy was hit by a serious economic down turn which affected/ hampered the receiver's efforts to find a suitable buyer for KCC'S assets locally or internationally. Interest in coffee was very low. There were also other inherent challenges surrounding KCC such as poor infrastructure network in the area, aged machinery and over grown coffee bushes.

KCC was subsequently placed under "care and maintenance" in 2008. However, in view of the associated high costs in this state, there were serious considerations to completely shut down all the operations of the company. For two consecutive seasons 2008/2009 the company was unable

³⁰³ Interview, Banda, Kateshi Coffee Estate, Operational Manager Kasama, 11th May 2015.

³⁰⁴ Interview, Banda, Kateshi Coffee Estate, Kasama, Kasama, 11th May 2015.

³⁰⁵ Interview, Lwiindi, Farm Manager, Kateshi Coffee Estate, Kasama, 12th May, 2015.

to procure the necessary inputs resulting in the coffee bushes being severely stressed. There was therefore no major ongoing operations and due to the cash flow constraints, the bulk of the employees were declared redundant. That is, the staff complement was reduced from about 1 100 (September 2008) to below 100 and mainly comprised of security personnel.³⁰⁶

It is also worth noting that the coffee sector has been experiencing a down ward trend in production and export of coffee beans. During the period 2 000 to 2004 the coffee industry faced a depressed world market with the forward spot price for May 2003, closing on the 14th January 2004, trading at US Cents 120/Lb (USDZ, 646.00/MT).³⁰⁷ This was as a result of excessive production in Brazil and Vietnam whereby Brazil increased its production from the traditional average of 26 million bags per annum (1 560 000MT) to 50 million bags (3 000 000 MT) and Vietnam mushroomed to become the second largest producer taking over Columbia with an average annual production of 12 million bags (720 000 MT).³⁰⁸ This development caused the ZCGA to begin working on marketing their top quality coffee products to the high quality and high value speciality markets of USA, Japan and Europe. Since 2006 when the country entered speciality market, the sales increased from 5% to 65% of the total coffee exported.³⁰⁹

Besides, very few Zambians grow coffee as it is considered as a commercial crop and additionally, very few Zambians and Africans drink coffee. The beverage has also over the years suffered from unfounded medical recommendations that it is not good for one's health. We note, however, that whereas Zambia's per capital consumption of coffee is 70grams, Brazilians who are the largest producers and the second largest consumers of coffee in the world have a per capita consumption sitting at 4 kilograms. Finland has a per capita consumption of 12kilograms and Scandinavian community in general have a per capita consumption averaging 10.5kilograms with the

³⁰⁶ Interview, Banda, Kateshi coffee Estate, Kasama, 11th May, 2015.

³⁰⁷ Taguma, Seeking Long and Short-term (Pre-shipment Finance) for Coffee Industry in Zambia. A Report Prepared for Zambia Coffee Growers Association, Lusaka, Zambia.

³⁰⁸ Taguma, Seeking Long and Short-term (Pre-shipment Finance) for Coffee Industry in Zambia.

³⁰⁹ Taguma, Seeking Long and Short-term (Pre-shipment Finance) for Coffee Industry in Zambia.

UK sitting at 3kilograms. The highest in Africa is Ethiopia with per capita consumption of 1.36 kilograms.³¹⁰

This though and in defense of the beverage in terms of the alleged negatives begs the question, “what health problems do the nationals of these countries have on account of consuming coffee products at the quantities they do”?³¹¹

Conclusion

This chapter has demonstrated that the Coffee Company in Kasama faced numerous problems which hampered its development as well as its performance. It has argued that some problems were institutional and others had to do with policy related issues. Some problems began in the initial development of the Estates and continued to haunt its development while others were as a result of the unfavorable economic situation that was prevailing at that time. One of the early challenges was the decision by the Ministry of Rural Development to administer Estates from Lusaka which denied the people on the ground participation in running the affairs of the Estates and robbed them of the power to make and implement decisions best suited the development of the company.

It has been argued that RDC was overburdened in its responsibilities of administering its country wide projects which caused poor coordination and maladministration in managing rural agro-industries like the Kateshi/Ngoli Coffee Schemes.

The chapter has shown that other challenges came as a result of the suspension of the World Bank funded coffee project which coincided with the fall in the international coffee prices making funds unavailable to the company. This created a problem in the capital investment

³¹⁰ Taguma, Seeking Long and Short-term (Pre-shipment Finance) for Coffee Industry in Zambia.

³¹¹ Taguma, Coffee Industry in Zambia. Status and opportunities, Update of December 2013.

programme thereby putting developmental programmes on hold. This resulted in the company's experiencing severe financial problems.

The chapter has also highlighted problems that came about as a result of administrative changes in the Ministry of Agriculture such as budget cuts for the ministry of Rural Development despite it having so many departments. The ministry was too big and that resulted in inefficiency in the management of its country-wide projects. This handicap was further compounded by lack of properly qualified staff to manage the schemes.

Political interference in the operations of the projects also became a factor during the one party state in that UNIP interfered in all government funded projects. It has been argued that this interference distorted the economic image of the Estates because they were not allowed to operate as profitable economic institutions and instead were turned into political patronage networks.

Problems of rural development through agricultural projects in Zambia and reasons for their failure can therefore be attributed to the manner in which the government introduced these programmes in the rural areas and the perception people had of them. They were poorly and improperly designed and lacked a clear coherent framework for rural development, within which decisions were taken. The government did not meet the financial requirements as the funding agency and the schemes were not effectively planned and managed resulting in many operational challenges at a later stage and that contributed most to their failure.

CHAPTER FOUR

The Socio-economic Impact of Coffee Growing in Northern Province on the Local Community and the Surrounding Areas of Kateshi and Ngoli Estates.

Introduction

This chapter assesses some significant benefits that have arisen as a result of the coffee industry in Northern Province of Zambia on the local community and the surrounding areas of the Estates. It argues that in as much as the development and establishment of the coffee company faced numerous problems, it still impacted positively on the local community and the surrounding villages of the Estates in that coffee production played an important role in the country's generation export, revenue and the creation of rural employment.

The chapter shows that the development of the coffee industry contributed to employment creation in the area for the local people and people from other surrounding areas. It argues that the workers' earnings enhanced the local cash economy which in turn boosted trade in local products and further led to commercialisation of the locally brewed beer.

The chapter further argues that the above development created a ready market through which people in the surrounding areas and the wives of the workers sold local commodities to the company especially on pay days.

Furthermore, the chapter contends that the development of the Coffee Company provided social amenities such as schools and clinics which not only benefited the Company workers but also the neighbourhood and the surrounding areas. Finally, the chapter assesses the impact of the coffee company by looking at the negative effects the company had on the local community and the surrounding areas.

The chapter is divided into two sections. The first section demonstrates how the Coffee Company led to job creation which in turn led to increased circulation of money and commercialisation of locally brewed beer within the area and in the surrounding villages. The second discusses the social amenities that were initiated by the Company and the last section discusses some of the negative effects that arose as a result of the establishment of the coffee company.

Coffee Growing and Employment Creation at Kateshi and Ngoli

The Coffee Company is the largest employer in Northern Province in that coffee is labour intensive and therefore acts as a major employer within the local economy. The establishment of the Coffee Company in Kasama led to the creation of employment for the local people and it also provided job opportunities which enhanced money circulation in the area. People were employed from various villages surrounding the Estates. In 1967, for instance, the Projects Division of the Ministry of Rural Development began employing local people in the area where the Coffee Estates were to be set for clearing work.³¹² The land was under medium heavy bush cover consisting mainly of *Brachystegia-isoberlinia* (*Miombo, in local language*) woodland.³¹³ Eighty (80) laborers were employed at Ngoli in the initial development³¹⁴ and at Kateshi 35.62 Ha of land was cleared utilising local labour only.³¹⁵ This was a good development in a rural area which did not have any paying ventures. Constant breakdown of heavy equipment that was being used to clear the land increased the opportunities for local employment.³¹⁶ It was for that reason that the Ministry of Rural Development started employing the local people to do the work in order not to retard progress. Thus, enough manpower had to be available to do the work at the time when it was needed. Men were employed to stamp out the trees and to clear the heavy thick bushes. These obviously were from the local community and the surrounding villages. Since the

³¹² Government of the Republic of Zambia, Ministry of Agriculture, Agriculture and Rural Surveys: Report No.84/a-ZA Vol.111, 1975.

³¹³ UNIP 8/9/29/Location 276.

³¹⁴ NAZ, NP/3/13/ Location 6436, Agriculture 1957-1972.

³¹⁵ UNIP 8/9/29/Location 276.

³¹⁶ Government of the Republic of Zambia, Ministry of Rural Development, Annual Project Division/ January to 31st December 1970, 57/71.

Company was in its initial stage, there were many other tasks that needed to be done manually such as the digging of the water furrows, construction of access roads, offices, houses and buildings of all kinds thereby generating employment for the local people in an area which had few alternative opportunities for employment.

In the first year, the Coffee Estates required a large workforce to prepare the land, dig holes in which to plant the coffee seedlings and control the growth of the weeds. The Estate Manager stated that this type of work requires at least 60-70 people per hectare per day.³¹⁷ The local people and those in the surrounding villages were recruited to do such kinds of tasks and in turn they earned some income.

It can therefore be argued that the surrounding villages and the people around the Estates derived their main income from the Coffee Estates since there were no other paying ventures in the area.

The picture below shows one of the many ways in which the company creates employment to the local people.

Picture 6: Women taking coffee seedlings from the Kateshi nursery to the Green house.



Source: Field Data

³¹⁷ Interview, Banda, Operational Manager, Kateshi Coffee Estates, Kasama, 12th May 2015.

In the second year, tasks involved mainly applying fertilizer two times a year and regular weeding. Weeding required a lot of hands during the rainy season.³¹⁸ This definitely added more employment for the local people who were engaged in the task of weeding. Once the coffee seedlings were established and strong enough, weeds could be controlled by a much smaller number of laborers and using chemical sprays. Furthermore, as the canopy closed over-head, weeds began to be overshadowed. This required even less management labour.

Once the coffee was productive, there was no mechanised way to harvest the coffee berry. It had to be picked by manual labour. That meant that when the coffee was ready to be harvested, the labour force had to be available. Labour demand was therefore relatively high throughout the picking period which took 4-6 months in a year (May- September). This activity therefore had the greatest potential for employment creation. At peak harvesting in 2004 for instance, Kateshi Coffee Estates employed 7 000 casual workers, Isanya employed approximately 1 400 casuals and Ngoli employed approximately 2 000 casuals.³¹⁹

Even with the current small crop the industry employs as many as 3 000 coffee pickers each year who are in employment practically five months of the year and about 70 permanent workers. These figures can grow significantly as it happened in 2004 when the industry produced 6 500 MT of green beans. The number of those employed rose to in excess of 10 000 seasonal workers and 300 permanent employees.³²⁰ Increased production was therefore a contributor to alleviating the high unemployment rate in the country.

It has also been noted that Munali Coffee Estates in Southern Province employs approximately 1700 labourers year round though the work force rises to well over 2 000 during the peak

³¹⁸ Interview, Banda, Operational Manager, Kateshi Coffee Estates, Kasama, 12th May 2015.

³¹⁹A.W. Orr, A Socio-Economic Field Report of Smallholder Coffee in Zambia Working Paper A1163/15, P.11.

³²⁰ Tomson Kalinda and Terence Chibwe, "Growth Opportunities and Employment Creation Potential of Zambia's Coffee Value Chains", in Asian Journal of Business Management 6 (1): February 15, 2014, Maxwell Scientific Organisation, p. 53.

planting season. Coffee pickers, the majority of whom are women, earn about K1.20 (2 to 3 US Cents) per kilo with the average worker able to pick 80-90 Kg of coffee beans per day. Some workers would exceed 300 Kilograms per day.³²¹ In comparison, the fastest worker at Kateshi would pick at least 80 Kilograms in 8 hours and the average worker would pick between 30kg and 45kg and were paid K500 (50n current) per Kilogram in 2005.³²² Given the lack of alternative employment in the area, it was not so easy for workers to find work at a standard per person wage rate. Women are the majority when it comes to picking and the ratio of women to men among coffee pickers at each given time at Kateshi is 55 % to 45 % respectively.³²³ Women were preferred in activities like picking because they were considered to be gentle and fast as compared to men and in addition they did not demand higher wages as compared to men which worked to the advantage of the company. On average, there were 2 500 women coffee pickers at Kateshi, 2 000 at Isanya and 1 000 at Ngoli during picking time when the company was performing well. These were however average figures for the months May to September.³²⁴

The Coffee Company became the largest employer of labour for the rural community. In 1981 for instance, Kateshi Estates had 50 permanent and 361 casual workers and the Estate expected to have 3 500 workers once all the hectareage meant for coffee were developed.³²⁵ In 1989 ZCCL had 627 employees but this figure would increase to 1 500 casual workers at the time of picking.

³²¹ Kalinda and Chibwe, "Growth Opportunities and Employment Creation Potential of Zambia's Coffee Value Chains", p. 53.

³²² Interview, Andrew Mwaale, Kateshi Coffee Estates Accountant, Kasama, 12th May 2015.

³²³ Interview, Lwiindi, Kateshi Coffee Estates, Kasama, 11th May 2015.

³²⁴ Interview Mwaale, Kateshi Coffee Estates Accountant, Kasama, 12th May 2015.

³²⁵ Zambia Daily Mail, Monday, 1 June 1981.

Table 9: Manpower levels 1989-1993

	1989	1990	1991	1992	1993
Expatriates	4	4	4	1	0
Non-Represented	49	57	54	54	50
Unionized	574	546	481	401	282
Total	627	607	539	456	332

Source: Zambia Coffee Company Limited File (no date).

Looking at the numbers who were employed as permanent employees by the company in the stated period, it was a good development in a local economy and that contributed exponentially to the prosperity of the rural area. The numbers however started decreasing due to operational and economic constraints the company started facing.

KCC at its peak in 2004 was the biggest employer of labour in Northern Province with an establishment of 10 000 workers.³²⁶ NCCL had employed 500 workers, a number that was expected to increase to 1 000 once full production of coffee resumed.³²⁷ Mr Mwalimu Simfukwe the Northern Province Permanent Secretary then, was quoted by the Times of Zambia as saying *“NCCL will engage more than 10 000 local people during the peak season”* and added that *“the company which had been resuscitated was one of the biggest economic boost not only in the province but the country at large”*.³²⁸ Once Olam International Limited took over NCCL in 2012, additional employment was created to over 1,000 people around the Estates and those added exponentially to the prosperity in and around the Estates.³²⁹ This was a good achievement in an area where there were no other paying ventures. A good number of people who from time to time

³²⁶ Zambia Weekly-Week 12 Wednesday March2, 2011.

³²⁷ Zambia Daily Mail, Monday, 25 June 2011.

³²⁸ *“Firm to engage 10 000 Locals”*, Times of Zambia, Thursday, 17 March 2011.

³²⁹ Sutton and Langmead, An Enterprise Map of Zambia, 2011.

left their villages in search of employment in the urban areas looked to the Coffee Company for employment and hence were kept back from going to urban areas to look for wage labour.

The Coffee Company did not only provide locals with employment but was also the only major commercial venture in the area. Working as a labourer was seen as positive because it brought in money in hand, not subject to the vagaries of market negotiations and market problems. Several people expressed satisfaction with the employment in the Estates because they needed the job to survive and allowed workers to invest in education for their children, in small-scale agriculture and provide food on the table. A worker from Ngoli Estate named Vincent Chalwe, for instance, was able to send his first born son to college to study medicine in 1987 and that was made possible because of the earnings he received from the company.³³⁰ Satisfaction was particularly high however, amongst the young who shared their income with their parents but also kept a share for their own savings. Several of the young people saw working in the Estates as fun and valued the camaraderie of working together with their friends.³³¹

Other people interviewed talked of the income that they earned from working in the Estates and in many cases, the local people depended on that small income no matter how small. *“It gives me money to use. When there is work to do, I do not have to look elsewhere for work, I can walk to work, it is very close to the village”*³³² said one villager. Another villager pointed out that *“it is good enough we are employed often, because if they do not employ us very much, we cannot make ends meet”*.³³³ It became a trend for local workers from the late 1990s to invest their earnings in farming which helped them to raise enough money for procuring capital goods like bicycles and iron sheets for roofing their houses. It might therefore be argued that the income the

³³⁰ Interview, Vincent Chalwe, Worker at Ngoli Coffee Estate, Kasama 4th June 2015.

³³¹ Interview, Bernard Sichangwe, villager, Kateshi village, Kasama, 15th June 2015, Samuel Chunga, Mulenga village, Kasama, 2nd May 2015.

³³² Interview, Charles Bwembya, Villager, Mukanko Village, Kasama, 9th May 2015.

³³³ Interview, Pensulo Chanda, Villager, Panda village, Kasama 8th May 2015.

workers got from the coffee company gave them the means of improving conditions within both their households and their communities. The wages paid to the permanent and seasonal workers were a vital ingredient in the local economy and a reliable annual income which allowed local subsistence producers to invest in their own farms and make them more productive. This in turn reduces the ecological disastrous practice of slash and burn agriculture.

The other positive impact of the establishment of plantations in the area of study is that coffee production contributed significantly to foreign exchange earnings. Export diversification has long been at the centre of Zambia's economic diversification policies. Therefore, the production of coffee offered the country an opportunity of earning foreign exchange from coffee exports. In 1981 for instance, the price of coffee stood at K2 500 per ton and was more than the price of copper at that time.³³⁴

Table 10: Coffee Production and Marketing Statistics

Year	Category of Farmers	Hectarage	No of Trees	Yields in Tonnes	Sales in Tonnes
1982/83	Commercial and Smallholders	28.33	80,894	211.6	211.6
	Kateshi/Ngoli Estates	105	300,000		
1983/84	Commercial/Smallholders	76	143.952	265.3	265.3
	Ngoli/ Kateshi Estates	120	350,000		
1984/85	Commercial/Smallholders	174	254.228	451	450
	Kateshi/Ngoli Estates	130	506,056		

Source: Department of Agriculture Northern Province Annual Report 1984-1985.

In 1988/89 ZCCL exported 173 MT of coffee, in 1989/90 it exported 680 MT and in 1990/91 it exported 590 MT at an estimated price of US \$1 850 per MT.³³⁵ By 2004, the country's coffee

³³⁴ Zambia Daily Mail, Monday, 1 June 1981.

exports had risen to 6 500 MT. Increased production therefore was a contributor to Zambia's foreign exchange earnings. At its peak in 2008, Zambia exported US\$ 7.4 million worth raw coffee, with most of it going to South Africa, Germany and the United Kingdom.³³⁶

However, the country's coffee exports declined substantially from 6 500 MT in 2004 to less than 2 000MT by 2009 because the large Estates Kateshi and Ngoli closed down leaving a large rural population out of seasonal or permanent employment.³³⁷ The average yields for Kateshi Estates was 3 tonnes per hectare of good quality washed Arabica at an average cost of 1 400 US\$ per hectare.³³⁸

ZCCL became the sole exporter of Zambia's coffee thereby achieving the national objective of exporting in order to generate foreign exchange and of substitution imports. Total annual foreign exchange earnings would be in the range of US \$1.1 million, representing 8 % of the company's gross turn over.

As a landlocked country, Zambia relies on its neighbours' ports for exporting its coffee. Zambia's coffee exports go to Europe (94%), the United States of America (1%) and the remaining 5 % is exported to South Africa, Australia and Japan.³³⁹ Coffee exports have therefore over the years allowed the country to earn some foreign exchange and this in turn has to a limited extent contributed to the increase in the income of the country.

Thus, coffee is a potential source of export diversification. Coffee can by virtue of it being an export crop and the training that workers handling it get exposed to assist in attributes in our small holder farmers. These are attributes that will infuse in them values of sustainably managing their farming businesses. The potential of the growth of the coffee sector lies in Zambia's

³³⁵ ZIMCO Corporate Budget 1990-91, Lusaka, Zambia.

³³⁶ Joseph Taguma, Seeking Long and Short term (Pre-shipment Finance) for Coffee Industry in Zambia.

³³⁷ <http://www.zcga.com.zm>.

³³⁸ Orr, *A Socio-Economic Report of Smallholder Coffee in Zambia*, P.11.

³³⁹ (Zambia Coffee Growers Association, 2007) <http://www.zcga.com.zm> down loaded on 10th August 2015.

production of the globally competitive Arabica coffee variety and the existence of institutional arrangements such as Zambia Coffee Growers Association (ZCGA) that promote, regulate and coordinate the development of coffee production and marketing in Zambia.

Trade and Commercialisation of Local Products

The employment the Company offered led to an increase in cash flow in the areas of Kateshi, Ngoli and other nearby areas. This development was accompanied by trade activities in local products as well as exotic items. This was because of the fact that prior to the establishment of the Company, the areas where the Estates came to be established did not have a market or a shop. The nearest markets and shops for the people in the area were in Kasama Township 26km and 56km away. With the establishment of the Estates in 1985, the situation changed.

In 1987 the first shop was opened at the Kateshi Coffee Estates and it was stocked with necessities and luxury goods like salt, sugar, cooking oil, soap, sweets and biscuits.³⁴⁰ The local people of Kateshi and the surrounding areas benefited from it in that it helped the workers as well as the local community to get their domestic necessities from within the area instead of walking long distances to Kasama even for little things like salt.

Apart from the opening of the shop, *utuntemba* (very small local shops) also mushroomed. Four men of whom two were from Kateshi and two from Ngoli built *utuntemba* in the early 1990's and those were reported to be profitable.³⁴¹ Many more local shops were established in the late 1990's.

Local shops depended on workers. The pay days at the Company were also peak days for the local shops. Company workers were the major customers through their earnings and in most cases they were allowed to get items on credit and paid back when they got paid but the local

³⁴⁰ Interview, Lawrence Vivaya, Kateshi Coffee Estates, Kasama, 28th April 2015.

³⁴¹ Interview, Charles Bwalya and Martine Kapembwa Ngoli Village, Kasama, 2nd May 2015, Victor Chola and Timothy Bweupe of Kateshi, Kasama, 4th June 2015.

community also benefited because they could buy essential goods from the same *tuntamba*. Obviously, the Coffee Company led to an increase in the flow of money in the area through workers' earnings. One local shop owner interviewed mentioned that he managed to build a three bedroomed house from the profits he got just from selling items in his local shop in four years.³⁴² He also recalled having started his business with only K150.00 he was given by his elder sister who was working in Chililabombwe. At the time of research he had millions (currently thousands) he had banked with ZANACO. Market promotion in the area therefore reduced the number that used to migrate or travel to the towns in search of employment and to buy essential goods. Men were made to remain in the local area rather than go to urban areas because they could find employment and acquire trade items from within the same locality.

Apart from the peak days at the month ends, at the end of the picking season, workers who came from various places would, before going back to their respective homes buy a great deal of items which they took home. Most of the items that were bought included clothes, shoes, blankets, mattresses, bicycles and hoes.³⁴³ It can therefore be argued that the Coffee Company created a ready market for various goods in the Estate shops and in Kasama in particular.

In addition to boosting trade in industrial goods in the area, the establishment of the company also contributed to the creation of large consumer market for food crops and other local products. Prior to the setting up of the Estates, the area had no market for food crops which it produced. What was produced by the farmers was only enough for consumption and to share with their relatives. The establishment and development of the Company stimulated local agricultural production for the market because of the demand for items like sweet potatoes, cassava and

³⁴² Interview, Timothy Bweupe, Kateshi village, Kasama, 4th June 2015.

³⁴³ Interview, Banda, Operational Manager Kateshi Coffee Estates, Kasama, 12th May 2015.

groundnuts from those working at the Estates. These agricultural products which initially were not meant for selling could be sold for money. There was great increased demand for local agricultural produce especially by the workers and coffee pickers who were from faraway places.

This development arguably prompted the local farmers to expand their fields to cater for their families and the market requirements. Mr Chileshe Oscar of Kabyola village recalled that because of the high demand for agricultural products in the late 1980s he increased the hectareage for groundnuts and cassava to cater for both home and market requirements.³⁴⁴ One interviewee commented that she had equivocal feelings about her life before and after, but expressed satisfaction that the village was now developed and that the company had come to develop their village to have food and benefit.³⁴⁵ This is in line with Courtenay's argument that whenever plantations have been established, they have modernised the previous undeveloped areas.³⁴⁶ The company therefore promoted crop production and allowed people to have food and prevented them

against poverty. Nelson has also pointed out that:

The plantation has changed the face and economy of every area in which it has been established, and in many instances, it has laid the basis of modern economic development in primitive and unused lands, brought hitherto deserted and isolated regions into the orbit of international trade, and played an important part in some of the historical movements that shaped the economy of the modern world.³⁴⁷

³⁴⁴ Interview, Agness Mwenya, Malabi Village, Kasama, 4th June, 2015.

³⁴⁵ P.P. Courtenay, Plantation Agriculture, (London: G. Bell and Sons Ltd, 1965), P.3.

³⁴⁶ P.P. Courtenay, Plantation Agriculture, (London: G. Bell and Sons Ltd, 1965), P.3.

³⁴⁷ M. Nelson, The Development of Tropical Lands Policy Issues in Latin America (London: The John Hopkins University Press, 1973, P.54.

This trend of commercialising agriculture because of the markets created by the developments taking place in the Coffee producing areas of Northern Province also prevailed in Kabwe when the mines were being opened as alluded to by Maud Muntemba who has noted that the local people began selling maize and milk to the mine workers to supplement their dietary requirements.³⁴⁸ She further noted that the fishermen from Lukanga who originally were trading with the main land people responded to the market created by the miners of Kabwe and began selling fish to the latter.³⁴⁹

The opening of numerous small mines in Southern Rhodesia too, provided an increasing demand for food and beer for the mine workers which the Shona were able to meet and which resulted in increased prices for their produce and that in turn increased their prosperity.³⁵⁰ In Tanzania also, Africans who lived around the plantations took advantage of the demand for their produce and increased their production which they sold to the workers at the plantations. In this way people living in or around plantations were able to respond favorably to the developing market by commercialising their agriculture.³⁵¹

In addition to that, villagers from the surrounding areas of Kateshi and Ngoli and wives of the workers also took advantage of the market that was created by the company and began selling things like buns, sweet beer (Munkoyo) and relish like dry fish, Kapenta vegetables and fritters (*ifitumbuwa*) especially on pay days when demand for these items was very high.³⁵² Workers also empowered their wives with some money who started small businesses around the Estates.

³⁴⁸ Maud S. Muntemba, "Rural Underdevelopment in Zambia: Kabwe Rural District, 1850-1970", PhD Thesis, University of California, (1977), P.143.

³⁴⁹ Muntemba, "Rural Underdevelopment in Zambia: Kabwe, Rural District 1850-1970", P.148.

³⁵⁰ Robin Palmer, Land and Racial Domination in Rhodesia, (London: Heinemann, 1977), P.72.

³⁵¹ J. Iliffe, Agricultural Change in Modern Tanganyika: An outline History (Nairobi: The East African Publishing House, 1971), Pp14-18.

³⁵² Interview, Banda, Kateshi Coffee Estates, Kasama, 12th May 2015.

It has been observed that the market was introduced because during picking time, people got hungry and craved for such things especially when they got paid. Initially workers were paid weekly, every Friday. That meant that there was increased circulation of money in the area on a weekly basis. It might therefore be argued that commercial activities and trade in local products was necessitated by employment that was offered by the Coffee Company and other trade activities that accompanied the development of the company.

The Coffee Company attracted other people from various places who also took advantage of the available market that was created. For instance some women who had their relatives near the Estates came to stay with them and started brewing beer which the company workers bought and drunk in their free time and especially on Saturdays and Sundays.³⁵³ One woman I interviewed mentioned that she raised a lot of money from beer brewing with which she supplemented to what her husband was paid by the company and managed to send their three children to boarding schools who were now working.³⁵⁴ Another woman noted that through beer brewing which company workers and coffee pickers bought, she managed to buy a bed and a mattress and also managed to buy iron sheets for her small house and stopped labouring looking for grass to thatch her house year after year.³⁵⁵

Beer brewing in the Estate areas therefore helped in acquisition of household goods by a number of women. Money from beer sales also helped the local people to educate their children. For instance Getrude Bowa educated her daughter who later became a teacher at Kasama Primary by raising money through beer brewing at the Estates.³⁵⁶ There were many other cases where women managed to pay boarding fees for their children by selling beer at the Estates. The above

³⁵³Interview, Banda, Kateshi Coffee Estates, Kasama, 12th May 2015.

³⁵⁴ Interview, Anna Mubanga Kateshi, Kasama, 4th June 2015.

³⁵⁵ Interview, Cecilia Chimfwembe, Sume Village, Kasama, 4th June 2015.

³⁵⁶Interview, Getrude Bowa, Ngoli Coffee Estate, Kasama, 4th May 2015.

developments clearly indicate that the establishment of the Coffee Company facilitated the availability of cash in a rural economy, primarily through salaries of company workers.

Apart from commercialisation of locally brewed beer, some villagers also took advantage of the vulnerability of those who came from far places who did not have any relatives and friends to stay with. The villagers started renting out their houses and in turn increased income levels amongst the local people. Felix Mwelwa a villager in Kateshi recalled having bought a bicycle from the monthly rentals he was paid by six coffee pickers from Mporokoso who were renting his house.³⁵⁷

Many other people bought household goods through the same arrangement.

Moses Kangwa a former employee of KCC mentioned that there was untold suffering when the coffee company went into receivership in 2008 leaving most of the people out of seasonal or permanent employment. People had to go into charcoal burning to send their children to schools, to make their ends meet and also to put food on their tables. Charcoal burning was however not a lasting solution because during that time most children were sent out of schools because of failure to pay school fees in that their parents no longer had a reliable monthly income.³⁵⁸ The shift to charcoal burning signified the positive impact the Coffee Company had on the local people.

The emergency of the Company also brought up social community programmes in 2012 such as the smallholder schemes for soya beans and bananas. Villagers started growing soya beans which they would then sell to earn some money. The company under Olam started buying in bulk especially soya beans from them. Although farmers had been engaged in the production of soya beans before, the extent of hectarage was not as big as what was put under cultivation after the

³⁵⁷ Interview, Felix Mwelwa Farmer, Kateshi, Kasama, 4th June 2015.

³⁵⁸ Interview, Moses Kangwa, Former employee of KCC, Kasama, 6th June 2015.

stated period.³⁵⁹ One man also mentioned that from the experience he got from the current Company, he had managed to grow bananas on one hectare and was getting good money from that which he was using to pay school fees for his children and has contributed much more to the cash economy.³⁶⁰ The local people too, were provided with various community development services such as short courses in adult literacy, baking, especially the women in Estate areas, thereby enabling them to improve their standard of living.³⁶¹

Social Impact

The development of the Company also necessitated the provision of social amenities. It has been truly said that development attracts other developments. A number of other developments have taken place since the Coffee Company was established in the Kasama area of Northern Province.³⁶²

To start with, staff houses and offices were built. ZCCL for instance had 51 houses for permanent employees but some government employees such as teachers and clinical staff were also housed in them.³⁶³

In addition to the Estate offices and housing for the workers, ancillary services were provided like the two schools and the two clinics, one each at Kateshi and Ngoli which were built in the premises of the Estates thus adding to the development of the two areas. The two clinics were an initiative of the Company.

The proposals for the construction of the clinic at Kateshi started in the 1987 when the Company realised that it was losing out especially when a worker got sick and was forced to walk long

³⁵⁹ Interview, Simon Mutale, Employee at Kateshi Estates, Kasama, 4th June 2015.

³⁶⁰ Interview, Lewis Chitomombo, Farmer, Ngoli, Kasama, 5th June 2015.

³⁶¹ Interview, Lwiindi Kateshi Coffee Estates, Kasama, 11th May 2015.

³⁶² *Z-Magazine*, No. 35, April 1972, P. 26.

³⁶³ *Zambia Privatisation Agency*, October, 1995, P.34.

distances to the Rural Health Centre in Nseluka or to Kasama General Hospital for treatment and only report for work the following day. In some cases workers would request for an exaggerated number of days for sick off. In addition to that, when a child or a worker's wife fell ill, the worker had to take the sick to Kasama General Hospital or Nseluka Rural Health Centre which were the nearest health facilities by bicycle.³⁶⁴ The idea of constructing a clinic at Ngoli mooted in 1992 and the clinic was built in 1995.³⁶⁵

The government employed the clinical staff for the above clinics while the Company provided them with free accommodation, electricity and water.³⁶⁶ At the time of research, there was one Clinical Officer, 1 Nurse, 2 Assistants, one cleaner and also a guard at Kateshi clinic while at Ngoli clinic there was one Assistant Clinical Officer, one nurse, one auxiliary staff and one station Hand man. The clinics have also extended their medical services to the local people and also provide under five facilities as well as maternity cases services.³⁶⁷ From the time the clinics were built, all the people in the area have been receiving medical services from the company clinic and only cases that could not be handled by the clinics were referred to Kasama General Hospital.³⁶⁸ Even in that case, the Company under ZCCL would provide transport to take the sick to Kasama General Hospital although that service was withdrawn when the Company was in the hands of private ownership in 1996. The current situation under Olam is that referral cases have to be handled by the patients themselves except in critical cases, when the Company would assist with transport.³⁶⁹

³⁶⁴ Interview, Vivaya, Kateshi Coffee Estates, Nursery Supervisor Kasama, 28th April 2015.

³⁶⁵ Interview, Banda, Operatonal Manager, Kateshi Coffee Estates, Kasama, 12th May 2015.

³⁶⁶ Interview, Mr Lwiindi, Kateshi Coffee Estates, Kasama, 11th May 2015.

³⁶⁷ Interview, Mulenga, Kateshi Estate Clinic, Clinical Officer, Kasama, 29th April 2015.

³⁶⁸ Interview, Mr Mulenga, Kateshi Estate Clinic, Kasama, 29th April 2015.

³⁶⁹ Interview, Lwiindi, Kateshi Coffee Estates, Kasama, 11th May 2015.

Picture 7: Kateshi Clinic, 2015.



Source: Field Data.

In addition to the Clinics, the Company also initiated the development of the two schools at Kateshi and Ngoli Coffee Estates. Initially, there was no school near the Estates and the nearest School was Misamfu Primary School about 12 km and 20km away from the Estates. Lack of schools in the area forced pupils to walk long distances to schools. This discouraged young boys and girls from going to school because of the long distance. Worse still, the children had to walk more than two miles in the morning during rainy season to school and did the return journey in the evening as well. The Company realised that the workers' children were not attending school and therefore suggested to the government that there was need for a school to cater for the children of the Company employees and the growing population in the area.

In 1986 and 1989 schools were built at Ngoli and Kateshi respectively.³⁷⁰The government employed teachers and the Company offered free accommodation, electricity and water. However, there was no secondary school in the area and the nearest secondary schools were in Kasama at least 26 and 56 Kilometres away from the Estates. After completing primary education at the Estate schools, it became again a challenge for pupils to go to secondary schools in Kasama. To solve the problem, the Company under ZCCL provided a bus that was taking school going children to and from secondary schools in Kasama.³⁷¹

The Company bus also used to take Company workers' families for Saturday shopping of essential items. This service however was withdrawn in 1996 when the Coffee Company passed into private ownership.

The current Coffee Company, Olam International Limited provides transport for its workers who stay in Kasama because many of them have failed to find accommodation nearby due to limited standard accommodation in the area.³⁷² The provision of schools, clinics and clean water by the Coffee Company to the local people confirms the argument that plantations are renowned for providing social services to the local community sometimes at no charge to the government.³⁷³

There is little doubt that the local community experienced marked improvements in the availability of essential social services especially under ZCCL and Olam International Limited.

Apart from the above social amenities, extension of electricity lines to the Estate offices and the processing factory by ZCCL as well as water pumps enabled nearby villagers who previously did not have electric power and piped water to gain access to it too.³⁷⁴ The Company under Olam

³⁷⁰ Interview, Lwiindi, Kateshi Coffee Estate, Kasama, 11th May, 2015.

³⁷¹ Zambia Privatisation Agency, October, 1995.P. 34.

³⁷² Interview, Lwiindi, Kateshi Coffee Estate, Kasama, 11th May, 2015.

³⁷³ Courtenay, Plantation Agriculture, P.3

³⁷⁴ Interview with Mr Vivaya Kateshi Coffee Estates, Kasama, 28th April 2015.

International Limited provided solar lights to the nearby villages at a minimal contribution. The Company under APC improved the roads to the Estates. A big gravel road has been built joining Kasama Mbala Road with the Estates thereby easing transport problems.

Picture 8: Road leading to Ngoli Coffee Estate.



Source: Field Data.

Picture 9: Road leading to Kateshi Coffee Estates.



Source: Field Data.

Ferrying of agricultural products like maize from surrounding villages like Sume, Mukanko and Panda which in the past proved to be problematic has been made easier because of the roads that were done by APC. The latter also initiated the building of the bridge at Lukupa thereby enabling villagers from Mukanko and Misambo to cross Lukupa River to go to the clinic and pupils to go to school.³⁷⁵

The other positive development that came about as a result of the development of the Coffee Company under different ownership was skill acquisition. The Company brought in expatriates to work in the Estates, mostly to work on the technical aspects of coffee production, bringing with them skills in nursery planting and supervision of the workers. Over time the local people acquired a lot of skills on coffee growing. Many are of the view that, and claimed that, if they had the capacity they could have their own coffee farms. It has also been observed that most Zambian managers of Mpongwe Wheat Company acquired their skills in coffee work from Kateshi Coffee Estates.³⁷⁶

In addition to skills acquisition, there was also identification of skills, as more local people went, especially at coffee picking time. Those with different skills were identified and employed as permanent workers and employed to drive tractors, to do joinery and carpentry work, to build company infrastructure as well as in mechanical services. It has been observed that most drivers and mechanics at the Estates initially came as coffee pickers and in the process their skills were identified and later were employed as permanent workers.³⁷⁷ Related to this is the setting up of a research centre in 1988 which provided basic training in coffee planting, supervisory and

³⁷⁵ Interview, Lwiindi Kateshi Coffee Estates, Kasama, 11TH May 2015.

³⁷⁶ Interview, Lwiindi Kateshi Coffee Estates, Kasama, 11TH May 2015.

³⁷⁷ Interview, Lwiindi, Kateshi Coffee Estates, Kasama, 11th May, 2015.

management practices, Mechanical and vehicle engineering, tractor driving and chemical spraying resulting in efficiency and high productivity.

There can be no doubt therefore that the Coffee Company had a positive impact in terms of skill acquisition in that it provided basic training which benefited not only the Company but also the people at large confirming Bergs argument that an industry is positive if it can provide training and other social services.³⁷⁸

While the development of the Company as argued above brought some benefits to the local community and the country as a whole, it does not imply that the establishment of the Company had no negative effects. Among the negative impacts were environmental problems and loss of common spaces that were used by the local community. Before the coffee Estates were established, local people collected wild produce such as fruits, mushrooms, vegetable leaves, small animals and insects. Produce from the area was not only harvested for sale but was useful in supplementing the household economies.

This traditional source of income was lost when the Coffee Company took over the area. However, it was not only economic income, but also subsistence goods and foods that were lost by the two areas. Local people no longer had access to traditional vegetables, herbs or fruits from the forest. Many different women from Kateshi commented on the condition of their way of life from before the destruction of their land and forests compared with when they were no longer able to collect forest produce. Certain forest areas which used to be important source of natural forest products and food were completely destroyed. The destruction of the local economic base increased the vulnerability in livelihoods both at household and community level. The area which used to be a common space for forest products was restricted. People could go there but were not allowed to cut any tree or grass from there.

³⁷⁸ L.M Berg, " Industrialisation in Lower Kafue Basin" in G.J Williams and C.W Howard (Eds.) Development and Ecology in the Kafue Basin in the Nineteen Seventies, Lusaka, The Kafue Basin Research Committee of the University of Zambia, 1977, P.176-85.

Narrating how the Company undermined their economic base Joyce Cheswa said that:

After working in the maize and cassava fields, we would go together to look for food to eat and to sell. We used to make our houses from the materials that we cut and shaped for ourselves. We could build our own houses, there was no need to buy. Our way of life was comfortable and calm, we never imagined we would have nothing to eat. Before we used to go in the forests to find food to eat, we would come back with a basket full, currently it is owned entirely by the coffee company, we can go there but there is nothing to collect.³⁷⁹

Mushrooms, for instance, which used to be an important tradable forest product for certain households, although the vast majority of people interviewed collected mushrooms for consumption in the household, ceased to bring any meaningful economic gains. Once the company was established, local people lost access to mushrooms that could be sprouting up in the coffee plantations. Many local people could no longer collect them for fear that the weed killer sprayed in the coffee plantations made this hitherto forest product poisonous.³⁸⁰ This is in line with Backford's argument that:

The establishment of plantations resulted in massive competition for resources especially that land between the plantation owners and the local people. Consequently, this worked to the advantage of plantation owners because a considerable number of the local people lost their farmland to the plantation. According to him, the history of plantations was marked by a shift from open resources to closed resources.³⁸¹

³⁷⁹ Interview, Joyce Cheswa, Ngoli Coffee Scheme, Kasama, 2nd May 2015.

³⁸⁰ Interview, Pelina Katongo, Ngoli Coffee Scheme, Kasama, 2nd May 2015.

³⁸¹ G. I Beckford, "The Economics of Resources Use and Development in Plantation Economies", in Social and Economic Studies 18 (Jamaica, 1969), Pp 321-47.

Although land alienation and competition for land has been prominent in plantation areas, in the case of the coffee company in Kasama there was no loss of farmland by the farmers. The areas where the Estates were set up were idle and there had been no such a policy aimed at alienating land from the local people. However few families were displaced like those from Kaposela and Kanyala but the government agreed with the people and were resettled in Lukupa where they were given land.³⁸²

The Estates acquired land from the local Chief Mwamba through Dr Kenneth D Kaunda's 'Back to the Land' policy which was meant to prevent Rural-urban migration by taking development to rural areas through agriculture.³⁸³ Kaunda's desire was partially achieved on account of the fact that it was the local people who tended to become wage labourers once the coffee Estates were established. Wage employment however, was supplemented by maize production and cassava fields. Coffee Company employees were able to farm their original pieces of land. They were thus able to keep their farms as before and maintained or improved their standard of life.

The other adverse impact that arose as a result of the setting up of the coffee company was degradation of the natural resource base. To grow coffee, the area has to be cleared of all plants and trees had to be stumped out. The resultant exposed soils heightened risk of strong rains washing away the valuable top soils. This development not only undermined the structure of the local soils but also left them poor. Coffee trees required continued enlargement of the planting hole as they grow, leading to greater soil erosion. Soil erosion and landslides mean higher management costs and revenue loss for the coffee company. The use of mulching from time to time has lessened the situation at the company and the current company also grows sun hemp to improve the fertility of the soils.

³⁸² Interview, Richard Chikwanda, Kateshi Village, Kasama, 1st September 2015.

³⁸³ Interview, Mr Vivaya, Kateshi Coffee Estates, Kaama, 28th April 2015.

It was not possible to collect primary data concerning the condition of the environment prior to their destruction by the Coffee Estates, however, it was possible to interview households concerning the destruction that was caused. Coffee growing might impoverish the soil and that is the main reason for the importance of mulching. Trees were clearly cut to grow coffee, with consequent problems of erosion of the top soil but with the heavy mulching they applied and the sun hemp they grew, that was prevented. However, other people claimed that coffee production did not necessarily have a negative effect on the physical landscape and that in effect; the crop could be considered to have helped conserve the soil and address the country's environmental degradation taking place as coffee trees produce a rich green vegetation that was good for the environment.³⁸⁴

Coffee picking also exacerbated absenteeism among school going children. The teachers interviewed noted that during picking time, the Estates had a negative social impact in that the pupils chose to go for coffee picking at the expense of school. Absenteeism therefore, became very common especially from pupils who were coming from poor families. Inconsistency in lesson attendance usually affect pupil's school performance.³⁸⁵

Not all coffee pickers were as strong or efficient as others, however, and it was particularly difficult for the more aged workers to complete their tasks quickly enough to earn as much as young workers. As a result, families tended to call in extra hands to do the work and usually it was the school going children. This development however inhibited education of the young children. A similar trend was also prevalent in Brazil and Diana Kruger's research concluded that:

³⁸⁴Interview, Banda, Katesi Coffee Estates, Kasama, 12th May 2015.

³⁸⁵Interview, Mrs Gladys Ngoma Teacher, Kateshi Primary School, Kasama, 29th April 2015, Mary Chansa Teacher Ngoli Primary School, Kasama, 5th June 2015.

The poorer children are less likely to attend school and more likely to work on coffee farms, those from higher income families are not negatively affected. The production of coffee in Brazil is affecting the amount of education the youth are receiving and the increase in wealth in the coffee markets the amount of time poorer children are out of school to work increases.³⁸⁶

Therefore, poor children could not fully benefit from the available education, a situation which perpetuated the cycle of undereducated youth living in poverty.

The other negative impact of the Coffee Company at Kateshi and Ngoli was prostitution and promiscuity especially at picking time. The coffee picking activity attracted people from as far places as Mporokoso and Mungwi. The views of Lawrence Vivaya were that prostitution and promiscuity became prevalent in the area especially between the years 1986 and 1993 and 1997 and 2004 because those who went for coffee picking were married men and women but when they arrived for the Estate's labour, they cheated that they were single and started cohabiting with whoever they liked under the pretense that they were single. The Company tried to use separate camps for singles and the married ones and guards to monitor each camp but that did not work as expected because that development did not only affect those from far places but was also a common trend by the local people. Those who never went with their spouses were also cohabiting with the local women. Local men too, would go for women who came from other places on business ventures and who did not find employment but stayed in the area and carried out beer brewing where men drank from. This tendency led to divorces and fights especially when the other partner came to know about the development. Informants indicated that such cases happened from time to time and resulted in significant cases of sexual infidelity and

³⁸⁶Diana I Krugar, "Coffee Production Effects on Child Labour and Schooling in Brazil" in Journal of Development Economics No.82, 2007, P.462.

occurrence of sexually transmitted diseases in the nearby villages.³⁸⁷ It was however not possible to get statistics in that most cases of sexually transmitted diseases were treated using traditional medicines and never went to the clinic as claimed by my informants.

According to Kateshi and Ngoli village headmen Chileshe Mulenga and Mwenya Kapembwa respectively, the other adverse impact of the Coffee Company situated in their areas was that the local people spent most of their time working at the company in order to have more and devoted less time to working on their own maize and cassava fields as well as their vegetable gardens.³⁸⁸ Some of their subjects sold agricultural products to the markets that were created by the company even without having a surplus. When there was no more work at the company, they did not have sufficient food to feed their families for the whole year. Such families became vulnerable and as a result opted to work for food from those who had plenty. This resulted into structural poverty to a number of households in their areas.³⁸⁹

Conclusion

It has been argued in this chapter that in spite of the many challenges the Coffee Company faced, there were other good things it brought which contributed to the wellbeing of the people surrounding the Estates. Hence, the Company had played a significant role in the social and economic development of the areas in which its operations were located.

The chapter has attempted to show that the coffee company became and still is the largest employer in the province employing hundreds of permanent workers and thousands of casual and seasonal workers creating additional income and thereby lifting up the standard of living of the local community. It has argued that there was money circulation in the area as a result of the

³⁸⁷ Interview, Vivaya Kateshi Coffee Estates, Kasama, 28th April 2015.

³⁸⁸ Interview, Chileshe Mulenga, Kateshi Village Headman Kasama, 1st June 2015, Mwenya Kapembwa Ngoli village Headman, Kasama, 5th June 2015.

³⁸⁹ Interview, Kateshi and Ngoli Village Headmen, Kasama, 1st June 2015, 5th June 2015.

workers' earnings and business activities were promoted in the Estates and around the Estates. Consequently, some people were made to remain in the local area rather than to go to towns seeking employment. Generally, the coffee company has over the years of its existence played a significant role in enhancing the development of the local area and in improving lives of the local community.

It has also been argued that the coffee company contributed modestly to the realisation of the primary national objective of diversifying the national economy. It widened the export base thereby contributing, though in a very limited way on account of the many challenges it faced to foreign exchange earnings for the country.

The schools and the clinics initiated by the Company provided basic education to the children and health facilities near where people lived. These social amenities were of great benefit to the local community and contributed to improving health and basic education in the area.

On the other hand, the development of the company also had some negative impact on the areas around the Estates and the local community. Prostitution and promiscuity became common especially during picking time for those who never went with their husbands and wives respectively. The local community was also deprived of their common spaces from where they initially collected forest products such as mushroom, *amasuku*, wild vegetables and other wild fruits.

However, the positive contribution of the Company on the local people and the surrounding areas outweighed the negative effects. Notably, creation of employment to the local people, promotion of markets, commercialisation of local products and provision of social services such as schools and clinics whose services were extended to the local community.

Encouraging the production of coffee could assist our country in addressing the problem of rural poverty. We need also to note that the importance of coffee on the world scene has not only been reflected by the fact that it is the second most traded commodity on the world market, apart from oil, it is also a beverage of choice and people will always drink coffee and there will always be a market for coffee products. The coffee sector in Zambia has the potential to grow and contribute to foreign exchange earnings and employment creation. Coffee has proven an attractive crop because of the well-established and increasingly favorable markets for the crop. The two Estates Kateshi and Ngoli produce Arabica coffee, which is one of the most competitive coffee varieties on the market. Arabica coffee generally commands a premium over Robusta. The two Estates therefore, have access to a higher value market with the Arabica coffee that they produce.

CHAPTER FIVE

CONCLUSION

Our study intended to reconstruct a history of coffee growing in Kasama of Northern Province of Zambia from 1967 to 2012. It also set out to examine the opportunities and challenges faced by coffee producing companies and also assessed the socio-economic impact it had on the local community and the areas surrounding the Estates.

It has been demonstrated in this study that coffee growing in Northern Province was not introduced by the initiation of the scheme in 1967. A handful of European settlers in the area endeavored to grow coffee while missionaries were already engaged in attempts to introduce coffee production among the Mambwe and the Lungu of the area near Lake Tanganyika in the early 1920s. During the initial attempt to establish a coffee industry between 1923 and 1940 however, no attempt was made at organized investigational work. The study has further demonstrated that for various reasons, the earlier attempts at coffee production in the area did not result in viable and sustainable development of the sector.

It has been deduced from this study that Zambia faced many challenges after gaining independence from Britain in 1964. The economy was dominated by foreign interests and relied on a single commodity-copper for export earnings and foreign exchange. The rural sector where the majority of the population resided lacked agricultural facilities and the basic amenities. The reason was that, under colonial rule, there developed urban centres which attracted all the socio-economic development that was to the detriment of rural areas. Consequently, a collateral process developed whereby rural dwellers began flocking to urban centres in huge numbers in search of jobs, better education, medical services and generally the good life of the city. Unfortunately, in many cases, these hopes were not realized. At the end of the day overcrowding developed.

It was because of this realization that the need for bridging up the gap between the rural and urban incomes was very urgent. The post-colonial independence government decided to develop rural areas through viable agricultural projects. The intention of the post-colonial government to develop rural areas through rural agricultural schemes was to reduce the imbalance between the rural and urban areas by providing employment to rural populations so as to reduce rural urban migration and at the same time to raise income, economic activities and consequently to facilitate import substitution and foreign exchange earnings. The coffee project was among agricultural projects designed to enhance development through agricultural production in rural parts of the country.

In rhetoric, the UNIP Government strongly favored rural development. In real terms, it favored urban over rural population in hand out of public resources. The agricultural sector, the mainstay of the rural population only received a small fraction of total government investments even though Zambia's post-independence National Development Plans stressed correction of economic imbalances between the urban and rural areas.

The study has also revealed that although the SNDP was presented as the plan that would give top priority to agriculture and rural development, low priority was given in the allocation of economic resources for agricultural projects. More capital was put in the mining and industrial development than in agriculture and rural development generally was granted low priority and did not redress the imbalance between urban and rural areas.

The idea to develop rural areas was very good but it required serious practical and rational agro-economic policies rather than political driven agricultural policies. The study has shown that Political interference in the operation of the Estates disturbed the operations of the company especially during the UNIP era in that it turned the Estates into semi political institutions or

patronage network. UNIP interfered in all government funded projects. Workers were obliged to take part in community development activities during the humanism week, which was an annual event at the expense of company operations. Besides, when ‘big people’ of the Party visited the area, all operations came to a standstill as everyone had to be there to welcome them and also to be present during their meetings. Scheme vehicles were sometimes engaged in ferrying party officials and cadres to and from political meeting centres causing production to come to a halt.

While rural agricultural projects were perceived as economic ventures by the public, the ruling party (UNIP), perceived them as forerunners of their political ambitions. This political trend made some schemes operate as non- profitable ventures. This move which was aimed at gaining political mileage from the masses misdirected rural economic development and consequently contributed to their failure. Political interference in the running of government projects if not controlled can therefore be a hindrance to development.

The study has established that the Ministry of Agriculture as an administrative agent in promoting agro industries and party policies had a role in the poor management and production of the Estates. The changes that took place in the administrative arrangement and policy implementation through the Ministry of Agriculture were aimed at promoting political ambitions rather than economic viability of the ventures. The study has revealed that most of the changes in the Ministry of Agriculture focused on fulfilling political ambitions of the ruling political party (UNIP) rather than economic ones. The department was further put under great political pressure to satisfy political demands. The study has also shown that the coffee producing Companies laboured under the weight of so many problems that in turn hampered their development and performance. It has highlighted some of the problems that began in the initial development of the Estates and continued to haunt their development such as centralisation of administration in Lusaka that did more harm than good in the initial development as it denied the actual doers the

power to make their own decision that would be better suited to the Estates. The decision obliged the managers of the Estates to consult with Lusaka on important day to day issues at a time when there were no communication facilities to link the Estates directly with Lusaka. It therefore took long for the Estates to get feedback from Lusaka and sometimes had to undertake a very minute job but at very high travelling costs. Centralisation of administration in Lusaka did affect greatly the performance of the Estates in their initial development.

The study has also shown that cash flow constraints slackened the smooth operations of the Coffee Company. The government as a funding agent did not have the resources to recapitalize the operations of the company and neither did it meet the financial requirements. The Coffee Company therefore, could not stand on its own without financial assistance from other sources and funding agencies under government control. The Estates too, were not effectively managed resulting in many operational challenges at a later stage.

From the time of the establishment of the company up to the time of privatisation, the Coffee Company used to be undercapitalised and this was responsible for its sluggish development and performance which in turn contributed to the Coffee Company's failure to bring meaningful and sustainable development under the government control.

The study has established that at the time the Zambia Coffee Company Limited was to be privatised, the company was not a viable economic venture. This was as a result of the abrupt disruption with ZIMCO which wholly owned the company and production had declined tremendously because the coffee fields lacked sufficient fertilisers and adequate irrigation. Since the dissolution of ZIMCO, ZCCL fell under the Directorate of State Enterprises in the Ministry of Finance and it was among companies and parastatals that were privatized in 1996.

The study has shown that the company had since its transformation to a private owned entity in 1996 been recording a massive growth in coffee production. The company had been able to produce over 1000 tonnes of coffee per annum, which production was adequate for both the local and export market. However, production levels started declining from a high of about 3 000 MT in 2004 to less than 450 MT in 2008/09 season a poor performance which was mainly attributed to prevalence of CBD and lack of diversification to other crops to ensure continuous year round positive cash flows among many other factors. In addition to the above, the problem was compounded by the Company's inability to meet its debt obligations to ZANACO and Standard Chartered Banks and as such was technically insolvent. It demonstrated that with these serious teething problems under government control and part of the private ownership period that surrounded its operations, the coffee company failed to thrive even though it had some successes over time although in a limited way.

In the final analysis, it can be argued that in spite of whatever adverse effects that resulted from the establishment of the Coffee Company, it has played a significant role in enhancing the development of the local community. The company provided employment, increased personal incomes of the people in the rural areas. Furthermore, by creating job opportunities in the rural areas the company helped in alleviating poverty in the area as well as in the reduction of the rural-urban drift. By supporting the two schools and the Estate clinics, the establishment and development of the company contributed to the provision of basic education and medical services in the area. While the teachers and the clinical staff at the Estate schools and clinics respectively were paid by the government, the company provided them with free accommodation, electricity and water. Provision of educational facilities, basic skills, social and medical services has been a move towards improving the standard of living to the community in the local area.

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APPENDICES

APPENDIX “A” COFFEE PICKING AND PROCESSING PICTURES TAKEN FROM KATESHI.

(April to September 2015)

Coffee tree with berries



Source: Field Data.

Coffee Picker picking berries.



Source: Field Data.

Coffee cherry in receiving Hopper in readiness for pulping



Source: Field Data

Coffee Cherry being Pulped



Source: Field Data

Drying Coffee after pulping



Source: Field Data.

Bagged Coffee after Milling.



Source: Field Data.