

Agricultural Marketing Environment in Malawi: Implications for smallholder farmer gains

Rosemary Botha (IFPRI-Malawi)

National Workshop on “Leveraging Trade and Agricultural Policies for
Supporting Small-scale farmers, Ensuring Sustainable Rural Development
and Enhancing Food Security”
Sunbird Capital Hotel, Lilongwe
21 November 2019

Background

- NES identifies oilseeds as crops with great potential and ability to replace tobacco as main export crop(s).
- Groundnut, soybean and sunflower have potential to bring gains in the country's development and food security through the following:
 - Gains in foreign exchange earnings
 - Improved soil fertility
 - Provision of employment for people involved in high value marketing activities
 - Improved household nutrition
 - **Improved farmer incomes**
- However, improved farmer incomes are not a direct achievement resulting from the intensification of these oilseed value chains.
- Marketing environment is also key in ensuring smallholder farmer gains

Some issues on the Agricultural marketing environment in Malawi

1. Liberalized agricultural marketing

- Agric. Marketing has remained liberalized since adoption of the SAPs in the 1980s.
- Decimation of ADMARC's role and influx of middlemen on the marketing arena.
- Some level of government intervention through setting of Minimum Farmgate (MFG) prices and export bans.
- Majority of smallholder farmers sell to local middlemen.
- Presence of middlemen poses threat to farmers' price gains.

Case study: Disparities between Government set MFG prices and actual FG prices

- Farmers report of distress sales during the main harvest season [Ochieng et. al., 2019](#).
- Case study of the year 2017 main harvest season is used here.
- Actual farmgate prices are compared against the Minimum Farmgate (MFG) prices set by the government.
- Wide disparities between government set prices and actual prices received by farmers for soybean.
- Non-binding MFG prices

Table 1 Actual MFG prices vs. Govt set MFG prices

Crop	Location	May-17	Percentage diff. from MFG price	Jun-17	Percentage diff. from MFG price
Soya	Mzuzu	213.2	↓ -23.9	236.0	↓ -15.7
	Jenda	133.3	↓ -52.4	130.0	↓ -53.6
	Kasungu	140.0	↓ -50.0	130.0	↓ -53.6
	Nkhamenya	130.0	↓ -53.6	140.0	↓ -50.0
	Chatoloma	140.0	↓ -50.0	130.0	↓ -53.6
	Thete	152.5	↓ -45.5	-	-
	Tsangano turn-off	-	-	157.5	↓ -43.8
	Ntcheu	150.0	↓ -46.4	-	-
	Mayaka	132.8	↓ -52.6	145.0	↓ -48.2
	Luchenza	110.0	↓ -60.7	100.0	↓ -64.3
	Chiringa	250.0	↓ -10.7	250.0	↓ -10.7
	Phalombe	215.0	↓ -23.2	207.5	↓ -25.9
	Groundnut	Kasungu	-	-	300.0
Mayaka		422.0	↑ 5.5	437.5	↑ 9.4
Luchenza		350.0	↓ -12.5	450.0	↑ 12.5
Chiringa		450.0	↑ 12.5	-	-

Source: AMIS data (MoAIWD)

Notes: List of locations not nationally representative, only locations with available data are presented here.

Agricultural marketing environment in Malawi?...

2. Presence of two commodity exchanges: Auction Holdings Commodity exchange (AHCX) and Agricultural Commodity Exchange (ACE).

- Potential for gains for SHF through improved prices
- However, there is low patronage by SHF (only 5 percent of farmer associations sold through ACE)
 - Lack of awareness
 - Unable to meet Minimum quantity requirements
 - Preference for spot payments
 - Charges (withholding tax, grading cost)

Some recommendations

- Improved SHF access to structured trade
 - Supporting already existing farmer groups and linking them to commodity exchanges.
 - Increase coverage of contract farming arrangements to reduce sales to exploitative middlemen
- Strengthening price monitoring systems
 - Frequent data collection on farmgate prices is key in monitoring progress to SHF if the groundnut, soybean and sunflower value chains are intensified.

