

# Agriculture Commercialisation: a key driver for Transformation

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MALAWI: BEYOND RESEARCH TO IMPLEMENTATION

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# Agriculture Transformation (AT)-what it means

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A process by which an agri-food system transforms over time from being subsistence-oriented and farm-centered into one that is more commercialized, productive, and off-farm centered (Timmer, 1988).

- AT for Malawi should emphasize —increased productivity (labour and land); diversified food and export base.
  - Smallholder only utilizing about 40% of potential productivity
  - Increased productivity will gradually release land and labour to other high value sectors

AT-is strategic for inclusive growth---agriculture supports >74% of labour force;

Malawi needs to be ready if it is to benefit from African Continental Free Trade Area (ACFTA)---1.2 billion market

# What is agricultural commercialisation?

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- Increasing the proportion of marketed production from the selected agriculture value chain
  - ❖ requires change in orientation—market focused production
- Agric VC-products of farms, agribusiness, inc' crop, livestock, fisheries sold domestically or exported depending on market requirements

# Malawi Knows the Right Policies and Strategies

NES I identified strategic focus areas—such as legumes and oil seeds

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The NAP and NAIP orient Malawi's agricultural sector towards commercial farming with greater specialization of smallholder production systems.

Pillar to raise productivity (PP1) with a higher uptake of mechanization (PP2) and irrigation (PP3), climate risk reduction (PP4) as well as diversification of production.

NAP aspires to facilitate greater agricultural market development, agro-processing and value addition (PP5)

However, **NES I achieved less because it was not well-funded;**

**To sustainably  
commercialise  
agriculture, Malawi needs**

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# 1.0 Strategic commodities guided by comparative advantage (CA) and competitiveness

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Malawi has CA in production of **legumes and oil seeds**: soybeans, pigeon peas, common beans (red speckled and red kidney beans) groundnuts and cotton; tree crops such as tea, coffee and **macadamia** and others such as cassava, chilies, sugar and dairy –(EDF/FUM-**Nakhumwa 2018**)

Using Price Spread Method and Market Efficiency Index (MEI)—

Competitiveness was further examined by comparing the delivered at place (DAP) price with the international price for the various commodities and different export destinations. **Varying competitiveness**

Decomposing the DAP price to identify inefficiencies for targeted interventions---high transportation costs, high domestic producer prices, handling-quality management costs, high cost of energy –coffee, madacamia, and sugar, ---(EDF/FUM **Nakhumwa 2019**)

# 2.0 Establish Anchor Zones

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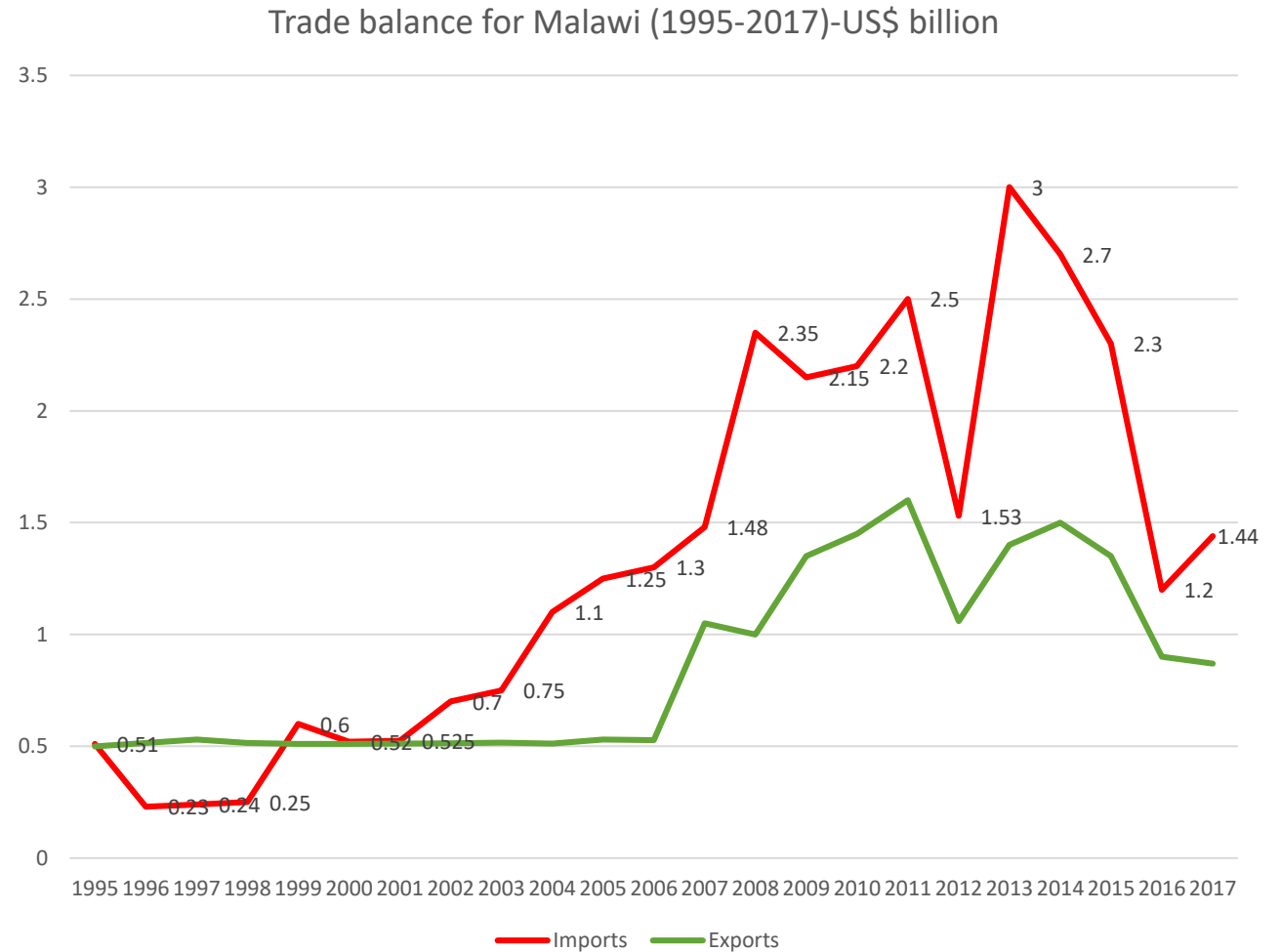
- ❖ Identify few strategic commodities for each anchor zone
  - Promoting specialization
  - Mastering economies of scale-huge volumes
- ❖ Production should target both export and import substitution

# Import substitution also strategic

Positive trade balance 1996-98

Since 1999 Malawi has been experiencing negative trade balance and increasing gap reaching peak in 2013;

Disaggregating imports— 50% are from cereals, veg/animal fats and oils - key take away>>Malawi importing what it can easily produce





# 3.0 Sorting some of the binding constraints

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- ❖ **Energy is critical** to unlock potential and attract strategic investments in agriculture—processing industry, irrigation
- ❖ **Transport and road network** to reduce cost of transportation-which reduce Malawi's competitiveness

# 4.0 Bringing structure across the entire value chain

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**Success of tobacco was not mere fluke**—it was well planned and supported

- Structured markets (not limited to commex)—farmers benefit from international price
- Modern Research and Extension-ARET and private
- Access to agriculture finance—active participation of commercial banks
- Increased access and well structure provision of modern technologies – inputs—**traceability issues now critical**

Any successful commercialisation should somehow replicate this model

# Some strategic Govt initiatives

- ❑ USD95m (WB credit financing) six year Malawi Govt Flagship prog for commercializing agric;
- ❑ Shire Valley Transformation Program (USD234m- WB, AfDB, GoM)
- ❑ AGCOM Experience
- ❑ Productive Alliance: partnership between producers and off-takers is strategic from the onset
  - ❖ Ensure farmers produce for the market;
  - ❖ bringing structure to the entire VC (input supply, agric financing, structured markets);

# AGCOM Cont'd

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- ❑ AGCOM is investing in strategic capital investment- to promote mechanisation and commercialisation
- ❑ **Mindset change:** critical but requires time and concerted efforts at all levels—spirit of handouts may limit speed of implementation—**Politics and NGOs major culprits.**
- ❑ Strategic capacity building required: Governance, entrepreneur skills, financial management, collective marketing
- ❑ Off-take Agreements and support to POs (technical and matching grants) facilitated easily in value chains with structured markets arrangements (e.g., tea, sugar, macadamia)—AGCOM facilitating this to model to other VC

# Expectation from AGCOM commercialisation drive

## □ AGCOM will establish 200 PA by 2023

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- ❖ Will have achieved Increased productivity, Increased gross sales value for selected VC;

- ❖ Currently 64 PAs approved

- ❖ 33 PAs already accessing AGCOM matching grants

- **About US\$4.5m committed already and >US0.5m mobilized by smallholders to co-finance subprojects;**

- 16,572 beneficiaries out of which >9148 are women and > 3697 youth

- Already rehabilitated 2000 ha of irrigation land (20 schemes)—offer great potential

- Strategic investments to upgrade quality for both domestic and export markets

# PROJECT VALUE CHAINS



Crop Production



Horticulture



Livestock



Fish Farming

# AGCOM is Here!

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