Overview, Key Issues, Challenges and Opportunities in the Groundnuts, Sunflower and Soybean Sectors in Malawi

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Purpose of the Study

- ❖ Provide evidence-based insights and policy guidance in the following areas:
- ➢ Addressing key constraints to expanding production base and quality in groundnuts, sunflower and soybeans
- ➢ Introducing active policies and measures to safeguard livelihoods, promote women's empowerment, ensure environmental sustainability and resilience
- ➢ Leverage trade-policy as well as the growing trend of stronger regional integration in Africa to support value-addition objectives, integration in regional value-chains and build a strong and competitive processing sector

Why Groundnuts, Sunflower and Soybeans?

Groundnuts

Economic

- Synergy with livestock sector- groundnut meal as a feedstock if aflatoxin issues are addressed
- Value addition: edible cooking oil, peanut butter, prepared snacks etc.
- Demand expansion including in regional markets

Social

- Rich source of protein (RTUF), dietary fibre, minerals, and vitamins
- Widely grown particularly by women small-farmers
- Higher impact on poverty due to widespread

Environmental

- Widely adaptable; drought tolerant

Why Groundnuts, Sunflower and Soybeans?

Sunflower

Economic

- Value addition: edible cooking oil, margarine, sunflower-based snacks
- Significant demand for edible cooking oil

Social

- Can address food-security concerns due to drought tolerance but good yields require certified high-yielding seeds

Environmental

- Widely adaptable and drought tolerant compared to grain crops

Why Groundnuts, Sunflower and Soybeans?

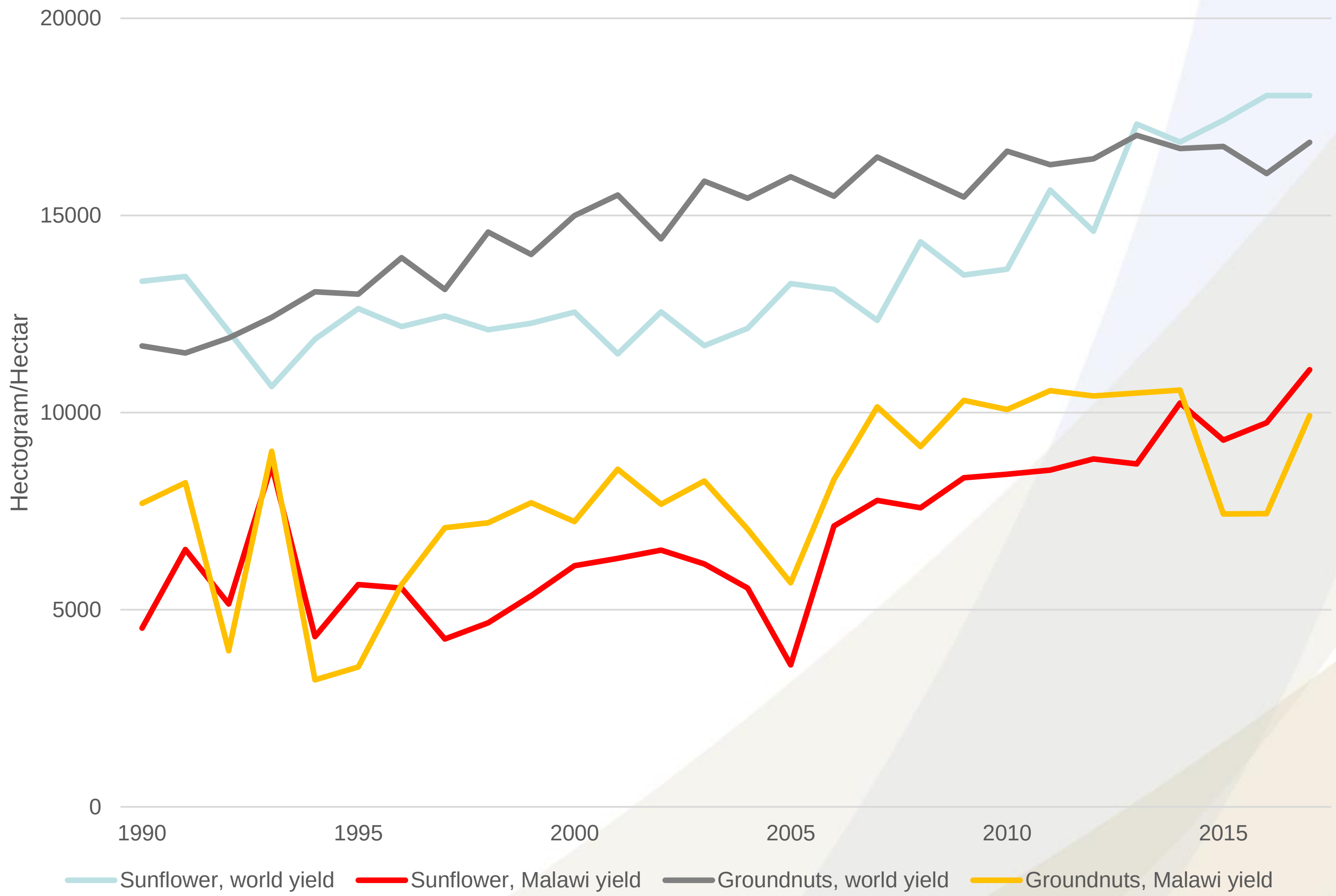
Soybeans

- Synergy with livestock-soymeal as a feedstock
- Value addition: edible cooking oil (second largest traded after palm oil), soyflour, soy chunks, soymilk, prepared snacks etc
- Significant local demand by processors
- High value and profitable crop due to its general high input to yield ratio

- Source of protein in diets
- Possibilities of realizing higher incomes for small farmers

- Possibility of inter-cropping between soybeans and maize adding to soil fertility
- Relatively resistant to droughts

Volatility in Yields of Sunflower and Groundnuts



Source: UNCTAD Secretariat calculations based on FAO data, accessed December 2018.

Value-added sectors in Groundnuts, Sunflower and Soybeans

	Groundnuts	Sunflower	Soya beans
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 Soya beans; 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 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 soya-bean oil
Medium Value Added	200819 Nuts; groundnuts, whether or not containing added sugar, other sweetening matter or spirit 150810, 150890 Ground-Nut 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; soya-bean 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, soya

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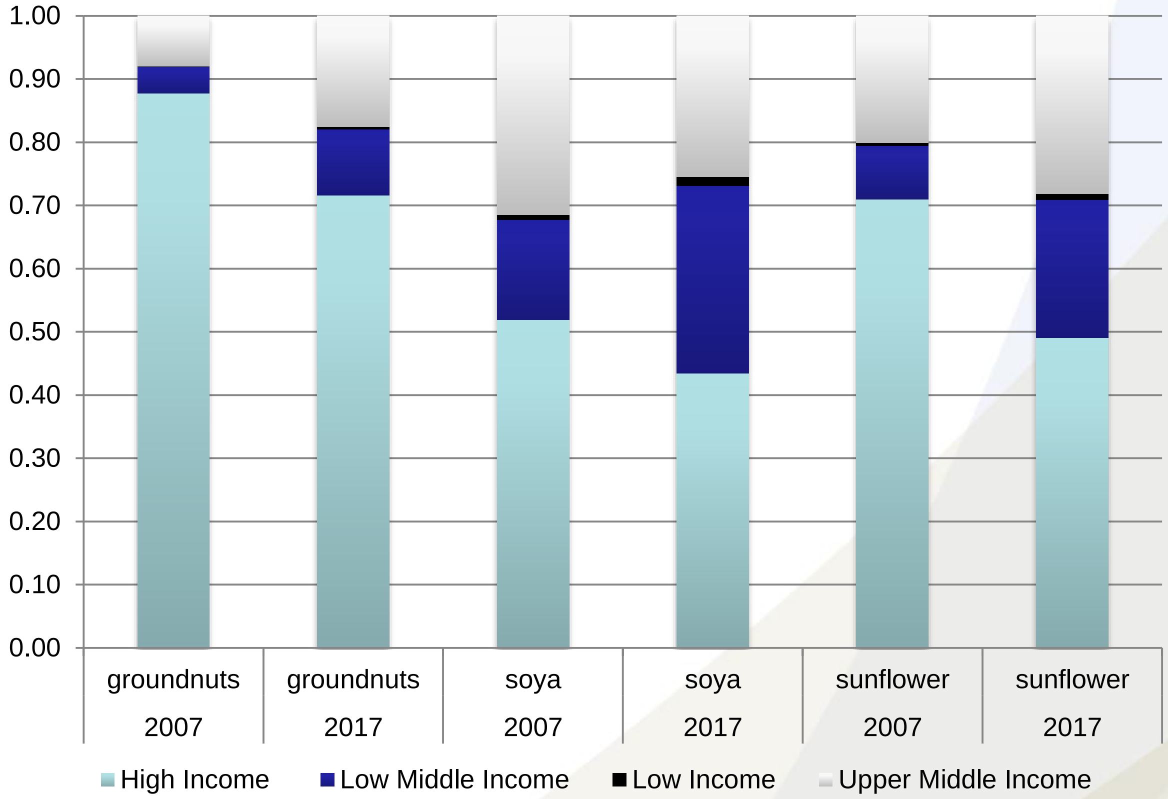
Income structure of world importers by sector



Source: UNCTAD Secretariat calculations based on FAO data, accessed December 2018.

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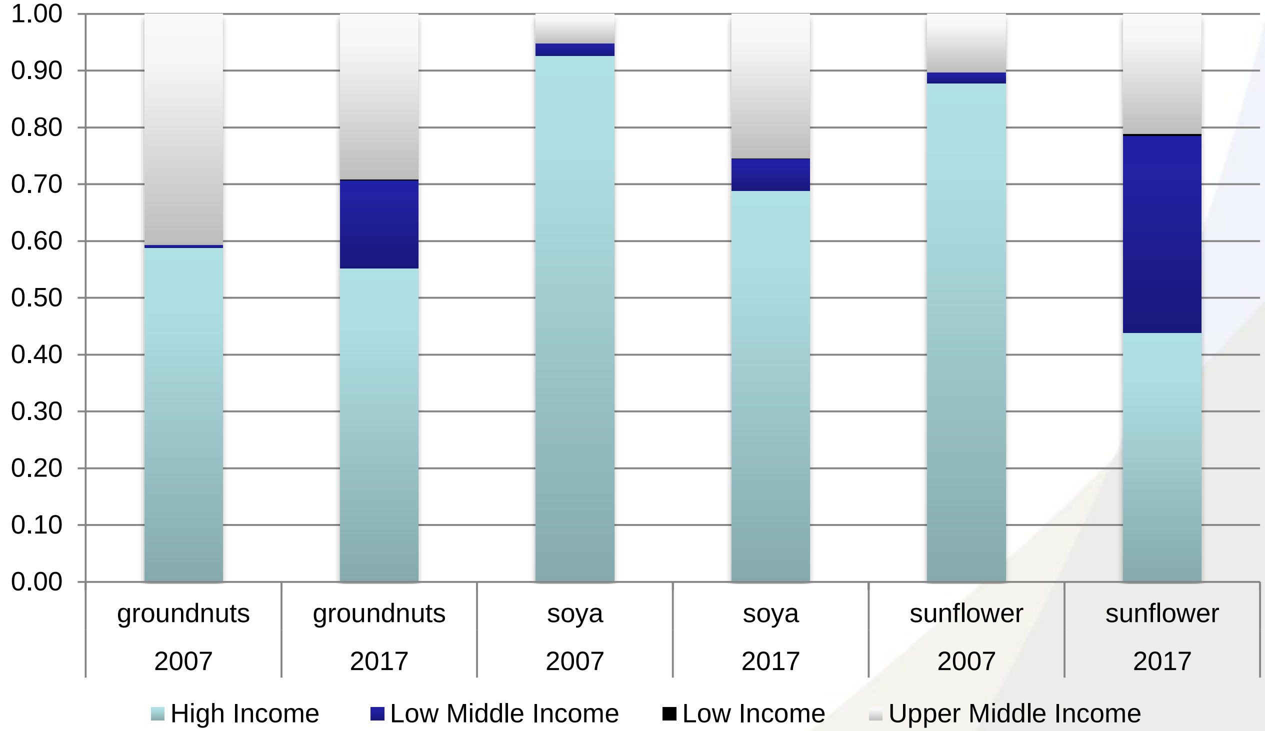
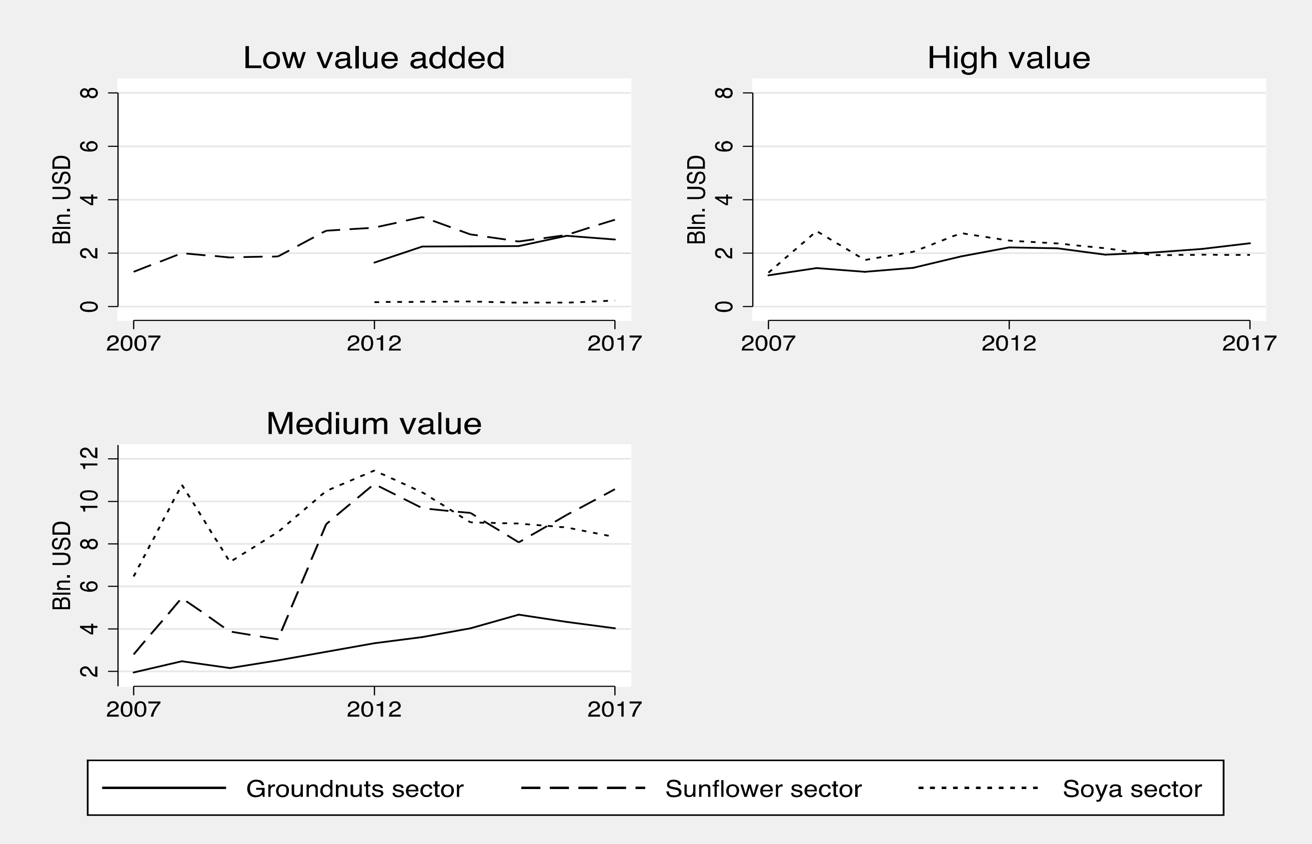
Income structure of world exporters by sector



Source: UNCTAD Secretariat calculations based on FAO data, accessed December 2018.

Global Export Trends (by Value-Added) in Groundnuts, Sunflower and Soybean Sectors



Source: UNCTAD Secretariat calculations based on UN Comtrade data, accessed December 2018

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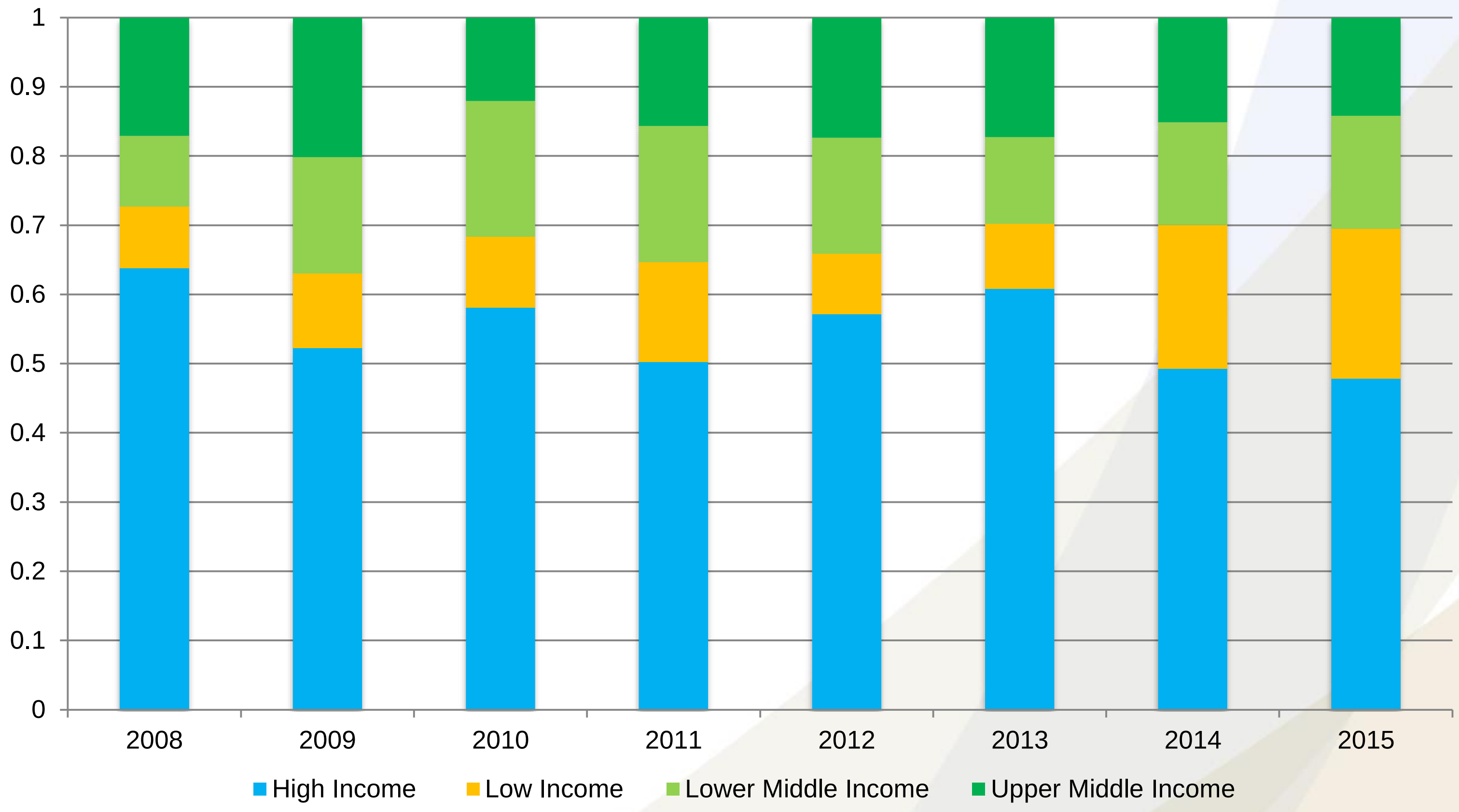
Structure of Malawian Exports (by income group)



Groundnuts Value-Chain Segments of interest to Malawi

Product HS Code and Description	Comments on Malawi's position (2015-17)	Principal Export Markets (2015-17)	Top 5 Importers Sub-Saharan Africa
Groundnut Seed (HS 120230)	3rd largest exporter at the global level after Myanmar the US	Mozambique, South Africa	Rwanda South Africa Kenya Mauritius Zambia
Shelled groundnuts (HS 120242)	Second largest exporter of shelled groundnuts in Sub-Saharan Africa after Senegal. Potential to further tap huge South African market	Kenya, Zimbabwe, Tanzania, Zambia and South Africa	South Africa Zimbabwe Zambia Tanzania Mauritius
Groundnut meal (HS 200811)	Small export value mainly destined for South Africa	South Africa	South Africa Botswana Namibia Eswatini Madagascar
Prepared groundnuts (roasted or sweetened) (HS 200819)	Small export value mainly destined for South Africa	South Africa	South Africa Ethiopia (excludes Eritrea) Angola Mauritius Botswana

Groundnuts Value-Chain Segments of interest to Malawi

Product HS Code and Description	Comments on Malawi's position (2015-17)	Principal Export Markets (2015-17)	Top 5 Importers Sub-Saharan Africa
Crude groundnut oil (HS 150810)	5th biggest exporter in Sub-Sahran Africa but extremely small value (US&	NA----	Benin Ethiopia(excludes Eritrea) Eswatini Madagascar Cameroon
Refined groundnut oil (HS 150810)	Very small values	Mozambique	Benin Guinea Botswana Togo Senegal

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Sunflower Value-Chain: Main Value-added Products and Major Export Markets for Malawi (2015-17)

- 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$4420).

Soybean Value-Chain: Main Value-added Products and Major Export Markets for Malawi (2015-17)

- • Soybean seeds (whether or not broken, seed) to Mozambique (US$76,657), Zimbabwe (US$18,530) and South Africa (US$15,828).
- • Other Soybeans (whether or not broken) to United States (US$ 2,470,422)
- • Soybean oilcake to South Africa (US$155,370), Zambia (US$ 57,600) and HongKong, 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)
- • Soymeals and soyflour to the United States (US$ 3,057,990), South Africa (US$ 1,01,5590), Italy (US$690,860), Belgium (US$459,630), Indonesia (US$ 136,040)
- • Soysauce to South Africa (US$ 19.35), China (US$1.78), Netherlands (US$0.35), India (US$ 0.34) and the United States (US$ 0.16)

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Upgrading Trajectories: Value-addition and Diversification

Cross-cutting Issues and Challenges

I. **Ensuring Sufficient Crop Yield and Volumes for Processing Activity through Access to Quality Inputs: Infrastructure, Seeds, Technologies and Services**

- ***Access to Land:*** (issues of land-tenure, protecting rights of small-holder farmers, role of estate farming, implications of various models on yield). Relevance of the Customary Land Act 2016.
- ***Access to Road, Rail and Transport Networks***: Linking farms to domestic markets and beyond
- ***Access to Financial Services:*** High cost of financing, information on alternative financing models
- ***Access to Training and Extension Services:*** on a sustainable basis
- ***Access to certified high-quality seeds:*** on a cost-effective basis
- ***Access to technologies and know-how:*** suitable for Malawi that is low-cost and can be scaled-up (E.g. Aflatoxin testing kits developed by ICRISAT)
- ***Access to energy:*** that is reliable in terms of supply

II. **Enabling Quality Outputs for Consumption and Production Activity**

- ***Credible and cost-effective standards testing and accreditation***

III. **Enabling Competitive and Fair Access to Domestic and External Markets**

- ***Market Information and Marketing Structures and Arrangements that Ensure Fair and Predictable Pricing and Benefit Small Farmers*** (E.g. Co-operatives, Contract farming systems, Functioning of commodity exchanges and warehouse receipt systems)
- ***Training farmers and farmers associations in business practices:*** E.g. Record-keeping

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Upgrading Trajectories: Value-addition and Diversification

- Issues for processors:

(i) Difficulties with regards to standards compliance and certification

(ii) Limited capital base to sustain year-round operations

(iii) Raw material shortages owing to capital constraints, insufficient volume of domestic production as well as competition from other buyers

(iv) Persistent blackouts affecting operations

(v) Price instability (notable for sunflower) due to competition from other buyers.

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Upgrading Trajectories: Value-addition and Diversification

- **Select Crop-specific issues and challenges**

*Aflatoxin contamination

* Limited grading and price differential

* Non-inclusion in FISP

* Competition from cheaper palm oil

*More restricted value-addition possibilities

* Affected by maize prices

* No GMO-free premium for value-added products

*Export restrictions in place from time to time

Sustainability Issues and Considerations

- **Food-Security**: Continued investments in productivity, pest-protection measures, role of innovative approaches and community-centred models. Consumption vs cash-crops. Price predictability and access to markets. Mechanisms to cushion against price volatility (role for crop-insurance schemes?) Safeguarding farmer incomes under different land-tenure systems. Creating alternative livelihood opportunities during the lean season. Creating 'premium' price opportunities through fair trade initiatives.

- **Gender Empowerment:** Access to inputs-land, credit, technologies for women small-farmers; 'gender-sensitive' technology choices and ability to operate and rent out technologies e.g. groundnut shellers; enabling greater participation of women in processing and sales activity; supporting informal cross-border traders most of whom are women through simplified trade regimes (STRs)

Sustainability Issues and Considerations

- **Environmental Sustainability and Climate Resilience:** Addressing environmentally harmful agricultural practices that cause soil-degradation; encouraging crop rotation; efficiency in water-use and access to irrigation (including low-cost drip irrigation technologies); access to climate-resilient seeds which do not compromise yields (if feasible); coordination between ministries on climate change issues and and co-ordination with regional resilience frameworks such as the COMESA draft regional resilience framework.

The Role of Trade Policies and Frameworks

- Challenges and opportunities for the groundnut, sunflower and soybean sectors in the context of regional trade integration initaitives-SADC, COMESA, AFCFTA.
- Capitalising on preferential trade agreements with developed country (US, EU) as well as emerging economy (China, India) markets. Or is it still too early? Tailoring niches. E.g. fairtrade products for developed country markets.
- Addressing export restrictions if any
- Relationship between investment policies and trade-opportunities to use special economic zones as a re-processing hub. What lessons can be learnt from performance of Export Processing Zones?

The Role of Trade Policies and Frameworks

- Import tariffs generally low but Malawi has higher tariffs on specific value-added segments in sunflower, soybean and groundnuts from South Africa.
- Addressing non-tariff barriers to exports in regional markets:
  - Standards and quality: Speedening the process of testing and certification. A need for mutual recognition initiatives with SADC and COMESA?
  - Customs and procedural delays at the border and at regional ports. Role for trade-facilitation measures and assistance under the WTO's TFA
  - Lowering transport costs through improved regional and national infrastructure-particularly roads.

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Ensuring Institutional and Policy Coherence

- Creating sustainable channels of communication and coordination between various ministries and departments.
- Systems to continuously monitoring progress of implementation of policies, identifying best practices within Malawi and the region. Drawing lessons learnt and course corrections required
- Ensuring policies formulated are well-aligned and not at cross-purposes on various objectives including sustainability.
- Ensuring small-farmers and other stakeholders are made aware at short notice on changes to policies and opportunities to make voices heard (through associations).
- Collaboration among regional institutions and regional sharing of expertise, pooling resources a possibility.