

Policy and Investment Reforms for Strengthening the Growth of Malawi's Soybean Value Chain

Soybean is a strategic priority value chain in Malawi, driven by strong demand from the livestock and processing sectors. Closing yield gaps and advancing value addition can unlock significant growth. With targeted policy reforms, the sector could generate up to USD181 million GDP gains, create 29,500 jobs, and lift 196,000 people out of poverty by 2030.

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Soybean is a critical input for livestock feed and edible oil production, and it also serves as an important income source for smallholder farmers. Beyond its commercial

value, it contributes to food and nutrition security and improves soil fertility when used in rotation with maize and other staples. Globally, demand for soybean has expanded rapidly, driven by rising consumption of vegetable oils and sustained growth in poultry and aquaculture industries, where soybean meal is a key feed component. In sub-Saharan Africa (SSA), however, domestic supply has not kept pace with this demand, resulting in persistent reliance on imports of both raw soybeans and processed products. This supply–demand gap presents a clear opportunity for countries such as Malawi to expand production, deepen local processing, and reduce import dependence.

In Malawi, soybean has emerged as a strategic commodity within the agricultural transformation agenda. The value chain is prioritised within national frameworks such as the National Export Strategy II and has received strong support from the government and development partners through programmes, such as the Ulimi ndi Chilengedwe m'Malawi (UCHI) and the Transforming Agriculture through Diversification and Entrepreneurship Programme (TRADE). Despite this momentum, structural constraints continue to limit the sector's performance. This policy brief identifies targeted policy and investment opportunities to strengthen the soybean value chain and support the transition toward a more competitive, market-led system.

The analysis draws on a combination of desk research and key informant interviews with stakeholders across the value chain. It applies the Policy and Investment Prioritisation through Value Chain Analysis (PPVC) approach, which is designed to guide policymakers in identifying and sequencing high-impact, cost-effective reforms. Building on the 2023 soybean deep-dive, the study tracks recent policy developments, private sector investments, and evolving value chain dynamics. It assesses product flows, farm and firm-

level margins, and the implications of proposed reforms, including their potential economy-wide impacts, to inform evidence-based decision-making.

Closing the Yield Gap to Unlock Large Production Gains

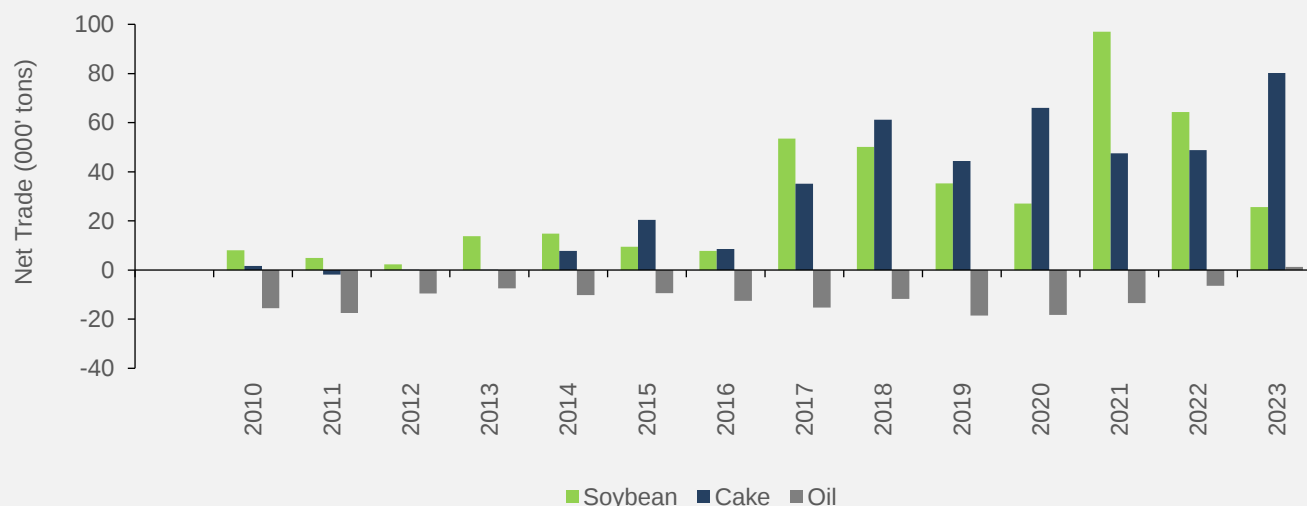
A substantial yield gap underscores the opportunity to significantly raise productivity and output. Between 2015 and 2025, smallholder yields averaged around 0.8 t/ha, far below the estimated potential of 2.5–3.5 t/ha under improved crop management. While Figure 1 shows steady gains in production, area planted, and yields over this period, productivity improvements have been modest relative to potential. This indicates that growth has been driven more by area expansion than by efficiency gains. Bridging this yield gap—through improved seed systems, agronomic practices, and input use—remains the single most important lever for scaling production sustainably.

Rising Processing Capacity and Feed Demand are Creating a Strong Market Pull

Malawi's soybean sector is supported by rapidly expanding downstream demand and processing capacity. Installed processing capacity increased from approximately 650,000 tons in 2023 to 800,000 tons in 2025, following new private sector investments, including a 150,000 tonnes per annum facility. This expansion has created excess capacity, positioning the industry to absorb higher domestic production. At the same time, the growth of the livestock sector—particularly poultry and aquaculture—continues to drive strong demand for soybean cake as a key feed input. This combination of excess capacity and rising demand provides a clear pathway for scaling domestic production while strengthening agro-industrial linkages.

Rising soybean and cake exports with narrowing soybean oil deficit

Figure 1: Malawi's soybean, cake, and oil net trade position, 000 tons, 2010-2023



Source: International Trade Centre, Trade Map data

Policy Support is Complemented by Donor and Development Partner Investments

Soybean has been prioritised under Malawi's agricultural and export development strategies, notably the National Export Strategy II. The value chain has also benefited from flagship programmes such as TRADE and UCHI. TRADE is supporting farmer-based organisations through grant financing and investments in enabling infrastructure, including roads and storage facilities, in several districts, which include key production hubs such as Mchinji, Lilongwe, and Kasungu districts. UCHI is in the early stages of targeting farmer organisations and SMEs for support across production, marketing, and the broader enabling environment. These investments signal strong policy momentum to commercialize and diversify the soybean sector.

Rising Soybean and Cake Exports Signal Emerging Soybean Oil Import Substitution Opportunities

Trade patterns reinforce the sector's growing competitiveness. As illustrated in Figure 1, Malawi has transitioned into a net exporter of raw soybeans and

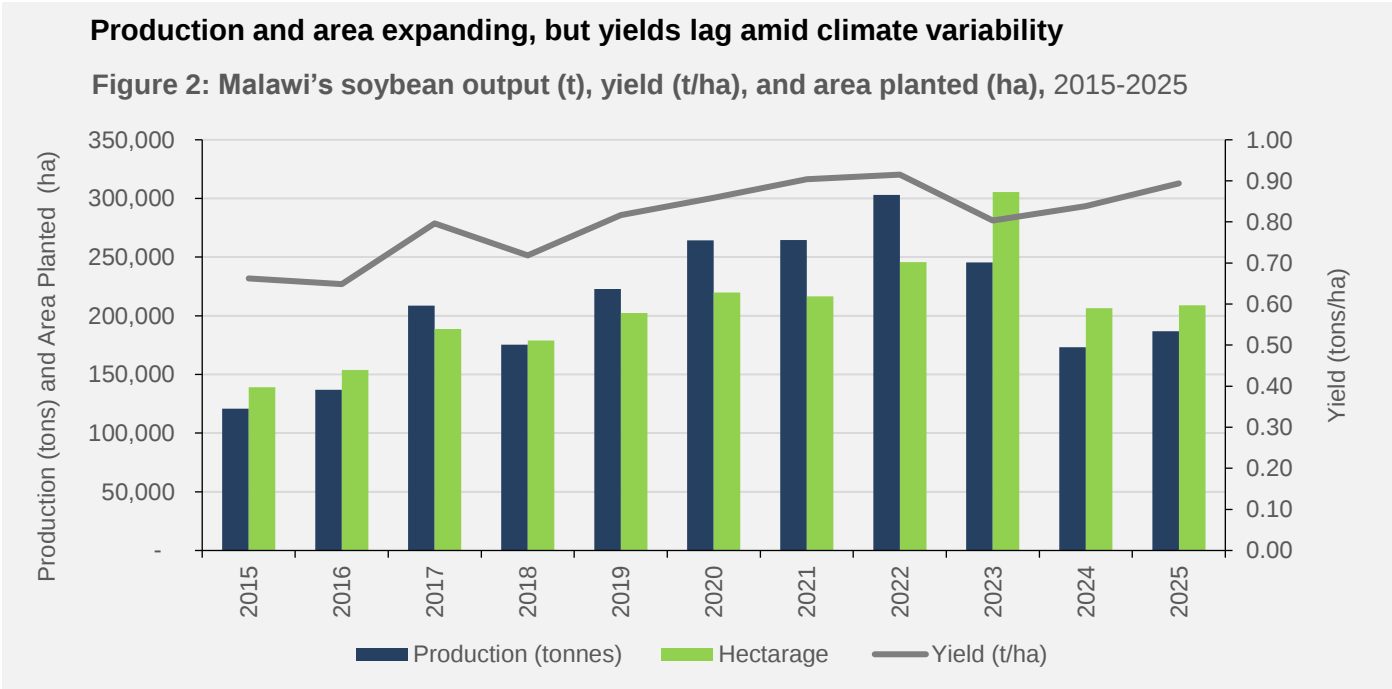
soybean cake, while remaining a net importer of soybean oil. The widening net export position for soybeans and cake—particularly after 2017—reflects increasing production and processing activity, while the narrowing deficit in soybean oil since 2019/20 suggests emerging import substitution potential. These dynamics point to opportunities to expand exports of non-genetically modified soybeans and processed products, while deepening domestic value addition to reduce reliance on imported edible oil.

Production and Area Under Cultivation Growing but Constrained by Climate Variability

Between 2015 and 2025, Malawi's soybean sector recorded notable growth, with production rising by 37%, area planted by 36%, and yields by 38% (Figure 2). However, this upward trajectory has been uneven. Recent seasons have been affected by variable rainfall patterns, including drought episodes and delayed onset of rains, contributing to production declines of 19% in 2023 and 29.5% in 2024. Although 2025 saw a modest recovery, yields remain below peak levels observed in 2021/22 and continue to fall well short of attainable productivity benchmarks. This highlights the

importance of integrating climate-resilient production practices alongside productivity-enhancing interventions to sustain long-term growth.

yields for smallholders remain low at 0.89 t/ha, compared to 1.45 t/ha under estate production. Limited access to quality inputs, inadequate extension support,



Source: Annual Production Estimates data

Malawi’s Soybean Sector is a Fragmented, Dominated by Smallholders with Persistent Constraints Limiting Productivity, Processing Efficiency, and Market Competitiveness

The Malawi soybean value chain comprises five interlinked stages—input supply, production, trading and aggregation, processing, and marketing—each presenting specific constraints and opportunities that shape the overall sector performance (see Figure 3).

At the input stage, farmers depend heavily on agro-dealers for seed, fertiliser, and crop protection chemicals, most of which are imported. High input costs limit adoption, leading to practices such as seed recycling that undermine productivity. These challenges are compounded by weak extension services, with a farmer-to-extension ratio of approximately 2,500:1, far above the recommended 750:1, constraining the uptake of improved agronomic practices.

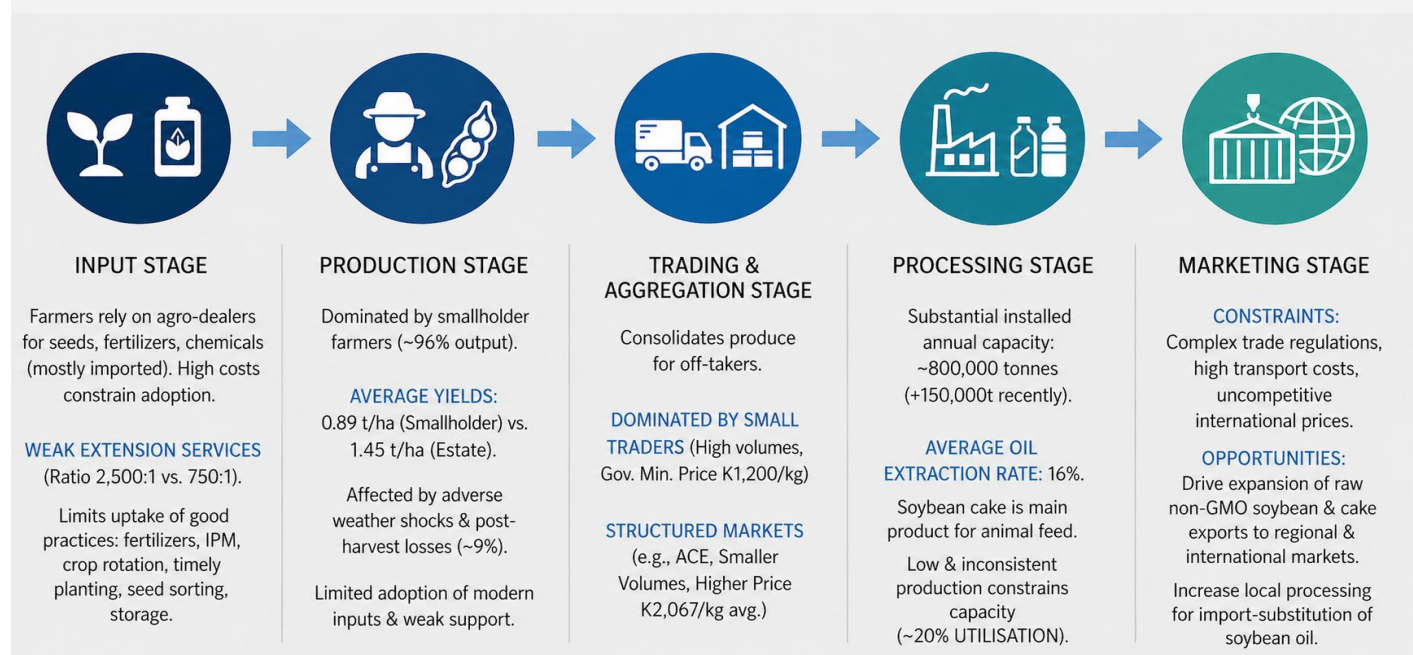
Production is dominated by smallholder farmers, accounting for about 96% of output in 2025. Average

and increasing climate variability have contributed to yield stagnation and production volatility, while post-harvest losses—estimated at around 9%—further reduce marketable surplus.

The trading and aggregation stage is characterised by a fragmented market structure dominated by small traders, who handle the bulk of marketed volumes, often at or near the government-recommended minimum farm gate price (MWK1,200/kg in 2025). In contrast, structured platforms such as the Agricultural Commodity Exchange for Africa (ACE) handle smaller volumes but offer significantly higher prices—averaging MWK2,067/kg—highlighting inefficiencies in market coordination and price discovery.

Upgrading the value chain will require addressing inefficiencies across inputs, aggregation, processing, and markets

Figure 3: Structure of Malawi's soybean value chain



Source: Authors' analysis

At the processing stage, Malawi has substantial installed capacity, yet utilisation remains low—around 20%—due to insufficient and inconsistent soybean supply. Processing is geared primarily toward soybean cake for animal feed, with relatively low oil extraction rates (about 16%), leaving the country reliant on imports of soybean and alternative edible oils.

Finally, at the marketing stage, export competitiveness is constrained by high transport costs, regulatory complexities, and pricing inefficiencies. Nonetheless, opportunities exist to expand exports of non-genetically modified (GMO) soybean and cake, while scaling domestic processing to reduce dependence on imported soybean oil and enhance value addition.

Margins are improving in production and processing, while trading margins decline

Gross margin trends across Malawi's soybean value chain indicate a rebalancing of value capture between upstream producers and downstream processors between 2023 and 2025. At the production stage, both smallholder and estate farmers recorded consistently

strong and improving margins, rising from USD201 to USD218/ton and USD216 to USD239/ton, respectively. Estate farmers continue to outperform due to higher productivity and better market access.

In contrast, grain traders experienced a sharp contraction in margins—from USD123 to USD72/ton—suggesting increased competition, tighter spreads, or inefficiencies in informal aggregation channels. This decline highlights structural weaknesses in intermediary functions and price transmission across the chain.

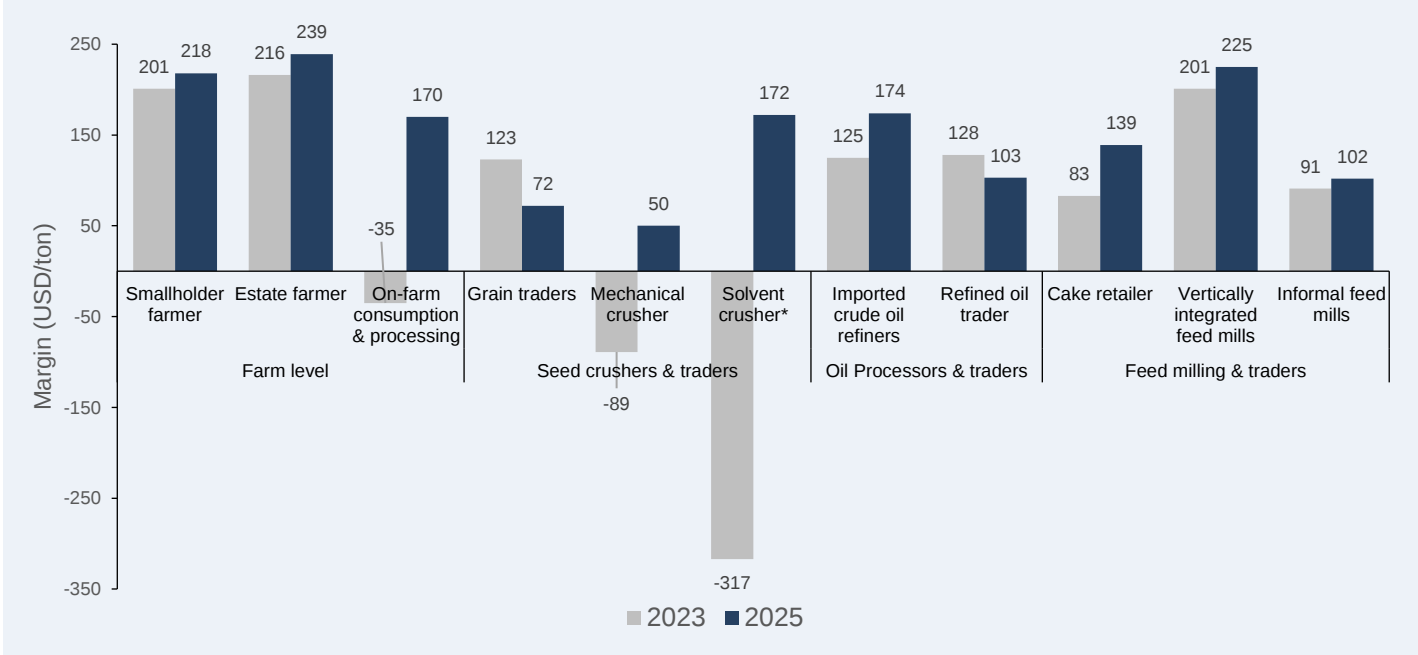
The most notable shift is observed in the processing segment. Previously loss-making activities—such as mechanical and solvent crushing—have transitioned into positive margins (from -USD89 to USD50/ton and -USD317 to USD172/ton, respectively), reflecting improved processing economics, possibly driven by better output prices for oil and cake. On-farm processing also improved significantly, indicating growing incentives for value addition at source.

Downstream, vertically integrated feed mills and cake retailers maintained strong margins, benefiting from sustained demand in the livestock sector. Overall, while production and processing margins are strengthening, persistent supply constraints and underutilised capacity continue to limit full value chain efficiency.

sector—particularly poultry—while advancing import substitution for soybean oil.

Processor margins improving, but supply constraints and weak aggregation limit efficiency

Figure 4: Soybean Value Chain Margins per node, USD/ton, 2023 vs 2025



Source: Author’s analysis

Bundled policy reforms and investments can unlock significant gains in GDP, employment growth, and poverty reduction

The analysis applies an economy-wide partial equilibrium framework to assess the potential impacts of three complementary policy reforms on GDP growth, employment, and poverty reduction in Malawi’s soybean sector. The analysis compares outcomes between a 2025 baseline and a 2030 reform scenario.

The first reform targets value addition by promoting domestic processing of soybeans into cake and oil. Key measures include removing value-added tax on soybean cake and strengthening incentives for local processing to meet rising demand from the livestock

The second reform focuses on improving market efficiency through liberalisation measures. This includes enhancing the flow of market information and removing minimum farm gate prices and buying permit requirements. These interventions are expected to reduce transaction costs, improve price discovery, and increase market participation across the value chain.

The third reform aims to boost export competitiveness by increasing production and productivity. This involves scaling adoption of improved agronomic practices, strengthening seed systems, expanding access to inputs, and improving extension services, alongside easing export-related restrictions to facilitate greater integration into regional and international markets.

The results indicate strong, cumulative gains across all indicators. Value addition reforms alone generate GDP

gains of USD34.4 million, create 7,558 jobs, and lift 7,383 people out of poverty. When combined with market reforms, GDP gains rise to USD62.7 million, with 11,824 jobs created and 49,957 people lifted out of poverty. Implementing the full reform package yields the largest impact—USD180.5 million in GDP gains, 29,506 new jobs, and 196,279 people lifted out of poverty by 2030—demonstrating the importance of a coordinated, system-wide reform approach. If the modelled reforms were coupled with closing the yield gap, the gains would be substantial.

Unlocking soybean potential will require coordinated implementation of productivity, value addition, and market reforms

Malawi's soybean sector presents a clear pathway for inclusive agricultural transformation, but unlocking this potential requires coordinated, system-wide reforms. First, closing the yield gap should be prioritised through strengthened seed systems, expanded extension services, and improved access to inputs. Raising productivity is critical to stabilising supply, reducing climate-related volatility, and enabling the sector to fully utilise existing processing capacity.

Second, accelerating value addition is essential. With substantial underutilised processing capacity and strong demand from the livestock sector, policies such as tax incentives for processors and support for agro-industrial linkages can drive domestic processing, increase margins, and reduce reliance on imported soybean oil.

Third, market reforms are needed to improve efficiency and price transmission. Liberalising restrictive policies, strengthening market information systems, and promoting structured trading platforms can enhance competition, reduce transaction costs, and improve incentives for producers and traders.

Finally, export promotion should be advanced through productivity growth and the removal of trade bottlenecks. Expanding exports of non-GMO soybeans and processed products will strengthen Malawi's trade position while generating significant GDP gains, employment, and poverty reduction.

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