



FARMERS ORGANISATIONS FOR MARKET ACCESS IN MALAWI

PROCEEDINGS OF A STAKEHOLDERS WORKSHOP ON FARMER
ORGANISATIONS FOR MARKET ACCESS IN MALAWI

Held at
KALIKUTI HOTEL FROM 7TH to 8TH FEBRUARY 2005

COMPILED BY

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1. Introduction

This report presents proceedings of a workshop that was held at Kalikutu Hotel in Lilongwe Malawi. The workshop was aimed at giving feedback to stakeholders on the findings of a research project on Farmer Organisations for Market Access in Malawi. The workshop was also aimed at stimulating discussion on issues affecting farmer organizations as highlighted in the research findings and also from general experience of the stakeholders present at the workshop.

The research project was carried out for a period of two years and was spearheaded by researchers from Imperial College of London in collaboration with the Agricultural Policy Research Unit of Bunda College of Agriculture- University of Malawi and other local partners on the Malawi side namely the National Association of Smallholder Farmers in Malawi (NASFAM), Malawi Rural Finance Company (MRFC) and CARE International. A senior member of staff from the government side {the Malawi Agriculture Sector Improvement Programme (MASIP)} was also part of the research team representing policy makers. In addition to the representative of policy makers, one farmer representative in the name of Dr. Glyvns Chinkhuntha was also incorporated in the research team.

The workshop drew participants from a cross section of stakeholders including representatives from government ministries/departments, Non-governmental organizations, the private sector and representatives of various farmer organizations as listed in Appendix 1.

The workshop was officially presided by the Director of Agricultural Planning Services in the Ministry of Agriculture who represented the Principal Secretary for the Ministry. A speech delivered by the ministry representative is presented in Appendix 2. The Principal of Bunda College of Agriculture was also present and made welcoming remarks on behalf of Bunda College of Agriculture.

A series of five presentations were made. The first presentation was by Andrew Dorward who gave an overview to the project and introduction to the workshop. This was followed by presentations on research findings based on five components of the research project which were 1) Farmer Survey; 2) Organisational Study; 3) Farmer Organization (FO) Follow-up Study; 4) Smallholder Tea Study; and 5) Directory of FO Training Resources

Each of the five presentations was followed by a discussion. In addition to the paper presentation and discussions there was a breakout session where participants to the workshop were split into groups with the aim of identifying principles, actions, critical innovations and other elements of 'best practice' for FOs with different memberships, objectives and activities. Questions for the groups discussions included the following:

- i. What can FOs do, how?
- ii. What do farmers need?
- iii. What should local FOs do to help meet those needs? (what functions or roles should they play?)

- iv. How should they do it?
- v. What should they not do?
- vi. Who should do these things?
- vii. What linkages need to be established

A plenary session was held for each of the groups to present what was discussed in the groups.

Details of the workshop's proceedings are presented in the following sections.

2 Project Review and Workshop Introduction

Andrew Dorward gave an overview of the project objectives and its activities to date, and the objectives and programme for the workshop. The project began in January 2003 in response to increasing recognition of farmer organisation (FO) importance in Malawi. The project has been managed and implemented by a coalition of partners involving the Agricultural Policy Research Unit (APRU), the national Association of Smallholder Farmers in Malawi (NASFAM), the Malawi Rural Finance Company (MRFC), CARE Malawi and the Imperial College (London/Wye). The project also incorporated a representative of policy makers from the Malawi Agriculture Sector Investment programme (MASIP) under the Ministry of Agriculture and also a representative of farmers, Dr. Glyvns Chinkhuntha of Freedom Farms. Funding for the project came from the Crop Post Harvest Programme (CPHP) of the UK Department for International Development (DFID). The Project purpose was to promote improved access to markets & business services (*inter alia*) in poor rural areas through increased scope, reach and effectiveness of sustainable FOs. Planned project outputs include;

- Identification and documentation of critical elements determining success and failure of FOs.
- Development of key organisational lessons for the creation and sustenance of different types of FOs.
- Communication of key policy lessons for the creation and sustenance of different types of FOs.
- FOs, NGOs, private sector and government agencies concerned with agricultural production and marketing and with rural welfare better informed about the potential, limitations, challenges, opportunities and best practice in the establishment and operation of FOs and in their relationships with them.
- Improved networking and coordination between stakeholders concerned with FOs, agricultural production and marketing and with rural welfare.

Initial activities of the project involved collation of information about current and historical experience with FOs in Malawi and internationally. This led to a consultative workshop in June 2003. During the June 2003 workshop, interested parties reviewed the major issues in FO development and operation in Malawi and identified priorities and activities for the second phase of the project. Subsequent project activities were a sample survey of FO members and nonmembers in some

parts of Malawi, a study of selected organisations supporting FOs, the development of a directory of training resources for FO support organizations, a follow up to a study of grass roots FOs that was conducted in 1995, and a study of FOs in smallholder tea industry. These activities were implemented in the remainder of 2003 and in 2004.

The objectives of this workshop were therefore to engage with stakeholders in a sharing of the results of these activities in order to collectively consider and determine

- Significant findings from project activities to date
- Ways that FOs can improve market access in food production for a wider range of rural people (including women)
- Principles, actions and critical innovations for ‘best practices’ for different FOs in different situations and for support to FOs
- Key organisational & policy lessons for FO creation & sustenance
- Next steps for the project as it enters its closing stages.

3 Farmer Survey

Richard Kachule and Andrew Dorward presented the major findings from a farmer survey conducted among members of farmer clubs supported by NASFAM, ADDs, Smallholder Coffee Farmers Trust (SCFT), and three NGOs (World Vision Malawi, CARE Malawi and Concern Universal). The study was conducted in 9 districts across the three regions and was conducted in the second half of 2003. The total sample comprised 631 households, with 431 FO members (266 NASFAM, 57 ADD clubs, 42 SCFT, 66 NGOs) and 200 non-members. Difficulties in achieving a random sample of non-members of clubs meant that the sample obtained cannot be considered representative of the population as a whole, and consequently care should be taken in drawing inferences regarding differences between members and non-members.

Findings of significant and relevant interest from the farmer survey include:

- A high degree of perceived satisfaction with regard to the quality of FO services – with over 80% of both members and non-members reporting them to be satisfactory (just under 50%) or very good (over 30%).
- Good perception of the performance of FO leadership – with 42% of members and 25% of non-members indicating that the local FO had no weaknesses,
- The most important farmer club activities reported by both members and non-members were provision or facilitation of inputs, credit, markets and technical information services. This was consistent with reasons cited for joining FOs, which were almost exclusively access to inputs on credit, to markets and to technical advice.
- The importance of associations in providing sales outlets for FO member cash crop sales. More FO members use *technical advice*, with more use of associations, NGOs & the Ministry of Agriculture (the Ministry of Agriculture being particularly important to ADD club members).

- Very limited access to input credit unless farmers are club members and growing tobacco (or coffee). Associations, and through them MRFC & MUSSCO, were virtually the only sources of input credit, and non-members were very restricted in access to credit and reported higher interest rates.
- While the overall high degree of satisfaction with club services is commendable, it should be a matter of concern that only 55% of members consider themselves to know most or all of their FO rules and regulations, and 30% did not feel that they participated in decision making.

The majority of disbanded FOs, (53%) reported had focussed on maize growing, with a further 17% existing to provide access to inputs. Of all reported club failures, 74% were attributed to failure to repay credit, with 10% due to member disagreements, 4% to poor service provision by the club, 3% due to the change of party system and to withdrawal of partners, and 2 % due to club leaders misusing funds. These causes are of course difficult to disentangle.

4 Organisational Study

Nigel Poole and Richard Kachule presented the major findings from a survey of 12 organizations, with further information from 15 returns of a postal questionnaire and 35 semi-structured interviews with farmer club chairpersons.

The principal objectives of these organizations were to assist farmers to gain market access and improve their market power with more efficient agri-food chain management and empowered human and social capital. Farmer organizations do this mainly through (a) economies of scale in input and output markets and (b) development of social capital. Organisations vary as regards their origins (external or local initiatives), legal status, commodity and geographical base, and objectives. These differences are associated with differences in size, complexity, management structures, and outputs – which include provision of technical, marketing and business information and training; facilitation of farmer access to input credit and to input purchases; storage, marketing and transport of produce; and advocacy (among some organisations).

Farmer clubs' problems and weaknesses can be analysed at different levels in terms of low skills and poor club management systems; problems in relating with members (low commitment, poor governance, poor outputs); problems in linking with service organisations (for example late, poor or high cost services); and problems with the wider macro-economic environment (affecting interest rates, prices, risk).

Farmer club support organisations' strengths lie in their membership, their trustees and executives, and in the strong relations binding these together. Difficulties arise within clubs as noted above, and apex organisations also face problems of limited staff capacity, finance and assets. Limited networking and coordination between organisations was also noted.

Critical features that emerge from this are the need for careful design of governance systems with the right balance between democratic participation (for membership

feedback and commitment) and hierarchical control (for effective management); capacity building (in club membership rights and responsibilities as well as in technical and marketing skills); networking and linkages (to share information and exploit further economies of scale); and relationships with commercial partners. These issues were discussed in more detail later in the workshop and are also reflected in the paper on organizational interviews prepared by Nigel Poole and Richard Kachule.

5 Farmer Organization Follow-up Study

Ian Kumwenda reported the findings from a study that attempted to follow up a 1995 study of 34 farmer organisations. Only 10 of these could be traced in late 2004, with three of these having disbanded. It was not possible to follow up more than a handful (three) of the disbanded club, due to difficulties in tracing former members, and to the sensitivity around the break up of such organisations.

Office bearers in the 7 surviving organisations were interviewed. All of them aimed to raise member incomes and to improve market access, with most of them interested in accessing credit and in acquiring skills and knowledge. All of them engaged in output marketing activities related to members' production activities, in business training and in establishing organizational links. All of them considered that they had succeeded in accumulating some physical capital and in establishing organizational links, with most also reporting increased incomes for their members and greater business skills. Paradoxically while markets are considered a success, they are also considered a continuing difficulty, as are financial services.

6 Smallholder Tea Study

Ephraim Chirwa and Jonathan Kydd presented preliminary findings from a case study on smallholder tea in Malawi. They stressed the importance of the tea industry to Malawi - tea being one of Malawi's top three earners of foreign exchange and benefiting some 300,000 people through wage employment or own farm production (8,000 smallholder growers in Thyolo and Mulanje). The tea sector is dominated by commercial estates accounting for 84.6 percent of area under tea cultivation.

The smallholder tea farmers were organized under the Smallholder Tea Authority (STA) formed in 1967, established as a quasi parastatal to develop the smallholder tea sector. It oversaw a rapid expansion of area under smallholder tea cultivation to 2,400 ha at the end of 1990. The STA had developed an apparently effective but financially marginal system by which it supported smallholders (with free seedlings for plantation establishment, free extension, tea and maize inputs on credit, regular on farm collection of harvested tea with first payment within 10 days). During the 1990s, however, this broke down with increased political interference in the board, diversion of transport to politicians' use, increasingly late payments, declining STA staff, collapse of the input credit system and alienation of farmers. These problems led to and were exacerbated by financial difficulties facing the STA. Difficulties also spread to Malawi Tea Company (MATECO) (which owned the tea factory). Smallholders responded by selling to local estates who welcomed high quality smallholder tea and offered interlocked input credit and extension advice, and some are also offering health, education and social services.

After 2002 the STA was dissolved and the Smallholder Tea Growers Trust created, with 3 growers, 2 chiefs, a lawyer and an accountant (appointed by their professional bodies). The Trust was then responsible for managing the smallholder tea company (STECO) through a board of directors comprising 4 farmers and 5 individuals appointed for their competence. Management and debt were then restructured with new appointments and slimmed down with a strong mandate to minimize operational costs, produce quality tea, pay farmers on time, and operate within the cash flow of the company. Since the reform a large number of farmers have returned to STECO and are receiving much better services, though some blocks continue to sell to estates and indeed have started to operate their own tea factory.

There are outstanding issues concerning the structure of the industry, efficient smallholder holding sizes, extension services, the auction system, and farmer ownership of the factory. However the case illustrates the resilience and determination of smallholders in the face of a long decline in services to tea production and the adaptability of both farmers and estates in finding ways to work together for mutual benefit in the face of changing external conditions.

7 Directory of FO Training Resources

Mr Monday Makoko introduced to workshop participants a directory of FO Training Resources commissioned by the project. The directory was drawn up by first establishing a list of organisations in Malawi with relevant interests, and then contacting them to obtain information about the training resources they hold, the topics covered, and the nature and terms of access by others. This information is contained in the directory, with training resources arranged according to the major subjects covered. The directory will be circulated to interested parties. The process of compiling the directory showed that there is a lack of systematic training materials to support FOs in Malawi.

8 Conclusions

Major observations and issues that emerged from the different presentations and group and plenary discussions in the workshop include:

1. There is a range of stakeholders with different interests in FOs. These include farmers and agribusiness firms looking for better business opportunities through reduced business costs and (for farmers) better supporting services; NGO's and Government looking to facilitate farmers' access to business opportunities and for cost effective engagement with rural people in communication, social service delivery and, particularly for NGOs, empowerment.
2. Improved access to inputs, credit, produce markets and technical skills in profitable farming activities are the main drivers of farmers' joining farmer organizations

3. There is a high rate of FO failure, but for large numbers of operative FOs a high degree of satisfaction with services provided
4. There is a high failure rate when FOs are established principally as mechanisms for credit delivery to farmers, but nevertheless there is great potential for FOs to be effective channels for credit service delivery in the context of delivery of comprehensive services necessary for farmers' business
5. 'Good practice' is critically important in the establishment and operation of FOs and of organizations supporting them and to develop this workshop participants were asked to submit to the workshop organizers a list of "do's" and "don'ts" for FO establishment and operation
6. Different types of farm enterprise and industry structure present to FOs different and specific opportunities and difficulties, and FO structure and relations need to take account of these
7. Common difficulties with FOs include poor business strategies and skills, poor management, donor dependency, over ambition (by FOs themselves and external agencies supporting them), poor business environment, and poor communication and coordination among FOs
8. FOs generally face very significant difficulties when they themselves attempt to provide services to members instead of facilitating cost effective linkages between members and specialist service providers
9. There are high expectations among policy makers that FOs can play a critical role in assisting farmers to engage with and benefit from liberalized market systems.
10. However FOs face severe difficulties when the critical service providers necessary for successful farm businesses do not exist or are unwilling to work with them in an area (for example due perceived high risks and low profits). It is then unrealistic to expect FOs to (a) be able to provide these services themselves or (b) be successful under such circumstances. This poses severe challenges to agricultural and rural development policy in Malawi.

Finally, participants to the workshop felt that there is need to streamline some of the activities and functions of various FOs and government ministries/departments to avoid duplication of certain efforts. One of the issues requiring immediate attention from the participants' point of view is the need to establish which organisation/institution should take the responsibility of establishing an FO data base and upgrading it time and again. Proposed candidates for this task were the Farmers Union of Malawi and the Ministry of Agriculture (Department of Agricultural Extension Services). The other issue requiring immediate resolution is on the organisation/institution which should be responsible for needs assessment on training and capacity building requirements for the various FOs. Possible candidates for the training needs assessment and mounting of various training programmes were the Center for Agricultural Research and Development (CARD) of Bunda College of Agriculture and the Ministry of Agriculture (Department of Agriculture Extension Services). It was agreed that these issues should be resolved through a meeting of a few institutions spearheaded by CARD.

**APPENDIX 1:
LIST OF PARTICIPANTS**

**STAKEHOLDERS WORKSHOP ON FARMER ORGANISATIONS FOR
MARKET ACCESS IN MALAWI**

KALIKUTI HOTEL – 7TH TO 8TH FEBRUARY 2005

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APPENDIX 2:

SPEECH DELIVERED BY A REPRESENTATIVE OF THE PRINCIPAL SECRETARY FOR THE MINISTRY OF AGRICULTURE: Mr. G. ZIMALILNA

LADIES AND GENTLEMEN

Apologies that I could not make it this morning for reasons beyond and control, and thanks for accepting rescheduling the opening session to this afternoon.

We have gathered here at Kalikuti Hotel to witness a number of paper presentations on a research project that has been on-going for the past two years also. The research whose theme was “*Farmer Organizations for Market Access in Malawi*” came at the right time when the government of Malawi is striving to ensure that the smallholder farming community is brought into the main stream of commercial agriculture. Furthermore, this research project came at an opportune time when both government and farmers are facing challenges in the agricultural sector, such as low yields and limited access to markets.

However, I would like to lament on the on set on the documents that have been produced. Malawi has been reknown now for producing well thought through documents, but that the actual problem is that not even a single recommendation is implemented. So such exercises become a waster of time and money. It is my sincere hope that at the end of this workshop you come up with a strong workable recommendation or strategy on how the excellent findings of your research studies will be specifically implemented. I would not like to be part and parcel of documents that will only gather dust on the shelves of people in the offices. This is what we refused for the MPRSP which I was party of its drafting.

As you may all know government policy changed from central to one where the economy has been liberalized. In the past the marketing of smallholder inputs and outputs was mainly done by one organization namely the Agricultural Development and Marketing Corporation ADMARC). With liberalization of the economy, a number of players have come into play within the agricultural sector. This has brought new challenges for the agricultural sector in the sense that all the players in the sector have been subjected to the same market forces. This change has more particularly affected the smallholder farmers whose capital base and general capacity to cope with the changing economic environment has been limited in most cases.

For the agricultural sector to make headway, several issues have to be addressed. These among others include;

- Capacity building amongst the players in the sector;
- Development of efficient technologies;
- Establishment of and linkages to efficient input and output markets;

- Making inputs affordable to farmers; and
- Improving farm gate prices for farmers to make profit

These do encompass largely the vision of the Agricultural Sector which is “to enhance production and profitability of the smallholder farmers in the country”.

Ladies and gentlemen, we may wish to note that there has been an outcry in the past few years over the increasing production costs on one hand and low output prices on the other. We all know that subsidies on inputs were removed in 1995 and pan territorial and pan seasonal pricing was abandoned. The farmers have since been exposed to market forces of supply and demand.

One challenge of market liberalization has been that the move has mostly benefited the already better off and left out the vulnerable farmers. In recognition of this challenge, a need has risen on the part of government, to empower the smallholder farmers to give them voice and choice and allow them to participate and take control of their farming decision in this complex and dynamic economic system. Despite cognizance of this need, government is aware that it cannot do everything on its own hence the need for other players such as research institutions whose contribution through generation of information is not taken for granted.

Farmer organization, ladies and gentlemen, are perceived to have a number of benefits including social, political and economic. The benefits of farmer organizations cover not only directly measurable economic returns, but also indirect non-individualized benefits such as social capital and community development. More specifically, benefits from farmer organizations include:

- Stimulating change in attitudes and behaviour, working procedures, production systems and distribution.
- Enhancing economies of scale, through undertaking tasks which are otherwise large and expensive for an individual farmer.
- Reducing transaction costs through collective action.
- Improving the flow and access to information.
- Encouraging environmentally sound management of natural resources.
- Helping to mobilize resources and assisting some groups to access new productive technologies.
- Facilitating the creation of wealth in the community and its equitable distribution and encouraging reinvestment in other community initiatives.
- Influencing the norms of behaviour, i.e. encouraging social cohesion;

In recognition of the benefits accruing from farmer organizations, and of the fact that agriculture still remains the most important source of livelihoods for the rural poor, the Malawi Poverty Reduction Strategy Paper (MPRSP) earmarks the agricultural sector to be the key source income among the rural poor in the medium term. Some of the proposed strategies include information of gender sensitive productive farmer organizations in the form of clubs, associations and cooperatives which will, among other

things, be encouraged to maintain irrigation schemes in order to increase production of specific commodities. Farmer organizations will also be used to increase access to input and output markets.

Even now when Government is trying to move away from MPRSP as it comes to the end of its three year life span, and moving into the Economic Growth Strategy, agriculture still remains one of the major growth centres under consideration in the new strategy.

It is the Ministry's hope that at the end of the workshop and based on the findings of the research which are going to be presented; participants to the workshop will be able to:

- Identify critical elements determining success and failure of farmer organizations;
- Determine key organizations and policy lessons for creating and operating different types of farmer organizations; and
- Promoting "best practices" in farmer organizations development and establishment.
- Where possible, isolate areas that need further investigations so that researchers involved in this particular project and other stakeholders can generate further information by conducting research in the identified areas.

Resolutions and recommendations from this workshop which has drawn a wide spectrum of stakeholders should therefore be a vital input into the ministry's plans towards improving the performance of the agricultural sector.

Finally, the Ministry is aware that substantial resources went into the planning and implementation of this research project. This, ladies and gentlemen, would have not been possible had it not been for the good gesture of our partners in development from the donor community and especially the Department for International Development (DFID) which provided financial support on this project.

Let me also take this opportunity to recognize the Researchers from Imperial College in London namely Dr. Andrew Dorward, Dr. Jonathan Kydd and Dr. Nigel Poole for taking lead in this research project with our local research institutions and other organizations also involved in the agricultural sector namely the Agricultural Policy Research Unit (APRU), the Malawi Rural Finance Company, CARE Malawi and the Malawi Agricultural Sector Improvement Programme (MASIP). It is the Ministry's hope that the linkages established will forge ahead in search of innovative ideas toward the enhancement of the agricultural sector and hence livelihoods of the majority.

I would be failing my duties if I did not mention and thank Kalikuti Hotel and Management for the facilities and place they have accepted us to use for the workshop.

I strongly believe that participants to this workshop will contribute freely and constructively towards a better and useful output of this research project.

With these remarks, I officially declare the workshop open.