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Milking the region? South African capital and Zambia's dairy industry

Introduction

How are we to understand Foreign Direct Investment (FDI) by South African companies in Zambia's dairy chain? One prominent explanation has been that South African capital is engaged in a deepening process of 'sub-imperialism' in the region. This perspective argues that FDI displaces local capital and invests for the purpose of repatriation of profit. South African firms are shown to gain market share to the detriment of local firms, including the 'de-industrialisation' of local producers and manufacturers (Ahwireng-Obeng and McGowan 1998; Iheduru 1996; McGowan and Ahwireng-Obeng 1998; Miller 2004; Bond 2004). Sub-imperialism also implies the subordination of the political-economic sovereignty of the host country, and debate has also focused on the role of the South African state in directing sub-imperialism in Africa (Bond 2004; Daniel et al., 2004; Davies 1992).

Our argument in this paper is that the transformation of the Zambian dairy sector cannot be understood in terms of sub-imperialism. First, far from 'de-industrialising' the sector, investment in the retail and processing sectors has re-invigorated the local commodity and production system that had been in a state of decline for almost 25 years. In the last decade dairy production in Zambia has increased from around 138 million litres to over 190 million litres, which represents a dramatic increase by dairy standards (Valeta 2004). This increase is more impressive when considered in the context of a dairy sector that experienced stagnating or declining production levels between the 1970s and mid-1990s. A significant proportion of the increase in dairy production is attributable to smallholder farmers who have received extensive support from both non-governmental organisations and private processors, including Parmalat, an Italian dairy multinational. Indeed, in the context of declining numbers of large-scale commercial farmers, small-scale producers are now regarded as the solution to meeting the increasing demand of dairy products in Zambia. The growth of the dairy market in the country has also led to the establishment of many small and medium sized Zambian dairy processors that now serve niche markets in Lusaka and elsewhere in Zambia.

Second, although South African imports of dairy products continue to represent a threat to the local sector, there are strong pressures by both retailers and processors to demonstrate their embeddedness within the Zambian economy. Although Zambian based retailers and dairy processors continue to source dairy products from South Africa, including butter, cheese, long life milk and some yoghurt products, this is currently an area of intense discussion and debate within the industry. The Zambian Dairy Processors' Association has, significantly, been successful in limiting dairy imports particularly when they can be sourced locally. In their political strategy, local and foreign processors have acted to discipline each other's and retailers' foreign

sourcing strategies. These choices involve ongoing political struggle and negotiation, but this paper demonstrates that presently the pressure to establish local links is strong for reasons of political and economic expediency.

Our third point is about the specificity of the dairy industry. Dairy may be divided into fresh milk products (for example, milk and yoghurt) and processed products (butter and cheese). While the larger processors tend to be involved in both fresh and processed products, smaller processors tend to focus on fresh products, especially fresh milk, yoghurt and drinking yoghurt, which can be produced using relatively inexpensive technology. Dairy can be examined in terms of the political economies of two commodities: fresh milk products and processed products (Fine et al., 1996). Retailers and especially processors are more likely to consider sourcing locally because their options for producing dairy products with imported powdered milk have become difficult. The global shortage and high price of powdered milk means processors have little choice but to explore local sourcing options.

Finally, when considering the Zambian dairy sector we need to stress that South African capital and imports are not the only external factors shaping this industry. South Africa is not the only potential foreign supplier in the Zambian dairy chain. The Kenyan dairy sector, which is significantly larger than Zambia's, is potentially more of a competitive threat than South African imports of butter and cheese. Another factor is the situation in Zimbabwe, a source of cheap illegal imports. The Irish dairy sector also continues to find ways to supply Zambian retail outlets with highly subsidized cheese and butter, which is seen as a direct threat by Zambian cheese manufacturers. All these external factors make it difficult to sustain the sub-imperialism argument.

In the first section of the paper, we consider the history of the dairy sector in Zambia from the 1960s up until market liberalisation in the 1990s. This section of the paper also explores various initiatives to encourage smallholder and cooperative milk production in the regions around the major processing centres. In section two we examine the investments in the retail sector and their impact on the distribution of dairy products of different scale processors. In section three we explore the idea of sub-imperialism in more detail using the material from the Zambian dairy case study.

The paper is based on secondary material relating to the dairy industry in Zambia and interviews with representatives or employees of most of the country's large, medium sized and small dairy processing companies in Zambia. We also draw on interviews with representatives of the Zambian Dairy Processors Association, a sample of small-scale dairy retailers, and non-governmental organisations involved in the dairy sector.

Zambia's dairy sector

Primary production

The origins of Zambia's commercial dairy sector are traced to a small group of white settler farmers who introduced dairy cows in the 1920s (Kaluba, 1993). When Zambia gained independence in 1964 many of these farmers either left for Southern Rhodesia or moved out of milk production into other agricultural commodities. The result was a decline in commercial milk production from the mid-1960s and into the 1970s (Bwalya, 1997). This decline in milk production coincided with increases in dairy consumption within Zambia, especially in the growing urban centres of Lusaka,

Livingstone and Copperbelt towns like Kitwe. The Zambian state responded to these increases in demand by establishing parastatal dairy operations on former white settler owned farms (Kaluba, 1993). Production on these farms, which were heavily subsidised by the Zambian government, began in the late 1960s and by the late 1970s these farms were supplying over 30 percent of processed milk. The production on these farms did not, however, meet demand and increases in dairy consumption were met through imported dairy products. Although the ratio between local production and imports has varied over time, Zambia has always had to depend on imports to meet consumption demands.

Following independence the new democratic government of Zambia established a dairy board – the Dairy Produce Board (DPB) – to coordinate milk production and processing. The DPB was also tasked with increasing milk production through initiatives that were more in line with the developmental priorities of the Zambian government. The first of these strategies was called the Rural Milk Production Scheme and was supported by the World Food Programme. It involved identifying smallholder farmers who were located outside of the Dairy Board's normal operating area. The beneficiaries of the scheme were provided with cows on loan and the farmers themselves were involved in the marketing of the milk. In order to improve the supply of milk for commercial sale, the DPB was also involved in establishing the Dairy Settlement Scheme (Bwalya, 1997). This involved identifying land near the urban settlements of Lusaka, Kabwe, Ndola and Mpika for dairy cattle. Farmers participating in these projects were trained at Palabana in dairy husbandry and management. The third strategy for increasing milk production was the Smallholder Dairy Development Project, which received support from the World Bank and the Government of Zambia. The plan was to establish around 1800 farmers who would be provided loans to purchase cattle and other farming equipment. Unlike the earlier initiatives, milk would be collected by the Dairy Board and processed for sale in urban markets (Kaluba, 1993).

These schemes were largely unsuccessful and very little of the total milk processed in Zambia originated from these initiatives. The reasons for the failure of the programmes are common to many other smallholder development schemes of the 1980s and 1990s in Africa and other developing countries. In all of the schemes, there was insufficient extension support for dairy cattle management and a complete absence of financial management support to individual beneficiaries. In most cases farmers depended on external inputs, especially in the form of manufactured feed, which exposed them to dramatic changes in input costs. Bwalya's (1990, 520) assessment of 20 years of smallholder development showed that the 'results have been disappointing ... the number of small-scale indigenous farmers who are engaged in commercial milk production is minute and their contribution to output negligible'.

Since the mid-1990s there has been an increasing prevalence of smallholders in milk production and processing. Although it is difficult to estimate the total amount of milk supplied by smallholders to various processors, it is possible to draw some tentative conclusions from the sourcing practices of individual processors. The largest processor in the country is Parmalat which receives 70 percent of its raw milk from several large commercial farmers. It also processes milk from approximately 400 smallholder farmers who are organised into cooperatives or supply individually.

According to one estimate, a 70-30 split between commercial farmers and smallholders is representative of the national situation, although it is difficult to verify these figures (Interviews: dairy processors). The smallholder farming sector has benefited from the interventions of a joint Land O'Lakes – Zambia Agribusiness Technical Assistance Centre initiative that involves the establishment of milk collection centres. These centres supply raw milk to various processors (see also Land O'Lakes 2004; Mukumbuta and Sherchand 2006). Since the number of larger commercial farmers has remained static or has declined since the early 1990s, the dairy processing sector now sees the smallholder sector as the only viable way of increasing raw milk production (Interviews: dairy processors).

Milk processing

Milk processing in Zambia was controlled by the Dairy Produce Board from the mid-1960s to the mid-1980s when the country began a process of restructuring the economy through a World Bank-IMF led structural adjustment programme. In terms of dairy processing, the Dairy Produce Board, which was experiencing its own internal financial problems, faced competition from smaller independent dairy processors often linked to larger commercial dairy enterprises. Many of these smaller operations became involved in pasteurized milk production or specialised dairy products including cheese and butter.

Zambia's structural adjustment programme opened the way for the sale of the Dairy Produce Board (DPB). A report commissioned and undertaken by the Danish development agency, Danida, advised the Zambian government on how to dispose of the various processing units located mainly in Lusaka but also in other smaller urban centres in Zambia. The report recommended selling the DPB's assets in a way that guaranteed ownership by commercial farmer members and employees of the organisation. They also recommended selling the Lusaka and Mazebuka plants to one company, while the other plants would be sold as individual entities. When the sale of the DPB was announced, two offers were considered. The first was a joint bid from Clover of South Africa and a large scale Zambian commercial farmer (Galaunia farms). The second was a bid from Bonnita, a South African company that had transformed itself from a dairy cooperative into a privately owned dairy enterprise. Bonnita won the tender on the basis of a purchase price of US\$800,000. Commercial farmers were guaranteed 28 percent of the shares in the new company and Bonnita committed itself to retaining the DPB's 130 employees. In the late 1990s, after protracted negotiations, Parmalat bought Bonnita South Africa. By purchasing Bonnita, Parmalat became a direct investor in the Zambian dairy industry (Mather and Kenny 2005).

There are currently around 30 dairy processors in Zambia. Parmalat is the dominant player and processes almost 50 percent of the raw milk produced by commercial farmers and smallholders. As noted earlier, Parmalat sources from both large scale commercial farmers and smallholders. There is evidence to suggest that most of Zambia's larger commercial farmers supply Parmalat. Finta Dairy is a processor based in Livingstone and although it has a processing capacity that matches Parmalat, its production has been far lower. In addition, Finta has focused its efforts on long-life milk products and has until recently relied mostly on powdered milk imports

as its raw material, rather than locally produced fresh milk. There are at least 30 other smaller processing plants that are involved in a range of fresh and processed dairy products. Several of these processing plants – including Zammilk, Diamondale and Maplehurst – are linked to dairy cattle farms. These enterprises tend to rely exclusively on their own herds for raw milk and are not involved in sourcing from smallholders. The remaining smaller processors rely on smallholder farmers, many of which are organised through cooperatives or milk collection centres that have been supported by Land O'Lakes through United States Agency for International Development (USAID) funding.

Only two processors, Parmalat and Finta, are involved in long-life milk. Producing long-life or ultra high temperature (UHT) milk involves very large capital investments. There are several small processors involved in the production of specialty cheese products that are sold to game lodges, hotels that cater to tourists and to Spar and Shoprite retail outlets located in Lusaka's new malls. Producing cheese and butter also requires considerably more skill and capital investment than is the case with fresh dairy products.

Dairy retailing

Before liberalisation, the Zambian state controlled and operated a number of food retail outlets. These state-owned shops were loss making. The process of privatisation, which started in 1995, led to the government selling these outlets to Shoprite, the South African multinational. Shoprite gained concessions such as tax holidays which gave it an advantage over local stores (Emonger et al. 2004). The role played by multinational retail capital in restructuring food commodity chains has been widely discussed (Weatherspoon and Reardon 2003; Reardon and Berdegue 2002; Wrigley and Lowe 1996; Hughes 2005). Much of this literature has focused on the extent to which foreign retail expansion has displaced local production (Miller this issue). According to Emongor and Kirsten (2006:806), 80 percent of all processed foods sold in supermarkets in Zambia are imported from South Africa. Certainly, the introduction of a large corporate chain has changed the landscape of the Zambian dairy complex, but this process has also been dynamic.

Table 1: Supermarkets selling food products in Zambia, 2004

Supermarket	No. of stores	Urban (Lusaka)	Rural towns	Origin
Shoprite	18	4	14	South African
Spar	2*	2	0	Franchise – South African
Melissa	3	3	0	Zambian
Independents	Several	Several	Several	Zambian

(Source: Emonger and Kirsten 2006:804) *At the time of our visit, this was up to 4.

There are four main retailing channels for dairy products in Zambia: large and medium supermarket chains, smaller retail shops mostly in urban compounds and smaller towns, Parmalat containers in urban (compounds), and informal vendors. Additionally

many processors sell to wholesalers who in turn sell to smaller retail shops and informal vendors around the country.

The largest supermarket in Zambia is Shoprite, which operates 18 stores across Zambia. Profits and turnover have improved steadily in the retail chain's Zambian operations (Shoprite Annual Report, www.shoprite.co.za). Shoprite imports cheese, butter and specialty dairy products from South Africa, as well as Ireland and Denmark.

It also sources dairy products locally-fresh milk, yoghurt, some cheese and butter – but mainly from large processors, such as Parmalat and Finta, as well as medium-sized processors like Zambeef. The Zambian food company Zambeef has a 'strategic partnership' with Shoprite to run its in-store butcheries, and Shoprite stocks its butter and fresh milk. Zambeef secured this relationship with the retail multinational before Parmalat had entered the country. According to Zambeef, 'The first time [Shoprite] came to Zambia, they looked to bring in everything from South Africa. We stood up to them. At the time, no one had capacity to supply them. They tried us, and we passed the test, and the relationship has gone on and on. We've been the envy of others who've come late' (Interview: Zambeef). While Zambeef also operates its own retail outlets throughout the country, this strategic relationship has ensured that Shoprite does not compete directly with this local company's retail shops.

Since Shoprite requires processors to supply all of its branches, small-scale processors generally cannot meet volume requirements nor do they have the transport means to deliver to all branches. They cannot meet the extended credit cycle which Shoprite often expects of its suppliers. In addition to volume requirements, Shoprite insists on standards of quality, packaging and presentation. Shoprite demands ten-day shelf life of its fresh milk, where smaller processors' products may have only one-day shelf lives. Shoprite demands this length because of its investment in refrigeration, something the company introduced on a larger scale to the Zambian market, but it also sources from processors who can meet the quality standards. One local cheese processor could not supply Shoprite until it was able to pack its cheese in standard weights, with uniform packaging and labelling, including bar coding and 'sell-by' dates (Interview: dairy processor). It was looking to purchase the machinery from South Africa that would enable it to meet these standards and gain access to Shoprite's market. The standards of volume, reliability, and quality have excluded many local smaller processors and given Shoprite a reputation for sourcing mainly from large suppliers.

Spar entered Zambia in December 2003. It presently has four stores nationally and intends to extend to thirty stores (Emonger et al. 2004). It operates as a franchise. Currently it does not buy centrally but each franchise sources dairy products individually. This buying structure enables smaller local processors to distribute more easily through Spar than through Shoprite (cf. Mather and Kenny, 2005). Indeed, Spar sources from several smaller milk and cheese processors that could not meet Shoprite's volume or quality standards.

Melissa, a local supermarket chain, is privately owned by a Zambian national. It sources from large and small local and international suppliers depending on price. It seems to have short term, and in some cases erratic, sourcing arrangements with its suppliers. One processor claimed that the owner would terminate shelf space quickly and without notice if he felt that the processor was giving discriminatory specials to

other retailers (Interview: dairy processor). Several smaller local processors found it easier to supply Melissa because of lower volume and quality requirements (Interviews: dairy processors).

Shoprite and Spar compete directly with each other for market share. The entry of Spar into the market has 'helped moderate' what a smaller processor called Shoprite's 'bully' attitude (Interview: dairy processor). Parmalat gave the example of getting a new product introduced into Shoprite, which had to go through numerous market exercises before launching it: 'It could take up to two months to introduce a new product in Shoprite. Now it will take days. They know that if they don't list the product, we will take it to Spar' (Interview: dairy processor).

In addition to these supermarket chains, dairy products are also sold through smaller stores. As mentioned above, Zambeef sells its branded milk and butter through its own outlets. It has ninety-two shops around the country, located mainly in 'compounds' and small towns 'where the people are'. It specialises in selling small quantities at low prices to differentiate its market from the larger supermarkets: 'We give people according to their pocket' (Interview: Zambeef). Other small supermarkets in the compounds stock both large and smaller processors' products. One of these outlets mainly sells Parmalat long-life and fresh milk. According to the owner of this shop, his customers prefer to buy long-life milk because it lasts longer, and they like Parmalat milk because of its higher quality. He buys directly from Parmalat at a wholesale price. He stocks a wider range of local cheeses because his customers prefer choice. The owner of another small retail outlet explained that he buys wholesale from Parmalat on a daily basis when it delivers stock to the area. This shop has no refrigerator, and if the milk goes sour, the store owner bears the cost. One smaller processor said that it concentrated on selling in supermarkets 'deep in the compounds' where Parmalat was less likely to reach (Interview: dairy processor).

The strategy of supplying milk products outside of Parmalat's range may not work as the company distributes milk into the compounds through a network of containers. Parmalat appoints agents who sell the milk through company owned containers. The agents are paid by commission on the amount of milk sold. These containers are open from 7.30 in the morning to 19.00 at night. The containers list two prices, a retail price and a wholesale price. People off the street can buy amounts ranging from a small sachet of 250 ml to multiple 500 ml sachets of fresh milk. UHT milk is also for sale through this network of containers.

Smaller processors which focus mainly on producing the least capital intensive products, like yoghurt and sachets of milk may also use mobile vendors to sell their products. These informal vendors go into compounds to sell dairy products in the street. This method of distribution accounted for twenty percent of one smaller processor's business (Interview: dairy processor). Finally, wholesalers located in rural areas also distribute Parmalat and Finta UHT milk to more remote markets. They buy at wholesale prices from the processors.

Sub-imperialism in Zambia's dairy sector?

An argument which suggests that FDI in the Zambian dairy industry is simply one of sub-imperialism fails to take into account adequately the specificity of the dairy sector, the pressures towards accommodation with existing interests, and the contradictory

outcomes of investment. Each of these is contingent and cannot be predetermined in the abstract.

Dairy products may be divided into both fresh and processed products (Fine et al. 1996). Fresh products include milk and yoghurt and are produced using raw milk. The bulkiness of raw milk and its perishability means that these products are not normally traded internationally or even regionally and are instead locally produced and sourced. In contrast, other processed dairy products including butter, cheese and UHT milk can be manufactured using milk powder, which is a globally traded commodity. The result is that powdered milk imports can be used to manufacture butter, cheese and UHT milk, which can undercut the local production of raw milk. In addition, these processed dairy products are easier to transport over longer distances and the importation of butter, cheese and UHT milk can displace local production. Overall then, we have an industry (dairy) that requires local production, but which can also be undercut by imports.

Another aspect of the industry is the health and hygiene standards associated with raw milk production and its processing into dairy products. As in other parts of the world, raw milk and dairy products are subject to a range of sanitary and quality standards that are used to ensure consumer safety (Valeta 2004), but also can be used to differentiate or to protect local markets from external competition (see Banks and Marsden 1997). Organised processors have been able to use the space created in the market around quality to reinforce their position in the market. The aim of the Zambian Dairy Processors Association (ZDPA) is to promote the consumption and export of dairy products produced in Zambia. In addition they are involved in establishing grades and standards that are aimed at improving demands for quality and food safety. The ZDPA has been particularly active in the promotion of milk consumption through an ongoing promotional effort that focuses on the health and nutritional benefits of drinking milk. Besides encouraging local production, they have also played a key role in ensuring that milk imports, especially from Kenya, were stopped. The basis on which the ZDPA has been able to challenge Kenyan imports is interesting: the organisation was able to demonstrate that the Kenyan dairy sector's standards for raw milk were lower than those accepted in Zambia. The government was, as a result, able to use the World Trade Organization's sanitary and phytosanitary standards to reject imports from Kenya until their standards are 'harmonized' or standardized with those existing in Zambia.

A final aspect of the industry is the structure of the global trading environment. While most of the trade in dairy products occurs in the form of powdered milk – for which there is a current global shortage – processed products including butter and cheese are also traded globally. This latter trade can occur due to the high subsidies for dairy farmers in the European Union.

The second argument concerns the way in which various agents in the chain have become embedded in the local Zambian context. FDI is constituted in these very processes. As noted earlier, the processing sector is dominated by Parmalat. There are other local medium sized processors and small scale specialised processors of fresh dairy products. At first glance, Parmalat's strategies could be interpreted as sub-imperialist. It is a subsidiary of a South African branch of a large multinational corporation. Since its investment in Zambia it continues to import processed dairy

products from South Africa. Although its imports have been mostly in processed dairy products like butter, cheese and UHT milk, it has also imported products that can be produced locally using local suppliers of raw milk. In other words, it has in the past imported products that are damaging to local processors and primary producers. The local sector has been vulnerable to these imports due the relatively higher costs of production in Zambia.

At the same time, many of its other strategies suggest Parmalat's perceived need to demonstrate a commitment to the *Zambian political economy*. For instance, in negotiations within the *Zambian Dairy Processors Association*, it found itself under strong pressure from local processors to discontinue imports of dairy products that could be produced locally. These included fresh yoghurt, which requires raw milk for its production, as well as UHT milk, for which there are local production facilities. Parmalat responded to this pressure by agreeing to stop these imports; in a 'gentleman's deal', it agreed only to import products that could not be produced locally such as speciality cheeses and flavoured butters. It also agreed to upgrade its UHT plant in order to produce this product locally rather than importing it from South Africa. Significantly, Parmalat was never placed under legal compulsion to adapt its strategy and invest in the local industry, but because of its understanding of the 'political' character of the market, the company chose this path. In unpacking Parmalat's role we need to acknowledge that 33 percent of the company in Zambia is owned by farmers and employees and so there are good reasons for it to be acting in a way that supports the local sector.

With regard to its sourcing strategies we noted earlier how Parmalat sources around 30 percent of its raw milk from smallholder farmers. This is certainly unusual given that liberalisation usually leads to the marginalisation of small-scale dairy producers, as has occurred in South Africa and elsewhere (Mather and Kenny 2005; see also Staal et al., 1997). Parmalat is following up its sourcing strategies from smallholders with investment in infrastructure to assist them in improving the volumes and quality of raw milk with the support of Land O'Lakes and the *Zambian government*. In addition, it is providing support in terms of transportation and collection of raw milk, which historically has been a serious problem for smallholders. In an interview with Parmalat, we were told that the company 'believes that small scale farmers are the future of the country'. With regard to consumption, our interviews suggest that Parmalat's strategies have led to improvements in the quality and variety of dairy products overall, with positive effects on local processors and the growth of the industry. This strategy has, then, facilitated the introduction of capitalist technologies into *Zambian dairy*, particularly through the introduction of concern around 'quality', which has expanded the local market and also secured Parmalat a position of dominance.

These initiatives also bring political leverage to a company which understands the importance of being locally embedded in the *Zambian economy*. Its support of the small-scale sector provides the company with a developmental image. At the same time, we need to recognise that its support of the small-scale sector is economically rational: the high price of powdered milk means that it makes more sense to stimulate local production rather than importing a costly input. In addition, the overall shortage of raw milk due to increasing domestic consumption has meant that Parmalat has had

to move beyond its traditional supply base of large-scale commercial farmers.

Parmalat's strategies as a multinational company may be contrasted with the strategies of Finta, which is a locally owned processor based in Livingstone and currently sources all of its raw material from Brazil rather than sourcing raw milk from local Zambian producers. In addition, Finta's partnership with South African company Clover involved it acting as a conduit for South African produced dairy products to the detriment of the local dairy sector. Hence, it is not always possible to read a company's strategy and effects from its position in the global economy.

The situation with retailers is equally complex. Melissa, as noted earlier, is a locally owned chain of retail outlets. It sources widely and appears to have no specific commitment to local dairy processors. Although it stocks locally produced milk, yoghurt and cheese, it also seeks out dairy products produced internationally, especially when they are cheaper. Indeed, they also sell Irish cheese and butter. With regard to Shoprite, our interviews suggest that its sourcing strategies have been an issue of debate and discussion since its initial entry into Zambia. Although we were unable to confirm this, our interviews suggested that Shoprite was initially required to source 70 percent of its product locally and the rest could be imported. In practice, according to one interview, Shoprite sources only 30 percent of its products locally. In terms of dairy products, the company sources a range of locally produced and imported commodities (South Africa, Denmark, Ireland). Overall, the ratio of local to imported products is more even than the average for all food products due to the bulky nature of the dairy industry. In addition, the case of ice-cream suggests that there is space for the local industry to influence to Shoprite's sourcing practices. Several years ago, Shoprite was sourcing ice-cream from South Africa at the expense of local producers, despite the fact that the local product was of a higher quality. Through the Zambian Dairy Processors Association, processors lobbied government to intervene and Shoprite agreed to extend shelf space to local ice cream producers.

A more compelling argument on Shoprite's complexity with relation to the Zambian dairy sector is its partnership with the Zambian listed company Zambeef. As noted earlier, this is a diversified and integrated producer of beef, dairy and poultry products. The partnership between the two companies operates at a number of different levels, including the preferred supplier arrangement discussed earlier. According to Zambeef, their relationship with Shoprite has facilitated growth of its own retail shops from 58-60 outlets when Shoprite entered Zambia to 92 outlets today. Perhaps most significantly is the new agreement that Zambeef will also run Shoprite butcheries in new retail outlets in Nigeria and elsewhere on the continent.

Shoprite is a fully owned South African company and its sourcing practices have not generally been in support of local producers (see Miller this issue). However, we have seen that local dairy processors and producers have been able to pressure the company into changing sourcing practices. In addition, its new strategic relationship with local Zambian capital indicates the way in which its relationship with Zambia cannot be seen as crudely sub-imperialist.

The entry of Spar into the Zambia in 2003 has added complexity to the retail environment. Unlike Shoprite, which is controlled from South Africa, Spar runs as a franchise operated by local Zambians. In addition, at present it does not operate through a centralised buying system, which does not discriminate against smaller

suppliers. Each franchise sources individually and has the reputation of sourcing locally rather than importing from South Africa. Our research suggests that the entry of Spar into the Zambian market has moderated Shoprite's dominance over processors. Thus, our third point is that multinational companies dominate the market and impose certain practices, but at the same time, their involvement in the local market can open up space for others, and may ironically reopen wider debates about the accountability, responsibility and social embeddedness of national capital, too.

Conclusion

The impact of South African investments in dairy processing and in food retailing cannot be said to have had a simple destructive impact on Zambia's local dairy industry. Nor can the dynamics described be explained in terms of a unidirectional model of South African political and economic dominance. While the 'sub-imperialist' argument used to describe the visible expansion of South African capital into Africa plays a polemical role in critiquing a simplistic and optimistic 'renaissance' brought by a democratic South Africa, it does not assist us to describe the full effects of dynamic and uneven development in Africa under contemporary capitalism. As a number of scholars of Africa have recently noted, political economy is precisely that, uneven, and reliant on the specific local, regional and global processes of connection and disconnection (Cooper 2001; Ferguson 2006).

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