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PUBLIC SECTOR SUPPORT FOR INCLUSIVE AGRIBUSINESS DEVELOPMENT

An appraisal of institutional models in Malawi





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FOR INCLUSIVE AGRIBUSINESS
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models in Malawi**

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Preface

The agrifood system is changing rapidly. Structural changes are occurring throughout the system in response to the modernization of agriculture (globalization, coordination and concentration) and shifting consumer and societal demands for safer, better-quality and ready-to-eat food produced in a socially and environmentally responsible manner. This new scenario coexists with more traditional types of family and subsistence farming.

This changing environment places increased pressure on Ministries of Agriculture (MOAs) in developing countries to engage in agribusiness and agro-industry development. However, to what extent are the MOAs empowered and equipped to do so? Many of them have seen their mandates and functions expanded from a strictly productive dimension to a more holistic, farm-to-fork approach. This expansion should be reflected in the provision of an increased scope of public goods and services to deal with post-production issues. MOAs also face the challenge of mainstreaming relatively new approaches such as the design and implementation of value chain programmes; climate-smart agriculture; the use of contract farming; public-private partnerships and other private sector engagement models; and agribusiness programmes with a territorial dimension (e.g., agricultural growth corridors and clusters).

FAO has conducted an appraisal of the organizational arrangements used by MOAs to support inclusive agribusiness and agro-industry development, which included a scoping survey of 71 countries and in-depth analysis of 21 case studies from Africa, Asia and Latin America. The study found that many MOAs have established specific agribusiness units with technical, policy and/or coordination functions concerning agribusiness development. Others have set up clusters of units with complementary individual mandates.

The study analysed how well prepared these agribusiness units and their staff are to deal with both traditional and non-traditional approaches and tools for agribusiness development. This assessment examined the units' staffing, organizational structure and budget allocation, and the range and quality of goods and services they provide.

FAO is publishing this series of country case studies to enhance knowledge and information on best practices for establishing and operating well-performing agribusiness units. The various organizational models applied by countries to cater to the changing agribusiness environment are also explored, including mechanisms to build linkages with other relevant ministries (e.g., of industry and commerce) and private institutions. The series provides an opportunity to raise awareness about the need for stronger public commitment to inclusive agribusiness and agro-industrial growth, reflected in a more generous allocation of human and financial resources to empower agribusiness units and similar structures within MOAs. Refocusing the core functions and/or targeting specific commodity/value chains could also help the units to achieve a suitable balance between the requirements of their changing agribusiness mandates and their existing resource allocations, while maximizing the achievement of social goals (e.g., inclusiveness and job creation).

Acronyms

ADD	agricultural development division
ADMB	Agribusiness Development and Management Branch
AGS	Rural Infrastructure and Agro-Industries Division
DAES	Department of Agricultural Extension Services
EPA	extension planning area
FBMS	Farm Business Management Section
MOA	Ministry of Agriculture
MAFS	Ministry of Agriculture and Food Security
MIT	Ministry of Industry and Trade
NGO	non-governmental organization
OVOP	One Village One Product
SWOT	strengths, weaknesses, opportunities and threats

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Executive summary

In Malawi, agricultural development is the responsibility of the Ministry of Agriculture and Food Security (MAFS), which operates through departments including the Department of Agricultural Extension Services (DAES). Within DAES, technical branches include those for Extension Methodology and Systems, Food and Nutrition, Agricultural Gender Roles and Extension Support Services, and Agricultural Communication. The Farm Business Management Section (FBMS) whose mandate is to lead farm and agribusiness programmes is located in the Extension Methodology and Systems Branch.

FBMS was established in 1998 following a structural review of MAFS. The main driver for establishing a unit with the mandate for promoting agribusiness was the growing need for agribusiness and agro-industry services in Malawi, as farmers seek to produce the products for which there is market demand. Growing demand for its services have led to proposals for upgrading FBMS into the Agribusiness Development and Management Branch, but so far no conversion plans have been finalized.

Although FBMS is Malawi's main agribusiness agency, its performance is not satisfactory because it lacks the staff and capacity to carry out its functions. Currently, the section has staff at only the district level, and uses DAES staff at the grassroots level. Although the grassroots staff are qualified extension workers, they do not have the necessary skills for carrying out work related to agribusiness. Furthermore, FBMS does not have a coherent policy; agribusiness services are offered by various ministries and organizations, so their provision is fragmented and coordination is a challenge for FBMS. There is therefore need to recruit more staff and enhance coordination among the key players.

Priority areas for capacity development of FBMS include farmers' organizational development, market development, and farm planning and management. Staff also require skills in marketing, processing, packaging and the operation and maintenance of machinery. The main areas for FAO support include policy development for FBMS, and capacity building for extension staff, farmers' organizations, non-governmental organizations and training institutions.

Chapter 1

Introduction

1.1 BACKGROUND

The new agribusiness era is characterized by a shift from family farms to strategically placed commercial production and processing units linked to exporters and modern retailers. New, sophisticated and globalized procurement practices have been mainstreamed to comply with food quality and safety standards, including traceability requirements, and to reduce transaction costs and minimize risks. Changing consumer preferences (especially in search of pleasure, health, fitness, convenience and ethics) and concerns about the impacts of climate change are pushing the agribusiness sector to new heights of performance and innovation.

This changing agribusiness environment is putting increasing pressure on ministries of agriculture (MOAs) to engage in agribusiness and agro-industry development. In 2007, the report of FAO's Committee on Agriculture identified the review and reform of institutional mandates for agribusiness and agro-industry as a top priority¹ (FAO, 2007). Confirming this need, in recent years, FAO's Rural Infrastructure and Agro-Industries Division (AGS) has received a large number of requests for strategic advisory support on agribusiness from countries² such as India, Kenya, Nepal, Pakistan, Sierra Leone and Swaziland.

To increase its knowledge and expertise on the organizational reforms and strengthening needed to create relevant agribusiness capacities in MOAs, AGS initiated a series of efforts, including the preparation of fact sheets, mission statements and a checklist on the institutional arrangements for agribusiness and agro-industry development in 19 African countries in 2008; a study on inno-

vative approaches – including the use of institutions – for accelerating agribusiness development in sub-Saharan Africa in 2009; groundwork on the role of government institutions in agribusiness, supply chain management and agro-industry development in the Commonwealth of Independent States in 2010; and a workshop on market-oriented extension services and support to agribusiness held in Harare (Zimbabwe) in October 2010. This workshop gathered representatives from the MOAs of 15 East and Southern African countries for three days of presentations and discussions where a wealth of information was shared on what MOAs in these subregions were doing to adapt to the era of agribusiness. In particular, participants described the organizational changes taking place as their ministries took on new functions related to agribusiness, focusing on the new organizational structures being set up, the priorities and scope of service provision for agribusiness and agro-industry, and priority areas for capacity building. Based on the information gathered during this workshop, more in-depth studies were undertaken in the subregions.

In 2011, AGS complemented these efforts with a worldwide appraisal of the organizational arrangements of MOAs – and, as appropriate, the cross-ministerial and long-term programming mechanisms – used to support agribusiness and agro-industry development. This appraisal focused on innovative models and characterized the new functions being assumed by MOAs, assessing how the MOAs were addressing these new functions, identifying capacity building needs, and drawing lessons learned and good practices.

1.2 PURPOSE

This document describes the experience of Malawi in providing agribusiness and agro-industry services, reviews the business models used by the various directorates and units offering these services, and proposes options for capacity development priorities. The objectives of the study were threefold: i) to clarify which directorates/units have a mandate for advancing agribusiness and agro-industry development, highlighting the organizational

¹ For the purposes of this study, agribusiness enterprises include firms or business entities that produce or provide inputs, produce raw materials and fresh products, process or manufacture food or other agricultural products, transport, store or trade agricultural production, or retail such products.

² Botswana, Ethiopia, Kenya, Lesotho, Malawi, Mozambique, Namibia, Rwanda, South Africa, the Sudan, Swaziland, Uganda, the United Republic of Tanzania, Zambia and Zimbabwe.

changes introduced by the Ministry of Agriculture and Food Security (MAFS) for assuming these new functions; ii) to characterize the units tasked with agribusiness and agro-industry development, describing their functional roles, key objectives, current priorities and scope of service provision; and iii) to assess the capacities of these units to fulfill their functions, the opportunities and threats affecting them, and their institutional comparative advantages for providing services related to agribusiness and agro-industry development.

1.3 METHODOLOGY

As a first step in the FAO review, a brief scoping survey was carried out to identify the existing organizational structures with a mandate for agribusiness in countries of the region. This survey identified the existence of an agribusiness unit in the Extension Planning Section of Malawi's MAFS – the Farm Business Management Section (FBMS). An in-depth study of this unit was undertaken, using two main sources of information: key informant interviews

with 20 respondents (Annex 1), and collection of secondary data and information.

1.4 ORGANIZATION OF THE REPORT

The study has five sections. This first section provides an introduction, including background information, and the purpose and methodology of the study. Section 2 provides an institutional profile of FBMS, highlighting its motivation, institutional vision, mission, functions, institutional environment, and capacities. Section 3 presents an appraisal of the business model for providing agribusiness and agro-industry services in Malawi, including services provided, clients, main instruments and programmes used, existing capacities, performance and organization of FBMS, its institutional comparative advantages, and its strengths, weaknesses, opportunities and threats. Section 4 identifies capacity development priorities, including the proposed institutional development path and suggested areas for FAO support. Section 5 presents a summary of the key findings and concluding remarks, and is followed by a list of references and annex.

Chapter 2

Institutional profile

2.1 INTRODUCTION

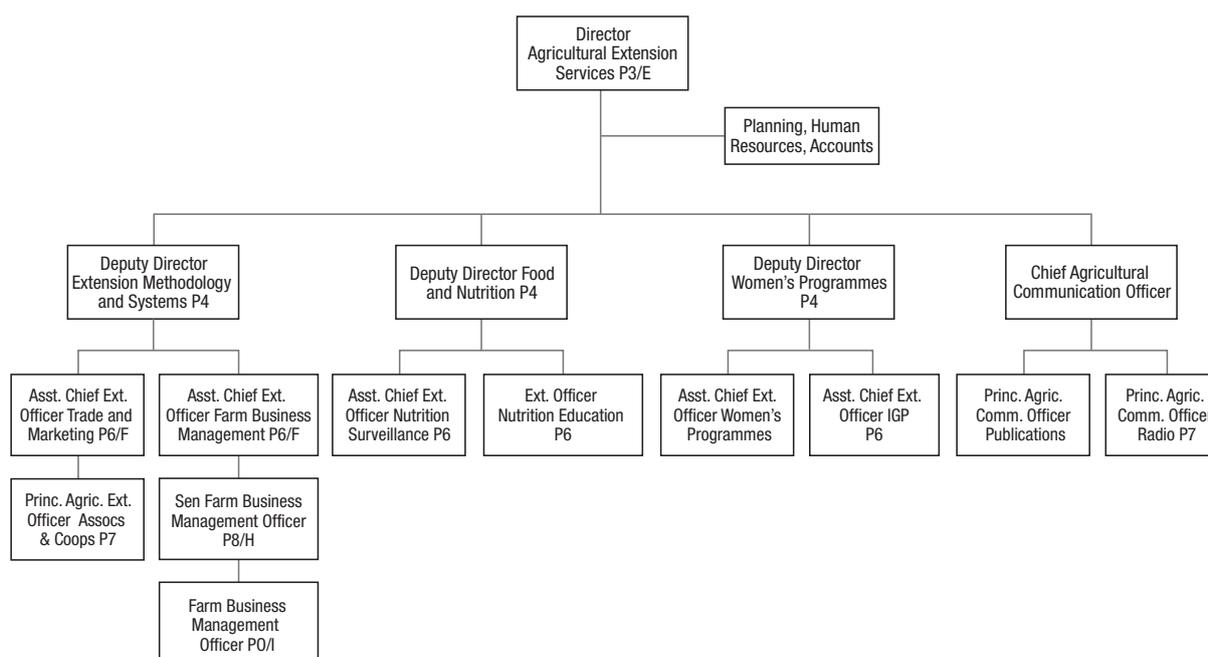
In Malawi, agricultural development is the responsibility of MAFS, whose departments include the Departments of Agricultural Extension Services (DAES), Crop Production, Animal Health and Livestock Development, Agricultural Research Services, Land Resource Conservation, and Fisheries, supported by the Department of Planning Services, Administration and Finance.

The ministry is divided, technically and administratively, into eight agricultural development divisions (ADDs), whose role is to provide technical guidance to the districts. Each ADD has specialists in crop production, animal health and veterinary services, agricultural extension services, research and technical services, and land resource conservation. The ADDs are subdivided into 28 district agricultural development offices, which implement programmes and strategies within their districts.

These offices are further divided into 187 extension planning areas (EPAs) and 2 800 sections, which are the smallest units, providing extension services at the grassroots or village level.

Within DAES, the technical branches include those of Extension Methodology and Systems, Food and Nutrition, Agricultural Gender Roles and Extension Support Services, and Agricultural Communication. The department has support service units for Planning, Administration and Human Resources, Accounts and Procurement. FBMS, whose mandate is to lead farm and agribusiness programmes, is located in the Extension Methodology and Systems Branch. FBMS is the focus of this document as it is central in the drive to operationalize agribusiness and agro-industry initiatives in Malawi. The current location of FBMS in the organizational structure of DAES is presented in Figure 1.

FIGURE 1
Organizational structure of DAES



Source: GoM, 2010.

2.2 DRIVERS BEHIND THE ESTABLISHMENT OF FBMS

The main drivers for establishing an agribusiness unit in Malawi were the growing demand for agribusiness and agro-industry services, as farmers sought to produce the products demanded by the market, and the forces of market liberalization in the 1990s. The most significant development arising from this liberalization was a reduction in the activities of the Agricultural Development and Marketing Cooperation, which was the largest organization buying farm produce and selling agricultural inputs for smallholder farmers. This necessitated the establishment of a new MAFS section to help orientate farmers towards demand-driven marketing of produce.

FBMS was set up in 1998, following a structural review of MAFS earlier in the year. Growing demands on FBMS led to proposals for upgrading it to form the Agribusiness Development and Management Branch (ADMB) (MAFS, 2010b) with its own Deputy Director reporting to the Director of Agricultural Extension Services, but no conversion plans have yet been finalized. Another structural review in 2006 left FBMS under the Extension Methodology and Systems Branch but at the time of undertaking the study there were plans to convert it to a unit or branch following a functional review in 2012.

According to a government position paper (MAFS, 2010b), ADMB will be mandated to lead agricultural transformation by disseminating technical knowledge to farmers in all categories (small, medium and large) and other relevant value chain actors. In the meantime, agribusiness activities are under the Extension Planning Branch of MAFS, which focuses more on data management and farm planning than on implementing activities, even though farmers need agribusiness services.

2.3 INSTITUTIONAL PROFILE

Vision and mission

As FBMS remains a section of MAFS rather than a branch, it does not have its own formalized vision, mission, objectives or policy and instead uses the DAES vision of “All farmers demand and access high-quality agricultural extension services”, and mission statement of “to provide demand-driven agricultural extension services in partnership with civic, NGOs, private and farmer organizations, and promote equalization and coordination, in service provision in order to achieve food, nutrition and income security at household level, thereby reducing poverty”.

Functions

According to the position paper (MAFS, 2010b), the envisaged functions of ADMB will be to:

- i) facilitate the growth of a strong, competitive and sustainable agribusiness sector through training, capacity building, cooperation and communication among smallholders;
- ii) promote and coordinate the establishment of sustainable and democratic cooperatives and farmers’ organizations – FBMS currently organizes market-oriented national agricultural fairs, buyer–seller meetings and agricultural shows;
- iii) facilitate market development, institutional linkages and commercial networks in the region, target markets, and develop innovative financial services and products for risk management, production, marketing and trade, with special attention to agroprocessing and product certification to promote value addition and exports;
- iv) train farmers in farm business management – FBMS currently trains farmers in gross margin analysis, business planning and profit analysis through farm business schools.

2.4 INSTITUTIONAL ENVIRONMENT

Policy and socio-economic environment

The study found a favourable environment for developing agribusiness and agro-industry services, with conducive policies and strategies. The government’s overall goal for the agriculture sector is to increase agriculture’s contribution to economic growth by increasing not only production for food security but also agroprocessing and manufacturing for both domestic and export markets. The Malawi Growth and Development Strategy (2011–2016) (Government of Malawi, 2011a), the overarching development policy document, emphasizes agriculture as the main driver of the country’s economic development. The strategy is operationalized through the Agriculture Sector Wide Approach (MAFS, 2010a), which makes agribusiness a priority area for transforming Malawi from a predominantly producing to an exporting country.

Agribusiness stakeholders

Agribusiness and agro-industry stakeholders in Malawi include the public and private sectors, training institutions and farmers’ organizations. Public sector stakeholders include the Ministry of Industry and Trade (MIT), the Ministry of Local Government and Rural Development, the

Malawi Chamber of Commerce and Industry and the Malawi Bureau of Standards, which operate programmes that support farmers in producing and processing agricultural products. The Malawi Chamber of Commerce and Industry works with FBMS to organize national agricultural fairs, while the Malawi Bureau of Standards controls the quality of processed agricultural products. Private institutions include the African Institute of Cooperatives and grain traders and processors. Training institutions include Bunda College of Agriculture and the Natural Resources College, which train students in agribusiness management. Farmers' organizations include the Farmers' Union and the National Association of Smallholder Farmers, which facilitate farmers' engagement in the production and processing of agricultural products.

MIT is an important stakeholder because of its major role in agribusiness and agro-industry development through the following programmes and activities.

One Village One Product (OVOP) programme: OVOP (Government of Malawi, 2011b) is programme for the MIT. The programme organizes farmers into groups such as associations and cooperatives so that they engage in value addition to agricultural and non-agricultural products. The structure of OVOP comprises a national board, a secretariat, district officers, and local OVOP committees whose members include MAFS agricultural extension workers. The OVOP secretariat facilitates the formation of OVOP cooperatives.

The process of forming OVOP cooperatives starts with the local agricultural extension worker asking interested farmers to form a group. Once the farmers have come together the extension worker collects OVOP forms from the district council for farmers to fill in. Once the form is filled it is send back to the district council office where it is assessed by OVOP committee members and the extension worker to determine if the farmer group would qualify to become a cooperative under OVOP. The OVOP committee members and extension workers at district council level make recommendations to the OVOP secretariat for approval. Once OVOP secretariat has approved, the farmer group is then registered as a cooperative, which is a legally accepted farmers' organization. Once registered the OVOP district officers, with backstopping from the secretariat, provide training in cooperative and business management, and cooperatives also receive support in marketing, covering issues related to packaging,

what and how to produce for the market, and labelling. The OVOP programme provides farmers with machinery for processing products such as tomatoes, malambe juice, honey, rice, cotton and groundnuts.

The relationship between the OVOP programme and MAFS is through agriculture as the source of raw materials. However, the factories supported by OVOP run at low capacity and often operate for just a few months because supplies of raw materials are inadequate.

For OVOP factories to operate at full capacity, there is need to enhance the production of various crops for processing. More work is required in marketing areas, particularly to train cooperatives in quality control and compliance, factory hygiene and avoiding dishonest practices – some cooperatives have been found to adulterate their honey with water and sugar. Group dynamics is another area requiring more attention: the importance of ensuring the accountability of cooperative leaders to their members has to be emphasized. Cooperatives also require capacity development in managing their factories without external support.

Cooperative Development Programme: Under this programme, MIT organizes producers into groups for training and assistance in reaching markets.

Quality Control Programme: Under this programme, MIT trains people to produce quality products, including in activities such as packaging and labelling.

2.5 INSTITUTIONAL CAPACITY

Human resources

Headed by the Director of Agricultural Extension, FBMS has a staff of 23, comprising an Assistant Chief Extension Officer for Farm Business Management (P6/F), six senior farm business management officers (P8/H) and 16 farm business management officers (PO/1). Staff at levels P6 and P8 are located at DAES headquarters, while those with PO grades are located in the districts.

The study found that FBMS is inadequately staffed; it has no deputy director and lacks staff to interact with farmers, so has to work through the public extension system, whose coordinators and officers are not trained in agribusiness. In addition, there are only 16 district-level farm business management officers to cover 28 districts.

Non-governmental organizations (NGOs), other government ministries and the private sector complement FBMS's efforts to develop agricultur-

al value chains (see the subsection on Agribusiness stakeholders in section 2.4).

Strategic leadership and governance

The leadership style of DAES is recognized as participatory with free, sometimes informal, relationships. Interviews with FBMS officers revealed that staff members have direct access to the Director of DAES for informally reporting issues affecting FBMS.

FBMS staff participate in weekly departmental meetings to review the work done during the previous week and develop work plans for the future. The section also conducts review meetings in the middle and at the end of each year, for planning FBMS activities.

Financial resources

FBMS does not have its own budget for maintenance and capital expenditure as its funding is included in the DAES budget; at about 13 percent of the total DAES budget, FBMS has the lowest allocation of any DAES section or branch.

Other resources

FBMS does not own assets, most of which belong to DAES. FBMS could claim ownership of four computers and proposes to have assets such as vehicles and motorbikes for easy mobility in the future.

2.6 INTER-INSTITUTIONAL LINKAGES

FBMS has formal linkages with MIT to implement the Competitiveness and Job Creation Support project. Under the memorandum of understanding for this project, the two institutions implement agribusiness extension services for crops such as soya beans, pigeon peas and sunflowers.

Although not supported by memoranda of understanding, FBMS has informal linkages with the Farmers' Union of Malawi for establishing commercial farmers' organizations. It also has informal linkages with Bunda College of Agriculture for implementing projects to provide the college's students with entrepreneurial skills. Linkages with the Malawi Chamber of Commerce and Industry are for organizing annual national agricultural fairs.

Chapter 3

Appraisal of the business model for service provision

3.1 SERVICES PROVIDED

FBMS's core functions include the following:

- i) *Policy and strategy development and implementation:* FBMS has not conducted any work in this area, but MIT has policies and strategies that are relevant for agribusiness development and agricultural commercialization, including work on the Common Market for Eastern and Southern Africa simplified trade regime, the Linkages Programme and the Agroprocessing Programme.
- ii) *Training and capacity development:* Most of these services are provided by Bunda College of Agriculture and the Natural Resources College, which build the capacity of DAES staff at various levels, from headquarters to field extension staff. FBMS is responsible for training and capacity development of farmers through extension staff at the field level. MIT also conducts training in quality assurance, packaging and labelling of products, and its OVOP programme provides farmers with machinery for processing agricultural products such as tomatoes, and business management equipment (Government of Malawi, 2011b).
- iii) *Facilitation of the formation and management of farmers' organizations (associations and cooperatives) and farm business schools:* FBMS provides these services through field-level extension staff. MIT has a major role in organizing farmers into groups and training and linking them to markets.
- iv) *Training in the planning and management of enterprises, including gross margin analysis:* Under this service area, FBMS trains farmers in developing plans for agricultural enterprises.
- v) *Coordination of events such as national agricultural shows:* These services are organized by the Malawi Chamber of Commerce and Industry, with FBMS participation.
- vi) *Coordination of market linkages and value chains:* A major challenge in agribusiness is coordinating the various actors along the market chain. FBMS coordinates the activities of actors such as farmers, private sector bodies and other ministries. MIT provides licences for agricultural products that require export permits.

TABLE 1
FBMS service provision

Service area	Services offered	Core	Secondary
1. Appraisal of business models	√		√
2. Value chain analysis	√	√	
3. Building of business and entrepreneurial skills	√	√	
4. Reinforcement of business and market linkages	√	√	
5. Support to collective action and alliance building	√		√
6. Finance and investment appraisal and support	√	√	
7. Trade and marketing appraisal and support	√	√	
8. Agro-industry and processing appraisal and support	√		√
9. Development of policy and strategy papers	√	√	
10. Lobbying and advocacy in the agribusiness sector	√		√
11. Sharing of knowledge and information pertaining to the agribusiness sector	√	√	

3.2 CLIENTS

The main clients of FBMS are smallholder farmers who have been organized into associations and cooperatives. Clients also include MIT and other ministries that work with larger agro-dealers involved in cross-border trade; private sector exporters; business consultants; and academic institutions. Table 2 presents a summary of the clients and the services they demand and the capacity of FBMS to meet these demands. Currently, FBMS does not have the capacity to meet these needs as explained in greater details in section 3.4.

3.3 MAIN INSTRUMENTS AND PROGRAMMES

FBMS's three main programmes are stakeholder coordination, farmer and institutional develop-

ment, and market development and farm business planning (Government of Malawi, 2011c; 2011d; 2011e). A summary of these programmes and the instruments they use is provided in Table 3.

Regarding stakeholder coordination, FBMS organizes national agricultural fairs, buyer-seller meetings and agricultural shows. The farm business planning programme aims to develop farmers' skills in farm business management and includes modules on gross margins, business planning and profit analysis. The farmers' organizational development programme focuses on establishing farmers' cooperatives and associations. Training modules include group dynamics. The market development programme works to link farmers to markets, and is implemented mainly through other institutions, as FBMS lacks the necessary instruments.

TABLE 2
FBMS clients and service provision

Clients (size, position in value chain, etc.)	Services demanded (based on service areas covered in the study)	FBMS capacity to meet demand
More than 4 million farmers	<ul style="list-style-type: none"> ▪ Appraisal of business models ▪ Building of business and entrepreneurial skills ▪ Reinforcement of business and market linkages ▪ Trade and marketing appraisal and support ▪ Lobbying and advocacy in the agribusiness sector 	<ul style="list-style-type: none"> ▪ No capacity as there are no/few extension workers trained to help farmers in business models, entrepreneurial skills ▪ Capacity to lobby
Farmers' Union	<ul style="list-style-type: none"> ▪ Support to collective action and alliance building ▪ Lobbying and advocacy in the agribusiness sector ▪ Sharing of knowledge and information pertaining to the agribusiness sector 	<ul style="list-style-type: none"> ▪ Capacity to produce information on agribusiness ▪ Capacity to lobby
MIT	<ul style="list-style-type: none"> ▪ Value chain analysis ▪ Reinforcement of business and market linkages ▪ Trade and marketing appraisal and support ▪ Development of policy and strategy papers ▪ Sharing of knowledge and information pertaining to the agribusiness sector 	<ul style="list-style-type: none"> ▪ Capacity in value chain analysis ▪ No capacity to reinforce business market linkages
Private sector exporters	<ul style="list-style-type: none"> ▪ Reinforcement of business and market linkages ▪ Trade and marketing appraisal and support ▪ Development of policy and strategy papers ▪ Sharing of knowledge and information pertaining to the agribusiness sector 	<ul style="list-style-type: none"> ▪ Capacity to share information ▪ No capacity to develop policy and strategy paper
Business consultants	<ul style="list-style-type: none"> ▪ Building of business and entrepreneurial skills ▪ Finance and investment appraisal and support ▪ Development of policy and strategy papers 	<ul style="list-style-type: none"> ▪ No capacity to develop policy and strategy paper
Academic institutions	<ul style="list-style-type: none"> ▪ Appraisal of business models ▪ Value chain analysis ▪ Support to collective action and alliance building ▪ Development of policy and strategy papers ▪ Sharing of knowledge and information pertaining to the agribusiness sector 	<ul style="list-style-type: none"> ▪ Capacity in value chain analysis ▪ Capacity to share knowledge and information ▪ No capacity to appraise business models

TABLE 3
Programmes and instruments used by FBMS

Service area	Programmes	Instruments
1. Appraisal of business models	Farm business planning	Training
2. Value chain analysis	Stakeholder coordination	Meetings
3. Building of business and entrepreneurial skills	Farm business planning	Training
4. Reinforcement of business and market linkages	Market development	Training and meetings
5. Support to collective action and alliance building	Farmers' organizational development	Training and meetings
6. Finance and investment appraisal and support	Market development	
7. Trade and marketing appraisal and support	Market development	
8. Agro-industry and processing appraisal and support	Market development	
9. Development of policy and strategy papers	Stakeholder coordination	Meetings
10. Lobbying and advocacy in the agribusiness sector	Stakeholder coordination	Meetings
11. Sharing of knowledge and information pertaining to the agribusiness sector	Stakeholder coordination	Field days, agricultural fairs, World Food Day

3.4 CAPACITIES

Table 4 presents an assessment of FBMS's capacities in providing agribusiness and agro-industry services to its clients. The number of staff (2 230) includes frontline extension staff, who are part of DAES rather than FBMS. The same applies to the number of staff working on value chain analysis. FBMS's lack of its own staff to interact with farmers explains why its overall level of capacity is moderate. Service areas

where FBMS has only basic capacity are implemented through collaboration with other stakeholders.

3.5 PERFORMANCE OF FBMS

The study found that the performance of FBMS is not satisfactory because of having no staff to implement activities. Late in 2012, a total of 31 staff members, with Bachelor of Science and Masters degrees were recruited, but only at the central office in

TABLE 4
Service areas and capacity analysis

Service area	Staff allocation (estimated number of staff working in the area)	Relative importance in terms of funding/income generated*	Capacity level**
1. Appraisal of business models	2 230	2	2
2. Value chain analysis	100	3	3
3. Building of business and entrepreneurial skills	2 230	2	2
4. Reinforcement of business and market linkages	2 230	2	2
5. Support to collective action and alliance building	2 230	1	2
6. Finance and investment appraisal and support			1
7. Trade and marketing appraisal and support			2
8. Agro-industry and processing appraisal and support			3
9. Development of policy and strategy papers	38	4	2
10. Lobbying and advocacy in the agribusiness sector	38	4	2
11. Sharing of knowledge and information pertaining to the agribusiness sector	2 230	1	4

* 1 = highest budget allocation; 4 = lowest budget allocation.

** 1 = none; 2 = basic; 3 = moderate; and 4 = advanced.

Lilongwe and in district offices. FBMS still needs to recruit frontline staff to interact with farmers.

SWOT analysis

The major strengths, opportunities, weaknesses and threats (SWOT) of FBMS are presented in Table 5.

3.6 INSTITUTIONAL COMPARATIVE ADVANTAGES

The greatest comparative advantage of FBMS is its access to the well-established structures of

DAES, which has the widest constituency of any public institution in Malawi; other institutions use the DAES structure to implement their own programmes.

However, this structure is not well oriented towards agribusiness development as most staff are trained in only general agriculture and extension. There is need to reorient the staff to ensure appropriate expertise along the agribusiness value chain through the training and retraining of staff at different levels.

TABLE 5
SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> a. Trained specialists at national level. 	<ul style="list-style-type: none"> a. The presence of several uncoordinated agribusiness models in Malawi. b. Weak and poorly organized farmers' organizations. c. Weak public extension services with too few extension workers, resulting in a high ratio of farmers to extension workers. d. Limited knowledge of agribusiness among extension workers. e. Lack of market arrangements for farmers' produce. f. Poor road networks and unreliable transport for extension services to reach farmers and for farmers to transport their produce. g. Unclear roles of MAFS volunteers, such as lead farmers, and extension staff.
Opportunities	Threats
<ul style="list-style-type: none"> a. Partnerships between public and private service providers. b. The presence of donors, NGOs and projects focusing on the agriculture sector and agricultural commercialization, and considering market-oriented approaches. c. Farmers' responsiveness to technologies that are appropriate and profitable. d. Farmers' willingness to form groups. e. Lead farmers' willingness to complement government efforts. 	<ul style="list-style-type: none"> a. Increased prices for inputs and outputs. b. Frequent droughts and floods. c. HIV and AIDS pandemic resulting in illness and death of key staff and farmers. d. Poor commitment from extension workers and lack of trust among farmers. e. Loss of political will and support for agricultural commercialization and agribusiness. f. High-input efforts and projects, requiring more financial and technical resources.

Chapter 4

Capacity development priorities

The priorities for capacity development of FBMS are based on the findings of the SWOT analysis presented in section 3.5.

4.1 DEVELOPMENT PATH

The government position paper (MAFS, 2010b) recommends that FBMS be upgraded to branch status – as ADMB – to bring it into line with other DAES units. The branch would have its own Deputy Director of Agribusiness Development and four officers at the national level instead of the current two. These officers would be responsible for management, farmers’ organizations and market linkages. The recommended organizational and functional structure of the proposed ADMB is presented in Figure 2.

Staff at the ADD and district levels should be trained in agribusiness, in collaboration with Bunda College of Agriculture. The minimum qualification for ADD and district staff should be a Masters

degree. FMBS plans to develop a comprehensive plan for capacity building of frontline staff and farmers’ organizations, and aims to develop strong linkages with farmers.

4.2 PRIORITY AREAS FOR CAPACITY BUILDING

According to the findings of this study, the priority areas for capacity building are farmers’ organizational development, market development, and farm planning and management. MIT also reports a great need for officers to be equipped with skills and knowledge in marketing, processing, packaging and the operation and maintenance of machinery. MIT uses the Malawi Bureau of Standards to train farmers in processing and packaging, but the bureau’s charges are too high for farmers to afford.

Regarding farmers’ organizational development, there is need to enhance extension workers’ skills

FIGURE 2
Organization and functional structure of the proposed ADMB



in areas related to the formation of associations and cooperatives, and general group dynamics.

Capacity building in market development should include competitive analysis, supply and demand analysis, and product preparation and presentation.

Gaps in farm planning and management capacities include skills related to gross margin analysis and profit analysis. Capacity building is also needed in product promotion and market information, as agricultural products are currently not well promoted.

4.3 POTENTIAL ROLES OF AND INSTRUMENTS FOR FAO SUPPORT

Discussions with FBMS staff indicate that the areas requiring most support from FAO are policy development, and capacity building for extension staff, farmers' organizations, NGOs and training institutions:

1. *Restructuring of FBMS*: FAO could support the implementation of a comprehensive study for restructuring FBMS and transforming it into ADMB. This study would also support efforts to develop an overall agribusiness policy or strategy for Malawi.
2. *Capacity building for extension staff*: Extension staff need support in developing commodity value chains, including exposure to technical knowledge on various commodities.
3. *Capacity building for farmers and NGOs*: Once a community-level farmers' organization has been formed, no efforts are made to help its members understand their various roles and responsibilities. Reports from the OVOP programme revealed that the leaders of farmers' organizations tend to lack transparency and accountability to their members. Above all, farmers' organizations fail to comply with factory quality and hygiene standards, which are fundamental to successful processing. Farmers' organizations also lack a sense of ownership among their members.
4. *Capacity development for training institutions*: FAO could support training institutions such as Bunda College of Agriculture and the Natural Resources College through assistance in curriculum development, so that the institutions produce graduates with agribusiness skills. Staff trained at these institutions could then work with farmers on programmes to promote agribusiness and agro-industry development in Malawi.

Chapter 5

Conclusions and main findings

The study generated four major findings:

1. FBMS is the agency responsible for agribusiness issues in Malawi. However, the government's failure to upgrade the section to branch status prevents FBMS from effectively and adequately responding to the changing challenges in the agribusiness sector.
2. The provision of agribusiness services is fragmented across various institutions. The main function of FBMS is stakeholder coordination, while processing, marketing, market development, value addition and licensing are carried out by other institutions such as MIT.
3. FBMS is weak in terms of staff numbers and lacks the technical and other capacities to implement its mandate.
4. FBMS works through the frontline extension staff of DAES, who do not have the capacity to deliver extension messages related to business operations, processing technologies, food safety and standards, etc.

The findings of this study provide the basis for international donors, local organizations and the government to make decisions regarding investment and support for agribusiness development in Malawi.

The most immediate areas of need are the reorganization of FBMS into a branch, the recruitment of district staff, and capacity building of frontline staff so that they can integrate agribusiness into extension services.

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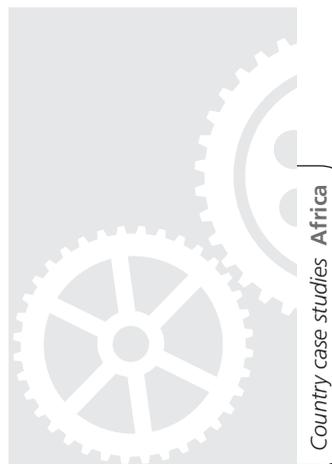
Annex 1

People interviewed

1. Pearson Soko, Assistant Chief Extension Officer, Farm Business Management, Ministry of Agriculture and Food Security, Department of Agricultural Extension Services
2. Keneth Mkankha, Deputy Director of Trade, Ministry of Industry and Trade
3. Henry Mandele, Principal Industrial Development Officer, Ministry of Industry and Trade
4. Sheila Kang'ombe, District Agricultural Development Officer, Salima District
5. Joseph Dzanja, Lecturer in Agribusiness, Bunda College of Agriculture
6. Henry Msatilomo, Department of Agricultural Extension Services
7. Catherine Mloza-Banda, Farmers' Union of Malawi
8. Ronie Mvula, Lecturer in Agribusiness, Bunda College of Agriculture
9. Daglous Moffat Phiri, One Village One Product
10. Thomas Chidakwa , One Village One Product
11. Paul Fatch, Department of Agricultural Extension Services
12. Richard Chiputula, Ministry of Industry and Trade
13. Kingsly Mallion, National Smallholder Association of Malawi
14. Kingsly Masamba, Lecturer in Home Economics, Bunda College of Agriculture
15. Hastings Yotamu, District Agricultural Development Officer, Kasungu District
16. Alifeyo Nyasulu, Civil Society Agricultural Network
17. Aggrey Gama, Malawi Bureau of Standards
18. Diamond Chikhasu, Principal Trade Officer, Ministry of Industry and Trade
19. Sungeni Segula, M.Sc. Student, Agribusiness, Bunda College of Agriculture
20. Joseph Chabvula, Malawi Chamber of Commerce and Industry

PUBLIC SECTOR SUPPORT FOR INCLUSIVE AGRIBUSINESS DEVELOPMENT

An appraisal of institutional models in Malawi



The agrifood system is changing rapidly in response to agricultural modernization and shifting consumer and societal demands for safer, better-quality and more convenient food. This new scenario coexists with more traditional types of family and subsistence farming.

This changing environment places increased pressure on Ministries of Agriculture (MOAs) in developing countries to engage in agribusiness and agro-industry development. For this reason, over the past decade, many MOAs have established agribusiness units with technical, policy and coordination functions. To perform well, these units should be given clear mandates and sufficient financial resources and qualified staff familiar with current agribusiness developments, such as value chain programmes, climate-smart agriculture, contract farming and public-private partnerships. However, this ideal scenario rarely occurs. A change in the mind-set of MOA staff is required to move beyond the traditional focus on production towards a more holistic, farm-to-fork approach that includes post-production issues; and this might prove to be quite a challenge.

To shed light on the role, performance and empowerment of these agribusiness units, FAO conducted a scoping survey of 71 countries and in-depth analyses of 21 case studies from Africa, Asia and Latin America. The primary objective was to draw lessons that can provide guidance to member countries on how to establish and operate well-performing agribusiness units. The outcome is presented in this series of country case studies, which contribute to enriching knowledge and sharing information on institutional responses for enhancing the public commitment to inclusive agribusiness and agro-industrial growth and job creation.