

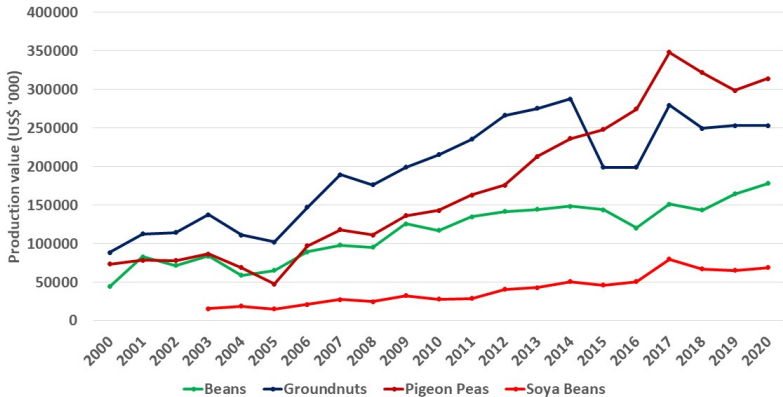
Developing Profitable Marketing Systems For High-Value Crops In Malawi: Insights From Soya Beans

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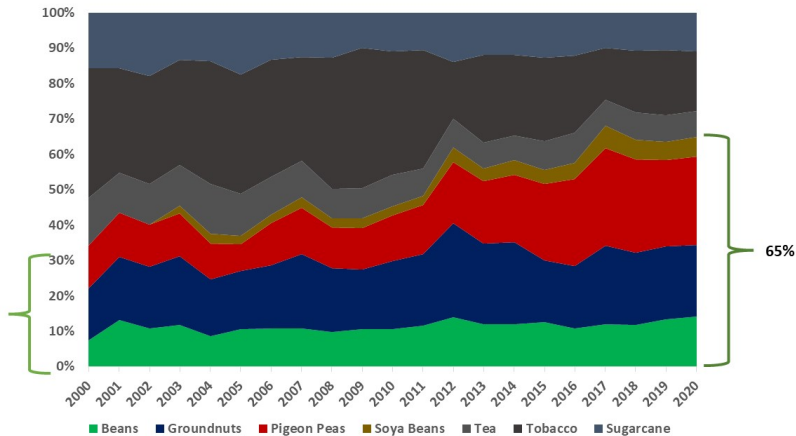
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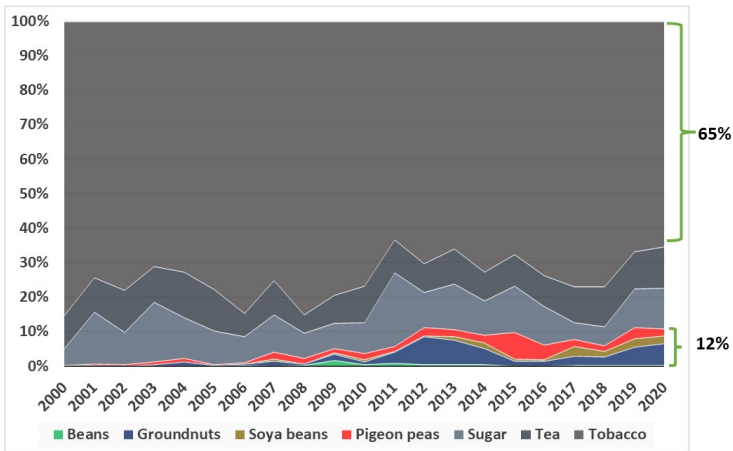
Production in High-Value Legume Crops is Increasing



Relative to Production of Traditional Export Crops, Importance of High-Value Crops is Increasing



But Contribution to Export Earnings Has Slightly Increased



Reasons for Low Contribution of High-Value Legumes to Exports Earnings

- Mostly produced by smallholder farmers (90 percent of Soya Beans)

Smallholder farmers face various marketing challenges

- Low production - small landholdings and technology
- Lack access to information, services, and facilities (storage, processing, value addition, transportation, weighing)
- Lack skills - negotiating, respond to markets, processing, standards, etc)
- Smallholder farmers sell their crops in unstructured and unprofitable markets to meet immediate cash constraints

The Case for Soya Beans

- Soya bean is a crop with multiple uses - flour, milk, pieces, animal feed, etc
- About 90 per cent grown by smallholder farmers on around 216, 652 hectares
- As of 2018, Malawi was among the top 30 producers in the world and top 5 producers in Africa

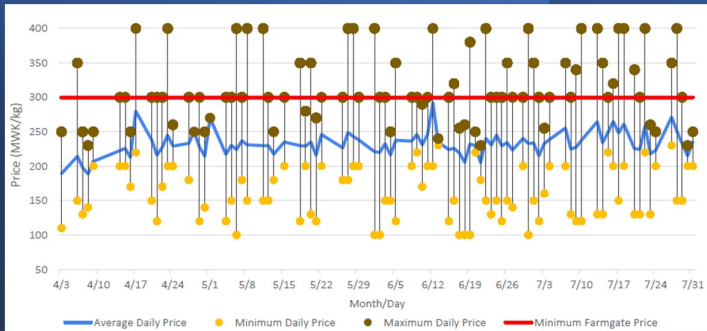
- Export potential and Actual

Item	Potential (USD mn)	Actual (USD mn)
Soya Beans	17	14
Oil cake of soya bean oil	57	24

- **Problem:** Unstructured markets and low production

Government Interventions

Official Minimum Farmgate Prices are Ineffective



Source: IFPRI(2020)

Potential Role of ADMARC

- Private sector aggression in the Soya bean marketing demonstrates profitability of Soya bean marketing even to ADMARC
- ADMARC has been ineffective in protecting smallholder farmers from private traders
- Even after changing the year, ADMARC is still slow to start buying crops
- Unless we fully commercialise and restructure it, ADMARC would be a risk to trust it to develop markets for high-value crops

Agricultural Commodities Exchange (ACE)

- Established in 2004 by NASFAM to facilitate better market access for their farmers
- Provides storage space for sellers
- Provides information to farmers via the ACE website and via cell phones through phone providers
- Provides the warehouse receipt system as a way for sellers to receive credit from bank
- Provides services for certifying and monitoring the grades and standards of commodities
- Volumes handled by ACE are still low because some farmers do not have access to their services

AHL Commodity Exchange

- Established by Auction Holdings Limited
- A structured market for all commodities
- It connects farmers and traders
- Maize makes about 96 percent of the traded grain
- Large volumes are still traded in unstructured markets

What Should we Do to Transform Agricultural Marketing for High-Value Crops

- Regulatory policies that aim to protect prices will never work without enforcing mechanisms
- Let us encourage policies that creates disincentives for smallholder farmers to participate in unstructured markets.
- Agricultural marketing, value addition, and product development should be a core module in agricultural extension
- Bring structured markets closer to the smallholder farmers - large farms or processing companies
- Promote technological innovations for improving quality and market information
- Processing companies should enter into contracts with farmers - similar to tea, tobacco, and sugar.
- Identify financing to support structural market development - farmers and buyers

A proposed Financing Scheme for Developing Structural Markets

