



# Scoping Study Report

Malawi Nacala Rail and Port Value Addition  
and Inclusive PSD Project,  
Fund for Africa Private Sector Assistance  
(FAPA)

Contract No. MITC/FAPA/2018C1



From  
the People of Japan



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## Acronyms

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<b>AfDB</b>	African Development Bank
<b>AGCOM</b>	Agricultural Commercialization Project
<b>AIYAP</b>	Agriculture Infrastructure and Youth in Agribusiness Project
<b>APES</b>	Agricultural Production Estimates
<b>BIF</b>	Business Innovation Facility
<b>BLMF</b>	Business Linkages Matching Fund
<b>CEAR</b>	Central and Eastern African Railway
<b>CJCSP</b>	The Competiveness and Job Creation Support Project
<b>DADO</b>	District Agriculture Development Officer
<b>DAECC</b>	District Agriculture Extension Coordination Committee
<b>DAO</b>	District Agriculture Office
<b>DEC</b>	District Executive Committee
<b>FAPA</b>	Fund for Africa Private Sector Assistance
<b>FIDP</b>	Farm Income Diversification Programme
<b>GTZ</b>	Deutsche Gesellschaft für Technische Zusammenarbeit
<b>ICT</b>	Information, Communication & Technology
<b>J4Y</b>	Jobs for Youth
<b>KULIMA</b>	Kutukula Ulimi m'Malawi
<b>MEIRA</b>	More Income and Employment in Rural Areas
<b>MICF</b>	Malawi Innovation Challenge Fund
<b>MITC</b>	Malawi Investment and Trade Centre
<b>MoAIWD</b>	Ministry of Agriculture, Irrigation and Water development
<b>MoITT</b>	Ministry of Industry, Trade And Tourism
<b>MOST</b>	Malawi Oil Seed Transformation Project
<b>MSME</b>	Micro, Small and Medium Enterprise
<b>NABW</b>	National Association of Business Women
<b>NASME</b>	National Association of Small and Medium Enterprise
<b>NES</b>	National Export Strategy
<b>NRCP</b>	Nacala Road Corridor Project
<b>OSBP</b>	One-Stop-Border-Posts
<b>PRIDE</b>	Programme for Rural Irrigation Development
<b>SIVAP</b>	Smallholder Value Addition and Value Addition Project
<b>SIVAP</b>	Smallholder Irrigation and Value Addition Project
<b>SME</b>	Small and Medium Enterprise
<b>SMEDI</b>	Small and Medium Enterprise Development Institute
<b>SVTP</b>	Shire Valley Irrigation Transformation Project

## Executive Summary

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This report presents the findings of a Scoping Study which was undertaken as a preparatory phase of the Malawi Nacala Rail and Port Value Addition and Inclusive Private Sector Development project. The project aims to support inclusive and sustainable economic growth along the Malawi Nacala Corridor through the improvement on the efficiency and competitiveness of local businesses situated in the Nacala Corridor in order to enable them to better exploit the newly available transport infrastructure, and to achieve accelerated economic and social development in Malawi. The primary target beneficiaries are agro-processing SMEs, farmers groups and smallholder farmers.

The purpose of the Scoping study was to gather essential information that would inform the next stages of the project, especially the selection of crops, districts, beneficiaries and partners. To achieve the objective of the study, three key methods of data collection were utilised namely; desk review, key informant interviews and observation visits to selected SMEs. The Scoping Study has recommended crops for the project to focus on, a list of districts within the Nacala Corridor in which the project should work, a list of 25 potential Champion SMEs operating within the Nacala Corridor from which 15 will be selected to participate in the project, a list of 60 Farmer groups within the Nacala Corridor from which 15-30 will be selected to participate in the project, and a list of Stakeholders with which the project can cooperate during its implementation.

This Scoping Study recommends the following nine crops to be the focus crops for this project: Groundnuts, Pigeon Peas, Cassava, Beans, Soya beans, Rice, Paprika, Bird eyes chillies, Sunflower.

This Scoping Study also recommends that all 13 districts within the Nacala Corridor should be considered districts of focus for until after the assessment of potential SMEs and farmer groups which will be undertaken after the Call for Proposals is completed when some districts may be dropped. The districts of focus at present therefore are: Blantyre, Lilongwe, Mchinji, Dedza, Nsanje, Thyolo, Balaka, Machinga, Neno, Mwanza, Ntcheu, Mangochi and Salima.

This Scoping study has also recommended 25 potential champion SMEs which will be assessed further to finally select the 15 champion SMEs which will participate in the project.

This Scoping Study has also recommended 60 farmer groups from the target districts which are also producing the identified crops to be assessed further and thereafter to select 15-30 farmer groups which will be the target farmer groups for this project.

Finally, the Scoping Study has recommended a number of key stakeholders with whom the project should work including SIVAP, Government decentralised structures and other projects with similar aims.

# 1. Introduction

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The Nacala Corridor Rail and Port Value Addition and Inclusive Private Sector Development Project aims to support inclusive and sustainable economic growth along the Malawi Nacala Corridor through the improvement on the efficiency and competitiveness of local businesses situated in the Nacala Corridor in order to enable them to better exploit the newly available transport infrastructure, and to achieve accelerated economic and social development in Malawi. The project's targeted beneficiaries are agro-processing SMEs, farmers' support organizations, smallholder farmers, extension service workers, financial institutions, and the Government of Malawi.

The project is designed to be achieved through three components namely: capacity building of key stakeholders, access to markets and access to finance. The capacity building component will target 15 growth-oriented agribusiness entrepreneurs, 15-30 farmer groups and 1000 smallholder farmers in the Nacala corridor to increase their ability to effectively make use of the available transport infrastructure. The second component will focus on creating and facilitating access to markets and the third component will focus on facilitating access to finance for farmers and the '*agripreneurs*'. The third component also includes capacity building for loan officers of financial institutions. By implementing the three components, the project envisages accomplishment of the following results:

- Increased agriculture production
- Increased small holder farmer productivity
- Increased value addition by agro-processors
- Increased incomes for small holder farmers
- Increased profitability for SMEs in agro-processing
- Contribution to a PPP dialogue to improve the enabling environment for industrialization

## 1.1 The Scoping Study

The Scoping Study was the first major activity of the project and was conducted in the Malawi Nacala Corridor from 19<sup>th</sup> April 2018. The objective of the study was to map potential Champion SMEs, farmer groups, and crops and thereafter to select districts of focus for the Nacala Corridor Rail and Port Value Addition and Inclusive Private Sector Development Project. In line with the Terms of Reference, the exercise involved the following:

- a. A preliminary assessment of crops grown in the Nacala corridor,
- b. Analysis of the various crops,
- c. Mapping of potential Champion SMEs (men and women),
- d. Mapping of SIVAP irrigation schemes and farmer groups for identification of synergies, and



- e. Synthesis and analysis of previous studies and/or projects in the Nacala corridor to provide conceptual clarity as regards Nacala Corridor development.

The key deliverable of the Scoping Study was this Scoping Study Report. This report therefore provides the following outcomes:

- a. A list of crops for the project to focus on.
- b. A list of districts within the Nacala Corridor in which the project should work.
- c. A list of 25 potential Champion SMEs operating within the Nacala Corridor from which 15 will be selected to participate in the project.
- d. A list of 60 Farmer groups mapped operating within the Nacala Corridor from which 15-30 will be selected to participate in the project.
- e. A list of Stakeholders with which the project can cooperate during its implementation.

This Scoping Study was thus a precursor to the subsequent selection of SMEs and farmer groups after which a comprehensive diagnostic study will be undertaken to determine their specific needs on which interventions will be based.

## **1.2 Conceptual understanding of the Nacala Region**

The Nacala Corridor Region stretches from Nayuchi in Mozambique to Chipata in Zambia and Makhanga in Malawi (Figure 1). In Malawi, it follows the rail and road network and covers the following thirteen districts: Mchinji, Lilongwe, Dedza, Salima, Ntcheu, Balaka, Neno, Mwanza, Machinga, Mangochi, Blantyre, Thyolo and Nsanje. The African Development Bank has supported the development<sup>1</sup> of the Nacala corridor both from the public and private sector windows in Malawi through:

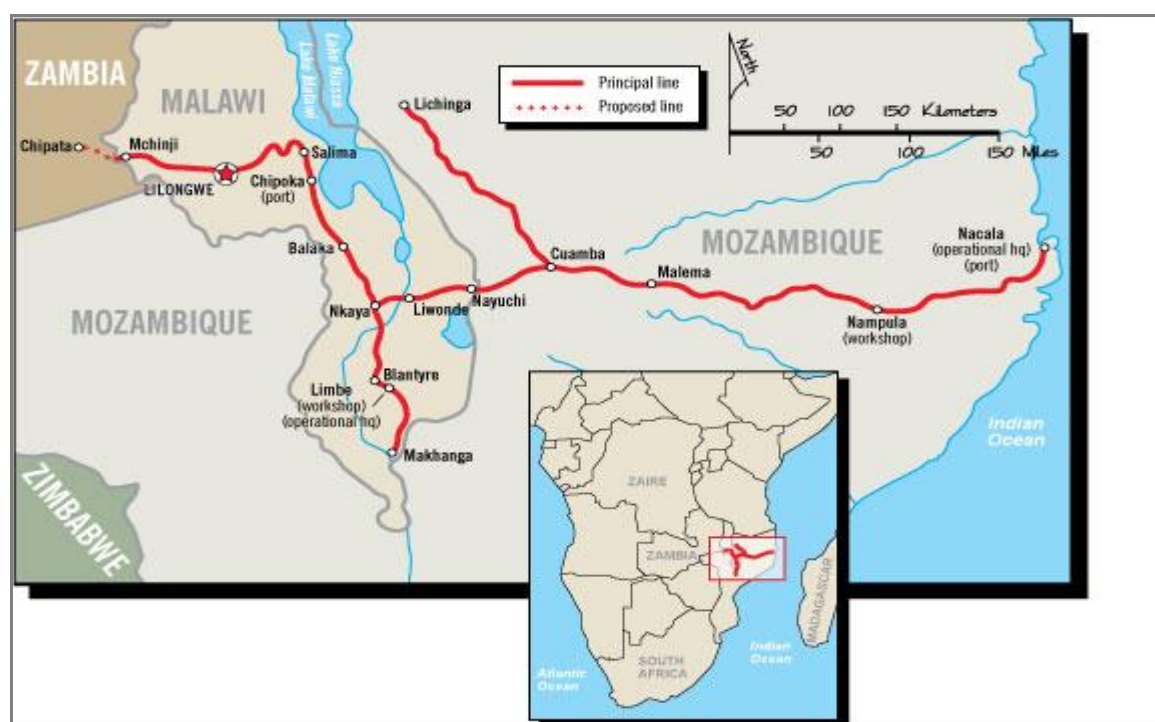
- Construction of 13 km bypass road west of Lilongwe city in Malawi
- Rehabilitation of a 75 km road between Liwonde and Mangochi along the Nacala Road Corridor in Malawi.
- Construction of a 912 km cape gauge rail line from the Moatize mine in western Mozambique to the Nacala port on the eastern coast of the country through Malawi.

This project covers only the part of the Nacala Corridor that is in Malawi.

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<sup>1</sup>Review four project documents that the AfDB has funded along the Nacala Corridor

Figure 1: Map of the Nacala Corridor in Malawi



Source: Project Appraisal Document (2016:25)

## 2. Methodology

The main research questions which the Scoping Study sought to answer were:

1. Which crops or value chains should the project focus on?
2. What types of SMEs exist in these districts?
3. Where are the potential champion SMEs located?
4. Where are the women and youth-owned Champion SMEs?
5. What types of farmer groups exist in these districts?
6. Which districts should the project focus on?
7. Where are the SIVAP and other relevant AfDB projects with which the project can create synergies?

The study used a basic definition of SMEs as defined by MOITT<sup>2</sup> which considers an SME as having between 5-100 employees. The Scoping Study among others was mapping potential champion SMEs and farmer groups. The definitions below were used to guide the scoping process:

<sup>2</sup> Ministry of Commerce and Industry, MSE Policy & Strategy 2012

- **Champion SMEs:** are those agribusiness SMEs which are engaged in agro-processing (within AfDB's definition of agroindustry<sup>3</sup>), export or have potential to export, are sustainably linked or are willing and have the potential to link with smallholder farmer groups. The minimum level for value addition for a champion SME was packaging graded produce. The SMEs could be sole proprietors, joint ventures or vibrant cooperatives engaged in value addition.
- **Farmer Groups:** are registered, cohesive and active groups of farmers and may include producer cooperatives and associations.

## 2.1 Data Collection

The Scoping Study employed three methods of data collection as described below:

- **Desk review:** Value chain analysis reports for Malawi were reviewed for a value chain based preliminary assessment of crops produced in the districts within the Nacala Corridor Region. The review provided conceptual clarity of the agricultural activities within the Nacala Development Corridor.
- **Key informant interviews with stakeholders:** Face to face interviews were conducted with key informants to get first-hand information from them about value chains, potential champion SMEs and farmer groups. The key informants were defined as stakeholders who had knowledge on the nature and locations of SMEs and farmer groups, crops grown in each district and the value chain players. The key informant interviews were at two levels; national and district levels. The districts visited were Mchinji, Lilongwe, Salima, Dedza, Ntcheu, Balaka, Mangochi, Machinga, Neno, Mwanza, Blantyre, Thyolo and Nsanje.

The national level consultations served to provide data on the SME landscape including the contacts of the SMEs. The following institutions were interviewed:

- Ministry of industry, Trade and Tourism (MOITT)
- National Association of Small & Medium Enterprises (NASME)
- The Chamber of Small & Medium Enterprises
- Small and Medium Enterprise Development Institute (SMEDI)
- National Association of Business Women (NABW)
- African Women in Agribusiness (AWAB)
- National Association of Smallholder Farmers in Malawi (NASFAM)
- Farmers Union of Malawi (FUM)
- Smallholder Irrigation and Value Addition Project (SIVAP)
- Business Linkages Matching Fund (BLMF)

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<sup>3</sup> "Agro-industry is broadly defined as post-harvest activities involving the transformation, preservation and preparation of agricultural production for intermediary or final consumption. It is comprised of artisanal, minimally processed and packaged agricultural raw materials, the processing of intermediate goods, and the fabrication of final products derived from agriculture. An extended definition of agro-industry includes not only agriculture-related industries but also distribution and trading activities."

- Agriculture Investment for Youth in Agribusiness (AIYAP)
- Central and Eastern Africa Railway (CEAR)

At district level, the interviews were conducted to obtain information on crops grown, farmer groups and potential champion SMEs relevant to the important value chains in the districts. The following stakeholders were interviewed:

- District Agriculture Office Officials (Agribusiness Officer, EMO/ADADO)
- Acting Trade Officers (Assistant Cooperative Liaison Officers)
- Other officers depending on the information needed.

A total of 36 key informant interviews were conducted across the 13 districts which were visited (see appendix 5).

- **Observation Visits to SMEs:** Visits were conducted to selected SMEs for observation and interview. About 20 potential champion SMEs in total were visited.

The three methods were utilized for triangulation during data analysis.

### 3. Study Findings

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These study findings are divided into three sections in line with the objectives of this scoping study which are: a) preliminary assessment of crops grown in the Nacala corridor and their analysis, b) mapping of potential Champion SMEs, and c) mapping of farmer groups.

#### 3.1 Preliminary assessment of crops grown in the Nacala corridor and their analysis

The scoping study has revealed that a total of 23 crops are grown in the 13 Nacala Corridor districts, namely; beans, cassava, groundnuts, maize, paprika, soy beans, sweet potatoes, tobacco, sunflower, cotton, cowpeas, rice, sorghum, coffee, onions, pigeon peas, potatoes, tomatoes, sesame, pepper (birds eye chilli), wheat, green grams and macadamia. Appendix 1 shows the number of districts within the Nacala Corridor where each of the above crops is grown. The 23 crops were further assessed using criteria described in 3.1.1 below, and the following eight crops were selected and are hereby recommended to be the focus crops for this project:

**Table 1: Recommended crops for the Nacala Corridor Project**

	Crop/ Product	Reasons for selection
1	Groundnuts	<ul style="list-style-type: none"> <li>• Grown in 10 out of the 13 districts</li> <li>• Export potential for processed groundnuts</li> </ul>
2	Pigeon Peas	<ul style="list-style-type: none"> <li>• Grown in 8 out of the 13 districts</li> </ul>

		<ul style="list-style-type: none"> <li>• Export potential for processed pigeon peas</li> </ul>
3	Cassava	<ul style="list-style-type: none"> <li>• Grown in 6 out of the 13 districts</li> <li>• Export potential for High Quality Cassava Flour</li> </ul>
4	Rice	<ul style="list-style-type: none"> <li>• Grown in 6 out of the 13 districts</li> <li>• Export potential for processed rice</li> </ul>
5	Soy Beans	<ul style="list-style-type: none"> <li>• Grown in 6 out of the 13 districts</li> <li>• Export potential for soy bean cake</li> </ul>
6	Beans	<ul style="list-style-type: none"> <li>• Grown in 5 out of the 13 districts</li> <li>• Export potential large volumes of the product</li> </ul>
7	Paprika	<ul style="list-style-type: none"> <li>• Export market is already available</li> <li>• SMEs currently exporting paprika cannot meet demand</li> </ul>
8	Birds eye chillies	<ul style="list-style-type: none"> <li>• Export market is already available</li> <li>• SMEs currently exporting products based on birds eye chillies cannot meet demand</li> </ul>
9	Sunflower	<ul style="list-style-type: none"> <li>• Export market is already available</li> <li>• SMEs currently exporting sunflower cake cannot meet demand</li> </ul>

Source: compiled by the author

### 3.1.1 Criteria used for preliminary assessment of crops

The criteria used to undertake the preliminary assessment of the crops had seven factors. Each factor was allocated a score of 1 and therefore the maximum score that each crop could attain in each district was 7. All crops had to qualify with respect to the first three factors namely *export potential*, *market focus*, and *grown by smallholder farmers and farmer groups*. Those crops that achieved a minimum score of 5 inclusive of the three mandatory qualities were selected as focus crops for this project. In addition, as an exception, crops which were already being exported by SMEs that had been identified by the project and were grown in at least one district within the Nacala Corridor region were considered to be automatically qualifying for selection.

Table 2 below defines the criteria used in the assessment of the crops and gives the reasons why each criterion was chosen. As the table indicates, no exact selection thresholds were awarded as this defers strongly per crop. A realistic assessment of potential was made based on existing opinions from experienced public and private sector stakeholders (using a literature review and interviews) to provide a scoring on meeting the requirement (1) or not (0):

**Table 2: Criteria for crop assessment**

	Criteria	Definition	Reason for including Criterion
1	<b>Export potential</b>	The crop is exportable as unmet demand is identified and/or is being exported (no	The project has export as a major component. Therefore, it was necessary that crops to be selected had export

		ban) when value is added.	potential
2	<b>Market focus</b>	It is a cash crop for smallholder farmers, not mainly grown for subsistence and it is grown for either domestic, international markets or both.	Farmers are expected to aggregate produce and sell to agribusiness SMEs. To avoid stiff competition with household own consumption needs, this criterion had to be applied to control number of food crops which a household (a farmer) partly consumes and sale, so that only those that are grown mainly for sale are focused on (with the share grown for household consumption being determinant)
3	<b>Grown by Smallholder farmers and farmer groups</b>	The crop is being grown by farmers organized into groups and value addition is being undertaken by SMEs.	The project will need to work with SMEs already engaged in the value addition of the selected crops, rather than making SMEs embark on new crops. Likewise, the SMEs would need raw materials of the crops from farmers. Hence the condition was that both SMEs and farmer groups should be engaged in the crop for creation of linkages.
4	<b>Production potential</b>	Production volumes (according to key informants and crop estimates <sup>4</sup> ) are high, and there is still room for improving production within the three years.	This criterion was designed to ensure that tangible quantities of raw materials can be sourced in the districts and that yield can be improved to increase supply.
5	<b>High value</b>	The crop fetches higher prices and gives wider margins per unit kilogram thereby having a positive impact on the livelihoods of farmers.	The project intends to among others things increase incomes of the participating SMEs and farmers hence a need to consider crops which can give more income per Kg of product
6	<b>Government priority</b>	The crop is being promoted as a cash crop by the government and is mentioned as a priority crop in policy documents such as Malawi Growth and Development Strategy (MGDS) III (2017), National Agriculture Policy (2016), the Malawi National Industrial Policy (2014) and the National Agriculture	The project is expected to focus on government priorities on crops for commercialization, in this case, through working on value chains recommended by the government

<sup>4</sup> The Government of Malawi carries out Agricultural Production Estimates

		Investment Plans (2018-2020) (A successor of ASWAp) which emphasize on legumes and oil seeds and agro processing of agri-produce, in general	
7	<b>Value addition</b>	The crop is at least graded, sorted and packaged as a brand by an enterprise such as an agribusiness SME	The project seeks to promote agribusiness value addition. This criterion was a way to determine the practicality of value addition of various crops

**Source: compiled by the author**

### **3.1.2 Analysis of the recommended Value Chains**

Many farmers sell their produce in an unprocessed state to vendors or middlemen or aggregators. The vendors are mainly of two types: i) the middlemen who buy and resale to big companies ii) vendors who are employees of large enterprises and SMEs. In such arrangements, there are no contracts between the farmers and the vendors but they are one-off transactions. Examples of companies which are active buyers are Export Trading Group (ETG), Rab Processors, Exagris Africa Limited, Mulli brothers, Transglobe, Takondwa, Sunseed, National Smallholder Farmer Association (NASFAM), Seed companies (buying multiplied seed), Agricultural Commodity Exchange (ACE) /AHCX and Dalitso General Dealers among others. Vendors from neighbouring countries such as Zambia, Mozambique and Tanzania also come to Malawian rural markets to buy produce and smuggle it into their countries.

The following is a description of the nine crops which are being recommended for adoption as the focus crops for the Nacala Corridor Value Addition Project.

#### **3.1.2.1 Groundnut Value Chain**

Groundnut is one of the most important commodities embraced in the National agriculture Policy (2016), the Malawi National Industrial Policy (2014), the MGDS and the National Agriculture Investment Plans (2018-2020). It is identified as one of the potential crops to replace tobacco in the economy which is having an uncertain future due to World Health Organisation campaign against it. Approximately 20% of all smallholders in Malawi grow groundnuts, making it one of the most widely grown crops after maize and tobacco, according to the MOST (<http://www.most.mw/sectors/groundnut>). The central region is particularly suited to groundnut production with 70% of Malawi's groundnut grown in Mchinji, Lilongwe, Kasungu and Ntchisi. Smallholders account for 93% of production volume, with the balance coming from commercial farms. Production is labour intensive, much of which is by women.



**Figure 2: Women winnowing groundnuts at Mgona in Lilongwe**



Like many other crops, groundnut yield in the country is low. The GoM (2011) indicated that yield gaps range from 40-75% for legumes. Increasing production of the commodity has been impeded mainly by the following factors: unpredictable climatic conditions, pests and diseases, poor soil fertility and cultural practices. Nonetheless, the crop has seen a surge in total production over the years due to its increasing commercial value. From 2009, average groundnut yields have improved to an average of 1 metric tonne per hectare. This has been attributed to the adoption of CG7 which is a high yielding variety. This is still relatively low against yield potentials of up to 2.5mT/Ha. Most farmers use recycled seed which compromises yields and increases aflatoxin prevalence (See Table 3). The following companies supply the seed to the farmers: SEEDCO Malawi, MONSANTO, DEMETER, PANNAR Seed, Farmers World and NASFAM.

Over 80% of groundnuts are consumed locally, with 25% processed into nuts, peanut butter and ready to use therapeutic food. Despite the huge demand for groundnuts, Malawi has only been able to export 8-15% of its production. This is less than 2% of the global market share due mainly to poor access arising from inability to meet quality requirements. Approximately 95% of the country's groundnut exports are to regional markets with no aflatoxin limitation.

**Table 3: Groundnuts production and productivity in Malawi**

SEASON	Groundnuts		
	Area (Ha)	Production (MT)	YIELD (MT/Ha)
2012/13	362824	380800	1.0
2013/14	375991	397503	1.1
2014/15	373,925	296,498	0.8
2015/16	333,859	272,256	0.8
2016/17	389,546	386,319	1.0

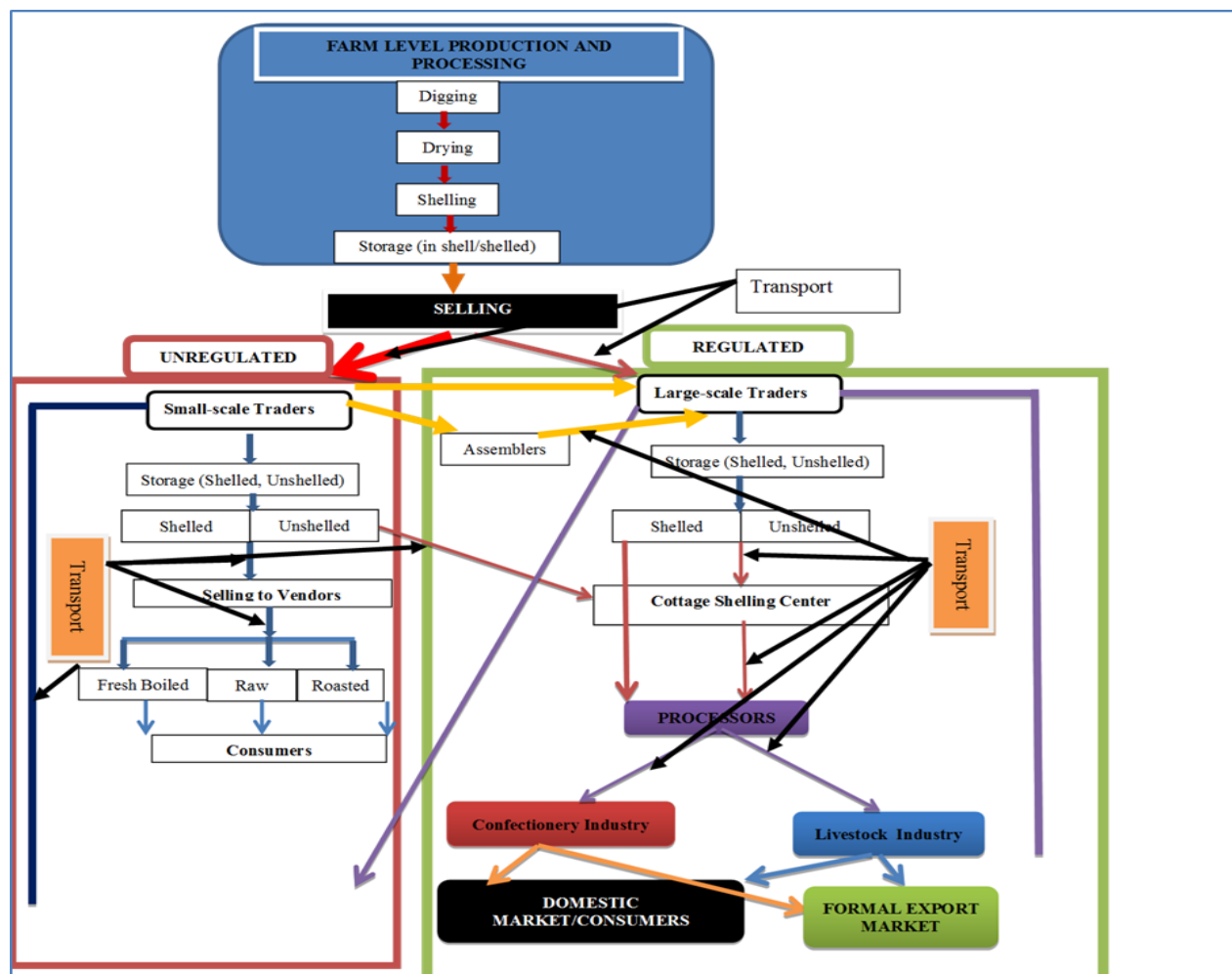
Source: APES (2013-2017)



There is a lot of value addition on groundnuts, which starts with drying by the producers themselves. The unregulated smallholder households dry and may shell the groundnuts. The major market for groundnuts at that level are the small-scale traders who sell it as raw, roasted or boiled. The market is in two major categories; regulated and unregulated (Kachule et al 2016), refer to Figure 3. The regulated market consists of large scale traders who supply the processors that produce products for domestic consumption and export. Often, small-scale traders or middlemen supply to the large scale traders. Sometimes, the companies themselves buy directly from small scale farmers by setting up buying points or accessing the commodity at market centres. Most of the large scale traders/middlemen are regarded as exploitative as they offer lower prices and sometimes tamper with the weighing scales in their favour.

Key Traders or buyers include: Transglobe Produce, Farmers World (Grain Securities Ltd), Agora, Senwes, Export Trading Group (ETG), Mulli Brothers, Kulima Gold, Kachande Brothers (Produce Traders), Dalitso General Suppliers, Takondwa Trading (Milward Nyangulu), Chitsotsa Trading, KGN Distributors, Exagris (buys from outgrowers) and Clinton Hunter.

**Figure 3: Structure of the Malawi Groundnut Sub-sector**



Source: Kachule et al. 2016, pg10

### 3.1.2.2 Pigeon Peas Value Chain

Pigeon peas are an important pulse in Malawi particularly in the Southern Region, with average yields ranging from 400 to 800 kg per hectare, far below potential yields of up to 2,500 kg per hectare which can be obtained in a pure stand (MoAIWD\_GAP 2016). Malawi produced 467,912 MT of rain-fed and 2,663 MT of irrigated pigeon peas in 2017.

Apart from consumption by households especially in the southern region, unprocessed and processed pigeon peas were being exported in the past to regional and international markets, mainly India. Malawian exports of (dried and shelled) peas and other cereals (maize and sorghum) are valued at \$65 million, of which pigeon peas cover 28.7% or \$18.6 million. Malawi is in general a small exporter of products from this sector, and pigeon peas account for 2.5% of the world market (ITC, 2018).

Key players in the value chain are NASFAM and the Nandolo Association. Christian Aid has been developing the value chain by working with the Nandolo Association such that farmers are now producing considerable quantities of the crop, and yet no alternative export market has been identified. In 2018, the association is expecting to aggregate about 70,000 MT of pigeon peas and plans to look for export markets. Production of the crop is therefore still high and despite the fact that there is still no reliable export market for the crop.

**Table 4: Pigeon peas production and productivity in Malawi**

SEASON	Pigeon Peas		
	Area (Ha)	Production (MT)	YIELD (MT/ha)
2012/13	307,068	287,983	0.9
2013/14	223,207	318,885	1.4
2014/15	228,817	335,165	1.5
2015/16	246,671	336,077	1.4
2016/17	274,908	470,653	1.7

**Source: APES (2013-2017)**

There is also an opportunity for value addition. SIVAP has distributed four pigeon peas processing machines for transforming the pigeon peas into dhal. Nandolo Association has registered a commercial arm called Nandolo Trading which is structured like NASFAM. The aim of this company is to buy the crop from its members, add value and export while at the same time feeding the domestic market. According to the Association, government procured two Pigeon Pea processing factories which are now idle and could be useful to the new company.

### 3.1.2.3 Cassava Value Chain

Although Cassava is a staple food crop in the lake shore areas of Karonga, Nkhatakota, Nkhata bay and in Rumphu, it is increasingly becoming a major cash crop in other districts of Malawi such as Dedza Dowa, Kasungu, Lilongwe, Machinga and Mzimba (MoAIWD\_GAP 2016). Cassava is drought tolerant, able to yield well on marginal soils, tolerates pests and diseases, needs minimal labour involvement and yields fluctuate less compared to grain crops (ibid). According to APES, the country produced an estimated 4,897,673 MT of cassava in 2017. The national average yields range from 8,000 kg to 20,000 kg fresh weight per hectare yet potential yields of up to 30,000 kg per hectare fresh weight can be achieved (MoAIWD\_GAP 2016).

Total world cassava utilization is projected to reach 275 million tons by 2020 (IFPRI in Westby, 2008, cited by *Meridian Institute, 2009*). Africa claims 62% of the total world production. Africa is the largest producer of cassava, with Nigeria leading the world with 19% of global market share. Eighty-eight percent of cassava produced in Africa is consumed by humans, 50% of which is processed. In comparison, Thailand, where cassava processing is highly mechanized, exports the majority of its cassava to Europe and China as dried chips for animal feed (Meridian Institute, 2009). Although no exact figures are available for Malawi, almost 100% of cassava is used for domestic consumption.

Cassava is a cheaper product compared to other products such as wheat, bread and maize flour (Kambewa & Nyembe 2008). Apart from food security reasons, cassava is becoming a significant industrial crop as it is used as a binder in the timber industry, starch in the textile industry and in confectionary industry (Meridian Institute, 2009). High quality cassava flour (HQCF) is of particular interest because it can be used as a substitute for 10% or potentially more wheat flour in pies, pastries, cakes, biscuits, and doughnuts and has some industrial applications. This is critical in Malawi particularly since the country imports large quantities of wheat which do not meet the demand from processors such as Bakhresa Milling Company.

**Table 5: Cassava production and productivity in Malawi**

SEASON	Cassava		
	Area (Ha)	Production (MT)	YIELD (MT/ha)
2012/13	211,089	4,813,699	22.8
2013/14	216,405	5,102,692	23.6
2014/15	222,750	5,012,763	22.5
2015/16	228,304	5,009,846	21.9
2016/17	231,657	4,960,556	21.4

**Source: APES (2013-2017)**

Within the cassava value chain, production constraints relate mainly to lack of access to high yielding and clean seed (Meridian Institute, undated). It is also normally cultivated with little

inputs such as fertilizer and is laborious especially in the absence of appropriate technologies. Transport issues also affect the chain as it is highly perishable and bulky. So far, Chancellor College through the Leadership for Environment and Development (LEAD) project has been in the forefront in developing solutions for the chain such that what started as a project in Domasi has now graduated into a Trust undertaking cassava processing. Other value chain experts include the Department of Agricultural Research Services (DARS), International Institute of Tropical Agriculture (IITA), Trustees for Agricultural Promotion Programme (TAPP) and to a very small extent, Lilongwe University of Agriculture and Natural Resources.

### 3.1.2.4 Rice Value Chain

In the 2017 crop estimates, Malawi smallholders produced an estimated total of 121,330 MT of rice (MoAIW\_APES 2017). Productivity of rice is around 6 MT per hectares (LEAD 2012).

**Table 6: Rice production and productivity in Malawi**

SEASON	Rice		
	Area (Ha)	Production (MT)	YIELD (MT/Ha)
2012/13	65,275	125,156	1.9
2013/14	67,400	132,002	2.0
2014/15	65,761	111,437	1.7
2015/16	53,750	87,358	1.6
2016/17	64,881	121,079	1.9

**Source: APES (2013-2017)**

The current production does not meet the demand of the domestic market. Rice exports and imports in Malawi fluctuate considerably from year to year. In 2011 the country imported approximately 330 tons, at a cost of around US\$312,000 which was a significant decrease from previous years. However, by 2015 rice imports had risen to US\$ 4.2 million, with imports are mainly from the United States of America, India and South Africa<sup>5</sup>. Taken into account domestic demand as well as regional demand, there seems to be ample business opportunity for the crop.

While fertilizers are available in many agro dealer shops, Lifuwu Research Station, a government research station provides certified seed and extension. However most of the farmers use recycled seed (Lead, 2012). According to key informants, Malawi rice has huge demand both locally and internationally. On the international scene, Malawi rice (varieties such as Kilombero and faya) are known for their irresistible aroma even though the cost of production is slightly higher due to the low productivity.

Most middlemen who buy farm gate rice operate as individuals. Competition remains the main reason they work in isolation (LEAD 2012). Middlemen often buy paddy rice at

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<sup>5</sup> Malawi Rice Outlook, African Institute of Corporate Citizenship, 2016

unattractive prices because of the existence of competition created by the many isolated middlemen chasing the same rice.

Rice processors are located in urban and semi-urban centres with national electricity grid connection. There are mainly two types of processors: a) small-scale processors normally situated along the main roads with one or two rice mills, and b) large scale processors located in Urban centres mainly Blantyre. These include Mulli Brothers, Rab Processors, AGORA and TransGlobe. These processors have a dual buying process: they buy directly from producers, and they also buy from middlemen.

#### ***3.1.2.5 Soy Bean Value Chain***

Soybean is an important commodity because it comprises around 54% of the world's total oilseed production, with demand dominated by USA, China and Europe. At the global level, it is projected that the demand for soybean will continue to increase, driven by the Asian markets, especially China and due to the increased use of soybean oil for biodiesel production in the USA (Opperman &Varia, 2011).

Malawi is one of the significant producers of Soybean in Southern Africa, with others being South Africa, Zambia and Zimbabwe (Makoka & Kalengamaliro, 2013). The crop is mostly grown in Kasungu ADD (Kasungu, Mchinji and Ntchisi), Lilongwe ADD (Lilongwe, Dedza and Ntcheu) and Mzuzu ADD. The crop contributes 30-50% of total income of producers, and the subsector has high to medium impact on women as producers and labourers according to MOST. Soybean production has been increasing over the years. The latest statistics (2017) show that the country produced approximately 208,556 MT (with Lilongwe ADD producing 67,393 MT and Kasungu ADD registering 105,256 MT). Despite the increase, smallholder farmers grow over 90% of soybeans with an average yield of 0.7 to 1.0 MT/ha compared to 1.21 MT/ha by commercial soybean producers. The potential yield is 3.5 MT per ha, meaning that the current average yield is less than half the potential yield. This can be attributed to inadequate agronomic and technological knowledge on production, weak government agricultural extension services and use of unimproved or recycled seeds among the smallholder farmers (Makoka & Kalengamaliro 2013).

Figure 4: Soybean Intercropped with Groundnuts at Lobi EPA, Dedza



Source: Makoka & Kalengamaliro, 2013

Demand is dominated by soybean cake for the poultry industry and soybean oil for human consumption. Demand is expected to continue growing, reaching 3.5M MT by 2020. According to Opperman and Varia (2011), smallholders in Malawi were expected to see the most benefit from the growing demand as they dominate production with 160,000 smallholder farmers benefiting.

**Table 7: Soybean production and productivity in Malawi**

SEASON	Soybean		
	Area (Ha)	Production (MT)	YIELD (MT/ha)
2012/13	114,369	116,977	1.0
2013/14	121,913	132,185	1.1
2014/15	129,071	120,952	0.9
2015/16	153,834	129,071	0.8
2016/17	188,714	208,556	1.1

Source: APES (2013-2017)

Makoka and Kalengamaliro (2013) found out that the majority of soybean farmers do not use quality seeds. Around 74% reported using unreliable sources such as recycled or local seed producer or seed from other farmers. Reliable seed sources include local agro-dealers who sell various soybean seeds from large scale seed companies, such as Seed-Co Malawi Ltd. The Association of Smallholder Seed Multipliers Action Group (ASSMAG) also provides soybean seed to farmers.

There are a number of different players at the marketing level. First, small-scale traders (also known as vendors) buy soybean from smallholder farmers and sell to large-scale traders or processors. Key traders include: Transglobe, Farmers World, Agora, Senwes, Export Trading Group (ETG), Mulli Brothers, Kulima Gold, Kachande Brothers (Produce Traders),



Dalitso General Suppliers, Takondwa Trading (Milward Nyangulu), Chitsotsa Trading, ACE, Exagris and Clinton Hunter.

Malawi soybean is mainly processed into soya pieces, poultry feed and livestock feed. Key processors of Soy Bean in Malawi include: Oil & Protein, Home Oils, Capital Oil Refinery Limited, Flatlands, Charles Stewart, Ndatani Premier Feeds, Alpha Milling (cake), Agrifeeds, Glane Poultry (cake), Crown Poultry (cake), Maldeco (cake), Universal industries, ETG, NASFAM, Rab Processors, FASASun Gold Limited, Sun Seed Oils, Limited/CP Feeds and Global products. Export of soyproducts has fluctuated over the years, as a result of government export bans on soya. In 2013, government scrapped soya export bans as a trade policy tool, but since 2015 has explored other measures to limit soya exports, including an export levy and a mandate that all soya exports be processed through a single trading company. This has limited private sector export activity due to insecurity (Edelman & Bauch, 2016). As of 2017, Malawian export of soya beans is valued at \$6.1 million, destined for mostly regional partners as about 88% of soya beans go to Zimbabwe, Botswana, South Africa and Zambia (ITC, 2018).

**Figure 5: Soya processed product by NASFAM (Makoka et al. 2013)**



### **3.1.2.6 Beans**

Beans mature earlier than most crops and are considered as a cash crop in many parts of Malawi, Zambia and Tanzania because they bring in incomes earlier than other crops and thus act as a source of bridging income for smallholder farmers before the main crops mature. Beans are increasingly becoming a source of income, in some cases for up to 45% of the households (Birachi 2012). The crop is grown throughout the country, with yields for both pure stand and inter-planted crop being around 300 kg to 800 kg per hectare, far below the potential yield of 2000 kg/ha for large seeded varieties and 2,500 kg per hectare for small seeded varieties (MoAIWD\_GAP 2016). In 2017, the APES revealed that the country

produced an estimated 879,269 MT under rain-fed and, 58,539 MT under irrigation smallholder farming. The low yields could partly be attributed to the fact that most smallholder farmers in Malawi do not use improved seed or fertilizers, lack of credit; erratic weather patterns; limited extension services among others. The use of improved seeds is estimated in the range of 10-20% whereas the use of inorganic fertilizers is estimated at about 5% of the smallholder farmers (Birachi 2012).

**Table 8: Beans production and productivity in Malawi**

SEASON	Beans		
	Area (Ha)	Production (MT)	YIELD (MT/Ha)
2012/13	307,158	189,417	0.6
2013/14	316,686	195,048	0.6
2014/15	329,959	188,745	0.6
2015/16	328,820	163,525	0.5
2016/17	331,983	198,486	0.6

**Source: APES (2013-2017)**

In general smallholder farmers sell up to 60% of the beans they produce to local markets, and the rest is used for home consumption. Of these, up to 30-40% are sold within a month of harvesting and the remainder are sold within six months of harvesting mostly as dry beans (Birachi 2012).

The bean value chain has the farmers organized into associations and other forms of groups, with the largest being NASFAM. Seed suppliers are the research institutes such as the DARS and seed companies such as Demeter. Often, the government and NGO extension workers play a significant role in enhancing access to the supplies and technical support to the farmers. There are some intermediary vendors who buy grain from producers on behalf of large traders some of whom are exporters (Mulli Brothers, Export trading Company, RAB processors, SENWES, and Central Poultry Ltd. The main exports are to Tanzania and Zambia (Birachi, 2012). As much as there is a large market for the beans the major challenge for exporters, particularly the SMEs is grading. Beans of different grades are often mixed, and sometimes, even different varieties of beans are mixed. To grade this, the SMEs rely on women labour to winnow and pick which is not usually very effective. This underlines the fact that there are no contract marketing arrangements on the ground which would inform farmers and monitor quality throughout the process.

The beans are mostly exported as grain since there are limited processing activities for beans (Birachi 2012). Most processing of beans happens in Zimbabwe, though Malawi could potentially can the beans as is the case with Zambia. Export potentials for dry beans in Malawi are to countries such as South Africa, Zimbabwe, Tanzania and Zambia.



### 3.1.2.7 Sunflower value chain

Sunflower is grown in many districts in Malawi including in the Nacala Corridor districts such as Mchinji, Machinga, Blantyre and Thyolo. 90% of the growers of the crop are smallholders and it contributes nearly 10% of their household income. The crop has medium impact on women as producers. Average yield of unimproved varieties and inter-cropped are 400 to 500 kg per hectare but there is potential to increase yields up to 2,500 kg per hectare (Guide to Agricultural Production of the MoAIWD, 2016). Smallholder farmers in Malawi currently enjoy limited capacity to realize maximum yields of high quality grain due in part to limited access to high-yield hybrid seed, as well as limited access to comprehensive growing information. Improved varieties can yield up to 3,000 kg per hectare.

Over the years, production has been increasing due to the introduction of certified varieties in 2014, and the budding interest by processors who prefer processing sunflower for cooking oil to other oil seeds because sunflower seed cake is in high demand for feeding livestock. In 2017 alone, total national production was 21,414 MT (MoAIWD APES 2016/2017).

In 2012, sunflower seed imports was 0.5 MT while exports stood at 1,564MT, with a value of \$900,000 and an average price of \$575/MT. In the same year, domestically, the processors' annual demand for sunflower for oil extraction was estimated at 30-40,000MT against the then supply of 11,000 MT. For 2017, sunflower seeds export was valued at \$0.5 million (ITC, 2018).

**Table 9: Sunflower production and productivity in Malawi**

SEASON	Sunflower		
	Area (Ha)	Production (MT)	YIELD (MT/Ha)
2012/13	14,341	13,760	1.0
2013/14	14,843	15,207	1.0
2014/15	15,014	13,963	0.9
2015/16	16,135	15,726	1.0
2016/17	19,330	21,423	1.1

**Source: APES (2013-2017)**

Sources of improved varieties are mainly large seed companies such as Pannar Seed. Unfortunately, due to lack of affordability and sensitization, farmers seldom use them.

The sunflower is traded in a similar manner to other produce. There are both small-scale and large traders, with the former supplying the latter as well. The following are the large traders/buyers in Malawi: Transglobe, Farmers World, Agora, Senwes, Export Trading Group (ETG), Mulli Brothers, Kulima Gold, Kachande Brothers (Produce Traders), Dalitso General Suppliers, Takondwa Trading, and Chitsotsa Trading. The main processors are;

Processors/Buyers, BERL, Oil & Protein, Home Oils, Capital Oil Refinery Limited, Flatlands, NASFAM, Sun Seed oils Ltd, OVOP supported Cooperatives, Other rural small-scale oil processors, Charles Stewart (cake), Ndatani Premier Feeds (cake), Alpha Milling (cake), Agrifeeds, Glane Poultry (cake), Crown Poultry (cake) and Maldeco (cake).

### **3.1.2.8 Paprika Value Chain**

Paprika is currently produced in many parts of Malawi but with the highest concentration of farmers in the following districts, Lilongwe, Mchinji, Kasungu, Dedza, Ntchisi, Salima, Ntcheu, Nkhotakota, Mzimba and Rumphu. There are two paprika products that are produced: paprika oil and paprika powder, all of which contain the rich orange/red colour (Makoka et al. 2009). Over 90% of the paprika products are used in the food industry, while the remainder is used in pharmaceutical products. In 2017, Malawi produced an estimated 471,000 MT under rain fed and only 18 tones irrigated. Present yields under rained-fed range from 500 to 800kg per hectare dry weight. Yields of up to 2,500kg per hectare dry weight can be achieved under proper production management. This shows that there is room for improving production without necessarily increasing the area under production but rather the methods of production.

**Table 10: Paprika production and productivity in Malawi**

SEASON	Paprika		
	Area (Ha)	Production (MT)	YIELD (MT/Ha)
2012/13			
2013/14	2,900	1,3960	0.5
2014/15	3,876	1,819	0.5
2015/16	5,163	2,335	0.5
2016/17	4,391	471,317	107.3

**Source: APES (2013-2017)**

The market for paprika is large both domestically and internationally. Some of the key actors dealing with paprika in Malawi include: Nali, Africa Invest, Cheetah, Mughona Enterprises and Duconti Produce. Malawi's raw paprika is mainly exported to South Africa, where it is processed into oleoresin and powder, and further exported to Europe, and Spain in particular. The share of export is still relatively limited, which reached US\$ 1.9 million in export value in 2014 (NSO, 2015).

Paprika farmers in Malawi are organized into associations which fall under the Paprika Association of Malawi (PAMA). PAMA has established standards for the industry, which are aimed at reducing confusion among farmers, as well as with other buyers in the market. Nonetheless, the industry is still troubled with an influx of many different traders who have

less regard for quality as there are many buyers chasing very little paprika. The paprika bidding drives prices high, making Agribusiness SMEs struggle to make wider margins. At times there is lack of understanding and compliance with the contract terms. Lack of proper communication encourages farmers' opportunistic behaviour of side-selling (Repar et al. 2015). The global markets for paprika in order of size are USA, Sri Lanka, Mexico, Spain and many other Western Countries. International markets for bird eye chillies include United States of America, the United Kingdom, Germany, France and China.

### **3.1.2.9 Birds Eye Chillies Value Chain**

Bird Eye Chillies is widely grown in the country, with present yields ranging from 200 to 500 kg per hectare dry weight yet yields of up to 2,500 kg per hectare dry weight can be achieved. In 2017, the country managed to produce an estimated 141,206 MT, the majority of which was for domestic consumption. There is also a market for birds eye chillies in Africa, especially in West Africa where the majority of the population eat hot dishes (Makoka et al. 2009). At this moment, no exact and validated data was identified on the volume and value of export of chillies.

The market for bird's eye chillies is large both domestically and internationally. Some of the key actors dealing with birds eye chillies in Malawi include; Nali, Africa Invest, Cheetah, Mughona Enterprises and Duconti Produce.

**Table 11: Birds Eye Chillies production and productivity in Malawi**

<b>SEASON</b>	<b>Bird Eye Chillies</b>		
	<b>Area (Ha)</b>	<b>Production (MT)</b>	<b>YIELD (MT/ha)</b>
2012/13	3,873	2,599	0.7
2013/14	2,748	1,923	0.7
2014/15	2,472	1,593	0.6
2015/16	1,917	1,230	0.6
2016/17	3,131	141,216	45

**Source: APES (2013-2017)**

## 3.2 Mapping of Potential Champion SMEs in the Nacala Corridor Region

### 3.2.1 Recommended Potential Champion SMEs

The scoping study has identified 25 potential champion SMEs from the Nacala Corridor Region which are engaged in agro-processing and either have some experience with exporting or have demonstrated the potential to export their products based on a preliminary assessment using all the information available to the team during the scoping study. The scores are shown in Appendix 3 and range from 'high potential' to 'medium potential'. These enterprises will be assessed further after getting them to respond to the Calls for Proposals. Calls for proposals will also be extended to SMEs within the Nacala Corridor region outside of the 25 potential champion SMEs which have already been identified. The best 15 SMEs will then be selected to participate in this project after assessment of the Calls for Proposals.

The potential champion SMEs already identified during the scoping study range from individually owned agro-processing enterprises to aggregators and cooperatives (see Appendix 3). Most of the potential champion SMEs are concentrated in Lilongwe and Blantyre but get their raw materials from across the districts within the Nacala Corridor region. The rural areas generally do not have SMEs that can qualify to be potential champion SMEs, apart from the cooperatives.

Of all the potential champion SMEs identified, only two (Tingadalire Organic Food Products and Food Hub) indicated that they export every year, while one Cooperative, Muona Cooperative, has twice exported rice to Zimbabwe before. The majority of the other potential champion SMEs are potential exporters and will require the project's support to start exporting.

#### 3.2.1.1 Value addition activities

Value addition was a very important factor in the identification of champion SME in the Nacala Corridor region. Table 12 outlines the extent of value addition activities on the crops that are grown in the 13 districts of the Nacala Corridor.

**Table 12: Value Addition Activities**

	Crop	Key Value Addition activities
1	Groundnuts	Drying, grading and packaging, making peanut butter, making groundnut powder
2	Pigeon peas	Grading and packaging in non-branded sacks. There are machinery formaking dhal provided under SIVAP
3	Cassava	Drying, starch making, cassava flour (kondowole) and high quality cassava flour making

4	Rice	Drying, threshing, grading, de-stoning and branded packaging for selected cooperatives such as Muona and Bwanje
5	Soya beans	Grading and packing in non-branded sacks, processing in soy milk and soy yoghurt
6	Beans	Grading, polishing and packing in non-branded sacks
7	Paprika	Drying, grading and milling (making powder)
8	Bird eye chillies	Drying, grading & packaging
9	Sunflower	Drying, grading and cooking oil making

**Source: compiled by the author**

### **3.2.1.2 SIVAP Cooperatives**

Table 13 also shows processing activities around which cooperatives have been formed under SIVAP in Machinga, Salima, Thyolo and Nsanje. Despite that the cooperatives are not yet connected to electricity and that SIVAP is phasing out by the end of this year, the cooperatives present an opportunity to the project on value addition since they have all been provided with processing equipment.

**Table 13: Value Addition Activities under SIVAP**

<b>Site</b>	<b>Expected product</b>	<b>Machine Capacity</b>	<b>Estimated Capacities (MT/Year) of 8hr for 250 working days per year</b>
<b>Salima (Lifidzi)</b>	Polished Rice	1.0MT/hr	2,000
	Cassava Flour	0.25MT/hr	500
	Oil Press (Groundnuts)	0.35MT/hr	700
	Feed Mill (Groundnuts)	0.5MT/hr	1,000
<b>Machinga (Nsanama)</b>	Polished Rice	1.0MT/hr	2,000
	Cassava Flour	0.25MT/hr	500
	Dhal (Pigeon peas)	0.35MT/hr	700
	Oil Press (Groundnuts)	0.35MT/hr	700
	Feed Mill (Groundnuts)	0.5MT/hr	1,000
	Dhal	0.35MT/hr	700

Site	Expected product	Machine Capacity	Estimated Capacities (MT/Year) of 8hr for 250 working days per year
<b>Thyolo (Manthimba)</b>	Polished Beans	0.35MT/hr	700
	Dhal	0.35MT/hr	700
<b>Nsanje (Masenjere)</b>	Polished Rice	1.0MT/hr	2,000
	Dhal	0.35MT/hr	700

Source: compiled by the author

### 3.2.2 Brief description of the Malawi SME Sector

The SME sector is regarded as important in developing countries like Malawi in enhancing economic growth, employment and distributing development (FinScope, 2012). For instance, in 2000, SMEs contributed income to about 25% of Malawian households, employed about 38% of the country's labour force, and contributed about 15.6% to GDP (MoIT T, 2012). The MSME sector employs over a million people (1,050,320<sup>6</sup>), generating an income of 326 billion MK (2011<sup>7</sup>), and is a significant contributor to Malawi's economy. Basing on the employment criterion, there were almost a million MSMEs in Malawi (987,480) in 2012 (FinScope, 2012) and an estimated 61,000 SMEs. Most enterprises in Malawi are micro (93.9%), followed by the small (5.7%) and medium (0.4%) (See Table 14 below)

Table 14: MSME Sample by Business Category

Sample	%	Annual turnover (MK)
Micro (0-4 employees)	93.9	Up to 120 000
Small (5-20 employees)	5.7	120 001 to 4 million
Medium (21-100 employees)	0.4	Above 4 million to 10 million
<b>Total</b>	<b>100.0</b>	Above 10 million

Source: FinScope Study Report 2012

The 2012 Malawi financial scoping survey on SME's indicates that Malawi has about 760,000 small business owners generating annual revenue of about US\$2 Billion. 70% of MSMEs were owned by youth from 18 to 40 years old. However, youth aged 18-30 were more likely to own micro enterprises and those in the age range 31-40 were like to own small-enterprises. Those over 50 owned over 60% of the medium enterprises.

<sup>6</sup> Over 80% of those employed in the sector worked for micro enterprises according to FinScope (2012)

<sup>7</sup> MKW/US\$ exchange rate in January 2012 (start of fieldwork) equates to 163.55

The FinScope Study further found that more men owned 54% of all businesses against 46% by women, with women being more likely to be individual entrepreneurs than men. The study further found out that most SMEs are located in the central region (48%), then Southern (40%) and finally Northern Region (11%).

### **3.2.3 Indicative Baseline for Potential Champion SMEs**

Most of the SMEs (and farmer groups) identified during scoping were reluctant to supply detailed information about their businesses. The main reason for this was that they did not know the FAPA project well enough to surrender such sensitive information. Some even expressed the fear that the FAPA project could be an MRA project. Therefore, the project will have to employ confidence building techniques to win their confidence before they can open up to supply baseline, and this we believe can be achieved during the Call for Proposals which will be handled through direct contact with all potential beneficiaries.

Therefore, Appendix 8 below is baseline for seven SMEs which supplied their company details. This is indicative baseline. During Calls for Proposals, all SMEs and farmer groups will be required to supply the full baseline to the FAPA project.

The indicative baseline shows that some potential champion SMEs have export markets which can be supplied using locally produced agro-products. Some also have fairly high turnover, suggesting that they might have the capacity to supply export markets.

### **3.2.4 Key challenges affecting SME growth**

Although there is a wide range of challenges affecting SME growth, lack of access to finance and lack of access to markets are the two most serious challenges, and such is a situation across the world including Malawi (Eskesen & Agrawal, 2014). Addressing these challenges will be instrumental to unlocking the potential of SMEs as engines of domestic growth. Therefore, by targeting the access to markets and access to finance, the project did well as these aspects are critical in the agribusiness SME entrepreneurial ecosystem.

#### **3.2.4.1 Lack of access to finance**

According to the FinScope Survey, 59% of MSMEs were excluded from financial services, as opposed to 31% that are formally served by some sort of financial system, with the balance relying on informal services. Only 22% are banked. Over three quarters do not borrow funds, primarily because they doubt their ability to repay loans. Of those who borrow, informal credit systems tend to be the primary source of credit. Financial exclusion was found to decrease as the size and formality of the business increased. Generally, the high interest rates offered by commercial banks are not conducive for business growth.

Alternative sources of finance from sources such as impact investors, mezzanine finance and matching grants are seldom accessible to tangible numbers of MSMEs and very competitive, or information is scarce especially on loans offered through commercial banks. Other barriers to access to finance according to Eskesen & Agrawal (2014) are inability to assess risk by financial institutions, lack of business or financial credentials by the SMEs, and the fact that access to rural areas is costly.

The lack of access to finance affects many areas namely infrastructure development and working capital for meeting quantity and quality demanded on the market. As a result, most MSMEs are hampered by low productivity coupled with poor quality products that fetch low revenue.

#### **3.2.4.2 Lack of access to value markets**

The lack of access to better and more efficient markets that offer good prices affects MSMEs in the country. Poor physical infrastructure is a major deterrent for SMEs (Eskesen & Agrawal, 2014). The problem is exacerbated by lack of market information, non-compliance with quality standards, inconsistent quality standards, marketing capability and skills, poor negotiation powers, lack of informed pricing and existence of unscrupulous middlemen (Kaonga 2013; Eskesen & Agrawal 2014).

#### **3.2.4.3 Other challenges affecting SMEs**

Other challenges affecting SMEs include poor management culture, corruption, security risks, regulation, lack of skilled workers, low value addition, non-compliance to contract terms, political interference, self-centeredness, credit risk and lack of a saving culture among others (Kaonga 2013; Eskesen & Agrawal 2014). Weak and uncoordinated institutional support has also contributed to SMEs being weak.

### **3.3 Mapping of Farmer Groups in the Nacala Corridor Region**

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The scoping study has identified a total of 60 farmer groups for further assessment (see Appendix 4). For purposes of this project, farmer groups are defined as cooperatives or associations which are not engaged in agro-processing and exporting. Those that are already engaged in agro-processing and/or exporting, such as Kamwendo, Bwanje and Muona Cooperatives, have been categorized as SMEs. The pre-selection of these groups has been done primarily on the basis of the crops that they grow which may be supplied to SMEs in linkage arrangements. These potential farmer groups will be assessed further after the Call for Proposals to select the 30 farmer groups that will participate in this project.

Farmer groups which may take the form of cooperatives, associations or clubs have different models of operation. However, what is common about them is that either they aggregate their members' produce and sell to a buyer, or the members individually sell their produce to buyers despite being in groups. The proportion of females in most groups ranges from 40-



60%. While the scoping did not particularly interact with farmer groups, key informants assured that they would help mobilize farmers to supply to the champion SMEs provided they are offered attractive prices and that they are paid timely. The recommendation was made because it was revealed that most farmer groups default on their supply agreements because of commodity price variations and late payment by buyers. On the other hand, most SMEs have not been sourcing produce from the farmers groups in a formal way because of low quantities, lack of consistency and low quality produce. The SMEs indicated that vendors (traders) are convenient because they bring the quantities demanded. Nonetheless, the SMEs indicated to being ready to buy directly from the farmers so that they control quality, reduce marketing chain and reward farmers with better prices. What most of them did not commit to is to loan farmers any input.

### 3.4 Focus Districts for the project

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As indicated above, the potential champion SMEs are highly concentrated in Blantyre and Lilongwe. However, these SMEs do not necessarily rely on the two locations for their raw materials. The raw materials are sourced in the other districts including the Nacala Corridor districts. The other districts within the Nacala Corridor region have also shown tremendous potential for linkages with the city located SMEs due to availability of farmer groups. Therefore, the proposed criteria for selecting impact districts are as follows:

- They must have potential champion SMEs.
- They must have farmer groups with potential to create linkages with the potential champion SMEs.

Therefore, the following districts are selected to be the main focus districts for this project because they have potential SMEs and/or farmer groups: Blantyre, Lilongwe, Mchinji, Thyolo, Nsanje and Dedza. The following is a brief background of each of the six districts selected;

**Blantyre:** This has the highest concentration of SMEs such as the Food Hub, Nandolo Trading, Yawo Trading, Green tides, Fresh World Limited and Estrell Trading. Since Blantyre as a district does not have the capacity to produce most of the crops selected for this project, the SMEs will clearly have to be connected to farmer groups in the districts along the Nacala Corridor region which produce the required crops in sufficient quantities.

**Lilongwe:** This is one of the districts with potential champion SMEs such as: Tingadalire Organic Food Products engaged in paprika production and processing, Lakeshore Agro-processing Enterprise engaged in processing of sunflower into cooking oil, and Jescal Enterprise engaged in processing of groundnuts into peanut butter. The district has favourable conditions for the production of the concerned crops and has many farmer groups which the project can link with as suppliers of raw materials.

**Mchinji:** Mchinji has shown potential linkages which according to the study are already in the pipeline. Stakeholders in the district are of the view that Kamwendo Cooperative is advanced enough in terms of how it is run and its assets which include a state-of-the-art factory that include a refinery. Kamwendo Cooperative has huge potential for growth as it is certified by MBS and sells some of its products through Seven Eleven in Lilongwe. Its product was to be supplied to Shoprite but lack of Vitamin A fortification frustrated the arrangement. As of now, the factory is able to fortify with Vitamin A and the cooperative is now ready to resume discussions with Shoprite. The factory has the capacity to produce 4000 litres of oil per day but it often does not have enough raw materials. Other cooperatives in the area are ready to sell non-refined oils to Kamwendo, just as other cooperatives and individuals are also apparently ready to sell sunflower to the cooperative. Because it lacked working capital, EDF has offered to provide them with a working capital loan. Other SMEs in the district are Malaidza and Mahimba and they are engaged in cooking oil and peanut butter production respectively.

**Thyolo:** The district is full of agricultural activity. The key potential linkage noted is at Manthimba Cooperative which has a big factory for processing pigeon peas into dhal (funded by SIVAP), is going to be connected to 8 other cooperatives that are producing pigeon peas according to the agricultural officials of the district. Given that the export market of grain pigeon peas slumped last year, efforts to go into agro-processing of the commodity are critical to create value markets for the frustrated farmers in the district as well as those in Blantyre, Machinga, Neno and Balaka where the crop is also cultivated.

**Dedza:** Bwanje Cooperative (with about 2067 member with shares, 1089 women and 978 males) has potential for growth as its rice production reached 120 metric tonnes in 2014/2015 following good management and interventions. The cooperative also processes, packages and markets its rice. With the current droughts affecting rain-fed production, irrigation is important in assuring production. Currently, its stable market is Maluso Cooperative.

**Nsanje:** Nsanje has a major opportunity in the rice value chain. The rice cooperatives in the district are creating a cooperative union called Lower Shire Rice Marketing Cooperative Union. The Cooperative Union is to be formed to buy and process rice from Muona, Masenjere and Bwazi Cooperatives. It is envisaged that this arrangement will lead to increased production and processing and ultimately lead to exports. Muona Cooperative (Irrigation Scheme) has already exported rice two times to Zimbabwe.

### **Other Districts**

Although only six out of thirteen districts in the Nacala Corridor have potential champion SMEs, all the other districts within the Nacala Corridor region will remain districts of focus for now because that is where the farmer groups that could supply the selected champion SMEs are located. Therefore, until after the Call for Proposals and the assessment that will follow

the Call, when the final selection of focus districts will emerge, the districts of Salima, Balaka, Machinga, Ntcheu, Mwanza, Neno and Mangochi will remain districts of focus for now. The assessment will determine which districts should be retained and which ones should be dropped from the list of focus districts.

### 3.5 Key Stakeholders to work with

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The following are the key stakeholders with which the project could work:

- **Government officials within the decentralized structures:** It is worth acknowledging that the project has a steering committee at the national level which comprises multi-sectoral stakeholders at the national level. As a way of operationalizing knowledge and skills transfer to the government staff and stakeholders at district level, the project will also operate within the decentralization framework including engaging the district Agriculture Extension Coordination Committee (DAECC) which is a network of agricultural technocrats in a district crucial for district-specific synergy, and the District Executive Committee (DEC). These structures have influence, and projects that by-pass them are likely to fail. Agribusiness Officers of the MoAIWD and Acting Trade Officers under the MoITT at the district level should be involved from the start for sustainability. It is also important that the project is in touch with Extension Planning Area level field staff since they are also very influential, and very skilled in community mobilization.
- **SIVAP:** The project is working in Salima, Machinga, Thyolo and Nsanje developing cooperatives to add value to rice, pigeon peas, cassava, legumes and oil seeds and has supplied equipment for the processing of some crops such as pigeon peas, cassava and rice. The project is phasing out in December 2018, and a major challenge facing it is that the factories that it has supplied with equipment are not yet connected to ESCOM power. This is a major setback for SIVAP. Collaboration with SIVAP could result in this project working with the SIVAP project beneficiaries to ensure they are able to operationalize their intended activities.
- **Other projects:** There are many interventions in the country aimed at growing SMEs and farmer groups both along the Nacala Corridor and elsewhere. The notable ones are Business Linkages Matching Fund (BLMF), the Malawi Oil Seed Transformation (MoST) project, GIZ's More Income and Employment in Rural Areas (MEIRA) and the Smallholder Agricultural Productivity Project (SAPP), USADF, African Women in Agribusiness and Malawi Strengthening Inclusive Markets for Agriculture (MSIKA) project. This project will interact with all these institutions and will seek to establish partnership arrangements with those institutions with similar or complimentary objectives to those of FAPA.

## **3.6 General issues identified during the scoping**

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### **3.6.1 Linkages between SMEs and smallholder farmers**

There are currently few existing formal linkages between the SMEs (excluding cooperative) and smallholder farmer groups. It is already underlined that the SMEs also behave like vendors in the value chain, buying from whoever wishes to supply at that moment. The reasons for the lack of linkages between SMEs and farmer groups are a lack of trust due to failed linkages in the past. The general perception among SMEs is that smallholder farmer groups are not faithful and do not fulfil their promises regarding the supply of raw materials. They are therefore forced at short notice to resort to traders and semi-commercial individual farmers to source their raw materials expensively. This means that the FAPA project will have to facilitate the creation of the linkages between SMEs and farmer groups as opposed to merely strengthening existing ones.

### **3.6.2 Expected versus identified Champion SMEs**

The scoping study has identified SMEs of various categories to be considered as potential champion SMEs. While exporting is emphasized in the project, only five of the SMEs have shown signs that they can manage to export. Only two identified SMEs have been exporting paprika powder and graded soya bean grain regularly. Most of the SMEs are struggling to meet domestic demand for their products and would only be able to export if it made economic sense to do so as they would be foregoing the easy to reach local markets because most SMEs involved in agro-processing and targeting big domestic and export markets face a challenge of certification according to SMEDI and MoIT officials.

The biggest problem for most SMEs is lack of appropriate infrastructure. This is one of the critical areas the access to finance component will have to address because MBS does not permit companies to operate in substandard conditions. It follows therefore that at present most exporting SMEs are exporting grain which is only graded, polished and bagged.

### **3.6.3 Shifting market focus of an SME product**

Key informants indicated that when SMEs are producing substandard products such as cooking oil, their market segment is poor households and they are able to sell locally to the low income households because they incur low cost of production and hence charge low price. However, when their production is certified and are complying with quality standards, their cost of production rises and so are the prices. Through this, they lose their local rural poor households and start targeting the big domestic or export markets which are highly competitive. Often the SMEs fail to penetrate the new markets and then become defunct. Therefore, the attempt to help with certification and quality should indeed also be combined intensively with an aspect of identifying a ready market, and with intensive marketing strategies that can break into markets and claim shares dominated by the giant processors.

### **3.6.4 Fast-tracking meeting of quantities demanded on the markets**

Most SMEs and cooperatives are constrained by quantities or volumes from meeting market demands due to inadequate capital and supplies. While long term solution may be linking the SMEs to finance for increasing their working capital to buy more raw materials from farmer groups and stimulate supply from the small-scale producers, fast tracking results may also be achieved by linking several SMEs to aggregate their commodities and supply to export markets. While some SMEs expressed interest to link with others for supply to their export markets, others were worried that fellow SMEs would betray them by supplying behind their back. Therefore, this would have to be formalized through contracts and that it would work well if the market has been identified by the project as opposed to servicing a market that one SME found on its own.

### **3.6.5 Nacala Rail way utilization**

The Appraisal document for the project mentions that it seeks to empower Agribusiness SMES to take advantage of the infrastucure developments that AfDB has supported in Malawi. Currently, the Nacala railway is generally not being utilized in Malawi by the SMEs domestically and for agricultural exports yet the project is assuming that SMEs should be taking advantage of the railway developments to transport their commodities to export markets.

According to the Central and Eastern African Railway (CEAR), the company now runs two kinds of trains; cargo and passenger trains. The passenger train which has a 40 tonne wagon (where passenger put their goods) operates from Limbe to Liwonde only. The cargo train operates from Nayuchi, branches to Limbe through Nkaya, and then proceeds to Mchinji through Nkaya again. According to CEAR, the cargo train is the one suitable for ferrying goods in bulk and the company charges per tonne and does not accept to ferry one's goods unless it is 15 tonnes or more. This leads to most SMEs failing to use the railway. The only institutions that have on several occasions used the cargo are the NASFAM and TAMA who use it sometimes to transport tobacco from Mchinji to Auction Floors. For this reason, CEAR prefers working with institutions that work to mobilize farmer groups to aggregate produce. Most SMEs on the other hand are not aware of the services CEAR can offer as they are used to using tucks. This aspect is important because MITC and AfDB expect the SMEs to be using this infrastructure as a form of transport.

## **4. Conclusions and Recommendations**

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This study wishes to make the following conclusions and recommendations:

1. This Scoping Study has identified nine main crops to be the focus crops for this project. The first six crops were identified using the criteria that was specifically developed for crop selection. The additional three crops were added to the list because they are already being exported by some identified potential champion SMEs. The recommended

crops for this project therefore are as follows: Groundnuts, Pigeon Peas, Cassava, Beans, Soya beans, Rice, Paprika, Bird eyes chillies, Sunflower.

2. This Scoping Study has identified the need to focus on all 13 districts of the Nacala Corridor. Six of the districts are home to potential champion SMEs and these together with the other seven are home to farmer groups with potential to link up with the champion SMEs. Therefore, it is recommended that all 13 districts should be considered districts of focus until after the assessment of potential SMEs and farmer groups which will be undertaken after the Call for Proposals. Depending on the outcomes of the assessment, some districts may be dropped at that point. The districts of focus at present should therefore be: Blantyre, Lilongwe, Mchinji, Dedza, Nsanje, Thyolo, Balaka, Machinga, Neno, Mwanza, Ntcheu, Mangochi and Salima.
3. This Scoping study has identified a total of 25 potential champion SMEs which will be assessed further to finally select the 15 champion SMEs which will participate in the project. Therefore, this report recommends the 25 identified potential champion SMEs to be processed further in subsequent stages of the project.
4. This Scoping Study has identified a total of 60 farmer groups in the target districts which are also producing the identified crops. These farmer groups will be assessed further to select 15-30 farmer groups which will be the target farmer groups for this project. This report therefore recommends the 60 identified farmer groups to be processed further in subsequent stages on the project.
5. This Scoping Study has identified a number of key stakeholders with whom the project should work. These include SIVAP, district level Government decentralized structures and other projects with similar aims. The identified stakeholders are therefore recommended to the project.

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**APPENDIX 1: No of Districts within the Nacala Corridor where the crop is grown**

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No.	Crop Type	No. of Districts
1	Groundnuts	10
2	Pigeon Peas	8
3	Cassava	6
4	Rice	6
5	Soy Beans	6
6	Beans	5
7	Tobacco	4
8	Potatoes	3
9	Cotton	2
10	Tomatoes	2
11	Sunflower	2
12	Paprika	1
13	Pepper / Birds eye chillies	1
14	Cow peas	1
15	Onions	1
16	Coffee	0
17	Maize	0
18	Sorghum	0
19	Sweet Potatoes	0
20	Sesame	0
21	Wheat	0
22	Green grams	0
23	Macadamia	0



## APPENDIX 2: Detailed List of Crops Grown in Nacala Corridor Districts

District	Commonly Grown Crop	Export Potential	Market Focus	Government Priority	Production Potential	High Value	Focus by SMEs & Farmer Groups	Value Addition	Total Score
Lilongwe	Beans	Yes	Yes	Yes	Yes	Yes	No	No	5
	Cassava	Yes	Yes	Yes	Yes	Yes	Yes	No	6
	Ground nuts	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
	Maize	No	No	No	No	No	Yes	No	1
	Paprika	Yes	Yes	No	Yes	Yes	Yes	Yes	6
	Soybean	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
	Sweet potatoes	No	No	No	Yes	No	No	No	1
	Tobacco	Yes	Yes	Yes	Yes	Yes	Yes	No	7
Mchinji	Beans	Yes	Yes	Yes	Yes	Yes	No	No	5
	Cassava	Yes	Yes	Yes	Yes	Yes	Yes	No	6
	Groundnuts	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
	Maize	No	No	No	No	No	Yes	No	1
	Soya bean	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
	Sunflower	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
	Sweet potatoes	No	No	No	Yes	No	No	No	1

District	Commonly Grown Crop	Export Potential	Market Focus	Government Priority	Production Potential	High Value	Focus by SMEs & Farmer Groups	Value Addition	Total Score
	Tobacco	Yes	Yes	Yes	Yes	Yes	Yes	No	6
Salima	Cassava	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
	Cotton	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
	Cow peas	No	No	No	Yes	No	No	No	1
	Groundnuts	Yes	Yes	Yes	Yes	Yes	Yes	yes	7
	Maize	No	No	No	No	No	Yes	No	1
	Rice	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
	Sorghum	No	No	No	No	No	No	No	0
Ntcheu	Beans	Yes	Yes	Yes	Yes	Yes	No	No	5
	Coffee	Yes	Yes	Yes	No	Yes	Yes	Yes	6
	Cotton	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
	Groundnuts	Yes	Yes	Yes	Yes	Yes	Yes	No	6
	Maize	No	No	No	No	No	Yes	No	1
	Onions	No	Yes	No	Yes	Yes	Yes	No	4
	Pigeon peas	No	Yes	Yes	Yes	Yes	Yes	No	5
	Potatoes	Yes	Yes	Yes	Yes	No	Yes	Yes	7
	Soya bean	Yes	Yes	Yes	Yes	Yes	Yes	No	6

District	Commonly Grown Crop	Export Potential	Market Focus	Government Priority	Production Potential	High Value	Focus by SMEs & Farmer Groups	Value Addition	Total Score
	Tomatoes	Yes	Yes	No	Yes	Yes	Yes	No	6
	Wheat	Yes	Yes	Yes	No	Yes	No	No	4
Dedza	Beans	Yes	Yes	Yes	Yes	Yes	No	No	5
	Groundnuts	Yes	Yes	Yes	Yes	Yes	Yes	No	6
	Maize	No	No	No	No	No	Yes	No	1
	Potatoes	Yes	Yes	Yes	Yes	Yes	Yes	No	6
	Rice	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
	Sweet potatoes	No	No	No	Yes	No	No	No	1
	Tomatoes	Yes	Yes	No	Yes	No	Yes	Yes	5
Nsanje	Cotton	Yes	Yes	Yes	Yes	Yes	Yes	No	6
	Green grams	No	No	No	Yes	Yes	Yes	No	3
	Groundnuts	Yes	Yes	Yes	Yes	Yes	Yes	No	6
	Maize	No	No	No	No	No	Yes	No	1
	Millet	No	No	No	Yes	Yes	No	Yes	3
	Pigeon peas	No	Yes	Yes	Yes	Yes	Yes	No	5
	Rice	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
	Sesame	No	Yes	No	Yes	Yes	Yes	No	4

District	Commonly Grown Crop	Export Potential	Market Focus	Government Priority	Production Potential	High Value	Focus by SMEs & Farmer Groups	Value Addition	Total Score
	Sorghum	No	No	No	No	No	No	No	0
	Sweetpotatoes	No	No	No	Yes	No	No	No	1
Thyolo	Beans	Yes	Yes	Yes	Yes	Yes	No	No	5
	Cassava	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
	Maize	No	No	No	No	No	Yes	No	1
	Onions	No	Yes	No	Yes	Yes	Yes	No	4
	Pigeon peas	No	Yes	Yes	Yes	Yes	Yes	No	5
	Rice	Yes	Yes	Yes	Yes	Yes	Yes	No	6
	Sweetpotatoes	No	No	No	Yes	No	No	No	1
	Tomatoes	Yes	Yes	No	Yes	No	Yes	No	4
	Cassava	Yes	Yes	Yes	No	Yes	Yes	Yes	6
Blantyre	Groundnuts	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
	Maize	No	No	No	No	No	Yes	No	1
	Onion	No	Yes	No	Yes	Yes	Yes	No	4
	Pepper (birds eye chillies)	Yes	Yes	Yes	No	Yes	Yes	Yes	6
	Pigeon peas	No	Yes	Yes	Yes	Yes	Yes	No	5

District	Commonly Grown Crop	Export Potential	Market Focus	Government Priority	Production Potential	High Value	Focus by SMEs & Farmer Groups	Value Addition	Total Score
	Rice	Yes	Yes	Yes	No	Yes	Yes	No	5
	Sweet potatoes	No	No	No	Yes	No	No	No	1
	Tobacco	Yes	Yes	Yes	No	Yes	Yes	No	5
	Tomatoes	Yes	Yes	No	Yes	No	Yes	No	3
Machinga	Cassava	Yes	Yes	Yes	No	Yes	Yes	Yes	6
	Cotton	Yes	Yes	Yes	No	Yes	No	No	4
	Groundnuts	Yes	Yes	Yes	Yes	Yes	Yes	No	6
	Maize	No	No	No	No	No	Yes	No	1
	Pigeon peas	No	Yes	Yes	Yes	Yes	Yes	No	5
	Rice	Yes	Yes	Yes	No	Yes	Yes	No	5
	Soya bean	Yes	Yes	Yes	Yes	Yes	Yes	No	6
	Tobacco	Yes	Yes	Yes	No	Yes	No	No	4
Balaka	Cassava	No	Yes	No	Yes	Yes	Yes	Yes	4
	Cotton	Yes	Yes	Yes	No	Yes	No	No	4
	Cow peas	Yes	Yes	No	Yes	No	Yes	No	4
	Groundnuts	Yes	Yes	Yes	No	Yes	Yes	No	6
	Pigeon peas	No	Yes	Yes	Yes	Yes	Yes	No	5

District	Commonly Grown Crop	Export Potential	Market Focus	Government Priority	Production Potential	High Value	Focus by SMEs & Farmer Groups	Value Addition	Total Score
	Sorghum	No	Yes	No	Yes	Yes	No	No	3
	Soybeans	yes	Yes	Yes	Yes	Yes	Yes	No	6
	Tobacco	Yes	Yes	Yes	No	Yes	No	No	4
	Groundnuts	Yes	Yes	Yes	No	Yes	Yes	No	6
	Pigeon peas	No	Yes	Yes	Yes	Yes	Yes	No	5
Mangochi	Soybean	yes	Yes	Yes	Yes	Yes	Yes	No	6
	Sunflower	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
	Macademia	Yes	Yes	Yes	No	Yes	No <sup>8</sup>	No	4
	Maize	No	No	No	No	No	Yes	No	1
Mwanza	Pigeon peas	No	Yes	Yes	Yes	Yes	Yes	No	5
	Sweet potatoes	No	No	No	Yes	No	No	No	1
	Cotton	Yes	Yes	Yes	No	Yes	No	No	4
	Cow peas	Yes	Yes	No	Yes	No	Yes	No	4
Neno	Pigeon peas	No	Yes	Yes	Yes	Yes	Yes	No	5

<sup>8</sup> Only a farmer group in Mwanza called Mwanza Macademia Cooperative cultivates macademia and sells it unprocessed to some company in Blantyre.

District	Commonly Grown Crop	Export Potential	Market Focus	Government Priority	Production Potential	High Value	Focus by SMEs & Farmer Groups	Value Addition	Total Score
	Potatoes	Yes	Yes	Yes	Yes	Yes	Yes	No	6
	Rice	Yes	Yes	Yes	No	Yes	Yes	No	5
	Wheat	Yes	Yes	Yes	No	Yes	No	No	4