

**Keynote Speech by the Director General of the National Planning Commission (NPC), Dr Thomas Chataghalala Munthali at the Agriculture Productivity and Commercialization Conference**

**9<sup>th</sup> June 2022, BICC, Lilongwe**

**Salutations!**

- Your Excellency the President, Dr Lazarus McCarthy Chakwera
- Your Excellency, the first lady, Madam Monica Chakwera,
- The Minister of Agriculture, Hon. Robin Lowe and all other ministers here present
- The Secretary to the President and Cabinet, Madam Colleen Zamba,
- The Secretary for Agriculture, Mr Sandram Maweru and all senior government officials here present
- The Commissioners of the National Planning Commission, management and team members
- The Executive Director of the MWAPATA Institute, Mr William Chanza and your team
- Distinguished development partner and private sector representatives
- Members of the fourth estate
- Distinguished delegates both in here and online
- All protocols observed.

**Your Excellency, distinguished guests**

1. It is such an honour to make this Keynote speech at this auspicious occasion.
2. *‘Driving Agricultural Diversification in Support of the Aspirations of MW2063.’* This is a very timely theme for many reasons but I will isolate two: First, it comes at a time when the country is challenged with forex needs having mostly relied on a few agricultural commodity exports, primarily tobacco. Second, now that we are in the implementation phase of our country’s vision and its First 10-year Implementation Plan, we need to discuss candidly and come up with practical solutions that will drive the diversification of our agriculture which remains the main stay of our economy at the moment and for the foreseeable future.

**Your Excellency,**

3. Allow me to put things into context. Last year on 19<sup>th</sup> January, Your Excellency led the nation into launching our Vision for the country – the Malawi 2063. As a people, we have resolved to have an inclusively wealthy and self-reliant industrialized upper middle-income country by 2063. We have agreed that to achieve this, we will need to focus on three inter-linked pillars of Agricultural Productivity and Commercialization; Industrialization - with mining as an important integral; and Urbanization – that will transform our existing cities into world-class urban centres while creating other secondary cities and tourism hubs recognizing that urban centres are key to economic growth and good quality of life that Malawians aspire for.

4. We have also realized as a nation, that achieving the three pillars will require some key enablers to be in place. We have hence, together as a nation, identified seven of such enablers that include mind-set change at individual, household, community and national levels. We simply cannot continue to do business as usual and expect different results.

### **Your Excellency**

5. Having a Vision is one thing, because it is what it is – a Vision. It requires operationalization. It is in this light that in November last year, Your Excellency once again led the nation into launching the Malawi 2063 First 10-Year Implementation Plan (MIP-1) as an initial step in realizing the Vision aspirations. The MIP-1 has two key milestones to be achieved by 2030: Graduating Malawi into a low middle-income nation; and also meeting most of the Sustainable Development Goals (SDGs), this being the last Decade of Action. And in the immediate, attention will be on creating jobs, wealth and attaining food security. Now that we have the plans, the country simply needs to move into serious implementation. It is this light that this Conference is more geared at showcasing practical agricultural diversification initiatives that are already transforming the economy and livelihoods.
6. Specifically, with regard to this conference, the MIP-1 defines the strategic interventions that would promote agricultural productivity and commercialization so as to have a food secure nation and an optimally productive and commercialized agriculture sector that can support a strong industrial and urbanization base. To attain this, a strong agricultural diversification program backed by effective extension services for production of high value crops such as industrial hemp and medical cannabis, edible nuts, legumes, high-value horticulture as well as livestock and fisheries with niche products largely destined for the export market as defined in the second National Export Strategy, will be key.
7. This calls for a reform of the Agriculture Inputs Programme (AIP) towards either being a productivity-enhancing social protection programme that targets food security beyond maize – in which case, it needs to only focus on the resource poor but productive farming families that own land; or be a programme that primarily subsidizes the production of the high-value crops, as well as livestock and fisheries in which we need to establish a niche as a country – basically, a catalyst programme for building a new niche of high-value exportable farm products beyond tobacco with high level assurance that those supported are bound to graduate and capable of being taxed so they in-turn support the resource poor but productive farming families – making it a very sustainable subsidy programme. Or a combination of both. We have the brains in the academia and our home-grown research institutions and think tanks like MwAPATA Institute to concretize on this. But when all is said, the decision and duty of care especially on food security, rests on Government.

8. As we talk of a diversification agenda, let us face the realities of our economy. Tobacco will continue to play a central role for the foreseeable future – why? tobacco alone contributes about 60 percent of the country’s total exports presently. But what is the current concern with tobacco? it is around legal compliances requiring avoidance of child labour and adhering to health-related obligations as required under the Framework Convention on Tobacco Control (FCTC) to which Malawi is a signatory. But to contribute to a healthy society, it is important to move to smoke-free tobacco products. Malawi should make strides to becoming a regional industrial hub for production of tobacco-related products BUT those products that don’t threaten people’s health. The country has the type of soils that can sustain huge volumes of tobacco production. That said, we should stop keeping our eggs in one basket – we need to diversify our agriculture in big ways not just in words but in deeds.
9. But do we have the demand for other products other than tobacco, tea and sugar? The truth is that the regional and global demand that we fail to meet as a country is shocking. Our failure to meet the demanded volumes is mostly because we rely on the hoe and seasonal rainfall. This makes a strong case for mechanization, irrigation and intensity in land use. Let me dazzle you a bit with figures from Ministry of Trade and the Malawi Investment Trade Centre. There is demand of more than 4million metric tonnes for soy beans but we can only produce around 680,000mt; we have Sunflower demand of around 70,000mt but can only produce less than 30,000mt; there is a beans demand of around 140,000mt but local production is only around 60,000mt; Lately, Government has successfully negotiated a five-year USD295million deal with South Sudan for such commodities as maize flour, rice, beans and groundnuts but the supply is far from meeting the demand.
10. The short of it, the demand is out there but we need to get organized into a solid production and aggregator programme to deliver on these volumes. Unless supported into high-value production and intensified land utilization, smallholder farmers who currently use the hoe and re-cycled seeds to supply more than 80 percent of local food needs and yet produce less than 40 percent of yield potential while losing 30% to poor post-harvest handling, will not create the massive wealth, jobs and sustainable food security that is envisaged soon. For smallholder farmers, the issue becomes more of supporting them in optimizing the little land they have with high-quality inputs and such technologies as green houses with high-quality seeds. Innocellia greenhouse farms at Kamuzu International Airport and Thanthwe Farms along Mchinji road are good examples of what intensified use of land is capable of achieving, while allowing surrounding communities to flourish along these anchor farms – achieving the aspiration of inclusive wealth creation.
11. But what are the game changing interventions that the country needs to focus more on in order to realize a productive and commercially vibrant agricultural diversification programme? I am glad you ask.

## **Your Excellency**

12. A two year-long analysis by the National Planning Commission and stakeholders came up with the following seven game changers:
- i. *Land titling* to offer land tenure security for long-term investments.
  - ii. *Strengthening agricultural extension services*
  - iii. *Sustainable access to well-researched high quality affordable inputs and modern production technologies* (including mechanization). Currently, only 13% of our farming is mechanized.
  - iv. *Mandatory use of structured markets* for all strategic agriculture commodities (as prioritized under the existing National Export Strategy) to increase the volumes and quality, and avoid farm products getting onto informal markets that offer low prices and deprive government of taxes too. The benefits of structured markets can be seen through the tobacco auction floors which offers a stable market, without which tobacco as a crop would not have seen the finance, extension and research investments that it has received over the years;
  - v. *Formation and scaling-up of vibrant cooperatives* for easing access to markets, financing, extension services, and input supply. The use of cooperatives in accessing inputs under the Agricultural Inputs Programme (AIP) is hence commendable;
  - vi. *Investment in infrastructure especially for large-scale irrigation and roads connecting rural areas to markets*. Currently, only 25% of the irrigable land across the country is being irrigated; and
  - vii. *Predictable policies that don't just get reversed overnight* in order to spur long-term investments in the agricultural sector.

## **Your Excellency, distinguished guests**

13. At this juncture, indulge me to make one important point. But before that, let me put this into context. Currently our GDP is close to USD12billion. Given that our population is around 19million at the moment, we need to reach a GDP of USD19billion to graduate into low middle-income. This means we need an immediate extra investment into the economy of USD7billion. This gap in investment requirement will be growing as the years go by because our population is also growing. The slower the population grows, the lower the investment needs and the faster we attain the low middle-income status.
14. But what is the main point am driving at your Excellency? This economy needs a huge jump-start in investments for us to graduate into a middle-income country. We will not need the usual incremental investments by smallholder farmers nor just the Micro, Small, Medium Enterprises (MSMEs). Truth is, we need investments of the size of mega farms running on huge irrigation tracks like those of the Shire Valley Irrigation Project and a highly mechanized farming system so we perennially meet the demands of the huge

markets that we dismally fail to supply currently. The private sector then become our main ally.

15. These mega farms should act as anchor farms supporting smallholder farmers in surrounding communities with a ready market and intensive land use production technologies and extension services; We need more of the Pyxus Agriculture Limited which focuses on value addition with a touted daily processing capacity of 50,000 metric tonnes; We need our own huge local fertilizer manufacturing plant otherwise we should not be called an agrarian nation but a peasant nation; we will need a vibrant mining industry to supplement our agricultural input needs – we mostly need few but big mining plants in the likes of Kayerekera Uranium mine which when last commissioned jumpstarted the mining sector's contribution to GDP from 1 percent to 10 percent; We need investment into steel production with our own minerals to support a vibrant mechanized agriculture sector and industrialization agenda; We need huge tourism investments in the likes of Goshen City and Cape Maclear Resorts that can boost domestic food demand; We need robust economic infrastructure that includes energy, ICT and a road network that connects us to our strategic investment locations; We need some huge fruit canning and textiles producing plants that can create massive jobs and huge multiplier effects across the rural and urban economies; The key message being, we mostly need few big investments in each of the sectors for which we can build a niche and be the centres of production in the region under the SADC value-chain agenda.
16. If we know all this, why are we not doing it? Do, we have what it takes to do this? Once again, am glad you ask. You know what? We need a strong and vibrant private sector. But given the present market failures, bringing back the equivalent of the Malawi Development Corporation should be a top priority under our developmental state philosophy. The Corporation owned by Government but operating in strong alliance with the private sector, will be a trail-brazer in the agro-industrialization path. We have done it before and we can do it again. We have parastatals like Agricultural Marketing and Development Corporation (ADMARC) that are grossly under-utilized but need to be revitalized operating on commercial basis, to act as produce aggregators for local and international markets and trail-braze into a diversification and value adding investments in strong alliance with the private sector; We need to make the most of Malawi Agricultural and Industrial Investment Corporation (MAICC) that has private sector confidence which can be used to attract more capitalization to support large-scale investments in agriculture and industrialization beyond the current SMEs focus, due to low capitalization;
17. We have a beautiful country that is peaceful and renowned for its adherence to the rule of law; a country that has a clear vision and policies that can drive massive diversification agenda for the economy. We have the National Agriculture Investment Plan; We have tax incentives such as duty free on equipment for agro-processing, a Seed Policy, a Fertilizer Policy, a structured market bill, multiple Trade Agreements and MoUs are in place.

18. We have Strategic government projects promoting agribusiness and de-risking agriculture investments such as the Agriculture Commercialization Project and Shire Valley Transformation Programme. And moving forward, all new policies and laws like the National Agricultural Policy which is under review and the Crops Bill in the pipeline, should talk to our wealth creation agenda, attracting both domestic and foreign investments and not pushing them away.
19. And what more? we have our partners like the World Bank, AfDB, European Union, Americans through the USAID and Millennium Challenge Account, and many more bilateral partners ready to support us commercialize our agriculture.

**Your Excellency and distinguished delegates**

20. We have what it takes to drive agricultural diversification in support of an inclusively wealthy and self-reliant Malawi!
21. The Malawi we want is possible and is already happening – but as I heard Your Excellency say the other day, the country seems to lack sense of urgency. You were spot-on! Time for tolerating unwarranted bureaucracies and mediocrity both in state and non-state institutions, Your Excellency, should be over – we don't have the luxury of time.
22. Thanks for your attention!