



Introduction:

In a challenging business environment characterized by power shortages, high transportation costs and high capital costs, targeted support from government and qualified business service providers to the private sector are crucial to ensure to retain job and enhance economic growth. Food processing is important to the Zambian economy and entails a set of options for locally owned firms to grow and create employment given the growth potential that the country possesses in agriculture.

The 'SAFIC' (Successful African Firms and Institutional Change) project has since 2012 explored major reasons for 'good performance' as well as 'not so good performance' among Zambian food processing firms. This policy brief summarizes the findings of the study regarding the role and importance of standards in the Zambian food processing industry. It outlines the implications and provides recommendations to policy makers, business associations and individual companies.

Standards in the forms of specific product and process requirements have become increasingly

important to companies that want to compete nationally and internationally. With increasing competition in the industry from foreign firms, standards are also important to Zambian food processors in the quest to stay competitive as they ensure structured and formalized approaches to well-functioning operations and enhanced performance. Due to limited international exposure and market presence, Zambian food processors often have limited awareness of the needed competences regarding standards. Hence, qualified (local) business service providers are crucial for assistance with the Zambian Bureau of Standards (ZABS) being one example of such service provider. While the Zambian food processors increasingly require assistance and interact with business providers, the responsibility of ensuring appropriate standards and upgrading of firm performance too often rests solely with the local firms. Relevant industrial policies and targeted support programs, which could assist the Zambian firms in upgrading through standards, only exist to a limited extent. Therefore, programs e.g. in the fields of skills development, technology

enhancement, and process upgrading are seldom found.

Background:

The SAFIC project has among others aimed to learn more about Zambian owned food processing firms, their performance and the role of institutions in the food processing industry. The project mapped close to 100 food processors and then surveyed the Zambian owned firms (38 in total) in the industry from 2012-2014. Finally, from 2014-2016 in-depth interviews were conducted with 12 selected 'good' and 'not-so-good performing' food processing firms as well as a range of government agencies and other entities relevant to the industry.

The project is the first to bring out in-depth knowledge on the conditions affecting locally owned Zambian food processing firms over time. This includes a) which factors at the firm-level and in the business environment, like standards, that can explain differences between 'good' and 'not-so-good' performers; b) what explains changes in performance; and in particular, c) what affects the ability of a firm to grow and create employment. In addition, the project has shed light on the (important) role of institutions such as government agencies and business associations in supporting the industries.

Results:

The Zambian food processors were involved in grain milling, dairy, edible oils, sauces, jams, snacks with a dominance of firms in grain milling and dairy accounting to nearly two-thirds of the firms. Their main customers were supermarkets, independent retailers and wholesalers (see Table 1).

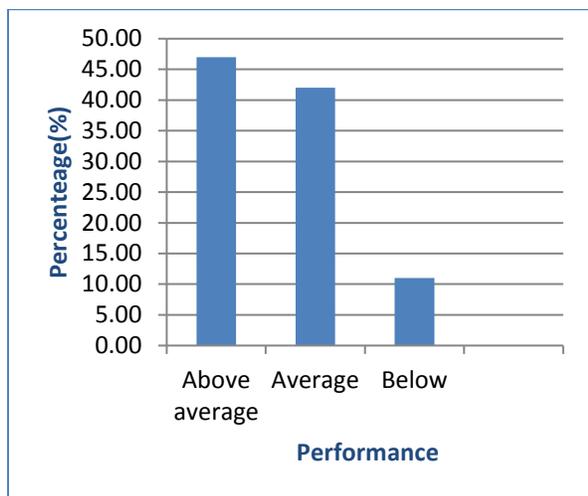
Table 1. Main groups of customers and importance to Zambian food processors

Customer Importance	% of firms reporting sales	Importance in value
Supermarkets	68	3
Independent retailers	66	2
Wholesalers and end consumers	48	1
Direct to end consumers	48	4

More than two-thirds of the food processors sell to 'Supermarkets', while the second most mentioned group of customers is 'independent retailers' which two-thirds sell to. Slightly less than half ($\frac{1}{2}$) of the food processors sell to 'wholesalers and end consumers' and a similar percentage sell directly to 'end consumers'. In value terms, however, 'wholesalers and end consumers' form the customer group from which a majority of the firms collect the main part of their revenues. 'Independent retailers' are almost as important, while 'supermarkets' are somewhat less important with about one-third of the firms collecting their main revenue from this group of customers. Finally, 'end consumers' is the least important group in value terms to the firms. The Zambian firms mainly sold their products domestically, though about quarter ($\frac{1}{4}$) had regional and global markets.

The majority of the Zambian food processing firms reported 'above average performance' from 2007-2012 (see Figure 1). During this period, the food processors, on average, reported growth in number of employees of about 60%.

Figure 1. Reported performance of Zambian food processing firms compared to industry average from 2007-2012



However, the business environment in the Zambian food processing industry has since (from 2013/4 to 2016) developed in a more ‘challenging’ direction where among others power shortages, high costs of transport and high interest rates (or capital costs) have adversely impacted the industry. Growth in turnover has declined, even among the best performing firms, and the firms have more or less stopped employing new people resulting in loss of jobs of an estimated 5% over the period.

Such business environment combined with a growing number of foreign competitors and increasing presence of foreign (South African) retailers placing high demands on suppliers indicates a maturing and competitive industry, where Zambian food processors need to emphasize e.g. skills development, technology and appropriate standards. The growing importance of standards, for example, concerns domestic, industry related standards, which are mostly compulsory, and international quality standards like ISO9000 and HACCP, which are mostly voluntary. The firms have recognized the

role of standards and the interaction with relevant business service providers like ZABS to the development of the firms, witnessed by more frequent visits and more in-depth provision of assistance from ZABS in particular.

While governments internationally undertake a range of supporting initiatives to strengthen their national industries, the Zambian government rarely does. Moreover, the Zambian food processors stated that they lacked strong business associations to lobby government on implementation of adequate support programs. Hence, the Zambian food processors have few relevant government support programs and schemes accessible to them.

Conclusions:

The competition in the Zambian food processing industry is likely to continue to increase with or without challenging factors like power shortages and the like. Supporting local food processors that are well-performing and competitive is crucial to a dynamic local economy, growth and job creation. Standards are becoming increasingly important for Zambian food processing firms in order to ensure appropriate performance and hence in business. The role and value of ZABS is an illustration of the importance of a qualified business service delivery system to the food processing industry. Nevertheless, few government support programs have been implemented and business associations lack influence on government in order to ensure such programs to materialize.

Implications:

If the current trend continues, Zambian food processors will have a challenging time ahead with additional job losses. In order to prevent

loss of competitiveness and dynamism in the industry and instead to ensure renewed growth and creation of jobs, a range of measures are needed. One important area will be to support further enhancement of the relations between the Zambian firms and entities like ZABS.

Hence, adequate and specific support programs and schemes are to be drafted and implemented and business associations play an important role in informing and influencing government on the type of programs and their content.

Recommendations:

The present situation can be enhanced by a combined and concerted effort by the Zambian food processors, business associations and the Zambian government. While Zambian food processors should enhance their efforts on training and skills development by spending more funds on product and process upgrading through the means of standards, business associations should lobby stronger vis-à-vis the Zambian government in favor of targeted

support programs for the Zambian food processors. Finally, the Zambian government should be more proactive by implementing such program(s) aimed at strengthening the Zambian firms and hence ensuring growth in number of jobs and turnover (domestically and regionally).

Sources:

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SAFIC Webpage:

<http://www.cbs.dk/en/research/cbs-research-projects/major-research-projects/successful-african-firms-and-institutional-change-safic>