



## 'WE HAVE FOUND WHAT WE HAVE BEEN LACKING' – PS, MINISTRY OF AGRICULTURE



By taking the initiative to host the first agri-business conference, the financial services sector was like signing a promisory note that it will support and embrace agricultural initiatives, Principal Secretary for the Ministry of Agriculture, Irrigation and Food Security Mr. Gray Nyadule Phiri had said.

In his remarks as the Guest of honour representing the Minister of Agriculture who was out of the country, the PS noted: "we have the fertile land, we have the will of the people to commercialise agriculture, we have the policies to foster agricultural revolution, what we have been lacking has been financial support to turn our agricultural dreams into reality. It delights the government that that which has been lacking has finally been found."

The head of the agriculture ministry explained that with the coming in of structured markets, banks can easily give loans to farmers. He urged banks to establish links with the commodities exchange and develop an operating model that could be sustainable, help grow and support farmers as well as drive profits for banks.

A representative of the Bankers Association of Malawi Mrs. Zandile Shaba who is also CEO for NFB bemoaned that lack of structured markets for other non tobacco produce has been a limiting factor in terms of disbursing loans to farmers.

"We can easily provide support to tobacco farmers because they have a structured market but for the other produce it is difficult. Agriculture loans constitute 24 percent of default rates."

In his concluding remarks Mr. Nyadule Phiri said that he could foresee Malawi, after the conference, no longer continue to be an importer of tomatoes and that its local super markets will be stockists of beef, juices, milk, fish, pepper, eggs, poultry products and other agricultural products made in Malawi but of international quality.

The agri business conference was held at the Bingu International Convention Centre from 16 – 17 July 2018.

## DAWN OF A NEW ERA – BAM PRESIDENT

For the banking profession it is no longer business as usual. The hosting of the agri business conference marks a big departure from the ordinary, Bankers Association of Malawi President Mr. Paul Guta has said.

Guta stressed: "This marks the beginning of an era in the financial services sector whereby we are geared to play critical roles in fostering economic growth in this country."

For all sectors in the country to grow and compete internationally they require support from the financial services sector. To a greater extent, the Nedbank Managing Director insisted that the conference was there to dispel the notion that the financial services sector alienates agriculture.

"We are here to manifest our belief that our drive towards supporting the flourishing of the agriculture value chain is highly assured," Mr. Guta breathed optimism to agri business players.

Speaking earlier, BAM CEO Mrs. Violette Santhe said that the financial services sector has been singled out as an entity with no passion for supporting agricultural investment but by hosting the agri-business conference 'we are spearheading a revolution, we are making ourselves available and we categorically challenge those that are taking agriculture seriously, try us and you will get the needed support.'



The agri business conference addressed value chain at the micro, meso and macro levels. The micro level looked into inputs, production, processing, logistics, trading and consumption. Meso level elements that were deliberated upon comprised market information, researches and consultation, financial services, cooperation with associations, advocacy of common interest and trade fairs as well as joint sales. The macro level addressed policy enabling sustainable development of business environment. Key areas covered included legislation, infrastructure, stimulation and incentives.

## NO INDUSTRIALISATION WITHOUT AGRICULTURE, DISTINGUISHED PROFESSOR SAID

A distinguished South Africa based Professor has said that every successful industrial revolution has always been preceded by a successful agrarian revolution and that Africa is no exception. Speaking on the topic 'agri-business for economic growth' the distinguished scholar cited the British, European and United States of America industrial revolutions that were all built on successful agrarian revolutions.



Nyasaland was formed to facilitate the provision of cheap food for the industrialisation of Zimbabwe (Southern Rhodesia)"

"If you look at the industrial revolution of Zimbabwe," said Prof. Mbigi, "you will realise that it rode at the back of cheap Malawian and Zambian labour and cheap food security provided by both Zambia and Malawi. If anything, the federation of Rhodesia and

beef, South Africa in beef and fish, and South Africa and Uganda in flowers.

The academician further warned that Africans should not reinvent the wheel but copy intelligently.

He said: "The USA economy grew by copying the UK. The Japanese economy grew by copying the USA. There is need for Africa to copy China intelligently."

China is a food exporter, the biggest and fastest economy in human history and a manufacturer of 80% of world's goods.

Prof. Mbigi called upon African countries, Malawi inclusive, to fast track successful industrial revolution through processing of agricultural products to the final stage. South Africa has successfully managed that in wines, Botswana and Namibia in



## AGRICULTURE REQUIRES PROPER INFRASTRUCTURE



A leading academician and head of agri-business management at Luanar Dr. Sera Gondwe has said that development of agriculture does not depend on technological advancement only but infrastructure as well.

Addressing agri business conference delegates Dr. Gondwe emphasized that operation framework / basic physical infrastructure and organisational

arrangements are needed for a nation or business to operate. Physical infrastructure constitutes road networks, irrigation technology, storage facilities (warehouse, cold), water, electricity, telecommunications, energy and education facilities.

Dr. Gondwe went on: "The institutional or soft infrastructure encompasses governing rules, regulations, financial (enhancing flow of funds- bureaus, collateral registries, settlement systems), organisational structure, system of delivery of goods and services to people (market)."

The academician and distinguished researcher further clarified that infrastructure is a key source of competitiveness in agricultural value chains.

Dr. Sera Gondwe was crystal clear: "Availability and quality of infrastructure are not substitutes for policies and their effective implementation, however, inadequate

Infrastructure can significantly reduce growth and productivity along the chain."

In a research carried out by Ulimwengu et al in 2009, it was observed that roads encourage agricultural production, and development dynamics e.g. – market access, transactions cost reduction. The World Economic Forum's Global Competitive Index highlights that Africa is one of the least competitive regions mostly due to poor infrastructure - 3.11 out of 7 on a scale of 1 to 7 in 2017/2018. The World Bank adds its opinion which postulates that lack of storage and post harvest processing infrastructure leads to high post harvest losses which is estimated to be 21 per cent for grains while the Food and Agricultural Organisation (FAO) puts post harvest loses at 50 percent for other more rapidly perishable products.

## WORLD BANK FOR PRODUCTIVE ALLIANCE

The World Bank has identified that linking market to farmers is a major development challenge in Africa – a continent where many smallholders sell commodities mainly in traditional and less profitable venues such as informal, open-air markets and also where low productivity stems from lack of access to inputs, modern technologies, and credit.

Speaking on the topic incentivisation and stimulation of agri-business in Africa: A Practical Approach, Effrem Chilima of World Bank stated that Productive Alliance is a model that can make a difference. Productive alliance is a concept that strengthens linkages between producers, buyers and public sector within the agri-business chains.

According to the World Bank, the Productive Alliance concept flexibility is showcased in its ability to adapt to the needs of the countries and markets, can take in a wide range of products, cuts across different buyers, reaches out to various markets and accommodates varying institutional arrangements.

In countries where the productive alliance concept has been implement there have



been significant improvements in production volume sales, income, and employment; increased access to improved inputs and productive equipment, and hence, productivity and integration into new markets; better product quality and diversification and hence increased sales volume and prices.

Chilima adds: "There has also been improved efficiency and sustainability. This has been evidenced through satisfactory average rates of return; improved vertical alliances between smallholder producers and buyers continuing to operate after support has ceased; longer term vertical alliances

between smallholder producers and buyers."

To a greater extent, the model is also good at enhancing social inclusion as it has widely encouraged women participation as well as vulnerable groups.

In Malawi, the World Bank is supporting the Productive Alliance concept through the Malawi Agricultural Commercialization Project Design (AGCOM).

## ABOUT BANKERS ASSOCIATION OF MALAWI

Bankers Association of Malawi is a trade association for the banking industry and is owned by nine banks in Malawi. BAM also established the Institute of Bankers (IOB) and National Switch Limited (NATSWITCH). The three entities are owned by the 9 banks.