



BANKERS ASSOCIATION OF MALAWI

AGRI BUSINESS CONFERENCE COMMUNIQUE

INTRODUCTION

The Bankers Association of Malawi, a trade association of commercial banks, hosted its first agri-business conference at the Bingu International Convention Centre from 16 – 17 July 2018. The conference was held under the theme: Agricultural commercialization and value addition: The case for Malawi. Representatives of Bankers Association of Malawi and the delegates deliberated on key issues that could propel agri-business in the country. The conference was opened by the Principle Secretary for the Ministry of Agriculture Mr. Gray Nyandule Phiri who represented the Minister. Deliberations were led by Prof. Lovemore Mbigi, Patrick Verster, Effrem Chilima, Justice Dr. Redson Kapindu, Dr. Sera Gondwe, Vanda Phekani and Mr. Ignatius Majamanda. Panelists at the conference were Dr. Andrex Kalinde, Cosmas Katulukira, Davlin Chokazinga, Zandile Shaba, Clement Kumbemba, Prince Kapondamgaga, Philip Madinga, Donbell Mandala, Martin Isyagi, Dr. Jerome Chim'gonda-Nkhoma, Madalo Minofu and Pearson Soko.

OBJECTIVES

The main objectives of the conference were to:

- Analyse financing models that could support agricultural commercialisation.
- Establish linkages in agricultural value chain
- Assess alternative viable markets
- Analyse challenges in agriculture commercialisation in Malawi and devise possible strategies
- Deliberate on legislation that could foster agricultural commercialisation
- Analyse areas of competitive advantage for Malawi agricultural primary and secondary products
- Promotion of agri business among rural women

DISCUSSIONS

Having deliberated on a number of issues, as guided by the conference objectives and presentations, the following salient issues were noted:

Agrarian revolution

Everywhere in the world, industrialisation has been preceded by agrarian revolution. Examples include British industrialisation, European industrialisation, the USA industrial revolution and the Germany revolution. Even slave trade was generated by the need for cheap agricultural labour to feed the agrarian revolution.

To develop, Africa must copy strategies that can work in Africa and that are in line with dynamics in Africa. The South Korea Industrial revolution saw the sending of brilliant graduates abroad to study and upon returning back giving them a stake in companies to run them. South Korea has some of the successful companies such as Daewoo, Samsung and Hyundai that contribute 70% of the GDP of the country. The US economy grew by copying UK as the Japanese copied from the USA. Africa must copy China but intelligently. Africa must avoid reinventing the wheel.

There must be partnerships among successful smallholders. Farmers have to be organized around commodities and establish commodity associations as that will give them power to negotiate with buyers.

Africa constitutes 17% of the Mango fruit environment in the world. Malawi is the only country where mangoes are produced at the time when all other suppliers in the world are not producing.

A Productive Alliance concept can transform smallholder farmers into key players in agri business. The concept strengthens linkages between producers, buyers and public sector within agri-value chains. Productive alliance leads to positive socio-economic impacts, improves efficiency and sustainability, and enhances social inclusion. The World Bank supports the approach through the Malawi Agricultural Commercialisation Project Design (AGCOM).

To achieve the agrarian revolution Malawi must focus on specific crops where it can have competitive advantage, invest in them significantly and become the market leader.

Sources of competitive industrial revolution

According to Harvard University Professor Skinner 20-40-40 rule, 20% of sources of competitive industrial revolution come from successful sector participation, 40% from research and development and 40% from human resource development.

In Africa, the greatest poverty is in the mind. One of the fundamental principles of innovation is that 'you must see it in your mind before it can manifest itself practically.' Development does not start with financial capital nor does it start with technical innovation, development starts with development of people.

The land blessing

Only 11% of the earth surface is arable land and most of that 11% of the arable land is in Africa, Malawi inclusive. Malawians must be educated to appreciate the land they have and utilise it to the fullest. South Africa which is food sufficient and is a big exporter of food in southern Africa is able to achieve all that on only 3% of its arable land.

Land reform and redistribution is one of the panaceas for an agrarian revolution. Though Malawi instituted land reforms that could spur agricultural productivity, the reforms are yet to be operationalised. Political will must be called upon to support the implementation of the provisions of the Land Act.

Value addition

The fastest path to successful industrial revolution for Africa is through processing of its agricultural products to final stage. South Africa does that with wine as well as herbal tea, Botswana and Namibia are good at that in beef, South Africa always dominates in beef and fish as South Africa and Uganda command a big share in flowers.

The 6D Framework of development

Companies and organisation in agri-business must implement a 6D framework model of development

1. Digitalisation – If an organisation is not digitalized then the future is bleak
2. Disruptive innovation – Remain innovative. Develop a system on how the organisation improves
3. Deceptive low market growth at first
4. De-materialise – Banks becoming branchless
5. Demonitisation - Offer services at costs for almost nothing. Do not focus on mark-up, focus on returns from stock
6. Democratization – Empower the people to do what you have to do to improve.

Value chain drivers in agri - business

Banking sector

Unpredictability of markets makes the agricultural sector highly risky in terms of financing. Banks are comfortable to provide agri business loans to produce that goes through structure markets. One deterrent factor in financing is that master

farmer programs have had a failure rate of 50% which is eventually shouldered by the banks. To a greater extent, most farmers have no collateral that could support their loan applications.

Export bans affects farmers as they are unable to sell produce at better prices to pay off bank loans. In the end, banks are pessimistic to finance some agricultural produce on the basis that should export bans be effected, default rates would heighten.

Insurance

The insurance sector has products that cater for weather related risks or other risks that affect farmers. Insurance products now cover the whole value chain. The sector has become innovative and leverages on technology. The sector is able to analyze data on the basis of the location where farming is taking place and offer tailor made insurance services.

Standards

Farmers must have adequate knowledge of what they are processing. Their knowledge must cover crucial aspects like quality, moisture, aflatoxins so that when they approach secondary processors, they are never duped. Without adequate knowledge, farmers easily lose out to traders and are forced to sell at give away prices. The Malawi Bureau of Standards is there to ensure that markets are satisfied with the products they are getting from suppliers.

Markets

All produce require to have markets if farmers have to benefit but production must be demand-led and farmers must be acquainted with price structures that they are looking for. Focus should not be on production but producing what the markets want. The country must also invest in market research so that production is tailored to the markets. The markets should also be structured for proper governance as unregulated markets breed mistrust among stakeholders in the value chain.

While markets are there, information symmetry becomes a problem as most farmers end up not being aware of the markets availability.

Legislation

The Personal Property Security Act, 2013 is yet to yield significant result to boost agri business in the country though it has great potential to do so. Lenders worry about the ease with which personal property may be disposed off. Lenders worry that personal property depreciates rather than appreciate in value. Lenders worry about the general trend of loan defaulters.

There is also need to holistically review agribusiness legislation, eg. the Control of Goods Act.

Infrastructure

Agricultural development thrives on the combination of technology and infrastructure. Infrastructure spans the physical – road networks, irrigation, technology, storage facilities, water, electricity, telecommunications, energy, education facilities – and institutional which comprise of

governing rules; regulations - financial flow of funds, collateral registries, settlement systems -; and organisational structure.

Availability and access to physical infrastructure is the key source of competitiveness in agricultural value chain

EXPECTATIONS

The agri business conference has raised several expectations, including

- Farmers will be organized as currently over 80 percent of them are not registered with any farming body, club or association
- Market intelligence and research will be harnessed
- Agri business players will be adding value to their products unlike the current trend where primary products are sold on the market
- The middle class will join farming as they have access to finance, knowledge and skills
- Value chain players will be coordinating their efforts
- The Warehouse Receipt Act will be assented to
- Farmers will be producing on the basis of demand of agricultural products
- Infrastructure that support agricultural growth will be promoted

RESOLUTIONS

Following the deliberations, resolutions were made as follows:

- Bankers Association of Malawi to create a platform or establish a committee that will coordinate players in the agri business value chain. The World Bank to be involved in the initiative
- Government Should take the initiative to holistically appreciate views of different stakeholders pertaining to matters that affect agri business
- Development of an agricultural transformation roadmap, clear with objectives, expectations and deliverables.
- Creation of a master farmer program of role models for farmers, youth farmer organizations, women farmer organizations to enhance partnerships.
- Formation of commodity associations among farmers to accord them the power to negotiate with buyers and suppliers on better prices
- Government to create super parastatals which will participate in all areas of farming including marketing bodies clear with vision of what Malawi wants to do in agriculture. The superparastatal to be chaired by state president or nominee.
- Agri business conference proceedings be shared with the National Planning Commission

PAUL GUTA
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