

2023 MALAWI AGRICULTURAL PRODUCTIVITY & COMMERCIALIZATION CONFERENCE

Practical Strategies for Attaining Market-led Agricultural Commercialization and Diversification in Malawi

By

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





Outline

1. Context
2. Malawi 2063 pillars
3. Why focus on Pillar 1 of MW2063 in addressing current forex/trade balance challenges
4. Some Practical Strategies for Market-led Agricultural Commercialization and Diversification – Drawing on MIP-1
5. Key take aways



Reflection

“Therefore, I will always be ready to remind you of these things, even though you already know them, and have been established in the truth which is present with you.”

1 Corinthians 11:24





Context

Malawi's macro-economic instability reflects sustained vulnerability over time:

- Low fiscal space, forex shortages, and resultant unsustainable debt – *all symptoms of a structurally weak economy*
- High unsustainable public debt (70% of GDP), rising inflation (29.9%), low export base - negative trade balance -3.7% and import cover of less than 3 months (2021) - (World Bank, 2022).
- Worsened by:
 - Geo-political tensions (affecting development aid and market linkages - supply and distribution chains for strategic goods and services)
 - Global and regional pandemics (Covid-19, Cholera),
 - Negative climatic feedback - risks and disasters; disrupting production base - agriculture, economic activities - infrastructure damages, human capital (injuries and fatalities)
- Response so far:
 - Malawi 2063 – wealth creation and self-reliance: catalytic interventions by Pillar/Enabler
 - Covid-19 socioeconomic recovery plan, austerity measures

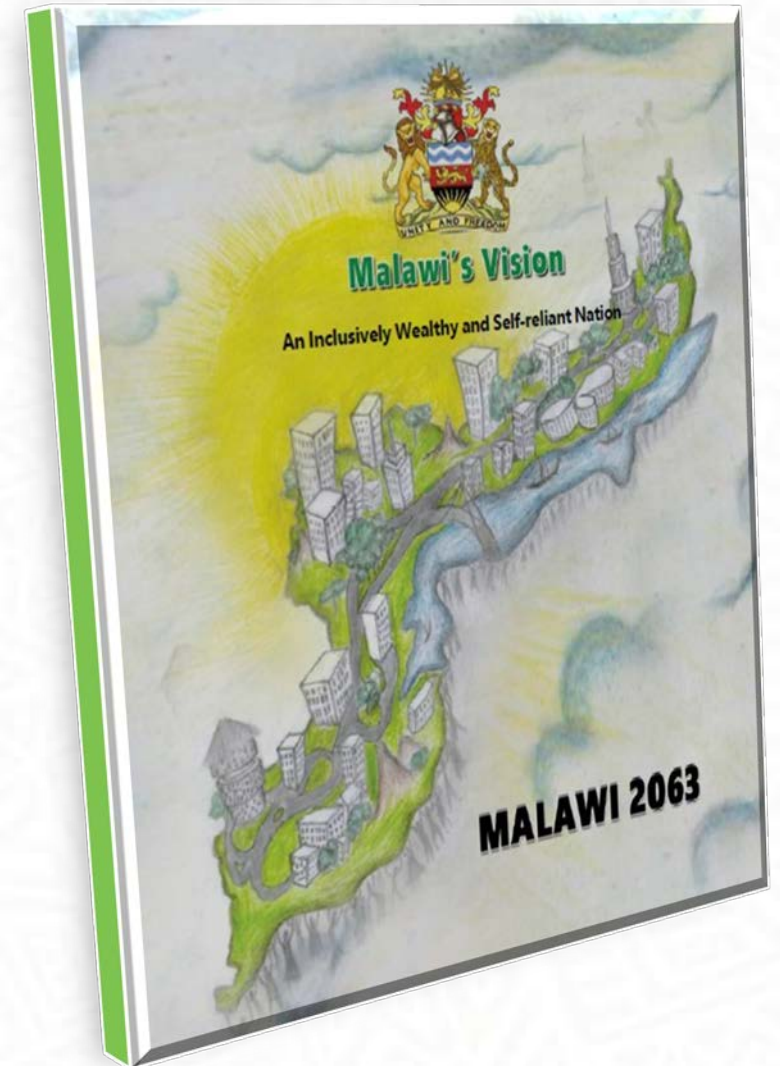


Three pillars

1. Agriculture Productivity and Commercialization
2. Industrialization
3. Urbanization

Seven Enablers

1. Mindset Change
2. Effective Governance Systems and Institutions
3. Enhanced Public Sector Performance
4. Private Sector Dynamism
5. Human Capital Development
6. Economic Infrastructure
7. Environmental Sustainability



Why Pillar 1 of MW2063 (Agriculture Productivity and Commercialization) is key as a quick-win area of focus

- **Bedrock of Malawi's socioeconomic development and springboard to economic diversification – we need to build on what we already have!**

How?

- Currently contributes a fifth to Malawi's GDP (23 percent)
- Key to manufacturing and diversified industrial sector - Major source of raw materials (crops, fisheries and forestry)
- High export market potential due to more value chains
- High potential for inclusive job and wealth creation (Employs above three-fourth of Malawians)
- **Takes one season that usually lasts less than a year to deliver export earning and import substitutes.**



Snapshot selected agriculture exports 2022/23

Value Chain	Export potential (\$)	Actual exports (\$)	Unrealized potential remaining in individual country (\$)	Export percentage
Raw sugar	96	61	52	46
Cane or beet sugar	14	3.8	11	21
Legumes	63	22	44	30
Soya beans	41	41	22	46
Oilcake of soya bean oil	57	23	34	41
Fowls, whole, fresh	4.4	426k	4.3	30
Peas, dried, shelled	10	9.6	5.1	36

Key points from the data

- Malawi failing to fulfil trade deals and demand
- Potential loss of forex which could ably address fiscal challenges.
- Underutilized agriculture value chains - livestock (goats), fisheries, and forestry (timber) - limiting potential exports and foreign exchange



Practical Strategies for Attaining Market-led Agricultural Commercialization and Diversification

MW2063 First 10-Year Implementation Plan (MIP-1):

1. Land titling and commercial access
2. Incentivising the private sector to diversify towards high value niche crops, livestock and fisheries in line with emerging local and international demands and providing the ancillary support (structured market, research, credit, and extension) – building on the tobacco, sugar and tea examples
 - ✓ *Government-Academia-industry- non-state actor partnerships – including offering insurance on niche agricultural areas and providing finance guarantees – like MAIC*
 - ✓ *Effective and meaningful engagement with private sector on relevant laws, policies and business operating environment that beats regional averages*
 - ✓ *Incentivising mega-farming by large commercial entities like Illovo which will act as anchor farms for smallholders*



Practical Strategies for Attaining Market-led Agricultural Commercialization and Diversification Contd.

3. **Scaling-up of vibrant cooperatives** for enhancing productivity through access to credit, technologies, inputs and easing access to markets (off-takers like AGCOM model)
4. **Investment in infrastructure** for large-scale irrigation (like shire valley irrigation programme)
5. **The state catalysing investments, in strong alliance with the private sector,** towards agricultural productivity and commercialization – the case of reforming ADMARC into a full commercial entity to include private share ownership and run by the private entity with Government sitting on the Board as shareholder.



The envisioned ADMARC

‘We shall have an agricultural development and marketing entity running on commercial principles, promoting the commercialization of agriculture and providing local and international structured market linkages to our farmers. The parastatals shall operate under a strong alliance with the private sector, in a transparent and accountable manner.’ MW2063, Pg 15.



Key Take Aways

Attaining Market-led Agricultural Commercialization and Diversification will primarily require:

- 1. Incentivizing the private sector to diversify into high value agricultural value chains – this requires effective engagement**
- 2. The state catalysing investments, in strong alliance with the private sector, towards agricultural productivity and commercialization – the case of reforming ADMARC**
- 3. Having structured markets (or off-takers) that support production of both large scale and smallholders – largely operating in cooperatives.**



Reflection

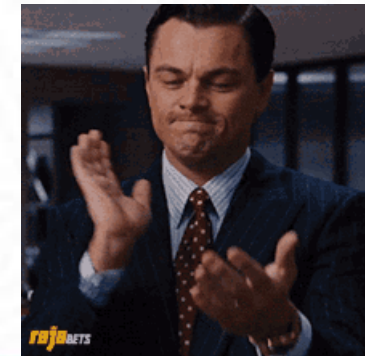
“Money [forex] isn’t the most important thing in life, but it’s reasonably close to oxygen.”

- Zig Ziglar



‘... Ears that do not listen to advice, accompany the head when it is chopped off.’

~African Proverb’



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