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Harnessing Agricultural Trade
for Sustainable Development

Malawi

groundnuts, sunflower and soybeans

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Acronyms and abbreviations

Malawi

ACE	Agricultural Commodity Exchange
ADMARC	Agricultural Development and Marketing Corporation
AHCX	Auction Holdings Commodity Exchange Ltd
ASSMAG	Association of Smallholder Seed Multiplication Action Group
ASWAp	Agriculture Sector-Wide Approach
CARS	Chitedze Agricultural Research Station
DAES	Department of Agricultural Extension Services
EMA	Environmental Management Act
EPZ	Export Processing Zone
ESCOM	National electricity utility
FISP	Farm Input Subsidy Programme
FUM	Farmers Union of Malawi
IHS3	Third Integrated Household Survey
IQMS	Import Quality Monitoring Scheme
LUANAR	Lilongwe University of Agriculture and Natural Resources
MAFFA	Malawi Farmer/to/Farmer Agroecology project
MAPAC	Malawi Programme for Aflatoxin Control
MASFA	Mchinji Area Smallholder Farmers Association
MBS	Malawi Bureau of Standards
MVAC	Malawi Vulnerability Assessment Committee
MGDG	Malawi's Growth and Development Goals
MGDS II	Malawi Growth and Development Strategy II (2011-2016)
MITC	Malawi Investment and Trade Centre
MoAIWD	Ministry of Agriculture, Irrigation and Water Development
MoITT	Ministry of Industry, Trade and Tourism
MOST	Malawi Oilseeds Sector Transformation Programme
MRA	Malawi Revenue Authority
MVAC	Malawi Vulnerability Assessment Committee
NAIP	National Agricultural Investment Plan
NAPA	National Adaptation Plan of Action
NASFAM	National Smallholder Farmer's Association of Malawi
NEP	National Environmental Policy
NEAP	National Environmental Action Plan
NES	National Export Strategy
OSTWG	Oilseeds Technical Working Group
RBM	Reserve Bank Malawi
ROSCA	Rotating and Savings and Credit Associations
RUTF	Ready to Use Therapeutic Foods
SAPP	Sustainable Agricultural Production Programme
SEZ	Special Economic Zones
SFHC	Soil Food and Health Communities
SOYAMA	Soybean Association of Malawi
VSLA	Village Savings and Loans Associations

International

AFCFTA	African Continental Free Trade Agreement
AGOA	African Growth and Opportunity Act
AGRA	Alliance for a Green Revolution in Africa
CGIAR	Global Agricultural Innovation Network
CNFA	Cultivating New Frontiers in Agriculture
CAADP	Comprehensive Africa Agriculture Development Programme
COMESA	Common Market for Eastern and Southern Africa
C-MRF	COMESA Mutual Recognition Framework
DFI	Development Finance Institution
DFID	Department for International Development (United Kingdom)
EAC	East African Community
ELISA	Enzyme Linked Immunosorbent Assay
EPZ	Export Processing Zone
FAO	Food and Agriculture Organization
FAW	Fall Army Worm
FTA	Free Trade Agreement
GAM	Global Acute Malnutrition
GAP	Good Agricultural Practices
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GMO	Genetically Modified Organism
GNI	Gross National Income
GSP	Generalized System of Preferences
IEC	International Electrotechnical Commission
IFAD	International Fund for Agricultural Development
IITA	International Institute of Tropical Agriculture
ITC	International Trade Centre
IPPC	International Plant Protection Convention
ICRISAT	International Crops Research Institute for the Semi-Arid Tropics
ICSID	International Centre for the Settlement of Investment Disputes
ISO	International Organization for Standardization
KfW	German Development Bank
LDC	Least Developed Country
LPI	World Bank Logistics Performance Index
MFI	Micro-finance institutions
MFN	Most Favoured Nation
MICF	Malawi Innovation Challenge Fund (UNDP)
MIERA	More Income and Employment in Rural Areas programme (GIZ)
MIGA	Multilateral Investment Guarantee Agency
MSME	Micro, Small and Medium Enterprises
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organizations
NTM	Non-tariff Measure
ODA	Official Development Aid
OIE	World Organisation for Animal Health
PACA	Partnership for Aflatoxin Control in Africa
RTA	Regional Trade Agreement
SADC	Southern African Development Community
SAM	Secure Acute Malnutrition
SPS	Sanitary or Phytosanitary measures
SQAM	Standardization, Quality Assurance, Accreditation and Metrology
STDF	Standards and Trade Development Facility
STR	Simplified Trade Regime
TBT	Technical Barriers to Trade
TFTA	COMESA–EAC–SADC Tripartite Free Trade Area
TLMA	Traditional Land Management Area
UN COMTRADE	International trade statistics database
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WFP	World Food Programme
WTO	World Trade Organization

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Executive summary

This study is part of a series of UNCTAD publications that focus on upgrading and diversifying specific agricultural sectors of rural economies in developing countries with a view to raising living standards among of smallholder farmers in a context of sustainable development, female empowerment and food security.

Malawi is a Least Developed Country (LDC) where 70 per cent of its population live below the international poverty line of US$1.90 per day. Tobacco has traditionally been its principal export earner, with maize as a subsistence crop. A decline in tobacco exports due to health concerns has made it imperative to identify other promising agricultural sectors as a means of increasing foreign exchange earnings to support development.

In this context, the government has highlighted sunflower, groundnut and soybean as priority sectors. The three crops offer a range of practical advantages: in crop cultivation through inter-cropping which adds to soil fertility; in value addition, offering a potential to tap into markets of edible oils and livestock feed; and, in diversifying away from traditional crops such as tobacco and maize, it allows the country to reduce its exposure to market shocks and climate change.

This study analyses the three sectors in terms of opportunities derived from exports of primary and processed products, within a context of regional integration and LDC preferential access to developed country markets. It provides detailed information on the current and evolving trading regime between Malawi and its close regional partners, with a focus on both formal and informal trade, given that the latter accounts for a significant proportion of the country's overall trade and notably involves female traders.

The study notes that all three crops offer significant export opportunities:

- Soybean is in great demand both for the production of protein-rich meals as well as for livestock feed. GMO-free soybean from Malawi already earns a premium in export markets;
- Potential export earnings from groundnuts, grown by poor communities throughout Malawi, are estimated at around US$48.4 million, of which over half is as yet unrealised; and,
- Demand for sunflower oil is growing in Malawi and foreign exchange constraints can encourage processors to source from domestic producers.

The study's four policy recommendations are:

1. **Continue to strengthen the productive base of the three oilseed crops to ensure adequate yield and consistent quality** by: (a) enabling inclusive access to critical inputs required by farmers; (b) promoting extension services encouraging good agricultural practices (GAP); (c) considering the creation of a regional pool of extension service experts; (d) promoting investment in transport infrastructure for greater access to markets: (e) ensuring smallholder farmers' access to market information; (f) continuing to enable and encourage marketing structures and arrangements that empower smallholder farmers; (g) continuing to strengthen pre-harvest, harvest and post-harvest practices that increase product safety and quality; (h) considering strategic use of the agricultural budget to meet immediate needs; and (i) addressing capital and raw material constraints faced by processors, particularly micro, small and medium enterprises (MSMEs).
2. **Actively integrate sustainability concerns into trade and agricultural policies** by: (a) ensuring the enactment of policies that protect the rights of smallholder farmers; (b) considering the introduction of various crop insurance schemes; (c) creating opportunities for alternative non-farm related employment for smallholder farmers; (d) exploring 'premium' price opportunities for specific products within the three sectors; (e) enabling access to credit policies and introducing agro-processing and mechanisation technologies that specifically empower women smallholder farmers; (f) ensuring a greater role for women farmers in processing and sales; (g) continuing to expand provision of basic health, including community-based healthcare, and education; (h) further reforming and streamlining the Simplified Trade Regime (STR) procedures at the border to help informal traders; (i) promoting landscape restoration to improve soil fertility; (j) continuing efforts to develop and reduce the cost of access to certified seeds, including breeder seeds, that are climate-resilient and disease-resistant; (k) prioritising low-cost 'green' technologies wherever feasible and sustainable, while expanding efforts to provide irrigation facilities; (l) providing access to climate-

related information to farmers; and (m) coordinating with sustainability and climate resilience initiatives promoted at the regional level.

3. **Focus on regional integration and the creation of regional markets** through: (a) a strategy focusing on regional exports; (b) strengthening road networks and transport corridors, and addressing transport and transit-related bottlenecks; (c) streamlining customs and border procedures: (d) speeding up processing of testing and certification for exporters by the Malawi Bureau of Standards (MBS) and promoting mutual recognition of regional test certificates; and, (e) exploring Special Economic Zones (SEZ) as an alternative to Export Processing Zones (EPZ) for export-oriented, value-added industries.
4. **Enhance policy coherence and continue multi-stakeholder dialogue through:** (a) regular stock-taking exercises on the implementation and effectiveness of policies and strategies so far; (b) gathering inputs from relevant stakeholders to inform the ongoing revision of Malawi's National Export Policy; (c) more widespread use of ICT tools, particularly mobile phones; and (d) organising regular workshops for all stakeholders – famers, governments, private sector - within the Common Market for Eastern and Southern Africa (COMESA) and South African Development Community (SADC).

Protecting incomes and livelihoods of smallholder farmers in Malawi is vital to safeguarding food security. While maize continues to be important as a subsistence crop, successful diversification into groundnut, sunflower and soybean can complement maize as well create incomes that can be used as an entitlement to buy food and protect smallholder farmers against market shocks and climate change. This UNCTAD study, with its extensive bibliography, has drawn upon some of the best available expert information on the challenges Malawi faces on its road to development.

Introduction

The purpose of this study is to evaluate trade-led sustainable development opportunities and challenges in the groundnut, sunflower and soybean value-chains in Malawi as a means of diversifying its agricultural production base away from dependence on tobacco exports. It examines cross-cutting and sector-specific constraints and opportunities for upgrading, value-addition and diversification. It also explores specific ways to mainstream food security, gender inclusiveness and sustainability into agricultural trade policies and thereby assist Malawi's government in sound policy development through a coherent and consultative approach. The study sets out broad conclusions and specific recommendations based on its findings. It was reviewed and validated by the Ministries concerned and it is expected that the policy recommendations will garner further government and broad stakeholder support of groups such as farmers' associations, the private sector, agricultural experts and agencies for development cooperation.

Specifically, the study is intended to provide evidence-based insights and policy guidance in the following areas:

- Addressing key constraints to expanding the production base and quality in the three crops, thereby facilitating upgrading, diversification and value-addition considering diverse farming models at the same time as ensuring that the interests and livelihoods of smallholder farmers are protected and enhanced.
- Introducing active policies and measures to safeguard livelihoods, promote women's empowerment and ensure environmental sustainability and resilience to climate change of groundnut, sunflower and soybean sectors.
- Leveraging trade policy in a context of stronger regional integration in Africa to support value-addition objectives and integration into regional value-chains; and building a strong and competitive processing sector that can serve domestic and foreign markets, thus enabling the generation and saving of precious foreign exchange in the medium to long-term.

Chapter 1 provides an overview of Malawi's economic and social development and highlights the main policy frameworks introduced to address agricultural dependency. Chapter 2 discusses agronomic conditions and farming systems, uses and processing, marketing structures and key players, as well as market trends and trade flows patterns in the groundnut, sunflower and soybean sectors. Chapter 3 examines some of the major cross-cutting and crop-specific challenges and opportunities for upgrading, diversification and value-addition. Chapter 4 discusses the main issues in relation to agriculture in Malawi particularly focusing on incomes and livelihoods, food security, gender and environmental sustainability and explores ways of ensuring that sustainability is mainstreamed into upgrading, value-addition and diversification strategies in the three sectors studied. Chapter 5 examines Malawi's trade-policy frameworks, assesses the main trade-related constraints to the exports of groundnut, sunflower and soybean and proposes specific steps to address them. The study concludes with a set of broad conclusions and specific recommendations.

CHAPTER 1

Country overview and development background

Country overview and development background

Malawi is a landlocked country in southern Africa, bordering Mozambique, Zambia and the United Republic of Tanzania. It is categorised as a least developed country (LDC) and its high dependence on agriculture makes it one of the countries most affected by climate change. It has a history of being heavily dependent on official development assistance, which plays a significant role in the government's fiscal planning. In 1998, the country set itself the goal of becoming a self-reliant, middle-income country by 2020, through sustainable growth and development. The national long-term perspective for development was encapsulated in the "Vision 2020" report, which formed the basis of the more practical "Malawi Growth and Development Strategy", now in its third edition covering the period 2017-2022.

Malawi is divided into 27 administrative districts and has two major cities, Blantyre and Lilongwe (respective populations almost 585,000 and 647,000 in 2018), with the remainder of its almost 19 million inhabitants living in rural areas. Lake Malawi, which also has borders with Mozambique and the United Republic of Tanzania, can be considered a non-urban economic centre with a concentration of industries such as tourism and freshwater fishing.

Economic overview

Malawi's economy is highly vulnerable to external shocks. The World Bank estimated that its real gross domestic product fell 0.5 per cent between 2017 and 2018,[1] with a decrease in agricultural output singled out as a major cause.

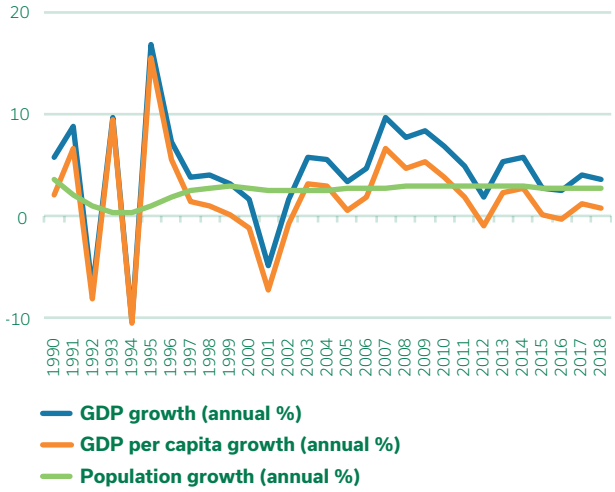
MALAWI
Unity and Freedom

17 million Population
64th most populous country on earth

3 Regions (28 Districts)
Capital : Lilongwe
Currency : Kwacha (MWK)
Languages : Nyanja, Yao, Tumbuka, Malawi Sena

Figure 1 shows highly volatile GDP and GDP per capita growth, much of which can be explained by Malawi's dependence on a small number of export crops and the shocks to production from adverse climatic events such as floods and droughts.[2]

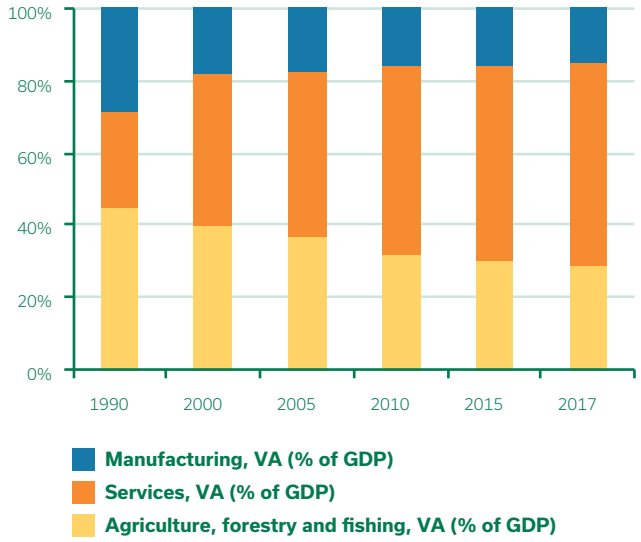
FIGURE 1: GDP growth rate and population



Source: *UNCTAD secretariat calculations based on World Bank World Development Indicators data.*

Figure 2 provides the value-added breakdown of the Malawian GDP. The significant change in the aggregate economy since 2017 is characterised by a decline in the share of the industrial sector from 29% in 1990 to 15% in 2017 and an increase in the share of the services sector. from 26% in 1990 to 56% in 2017. The former can be explained by the small size of the sector and the relative expansion of world demand for certain basic agricultural products, which has led to a shift towards greater specialisation in raw or semi-processed products. The increase in the contribution from services is striking at first, given that the sector's predominance in generating value-added is generally a phenomenon of developed countries. The most dynamic over the past decade have been construction and sub-sectors such as wholesale and retail trade, real estate, information and communication and financial services. Growth in the services sector is believed to be driven by government expenditure as well as development assistance.[3] The share of agriculture as a percentage of GDP has also seen a steady decline from 45% in 1990 to about 28% in 2017.

FIGURE 2: Value-added breakdown

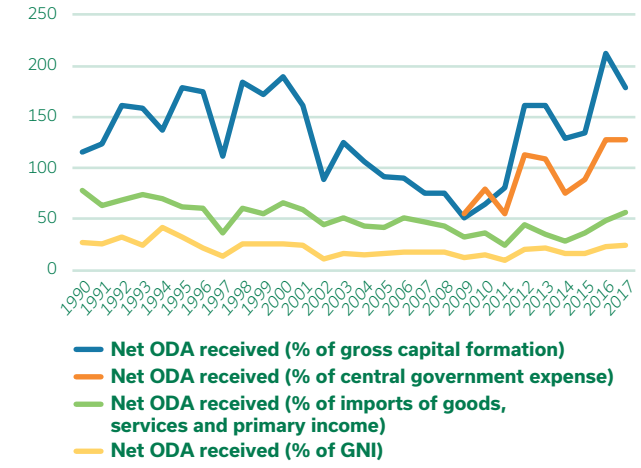


Source: *UNCTAD secretariat calculations based on World Bank World Development Indicators data*

Figure 3 illustrates the relative role of official development aid (ODA) in the economy since 1990, excluding official development grants. While the share of ODA in GNI has slightly declined, it averaged about 20 per cent over the period 1990 to 2017 and constituted 23 per cent in 2016. This assistance and aid constitute about half of goods imports and, in some years outweighs total government expenditure, particularly during years when there are natural disasters. Even more striking is the relation of foreign direct assistance and aid in gross capital formation – in most of the years, ODA dominates.

The important contribution of international donors and assistance to Malawi's development highlights the question of their role in devising policy: they should be considered both as service provider and interested party.

FIGURE 3: Official Development Aid



Source: *UNCTAD secretariat calculations based on World Bank World Development Indicators data.*

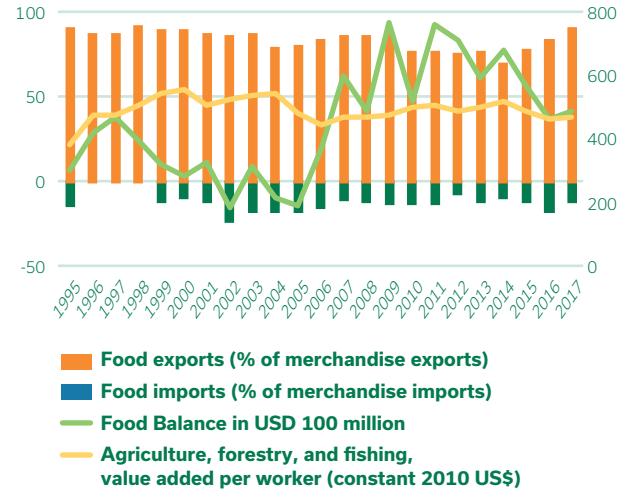
Malawi has been a member of WTO since 1995 and, in recent years (especially after accepting a free floating exchange rate in 2012), has targeted trade-led development through trade expansion instruments, including regional trade agreements. It is a Member State of the Common Market for Eastern and Southern Africa[4] (COMESA) and the Southern African Development Community[5] (SADC), with each one accounting for less than a quarter of the country's trade. Malawi is primarily a resource exporting country and features in the lowest quartile among its regional trade agreement (RTA) partners in terms of GDP per capita – in 2017, the COMESA average was US$2,900 and the SADC average was US$3,720. It is also a Signatory Party to the Protocol on Free Movement of Persons of the Kigali Declaration (2018) and to the 2018 African Continental Free Trade Agreement (AfCFTA).

This active regional trade policy is remarkable and provides several trade-led opportunities for development. However, as detailed in Chapter 5, a variety of challenges and constraints continue to impede trade, such as licensing requirements and a system of trade permits.[6] Efforts, such as single window, are underway to simplify border or certification procedures but, overall, there is a great deal of paperwork and specific certification regulation.

In addition, standards-related regulations and implementation, notably Sanitary or Phytosanitary measures (SPS) and other Technical Barriers to Trade (TBT), can also be an impediment to the export of agricultural and agriculture-related products.

Malawi also faces several infrastructure-related constraints including poor transport links and lack of access to electricity for a large proportion of the population - only 10 per cent have access - mirroring a trend in many African countries. On the other hand, over half of the population have access to radio and mobile phone services.

FIGURE 4: Food trade



Source: *UNCTAD secretariat calculations based on World Bank World Development Indicators data.*

Figure 4 indicates that food constitutes most of Malawi's merchandise exports, although its share has fallen by about 10 per cent since the beginning of 90s and picking up again after 2014. In reality, most exports are in fact tobacco, of which the share grew from about a quarter in 1980 to 60 per cent in 2016 (UN COMTRADE). The growing global anti-tobacco lobby, with its focus on tobacco's adverse health impacts on consumers and producers, has resulted in overproduction in recent years. This has led to low or no profit among many of the tobacco farmers and a consequent rise in unemployment due to a shift towards alternative crops. The surplus labour from tobacco cultivation, which is more labour-intensive than other crops, has the potential to invigorate the rural economy. However, in the absence of policies to tackle unemployment and absorb surplus labour, the government's fiscal burden could further increase, putting greater pressure on food security.

Social development

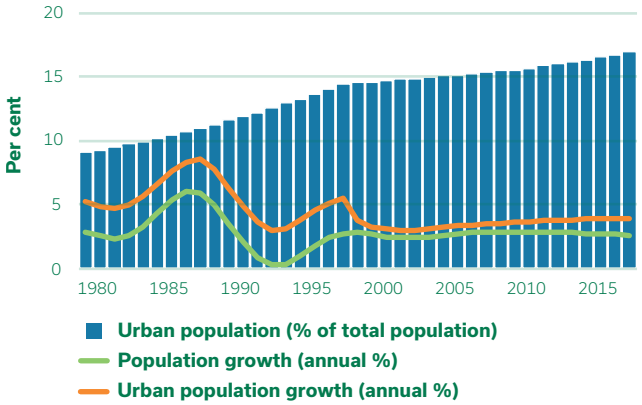
The population of Malawi has quadrupled over the past few decades, with an average annual growth rate of 2.89 per cent. Ethnic groups include the Chewa, Nyanja, Yao, Tumbuka, Lomwe, Sena, Tonga, Ngoni, and Ngonde.

Malawi has relatively constant but high population growth of almost three per cent (3 per cent), as illustrated in Figures 1 and 5. Rising population is a concern but can also be viewed as an investment in future economic development when combined with appropriate skills. National legislation requires a compulsory 8 years of education and, since 1990, gross enrolment has almost doubled from 73 per cent to 140 per cent, with the same access for girls and boys[7]. Unfortunately, secondary school enrolment falls to 40 per cent - although it is more than double the 15 per cent recorded in 1990 - with girls more likely to drop out. There is also a significant shortage of teachers in rural areas and attending classes after primary school, which covers the basic skills of reading and writing..

With a per capita GNI of just US$320 in 2017, poverty is a persistent feature and, despite many efforts, around 70 per cent of Malawi's population live below the international poverty line of US$1.90 per day,[8] one of the highest proportions in the world. Two thirds of the population live in slums, prevalent in both rural and urban areas.

Figure 5 shows that the share of urban population increased from 9 per cent in 1980 to almost 17 per cent in 2017. Factors that contribute to higher rural to urban migration include the prevalence of subsistence farming as the main source of activity, the small number of opportunities for non-farm income in rural areas and the high population growth rate.

FIGURE 5: Degree of urbanisation



Source: *UNCTAD secretariat calculations based on World Bank World Development Indicators data.*

Food security in Malawi is an issue of great concern nationally and internationally. According to the World Bank, the national food deficit fell from 341 kilocalories per day in 1995 to 139 in 2015, a 145 per cent decrease; but the improvement has slowed down and, according to the World Food Progamme (WFP), 37 per cent of children under 5 years of age are stunted.[9]

The current high level of malnutrition and stunting has a severe impact on Malawi's social and economic development and is an issue of great concern in the light of climate change. Together, the increased incidence of droughts and floods, and food insecurity and dependency on agriculture for survival, and income, constitute a high ongoing risk.

Policy frameworks to address agricultural dependency

In 2001, the African Union launched the Comprehensive Africa Agriculture Development Programme (CAADP) within the context of the New Partnership for Africa's Development (NEPAD), the African Union's economic development programme. Through the CAADP, Member States can homogeneously generate agricultural growth, address food security and promote rural development. It requires them to invest at least 10 per cent of their national budget in agriculture, which leads to an estimated 6 per cent annual growth in GDP and improves rural livelihoods.[10]

An investment framework, called the Agriculture Sector-Wide Approach (ASWAp) 2011-2015 - which complies with the CAADP and with Malawi's Growth and Development Goals (MGDS) - provides Malawi's strategic guidelines for allocating investments across government programmes and specific initiatives such as the Farm Input Subsidy Programme (FISP) and the Green Belt Initiative. ASWAp's three focus areas are:

(i) food security and risk management; (ii) commercial agriculture and market development; and (iii) sustainable agricultural land and water management.[11]

Malawians' high dependency on agriculture for survival and income has contributed to a multitude of government programmes and international donor and agencies' assistance projects, with other forms of support also in place. One such programme is the National Agricultural Policy and National Agricultural Investment Plan (NAIP) whose close links to the National Export Strategy (NES)[12] highlights the influence of trade on development and the need for inclusive trade-led policies. The NES, finalised in 2012, is the first coherent and integrated policy framework for the export sector. It provides a prioritised road map for developing the productive base of the economy to enable both export competitiveness and the economic empowerment of youth, women, smallholder farmers, job seekers and the poor. It should be noted that, while diversification is a core concern of the NES, most priority sectors are in agriculture.

Malawi has made progress in agricultural production, with a gradual diversification of exports away from tobacco, but the value generated per agricultural worker has not increased and is currently around US$400 per year. This may be due to the significant orientation towards subsistence farming in conjunction with vulnerability to climate shocks and the high overall level of malnutrition and stunting. It suggests that the country's agricultural economy is trapped in a low-productive, unsustainable state. Some major structural transformations are needed to ensure that agriculture yields enough food and develops more resilience to climate change, and to boost agriculture's economic vitality with a view to both domestic and export markets.

The role of non-state agricultural actors is crucial but relies heavily on the provision of scarce state extension services. Government is the largest provider but is, in many districts, matched by several non-state providers (IFPRI, 2018[13]). This tends to increase the pressure on the human resources of the state extension services, which mostly work with farmers through these providers: a "lead farmer programme" has been put in place to address this issue. While the results are positive, the programme has had a limited impact due to extension service providers being under-trained and the promotion of two focus technologies, most frequently pit planting and conservation. This can partly be explained by the programme's lack of integration into the wider environment of rural Malawian livelihoods and coherence with other project interventions.

Overall, agricultural assistance programmes, including extension services, need a stronger link to market issues such as standards and information on prices and demand, as well as frequent follow-up and monitoring of activities. There is, in addition to the lack of more centralised provision of information, a lack of access to physical and financial resources.

The sunflower, groundnut and soybean sectors covered in this study have the potential to promote sustainable, inclusive development in rural Malawi, creating a foundation for long-term, resilient growth.

NOTES

1 World Bank, World Development Indicators. https://data.worldbank.org/indicator

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4 The 18 other members of COMESA are: Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Eswatini, Ethiopia, Kenya, Libya, Madagascar, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia, and Zimbabwe.

5 The 15 other members of SADC are: Angola, Botswana, Comoros, Democratic Republic of the Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, the United Republic of Tanzania, Zambia and Zimbabwe.

6 WTO Malawi trade policy review 2016

7 For a full picture of children's school participation, UNICEF uses two sources of data: enrolment data, which are based on administrative records, and attendance data from household surveys. In half of all countries, data on primary and secondary education come from more than one source. All data on primary and secondary education used by UNICEF are based on official International Standard Classifications of Education (ISCED) and may deviate somewhat from those used by country-specific school systems. See https://data.unicef.org/topic/education/primary-education/.

8 World Bank (2018). Malawi Systematic Country Diagnostic: Breaking the Cycle of Low Growth and Slow Poverty Reduction. http://documents.worldbank.org/curated/en/723781545072859945/pdf/malawi-scd-final-board-12-7-2018-12122018-636804216425880639.pdf

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CHAPTER 2

Sunflower, soybean and groundnut: oilseeds and edible oils in Malawi

Sunflower, soybean and groundnut: oilseeds and edible oils in Malawi

This chapter briefly provides an overview of the main characteristics of sunflower, groundnut and soybean, summarises their possible uses and analyses the most recent, related developments in international markets.

Agronomic conditions and farming systems

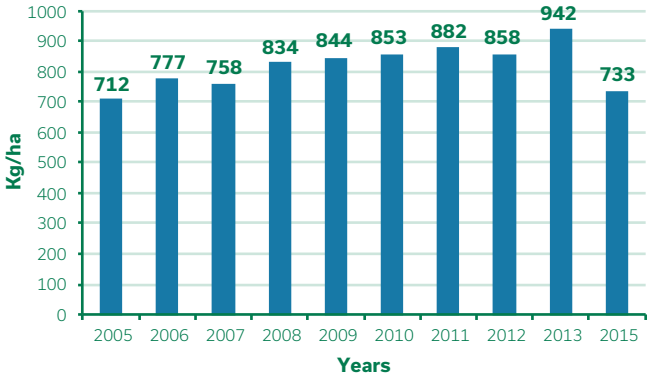
Sunflower

The sunflower (Helianthus annuus) originates from North and Central America.[14] Its large flowering head (inflorescence) can reach 30 cm in diameter on a stem that can grow as high as 3 metres. A warm, somewhat dry climate is considered optimal for sunflower production. However, sunflower is widely adaptable and more drought tolerant than grain crops, which is significant in the context of Malawi where 90 per cent of all agricultural production is still rainfed and irrigation is rarely available.[15]

Sunflower is commonly grown in South Mzimba, North Kasungu, the Lilongwe to Mchinji plateau areas, Balaka and Phalombe and Lake Chilwa plain. It can survive droughts and is considered one of crops that significantly increase food security in the context of climate change, but its yield falls significantly when high-yielding varieties and certified seeds are not used for its cultivation. This may be the reason for the extremely low average sunflower yield per hectare in Malawi, shown in Figure 6, which is half of the world average of 16,000 hectograms.

Malawi's sunflower production has been growing steadily but national yields remain between 700kg and 900kg compared to a potential of 2,500kg to 3000kg per hectare (FAO 2017).[16]

FIGURE 6: Sunflower yields



Source: *FAO 2017*

Soybean

Soybean is an important crop in Malawi, produced in almost all districts as a source of food, livestock feed and for improving soil fertility. It is also an important source of income and export earnings. The major producing areas are Kasungu, Lilongwe and Mzuzu, which account for 80 per cent of the country's total soybean production (Techno Serve, 2011).[17]

The land allocated to soybean production increased by over 200 per cent between 2002 and 2016 (Government of Malawi, 2016; ICRISAT, 2013).[18] Soybean production has also been increasing, although fluctuating over the years due to low and volatile farm-gate prices, inadequate supplies of improved seed varieties, poor crop husbandry, short-lived seed viability and a lack of awareness about processing and utilisation technologies (Tinsley, 2009).[19] Currently, average farmers' yields are very low, ranging from 400kg to 1,000kg per hectare, while yields of up to 4,500kg per hectare are achievable using improved seed varieties and recommended good agricultural practices (Malawi Government, 2010).

Groundnut

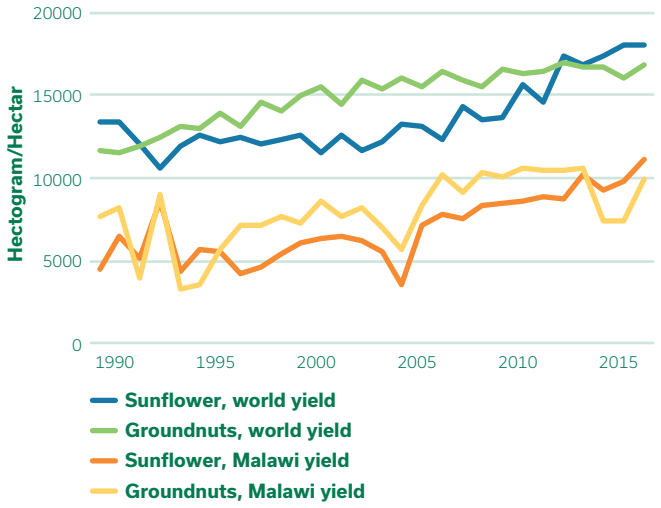
Groundnuts, or peanuts (Arachis hypogaea), are a legume, root crop. They are native to South America but, over the years, have been cultivated in many tropical and sub-tropical parts of the world, with significant presence in Asia and, more recently, Africa. Groundnuts contain 48 to 50 per cent oil and 26 to 28 per cent protein and are also a rich source of dietary fibre, minerals and vitamins. Malawi's central region is particularly suited to groundnut production, with 70 per cent grown in Mchinji, Lilongwe, Kasungu and Ntchisi. The most popular varieties are CG7, due to its high oil content and productivity and Chalimbana, which is good for groundnut flour. Other varieties promoted by the Ministry of Agriculture include Nsinjiro, Baka, Kakoma (also called JL24), and Chalimbana 2005.

Groundnut farmers in Malawi achieve an average yield of 1,000kg per hectare for the CG7 and Nsinjiro varieties and 600kg per hectare for Chalimbana. However, yields could be much higher with good management practices: in ideal conditions, the maximum yield for CG7 is 2,500kg, Nsinjiro 2,000kg and Chalimbana 1,500k. The low level – 815kg compared to 2,500kg/hectare – is attributable to the prevalence of recycled seed, which compromises yield and increases aflatoxin levels. Furthermore, there has been insufficient certified seed to support increased production due to low volumes of breeder/basic seed and a lack of awareness among smallholders about the implications of over-recycling seed on yield.

Figure 7 shows that, according to FAO data, the average world sunflower and groundnut yields increased by 40 per cent between 2007 and 2017. This may reflect better seed quality. At the same time, as Figure 7 shows, the yield in Malawi was volatile and, although it improved by about twenty-five per cent, it was still half of the world average and highly vulnerable to external factors such as droughts and floods.

FAO estimates that global sunflower and groundnut oil production will grow faster than soybean oil, mainly due to the potential for larger increases in yield.

FIGURE 7: Yield comparison



Source: *UNCTAD secretariat calculations based on FAO data.*

Uses and processing

Globally oilseeds are mainly crushed to produce meal (cake) and oil and the demand for crushing will increase faster than other uses, in particular for direct food consumption and animal feed. FAO estimates that at least 86 per cent of world oilseed production will be crushed in 2027.[20] The crush location depends on a variety of factors, including transport costs, trade policies, acceptance of genetically modified crops, processing costs (e.g. labour and energy), and infrastructure (e.g. ports and roads).

Globally, the use of protein meal will grow more slowly due to a decline in the growth of livestock production and the plateauing of the share of protein in Chinese food consumption. Demand for oils from sunflower, groundnut and soybean is expected to grow due to rising populations and greater urbanisation in developing countries. But demand will rise at a slower pace owing to a decline in the growth of their per capita food consumption, the availability of other vegetable oils, and a projected stagnation in demand as feedstock for biodiesel.

Groundnuts can vary from pale brown to pink to deep reddish brown and have different shapes and processing characteristics according to variety. Each variety may be particularly suitable for specific uses in the food industry. The ratio of crude oil production to meal from groundnuts may differ. The former has a variety of cooking and other edible uses (see full product map in the Annex) while the latter is used for the animal feed or as an ingredient in other edible products.

Soybeans are a major source of world oil production. On average, they are about 18 per cent oil and 38 per cent protein. Almost all world production is processed for oil, which is mostly used

for cooking and frying foods. Once the oil is extracted, it can be assigned to margarine production or other edible uses. What remains – soybean meal - is baked then used as an ingredient for animal feed due to its high protein content. Soybean cultivation is dependent on the use of its two main sub-products, meal and oil, which account respectively for about two and one-third of the crop's nominal value. Only a very small percentage of soybean production is processed for human consumption in products such as soymilk, soy flour, soy protein, tofu and a wide variety of retail food products. Soybeans are also used in many non-food (i.e. industrial) products such as biofuels or composites. Soybean provides considerable value addition at the lower levels of processing, after which the output is shipped in bulk to large-scale processors around the world. In general, small-scale soybean farmers are excluded from global trade because large quantities of soybean are required for trade.

Sunflower is also an oilseed and, like groundnut, is mostly used as cooking oil or as an animal feed. After husking, there is – generally – a two-step oil extraction process, the first mechanical and the second through a solvent. The remainder is used for the animal feed due to a protein content of up to 20 per cent. One-step, i.e. mechanical extraction only, is necessary in some countries and regions, for example, the European Union, in order to use the remainder as animal feed. Specialty oil producers and smallholder farmers in developed and developing countries also use a one-step extraction process. On average, husked sunflower seeds are 50 per cent oil and 20 per cent protein, yielding varying ratios of crude oil and meal, depending on the type of processing and the original quality of the seed. Compared to soybeans and groundnuts, sunflower offers a limited number of options for product diversification from primary product to final consumer. In some countries, sunflower is used as an ingredient in grain breads and healthy snacks or as part of a seasoning.

Marketing structures and key players

Sunflower

Sunflower's marketing structure is made up of several buyers, including vendors and large assemblers who supply the large urban processing companies which use sunflower seed as raw material for edible oils. Due to efforts to develop the oilseed sector, some farmer cooperatives have been producing and processing sunflower oil and selling it unrefined locally. There are three major edible oil processors in Malawi: Sunseed Oil and Capital Oil Refineries are both domestic companies, while Tanzanian-based Mount Meru set up operations in Malawi in 2016. However, insufficient domestic production and uncompetitive production costs have forced those firms to import most of their raw materials from neighbouring countries like Mozambique and Zambia.

Demand for sunflower seed has been increasing in the southern African region due to the growth of the livestock feed industry and production of edible oils. Though exports have been variable, there has been a steady increase but only in small quantities due to low production levels and increased local demand.

Apart from low yields, a further impediment to the sunflower sector was the unavailability of certified seed in Malawi until the end of 2014. However, three Pannar varieties have been released and two other varieties are currently being tested. The availability of certified seed has highlighted the need for detailed technical agronomic information to inform smallholders on practices in planting and crop husbandry as well as post-harvest and marketing.

Groundnut

The Agricultural Development and Marketing Corporation (ADMARC), a statutory corporation, used to be the sole buyer and supplier of produce and inputs. However, the government has liberalised the market since the mid-1980s to allow the private sector to play an active role in their marketing. Due to the informal nature of the sector, groundnut markets remain generally unstructured. Buyers include large-scale traders and processors, in addition to notable companies like Afrinut, which produces Fairtrade peanut butter. Currently, several companies process groundnut into roasted nuts, peanut butter and as an ingredient in 'Ready to Use Therapeutic Foods' (RUTF). Processors at this level absorb 40 per cent of the country's production with 15 per cent of this quantity formally exported to South Africa and other regional markets.

Soybean

There is a large local demand for soybeans, especially from large processors such as RAB, Global Trading, Farmers' World and Export Trading. The Livestock and poultry industry also consumes a large quantity. Commercially, direct consumption is mostly as infant and baby formula and handled by companies such as Rab Processors. A substantial amount is used by various non-governmental organisations (NGO) in supplemental food programmes in schools (lunch programmes), hospitals, orphanages and refugee relief programmes, by enriching maize flour with up to 20 per cent soybean flour.[21] Urban buyers have a large combined impact, although, on the face of it, consumers from villages also constitute a significant proportion of buyers. Itinerant traders (i.e. vendors), traders in the district towns, traders in the cities, wholesalers, and consumers at local produce markets also purchase soybeans. Research by Tinsley (2009), revealed that there was a general lack of interest in soybean from oil manufactures due to the limited recovery of oil compared to groundnuts and sunflowers. Furthermore, the efficient recovery of oil from soybeans requires a solvent extraction process, which is expensive as well as relatively dangerous.

Table 1 lists some of the key players and their roles along the soybean value chain.

TABLE 1: Key partners along the soybean value chain and their roles

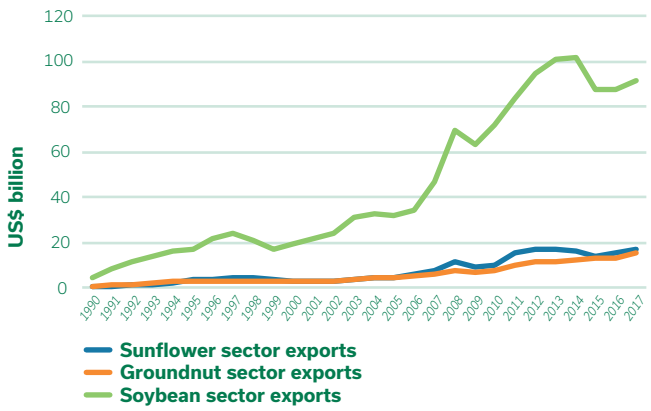
Partner	Role
IITA-Malawi	Soybean breeding, variety development, technical backstopping and training
Ministry of Agriculture and Food Security	Agricultural policies
Department of Agricultural Research Services	Research on variety development
LUANAR (Bunda College of Agriculture)	Research and training
National Smallholder Farmers' Association of Malawi (NASFAM)	Production of quality-declared seeds and linking farmers to markets
Association of Smallholder Seed Multiplication Action Group (ASSMAG)	Farmer owned and controlled rural seed production and marketing organisation
Department of Agricultural Extension Services (DAES)	Extension of technologies
Seed Companies (i.e. Seed Co - Malawi (private seed company), Multiseeds Company, Funwe, Global seeds, Pannar Seeds, DEMETER	Production and marketing of seeds
EXAGRIS AFRICA	Production of commercial seed
Central Poultry Feeds (CP-Feeds), Sunseed Oil and Rab Processors	Buy soybean grain from farmers and traders, process soybeans into food for human consumption and animal feed
Soybean Association of Malawi (SOYAMA)	Address soybean trading and marketing issues as well as lobby financing institutions to support the soybean industry
Grain Legumes Development and Marketing	Enhance production and marketing of legumes

Source: *Government of Malawi, 2010; ICRISAT (2013).*

Market trends and sectoral trade flows

Figure 8 shows that all three sectors have been growing, but at a different pace and absolute size. The soybean sector is the biggest with global exports reaching almost US$92 billion in 2017 in the subheadings analyzed with the sunflower and groundnut sectors following behind and much lower in terms of export values reaching US$17.20 billion and US$ 15.26 billion respectively.

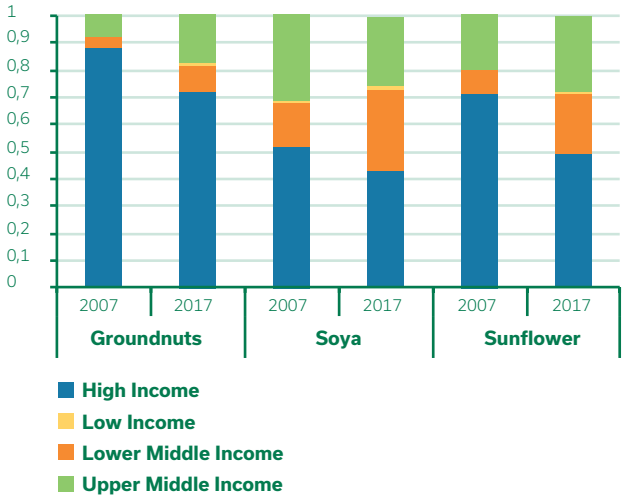
FIGURE 8: Overall sector trends in global exports (1990-2017)



Source: *UNCTAD secretariat calculations based on COMTRADE data. Export values have been calculated based on the HS subheadings listed in Table 2 (see end of chapter).*

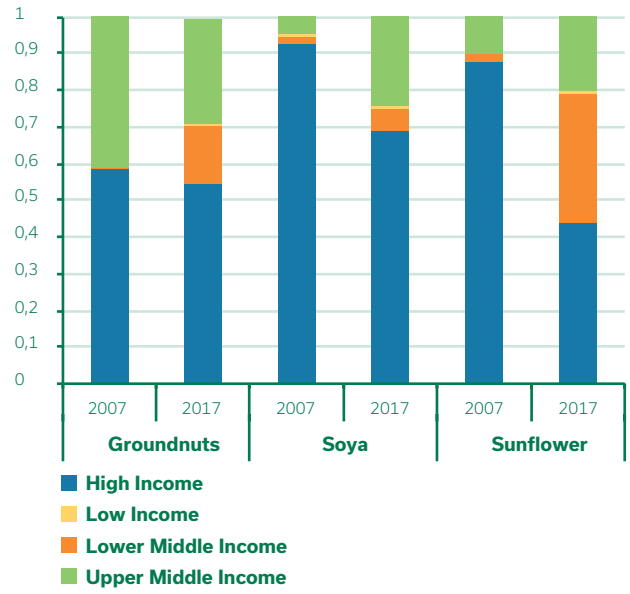
Figure 9 shows that there has been a shift in the last decade in the composition of the main import markets. Low and upper middle-income countries have been increasing their share in world consumption of soybean, groundnut and sunflower product exports, although the average share for low-income countries is quite negligible reaching at just about 1 per cent in 2017.

FIGURE 9: Income structure of the importers, by sector



Source: *UNCTAD secretariat calculations based on UN COMTRADE data, accessed December 2018.*

FIGURE 10: Income structure of the exporters, by sector

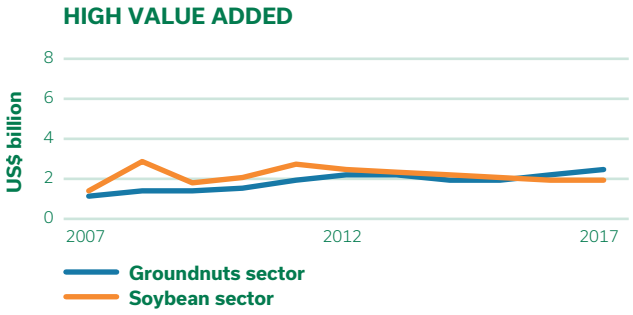


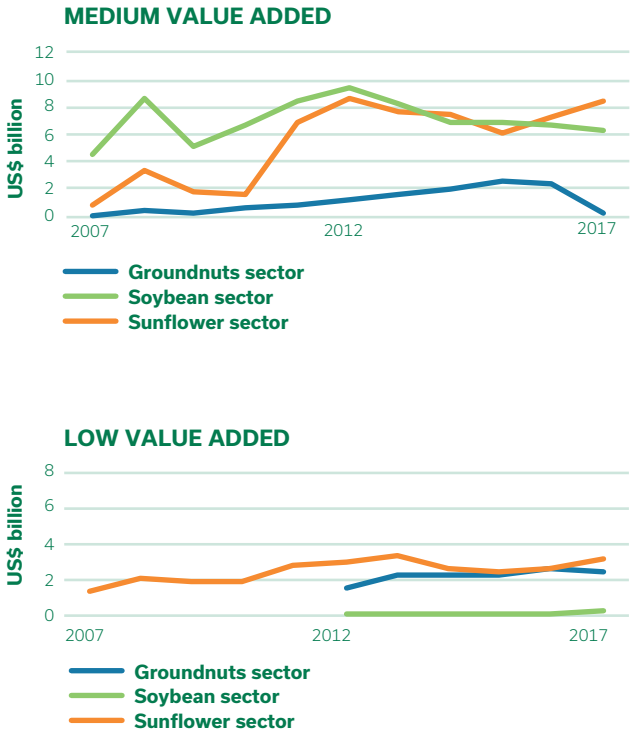
Source: *UNCTAD secretariat calculations based on UN COMTRADE data, accessed December 2018.*

The share of low-middle-income countries in world exports also increased between 2007 and 2017, particularly in the sunflower sector with a rise from just 2% of the world export share in 2007 to 35% in 2017.

It is clear that international trade in the sunflower, groundnut and soybean sectors has been expanding over the years, reflecting increasing end demand and decreasing trade protection. This positive trend provides a number of opportunities for other incumbent producers. Figures 11 and 12 below represent the dynamic statistical trend of world exports by value and by sector.

FIGURE 11: Global export trends, by value-added



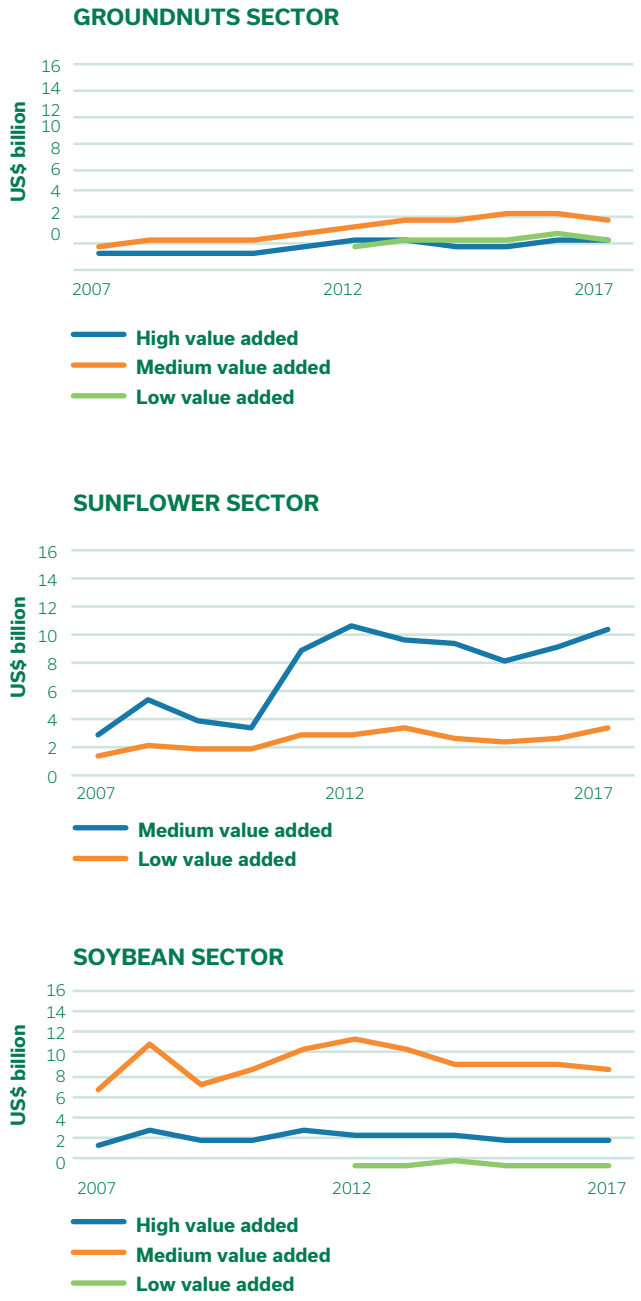


Source: *UNCTAD secretariat calculations based on UN COMTRADE data.*

First, most international trade in all three sectors is in medium value-added products. This can be explained by the relative dominance of the "hub" countries – i.e. countries that buy the low-value product at a relatively lower price, process it, then re-sell it on the internal or international market.

Second, in the groundnut sector, all exported products have relatively similar values. The different situation in the groundnut sector can be explained by a greater number of uses and facility for substitution among higher value-added products containing groundnuts, the relative unpopularity of medium value-added products in final consumer markets (groundnut oil only entered the world market in recent years), and a relatively small number of "hub" countries featuring in the value chain. This implies that, globally, producers of groundnuts face a lower bargaining power of traders and a smaller number of intermediaries between the primary and final consumer. Third, trends in all three sectors show that, despite a relatively higher share of the medium value-added trade, there has not been a consistent increase in export values compared to the low or high value-added segments. One of the reasons is that medium value-added products in the oil sectors studied are easily substituted among each other or by other oilseeds (e.g. palm oil) and an increase in the production of one will drag down trade in the others. Another factor is the emergence of single-sourced products, where the raw/semi-processed products such as dried nuts, soybeans or sunflower seeds are exported to their final market destinations for processing.

FIGURE 12: Global export trends, by sector



Source: *UNCTAD secretariat calculations based on UN COMTRADE data.*

In the sunflower sector, both production and trade benefits have been concentrated in "traditional" markets. As shown in Figure 8, world trade in sunflower grew from US$0.37 billion in 1990 to about US$17.20 billion in 2017. In recent years, there has been a decrease in world demand due to proliferation of alternative oils. Historically, the principal importer of products from the world sunflower sector is the European Union, accounting for US$6.4 billion dollars or 40 per cent of the global market.

Soybean trade globally grew more than twenty-fold between 1990 and 2017 – from US$ 4.05 billion to US$ 91.71 billion. An important product traded in the soybean sector is soy sauce produced mostly in Asian countries and then imported all over the world. Soybean cultivation is highly concentrated geographically, with only four countries, United States, Brazil, Argentina and China, accounting for almost 90 per cent of world output. While the United States and Argentina compete for the title of the biggest producer, Argentina is the world's leading exporter of soybean products, accounting for over 40 per cent. In Africa, the regions where the most food insecure countries are located account for only 5 per cent of global production. Soybean is a high value and profitable crop due to its general high input-to-yield ratio, its relative resistance to droughts and its significant nutritional value. Soybean oil is considered the second most traded oil worldwide, after palm oil, and accounts for about 20 to 25 per cent of soybean produced in the world. In recent years, growing world demand for high protein-content meals has been the main driver behind the global expansion of soybean production, with China playing a major role. However, the growth in soybean imports into China in 2017 was only moderate, in part due to destocking of maize.[22]

The region comprising the Southern African Development Community (SADC) has been focusing on increasing oilseed production to achieve import substitution, with Angola and Zimbabwe leading the way. As for Malawi, the sunflower, soybean and groundnut sectors together represent less than 3 per cent of its exports - in 2015 some US$29 million out of a total of over US$1billion – which are historically dominated by tobacco and tea.

FIGURE 13: Structure of Malawian exports, by income group

Source: *UNCTAD secretariat calculations based on UN COMTRADE data.*

Between 2008 and 2015, Malawi's overall exports grew - from US$864 million to over US$1 billion - mainly by increasing exports to non-high-income countries, but its trade balance for the same period deteriorated on account of more imports from high income countries. This underscores the need for greater access to high-income country markets for Malawian exports, particularly for the agricultural products highlighted in the country's National Export Strategy. However, Malawi will have to be able to produce domestically in high enough volumes as well as meet the stringent quality standards in place in high-income countries.

Malawian sunflower, soybean and groundnut exports are mostly to low and low middle-income neighbouring countries such as Zimbabwe (37 per cent), Zambia (7 per cent) and Kenya (41 per cent). It should be noted that informal cross-border trade is potentially higher in these sectors. Such informal trade, though important for livelihoods - as will be highlighted in Chapter 4 - can also create difficulties in terms of value-chain inclusion and upgrading, as well as the potential for non-compliance with minimum health or safety standards.

Trade patterns across individual value-added segments

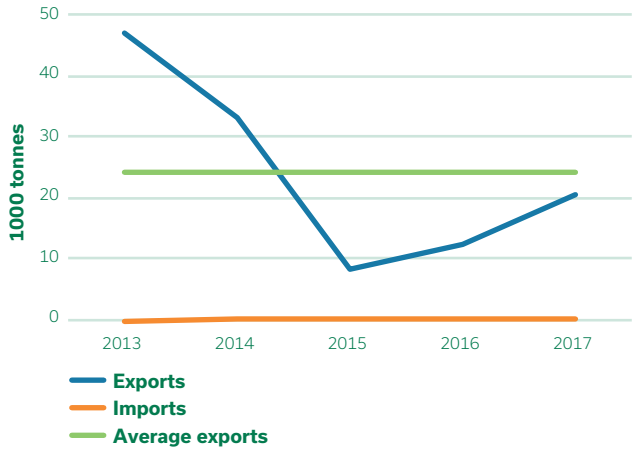
This section looks at Malawi's trade flow patterns, comparing specific value-added segments within the groundnut, sunflower and soybean sectors. Table A.1 in the Annex, based on UN COMTRADE and the International Trade Centre (ITC) Trade Map, focuses on the period 2013 to 2017. It lists the top global and sub-Saharan African exporters and importers for each value-chain sub-heading and paints an interesting picture outlined in the following paragraphs.

Groundnut value-chain

Within the groundnut value-chain, Malawi features as a significant exporter only of groundnut seed (HS 120230), of which it is third in the world in terms of value (US$2,598,720) behind Myanmar and the United States and marginally ahead of the Netherlands and Uganda. The five largest groundnut seed importers are Belgium, Malaysia, Rwanda, Myanmar and Mexico, while the five biggest sub-Saharan African importers are Rwanda, South Africa, Kenya, Mauritius and Zambia. Malawi's groundnut seed exports between 2015 and 2017 were mainly to South Africa and Mozambique. During the same period, Malawi imported significant quantities of groundnut seeds from Kenya, South Africa, Zimbabwe, Zambia and the United Republic of Tanzania. Malawi also appears as the second largest exporter of shelled groundnuts in sub-Saharan Africa (US$ 14,830,650), mostly to Kenya (US$5,235,700), Zimbabwe (US$2,611,550), the United Republic of Tanzania (US$2,135,490), Zambia (US$1,586,640) and South Africa (US$817,430). Of these, South Africa, Zimbabwe, Zambia, the United Republic of Tanzania are among the top 5 sub-Saharan African importers of shelled groundnuts followed by Mauritius. Thus, there may be potential for Malawi to further tap the huge South African market as its current low level of exports is likely due to stringent quality checks, whereas such checks may be less strict in Kenya (see annex table A.1).

Malawi's groundnuts are sorted, graded and tested for aflatoxin contamination for the formal export market, and the country has been internationally recognised for its Chalimbana nut. However, exports have dwindled with the introduction of stringent measures on minimum levels of aflatoxin permitted in Europe and the markets of other developed countries. However, there is strong regional demand, with thriving formal and informal groundnut trade to South Africa, the United Republic of Tanzania and other countries in the region with lower quality restrictions. As illustrated in figure 14 below, groundnuts exports from Malawi between 2013 and 2017 averaged 24163.6 tonnes with the highest level of nearly 47000 tonnes reached in 2013 and lowest level of 8183 tonnes in 2015. Imports over the same period were quite low, reaching only 20 tonnes in 2017.

FIGURE 14: Malawi's groundnut exports and imports



Source: *FAOSTAT (2019).*

Major global agricultural producers such as China, the United States and Argentina dominate the other groundnut value-chain segments. In sub-Saharan Africa, only Senegal appears as a global player and fifth largest exporter of the 'in-shell' groundnuts category, while Sudan appears as the second largest exporter of groundnut oilcake. Senegal and Sudan also appear among the top five global exporters in the crude groundnut oil category. Malawi appears as the fifth biggest exporter in sub-Saharan Africa of crude groundnut oil, but with very low value (US$9,060) compared to Senegal (US$23,661,040), South Africa (US$455,990) or The United Republic of Tanzania (US$477,20).

Between 2015 and 2017, Malawi's main value-added exports within the groundnut value-chain were to South Africa and comprised groundnut meal, including peanut butter (US$253,880), prepared groundnuts, roasted or sweetened (US$17,630), and groundnuts and other nuts in mixed form (US$ 89,840). During the same period, the value of exports of refined groundnut oil was rather small, principally to Mozambique (US$13,170), South Africa (US$2,920).

Other sub-Saharan African import markets that Malawi could consider in this context are Botswana (the second biggest African importer of groundnut meal between 2013 and 2017), and, for prepared or roasted groundnuts, Angola, Mauritius and Botswana, which, together with South Africa and Ethiopia, comprised the five biggest African roast groundnut importers during the same period. Botswana also appears in the top five African importers of refined groundnut oil in proximity to Malawi.

Malawi's imports between 2015 and 2017 of the main value-added categories within the groundnut value-chain were generally lower than exports, except for prepared groundnuts (including mixtures) and some imports of refined groundnut oil from the United Republic of Tanzania, accounting for marginally higher than Malawi's exports. Further expansion of domestic groundnut oil refining could help obviate the needs for imports.

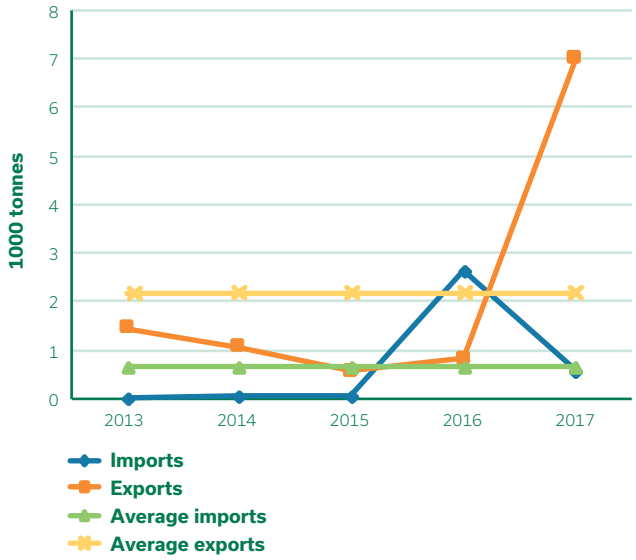
South Africa not surprisingly clearly appears as a prominent player, mostly as an exporter but also as an importer within most segments of the groundnut value-chain, followed by the United Republic of Tanzania for many segments. In this regard, Malawi may need to consider tapping further into the opportunities offered by the South African market while remaining aware of competitive South African imports in the event of fuller trade-liberalisation, including tariff elimination in the context of SADC. In terms of broader liberalization under the ACFTA, Malawi may also need to consider competitive opportunities and threats from African countries further afield such as Senegal and Ghana.

Sunflower value-chain

Malawi's presence in the sunflower sector is still nascent relative to other African countries even in the context of sub-Saharan African trade. However, the export revenues from the sector's value-added products appear to be much higher than for value-added products within the groundnut value-chain.

In table A.1 in the annex, Malawi features as the fourth largest exporter and third largest importer of sunflower seeds in Africa with exports amounting to US$558,130 and imports US$285,200. Malawi's sunflower seed exports averaged 2184 tonnes over the period 2013 to 2017, reaching their highest level (7008 tonnes) in 2017 and lowest (576 tonnes) in 2015. Imports reached their highest level in 2016, exceeding exports by 1816 tonnes. On average, Malawi was a net exporter in terms of quantity of sunflower seeds, with negligible imports between 2013 and 2015, as illustrated in Figure 15. No sub-Saharan African country features among the top global exporters and importers.

FIGURE 15: Malawi's sunflower seed exports and imports (1000 tonnes) 2013-2017



Source: *FAOSTAT (2019). Accessed November 2019.*

As illustrated in table A.1 in the annex, in sub-Saharan Africa, South Africa featured as the major exporter in most value-added categories during the same period, with the exception of sunflower oilcake, where it is second to the United Republic of Tanzania. Other leading exporters in the region were, for sunflower oilcake, the United Republic of Tanzania, Uganda, Zambia and Malawi; for crude sunflower oil, the United Republic of Tanzania, Uganda, Mozambique and Botswana; for refined sunflower oil, Zambia, Uganda, Mozambique and the United Republic of Tanzania; and, for margarine, Ghana, Kenya, Cote d'Ivoire and Senegal.

The region's top importers over the period 2013 to 2017 were, for sunflower oilcake, South Africa, Zimbabwe, Kenya, Eswatini and Botswana; for crude sunflower oil, South Africa, the United Republic of Tanzania, Mauritius, Mozambique and Botswana; for refined sunflower oil, Namibia, Botswana, Zimbabwe, South Africa and Ethiopia; and for margarine, Angola, Ghana, Namibia, Cameroon and Uganda (see table A.1 in annex).

Malawi's main exports and export markets for value-added sunflower products over the between 2015 and 2017 were:

- crude sunflower oil to South Africa (US$334,190) and Argentina (US$ 60,650).
- refined sunflower oil to South Africa (US$1,589,200), Egypt (US$162,730), Ukraine (US$60,470), Kenya (US$23,590) and the United Arab Emirates (US$18,130).

- margarine to Kenya (US$2,660,970), South Africa (US$453,750) Indonesia (US$117,420), Zimbabwe (US$76,190) and the United Arab Emirates (US$4,420).

While these trade-flow values are small relative to global and even other sub-Saharan African countries, including many neighbouring countries, they clearly show the relative significance of various markets and underscore the importance for Malawi to develop neighbouring regional markets, particularly South Africa, while tapping into new markets outside Africa as when and the opportunity arises.

Malawi's imports along the sunflower value-chain between 2015 and 2017 appear to be restricted to sunflower seeds, mainly imported largely from the United Republic of Tanzania, South Africa and Zambia, and sunflower oilcake imported from Zimbabwe and South Africa.

Soybean value-chain

As the Annex table A.1 shows, all value-chain segments of global soybean market are dominated by the United States, Brazil, Argentina, China, with huge trade values. However, Malawi featured among sub-Saharan Africa's top five exporters (2013 to 2017) in two value-chain segments: soybean seeds, where it was the largest exporter, with exports amounting to US$8,523,235; and soybean oilcake where it was the third biggest exporter, after South Africa and Zambia, with exports amounting to US$16,355,350. The top African soybean seed importers were South Africa (US$2,321,710), the United Republic of Tanzania (US$ 895,670), Rwanda (US$8,92,050) Zambia (US$ 541,760) and Malawi (US$ 279,890).

For various value-added segments in the soybean sector, South Africa, Zambia, Zimbabwe, the United Republic of Tanzania and Uganda figure among sub-Saharan Africa's top exporters and importers, with much higher trade values than in the groundnut or sunflower sectors. For instance, South African's soybean oilcake imports alone amounted to US$231,260,780. However, Malawi's soybean oilcake exports to South Africa were only US$155,370.

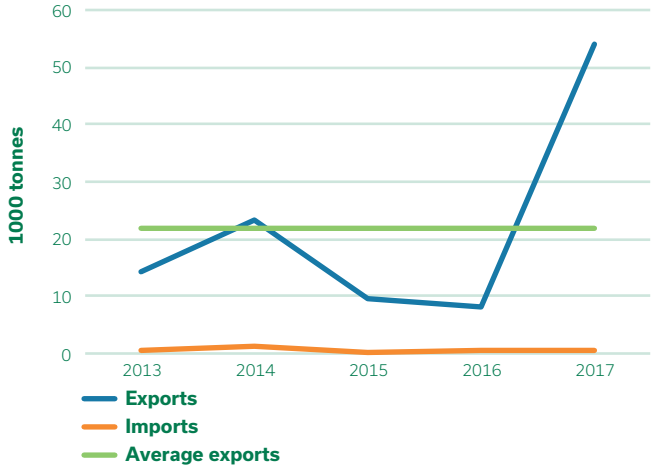
Malawi's top export destinations for value-added soybean products over the period 2015 to 2017 were:

- soybean seeds (whether or not broken seed) to Mozambique (US$76,657), Zimbabwe (US$18,530) and South Africa (US$15,828).
- other soybeans (whether or not broken) to the United States (US$2,470,422).
- soybean oilcake to South Africa (US$155,370), Zambia (US$57,600) and Hong Kong, China (US$9,720).
- crude soybean oil to Argentina (US$9,449,990, Malaysia (US$1,754,820), South Africa (US$835,030), Mauritius (US$ 340,060) and Indonesia (US$ 89,190).
- refined soybean oil to South Africa (US$260,100), Zambia (US$150,770), Singapore (US$27,310), Mauritius (US$ 21,190) and Mozambique (US$ 21,020).
- soymeal and soy flour to the United States (US$3,057,990), South Africa (US$1,01,5590), Italy (US$690,860), Belgium (US$459,630) and Indonesia (US$136,040).
- soy sauce to South Africa (US$19350), China (US$1780), the Netherlands (US$350), India (US$ 340) and the United States (US$160)
- other food preparations not specified elsewhere, including tofu, to South Africa (US$8,985830), Turkey (US$361,610), Denmark (US$333,540), the United States (US$ 114,830) and China (US$99,960).

When soybean is in short supply, the agribusiness companies involved import of both soybeans and soycake. There are also informal cross-border exports to Mozambique, Rwanda, Burundi, the Democratic Republic of the Congo and the United Republic of Tanzania.

The statistics quoted above clearly indicate a significant local and export demand for soybean and its by-products. Figure 16 below provides a general overview of soybean exports and imports in quantitative terms over the period 2013 to 2017. It shows that negligible imports were recorded between 2013 and 2017. Average exports were 21867 tonnes, with the highest level (54044 tonnes) recorded in 2017, a phenomenal 562 per cent increase over the lowest export level in 2016.

FIGURE 16: Malawi's soybean exports and imports (MT) 2013 to 2017



Source: *FAOSTAT (2019). Accessed November 2019.*

An interesting aspect of Malawi's export profile is the high value of value-added items like crude soybean oil, soymeal and soyflour in relation to groundnut and sunflower. "Other food preparations"

also appear an attractive category although it might possibly include a number of food items other than tofu. African markets are very important, but it is encouraging to see that non-African markets for higher value-added soy products exist – although, in global terms, the value of such exports may be small, always assuming they are in compliance with the stringent requirements of such markets. It is too early to say whether exports will expand to non-African markets so it may be better for Malawi to retain its focus on regional markets while continuing to increase soybean yield and quality; this will enable it to eventually tap markets further afield in a sustainable and meaningful way.

TABLE 2: Value-added segments of groundnuts, sunflower and soybeans

	Groundnuts	Sunflower	Soybeans
Raw/Semi-Processed	120230, 120241, 120242 Groundnuts; seed or not seed, roasted or otherwise cooked, whether or not shelled or broken	120600 Oil seeds; sunflower seeds, whether or not broken	120110, 120190 Soybeans; seed or not seed, whether or not broken
By-product	230500 Oilcake and other solid residues resulting from the extraction of peanut (groundnut) oil, whether or not ground or in the form of pellets	230630 Oilcake and other solid residues; whether or not ground or in the form of pellets, resulting from the extraction of sunflower seed oils	230400 Oilcake and other solid residues; whether or not ground or in the form of pellets, resulting from the extraction of soybean oil
Medium value-added	200819 Nuts; groundnuts, whether or not containing added sugar, other sweetening matter or spirit 150810, 150890 Groundnut oil and its fractions, whether or not refined, whether or not chemically modified	151211, 151219 Vegetable oils; sunflower seed or safflower oil and their fractions, crude, not chemically modified or modified	150710, 150790 Vegetable oils; soybean oil and its fractions, other than crude, whether or not refined, whether or not chemically modified
Higher value-added	200897, 200899 Fruit, nuts and other edible parts of plants; prepared or preserved, whether or not containing added sugar, other sweetening matter or spirit 200811 Nuts; groundnuts, whether or not containing added sugar, other sweetening matter or spirit		210310 Sauces, soybean

The value-added breakdown of products in Table 2 has been adopted for the purpose of Figures 8 to 13 illustrating market trends.

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SOYA
ROASTED
PORRIDGE
SOYA

CHAPTER 3

Upgrading trajectories: value-addition and diversification

Upgrading trajectories: value-addition and diversification

This chapter draws on some of the findings in the earlier chapters as well as additional literature, and highlight cross-cutting and crop-specific issues, challenges and opportunities related to value-addition and diversification It should be noted that the thematic elements in the following analysis interact closely in a synergistic manner and therefore cannot be discussed in isolation. For instance, access to quality inputs will be critical to ensuring high enough product volumes of a minimum quality. This, in turn, will be a key factor in the product's ability to compete in domestic and international markets.

Measures and policies aimed at improving overall socio-economic development indicators, particularly in terms of access to health and education, will be an essential foundation stone in the long-term durability of the agricultural-specific measures outlined in the sections below.

Cross-cutting issues, challenges and opportunities

Ensuring high enough crop yield and volumes for processing through access to quality inputs

Access to quality inputs is vital to improving crop productivity and to developing the productive base for agriculture in Malawi in general and, more specifically, for groundnut, sunflower and soybean. Greater crop yields can ensure greater volumes suited to the needs of processors of value-added products for domestic and export markets. Access to infrastructure, technologies, services and inputs is a broad category and can include (though not restricted to) the following:

Access to land

The agricultural sector in Malawi has been customarily divided into two main sub-sectors, smallholder and estate. Smallholder farmers comprise an estimated 2 million farming families and cultivate about 4.5 million hectares of land. Smallholder production is highly subsistent and characterised by low input and output. The small-size of land holdings – barely exceeding 0.5 hectare per household in most parts of the country - and unequal land distribution is a major constraint in expanding production and yields of agricultural crops.[23] Despite being resource poor, smallholder farmers produce about 80 per cent of Malawi's food and 20 per cent of its agricultural exports.[24]

Smallholder production is on customary land, on which right to cultivate and transfer is conferred by traditional chiefs. With the growing population, customary land has become more fragmented and land holding sizes have declined.

Malawi has a land tenure system that allows private, public and customary land ownership.[25] Eighty-five per cent of land is either directly or indirectly distributed following the Customary Land Act. Such land may not be put to use in a productive manner due to small land-holding sizes. The Customary Land Act 2016 and effective from 1 March 2018 aims at formalising land ownership to bonafide citizens by issuing a certificate, developing maps and land-use plans for each plot of land owned by a Malawian and establishing a customary land committee responsible for land demarcation and handling of disputes within communities.[26] The Act does away with the concept of family-owned land and, significantly, allows the creation of Customary Estates, enabling smallholder farmers in Traditional Land Management Areas (TLMAs) to get legal title to their land and thereby protection from encroachment and other interests, including those of traditional authorities.[27]

A pilot of mapping, establishment of committees and other initiatives is expected to be rolled out in the districts of Mchinji, Karonga, Phalombe and Chikawa,[28] which also coincide with some of the sunflower and groundnut growing districts.

In this context, it would be useful to assess the implementation and impact of the Act particularly on ease of securing loans and investments in farm productivity. It may be worth exploring ways and options to ensure that smallholder farmers are not dispossessed of their land in certain farming practices, such as contract farming. Contract farming is deemed essential to integrate smallholders within the three oilseed value-chains at the same time as enabling flexibility in land market arrangements that can facilitate productivity and ensure incomes for smallholder farmers holding land titles.

Access to road, rail and other transport networks linking agricultural production centres with domestic markets and export hubs

Roads are Malawi's most dominant mode of transport and handle more than 70 per cent of internal freight traffic and 99 per cent of passenger traffic. Road transport is also important for international trade as it handles more than 90 per cent of international freight and passenger traffic. It is estimated that 55 per cent of production costs go to transport compared to 17 per cent in other developing countries.[29] Remoteness from roads and markets has been identified as a major factor in discouraging market-oriented production rather than self-consumption. It also discourages traders and processors from venturing into interior rural areas for procurement. Thus, a major area of emphasis in the development of the groundnut, sunflower and soybean sectors should be the development of feeder and rural roads that effectively link farming communities growing these crops in different regions with urban markets and processing centres. Table 3 below shows the state of Malawi's road network as of June 2016.

TABLE 3: Malawi's road network (June 2016)

Road class	Paved		Unpaved		Total	
	Km	% share	Km	% share	Km	% share
Main	2976	69	381	3	3357	22
Secondary	513	12	2612	23	31254	20
Tertiary	44	1	4077	37	4121	27
District	8	0	3492	31	3500	23
Urban	771	18	577	5	1348	9
TOTAL	4312	100	11139	100	15451	100
Community roads (undesignated)	0	-	9487	45	9487	38
Total road network	**4312**		**20617**		**24949**	

Source: *Malawi Roads Authority (2017), Strategic and Business Plan 2017-22.*

Malawi has a rail network of 933 km with annual passenger numbers of about 1 million and annual freight of about 250,000 tonnes. The railway also connects the major cities of Lilongwe and Blantyre with the Mozambique railways system with access to the Indian Ocean port of Nacala via the Nacala corridor. Further development and expansion of road and rail links along transit and trade corridors will enable efficiency of trade logistics with beneficial impacts on export-led development strategies. Table 4 below provides an overview of the characteristics and cost-conditions of some of the major international transport corridors.

TABLE 4: Characteristics of the main international transport corridors

Port	Transport mode	Infrastructure condition	Port reliability	Port delay	Transit time freight	From Lilongwe (km)	From Blantyre (km)	Cost US$/ tonne/km full container truck
Beira	Road	Good/fair	Medium	2-4 weeks	2-3 days	1194	846	0.16-0.18
Durban	Road	Good	High	1 day	5 days	2678	2323	0.09
Nacala	Railway	Poor	Low	> 3 weeks	Unpredictable	1085	959	0.055-0.092
Dar-es-Salaam	Road	Good/fair	Medium	4 weeks	4 days to 3 months	1667	2031	0.4

Source: *WTO, Malawi Trade Policy Review 2016.*

Access to financial services (credit)

Access to low-cost financial services and credit lines enables farmers, including smallholder famers, to buy much needed inputs such as seeds and fertilizers, and small businesses and other enterprises to expand processing and trading activities. Only 11.7 per cent of rural Malawians took out loans in 2017, and only 40.3 per cent of those were acquired formally through banks. On the positive side, it appears that there is an ongoing increase in financial inclusion from 45 per cent in 2008 to around 54 per cent in 2014, according to the 2017 Finscope Survey. However, this progress was driven mainly by improvements in the three largest cities-Lilongwe, Blantyre and Mzuzu. Over half of the adult population living in rural areas is excluded from any form of formal financial service. Additionally, around 16 per cent of people living in rural areas use informal mechanisms to manage their finances, a stark difference compared to 6 per cent of people living urban and peri-urban areas. In addition to the formal sector comprising banks, NGOs, trusts and other private companies, there also appears to be an informal credit sector comprising individual money lenders, Village Savings and Loans Associations (VSLAs) and Rotating and Savings and Credit Associations (ROSCAs).[30] Credit supply also requires collateral, such as titled land, and comes with high-interest rates and specific conditions for borrowers. Also, smallholders' limited access to risk mitigation or insurance reduces their capacity to invest in their productive assets and drives them back into subsistence farming. Thus, innovative financing mechanisms are needed to increase farmers' ability to invest in diversifying agriculture and modernising farming practices.[31] In addition to the high cost of financing, there is an asymmetry of information on access to alternative financing offered by Development Finance Institutions (DFIs) such as the African Development Bank, often resulting in DFI credit offers not being used.[32] Measures need to be taken to increase the perception of farmers' creditworthiness among banks. Channelling interaction between banks, DFIs and smallholder farmers though farmers' co-operatives and producer associations could be one way forward.

There also appears to be an untapped demand for credit in many rural areas which could be serviced by financial providers such as micro-finance institutions (MFI) designing credit packages responsive to the needs of smallholder farmers. At present, nearly half of all MFI are located within the three largest cities. Furthermore, most MFIs have only between one and five access points, meaning they have very limited reach. In fact, nearly 3.5 million Malawians live in districts with fewer than 0.2 MFI access points per 10,000 inhabitants. Expansion strategies should therefore take into consideration the 84 per cent of Malawians who live and work in rural areas.[33]

The growth of mobile money with relatively low operating costs has driven the expansion of financial inclusion and could offer opportunities in rural areas. In some countries, mobile money services are limited in scope and may not necessarily provide the products most appropriate to rural populations. On the other hand, mobile money providers in Malawi like Airtel Money have introduced services that supply phone-based agricultural information as well as offering collateral-free loan products accessible from almost anywhere. Such innovative products and service offers have the potential to accelerate financial inclusion in rural areas[34] including smallholder farmers and producers in the sunflower, groundnut and soybean sectors.

Access to training and extension services on a sustainable basis and targeting sunflower, soybean and groundnut

Extension services - providing training on Good Agricultural Practices (GAP) and the Pannar Production Guide covering areas like irrigation, use of high-yielding seeds, protection against pests and inter-cropping - are vital to educate farmers in the skills required to build a strong agricultural production base. Generally, agricultural extension services are weak and overextended, with 80 per cent of farmers receiving fewer than one extension visit per month.[35] This means that non-priority crops, other than maize, get very little attention as they have not traditionally been one of the country's major focus crops.[36] Government departments in charge of extension services are also under resourced and under-staffed[37] so a strategy is needed to enable sustainable resource provision and adequate numbers of well-trained staff. It is important for processors and traders to take the initiative to change unfavourable impressions and disseminate information on good agronomic practices, thereby ensuring high-quality crops that can command better prices. These efforts should be supported by other industry players, such as industry associations like the Farmers Union of Malawi [FUM] and National Association of Smallholders of Malawi, donors, government departments, notably the Ministry of Agriculture and the OSTWG, and input companies, who could also publicise investments in processing opportunities for potential off-takers for production.[38] Pooling resources and expertise for extension services within SADC and COMESA, which would also benefit Malawi, might also be an option worth exploring in the context of regional integration initiatives.

Access to certified high-quality seeds

The lack of access to certified high-quality seeds and higher costs of access to certified seeds as well practices such as over-recycling have been major factors in low crop yields. The prioritisation of maize seed as the primary earner, and capacity and corruption issues, have also hampered domestic research and government efforts to release certified seed. This also acted as a disincentive for seed companies. Weak intellectual property rights along with the high cost of access to certified seed, and consequent low off-take, have also hampered the development of new high-yielding seed varieties. But there are signs of change, including through new public-private partnership models. The MOST programme collaborated with international seed company Pannar to release three certified

South African sunflower seed varieties in Malawi in 2014. This promoted better quality and encouraged smallholders to enter sunflower production and processors to explore opportunities for buying from local farmers. However, challenges remain in terms of limited awareness of the benefits of using certified seed and associated best practices. New platforms to create and disseminate information should therefore be explored – and although donors, industry organisations and private companies involved in sunflower have collaborated to release a training DVD, more can be done. For example, the high mobile phone penetration in Malawi can be used as a network for disseminating information.[39] Donors could also consider funding community-based TV centres for farmers in rural areas where programmes on farming practices in groundnut, sunflower and soybean can be screened at regular intervals or coordinated with the timing of farming cycles such as sowing, irrigation and harvesting.

Malawi's New Seed Policy released in May 2018 will help address some of the issues related to access to certified seeds and enable alignment with the COMESA and SADC Seed Protocols: this would allow seed that has been tested in two other countries to enter Malawi and be multiplied without the need for re-testing. The policy also improves the government's ability to develop and certify seed varieties and sets up a National Seed Commission to enable farmers to access high quality seeds and regulate seed production. Furthermore, it introduces measures to curb malpractices such as the sale of fake seeds.[40]

Innovative and 'smart' financing options should also be explored to enable smallholder farmers' access to certified high-yielding seeds on a sustainable, long-term basis.

Access to technologies and know-how

Access to technologies and know-how is vital for both farming and value-added processing, enabling increased yields as well as compliance with quality standards for domestic and international markets. Alternative new technologies such as low-cost drip irrigation, improved treadle pumps and low-cost plastic water tanks to store runoff can enable smallholders to benefit from modern irrigation techniques that would otherwise be unaffordable, given the small size of farms and the limited availability of capital. Technology dissemination should be suitable for adoption and adaptation to local needs and circumstances and leverage existing network structures and local businesses as conduits, particularly those involved in the distribution of agricultural inputs like local retailers.[41] Furthermore, strengthening cooperatives and associations linking smallholder farmers to markets could also prove valuable in disseminating information about how and where to access the best technologies for each crop, their cost and information on possible credit facilities,. Various public-private partnership models could also be adapted to the specific needs of the groundnut, sunflower and soybean sectors. International initiatives for cooperation on agricultural technology transfer including South-South, bilateral donors and international aid-agencies and research institutions will play an important role. Programmes run by CGIAR, FAO, IFAD, UNDP, GIZ, USAID, DFID, Rockefeller, Gates / Buffet, CNFA, and others continue to provide many practical solutions throughout the world.

Moreover, domestic research and innovation capacity and skills should be constantly strengthened. The farmer-participatory method of research is generally well suited to Africa, with its variety of food crops, diverse agro-ecological patterns and varying socio-economic conditions. This method enables researchers to reach distinct farmer constituencies and provide each one with the technologies most relevant to its circumstances. The process encourages ownership, thus enhancing the adoption and dissemination of the new technologies.[42] Successful 'best-practice' models should also be tried out for crop-related technology research and dissemination that have already worked in Malawi or other countries with similar agro-ecological and socio-economic conditions. Box 1 describes ICRISAT's development of affordable aflatoxin testing kits, providing a good case example of the provision of appropriate low-cost technologies.

Access to energy

Access to reliable energy is an important pre-requisite for successful value-addition and the operation of processing industries. Malawi is one of the least electrified countries globally, currently averaging 11 per cent coverage, with 42 per cent of the urban and only 4 per cent of the rural population connected.[43] Most electricity is generated from hydropower. Due to highly undiversified sources of power, the country also faces significant hydrological risks. The fact that 98 per cent of the generating capacity of the national electricity utility (ESCOM) is dependent on the flow of the Shire River and the level of Lake Malawi makes Malawi extremely vulnerable to fluctuations in rainfall patterns. Frequent power-cuts also mean the shutdown of firms or reliance on generators that are expensive to operate. Greater investment will therefore be required in the expansion of reliable baseload sources of energy supply such as hydropower and renewable and scalable, off-grid and micro-grid solutions such as solar. In 2016, Malawi passed legislation aimed at restructuring power markets and improving governance and competitiveness. Provisions included unbundling ESCOM; tariff reform; a focus on stronger operational practices such as timely repairs; adhering to international financial standards and implementation of IT solutions; installation of pre-paid meters; and the removal of illegal connections to reduce non-collection and non-technical losses from electricity theft. The measure has already led to an improved credit rating from the South Africa-based Global Credit Rating Co., better positioning ESCOM to seek more favourable payment terms with vendors and attract private-sector financing for future power projects.[44]

Box 1: Provision of appropriate low-cost technologies — case study

ICRISAT's development of affordable aflatoxin testing kits

Most tests required for detecting aflatoxins are too difficult and expensive for farmers in developing countries to implement. In response, ICRISAT has developed a fast, simple and affordable test kit that uses a competitive, enzyme-linked immunosorbent assay (ELISA) to rapidly detect the presence of aflatoxin. The new detection kit has cut the cost of testing crops from US$25 to US$1 per sample. The results are comparable to more sophisticated methods and can even be used in the most remote rural farms to monitor grains and nuts and improve storage techniques to avoid serious contamination. The National Smallholder Farmers' Association of Malawi (NASFAM) has successfully used the new kit as part of broader effort to regain and re-establish itself with its once-lucrative European export markets, which were lost as a consequence of previous outbreaks of aflatoxin.

Source: *ICRISAT (2009). Aflatoxin testing Kit: Protects Human Health, Helps Meet International Market Standards.http://www.icrisat.org/impacts/impact-stories/icrisat-is-aflotoxin-kit.pdf*

Enabling quality outputs for consumption and processing

Credible and cost-effective standards testing and accreditation

Compliance with minimum domestic and export quality standards is critical to providing reassurance to domestic and foreign consumers and processors (as intermediate consumers) on safety and minimum quality requirements. Increases in production volumes of groundnut, sunflower and soybean should be accompanied by consistent quality standards, which are crucial to upgrading, value-addition and diversification aimed at expanding market presence in primary and value-added products. This is particularly true for exports to markets with stringent safety and quality standards.

Although safety and quality depend to a large extent on the quality of inputs - for example seeds, farming practices and extension services outlined in the previous section - credible and cost-effective testing and accreditation facilities easily accessible to Malawi's farmers and producers are equally important and can influence the competitive pricing of the final product.

The Malawi Bureau of Standards (MBS) is responsible for standards development and quality assurance testing for goods and services. It conducts periodic inspections of the domestic market and, under the Import Quality Monitoring Scheme (IQMS), carries out compulsory testing of similar goods entering Malawi. Until recently, Malawi's facilities lacked international accreditation: consequently, certificates and test reports issued by the MBS under its Export Quality Certification Scheme were generally not accepted in foreign markets, except for certain African and Asian countries. This resulted in imports and exports continuing to face significant additional costs[45]. However, on 7 November 2018, MBS obtained the accreditation of its testing laboratories with the help of technical assistance provided by UNIDO and UNDP, under the European Union-funded "Development of a Robust Standardisation, Quality Assurance, Accreditation and Metrology Infrastructure (SQAM)" Project. The availability of internationally-recognised and locally-available testing services is expected to greatly benefit Malawi's enterprises and exporters, enabling time and cost-savings as well as increased consumer safety.[46] It will be important to monitor the costs of testing in the medium- to long-term to ensure the needs of firms and consumers are met in a timely and cost-effective manner, and pursue campaigns to raise awareness on the importance of standards and the enabling role of MBS.

Promoting harmonised approaches and mutual recognition, including through regional trade initiatives, can further support the reduction of testing and certification costs without lowering Malawi's level of protection. A good example is the COMESA Mutual Recognition Framework for conformity assessment (C-MRF), which supported Member States' participation in a regional proficiency testing scheme for aflatoxin, particularly Member States trading largely in maize and maize products.[47]

Enabling competitive and fair access to domestic and external markets

Effective access to market information and marketing structures and arrangements that ensure fair and predictable pricing and benefit smallholder farmers

Establishing strategic linkages among smallholder farmers, buyers, processors and input traders will be vital to the success

of upgrading and value-addition efforts. Such linkages enhance information on prices and quantities demanded for smallholder farmers. In addition, collective marketing efforts carried out through farmers' groups such as cooperatives and other associations could lead to better prices through collective bargaining.[48] Contract farming systems, whereby smallholder farmers are clear about the sale price and benefits from access to inputs and know-how provided by processors, could also help in creating an enabling environment that encourages production for larger markets. Commodity exchanges are already operating in Malawi and help in price discovery and access to collateral financing based on warehouse receipts but, as explained in Box 2, they will need to be further streamlined.

Box 2: Commodity exchanges and warehouse receipts in Malawi

Malawi is unique in Africa in having two commodity exchanges (Comex), the Agricultural Commodity Exchange (ACE), established in 2006, and Auction Holdings Commodity Exchange (AHCX) Ltd, established in 2013. In addition, Malawi has several parallel 'systems' that advance collateral financing using warehouse receipts. It can easily be checked via an electronic central register whether warehouse receipts issued by entities belonging to the Warehouse Receipt System (WRS), which include the two commodity exchanges and certain commercial warehouses, have already been used as collateral for a loan by another bank or financial institution. On the other hand, WRs issued by several other commercial warehouses can be copied and submitted to more than one financial institution, forcing banks to employ collateral managers for due diligence.

According to Baulch et. al (2019), farmers' associations/cooperatives and small/medium scale traders who had traded on ACE or AHCX usually reported, when interviewed, a preference for this type of marketing platform. For farmers' associations, the Comex offer open and transparent procurement practices, readily available markets and negotiation about prices, which is not the case with spot traders. They also appreciated the grading, fumigation, and storage services offered by warehouses linked to the exchanges. Another advantage highlighted was the option of accessing short-term loans through WRS. Some associations and traders also liked the security offered by the electronic payments made by the Comex. Challenges mentioned by farmers' associations related to: (1) delays in sales, (2) lower prices relative to spot trading, (3) high storage charges, and (4) distance to Comex warehouses. Challenges mentioned by traders included the observation that the Comex were poorly organised and provided insufficient market information. Some traders complained that the Comex do not provide estimated sales dates, which makes trading decisions difficult. Despite these criticisms, most traders saw potential value in the Comex, with suggestions for improving the operations, including warehouse facilities and making sales opportunities available via SMS messages. However, most large processors felt that vertically integrated contract farming arrangements offered more potential than trading through the Comex and that they were able to obtain cheaper financing from commercial banks. Large traders with their own warehouses can also obtain direct collateral financing at cheaper rates from banks rather than via WRS.

Various measures suggested to further streamline the Comex in Malawi include: harmonising ACE and AHCX's grading systems and promoting storage using WR to farmers' associations/small traders without linking them so closely to collateral financing; reducing Comex transaction costs and eventually setting up a single WRS system; and consolidating the Comex to achieve economies of scale.

Source: *Baulch.B, Gross, A., Nkhoma, J.C. and Mtemwa, C. Commodity Exchanges and Warehouse Receipts in Malawi: Current status and their implications for the development of structured markets. IFPRI Policy Notes, May 2019. https://www.researchgate.net/publication/332247500_Commodity_Exchanges_and_Warehouse_Receipts_in_Malawi_Current_status_and_their_implications_for_the_development_of_structured_markets*

Training farmers and farmers' associations in business practices

Training services to develop the business capacities of farmers' organisations and MSMEs will also be an important factor in enabling upgrading, value-addition and integration within value-chains through inclusive business and marketing models. A good example is GIZ's KULIMA MIERA (More Income and Employment in Rural Areas) programme, which has, in cooperation with its partners, successfully piloted the GIZ Farmer Business School approach in Malawi, training 23,000 smallholder farmers on farm economics, agribusiness and marketing skills. As a result, many participants have adopted new farm business management practices, including record keeping or gross margin analysis, and have also seen an increase in income.[49] Such programmes could be scaled up and include farmers producing sunflower, soybean and groundnut.

Specific challenges facing processors

There are a few specific issues that processors have to face, including: (i) difficulties with regards to standards compliance and certification with the MBS; (ii) a limited capital base to sustain year-round operations; (iii) raw material shortages owing to capital constraints, insufficient volume of domestic production, and competition from other buyers; (iv) persistent blackouts affecting operations; and (v) price instability, especially for sunflower, due to competition from other buyers. There is also a perception that development partners are not sufficiently engaging processors to collaborate and work with smallholder farmers. This is an aspect that may need to be reviewed and addressed by development agencies engaged in Malawi.[50]

Sector-specific challenges, opportunities and the way forward

Groundnut

Current Scenario

- Groundnut is the most important legume produced in Malawi, with yields increasing on average by 12 per cent from 2005 to 2013, partially attributable to the introduction of improved adapted varieties and recommended practices as well as through the FISP.[51]
- Production volumes have been very volatile over the period 2013-17 although 2017 registered an increase of 40% over the previous year amounting to 386,319 tonnes.[52]

Challenges

- Despite the growth in exports, groundnuts have also been affected by lack of confidence in quality owing mainly to aflatoxin contamination. The share of exports to high-enforcement destinations (i.e. countries and regions with strict regulations on aflatoxin levels such as South Africa and the European Union) dropped from 21 per cent during the period 2004 to 2009 to 7 per cent for the period 2010 to 2014, while an increasing share of exports were directed to non- or low-enforcement destinations such as Kenya, the United Republic of Tanzania, Zimbabwe and Zambia.[53]
- There is a limited grading and price differential for groundnuts in Malawi, thus little incentive for smallholders to produce quality nuts.[54]

Opportunities

- Groundnuts have the largest potential export value - US$48.4 million – of all oilseed crops (total potential export value: US$55.9 million). 52 per cent, or US$25.2 million, of this potential remains unrealised.
- Value-addition of groundnuts into groundnut oil can help remove proteins responsible for aflatoxins through a simple filtration process after the oil is pressed. This results in a nutritious product as well as access to value-added markets.[55]
- Groundnut cake obtained after pressing groundnuts into oil can be treated with clay and safely used in animal feed, a practice followed in the United States and the European Union.[56]
- There is therefore a clear 'win-win-win' situation in the groundnut sector for economic development, value-addition and diversification, as well as for the income and health of rural communities.

Specific steps for consideration

- There will be a need for continuous investment in and improvement of aflatoxin management practices, based on a holistic and multidisciplinary approach, alongside the expansion of cost-effective testing methods and awareness-raising among smallholder farmers and consumers. This will be particularly important if Malawi is to fully tap into export opportunities for groundnuts and related value-added products for food consumption within and external to African markets.[57]
- New aflatoxin-resistant varieties of groundnuts - such as the Crops Dehyee in Ghana - are being developed in many countries and steps could be taken to enable their widespread dissemination and successful cultivation in Malawi, after prior assessment of suitability to local agronomic conditions.[58]
- Costs for aflatoxin management and control need to be distributed across the supply-chain as smallholder farmers, the poorest segment of the supply-chain, will be unable to bear the cost alone. Expertise from a variety of stakeholders will be needed to jointly develop and coordinate a system- and industry-wide response, including on cost-sharing.[59] A good example of a coordinated, Africa-wide initiative is the Partnership for Aflatoxin Control in Africa (PACA). (See Box 3 below). The low-cost aflatoxin testing kit developed by ICRISAT described earlier is also another noteworthy initiative to reduce testing costs.

Sunflower

Current Scenario

- Sunflower production was 21,423 MT in 2017[60], primarily by rural smallholders for small community crushers selling unrefined oil to local communities.
- Malawi's exports of sunflower oil in 2017 were valued at only US$58,000, while imports stood at US$1,917,000, indicating a significant trade deficit.

Box 3: Partnership for Aflatoxin Control in Africa (PACA)

The PACA was established at the 7th meeting of the Comprehensive Africa Agriculture Development Programme (CAADP) Partnership Platform as an innovative consortium with the overall aim of supporting agricultural development, safeguarding consumer health and facilitating trade by catalysing, coordinating and increasing effective aflatoxin control. The PACA initiative seeks to catalyse and marshal efforts across Africa, capturing synergies, avoiding duplication and thereby enhancing effectiveness and efficiency as well as facilitating the mobilisation of new resources. The Malawi Programme for Aflatoxin Control (MAPAC), a national initiative aligned with the PACA, also seeks to develop Malawi's capacity to effectively control and reduce aflatoxin contamination through research, introduction of good practices, development of testing capacities in laboratories, and promoting good policies. In particular, in addition to the MBS, a second laboratory has been established at the Chitedze Agricultural Research Station (CARS) as a national reference for mycotoxin analysis and is recognised for providing reliable aflatoxin testing to processors and exporters. The MAPAC initiative was set up as a result of a scoping study funded by the WTO Standards and Trade Development Facility (STDF) to develop a coordinated national response to control aflatoxins.

Sources: *Partnership for Aflatoxin Control in Africa, Improving food security, trade and public health. https://www.un.org/esa/ffd/wp-content/uploads/sites/2/2015/10/PACA_Brochure.pdf*

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Partnership for Aflatoxin Control in Africa , Malawi Programme for Aflatoxin Control (MAPAC), https://www.aflatoxinpartnership.org/node/220

Challenges

- There are limited smallholder linkages to local processors or direct export owing to challenges related to productivity and marketing. The latter is perhaps the biggest reason why sunflower production has not taken off in the same way as soybean.
- Malawi's two commodity exchanges, ACE and AHCX, can help provide markets but sunflower volumes are often too small to make cost-effective use of them.
- Low volumes and the lack of cost-competitive domestic production has led the three main processors to primarily import unrefined sunflower oil from the rest of the region for further processing.
- There is a significant discrepancy between the prices offered by processors and the costs for producers, leading to an under-utilisation of capacity by processors and hoarding by producers.
- Sunflower oil can face significant competition from cheaper palm oil among lower income consumers.
- Until recently, the lack of access to certified seeds.
- Prioritisation of maize to the detriment of other crops.
- Hindrance of domestic seed research and provision of certified seed due to capacity constraints and corruption, as well as weak intellectual property rights, which act as a disincentive for private seed companies.

Opportunities

- Sunflower has a significant potential to contribute to industrial development, given that it is rarely consumed raw in the region, and has a lower density than other oilseeds. A higher density raises transport costs and is therefore a major incentive to locating processing facilities close to production sites.
- Sunflower's most valuable processing opportunities come from its input into animal feed and use as an edible oil. In terms of use, 40 to 50 per cent can be used to produce edible oil and 40 per cent to produce oilcake. Its high-fibre and low-protein content makes it a less attractive input for the poultry industry so growth of the sector's value-chain will be driven by its use as an edible oil. However, opportunities also exist for specific value-added products such as margarine (see example of sunseed oil in Box 4).
- Sunflower oil's health properties make it attractive to southern Africa's middle classes in comparison to soybean and palm oil.
- Growing domestic demand for sunflower oil and foreign exchange constraints are leading processors to source from domestic producers. These factors account for the inclusion of sunflower in Malawi's NES and related support programmes.

Box 4: Case study - Sunseed Oil

In March 2017, local manufacturing company Sunseed Oil at Kanengo in Lilongwe opened its first margarine and baking fat processing plant for the production of a long-life, fridge-free margarine called Sunspread. The project was implemented through the UNDP's Malawi Innovation Challenge Fund (MICF) and funded by the United Kingdom's Department for International Development (DfiD). Prior to the opening, Malawi was a net importer of margarine and baking fat. Most of the country's rural population has only limited access to electricity so the new product, which requires no refrigeration, is well suited to their needs. The factory has expanded market access and improved livelihoods for over 10,000 smallholder farmers who supplied 40 per cent of the raw material at the beginning. The first group of 3,250 farmers supplied 2,500 MT of sunflower seed at an average price of 220 Malawian Kwacha (MWK) per kg compared to the MWK125 per kg they would have received on other markets. 100 jobs are expected to be created at the factory initially, with an additional 180 jobs created at the Technical Support Centres.

Procurement by the factory has led in one instance to an expansion from 4 hectare to 11 hectare of land under sunflower cultivation by supplying farmers, with the first proceeds of the sales to the plant helping to pay for children's university and school fees and other livelihood expenses.

Source: *Malawi Innovation Challenge Fund (2017): Malawi begins production of "Long Life Fridge Free margarine".https://daks2k3a4ib2z.cloudfront.net/59bee3ba53d30a0001223839/59d383f3fdecfa0001d2a6ae_Launch of SunspreadFinal.pdf*

Specific steps for consideration for sunflower

- Sunflower is not included in Malawi's Farm Input Subsidy Programme (FISP), which is the major government distribution channel for agriculture. The inclusion of sunflower in the FISP, or even the adoption of an e-voucher system (currently being implemented in Zambia) that allows farmers to choose crops for which the government subsidy will be applied, could boost interest in, and improve access to certified sunflower seed and other supporting inputs.
- Tap into and raise awareness of existing and potential markets for sunflower cake such as cattle-feed (where fibre is more important) and poultry feed (where small quantities can be mixed with soy-based feed). This could enable processors to offer better prices to producers. The export of sunflower cake to Zambia and Zimbabwe, which have less sunflower processing, could be a useful basis to build on. Agricultural cooperatives and associations as well as mobile phones and other communication tools could be used to spread awareness.

Soybean

Current Scenario

- Soybean has emerged as an important crop in Malawi and in the southern and eastern African regions. The country has seen a shift away from tobacco towards soybean, which is perceived as less labour-intensive as well as providing better returns.
- Until 2011, the growth in the area allocated to soybean cultivation was slow but this was followed by a sharp increase of approximately 15,000 hectares per year between 2011 and 2016.
- As a result of higher yields and a larger area of cultivation, soybean production grew by 100,000 tonnes or nearly 300 per cent between 2004 and 2014, with a fall in yields through 2015 and 2016 due to drought. Even so Malawi, accounted for nearly 7 per cent of African soybean production in 2017, behind South Africa (42 per cent), Nigeria (23 per cent) and Zambia (11 per cent).
- As of 2017, production amounted to 208,556 tonnes according to FAO[61]. Since 2008, Malawi has been a net exporter of soybeans. A significant portion of soybean production, estimated at 26,000 tonnes in 2016, is milled and consumed in schools as part of a nutrition programme.

Challenges

- Soybean faces similar challenges to other oilseed crops in terms of access to farm inputs, credit and storage infrastructure. Yields are still relatively low so there is great scope for improvement.
- The premium that GMO-free soybeans from Malawi enjoy does not carry over to its soymeal either in competition with soymeal from the southern African region or on world markets.
- Despite free trade in soybeans within the SADC, Malawi, together with Zambia, has from time to time placed

administrative restrictions on soybean exports, which limit export potential and depress prices domestically.

- The area allocated to soybean production is also closely linked to returns on maize. Changes in prices and market conditions could therefore affect soybean land allocation and production decisions.
- The growth and development of the livestock sector will also play a key role in the demand for soybean and will need to be monitored closely by farmers and processors.

Opportunities

- Contrary to the rest of the eastern and southern Africa region, where commercial farmers dominate soybean production, smallholder farmers in Malawi account for 95 per cent of soybean produced. In addition to being a source of protein domestically, meat production, particularly poultry, has been driving demand for soymeal-based feed, which is also exported to neighbouring countries such as the United Republic of Tanzania and Mozambique. Soybean therefore has potential as regards objectives for food security and nutrition as well as for raising income.
- Soybean increases soil fertility by fixing soil nitrogen and, when inter-cropped with maize. can increase the latter's yields by 10 to 20 per cent.
- Soybeans produced in Malawi are GMO-free and therefore command a premium on world markets compared to GMO soybeans.
- The expansion of soybean crushing has led to a downward trend in net imports of edible oil. Continuing expansion will further facilitate import substitution and foreign exchange savings. Domestic demand will also be driven by income growth, demand for meat consumption and the nutritional needs of Malawi's growing population, expected to rise from 17.7 million in 2016 to 24.5 million by 2027.
- Major export markets will continue to grow both within and outside Africa, particularly the European Union, which gives duty and quota free access to Least Developed Countries, including Malawi.
- All the demand factors listed above are, according to projections, likely to result in an increased area allocated to soybeans.

Sector-specific issues for consideration

- Given the significance of soybean in addressing Malawi's nutrition and sustainable development challenges, as well as soybean's links to the feed processing sectors, further consideration could be given to high-yield practices to feed processing sectors.
- In the short to medium term, the focus could be on developing soybean and soybean-related products, such as meal and edible oil, to meet the needs of the domestic market and the livestock sector. The focus could also be on opportunities in neighbouring markets, which will be helped by the trade integration processes underway on the continent. In the long term, if volumes are enough, Malawi could explore entry into more competitive markets outside Africa, capitalising further on its GMO-free soybean image.
- Given the interlinkages with the maize and livestock sectors, there will also be a need to ensure coherence on policy objectives, as well as policy instruments such as the use of subsidies between the two sectors.

Malawi's National Export Strategy recognises that oilseed product clusters have fairly strong spill overs and high potential for wealth creation when compared with other product clusters that the country currently has, or has the potential to further develop. In particular, sunflower and soy-based products allow for investment in products with high value. Groundnuts are low value in themselves but can in the longer term be used for inputs into higher value-added products such as soaps, paints and cosmetics, which can be produced from more than one oilseed. If one crop goes through a period of price fluctuation because of cheaper soybean or palm oil imports, other crops can serve as a buffer for farmers and processors. It is inevitable, given the nascent stage of the oilseed sector, that production will be geared mainly towards domestic and regional markets, to which increasing regional trade integration will certainly contribute. On the other hand, Malawian value-added products like edible oil will certainly face competitive pressure from large global producers of soybean or palm oil such as Brazil, Argentina and Malaysia. Malawi will therefore need a strategy to respond, while also safeguarding consumer interests.[62]

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CHAPTER 4

Sustainability outcomes

Sustainability outcomes

The per capita Gross National Income (GNI) of Malawi, as a low-income country, was US$1,180 in 2017 and it remains one of the poorest countries in the world: 171 out of 189 on the 2017 UNDP Human Development Index. 71.5 per cent of the population can be classified as below the international poverty line of US$1.90 a day. With 84.7 per cent of the population concentrated in agriculture, agricultural development will be key to lifting Malawians out of poverty[63]. The population is also highly vulnerable to natural disasters, such as floods in 2015 and a major drought in 2016. Malawi's challenges are exacerbated by a volatile economy, a near 10 per cent rate of HIV infection, a 51 per cent rate of primary school completion, and a high level of malnutrition as well as a 37 per cent rate of stunting for children under five. The findings of the Malawi Vulnerability Assessment Committee (MVAC) reveal that 1 million people will be food insecure during the 2019/2020 lean season.[64] On a more positive note, extreme poverty appears to have declined from 24.5 per cent in 2010 to 2011 to 20.1 per cent in 2016 to 2017.[65] Average life expectancy also increased from about 45 in 2000 to 63 in 2017, with life expectancy for women increasing from 47.6 in 2000 to 66.4 in 2017. The infant mortality rates (per 1000 live births) declined from 100.4 in 2000 to 35.3 in 2018.[66] Smallholder farmers produce 80 per cent of the food consumed nationally.[67] Women are the biggest contributors to Malawi's national food production, performing between 50 and 70 per cent of all agricultural tasks and producing over 70 per cent of food consumed locally.[68]

Malawi's ASWAp takes sustainability into account by basing its objectives, such as food security and nutrition and sustainable land and water management, on social development and environmental conservation. However, implementation challenges persist.

Addressing poverty, income and food security challenges

Poverty in Malawi is driven by low agricultural productivity, limited opportunities in non-farm sectors, volatile economic growth, rapid population growth, and limited coverage of safety net programmes and challenges for their targeting. Diversifying Malawi's smallholder-centred agriculture away from dependence on maize and tobacco to other crops such as groundnut, sunflower and soybean is viewed as integral to increasing incomes and addressing malnutrition among the poorest segments of the population concentrated in rural areas. While maize is a subsistence crop, groundnuts and soybean serve as cash crops that have indirectly contributed to food security through cash sales that are used in turn to procure substitutes like soy meats, soy biscuits, soy sausages, sunflower margarines or cooking oil. Soybeans in particular, due to their nutritional profile - 36 per cent protein, 20 per cent oil, and 30 per cent carbohydrates, dietary fibre, minerals, and vitamins - appear an attractive option to address malnutrition. NGOs and multilateral organisations such as the World Food Programme (WFP) have been importing and distributing a fortified corn-soy blend to reduce child malnutrition and stunting. With a view to a long-term solution to declining soil fertility, malnutrition rates and poverty, the International Institute of Tropical Agriculture (IITA) and the Alliance for a Green Revolution in Africa (AGRA), among others, have invested in the development of soybeans within the region.[69]

The general overview to the Malawi Vulnerability Assessment report of 2018 noted that dry spells between December and January, mostly in the southern part and some districts in the Central Region, affected production of most key crops. Furthermore, flooding in March, towards the end of the season, and Fall Army Worm (FAW) infestation had a negative impact. Overall, maize production declined by 28.4 per cent compared to 2017 and was 20.3 per cent below the 5-year average. It was also reported that there was a decrease in the production of pulses (-10 per cent), soybeans (-19 per cent) and beans (-5.5 per cent). The number of the severely food insecure was expected to more than double to 2.4 million, compared to 1.06 million during the previous season. This trend did not significantly change for the 2018/2019 growing season.[70]

It was also reported that the nutrition situation had improved: overall weighted Global Acute Malnutrition (GAM) prevalence was 1.3 per cent as of July 2018, down from 4.1 per cent in December 2016, and 2.2 per cent in May 2017. The prevalence of Secure Acute Malnutrition (SAM)[71] was 0.1 per cent without any major variation by zone. Promotion of production and use of legumes such as soybean and groundnut are among the major contributing factors. The report projected around 3.3 million people to be food insecure during the 2018/2019 season, of

which 18 per cent were living in rural areas.[72] The consumption of groundnuts remained constant while the consumption of soybeans increased.

Policies to safeguard incomes, livelihoods and food security while pursuing strategies for upgrading, value-addition and diversification in the groundnut, sunflower and soybean sectors include:

Continued investment in improving productivity: access to critical inputs, credit and extension services will be vital to helping improve the income of smallholder farmers, considering the need to sustain oilseed crops and resources and gradually strengthen skills and capacity, including institutional capacity. One option could be to draw on an expanded national or SADC or COMESA based regional pool of service providers. Another could be a more bottom-up approach that integrates considerations of sustainability. For example, Malawi supported the development of the Soil Food and Health Communities project (SFHC), part of the Malawi Farmer-to-Farmer Agro-ecology project (or MAFFA), which uses farmer-to-farmer teaching strategies to promote livelihoods, agro-ecology, nutrition, and local food market development among others.[73] The project was established to help address the high rates of child undernutrition and provide smallholder farmers with an alternative to commercial fertilizers, which are often too expensive. Community involvement and a holistic approach to capacity-building focusing on inputs such as seeds, loans and storage facilities, have been found to be crucial in promoting success in soybean farming elsewhere in Africa, for example, among Nigerian and Zimbabwean farmers[74].

Ensuring price predictability and access to markets including by removing restrictions on sales: A key aspect to maintaining incomes and preserving food security would be to ensure the predictability of the price farmers receive from sales of their produce to retailers, traders and processors. Removing barriers such as prevailing export restrictions to sales in broader markets, including regional markets, would also ensure opportunities to procure better prices. Identifying best practices on various collective marketing arrangements carried out through cooperatives and farmers' associations can also provide useful lessons. Food agencies that have periodically used the Comex for the procurement of supplies in bad years believe that it could help stabilise and improve the prices that farmers receive.[75] Streamlining the commodity exchange system to make it more 'farmer friendly' as discussed in the previous chapter on upgrading can also help. Processing firms have problems dealing with the Comex due to the delays and small volumes and often prefer to deal directly with farmers' groups and associations. That cuts time and transaction costs but does not benefit from the quality control of the Comex. Such "overlooking" of the Comex and its marginal role in the agricultural chain is cyclical to the harvest: during good harvest years it increases the efficiency of production and provides a cheaper production price. But it can be counterproductive during bad harvest years as it increases the price of already scarce input, exacerbating the instability of the system.

Mechanisms to cushion smallholder farmers from market volatility: On the other hand, given that prices for groundnuts, sunflower and soybean could also be affected by volatility in world markets, consideration could be given to innovative crop insurance schemes if prices received by farmers fall below a threshold level that affects their access to food.

Safeguarding benefits of smallholder farmers under different land-tenure systems: As recognised in the previous chapter, land reform could also play an important role in safeguarding smallholder farmers' title to land while also ensuring flexibility of using land for larger scale commercial cultivation. According to the World Bank and Government of Malawi (2005) per capita land holdings are highly skewed, with the poor holding only 0.23 hectares compared to the non-poor who hold 0.42 hectares. Per capita land holdings have been declining since 1970s, partly due to population growth of nearly 3 per cent per annum. The overall increase in cultivated land may be due to cultivation of marginal and less productive land.[76]

According to the National Agricultural Investment Plan (NAIP), issues related to access to land are security of tenure and the problem of accessing land for larger scale investments. The importance of equitable and secure access to land is well recognised in a number of continental and regional policy frameworks, as well as nationally through the National Land Policy. However, until recently, Malawi lacked an appropriate legal and regulatory regime to achieve its policy objectives. There are concrete plans for the implementation of a recently approved Land Law, where the demarcation and registration of rural land includes specific measures to ensure the empowerment of women, youth and other vulnerable groups regarding secure access to land.[77]

Given that different models of agricultural production - including commercial agriculture on large land tracts to enhance productivity of crops such as soybean - may be needed, it is important to ensure that the interests of smallholder farmers are not compromised and their rights and livelihoods are protected under various types of land-tenure system, from freehold individual small farms to contract farming to larger commercial operations).

Creating alternative non-agricultural livelihood opportunities for smallholder farmers: in value-chain Micro, Small and Medium Enterprises (MSMEs) and service sectors such as tourism, which could provide an alternative source of livelihoods for smallholder farmers during lean periods.

Creating 'premium-price' opportunities for smallholder farmers through Fairtrade Initiatives where possible: The FairTrade Network has, since its introduction in Malawi in 2004,

seen exports grow to US$91 million, as of the end of 2012. The Mchinji Area Smallholder Farmers Association (MASFA), an affiliate of National Smallholder Farmers Association of Malawi (NASFAM), was the first group to join the Fairtrade movement in 2004. It exports groundnuts to the European market earning, as of 2012, US$486,000 (MWK167 million) in export revenue and US$51,064 (MWK18 million) in Fairtrade premium. Fairtrade has provided Malawian farmers a channel of access to international markets for products such as tea, sugar, groundnuts, macadamia, coffee and honey. The Fairtrade market also sets standards that producers have to meet, such as adhering to democratic and transparent governance and decision-making at organisational level, social and community development, labour rights and environmental stewardship.[78] An important development is the establishment of the Afrinut processing facility in the capital city, Lilongwe, partly owned by the National Smallholder Farmers Association of Malawi (NASFAM) and its affiliate MASFA. The processing plant provides opportunities for adding value to groundnuts and maintaining the quality of shelled nuts for export. The premium received on Fairtrade sales up to 2010 was used to construct a shelter at the local hospital and for two multi-purpose buying/warehouse/community facilities. Farmers interviewed for an evaluation study on the impact of Fairtrade on themselves, on workers and on communities expressed some dissatisfaction with the level of premiums, but this was offset by the high level of support from MASFA's extension service for improved access to seed and the emergence of groundnut as the predominant cash crop in Mchinji District. Evidence from this study, and from a separate impact assessment by NASFAM, points to an improvement in the standard of living of farmers in a large part due to income from the sale of groundnuts.[79]

Key challenges include: (i) high certification costs requiring producer organisations to seek the help of a sponsor; (ii) limited stakeholder awareness of Fairtrade; (iii) wide variations in the levels of premium received for different products. This is partly due to there being an established infrastructure and international market for tea and sugar, with relatively high volumes of production and proportions of sale to Fairtrade compared to groundnuts. However, this also implies a greater positive impact on farmers growing some crops rather than others. For groundnuts, evidence has shown that the income rise due to Fairtrade premiums has been only modest, even if positive.[80] Further expansion of the markets for value-added groundnut products and an increase in price-levels farmers receive for their crop should contribute to further improvements in their incomes and quality of life.

Gender aspects

Malawi is an interesting case for gender, with a unique system of inheritance. Around 60 per cent of households are matrilineal and follow descent through the female line, so land is passed from mother to daughter at the time of marriage; the remainder are patrilineal and follow descent through the male line. This often leads to differences in land inheritance and entitlement,[81] different choices in household decisions and different socio-economic and nutrition outcomes. Research seems to reveal a positive association between a woman's decision-making power and children's education, with the results being particularly favourable to daughters within a matrilineal system.[82] With regard to upgrading, diversification and value-addition in Malawi, there are a number of gender-related issues and considerations, among them:

Addressing access to inputs for women: Poverty is especially widespread among female-headed households, which suggests that investing in agricultural growth has benefits for both poverty reduction and gender equality. Recent data shows that female-managed land is on average 25 per cent less productive. This reflects the situation in much of sub-Saharan Africa, where systematic gender differences persist in agricultural productivity, mostly due to: (i) access to and use of agricultural inputs, including improved technologies; (ii) tenure security and related investments in land; (iii) market and credit access; (iv) human and physical capital; and (v) informal institutional constraints affecting farm/plot management and the marketing of agricultural produce. Addressing these gender differences could result in tremendous gains in productivity. Analysis of data from the third Integrated Household Survey (IHS3), collected from March 2010 to March 2011 by the Malawi National Statistical Office and covering 12,271 households, further suggests that a large and significant difference in the level of inputs is the central factor behind the gender gap, particularly for farmers at the lower levels of agricultural productivity. On male-managed plots, higher levels of household, adult, male labour as well as area under export crop cultivation widen the gender gap, while household and childcare responsibilities restrict the time that female plot managers can dedicate to farming. Ensuring the latter have similar years of schooling to men and applying similar levels of non-labour agricultural inputs could reduce the mean gender gap by 50 per cent, according to this analysis.[83]

Enabling greater gender sensitivity in technology choices and integration into processing and sales activities: For example, groundnuts are regarded as a 'women's crop' as women dominate the growing and many of the post-harvest stages such as digging/lifting, drying, stripping and shelling for their own fields and, as hired labour, for other farmers. Groundnut therefore presents a huge opportunity for women in economic and empowerment terms, especially as the market grows. However, research has also questioned the extent to which women have real control and decision-making power over all aspects of groundnut production, including sales and use of profits. Furthermore, research has identified both positive and negative impacts of mechanisation from a gender perspective (see Box 5).

Box 5: Gender and income implications of mechanisation in groundnuts

Research carried out under the Malawi Oilseeds Sector Transformation Programme (MOST) shows that choice of technology and mechanisation has implications for gender, income and livelihood. Key actual or potential benefits of mechanised shelling are: (i) it reduces drudgery, especially for women, because they dominate manual shelling; (ii) it reduces the costs of shelling and boosts sales volumes, leading to greater incomes (iii) increases rental incomes from shellers accruing to individual owners (mostly well-off men but in some cases women) and, (iv) enhances opportunities potential for productive use of time saved.

Actual or potential negative impacts include: (i) loss of income to labourers – mostly poor women - who provide hand shelling services; and (ii) the possibility of women being relegated to the support task of winnowing rather than operating the sheller.

In addition, barriers to women fully capitalising on mechanised shelling include: (i) non-female-friendly design of shellers (ii) gender norms that further discourage women from operating shelling machines and relegate them to support tasks and (iii) lack of finance to purchase shellers to rent out or operate for a fee.

Overall, the research does not identify a significant risk of displacement of women farmers by the introduction of shellers, given the growth of demand for groundnuts, even though men have taken over most of the processing. However, there is a risk that, as markets expand and tobacco cultivation becomes less attractive due to falling prices, more men could enter groundnut cultivation due to low-input requirements and good market prices. Active policies to ensure that women benefit from mechanisation, including female-friendly design of technology, access to finance, gradual reform of gender norms and provision of alternative livelihoods for casual labourers displaced due to mechanical shelling, could contribute towards strengthening women's participation in markets.

Source: *Malawi Oilseed Sector Transformation Programme (2016), The impact of mechanised groundnut shelling on gender dynamics in Malawi.*

The MOST assessment of gender dynamics in the soybean sector found a similar situation: where the crop is used mostly for consumption, it is likely to be controlled by the woman of the household, and where it is mostly commercial, it is likely to be controlled by the man, unless soybean is not the main cash crop of the family farm or the family has an alternative main income generating activity such as a job or a business. Crucially, even where women hold the contract and carry out most of the work, it appears to be their husbands who control and carry out sales. This significantly reduces women's control over income from soybean production, critically weakening their bargaining position on allocation of income at household level. The assessment concludes that increasing female contract holders' role in sales would provide more equal benefits for women and men, for example by making sales at the warehouse more attractive, given that women have greater control over this point of sale than over others, such as vendors. In addition, due to a great deal of work being carried out jointly by husband and wife, it is important for both to receive training on good agricultural practices (GAP). The assessment therefore recommends that the contract holder's spouse should be actively encouraged to participate in training under the incentive-based contract farming model.[84]

Supporting women cross-border traders: An important area where reforms could benefit the poor, including women, is in informal cross-border trade. This is defined as trade in legitimately produced goods and services that escapes the regulatory framework established by the government, thereby avoiding certain tax and regulatory burdens. In the SADC, informal cross-border trade amounts to US$17.6 billion a year and accounts for between 30 and 40 per cent of regional trade. It supports livelihoods, particularly in remote rural locations and creates jobs, especially for vulnerable groups such as poor women and unemployed youth. Furthermore, it contributes to food security in that it largely comprises raw agricultural products and processed food items, including processed soybean from Malawi, which is popular in Zambia. According to UN Women (2010), women constitute about 70 per cent of the informal cross-border traders in the SADC region, although, in the case of Malawi, men who are primarily retailers and traders slightly predominate. Informal trade between Zambia and Malawi, particularly at the border crossing of Mwami/Mchinji amounts to US$2.9 million per month compared to US$1.7 million in formal trade. About 20,000 to 30,000 small-scale traders cross the border on a monthly basis, 10,000 to 15,000 of whom pass through informal routes.[85] Table 5 shows the socio-economic characteristics of these traders in 2012.

TABLE 5: Socio-economic characteristics of traders at the Mwami/Mchinji border, 2012

Border town	Sex (per cent)		Average age	Years in informal cross-border trade	Number of dependents
	Male	Female			
Mwami (Zambia)	31.3	68.8	41.8	11.2	5
Mchinji (Malawi)	55	45	34	5.6	5.8

Source: *UNCTAD (2019). Borderline: Women in Informal Cross-Border Trade in Malawi, the United Republic of Tanzania and Zambia. https://unctad.org/en/PublicationsLibrary/ditc2018d3_en.pdf*

Simplified Trade Regimes (STRs - see chapter 5) have been introduced in context of COMESA and the East African Community (EAC), with SADC starting in 2017. Tailored to the needs of small traders who find it difficult to deal with complex export and import procedures, STRs are applicable to low-value, cross border consignments under certain agreed thresholds that do not usually exceed US$2,000. However, a number of requirements are still in place concerning documents, which are often costly and difficult to obtain as they require travel to the capital city and have limited validity. In addition, women also face harassment and arbitrary procedures, with few female Trade Information Desk officers at border crossings. Informal traders, particularly women, could be helped by further streamlining such paperwork, improving transparency and communicating information on STRs, including through desk officers, addressing corruption at the border and raising threshold levels. In addition, providing opportunities for women traders to trade in higher value-added goods could help create better income opportunities.[86] While these measures may not be specific to the groundnut, sunflower or soybean value-chains, they will certainly lead to an overall improvement in opportunities for generating alternative income and improvements in the quality of life.

Environmental challenges including resilience to climate change

Declining soil fertility, changing rain patterns, and extended drought seasons are among the most common environmental and biophysical constraints that hinder crop production in southeast Africa. Malawi is also regarded as one of the countries most at risk from climate change.[87] Climate change is expected to increase temperatures by 1.1 to 3.0°C by the 2060s and the intensity of dry and wet seasons will increase, resulting in longer dry spells and more floods (National Agriculture Investment Plan, 2017-22). This scenario is more likely to affect the production and yields of the target value-chains because of the differences in agronomic requirements. Malawi has enacted policies relevant to environment and climate change including the Environmental Management Act (EMA), the National Environmental Policy (NEP), the National Environmental Action Plans (NEAP), and the National Adaptation Plans of Action (NAPA). In addition, a Climate Change Policy is being developed.

Environmental issues and considerations relevant to the upgrading trajectories include:

Recognising and addressing positive and negative health and environmental impacts associated with cultivation practices, production and processing of groundnuts, sunflower and soybeans: the three oilseed crops generally have a more positive impact on health and on the environment than tobacco, Malawi's traditional export crop, as they do not cause deforestation. Unlike tobacco, legumes fix atmospheric nitrogen in the soil, thereby enhancing soil fertility and reducing demand for inorganic fertilizers. This is an important advantage in the context of agricultural production in Malawi, where agriculture is dominated by resource constrained smallholder farmers who are often not able to buy high priced chemical fertilizers. Soybeans have a short growing season of about four months, which allows farmers to access additional income[88] and decreases vulnerability to climate risks.

Nevertheless, potential negative environmental and health impacts are associated with certain cultivation and processing practices. One of these is continuous cultivation on the same piece of land, which leads soil erosion and declining soil fertility, resulting in serious problems of land degradation. As well as continuous cultivation, current farming systems are characterised by cultivation in unsuitable areas such as steep slopes and riverbanks, the creation ridges along the slopes, overgrazing, and the burning of crop residues. Such inappropriate land use and management practices result in increased surface run-off, soil erosion and the destruction of catchment areas. On average, Malawi is losing about 20 tons of soil per hectare per year, which represents an annual loss to the maize yield of between 4 and 11 per cent.[89] This is a substantial loss to farmers and the nation as a whole (Guide to Agricultural Production, MoAIWD). It is important to ensure that good agricultural practices (GAP), which contribute to good land management and conserve soil, are applied to oilseed crops.

The processing of soybean to remove its anti-nutritional factors and improve palatability involves boiling the beans over a fire. This involves the widespread use of firewood as the only reliable source of energy, which contributes to deforestation. The use of soybean products like Likuni Phala in school food programmes has also been associated with pollution due to the unsafe disposal of plastic containers.

Sunflower cultivation involves the use of inorganic fertilizers and pesticides, which often have a negative ecological impact.

Grown as a monocrop, sunflower has similar risks to most other monocrops, associated with soil quality, erosion and biodiversity. Sunflower is major utiliser of nutrients and evidence suggests that it removes relatively large quantities of nitrogen, phosphorus and potassium from the soil, resulting in a deficiency in soil fertility. Where sunflower is grown in rotation with maize, the latter requires weed killers with a short residual action, several of which are not yet registered in Malawi.

Finally, it is important to note that, within the oilseed value-chain, the processing industry produces untreated waste that is dumped into rivers without appropriate disposal measures.

Good agricultural and processing practices that minimise such adverse environmental impacts therefore need to be considered and mainstreamed into policies and regulations. Several policy initiatives by the Government of Malawi and development partners are already underway to promote sustainable agriculture, including soil and water conservation. One of these is the Sustainable Agriculture Production Programme (SAPP) being implemented by the Ministry of Agriculture, Irrigation and Water Development (MoAIWD), with support from IFAD. The programme is aimed at the enhancement of agricultural productivity based on simple/affordable GAPs, which are suitable for adoption by smallholders and will help bridge the large gap between actual and potential crop yields.[90]

Ensuring access to water and better management of water resources

Much of Malawi's agriculture - on which 90 per cent of Malawians depend for food – is rainfed[91] and changes in rainfall patterns and droughts can wreak havoc on agricultural production, with negative implications for food security and income. It is therefore essential to assess water requirements for the three oilseed crops and ensure access to, as well as better management of available water resources. These resources are significant in Malawi, with annual runoff averages of 16.14 billion m^3. Only 7 per cent of this is used for irrigation. Rainfall occurs from October to April although, with climate change, this has varied between November/December to April, with precipitation varying from 1,800 mm in the highland plateau and mountains to less than 800 mm in the rift valley areas.[92]

Sunflower is widely adaptable and more drought tolerant than most other grain crops: it can, in fact, tolerate high temperatures and drought conditions more effectively than other crops such as maize. Thanks to its deep and branched tap root system, sunflower is a very efficient user of soil moisture, and even fares better than its counterpart crops in the sub-soil and on heavy clay soils - and the sunflower plant develops fewer and smaller leaves, allowing it to adapt and use less moisture under stress conditions. Good yields can therefore be achieved with variable annual rainfall of between about 300 and 850 mm. However, Sclerotinia disease (head rot) develops in regions where rainfall is high, so drier, warmer areas, with an annual rainfall of around 650 mm and low humidity, are preferred. The most critical period in the life of the sunflower plant is during budding and especially during the flowering and early grain-filling stages: if possible, an effort should be made to have this stage coincide with the period of good rainfall. Severe stress, as well as wet, very hot conditions during pollination may lead to poor seed set and hollow husks. Deep, well-drained loam soils with good physical characteristics are naturally ideal, but sunflower can successfully be grown on sandy loam or clay soils provided the soil is well-drained.

Soybean and groundnut production require average levels of rainfall from the period of germination to the period of maturity. The most critical time, in terms of water usage, is during the stage of flowering and podding, where both require nearly double the amount of water. Sunflower processing also requires significant water to generate hydroelectric power for the processing machinery and its maintenance. Water use in soybean and groundnut processing is no different from sunflower and other crops due to food safety and quality standards requirements.

Malawi has abundant water resources and an irrigation potential that is underutilised, with the latter's role in increasing agricultural production evident from existing irrigation activities throughout the country. The development of irrigation practices is included in government policies and programmes such as the National Agriculture Policy (NAP, Sept. 2016)[93] and the National Irrigation Policy (NIP, 2016),[94] where key priority areas include the development of sustainable irrigation, management and capacity.

Access to new technologies, such as low-cost, drip irrigation techniques, can also contribute to better management. Such techniques are becoming increasingly popular in Malawi and have had positive impacts on productivity as well on the farms where they have been piloted. The drip irrigation system draws water from a well through a solar pump and distributes it via a network of valves, pipes, tubing and emitters, allowing water to drip slowly to the roots of plants from above the soil surface. By placing water directly into the root zone, the system minimises evaporation and reduces runoff and soil erosion, while using less water than traditional irrigation systems. Farmers also save time from manually irrigating farms from wells with buckets.[95] Specific measures by government and donor agencies to raise awareness about such technologies and disseminate them affordably will be helpful.

Box 6: Strategies identified by ASWAp to increase resilience of rural communities to adverse effects of climate change

- Improvement of early warning systems and weather insurance.
- Developing community storage systems for seed and food.
- Increased use of irrigation.
- Protection of catchment areas.
- Developing and implementing strategies for drought preparedness and developing small dams to harvest water.
- Use of recommended improved crop varieties that are resistant to drought.
- Use of recommended improved livestock breeds.
- Improved knowledge and understanding on how low temperature profiles in the lake disrupt fish breeding and survival.

Source: *Chinsingga, B., Chasukawa, M. and Naess, L.O. (2012). Climate Change and Agricultural Policy Processes in Malawi. https://assets.publishing.service.gov.uk/media/57a08a9b40f0b652dd0007f2/FAC_Working_Paper_046.pdf*

Enabling climate resilience, including through the development of climate resilient seeds

Climate change with its disruptive impact on rainfall patterns can affect agricultural production patterns, including for the oilseed crops. It is therefore essential to mainstream climate resilience as a key aspect of agricultural policy. In this connection, the country has a National Adaptation Plan of Action (NAPA) which is the principal climate change policy document formulated. It identifies 30 priority interventions for adaptation across 8 different sectors, including agriculture. In addition, the Agriculture Sector Wide Approach (ASWAp) identifies several strategies which are meant to increase the resilience of communities in rural areas to the adverse effects of climate change. See Box 6.

In the context of oilseeds, access will be crucial to seed varieties resistant to drought and pests exacerbated by the influence of climate change. There is a debate in Malawi and the wider development community as to whether priority should be given to drought-resistant, high-yielding varieties of seeds, often developed by foreign companies, over local seed varieties that are agronomically suitable to local conditions and disease, as well as being pest resistant. It is critical to devise schemes which ensure affordable, low-cost and sustainable access to seeds that are both climate-resilient and high yielding. Ways and means will also have to be explored to secure access through the involvement of seed-companies - both foreign and local - government and farmers associations.[96]

Responding to climate change by supporting specific practices within the oilseeds sector will need a coherent approach that involves all relevant ministries and government departments as well as coordination with various development actors. Some experts have pointed out that the massive allocation of budgets to the FISP due to concerns about food security and the predominance of maize in political discourse has led to conflicting policies and implementation practices that neglect climate-specific needs, among others. It is essential for Malawi's New Climate Policy to lay out a clear vision for a coordinated approach, institutionally as well as in terms of resource allocation, so that issues and priorities are clearly addressed. Furthermore, it is vital to consider efforts and policy frameworks developed at the regional level. For instance, COMESA has developed a draft Regional Resilience Framework to build the capacity of its members to withstand disasters occasioned by the adverse effects of climate change.[97]

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CHAPTER 5

Trade policy environment and frameworks

Trade policy environment and frameworks

Trade policy that facilitates the regional integration of agricultural markets and value-chains has the potential to contribute to both price stability and greater food security and can also secure export markets for value-added agro-crops. This Chapter focuses on Malawi's trade policy framework and its associated trade related opportunities and constraints while emphasizing the need to address specific constraints faced by Malawi's exporters that could impede the regional integration of value-chains in groundnuts, sunflower and soybean as well as export opportunities for primary and value-added products.

Multilateral and regional trade policy frameworks

Malawi was a contracting party to the General Agreement on Tariffs and Trade and has been a WTO member since its founding in 1995. Malawi participates in the WTO as part of various regional groupings, namely the African Group, the African Caribbean and Pacific Group and the LDC Group. It participates in regional integration initiatives focusing on market access and other trade-related issues mainly through regional groupings such as SADC, COMESA, the COMESA–EAC–SADC Tripartite Free Trade Area (TFTA) and, most recently, the African Union Continental Free Trade Area.[98] It also maintains preferences under bilateral trade agreements with Zimbabwe, Mozambique, South Africa and China as well as a customs agreement with Botswana. These preferences have largely been matched by concessions granted under the two main regional trade agreements of which Malawi is a member, notably, COMESA and SADC.[99] The sections below describes some of the major regional trade agreements of which Malawi is a member with a discussion of specific relevant trade policy measures and instruments such as customs duties, rules of origin, SPS, standards and trade-facilitation requirements including those specific to RTAs that may be relevant from a value-addition and market access perspective for the groundnut, sunflower and soybean sectors.

Regional Trade Initiatives

SADC

The SADC Trade Protocol, which was signed in 1996 to promote intra-regional trade, provides for the progressive elimination of obstacles to the free movement of goods, services, capital and labour. The SADC tariff reduction negotiations were aimed at establishing a free trade agreement (FTA) by 2008. By 2016 Malawi had liberalised 70 per cent of its trade with other SADC members – below the minimum threshold of 85 per cent trade liberalisation under the SADC FTA. As such, Malawi participates in the SADC FTA but also maintains an exclusion list while working to remove tariffs on the remaining products, particularly those applying to imports from South Africa.[100] Malawi's budget deficit and a significant fall-off in development aid have been impediments to the country's ability to reduce tariffs on high revenue generating imports.[101]

In 2012, as a step towards achieving a free trade area in services, SADC adopted the Protocol on Trade in Services, which provides a mandate for the progressive removal of barriers without stipulating specific liberalisation obligations. The protocol does, however, prescribe general obligations for all member states regarding the treatment of services and service suppliers from other member states. SADC members agreed to prioritise six sectors, namely communications, construction, energy-related services, financial services, tourism and transport services. Negotiations are ongoing and expected to yield market access commitments that will provide a more predictable legal environment for trade and investment in the various sectors. There are also other major areas of cooperation, such as industrial policy, that constitute key pillars for improving the competitiveness of the region and diversifying individual SADC economies. Cooperation also takes place in respect of investment and labour policy issues.[102]

COMESA

Malawi, a participant of the COMESA free trade area since 2000, also grants duty-free access to products originating from other COMESA members on a reciprocal basis. Furthermore, it joined partner countries in the establishment of a COMESA Customs Union launched in 2009. The customs union applies

three bands of external tariffs: zero for raw materials and capital goods, 10 per cent for intermediate products, and 25 per cent for finished goods. According to the WTO's 2016 Trade Policy Review for Malawi, the country is still in the process of migrating to the COMESA common external tariff (CET) and is engaged in negotiations on a longer transition period for rate alignment regarding certain sensitive products.[103]

In June 2009, COMESA adopted the framework for liberalisation of trade in services. COMESA members agreed on seven priority services sectors, with negotiations to be conducted in two phases to ensure that more than 50 per cent of the services sectoral classification list (W/120) under the General Agreement on Trade in Services (GATS) was covered. Negotiations have been concluded with respect to four service sectors, namely communications, financial services, tourism and transport, while negotiations were launched on three additional sectors – business, construction and related engineering, and energy – in May 2017.[104]

COMESA-SADC-EAC TFTA

In June 2011, negotiations on a TFTA were launched by member States of COMESA, SADC and the East African Community (EAC) with the aim of rationalising the integration processes in the Southern and Eastern Africa region, in line with the African Union Action Plan for the harmonisation of regional economic communities throughout the continent. The initiative foresees the alignment of trade and transport facilitation policies and measures across the 26 countries of the three regional blocs. The TFTA was signed on 10 June 2015, although some elements of the Phase I negotiations (e.g. rules of origin, trade remedies and dispute settlement) remain under discussion. According to WTO's Trade Policy Review negotiations on the industrial and infrastructure pillars of the TFTA are also ongoing, and various issues (trade in services, competition policy, export trade development, intellectual property rights and cross-border investment) will be taken up in Phase II negotiations after substantive completion of the Phase I work.[105] The TFTA requires 14 ratifications to enter into force and, as of October 2019, only five countries (excluding Malawi) had ratified the agreement: Kenya, Egypt, Uganda, Rwanda and South Africa.[106]

The African Continental Free Trade Agreement (AFCFTA)

The Framework Agreement on the AFCFTA, the Protocol on Trade in Goods and the Protocol on Trade in Services and related annexes and appendices (some of which remain to be completed) was signed by 44 of 55 African Union member States on 16 May 2019, after being presented for signature to African leaders gathered in Kigali on 21 March 2018.[107] The agreement entered into force on 30 May 2019 with 54 out of 55 member states of the African Union signing the agreement.[108] The Free Trade Area aspires to create a single market for goods and services trade among the African States together comprising more than 1.26 billion people with a gross domestic product (GDP) of $2.14 trillion. The single market will be further strengthened by cooperation on investment measures, intellectual property rights and competition policy to support innovation, competitiveness, product development and diversification. The Single Market in goods will be created over a 5-year transition period by the 21 non-least developed countries (LDCs) and 10 years by the 33 least developed countries. Some 90 per cent of all tariff lines would be subject to progressive tariff cuts with the remaining 10 per cent of tariff lines comprising: (a) sensitive products that can be liberalised over 10 years by the non-LDCs and 13 years by LDCs; and (b) products excluded from liberalization (the list of such products could be reviewed after 5 years through negotiations). According to UNCTAD, the sensitive and exempted product lists should be carefully identified, negotiated and agreed upon, as the exemptions of products actually traded among African countries may undermine the benefits of trade growth.[109] The agreement will be reinforced by cooperation measures relating to trade in goods, namely rules of origin, customs cooperation, transit, trade facilitation, non-tariff barriers,[110] technical barriers to trade, sanitary and phytosanitary measures, and trade remedies. Such measures can increase the connectivity and efficiency of trade, adding to the gains realised from the Free Trade Area.[111]

The agreement on trade in services provides for progressive elimination of barriers to the movement of African services and service suppliers by lifting trade restrictions on various Modes of supply, including the temporary movement of natural persons (Mode 4), cross-border supply (Mode 1) and commercial establishment (Mode 3). The liberalisation, consistent with Article V of the GATS, will take place through successive rounds of services negotiations on sector-specific obligations.[112]

UNCTAD estimates that, under a full liberalisation scenario, most African countries would register a GDP increase of between 1 and 3 per cent of GDP with an overall welfare gain of US$16.1 billion, taking into account a loss of tariff revenue of US$4.1 billion, with most gains in the agriculture and manufacturing sectors. The value of intra-African exports representing about 18 per cent of total exports - which in 2016 amounted to US$62 billion - would receive a further boost in value by 33 per cent from the Free Trade Area. However, it is acknowledged that the gains may not be evenly distributed and that some countries may experience a slight decrease in the absence of compensatory measures and built-in flexibilities. In addition, dynamic economic gains exceeding the estimated values could be reaped from improved connectivity, trade facilitation and customs operations, services trade reform and collaboration on investment, intellectual property and competition.[113] According to IFPRI, intra-African trade is expected to grow by 53 per cent solely as a result of the elimination of import duties. In addition, trade facilitation efforts under the agreement will assist in boosting trade, promoting economic diversification and economic growth, and the industrialisation, of the agribusiness sector.[114] To date 28 countries have so ratified the AFCFTA, with Malawi yet to ratify.[115]

Among the reasons being stated for the lack of ratification by many African LDCs including Malawi were concerns about the impact on sensitive industries as well as tariff revenue losses.[116]

Bilateral Trade Initiatives

In addition to various RTAs, Malawi has also concluded bilateral trade agreements with Mozambique, South Africa, and Zimbabwe, as well as a customs agreement with Botswana, dating back to the colonial period.

While preferences under the bilateral and regional trade agreements to which Malawi is a party mostly overlap, the former remain of practical relevance in the light of differences in regulatory stringency.[117]

Preferential Trade Agreements

Malawi also receives preferential market access through the Generalized System of Preferences (GSP) treatment from Australia, Canada, the Eurasian Economic Union, the European Union, Iceland, Japan, New Zealand, Norway, Switzerland, Turkey, and the United States. As a least developed country, it is also eligible for preferential market access to Chile, China, India, Morocco, the Republic of Korea, Taiwan Province of China, and Thailand.[118]

Investment policies

Malawi's Constitution protects investment irrespective of ownership. The Investment and Export Promotion Act of 2012 governs domestic and foreign investment in Malawi and replaced the Investment Promotion Act of 1991. The Act does not discriminate between foreign and domestic investors. Foreign investment is allowed in most sectors of the economy without limitations on ownership, investment size, or source of funds, with the minimum investment amount being US$50,000. Firms are allowed to repatriate profits, dividends or any other funds. There are only a few restrictions on foreign investment such as in specific mining operations, hazardous sectors and sensitive sectors such as the manufacture of weapons and firearms. The Malawi Investment and Trade Centre (MITC), established in 2012 as a merger of the Malawi Investment Promotion Agency and Malawi Export Promotion Council, acts as the investment promotion office for both foreign and local investors. The Investment and Export Promotion Act establishes that investors must apply for an investment certificate with the MITC.[119]

Agriculture is one of the key sectors along with mining, tourism, energy and transport infrastructure that has been prioritised by the Malawi Growth and Development Strategy II (MGDSII) (2011-2016). There are numerous incentives for foreign investors such as exemptions from import duty, VAT, and excise tax on goods used for certain purposes, mainly manufacturing (Section 3.1.4.3). Investment incentives are also provided by the Export Processing Zones Act of 1995 (Section 3.2.4). These include 100 per cent corporate income tax exemption, exemption from withholding tax on dividends, a VAT rate of 0 per cent, and exemption from duties on capital equipment, machinery and raw materials. However procedural delays and red tape that impede the approval process need to be addressed. Multiple bureaucratic processes such as those related to licensing and land-use permissions can be particularly time consuming.[120]

Malawi has signed seven bilateral investment treaties, with Brazil, Egypt, Italy, the Netherlands, Malaysia, Taiwan Province of China, and Zimbabwe and is a member of the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID).[121]

Malawi offers a number of fiscal incentives for investors under the Taxation Act, the Investment Promotion Act, the Export Incentives Act, and the Export Processing Zones Act. These include tax holidays, reduced tax rates, and investment allowances which may be granted by industry, type of activity, or geographical location, as well as on a company-specific basis. A farm-input subsidy programme (FISP) is also in place for inputs used in agriculture. Both foreign and domestic investors are in principle eligible to benefit from these incentives. Manufacturing projects based in Malawi are eligible for an investment allowance, providing for a tax deduction equal to 100 per cent of investments in new plant and machinery, and 40 per cent of investments in used plant and machinery. The incentives are also designed to address a number of socio-economic objectives such stimulating local or foreign investment in particular economic sectors or geographical areas, promoting exports, generating employment and supporting SMEs. From an agricultural development perspective, agro-processing and electricity generation, transmission and distribution have been designated as priority industries and have been granted fiscal incentives. Upon successful application for priority industry status to the Commissioner General of the Malawi Revenue Authority (MRA), investors would benefit from either a tax holiday of up to 10 years or a reduced corporate tax rate (15 per cent) for the project's lifespan. Eligibility requirements include sector-specific minimum investment thresholds and compliance with agreed performance benchmarks on, inter alia, production for export, value addition, employment creation and generation of foreign exchange for the economy.[122]

Given the MoITT assessment of EPZs in Box 7, it may be worth exploring whether they could facilitate the establishment of export-oriented oilseed crop processing industries that draw upon domestic production as well as imported raw materials that can be processed and re-exported, based on the 'reprocessing hub' model highlighted as a global trend in Chapter 2. Given an appropriate enabling environment in terms of market access

Box 7: Special Economic Zones as an alternative to Export Processing Zones?

The Export Processing Zones (EPZs) regime was established in Malawi to attract export-oriented industries, by offering them especially favourable investment incentives compared to the remainder of the manufacturing sector in the country. However, as of 2015, there were only 11 export processing firms (EPFs) compared to 30 in the early 2000s.

An assessment of the decline of EPZ firms carried out by the Ministry of Industry and Trade (MoITT) with support from the UNDP found that the main reason for the decline of EPFs under the EPZ scheme was the failure, particularly of textile and apparel firms, to competitively penetrate the South African market due to the implementation of Import Substitution Policy in 2003, as well as the implementation of the Zero Deficit Budget in 2011, which imposed a 30 per cent corporate tax on EPFs, reducing the attractiveness of the EPZ. There have also been competitive pressures from other countries in the region, which established similar EPZs with other advantages like access to ports (also a disadvantage for Malawi when trying to export to countries such as the United States using preferences under the African Growth and Opportunity Act (AGOA). Furthermore, many companies, including foreign investors, wanted to first penetrate the local market rather than export 100 per cent of their production. Skilled labour was another factor due to low attractiveness of wages in EPFs.

Despite this, some industries, such as macadamia nuts, have performed relatively well, repatriating nearly 70 per cent of profits amounting to US$90 million. Macadamia nuts, a product of EPFs, have also featured in Malawi's top 10 exports.

The MoITT recommends a Special Economic Zones (SEZ) approach, whereby investor infrastructure requirements would be more holistically met, such as ready access to roads, land, water and power, with the further option for firms to sell a certain percentage of their production, particularly raw-materials, on the domestic market, thus strengthening links with domestic value-chains.

Source: *Ministry of Industry and Trade (2015), The Decline of Export Processing Firms Under the EPZ Regime in Malawi.*

and price, a viable, export-oriented oilseed processing industry could develop and expand in parallel with the growing productive domestic crop base. The implications on price, income, livelihood and foreign exchange will need to be carefully assessed.

Malawi's trade policies relevant to the groundnut, sunflower and soybean sectors

Import tariffs

Customs duties and taxes (VAT and Excise) on imports continue to be an important source of revenue for Malawi, accounting for nearly 30 per-cent of gross tax revenues during 2017 and 2018.[123] Malawi grants Most Favoured Nation (MFN) status to all WTO members. Table 6 shows the structure of applied MFN tariffs in Malawi between fiscal year 2009-10 and 2015-16.

All agriculture tariffs are bound, mainly at a final ceiling rate of 125 per cent (covering around 94 per cent of total agriculture tariff lines). The large gap between the average bound (74.6 per cent) and applied (12.7 per cent) rates leaves Malawi with considerable flexibility to raise applied rates if it chooses to do so.[124]

TABLE 6: Structure of MFN tariffs in Malawi, 2009-2010 and 2015-16

		MFN Applied Tariff		Final Bound[b]
		2009-2010[a]	2015-2016[a]	
1.	Bound tariff lines (% of all tariff lines)	n.a	n.a	31.6
2.	Simple Average Rate	13.1	12.7	74.6
	Agricultural products (WTO definition)	17.3	18.8	121.1
	Non-agricultural products (WTO definition)	12.5	11.6	42.4
	Agriculture, hunting, forestry and fishing (ISIC 1)	16.3	16.7	103.9
	Mining and quarrying (ISIC 2)	9.1	9.0	30.0
	Manufacturing (ISIC 3)	13.0	12.4	68.8
3.	Duty-free tariff lines (% of all tariff lines)	14.0	31.7	0.0
4.	Simple average rate of dutiable lines only	15.3	18.5	74.6
5.	Tariff quotas (% of all tariff lines)	0.0	0.0	0.0
6.	Non-ad valorem tariffs (% of all tariff lines)	0.0	0.0	0.0
7.	Non-ad valorem tariffs with no Ad-Valorem Equivalents-AVE (% of all tariff lines)	0.0	0.0	0.0
8.	Domestic tariff peaks (% of all tariff lines)[c]	0.0	0.1	0.0
9.	International tariff peaks (% of all tariff lines)[d]	39.6	37.9	31.6
10.	Overall standard deviation of applied rates	10.0	12.2	40.8
11.	Nuisance applied rates (% of all tariff lines)[e]	0.0	0.0	0.0

Notes:

a *The 2009-10 tariff schedule is based on HS07 nomenclature consisting of 5,436 tariff lines (at 8-digit level). The 2015-16 tariff schedule is based on HS12 nomenclature consisting of 5,675 tariff lines (at 8-digit level).*

b *Calculations for final bound rates are taken from the CTS database. The final bound schedule is based on HS07 nomenclature and consists of 5,141 tariff lines, of which 1,624 are bound (at 8-digit tariff line level).*

c *Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.*

d *International tariff peaks are defined as those exceeding 15%.*

e *Nuisance rates are those greater than zero, but less than or equal to 2%.*

Source: *WTO (2016), Trade Policy Review. Malawi.*

Malawi's tariff structure displays mixed escalation: semi-processed products are subject to a lower average applied rate than raw materials, while the highest average applied rates apply to fully processed products. At a more disaggregated level, positive escalation (indicating high rates of effective protection) is prevalent in several industries, including food and beverages.[125] The groundnut, sunflower and soybean value-added segments have very low or zero tariffs for trading partners in the context of preferences under SADC and COMESA. The exceptions are mainly for higher value-added products from South Africa, likely because of South Africa's competitive dominance for these products. (See Table A.2 in Annex). There may be a need to review import tariff rates for product subheadings along the groundnut, soybean and sunflower value-chain based on the needs of specific sectors, farmers, producers and processers.

Malawi also maintains an industrial rebate scheme for various industries (which includes industries relevant to the oilseed sector such as vegetable fats and oils, food, paints and varnishes and soap and soap substitutes), with eligible goods, predominantly raw materials, stipulated in the Eighth Schedule of the Customs and Excise Regulations. Under the scheme, duties on specified goods are automatically rebated on importation, thus enabling approved importers to avoid reimbursement-related delays. To qualify for an industrial rebate, importers must: have secure facilities for storage of imports; enter into bond with the Malawi Revenue Authority (MRA) and comply with a minimum local value addition threshold of 20 per cent.[126]

Tariff preferences granted by Malawi

In the context of bilateral and free trade agreements, Malawi grants duty-free access to all imports originating from 13 COMESA partners with which it has implemented the COMESA Free Trade Area (FTA); non-zero preferential rates apply to imports from other COMESA members.[127] Tariff preferences for the SADC distinguish between South Africa and other members due to the considerable difference in levels of development. According to the WTO's Trade Policy Review for Malawi, simple average rates for Malawi's preferential partners as of 2015 ranged from 0.01 per cent (for SADC countries other than South Africa) to 4.6 per cent for South African imports.

Other charges

Malawi has generally bound "other duties and charges" (ODCs) on the tariff lines covered in its schedule of commitments at either zero or 20 per cent; some bindings have also been made at 10 per cent and 18.4 per cent. ODCs are bound at zero on about 94 per cent of agriculture tariff lines, whereas most non-agriculture lines (WTO definition) carry a ceiling ODC rate of 20 per cent. In addition to customs duties, imports are subject to a withholding tax, value added tax (VAT) and excise duties. Additional levies apply to fuels, virtually all of which are imported. Levies funding the Malawi Bureau of Standards (MBS) are applied on a range of

imports. A withholding tax (3 per cent of the c.i.f. (cost, insurance, freight) value) applies, in principle, on all goods imported into Malawi. Taxpayers can deduct the amount paid in withholding tax upon submission of their annual tax returns. Importers holding a valid withholding tax exemption certificate are exempt from paying this tax. According to the MRA, this measure is aimed at improving domestic compliance with tax obligations. However, the WTO TPR for Malawi notes that its implementation has been delayed by taxpayer identification challenges. Excise duties are levied on a variety of goods, classifiable under 372 tariff lines (approximately 7 per cent of all tariff lines). The main excisable product categories are motor vehicles, electronic equipment, and alcoholic beverages. Excise duties are ad valorem, with rates ranging from 5 per cent to 250 per cent. VAT is levied at the rate of 16.5 per cent on the supply of goods and services, including on their importation. The VAT tax base for imports is the c.i.f. value plus customs and excise duties while, for domestically manufactured goods, the ex-factory price serves as the tax base. VAT exemptions cater to necessities such as food items; machinery and mechanical appliances; and medical appliances. Some supplies are zero-rated and are thus eligible for refund of VAT paid on inputs. In FY 2014-15 the MRA opened a tax refund account at the Reserve Bank of Malawi (RBM) with the aim of expediting the processing and settlement of tax refund claims.[128]

Table A.2 in the Annex provides an illustration of Malawi's MFN customs duty rates, COMESA and SADC preferential customs duty rates, excise rates, VAT rates and withholding taxes applying to specific subheadings along the groundnut, sunflower and soybeans value-chains.

In general, Malawi maintains a liberal import regime on agricultural inputs. Imports of all types of fertilizer and agri-chemicals are duty-free and are zero rated for value-added tax (VAT), while most types of seed attract 5 per cent import duty and are also VAT exempt. However, it has been noted that high transport and administrative costs strongly increase the price for crucial inputs such as fertilizer.

It may be important to review these rates from time to time to assess whether they are responsive to the needs of the various stakeholders along the oilseed value-chains.

Import and export prohibitions, restrictions and licensing

According to the WTO's 2016 Trade Policy Review, most of Malawi's trade is governed by (automatic) open general import and export licenses; however the importation and/or exportation of certain goods remains subject to specific licensing requirements regardless of their country of origin.[129] Among the restricted goods requiring a license to be imported are beans (except seed beans in quantities of less than 90 kg and beans which are tinned, bottled or otherwise preserved), groundnuts and oil seeds, oil meal, oil cake, offal and residue from oil seeds as well as fertilizers.[130]

By and large, automatic and non-automatic licensing procedures are maintained for security, public health and environmental reasons, and to promote infant industries Malawi does not maintain any licensing requirements for quantitative restrictions. However, Malawi does impose import bans for a number of agricultural products for SPS reasons. In addition to the import licensing system administered by the Ministry of Industry and Trade, a system of trade permits applies for the importation and exportation of certain goods, including some agricultural commodities such as cooking oil. According to the WTO's 2016 TPR, trade permits are issued free of charge within seven days of the formal lodging of applications. Eight entities had authority to issue permits or licenses for imported and exported goods and the submission and processing of applications remains non-computerised and has to be carried out in the capital, Lilongwe.[131] Typically, the permits specify the total quantity and value of a particular product that can be traded. While the system was introduced with the aim of guaranteeing food security as well as safeguarding the health of people and animals, it was observed that it discriminated against small traders and farmers. In May 2014, the government abolished the need for export licenses for soybeans, groundnuts, pigeon peas and other legumes.[132]

Standards

As already mentioned in Chapter 3, the Malawi Bureau of Standards retains responsibility for all standard setting and testing for quality assurance purposes for goods and services. Virtually all imports in the agriculture and food sectors are subject to mandatory Malawi Bureau of Standards (MBS) inspection.

The MBS is a member of the International Organization for Standardization (ISO), and an affiliated member of the International Electrotechnical Commission (IEC), the International Organization of Legal Metrology, and the Codex Alimentarius Commission. It also serves as the national Technical Barriers to Trade (TBT) enquiry point on standards and conformity assessment, whereas the Ministry of Industry and Trade is Malawi's TBT notification authority. According to the WTO's Trade Policy Review for Malawi, as of 2015 Malawi had 1,058 national standards including 662 technical regulations whereas the corresponding figures for 2009 were 690 and 644. Regionally harmonised standards include 79 at COMESA level and 24 at SADC level. The international accreditation of MBS, as mentioned earlier, will certainly help exporters in the oilseed sectors. However, Malawi does not recognise certificates and test reports from certification bodies accredited overseas, or those from the SADC/COMESA region. Such recognition may help to further lower costs of doing business and help exporters and traders as a whole, including those in groundnuts, soybean and sunflower. In addition, mutual recognition of conformity

assessment pursued through the process of regional trade integration will also be helpful.

Regarding Sanitary and PhytoSanitary (SPS) Measures, a number of entities are involved. These include the National SPS Coordinating Committee which is chaired by the Ministry of Agriculture, Irrigation and Water Development (MoAIWD). The MoAIWD remains in charge of animal health and plant protection and shares responsibilities for food safety with the Ministry of Health and the MBS. The Ministry of Environmental Affairs (MEA) and the Pesticides Control Board regulate the importation, marketing and use of pesticides, including biological agents. Malawi also maintains three SPS enquiry points: the MBS (food safety); the Department of Animal Health at the MoAIWD (animal health), and the Department of Agricultural Research Services at the MoAIWD (plant health). The MoITT continues to serve as Malawi's SPS notification authority. Malawi is also a member of the Codex Alimentarius, the World Organisation for Animal Health (OIE), and the International Plant Protection Convention (IPPC). The MBS is the national contact point for the Codex Alimentarius Commission.

Malawi maintains a number of import prohibitions on agricultural products including on certain seeds, although groundnuts, soybean and sunflower are not affected except regarding the restriction on GMO (including seeds), which apply across the board. All imported agricultural commodities must be accompanied by a non-GMO certificate which is also required for agricultural exports to GMO-free countries. The debate on the use of GMOs is contentious and, while certain GMOs may have a relevance to the agro-economic conditions of Malawi and in promoting climate resilience, pros and cons of their adoption and any decision on GMOs need to be carefully weighed in consultation with various stakeholders.

Trade and transport facilitation measures

According to the World Bank Logistics Performance Index (LPI) (2012), which measures countries' trade logistics efficiency, Malawi is ranked 73rd out of 155 countries with all scores, however, above the averages of the low-income and Sub-Saharan African countries. Malawi performs especially well in terms of international shipments and timelines.[133]

Further measures to facilitate trade and transport costs will be a huge step in bringing down the costs of exporting and importing and will help in boosting value-addition in the oilseeds sectors. Issues related to access to road and rail networks and important ports have already been discussed in Chapter 3. Strengthening of domestic and international transport corridors, including through initiatives such as Aid for Trade, should also keep in mind access to smallholder farmers growing groundnuts, sunflower and soybeans in rural parts of the country. In addition to transport measures, trade-facilitation measures such as further reducing and simplifying paperwork at the border, enabling active presence of trade information desk officers at the border to help smallholder farmers and traders with understanding and completing the requirements, decentralisation of paperwork, where possible away from Lilongwe, should all be considered. Malawi has launched several trade facilitation initiatives, including the opening of one-stop border posts, enhancement of the COMESA Simplified Trade Regime, the adoption of a national single window programme, and migration from its current Automated System for Customs Data (ASYCUDA++) to the web-based version ASYCUDA World. However, submission of customs declarations in hard-copy remains the norm.[134] The realisation of the Malawi Trade Portal has made available regulatory information for import, export and transit, which promotes transparency in the delivery of public services.[135] In July 2017, Malawi ratified the WTO Trade Facilitation Agreement which also makes it eligible for specific technical assistance measures to modernise its customs infrastructure.

One example of a set of trade facilitation measures that can be particularly beneficial to informal traders, particularly women, are Simplified Trade regimes (STRs), described in Box 8.

Despite these measures and, as noted in Chapter 4, a number of challenges remain with regard to application of STRs, such as high processing fees, particularly if viewed on a per ton basis, whereby larger traders effectively pay less per unit, cumbersome paperwork and procedures, including additional fixed costs of acquiring permits and certificates from Lilongwe, low trade-value thresholds for eligibility for STRs and non-inclusion of items eligible for STRs but in demand in informal cross border trade, such as cooking oil, relevant to the oilseeds sector.[136] Addressing these challenges and further bringing down costs will certainly help informal trade and livelihoods that rely on oilseeds and oilseed-based products.

Furthermore, expanding the STR implementation to Malawi's border crossings with the United Republic of Tanzania and Mozambique, as recognised in Malawi's 2016 National Trade Policy, will also help poor, informal traders living along Malawi's borders with these countries.[137]

Box 8: Simplified Trade Regimes

To respond to the challenges of aligning informal trade with official regulations, several countries in sub-Saharan Africa have introduced specific trade facilitation measures at the regional level, called Simplified Trade Regimes (STR). The development of STRs aligns with Article VIII of the WTO General Agreement on Tariffs and Trade and the provisions of the Revised Kyoto Convention for the Simplification and Harmonization of Customs Procedures of the World Customs Organization

STRs were introduced in COMESA in 2007 and have been operational since 2010, with SADC starting to develop STRs in 2017. Small-scale consignments of eligible goods can be exempted from duty and subject to a simplified certificate of origin as long as their value is below a certain eligibility threshold. In 2011, this threshold was raised from US$500 to US$1,000, and it is currently set at US$2,000 at most COMESA borders.

The three main components of the COMESA STR are: (i) a common list of approved products; (ii) a simplified customs document, which includes details about the exporter and the importer, a description of the goods, and revenue information; and (iii) a simplified certificate of origin. The list of products is jointly agreed upon by Member States with shared borders, based on goods that are commonly traded by small-scale traders. In line with COMESA rules of origin, eligible goods should be either entirely produced within the COMESA area, or the value of any foreign material should not exceed 60 per cent of the total cost of all materials; or the value added of the good produced in the Member States should be at least 35 per cent of the ex-factory cost. Goods must display a reference number corresponding to the exporting license of the manufacturer/producer (COMESA 2002). For qualifying consignments, small-scale traders are required to complete a simplified customs document and a simplified certificate of origin, which are first submitted to the designated issuing authority in the exporting Member State for authentication, and lastly to the customs authorities in the importing Member State for final clearance. The simplified certificate of origin is issued at the border posts to enable traders located in remote areas to benefit from the regime.

Source: *UNCTAD (2019). Borderline: Women in Informal Cross-Border Trade in Malawi, the United Republic of Tanzania and Zambia. https://unctad.org/en/PublicationsLibrary/ditc2018d3_en.pdf*

Non-tariff measures (NTM) affecting Malawi's exports in regional markets

Tariffs are not reportedly an issue for exports from Malawi to markets in the region given preferential and duty-free access through SADC and COMESA. NTMs are likely to be more relevant. A previous key NTM was export licensing requirements, taxes and restrictions; however, these no longer apply to soybeans, groundnuts and sunflower.

The most common NTMs in SADC are sanitary and phyto-sanitary restrictions (SPS), non-automatic licensing requirements, export restrictions and technical regulations. Most of the SPS measures apply to agricultural products particularly affecting fruits, meat and dairy products rather than oilseeds.[138]

According to a study carried out by ITC, few companies reported major problems related to NTMs within SADC, indicating a good degree of progress within the SADC region. Some problem areas were regarding non-recognition of certificates, including test certificates, from Malawi, and vice-versa. The recent international accreditation of the MBS will hopefully cut down resulting export costs and time delays.

Transport and transit-related delays may be the most formidable obstacles to further expanding exports to SADC, COMESA and beyond, given that Malawi is a landlocked country. Exporting firms have reported significant delays at ports in Mozambique and many preferred to use Durban in South Africa, even though freight costs are much higher. Arbitrary fees, corruption, discriminatory application of regulations on weights and measures and procedural delays are also some of the NTMs reported for SADC.[139] Reported COMESA NTMs mainly include quantitative restrictions, lack of consistency in applying rules of origin thresholds, poor communications infrastructure, customs procedures and administrative requirements in addition to standards (TBT and SPS) related requirements.[140] However they were not perceived to have a significant effect on Malawi's market access for oilseed crops within COMESA according to the National Export Strategy.

NOTES

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CHAPTER 6

Conclusions and policy recommendations

Conclusions and policy recommendations

Based on the literature consulted, including technical backgrounders, this section lays out some broad conclusions that lead to recommendations applicable to the sunflower, groundnut and soybean sectors.

First, it will be critical for Malawi to continue to strengthen the productive base to ensure adequate yield and consistent quality. This can then feed into successful upgrading and value-addition that sustainably serves domestic and export markets and increases earnings. Specific recommendations are:

(i) **Enable inclusive access to critical inputs required by farmers**: in terms of access to land, irrigation, certified high-yielding seeds (including breeder seeds), technologies and credit, as well as sustainable provision of essential GAP extension so that none of the three crops is neglected. Specific actions could include: ensuring access to cultivation technologies which are gender sensitive; training extension service workers in identifying which crops are suitable to which type of land and agroecological conditions; and ensuring farmers organise collectively to enable better access to credit and financing.

(ii) **Promote extension services encouraging good agricultural practices (GAP)**: extension services that encourage GAP can contribute to increasing productivity, disease-resistance and greater environmental sustainability in the growing of the three crops. Actions could include: organising visits of extension service providers to sites within and outside Malawi which are performing well in terms of GAP; organising farmer field schools (FFS) to provide extension services in GAPs; adopting community-based extension services on a needs basis; encouraging extension service approaches targeting households; training extension service providers in new technologies; and establishing demonstration plots in communities. It is important to harmonise manuals and enable public and private extension service providers to supply the same type of training.

(iii) **Consider the creation of a regional pool of extension service experts**: this pool could be drawn upon as required from the broader SADC or COMESA regions, particularly those with agro-economic conditions similar to Malawi. The country could also enable the pooling of resources and capacities and the sharing of best practices among Malawian farmers and the southern Africa region, given Malawi's capacity and manpower constraints. The pool could also ensure adequate attention is given to all three crops and none suffers from neglect. Malawi may wish to initiate bilateral talks on this proposal with the member states of regional economic communities like COMESA and SADC.

(iv) **Promote investment in transport infrastructure for greater access to markets**: access to markets, both domestic and foreign, will require investment in transport infrastructure, particularly roads. Malawi could consider leveraging financing available for road construction under existing transport development schemes to benefit farmers in remote rural areas by linking them to nearby markets within the country and to oilseed processors, based on maps of crop-growing areas.

(v) **Ensure access to market information**: information is empowering – this includes information to farmers on market opportunities for a crop with specific processors, such as quantities required – crucial, for example, to sunflower cultivators; on prevailing market prices; on simplified trade requirements; and on ways and means to access the warehouse receipt system. For instance, awareness could be raised about the trade web-portal developed by the MoITT in a manner easily understood by smallholder farmers.[141]

(vi) **Continue to enable and encourage marketing structures and arrangements that empower smallholder farmers** and help in coordinating training and capacity-building, such as training in business and marketing skills, as well as effective price discovery and predictability of price expectations. This could help forge mutually beneficial links and agreements between smallholder farmers and processors, including contract farming arrangements.

(vii) **Continue to strengthen pre-harvest, harvest and post-harvest practices that increase product safety and quality**: in particular, prioritise practices and technologies that address the aflatoxin challenge in groundnuts, with emphasis on 'low-cost' ones that can have an immediate positive impact and be easily adopted by smallholder farmers. Emphasis on strengthening the groundnut edible oil processing sector could ensure farmers both a ready market, with an instant impact on poverty due to widespread groundnut cultivation, and safe end use even for

aflatoxin affected groundnuts, using appropriate processing methods.

(viii) **Consider strategic use of the agricultural budget to meet immediate needs**: this cannot be addressed without budgetary allocation to, for example, high-yielding certified seeds that are costly for farmers. This will enable the FISP to move away from its past emphasis on maize, and thereby help in diversification. The adoption of an e-voucher system (currently being implemented in Zambia) that allows farmers to choose crops to which the government will apply a subsidy could boost interest in growing specific oilseed crops.

(ix) **Address capital and raw material constraints faced by processors, particularly MSMEs**: for example, access to credit to ensure an adequate capital base for operations and access to raw materials, and as a means to hedge against price instability. Constraints could be alleviated to some extent through the facilitation of contracting farming arrangements with smallholder farmers and the expansion of microfinance institutions. Government incentives could also be considered for lending institutions that provide financing to MSMEs. Also critical will be the availability of reliable power supplies to the processing sector, including those based on renewable sources such as biomass..

Second, actively integrate sustainability concerns into trade and agricultural policies to ensure that incomes, livelihood and food-security concerns of smallholder farmers and traders are protected, that gender-specific concerns are addressed, and that farming practices are environmentally friendly and climate resilient. Specific policy recommendations are:

(i) **Ensure the enactment of policies that protect the rights of smallholder farmers**: for example, their title to land and related income under various models of farming system, including contract and commercial farming based on engagement with smallholder farmers. Strategies could include ensuring the effective enforcement of minimum farm gate prices by the government and timely procurement by government from smallholder farmers at farm gate price to avoid them selling below to private traders, as well as translating farm gate policies into local languages to ensure that they are easily understood.

(ii) **Consider the introduction of various crop insurance schemes**: suited to Malawi's agro-economic conditions that could cushion smallholder farmers against weather-related events and the adverse effects of extreme volatility in prices on world markets.

(iii) **Create opportunities for alternative non-farm related employment for smallholder farmers**: particularly during lean periods, for example opportunities in tourism and agri-tourism, if feasible, and in local crafts, as well as in local processing activities through micro-enterprises run by farmers' cooperatives.

(iv) **Explore 'premium' price opportunities for specific products**: primarily through Fairtrade initiatives in markets outside Africa where demand is high, particularly the European Union. See, for example, Afrinut, in Chapter 4.

(v) **Enable access to credit policies and introduce agro-processing and mechanisation technologies that specifically empower women smallholder farmers**: in particular, in the groundnut sector. Practicable steps could include providing incentives such as the reduction of customs duties and taxes on imported processing technologies particularly those beneficial to women.

(vi) **Ensure a greater role for women farmers in processing and sales**: so they receive their due share in sales proceeds, including from overseas markets

(vii) **Continue to expand provision of basic health, including community-based healthcare, and education among smallholder farmers:** to improve their quality of life and boost productivity.

(viii) **Further reform and streamline the STR procedures at the border to help informal traders**: the majority of whom are women and depend upon informal trade for their livelihoods.

(ix) **Promote landscape restoration to improve soil fertility**: through specific measures to encourage mixed cropping and inter-cropping techniques as well as mixed agricultural systems that are sustainable – for example, combining crops with livestock, upstream afforestation, and aquaculture.

(x) **Continue efforts to develop and reduce the cost of access to certified seeds, including breeder seeds, that are climate-resilient and disease-resistant.** Agricultural research institutions can be supported to introduce disease resistant and weather tolerant seed varieties for crops. It is important to ensure adequate storage facilities for seeds and introduce minimum standards of good practice to be followed by private seed producers.

(xi) **Prioritise low-cost 'green' technologies wherever feasible and sustainable farming practices, while expanding efforts to provide irrigation facilities**: a study to assess the feasibility of expanding irrigation in Malawi could also be carried out.

(xii) **Provide access to climate-related information**: specific steps could include dissemination of weather-related information in a way farmers can understand and using extension service providers to convey climate and weather-related information in a timely manner.

(xiii) **Coordinate with sustainability and climate resilience initiatives promoted at the regional level through frameworks such as SADC and COMESA to tap into a pool of regional resources and expertise.**

Third, regional integration and the creation of regional markets are shaping and will continue to shape market and trade-flow trends, and consequently should inform trade and agricultural policies. Specific recommendations are:

(i) **A strategy focusing on regional markets for exports**: market trends and data clearly show that most of Malawi's trade in the value-added segments is with its neighbours in SADC and COMESA. There is a need to develop mechanisms and systems to track cross-border regional payments for the benefit of Malawi's smallholder farmers, farmers' associations and traders, to ensure timely payments.

(ii) **Strengthening road networks and transport corridors and addressing transport and transit-related bottlenecks in regional markets.** The priority in initiatives such as Aid for Trade and transport corridor development should be to identify and address specific transport bottlenecks and further attract and deploy investments into expanding and improving the road and rail infrastructure linking Malawi's rural interior to its processing centres and to the main market hubs and ports within SADC and COMESA.

(iii) **Streamlining customs and border procedures** is one of the most effective ways of facilitating regional trade, given that groundnuts, sunflower and soybean as well as related value-added products do not face tariffs or other significant NTMs within SADC and COMESA.

(iv) **Speeding up processing of testing and certification for exporters by the MBS and promoting mutual recognition of regional test certificates**: will significantly facilitate trade for the region's exporters, and help firms integrate into regional value-chains. In particular, accelerated implementation of existing initiatives such as Malawi's National Single Window for exporters, which allows a single-entry point to fulfil all import, export and transit related regulatory requirements.

(v) **Exploring Special Economic Zones (SEZ) as an alternative to Export Processing Zones (EPZ) for export-oriented, value-added industries**: could provide processing firms additional opportunities for integration into regional value-chains, by tapping into domestic production and markets and sourcing raw materials from SADC and COMESA for processing and further re-export to earn foreign exchange. Implementation of SEZ initiatives already underway in Malawi could be further accelerated.

Fourth, there will be a need to enhance policy coherence and continue multi-stakeholder dialogue to ensure that trade and agricultural policies are fully aligned, coordinated, sustainable and reflect concerns over the livelihoods and incomes of smallholder farmers, gender empowerment and environmental sustainability. Specific recommendations are:

(i) **Regular stock-taking exercises on the implementation and effectiveness of policies and strategies so far for the development of the oilseed cluster,** involving relevant government ministries and departments as well as farmers' associations, the private sector, financial institutions and development agencies.

(ii) **Gathering inputs from relevant stakeholders to inform the ongoing revision of Malawi's National Export Policy**: national stakeholder consultations should ensure that women and smallholder farmers are well represented.

(iii) **More widespread use of ICT tools, particularly mobile phones,** to ensure that farmer and industry associations as well as other stakeholders are kept regularly updated about changes or revisions to policies and regulations and to inform them about upcoming deliberations.

(iv) **Organising regular COMESA and SADC workshops bringing together international and regional experts, policymakers, farmers' associations, the private sector and other relevant stakeholders.**

NOTE

141 Malawi Trade Portal, https://www.malawitradeportal.gov.mw/

UNCTAD workshop in Lilongwe, November 2019

Annexes

TABLE A.1: Trade flows in value-added segments in groundnuts, sunflower and soybeans and major export markets and import sources for Malawi

GROUNDNUTS						
Product	**HS Sub-heading (Code)**	**HS Description**	**Top 5 Global Exporters (2013-17)**		**Top 5 Global Importers (2013-17)**	
			(Country Name and corresponding 1000 US$ Value)		(Country Name and corresponding 1000 US$ Value)	
Low Value or Primary Products						
Groundnuts	120230	Seed; other	Myanmar	61905.97	Belgium	10332.8318
			United States	4894.44	Malaysia	7221.64
			Malawi	2598.72	Rwanda	6535.9812
			Netherlands	2579.22	Myanmar	4980.5856
			Uganda	2074.19	Mexico	2170.6218
	120241	In shell	United States	122509.32	Indonesia	74499.7884
			China	42797.69	Italy	50169.0148
			Israel	22646.6	China	41169.6886
			India	15711.38	Germany	37861.2678
			Senegal	11058.77	Spain	21162.045
	120242	Shelled; Whether or not broken	India	622'139.60	Netherlands	489'102.04
			United States	359'138.51	Indonesia	188'442.38
			Argentina	256'852.89	Germany	166'317.75
			Netherlands	246'466.26	Mexico	155'962.91
			China	167'287.15	Russian Federation	148'481.36
Groundnut oilcake (by-product)	230500	Oilcake and other solid residues resulting from the extraction of peanut (groundnut) oil, whether or not ground or in pellets	Nicaragua	5007.86	China	14277.4848
			Sudan	4339.29	France	4971.1922
			Belgium	3808.2	Chile	4846.0742
			Argentina	3565.41	United States	3890.311
			India	3212.87	Guatemala	2585.497

Top 5 Sub-Saharan African exporters (2013-17)		Top 5 Sub-Saharan African Importers (2013-17)		Top 5 current export markets for Malawi (2015-17)		Top 5 current import sources for Malawi (2015-17)	
(Country Name and corresponding 1000 US$ Value)		(Country Name and corresponding 1000 US$ Value)		(Country Name and corresponding 1000 US$ Value)		(Country Name and corresponding 1000 US$ Value)	
Low Value or Primary Products							
Malawi	2598.72	Rwanda	6535.98	Mozambique	0.093	Kenya	464.68
Uganda	2074.19	South Africa	490.33	South Africa	0.017666667	South Africa	220.24
The Gambia,	1068.82	Kenya	231.46			Zimbabwe	202.25
South Africa	980.83	Mauritius	205.78			Zambia	148.82
Senegal	630.14	Zambia	161.95			United Republic of Tanzania	109.34
Senegal	11058.77	South Africa	1170.26	South Africa	0.055333333		
Madagascar	1149.18	Mauritius	207.57	China	0.023		
Burkina Faso	911.56	Ethiopia	134.67				
South Africa	529.02	Zimbabwe	93.15				
Ghana	384.51	Angola	62.73				
Senegal	18'893.56	South Africa	24'504.62	Kenya	5'235.70	United States	16.37
Malawi	14'830.65	Zimbabwe	5'409.36	Zimbabwe	2'611.55	Zambia	7.03
South Africa	11'980.70	Zambia	3'456.77	United Republic of Tanzania	2'135.49	South Africa	0.1
Madagascar	5'243.65	United Republic of Tanzania	2'266.06	Zambia	1'586.64	India	0.05
Cameroon	647.09	Mauritius	1'260.50	South Africa	817.43		
Senegal	816.49	Mali	432.95				
South Africa	88.66	Eswatini	216.25				
Mali	1.54	Cameroon	123.68				
Nigeria	0.78	Nigeria	36.79				
Togo	0.48	United Republic of Tanzania	36.3				

Value-added Products						
Meals of oil-seeds (Peanut butter)	200811	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included: Other, including mixtures other than those of subheading 200819	China	659735.16	Japan	126161.016
			Argentina	461798.62	United States	120744.179
Roasted groundnuts			United States	252635.94	France	115977.693
			Netherlands	200269.94	United Kingdom	87265.8526
			Germany	93461.04	Canada	85383.4706
Prepared Groundnuts (roasted or sweetened)	200819	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included: Other, including mixtures other than those of subheading 200819	Turkey	766943.22	Germany	566728.6544
			United States	659579.17	United States	379516.0876
			Germany	375239.07	Canada	295913.9814
			China	363653	France	239793.3026
			Luxembourg	158201.65	Japan	161045.8386
Groundnut mixed with other nuts	200897	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included: Other, including mixtures other than those of subheading 200819: Mixtures	China	96791.63	United States	228511.1238
			Mexico	93563.28	Canada	96144.7588
			Thailand	88306.48	Germany	78381.7576
			United States	84135.74	France	67565.4744
			Germany	81427.04	United Kingdom	51198.4984
Other mixed preparations involving grounduts	200899	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included: Other, including mixtures other than those of subheading 200819: Others	China	854281.07	United States	1034893.505
			Mexico	168605.84	Germany	176027.581
			United States	164021.38	Netherlands	172781.895
			Netherlands	158803.84	France	171941.137
Groundnut oil (Crude)	150810	Groundnut oil and its fractions, whether or not refined, but not chemically modified: Crude Oil	Argentina	86457.04	China	137655.9238
			Brazil	66533.61	Italy	53991.829
			Senegal	23661.04	United States	27487.5176
			Nicaragua	22394.61	France	23192.7942
			Sudan	7615.44	Belgium	16213.8188
Groundnut oil (Refined)	150890	Groundnut oil and its fractions, whether or not refined, but not chemically modified: Other	Belgium	22823.45	Hong Kong, China	14547.6478
			China	21863.99	Netherlands	7538.1292
			France	13288.16	France	6434.5122
			United States	8021.16	Germany	5808.6684
			India	7817.8	United Arab Emirates	5665.018

Value-added Products							
South Africa	11407.55	South Africa	13583.75	South Africa	253.88	Democratic Republic of the Congo	54.26
Ghana	4155.52	Botswana	3038.51	Mauritius	1.22	South Africa	1.52
United Republic of Tanzania	2119.15	Namibia	2869.55	Venezuela	0.48	United Kingdom	0.002
Senegal	320.77	Eswatini	1377	China	0.47		
Zimbabwe	315.29	Madagascar	1228.06	India	0.37		
South Africa	5339.06	South Africa	12380.11	South Africa	17.63	Zimbabwe	13.78
Eswatini	1195.74	Ethiopia	1587.27	Thailand	0.76	Singapore	6.2
United Republic of Tanzania	353.29	Angola	794.93	Lebanon	0.67	Zambia	6.11
Senegal	138.34	Mauritius	740.22	China	0.2	Viet Nam	0.31
Mozambique	121.57	Botswana	643.18	United Republic of Tanzania	0.17		
South Africa	28406.67	Mauritius	763.1	South Africa	89.84		
Eswatini	1238.98	South Africa	644.1	Turkey	73.52		
Rwanda	1.41	Angola	323.05	China	1.87		
Namibia	1.12	Namibia	197.17	United Republic of Tanzania	0.35		
Cote d'Ivoire	0.97	Malawi	113.43	United States	0.3		
South Africa	21880.44	South Africa	5687.02	South Africa	116.14	South Africa	174.2
Eswatini	531.54	Angola	876.35	India	0.72	Zimbabwe	69.25
Mali	515.51	Ethiopia	859.47	Zambia	0.67	Mozambique	0.05
Madagascar	310.77	Zimbabwe	667.64	China	0.65		
Senegal	23661.04	Benin	266.12			Italy	15.09
South Africa	455.99	Ethiopia	126.07				
Guinea	105.48	Eswatini	65.78				
United Republic of Tanzania	47.72	Madagascar	36.61				
Malawi	9.06	Cameroon	13.67				
South Africa	616.22	Benin	2441.05	Mozambique	13.17	United Republic of Tanzania	19.47
Senegal	356.29	Guinea	495.74	South Africa	2.92		
Ghana	312.48	Botswana	442.8	United States	0.53		
United Republic of Tanzania	94.92	Togo	368.89	United Republic of Tanzania	0.02		
Madagascar	37.02	Senegal	250.76	India	0.01		

SUNFLOWER						
Product	HS Sub-heading (Code)	HS Description	Top 5 Global Exporters (2013-17) (Country Name and corresponding 1000 US$ Value)		Top 5 Global Importers (2013-17) (Country Name and corresponding 1000 US$ Value)	
Low Value or Primary Products						
Sunflower Seeds	120600	Sunflower seeds, whether or not broken	Romania	593133.85	Turkey	347523.1618
			Bulgaria	498402.63	Netherlands	327376.9348
			China	386910.33	Germany	278736.916
			France	379368.71	France	252236.956
			United States	268348.55	Spain	250937.5034
Sunflower oilcake (by-product)	230630	Oilcake and other solid residues; whether or not ground or in the form of pellets, resulting from the extraction of sunflower seed oils	Ukraine	631637.95	France	246654.7388
			Russian Federation	283587.78	Turkey	182307.2108
			Argentina	106942.78	Italy	170233.6912
			Netherlands	95693.03	Belarus	146005.14
			Hungary	79349.51	Netherlands	134063.7434
Value-added Products						
Sunflower Oil (crude)	151211	Sunflower-seed or safflower oil and fractions thereof, Crude-oil	Ukraine	2686230.2	India	1454994.552
			Russian Federation	1038922.6	Turkey	949328.5716
			Argentina	400126.54	China	584937.6502
			Netherlands	338365.94	Netherlands	412976.2688
			Hungary	208154.55	Spain	392909.6478
Sunflower Oil (refined)	151219	Sunflower-seed or safflower oil and fractions thereof, Other	Turkey	627683.09	Belgium	232897.377
			Russian Federation	430348.26	Netherlands	170177.666
			Hungary	286330.89	United Kingdom	156796.424
			France	240060.19	Germany	143554.8076
			Ukraine	232144.15	France	100681.7124
Margarine	151710	Margarine, excluding liquid margarine	Netherlands	203263.9	France	126865.8058
			Belgium	155137.89	Germany	79098.211
			Poland	118973.41	United Kingdom	73557.8922
			Germany	96776.68	Czech Republic	55479.362
			Turkey	78491.43	Hungary	53455.3388

Top 5 Sub-Saharan African exporters (2013-17) (Country Name and corresponding 1000 US$ Value)		Top 5 Sub-Saharan African Importers (2013-17) (Country Name and corresponding 1000 US$ Value)		Top 5 current export markets for Malawi (2015-17) (Country Name and corresponding 1000 US$ Value)		Top 5 current import sources for Malawi ((2015-17) (Country Name and corresponding 1000 US$ Value)	
Low Value or Primary Products							
South Africa	3185.1	South Africa	25334.08	Zambia	342.5363333	United Republic of Tanzania	333.7
Botswana	1095.58	Uganda	1306.7	South Africa	63.794	South Africa	213
United Republic of Tanzania	616.98	Malawi	285.2	China	0.197	Zambia	147.7
Malawi	558.13	United Republic of Tanzania	192.94	Mozambique	0.023333333	India	6.3
Zambia	49.79	Mauritius	139.6			Zimbabwe	2.81
United Republic of Tanzania	26178.87	South Africa	17032.05	Zambia	23.11	Zimbabwe	65.23
South Africa	6628.78	Zimbabwe	2247.18			South Africa	24.97
Uganda	2213.64	Kenya	2033.84			Zambia	9.91
Zambia	398.49	Eswatini	1380.46			United Republic of Tanzania	2.39
Malawi	83.35	Botswana	1016.18				
Value-added Products							
United Republic of Tanzania	5987.95	South Africa	110105.63	South Africa	334.19		
South Africa	4700.49	United Republic of Tanzania	5037.02	Argentina	60.65		
Uganda	3605.46	Mauritius	4805.98	China	1.68	N/A	
Mozambique	551.7	Mozambique	3606.56	India	0.29		
Botswana	191.03	Botswana	1561.85	United Kingdom	0		
South Africa	77067.04	Namibia	24703.64	South Africa	1589.2		
Zambia	3487.43	Botswana	23300.25	Egypt	162.73		
Uganda	3333.71	Zimbabwe	14578.82	Ukraine	60.47	N/A	
Mozambique	2194.86	South Africa	10930.49	Kenya	23.59		
United Republic of Tanzania	841.75	Ethiopia	6783.82	United Arab Emirates	18.13		
South Africa	36601.71	Angola	18923.82	Kenya	2660.97		
Ghana	6715.1	Ghana	17533.07	South Africa	453.75		
Kenya	4576.36	Namibia	8557.64	Indonesia	117.42	N/A	
Cote d'Ivoire	3097.41	Cameroon	8394.18	Zimbabwe	76.19		
Senegal	1921.78	Uganda	8186.86	United Arab Emirates	4.42		

SOYBEAN						
Product	HS Sub-heading (Code)	HS Description	Top 5 Global Exporters (2013-17) (Country Name and corresponding 1000 US$ Value)		Top 5 Global Importers (2013-17) (Country Name and corresponding 1000 US$ Value)	
Low Value or Primary Products						
Soybeans	120110	Soya beans; whether or not broken: Seed	United States	48650.07	Pakistan	276598.8362
			Canada	31924.46	Malaysia	188493.1234
			Argentina	22526.93	United States	39971.5276
			Chile	10288.83	Iran, Islamic Rep.	29087.5562
			Malaysia	9903.41	Italy	14635.8178
	120190	Soya beans; whether or not broken: Other	Brazil	22420043.09	China	37336128.59
			United States	21718944.71	Netherlands	1852489.723
			Argentina	3598162.53	Mexico	1812865.78
			Paraguay	2067068.06	Japan	1698560.304
			Canada	1829296.76	Germany	1644203.76
Soybean oilcake; Soymeals and soy-flakes	230400	Oilcake and other solid residues; whether or not ground or in the form of pellets, resulting from the extraction of soya-bean oil	Argentina	10244946.37	Indonesia	1870105.696
			Brazil	5955008.52	Viet Nam	1830422.764
			United States	3703021.49	Netherlands	1713189.314
			Netherlands	1731296.92	France	1392767.584
			India	1124107.37	Thailand	1333324.599
Value-added Products						
Soybean Oil (crude)	150710	Soya-bean oil and its fractions, whether or not refined, but not chemically modified: Crude oil	Argentina	3707330.05	India	2327111.447
			Brazil	996710.33	China	788944.002
			United States	644591.78	Algeria	564200.631
			Paraguay	467415.43	Bangladesh	327272.0212
			Spain	319672.52	Iran, Islamic Rep.	321737.4532
Soybean Oil (refined)	150790	Soya-bean oil and its fractions, whether or not refined, but not chemically modified: Other	Netherlands	205540.55	South Africa	122092.9864
			United States	200505.37	Mexico	112365.067
			Argentina	133514.07	Chile	104349.089
			Malaysia	133190.07	United Kingdom	88129.053
			Brazil	119108.99	United States	82720.635

Top 5 Sub-Saharan African exporters (2013-17) (Country Name and corresponding 1000 US$ Value)		Top 5 Sub-Saharan African Importers (2013-17) (Country Name and corresponding 1000 US$ Value)		Top 5 current export markets for Malawi (2015-17) (Country Name and corresponding 1000 US$ Value)		Top 5 current import sources for Malawi ((2015-17) (Country Name and corresponding 1000 US$ Value)	
Low Value or Primary Products							
Malawi	8523.2358	South Africa	2321.71	Mozambique	76.65666667	Zimbabwe	3287.35
Ethiopia	3776.7118	United Republic of Tanzania	895.67	Zimbabwe	18.52966667	Botswana	2069.27
Zambia	3592.8316	Rwanda	892.05	South Africa	15.828	South Africa	826.81
South Africa	2496.2188	Zambia	541.76			India	718.08
Uganda	2373.0654	Malawi	279.89			Kenya	699.19
Zambia	9900.4472	South Africa	41925.46	United States	2470.422	Botswana	504.62
Ethiopia	3748.7584	Zimbabwe	10933.47	Zambia	0.134666667	India	370.78
South Africa	2056.9366	Botswana	1886.88	South Africa	0.064333333	Zimbabwe	277.27
Benin	1572.0426	Malawi	1486.18			United Arab Emirates	254.68
Ghana	1352.8712	Angola	1016.86			Kenya	87.48
South Africa	35553.18	South Africa	231260.78	South Africa	155.37	United Republic of Tanzania	18512.3
Zambia	21658.06	Cameroon	24634.51	Zambia	57.62	Kenya	2887.9
Malawi	16355.35	Zimbabwe	23207.13	Hong Kong, China	9.72	Zimbabwe	2632.17
Uganda	7014.07	Mauritius	22226.93			Mozambique	948.02
Nigeria	2603.87	Cote d'Ivoire	18937.57			South Africa	823.94
Value-added Products							
South Africa	33704.77	Zimbabwe	74226.02	Argentina	9449.99		
United Republic of Tanzania	653.34	South Africa	42098.54	Malaysia	1754.82		
Zambia	206.14	Mauritius	18277.99	South Africa	835.03	N/A	
Uganda	196.29	Madagascar	16654.8	Mauritius	340.06		
Benin	127.44	Malawi	9827.97	Indonesia	89.19		
South Africa	42675.5	South Africa	122092.99	South Africa	260.1	South Africa	0.0003
Uganda	753.58	Mauritania	17844.88	Zambia	150.77		
Zimbabwe	293.18	Angola	16127.42	Singapore	27.31		
Benin	118.93	Zimbabwe	11767.06	Mauritius	21.19		
United Republic of Tanzania	113.87	Cabo Verde	7628.86	Mozambique	21.02		

Soymeals; Soyflour	120810	Flours and meals of oil seeds or oleaginous fruits, other than those of mustard: Of soybeans	United States	1019364.53	Dominican Republic	87603.3316
			India	78532.27	Belgium	40409.9154
			Italy	70845	Peru	30632.0724
			Bolivia	28153.02	Spain	23131.403
			Netherlands	24018.18	Portugal	16547.8418
Soysauce	210310	Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard: Soy sauce	Netherlands	113145.76	United States	88786.2736
			China	113054.73	United Kingdom	32833.0048
			Japan	53686.03	Hong Kong, China	32771.0308
			United States	46918.75	France	31859.7972
			Singapore	42210.34	Canada	31262.2524
Tofu	210690	Food preparations not elsewhere specified or included: Other	United States	4750244.69	United States	2107545.07
			Netherlands	2896415.38	Germany	1573595.922
			France	1627520.07	China	1319929.053
			Singapore	1411994.29	Canada	1275219.001

Source: *UN COMTRADE*

TABLE A.2: Malawi's MFN and preferential customs duty rates and rates of other duties and charges (ODC) applying to HS-6 digit sub-headings along the groundnut, sunflower and soybean value-chains

Product	HS Sub-heading (Code)	HS description	MFN applied customs duty rate	COMESA rates of customs duty	SADC rates of customs duty (all SADC members except South Africa)	SADC rates of customs duty for imports from South Africa	Excise rates	Value Added Tax (VAT) rates	Withholding tax on Imports
Groundnut value-chain									
Low value or primary products									
Groundnuts	120230	Seed; Other	10%	6%	Free	Free	NA	Exempt	3%
	120241	In shell	10%	5%	Free	Free	NA	Exempt	3%
	120242	Shelled; Whether or not broken	10%	5%	Free	Free	NA	Exempt	3%
Groundnut oilcake (by-product)	230500	Oilcake and other solid residues resulting from the extraction of peanut (groundnut) oil, whether or not ground or in pellets	Free	Free	Free	Free	NA	16.5%	3%

Nigeria	8264.45	Zimbabwe	8193.53	United States	3057.99	Zambia	66.05
Zambia	7029.38	United Republic of Tanzania	6598.33	South Africa	1015.59	United Republic of Tanzania	52.97
Ghana	4883.88	Malawi	3484.07	Italy	690.86	Mozambique	49.17
South Africa	2604.9	Ghana	2450.56	Belgium	459.63	Zimbabwe	24.34
United Republic of Tanzania	557.12	South Africa	1405.06	Indonesia	136.04	Kenya	8.76
South Africa	1212.26	South Africa	1755.87	South Africa	19.35	United Kingdom	0.25
Uganda	7.79	Mauritius	557.51	China	1.78		
Namibia	1.27	Eswatini	440.2	Netherlands	0.35		
Angola	1.26	Nigeria	431.94	India	0.34		
Zimbabwe	1.05	Ghana	278.45	United States	0.16		
South Africa	176141.2	South Africa	169230.05	South Africa	8985.83	Zimbabwe	2649.86
Madagascar	4376.21	Cameroon	31065.21	Denmark	333.54	South Africa	29.48
Cameroon	3483.27	Mauritius	30336.24	United States	114.83	Zambia	17.45
Eswatini	3427.08	Ghana	21254.47	China	99.96	United Republic of Tanzania	12.55

Product	HS Sub-heading (Code)	HS description	MFN applied customs duty rate	COMESA rates of customs duty	SADC rates of customs duty (all SADC members except South Africa)	SADC rates of customs duty for imports from South Africa	Excise rates	Value Added Tax (VAT) rates	Withholding tax on Imports
Value-added Products									
Meals of oilseeds (peanut butter) Roasted groundnuts	200811	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included: *Groundnuts*	25%	5%	Free	15%	NA	16.5%	3%
Prepared groundnuts (roasted or sweetened)	200819	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included: *Other including mixtures*	25%	5%	Free	15%	NA	16.5%	3%

Product	HS Sub-heading (Code)	HS description	MFN applied customs duty rate	COMESA rates of customs duty	SADC rates of customs duty (all SADC members except South Africa)	SADC rates of customs duty for imports from South Africa	Excise rates	Value Added Tax (VAT) rates	Withholding tax on Imports
Groundnut mixed with other nuts	200897	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included: Other, including mixtures other than those of subheading 200819: *Mixtures*	25%	5%	Free	15%	NA	16.5%	3%
Other mixed preparations involving groundnuts	200899	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included: Other, including mixtures other than those of subheading 200819: *Others*	25%	5%	Free	15%	NA	16.5%	3%
Groundnut oil (crude)	150810	Groundnut oil and its fractions, whether or not refined, but not chemically modified: *Crude Oil*	10%	Free	Free	Free	NA	Exempt	3%
Groundnut oil (refined)	150890	Groundnut oil and its fractions, whether or not refined, but not chemically modified: *Other*	25%	5%	Free	15%	NA	Exempt	3%
Sunflower value-chain									
Low value or primary products									
Sunflower Seeds	120600	Sunflower seeds, whether or not broken	10%	Free	Free	Free	NA	Exempt	3%
Sunflower oilcake (by-product)	230630	Oilcake and other solid residues; whether or not ground or in the form of pellets, resulting from the extraction of sunflower seed oils	Free	Free	Free	Free	NA	16.5%	3%

Product	HS Sub-heading (Code)	HS description	MFN applied customs duty rate	COMESA rates of customs duty	SADC rates of customs duty (all SADC members except South Africa)	SADC rates of customs duty for imports from South Africa	Excise rates	Value Added Tax (VAT) rates	Withholding tax on Imports
Value-added products									
Sunflower oil (crude)	151211	Sunflower-seed or safflower oil and fractions thereof, *Crude-oil*	10%	Free	Free	Free	NA	Exempt	3%
Sunflower oil (refined)	151219	Sunflower-seed or safflower oil and fractions thereof, *Other*	25%	5%	Free	15%	NA	Exempt	3%
Margarine	151710	Margarine, excluding liquid margarine	25%	5%	Free	15%	NA	Exempt	3%
Soybean value-chain									
Low value or primary products									
Soybeans	120110	Soybeans; whether or not broken: *Seed*	10%	6%	Free	Free	NA	Exempt	3%
	120190	Soybeans; whether or not broken: *Other*	10%	6%	Free	Free	NA	Exempt	3%
Soybean oilcake; soymeal and soy-flakes	230400	Oilcake and other solid residues; whether or not ground or in the form of pellets, resulting from the extraction of soybean oil	Free	Free	Free	Free	NA	16.5%	3%
Value-added products									
Soybean oil (crude)	150710	Soybean oil and its fractions, whether or not refined, but not chemically modified: *Crude oil*	10%	Free	Free	Free	NA	Exempt	3%
Soybean oil (refined)	150790	Soybean oil and its fractions, whether or not refined, but not chemically modified: *Other*	25%	5%	Free	15%	NA	Exempt	3%
Soymeal; soy flour	120810	Flours and meals of oil seeds or oleaginous fruits, other than those of mustard: of soybeans	10%	6%	Free	Free	NA	16.5%	3%
Soy sauce	210310	Sauces and preparations thereof; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard: *Soy sauce*	25%	12%	Free	Free	NA	16.5%	3%
Tofu	210690	Food preparations not elsewhere specified or included: *Other*	25%	12%	Free	25%	NA	16.5%	3%

Source: *Malawi Revenue Authority. Customs and Excise (Tariffs) Order, 2018. (HS 2017 Version)*

Harnessing Agricultural Trade
for Sustainable Development

Malawi: groundnuts, sunflower and soybeans

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