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EXPERIENCES, LESSONS AND CHALLENGES IN AGRICULTURAL DIVERSIFICATION AND COMMERCIALIZATION IN MALAWI

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



Presentation outline

- Introduction
- Agricultural diversification and its importance
- Agricultural commercialization
- Challenges in agricultural diversification and commercialization
- A Checklist for Malawi on the Experiences, Lessons and Challenges
- Way forward
- Conclusion



Introduction

- Agriculture is critical for achieving national objectives such as
 - a broad-based growth,
 - poverty reduction,
 - food and nutritional security,
 - resilience,
 - climate change adaptations and
 - trade development.

- A targeted and well-balanced framework for investment in the sector is key for achieving these goals.

- The agricultural sector alone, if well harnessed has potential to drive economic growth and lift Malawians out of poverty.



Agricultural Diversification and its importance

- ❑ Agricultural diversification is the process of increasing the variety and value of agricultural products and activities, with the aim of improving food security, nutrition, income and resilience.
- ❑ However, crop production has, for decades, concentrated on one main food crop (maize) and one main cash crop (tobacco).
- ❑ Maize is by far the most dominant crop grown by almost every farmer and accounting for about 50% of the entire planted area.
- ❑ The maize-centered approach to food security has contributed to a limited dietary diversity at household and national levels



Agricultural diversification and its importance....

- ❑ Only 25% of the population is able to meet the dietary diversity.
- ❑ Tobacco has remained the major cash and export crop.
- ❑ The dominance of maize and tobacco renders the country vulnerable to production and market risks.
- ❑ These two commodities have been susceptible to regulatory, climate variability and global economic shocks.
- ❑ ***Diversification in crop production and exports has become a priority.*



Agricultural diversification and its importance....

- ❑ In 2010 Malawi imported US\$2.3 billion worth of goods against US\$1.2 billion which was exported translating into a very unsustainable structural trade deficit.
- ❑ National Export Strategy (NES) was developed in order to formulate priority clusters in which Malawi could have a competitive edge thereby create strong spillovers, thus allowing for diversification.
- ❑ This, in the long-term, would support existing clusters such as tobacco and tea in order to build a productive capacity such that exports may match imports.



Agricultural Commercialization

- ❑ Is the process of increasing the proportion of agricultural output that is sold in the market, rather than consumed by the household or given away.
- ❑ It involves transforming subsistence farming into a more profitable and productive activity.
- ❑ Despite the high dependency on agriculture, commercialization of the sector is limited and is characterized by low productivity, low levels of improved farm input use, limited private investment and low mechanization.



Agricultural Commercialization....

The agricultural sector has continued to be characterized by the following features:

- ❑ It is driven by both commercial purchases and government subsidies of fertilizers, seeds and other inputs.
- ❑ It is dominated by smallholder farmers, who account for about 80% of the agricultural output and 90% of the rural population.
- ❑ Currently, it relies on rain-fed agriculture that predisposes productivity to weather shock and unpredictability.

Agricultural Commercialization...

- ❑ It is influenced by several factors, such as access to inputs, markets, credit, extension services, infrastructure and policies, climate change, research and innovation, and institutional coordination
- ❑ It is uneven across crops, regions and households, with some crops being more commercialized than others
- ❑ It is far from being inclusive, as many smallholder farmers face constraints that limit their capacity to fully participate in commercialization.
- ❑ Smallholder farmers face barriers to participate, such as low productivity, high transaction costs, lack of information and weak bargaining power.

Challenges in Agricultural Diversification and Commercialization

- ❑ **Agricultural diversification has potential benefits for smallholder farmers, consumers and the economy.**
- ❑ **The major challenges are**
 - **Lack of effort to invest and develop a well organized and structured value chain for the identified alternative crops.**
 - **Lack of productive alliances and predictable markets modeled after the tobacco and tea production systems.**

Challenges in Agricultural Diversification and Commercialization...

❖ The MW2063 agenda has identified such gaps and defined what needs to be done such as

- ❑ Develop a meaningful diversification program that aligns with profitable agricultural systems and value chains
- ❑ Genetic improvement initiatives for generation of high yielding and disease resistant varieties and varieties that are resilient to climate variability shocks.
- ❑ Develop efficient and sustainable irrigation systems
- ❑ Anchor farms to unleash the potential and productivity of commercial and smallholder farmers to generate surplus raw materials required for industrialization.

A checklist for Malawi on the experiences, lessons and challenges

- Land – 4.4 million ha of arable land, 408,000 ha potential for irrigation vs 147,000ha currently irrigable land
- Farmers – Farmer groups: Associations and Cooperatives – well organized
- Crops – Variety of crops / enterprises, Innovations and Technologies available
- Markets – Where do current off-takers export our crop produce to?
- Defined value chains versus government support – Why is the Government not giving adequate support to the development of the Value Chains

Way forward

The interventions that could enhance agricultural diversification and commercialization in Malawi include:

- Developing and diversifying markets and value chains for diversified products.
- Improving the quality and availability of agricultural inputs and services such as seeds, fertilizers, irrigation and mechanization.
- Strengthening the capacity and organization of smallholder farmers and their cooperatives.
- Enhancing the policy and institutional environment for agricultural diversification.

Way forward....

- ❑ Promoting climate-smart and resilient agricultural practices.
- ❑ Improved involvement of women and the youth in agricultural production and development.
- ❑ Acknowledgement and promotion of medium scale and urban farming
- ❑ Efficient implementation of the mega farms concept coupled with green revolution initiative.
- ❑ Deliberate effort to incentivize companies such as Press Agriculture Ltd, Illovo, Mpsa Holdings, Mtalimanja Holdings, etc to venture into these other crops to successfully achieve agricultural diversification and commercialization.

Conclusion

- The country needs to bring together different stakeholders and strategize on agricultural diversification and commercialization.
- This is the only way we can achieve national objectives such as a broad-based growth, poverty reduction, food and nutritional security, resilience, climate change adaptations and trade development.

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