

2023 MALAWI AGRICULTURAL PRODUCTIVITY & COMMERCIALIZATION CONFERENCE

Barriers, Enablers, lessons and practical experiences for creating an Enabling Environment for Agricultural business in Malawi

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NASFAM CEO

“Diversified agricultural value chains for improved trade balances & foreign currency reserves”



Presentation Outline

1. The agribusiness environment that Malawi requires
2. Brief highlights of current agribusiness position
3. Key barriers
4. Lessons learnt and recommendations



1. Malawi's Model Agribusiness Environment

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'...A conducive business environment with more predictable and transparent market interventions shall encourage commercial investment in agriculture thereby enabling more integrated and competitive agricultural value chains to develop.'



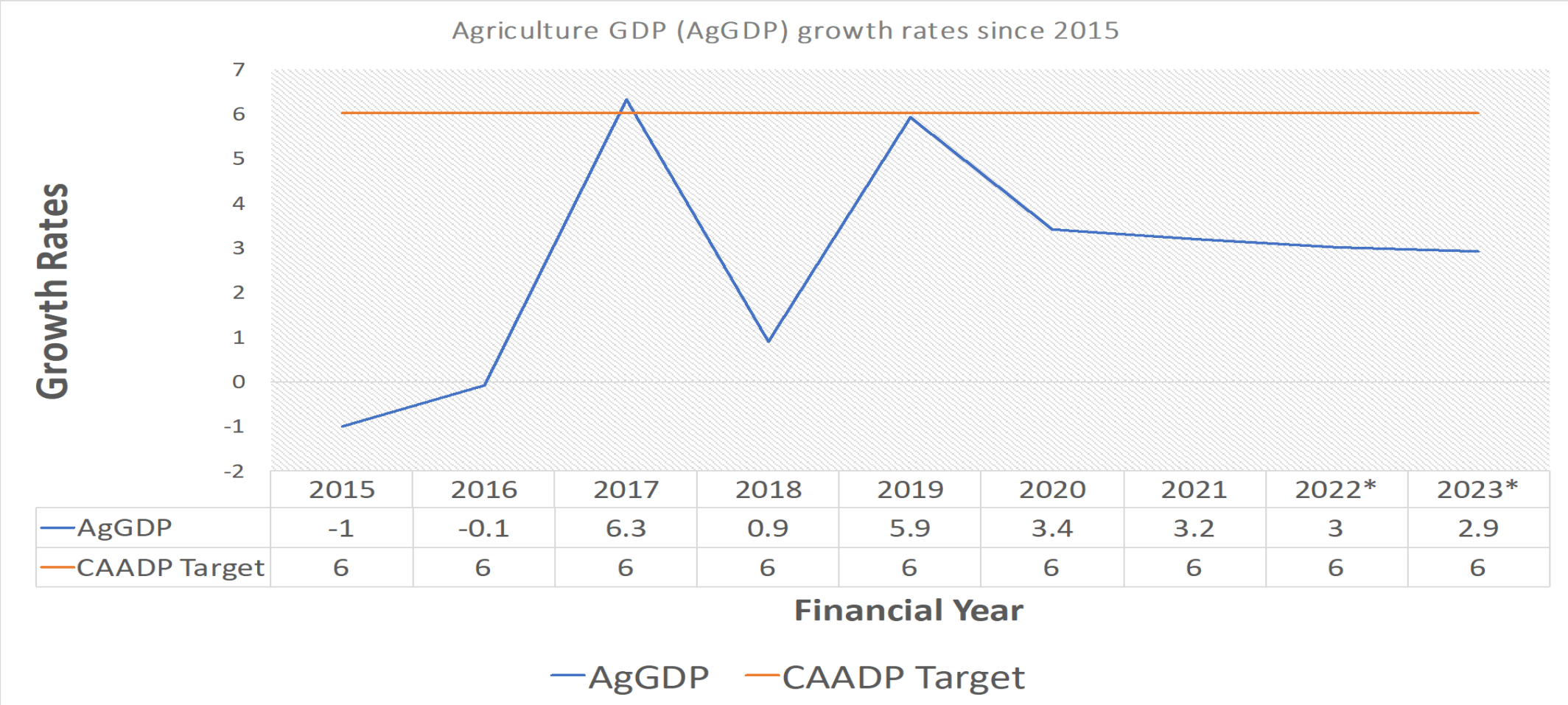
1. Malawi's Model Agribusiness Environment

- A thriving agribusiness sector allows:
 - Growth and increased profitability of **existing** enterprises
 - Entry of **new** enterprises
 - What any business needs to start, grow and thrive
 - Stability (economic, political etc)
 - Predictability
 - Clarity and consistency of rules, guidelines and procedures
 - Affirmative action/incentives – an added advantage
- ☐ For a LONG TIME – agric investments and returns can take many years



2. Current Environment

Low agricultural GDP growth



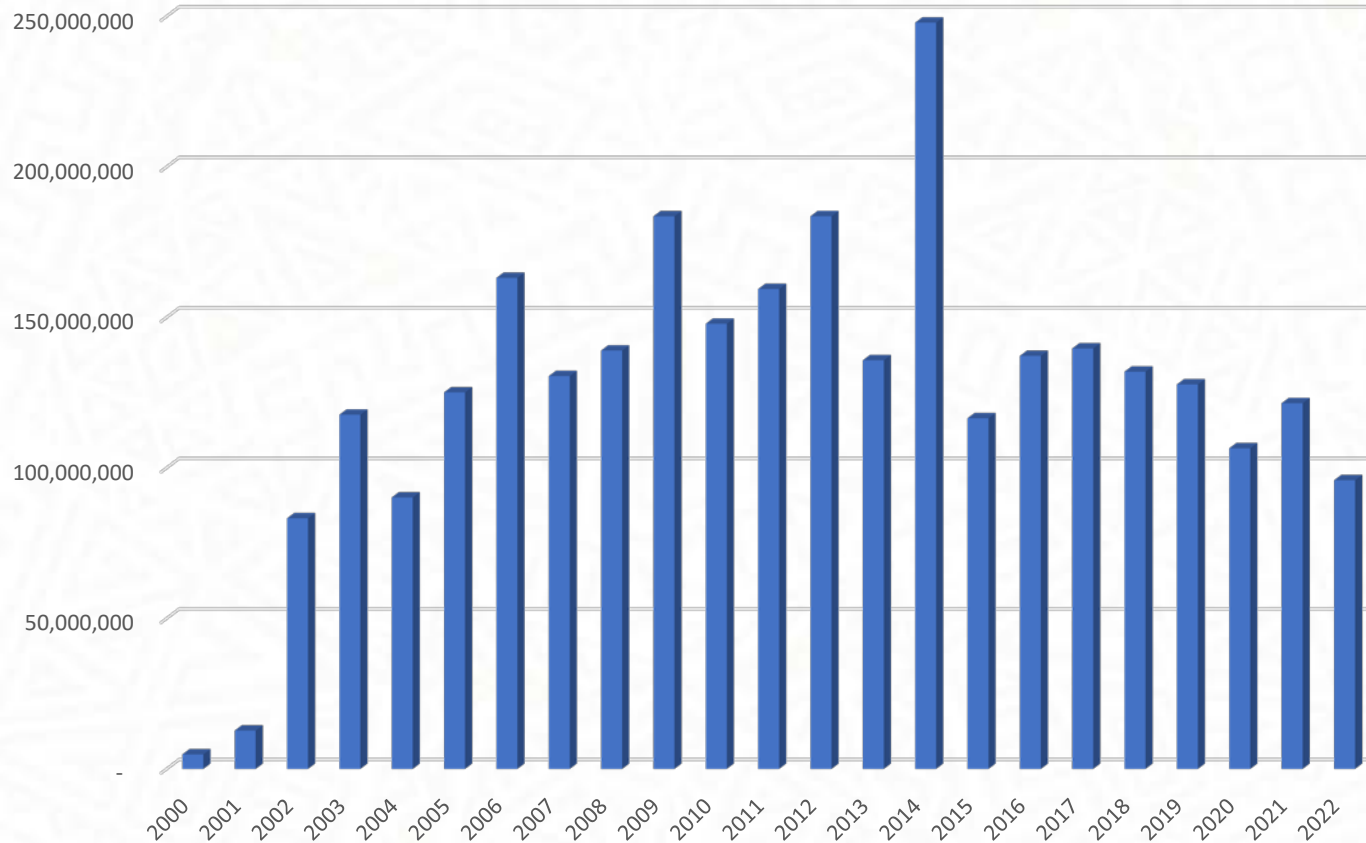
Current Environment: Low/Stagnant National Output for most crops

	NATIONAL PRODUCTION ESTIMATES			
	2018	2019	2020	2021
Maize	2,697,959	3,391,924	3,785,712	4,581,524
Rice	112,313.00	132,728	142,591	155,433
Tobacco	116,558,318	144,239,183	112,689,763	98,691,838
Pigeon Peas	434,792	403,519	403,928	421,402
Groundnut	344,583	417,990	425,885	402,993
Sunflower	20,312	20,680	21,004	21,356
Soya	175,475	222,865	264,372	264,497



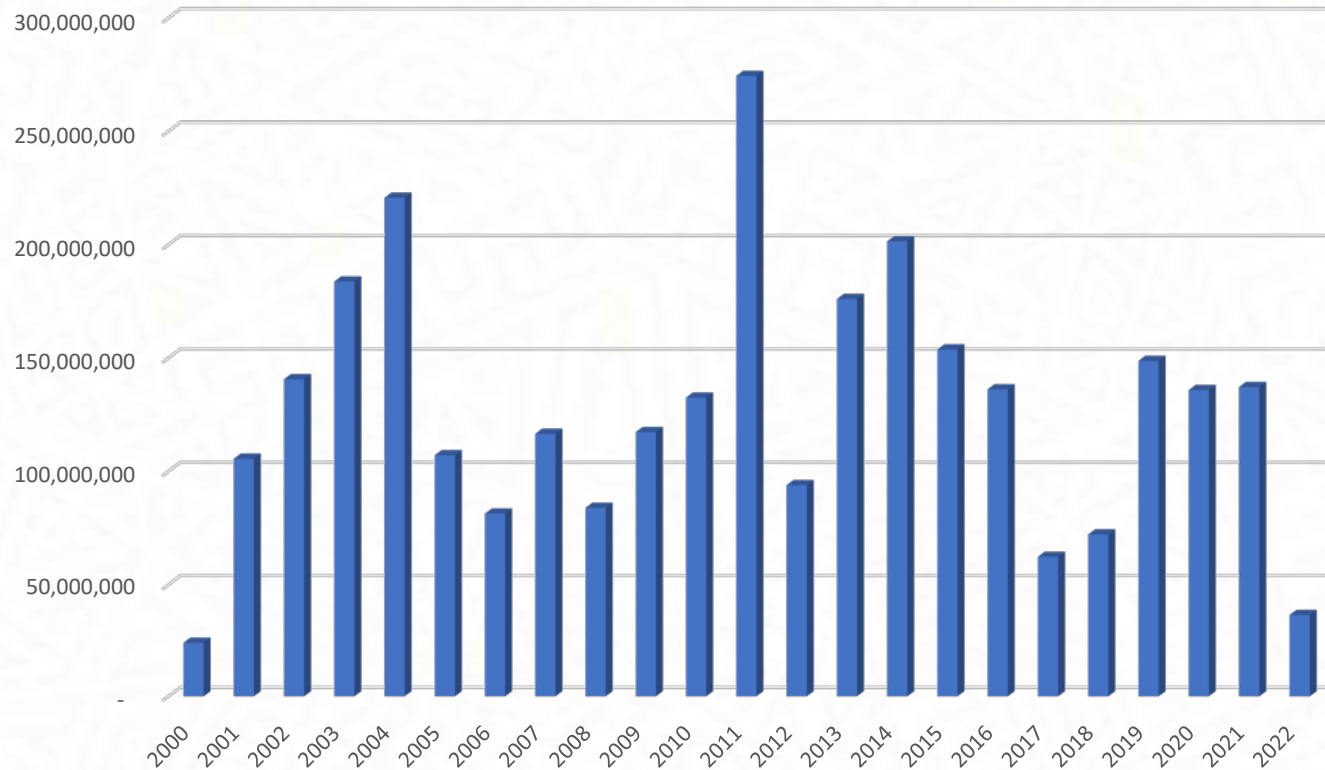
Current Environment: Low/declining volumes for traditional exports

Export Of Tobacco in Kgs



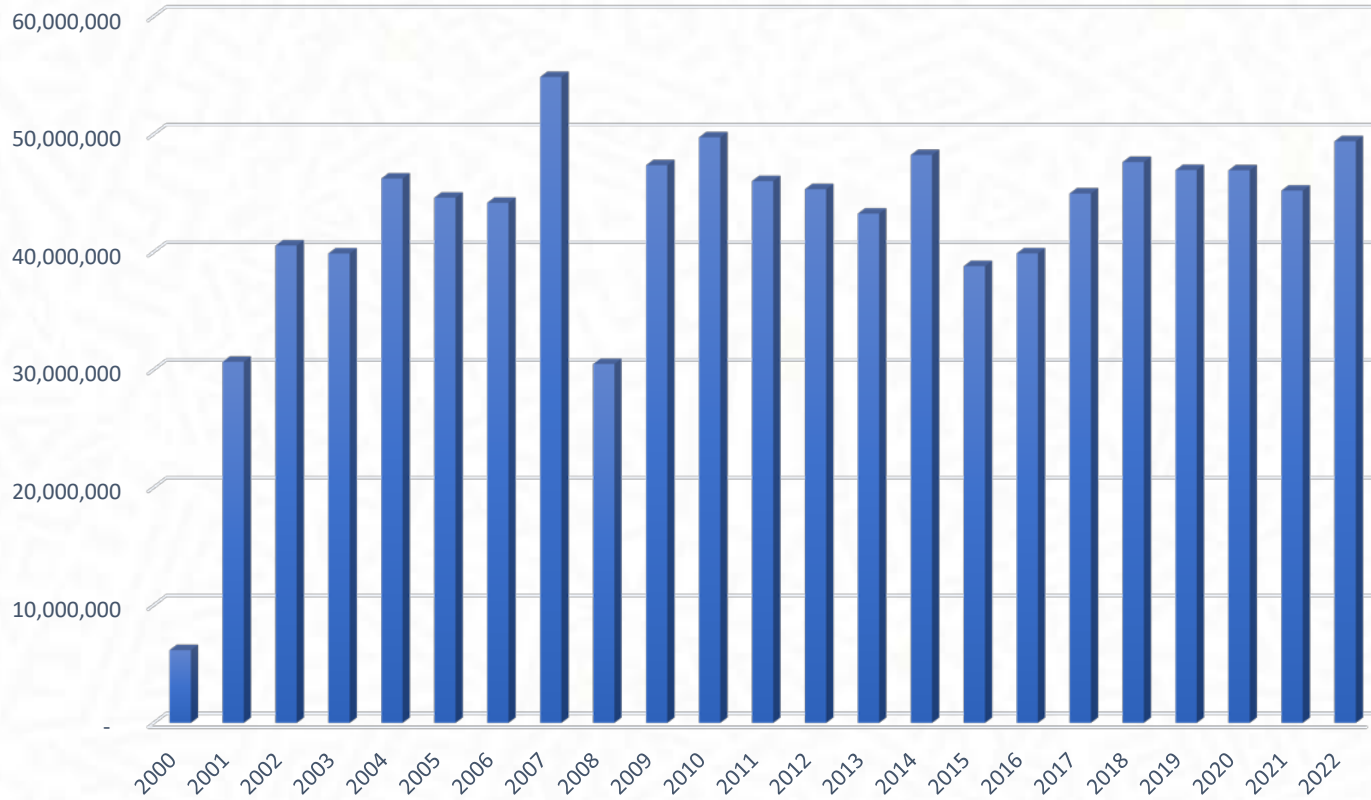
Low/declining exports: Sugar

Export of Sugar in Kgs



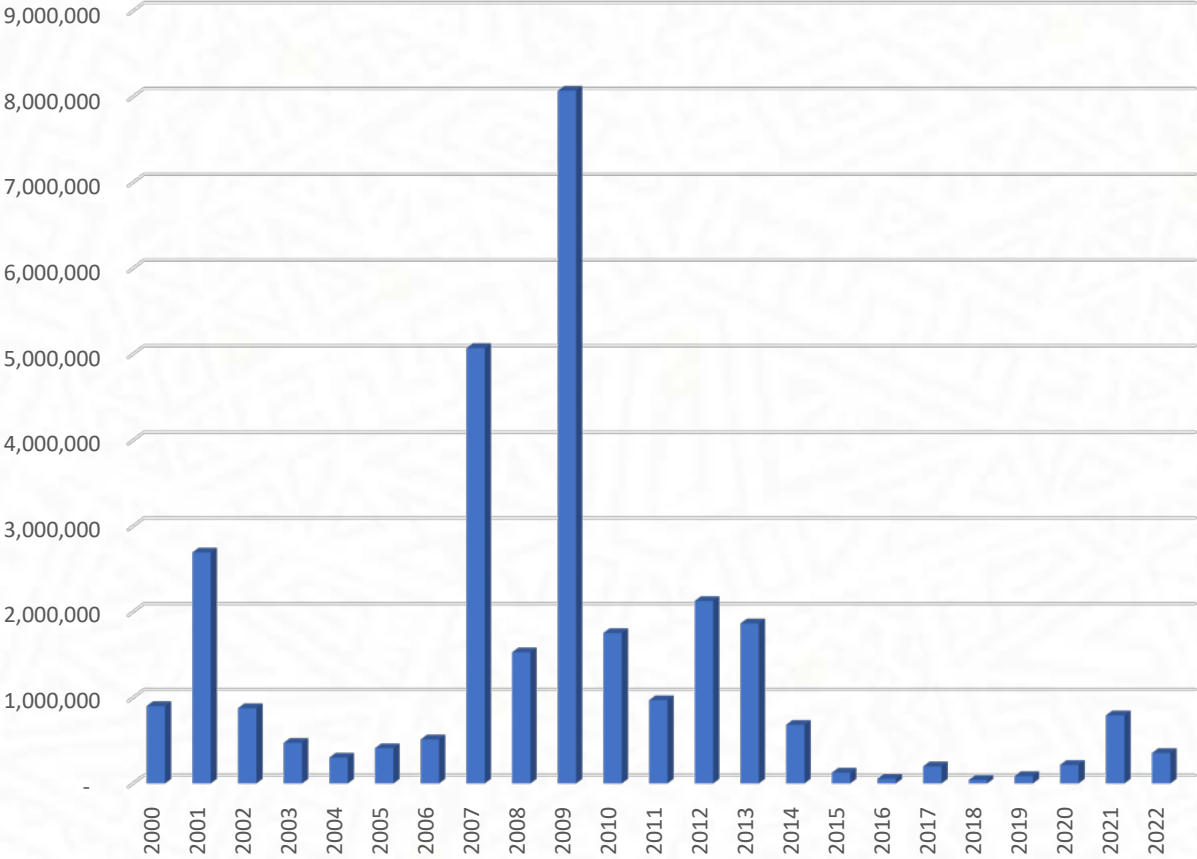
Low or declining exports: Tea

Export of Tea in Kg



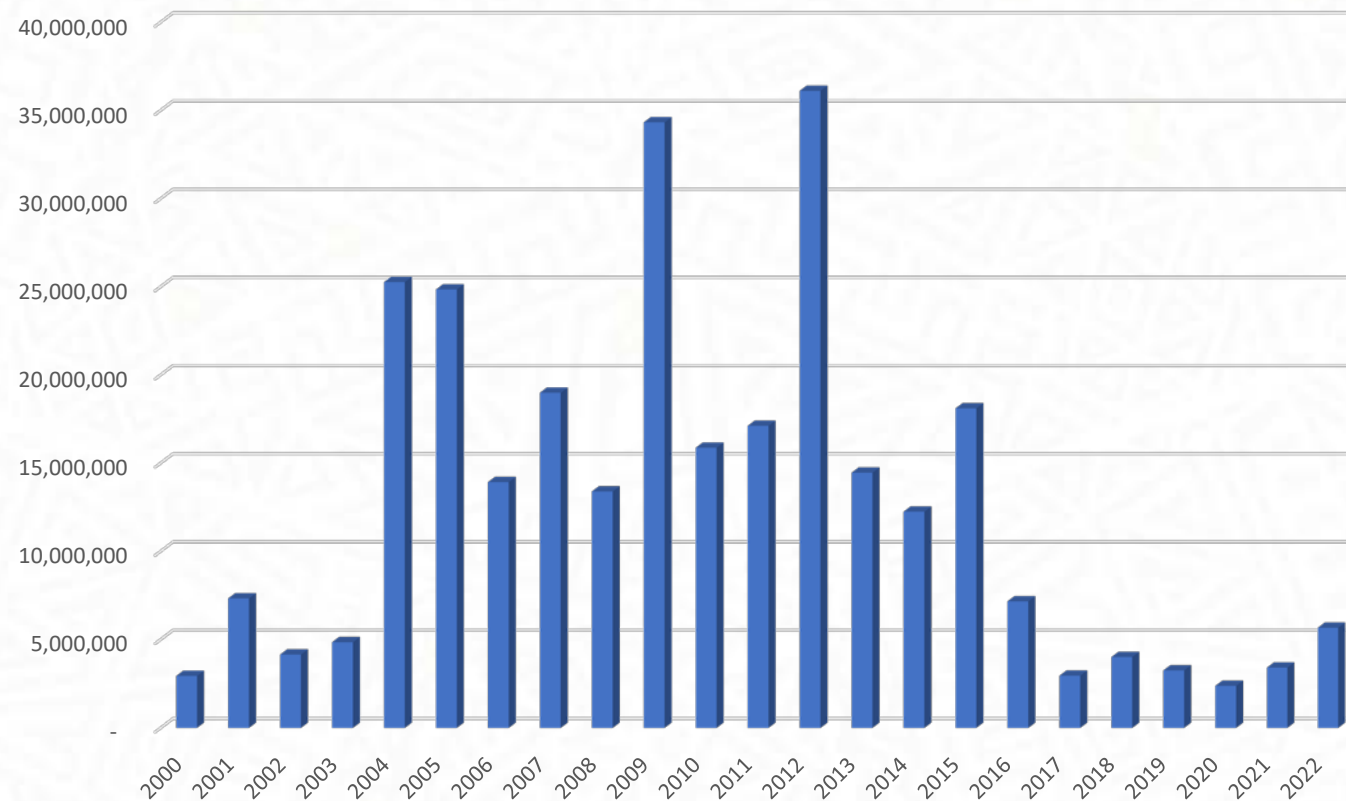
Low/declining Exports: Rice

Export of Rice in Tonnes



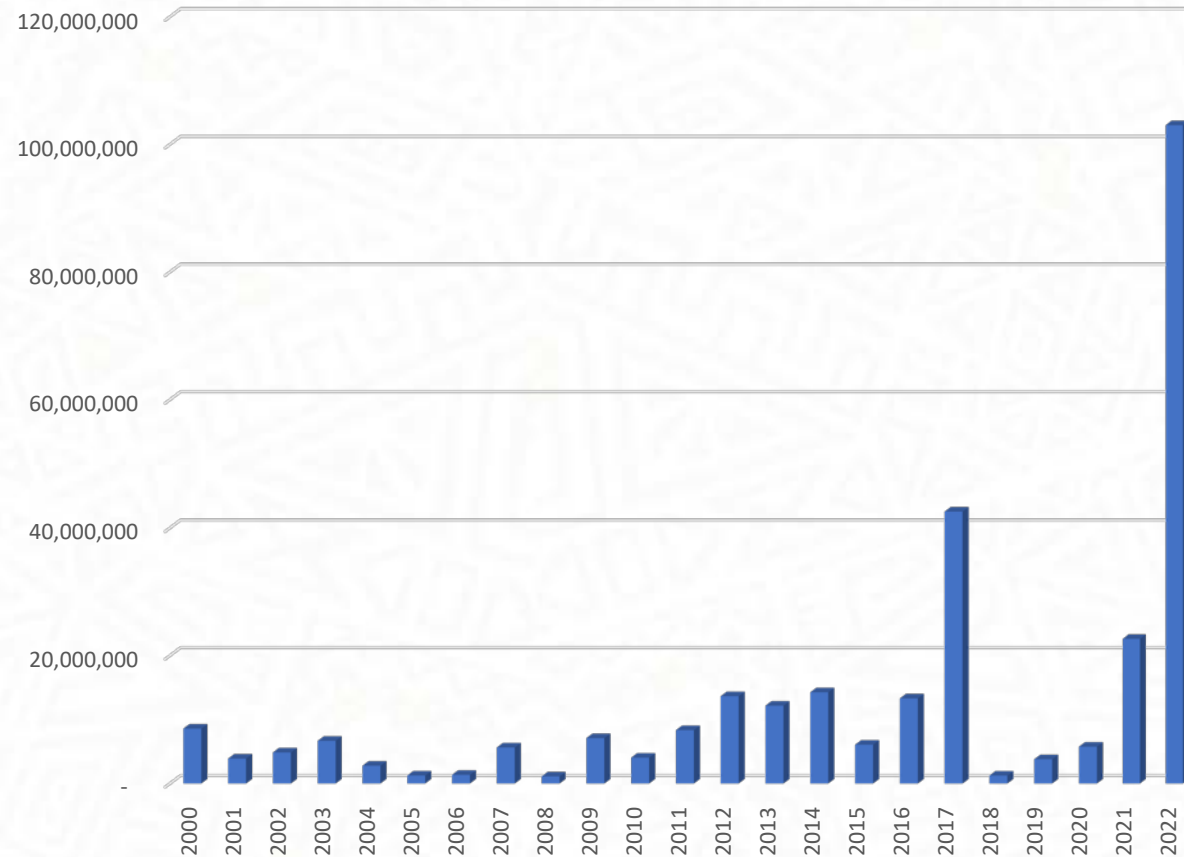
Low/declining Exports: Cotton

Export of Cotton in Kgs



Low exports: Pulses

Export Of Pulses in Kgs



2. Current Environment

More small and medium scale enterprises and cottage processing

- **More lower level/first level value addition (e.g. maize products)**
- **High importation of higher value agricultural processed commodities**
- **Limited ability to consolidate for higher value markets**

3. Barriers and key challenges

- Policy inconsistencies/contradictions/Policies not in line with market realities
 - Food security versus trade conflict
 - E.g. High minimum prices that are set too high (the case of Cargill in 2008/9)
- Management of a dominant SME and informal sector
 - Failure to curb illegal agribusiness activity or regulate some informal business conduct
 - Informal/illegal business conduct creates competitive challenges for formal businesses
 - Across the board controls implemented instead of specific interventions to address specific challenges (e.g. export ban instead of export control)



Barriers and key challenges

- Government and private sector coordination and ‘conflict resolution’
 - Greater focus on CONTROL at the expense of FACILITATE, PROMOTE and INCENTIVISE
- Greater focus on attracting (new) FDI and not adequately supporting existing domestic investment
 - Failure to adequately incentivise our objectives
- Lack of clarity of medium term to long term strategic direction for some key programmes affecting agribusiness investment decisions
 - e.g. AIP medium to long term strategy, ADMARC restructuring, MOA restructuring
 - extremely long times in developing some policies or strategies



Barriers and key challenges

- Generally high cost of doing business and macroeconomic challenges
 - Electricity, water, storage, quality testing etc
 - Overvalued exchange rate
 - Parallel exchange rate making formal exports unattractive
 - High interest rates
- Limited market-led production and contract marketing (producing and selling, and not producing to sell)
 - Crops, variety, quality etc not in line with market demands
 - Agribusiness not supporting production due to poor enforcement of contracts

Lessons learnt and Recommendations

- Deliberate strategies for incentivising agribusiness
 - Land locked Malawi not as competitive as neighbouring countries
- Value chain development approach for priority commodities (seed to final agro-processed product, from research, extension, value addition and marketing)
- Supporting and incentivising inclusive agribusiness models that benefit smallscale, medium and large scale farmers and enterprises
- Incentivise formal agribusinesses so informal players can be encouraged to move into the formal sector
 - More controls only worsen and not improve the situation
- Less focus on control and more focus on enforcement of existing regulations
- Market-led, contract farming: Increased Min of Trade and Min of Agric coordination
- Import substitutions versus export promotion
- Real, symbiotic engagement between Government and the Private Sector





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