Agricultural Marketing Environment in Malawi: Implications for smallholder farmer gains

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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>
<thead>
<tr>
<th>Crop</th>
<th>Location</th>
<th>May-17</th>
<th>Percentage diff. from MFG price</th>
<th>Jun-17</th>
<th>Percentage diff. from MFG price</th>
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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.