

**LONGITUDINAL IMPACT ASSESSMENT STUDY OF
GROUNDNUT PRODUCERS IN MALAWI
MAIN REPORT**



Commissioned by the Fairtrade Foundation

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Disclaimer

The opinions expressed in this report are those of the authors, and do not necessarily represent the views of the parties with whom we interacted - nor do they represent the views of the Fairtrade Foundation.

Executive Summary

This is the first part of a longitudinal study over 4 years commissioned by the Fairtrade Foundation to understand the context and environment in which Fairtrade in the Malawian groundnut sector is operating; the aims and objectives of the Producer Organisation (the Mchinji Area Small Farmers Association – MASFA) in terms of their sustainable development and empowerment; the extent to which Fairtrade and other organisations or networks have assisted MASFA in achieving its objectives, and to compile baseline information against which to monitor progress and impact in the future.

The study used a participatory livelihoods approach with 5 stages: 1) A review of relevant information; 2) Discussion with a range of stakeholders at national, district and local levels to understand the different perspectives of the organisations that shape the context of the groundnut industry in Malawi; 3) Meetings with the primary and secondary Producer Organisations, Focus Group Discussions with men and women members and Case-study semi-structured interviews with individual member families; 4) A feedback meeting with MASFA and NASFAM; 5) A feedback meeting with the Fairtrade Foundation, TWIN/TWIN-Trading and Liberation Foods.

Groundnut is the 13th most important food crop of the world. It is the world's 4th most important source of edible oil and 3rd most important source of vegetable protein. In 2004 groundnut was grown on 24 million hectares worldwide with a total production of 36 million metric tons. It is estimated that around 65% of the crop produced in the world is crushed to extract groundnut oil and the rest is used in making other edible products.

The main world producers are China, India and the USA, although in terms of exports Argentina and China are ranked highest. The EU, Canada and Japan are the main importers. Malawi is a small player in the global market, but there are excellent opportunities to expand its share of the market if quality and reliability of supply are adequate.

In Malawi, agriculture represents 39% of Gross Domestic Product, 80% of labour and 80% of exports. 52.4% of the population lives below the poverty line with the rural areas in the south of the country worst off. Poor soil fertility and unreliable rainfall are major factors limiting crop productivity. Consequently, most households do not produce enough food to feed themselves for more than nine months of the year and levels of malnutrition are high and the HIV/AIDS pandemic undermines prospects for economic growth. More than 49% of children under five in the rural areas of Malawi are malnourished to such a degree that their development is retarded. The Malawian agricultural sector is characterised by a dualistic structure: a high input, high productivity estate sector, and a low-input, low-productivity smallholder sector which has received little investment or encouragement to engage with export markets over the last 35 years. Whilst 90% of Malawi's export revenues come from non-food crops such as tobacco, tea, cotton, coffee and sugar, edible nuts, in particular groundnuts and (to a lesser extent) macadamia nuts, are also considered important export crops (4% of export revenues by 2009). However, groundnut production has suffered from low public investment in agricultural services and difficulties in meeting stringent quality requirements for export, especially for aflatoxin levels for EU markets.

Groundnuts are grown as part of a mixed crop/livestock farming system. The main crops are: tobacco (the main gross cash earner), maize (the main food staple), nuts (a cash and food crop), soyabeans (cash crop), beans, sweet potato and cassava (mainly food crops). The livestock kept are chickens, goats, pigs and cattle.

Groundnuts are a particularly easy “entry” cash crop as they don’t require any specialised skills, equipment or fertiliser (fertiliser is put on other crops in the rotation when it can be afforded and when it is available). Groundnut is grown using hand tools only. The groundnut holding varies between 0.5 – 2 acres, and is grown using family labour and some *ganyu* or hired labour.

The Mchinji Area Smallholder Farmers Association (MASFA) was formed in 2000 to act as an umbrella organisation for smallholder farmers in Mchinji District. MASFA is farmer-owned and farmer-governed, and supplies FLO-Fairtrade certified groundnuts through the National Smallholder Farmers Association of Malawi - NASFAM (certified exporter) and TWIN/TWIN-Trading (certified buyer) to Liberation Foods CIC, a UK-based Fairtrade nut company, co-owned by nut farmer and gatherer organisations in developing countries.

MASFA’s objectives are to: increase rural incomes through collective marketing; promote food security at household level; equip smallholder farmers with business and marketing skills; promote community Natural Resource Management; advocate conservation farming practices and to integrate HIV/AIDS and gender into all programmes. Membership rose quickly when MASFA was first formed, but has been disappointing in the last few years, partly through dissatisfaction with purchasing arrangements, seed availability, adverse weather and global market conditions. Present membership stands at around 3400, but the perspectives for increasing membership are good as the extension service provided by MASFA through Association Field Officers and Farmer to Farmer trainers (supported by an international development organisation) is useful to farmers, seed supply is improving with the support of ICRISAT and NASFAM and processing machinery with the support of TWIN Trading, a UK retailer Development Fund and DFID (for testing, sorting, grading and shelling of nuts at the warehouse) is improving quality so that export contracts can be met reliably.

MASFA is part of the National Smallholder Farmers’ Association of Malawi (NASFAM), which is the largest independent, smallholder-owned membership organization in Malawi. It is an umbrella organization for 100,000 smallholders across Malawi, and works with smallholder-owned business associations (e.g. MASFA) to develop the capacity of its members and enhance their productivity, and has a rapidly increasing network of farm supply shops through which it makes available a variety of farm inputs. Fairtrade has assisted NASFAM to open up and expand its groundnuts market to the EU and more recently to South Africa. From the farmer’s perspective, the main usefulness of NASFAM is as a vehicle through which to market their produce. NASCOMEX (the commercial wing of NASFAM) has tried a number of groundnuts buying systems, none of which has yet proved to be ideal.

Twin/ Twin Trading have been working with MASFA since 2001, first to support it in gaining FLO Fairtrade certification - which was achieved in 2004, and subsequently to enter the international Fairtrade groundnut export market. Since 2006 Twin has had support from the DFID Regional Trade Facilitation and Regional Standards Programmes. Through these Twin has been establishing Fairtrade nut supply chains from farm gate to retail shelf in Europe (including incubating a new 100% Fairtrade company, co-owned by producers); facilitating technical exchanges, market and promotional visits by producers; helping to introduce farmer-managed aflatoxin testing laboratories; implementing traceability down to the individual farmer level; and establishing pilot storage and processing plant in Malawi. Outcomes of these activities have been the establishment of export of nuts to Europe, generating an income of \$527k and a Fairtrade premium of \$58k; partnerships with key supermarkets, and the establishment of Liberation Foods Community Interest

Company (the world's first 100% Fairtrade nut company with a 42% stake held by an International Nut Producer's Co-operative of over 22,000 smallholder nut producers from co-operatives in Asia, Africa and Latin America) to provide further farmer control of the supply chain through to retailers in the UK.

The first UK Fairtrade groundnuts were introduced in 2006 through a UK consumer cooperative and then mixed Fairtrade nuts were sold into a British multinational food retailer. Following the establishment of Liberation Foods, Liberation's first branded products contained Malawi and Indian Fairtrade groundnuts and cashews. Its first placements were through an online retailer and a global aid & development charity in November 2007 with prominent UK supermarket placements secured for Fairtrade Fortnight in 2008.

MASFA, with the support of TWIN, would like to go into more value addition and processing activities in country. In 2009, they developed a number of bankable proposals and some of these are in advanced stages of being funded. These target niche markets such as therapeutic foods, but also at franchising some products that are already accepted on the European markets and expansion to regional markets.

It appears that there is a viable future for the export of groundnuts from Malawi, and there is a particularly favourable window in 2010 for entering that market given the poor supply situation from all the traditional major exporters. In addition it is hoped to develop and supply a new Fairtrade market in South Africa. A joined-up supply chain is now in place, thanks to the efforts of Fairtrade, NASFAM, TWIN/Twin-trading and Liberation Foods, and the goodwill of some prominent UK supermarkets. Political will also appears to be there in key Malawi government Ministries. Production has been limited by the availability of good seed (possibly resolved from this year), good extension advice (now improved through AFOs and F2F trainers), the weather (droughts and erratic rainfall), declining soil fertility (exacerbated by poor availability of fertilisers) and a lack of affordable credit for farmers that would allow them to invest in their farms. Aflatoxin is the main concern as European import regulations are strict (total aflatoxins 4ppb). Despite extension and the installation of processing equipment, further efforts are needed at the farmer level and in store to provide a reliable product that meets the required export quality specifications. Capacity (financial resources, human resources, facilities and systems) are improving year on year, but MASFA and NASFAM still need support from organisations such as TWIN and ICRISAT and from donors before they can operate sustainably on their own (e.g. in the areas of export and logistics, price risk management and Market Information Systems). Good communications between all links of the supply chain and with outside influences (e.g. policy, legal, research, finance systems and organisations) will be needed as volumes and market complexity increase.

While there is positive progress with all of the above, the most consistent discontent found amongst producers was with the system of buying (entering late and withdrawing abruptly before the end of the season; few buyers and sometimes distant from producers).

The overall conclusion from the study is that a good platform exists for the realisation of substantial positive benefits for farmers. Thanks in part to the stimulus provided by certification, the organisational pieces are in place for MASFA (management structures, committees, extension services, warehouses) and NASFAM (purchasing/processing/tracing/quality-testing), and the supply chain exists through TWIN and Liberation to Fairtrade retailers in the UK and Europe, with perspectives for additional outlets for products such as groundnut paste and sales to Fairtrade in

South Africa. In addition the plans that TWIN have for supporting NASFAM/MASFA over the next period (2009-14) are sound and comprehensive.

However, there is a serious concern with the unsatisfactory purchasing arrangements which result in low confidence on the part of farmers and consequent low membership, low sales volumes and low Premium payment. Firstly, farmers are not paid a premium for quality. This is undermining the considerable effort made by the AFOs to raise quality, and causing frustration on the part of those farmers who have invested time and effort in providing a good quality product. Secondly, as attested by many of the farmers interviewed for this study, NASCOMEX buyers arrived late in the season (due to intervention by the government in setting a minimum price that was out of tune with the international market) and left early (because of quality problems). Thirdly, the paucity of buyers meant that they could operate in only a few locations, and the prices set by NASCOMEX for the season were sometimes matched or bettered by other traders thereby tempting farmers into the arms of alternative buyers/middlemen.

To date the main benefits of MASFA membership for farmers is in good extension advice, a stable market and access to international markets. The tangible ways in which the supply chain has been strengthened due to the incidence of Fairtrade are:

- Organisational strengthening, resulting from meeting the requirements of FLO certification and auditing
- The Guardian Shelter at Mchinji hospital built with Premium funds (cost of MK1,106,075)
- The warehouses being built in the Chapter centres with Premium funds (with potential multiple uses for schooling, community meetings etc)
- Capacity building in production technology, post-harvest quality management and export marketing
- Post-harvest equipment purchase for sorting and shelling nuts
- Part-ownership of Liberation Foods CIC with the potential for profit sharing in the future
- Engagement with and entry into markets such as UK supermarkets and humanitarian social enterprises. Key visits to Malawi have included management from a major UK supermarket, a prominent UK charity and The Fairtrade Foundation and also from a celebrity figure from the UK
- Limited, but welcome, income for poor, smallholder farmers which has been used on home improvements, schooling, food security and the diversification of agricultural livelihoods (mostly purchase of livestock).

If purchasing processes can be sorted out so they are more attractive to farmers, quality attitudes of farmers improved and membership increased, the forward prognosis is good. Value addition (as in the example of Ready-to-use Therapeutic Food) is a possible future route to provide products for the home and export markets, and there is good scope for yield and quality improvement – especially with the likelihood of free certified seed for the 2010 planting season.

Going forward, a number of aspects could be implemented/explored:

- Capacity building of MASFA committees and farmers in organisational (including governance, financial management, use of Premium) and technical areas (including pre and post-harvest quality management to ensure long-term prime market access) should continue
- Capacity building and exposure of NASFAM staff should continue, in order to consolidate the export expertise and build on the linkages that are in place

- There needs to be a continued drive for improved productivity (yields), production and volumes sold to NASCOMEX in order to supply the volumes required for the export business to be viable and sustainable. It is suggested that this volume is calculated and targets set accordingly
- The purchasing system needs to be overhauled to meet the concerns and frustrations of farmers and to encourage an increased and more loyal membership
- The FLO minimum price could be reviewed, as international market prices (and the local buying price) have consistently been above the present minimum price for some time
- The initial sharing of experiences between MASFA and other FLO certified POs in Malawi could be expanded through the Malawi-wide Fairtrade network (proposed but not yet formally operational)
- Greater NASFAM transparency and information sharing about Premium, sales income, plans for improving the purchasing system etc with MASFA office holders and members (this deficiency was also noted in the FLO-Cert 2009 reporting checklist report)
- FLO could consider recruiting and training Malawian Fairtrade auditors who would be cheaper and able to interpret situations from a Malawian perspective
- Twin/Twin-trading is encouraged to further pursue additional outlets for groundnut products (following on from their initiatives with Valid Nutrition, Fairtrade groundnut butter, South African Fairtrade market, new markets in Asia etc). This will require further investment in processing facilities for blanching and paste production.
- The proposed TWIN initiative for attracting venture finance to an Innovation Fund for groundnut value-addition enterprises is supported
- Bringing other associations into Fairtrade (e.g. S. Mzimba) would increase the volume of nuts available for export as demand increases (assuming quality is up to the necessary specifications) enabling entry into new markets.
- The public health implications of aflatoxin need to be highlighted to stakeholders (including farmers, traders, agricultural extension and health workers) to ensure safe food for local consumers as the risks are poorly understood or appreciated at the present time.

Acronyms

ADMARC	Agricultural Development and Marketing Corporation
AFN	African Fairtrade Network
AFO	Association Field Officer
ATO	Alternative Trading Organisation
BoD	Board of Directors
CG7	Chitedzi Groundnut Variety 7
CIC	Community Interest Company
COFTA	Cooperation for Fair Trade in Africa
DFID	Department for International Development
ELISA	Enzyme-Linked Immunosorbent Assay
EU	European Union
F2F	Farmer to Farmer volunteer
FF	Fairtrade Foundation
FGD	Focus Group Discussion
FLO	Fairtrade Labelling Organisation International
FOB	Free On Board
FT	Fairtrade
FTO	Fairtrade Trading Organisation
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
GoM	Government of Malawi
HACCP	Hazard Analysis and Critical Control Points system
ICRISAT	International Crop Research Institute for the Semi-Arid Tropics
INPC	International Nut Producer's Co-operative
M&E	Monitoring and Evaluation
MAC	Marketing Area Committees
MAFS	Ministry of Agriculture and Food Security
MAL	Maximum Allowable Level (of aflatoxin)
MASFA	Mchinji Area Smallholder Farmers' Association
MSB	Malawi Savings Bank
MT	Metric Tonne
NASCOMEX	NASFAM Commodity Marketing Exchange Ltd
NASDEC	NASFAM Development Corporation
NASFAM	National Small Farmers Association of Malawi
NGO	Non-Governmental Organisation
NRM	Natural Resource Management
PO	Producer Organisation
Ppb	Parts per billion
QMS	Quality Management System
RSA	Republic of South Africa
RSP	Regional Standards Programme (DFID)
RTFP	Regional Trade Facilitation Programme (DFID)
RUTF	Ready-to-Use Therapeutic Foods
SSA	Sub-Saharan Africa
SSI	Semi-Structured Interview
TT	Twin Trading
TWIN	The charity that owns Twin Trading
USDA	United States Department of Agriculture

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1. Introduction

This study reflects the increasing demand to measure and demonstrate the difference that engagement with Fairtrade has had on participating producers and workers, their families, the Producer Organisations (PO), and the wider community in developing countries – in other words the **impact** of Fairtrade.

This demand comes from a variety of stakeholders including consumers, the media, political authorities, funding donors and supply chain actors (licensees and retailers) who have a legitimate interest in learning whether the Fairtrade labelling system is meeting its aims and objectives and improving the situation of smallholder producers and plantation workers.

There is also a need to promote ongoing learning and accountability amongst the organisations involved in Fairtrade – the PO, Fairtrade Foundation (FF) and other Labelling Initiatives (LI), Fairtrade Labelling Organisations (FLO), Fair Trade Organisations (FTOs), commercial actors and Non-Governmental Organisations (NGOs) – about the effectiveness of the tools and processes used to achieve the objectives of Fairtrade labelling. This enables the PO itself to learn on a continuous basis about its progress towards its stated objectives and how participation in Fairtrade is facilitating this. It also provides a useful and systematic way for POs to work in partnership with the Foundation and feed systematically into the Fairtrade labelling system their perspective of what is going right and wrong and why, and to ensure that lessons are learnt and positive change is effected.

2. Objectives

The overall objectives of this groundnut impact assessment study are to:

- Understand the context and environment in which Fairtrade in the Malawian groundnut sector is operating
- Understand the aims and objectives of the PO in terms of their sustainable development and empowerment
- Assess the extent to which Fairtrade, as well as other organisations or networks, have assisted the PO in achieving its objectives
- Compile baseline information against which to monitor progress and impact in the future

The initial study will be followed up after 2 and 4 years to provide a longitudinal assessment of:

- The longer-term impact, both positive and negative, that being part of Fairtrade has had on producers, their organisations and the wider community
- The longer-term impact that Fairtrade has had on the local economy
- How Fairtrade organisations (especially the Fairtrade Foundation and FLO) can support producers more effectively to achieve their goals in the future.

3. Context

3.1 The Global Context

Groundnut is the 13th most important food crop of the world. It is the world's 4th most important source of edible oil and 3rd most important source of vegetable protein. In 2004 groundnut was grown on 24 million hectares worldwide with a total production of 36 million metric tons. It is estimated that around 65% of the crop produced in the world is crushed to extract groundnut oil and the rest is used in making other edible products.

Developing countries account for 96% of the global groundnut area and 92% of the global production. Asia accounts for 58% of the global groundnut area and 67% of the groundnut production with an annual growth rate of 1.28% for area, 2.00% for production and 0.71% for productivity. China leads in production of groundnuts having a share of about 32.95% of overall world production, followed by India (18%) and the United States of America (6.8%).

Although India and China are the world's largest producers of groundnuts, they account for a small part of international trade (<4%). Ninety percent of India's production is processed into groundnut oil. Only a nominal amount of hand-picked select-grade groundnuts are exported. India prohibits the importation of all oil seeds, including groundnuts.

Table 3.1 Share of leading exporters of raw groundnuts by volume (World Bank, 2008)

	SSA	USA	Argentina	India	China	Total Share
	%	%	%	%	%	%
1962–1971	86.0	4.0		1.7		91.7
1972–1981	37.2	34.7	3.8	6.4		82.1
1982–1991	4.4	31.1	12.1	2.6	31.2	81.4
1992–2001	4.8	19.9	16.2	11.2	30.5	82.6
2002–2005	4.5	13.3	8.3	12.2	37.3	75.6

While much of total world production is consumed as groundnut oil, a lucrative trade in edible groundnuts involves about 1.25 million metric tons. As the trade of groundnuts has increased, the market is mostly affected by the following factors: price, quality, on-time service to buyers and ample supplies for the market.

Supply of groundnuts to the global market was limited in 2009, and 2010 is looking even tighter (The Public Ledger, December 7 2009 – Issue 72656). Argentina, with a production of 300,000 - 400,000 tonnes (mostly for export) is seen as the most viable supplier from plantings of 220,000 hectares (down from around 290,000 hectares in 2009). Argentina should be set for a crop of up to 780,000 in-shell tonnes in 2010 if the weather conditions remain to the start of harvesting at the end of May, enabling exports of up to 350,000 tonnes in 2010/11. 60% of Argentine exports typically go to Europe, but EU demand has reduced a little, but at the same time increased from unusual destinations, covered before by China. New crop Argentine raw 40-50mm groundnuts were being quoted at \$1,250 a tonne c&f Rotterdam for shipment at the end of May, while blanched nuts of the same size were commanding a \$100 a tonne premium on this (The Public Ledger April 08, 2010).

The 2010 crop in China is projected at 13-13.5 million tonnes, but this is below domestic requirements of around 15 million tonnes. The 2010 US crop is estimated at around 1.8 million tonnes, down 30% on last year due to persistent rains, meaning that exports are projected at around 200,000 tonnes. India is also facing a poor crop after deficit monsoon rains. Aflatoxin problems there mean that their main exports to UK are as bird food. Prices reflect this restricted supply with c.i.f. blanched groundnut prices at: Argentina \$1200-1250/tonne; US \$1400 and China \$1650 (prices as at December 2009). This all points to an opportunity for alternative suppliers that can fulfill market quality requirements.

Table 3.2 Top ten producers of groundnuts – 2008/2009 (Source: United States Department of Agriculture (USDA) Foreign Agricultural Service: Table 13 Groundnut Area, Yield, and Production)

Country	Production (million Metric Tonnes)
Peoples Republic of China	14.30
India	6.25
USA	2.34
Nigeria	1.55
Indonesia	1.25
Myanmar	1.00
Sudan	0.85
Senegal	0.71
Argentina	0.58
Vietnam	0.50
Malawi	0.20
World	34.43

The major groundnut importers are the European Union (EU), Canada, and Japan. These three areas account for 78% of the world's imports. The European Union is the largest consuming region in the world that does not produce groundnuts. Consumption of groundnuts in the EU is primarily as food, mostly as roasted-in-shell groundnuts and as shelled groundnuts used in confectionery and bakery products. The UK's 2.5 billion pound snack market is three times its coffee market. The category is divided into nuts, crisps and salty snacks. The nut category, however, is not as snack-friendly as crisps. Even so, investment into the market has been in packaging and not advertising. In television advertising, 14 million pounds was spent on crisps and 19 million pounds on snacks overall, but nothing on nuts.

The rapid changes in the market can be seen from the fact that in 1970 the top exporters, in order, were Nigeria, Niger, South Africa, Sudan, USA, India, China and Argentina. In the 1960s, Africa accounted for c.90% of the raw groundnut trade, but by 2005 this had collapsed to only 2% of global trade. This decline has been attributed to the macro-economic environment of the 1970s and 1980s. Poor linkages through market intermediaries with export markets has meant that smallholder producers have not had access to the market intelligence, technology and infrastructure needed to engage with large-scale food export industries. Efforts to increase productivity within Africa have been constrained by market inefficiencies in the distribution of agricultural inputs, and during periods of high government involvement, the provision of fertilizers and seeds was irregular and insufficient. These constraints have coincided with the emergence of new global groundnut suppliers that captured market share on the bases of competitive cost, quality, and supply reliability. In addition, global exports of soybean, sunflower, and palm products increased substantially. With the availability of other vegetable oils, the importance of groundnut products in the world seed trade progressively declined.

Sub-Saharan Africa's decline in exports was exacerbated by the shift in the trade from the oil market to edible groundnuts - a market with higher quality and safety requirements (World Bank, 2008).

3.2 The Malawi context

In Malawi, agriculture represents 39% of Gross Domestic Product (GDP), 80% of labour and 80% of exports (USAID, 2007 cited in Minde *et al*, 2008). 52.4% of the population lives below the poverty line (Government of Malawi 2005) with the rural areas in the south of the country worst off. Levels of malnutrition are high (33% have insufficient calorific intake), and the HIV/AIDS pandemic (14% of adult population) undermines prospects for economic growth.

The Malawian agricultural sector is characterised by a dualistic structure: a high input, high productivity estate sector, and a low-input, low-productivity smallholder sector which has received little investment or encouragement to engage with export markets over the last 35 years.

Whilst the majority of Malawi's export revenues come from non-food crops such as tobacco, tea, cotton, coffee and sugar (90%), edible nuts, in particular groundnuts and (to a lesser extent) macadamia nuts, are also considered important export crops (4% of export revenues by 2009).

Table 3.3 Composition of Export Earnings by Main Commodity (percent), 1970 - 2005

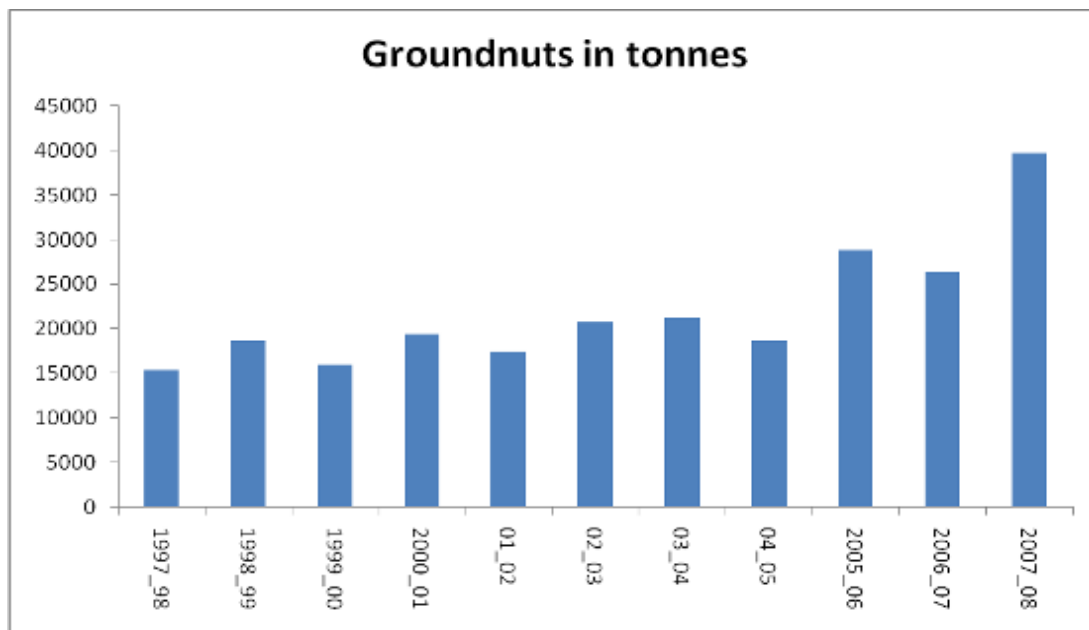
Commodity	1970-79	1980-84	1985-89	1990-94	1995-99	2000-05
Tobacco	47.7	50.4	57.7	69.9	70.5	54.6
Tea	21.2	18.2	14.4	9.7	9.0	8.8
Sugar	7.1	13.3	10.0	6.7	7.0	11.4
Nuts	7.7	3.0	2.0	-	-	1.9
Cotton	2.9	0.7	1.2	1.1	1.7	2.1
Rice	-	0.4	0.3	0.2	0.5	0.2
Coffee	-	0.7	3.4	2.3	2.7	0.8
Pulses	-	1.6	2.0	0.5	1.7	0.8
Maize	-	-	-	0.1	0.3	-
Other (non-agric)	13.4	11.6	8.9	9.5	6.6	19.4

Source: Chirwa et al. (2007)

Groundnut has been grown in Malawi since the middle of the 19th century. It is grown mostly by smallholder farmers in rotation with other crops, including maize and tobacco. Haulms (green tops) are fed to animals.

Groundnut is ideally grown in the altitude range of 200-1500m. It is grown in only one season during the November - May rainy season, making it vulnerable to droughts. The main production areas are at medium altitudes (about 600m) in the Lilongwe, Mchinji, Kasungu, Mzimba, and Rumphu plains. Over the years from the mid-1970s, groundnut has become a subsistence crop, and male farmers have abandoned it for more profitable cash crops (such as tobacco); in these situations female farmers have become responsible for production.

Figure 3.1 Groundnut production in Mchinji District (Metric tonnes)



Groundnut is mostly grown in smallholder mixed crop/livestock farming systems in the same areas as tobacco and maize, and competes for labour with these two priority crops. Constraints listed by Minde et al (2008) include:

- Competition with tobacco and maize for labour
- Poor access to improved seed
- Inadequate crop management practices leading to low yield and unacceptable aflatoxin levels
- Mid-season drought
- Poor infrastructure (rural roads and market infrastructure)
- Pests and diseases (particularly Rosette disease)
- Weak extension services
- Inadequate market information services
- Weak farmer organisation for collective action (including marketing)

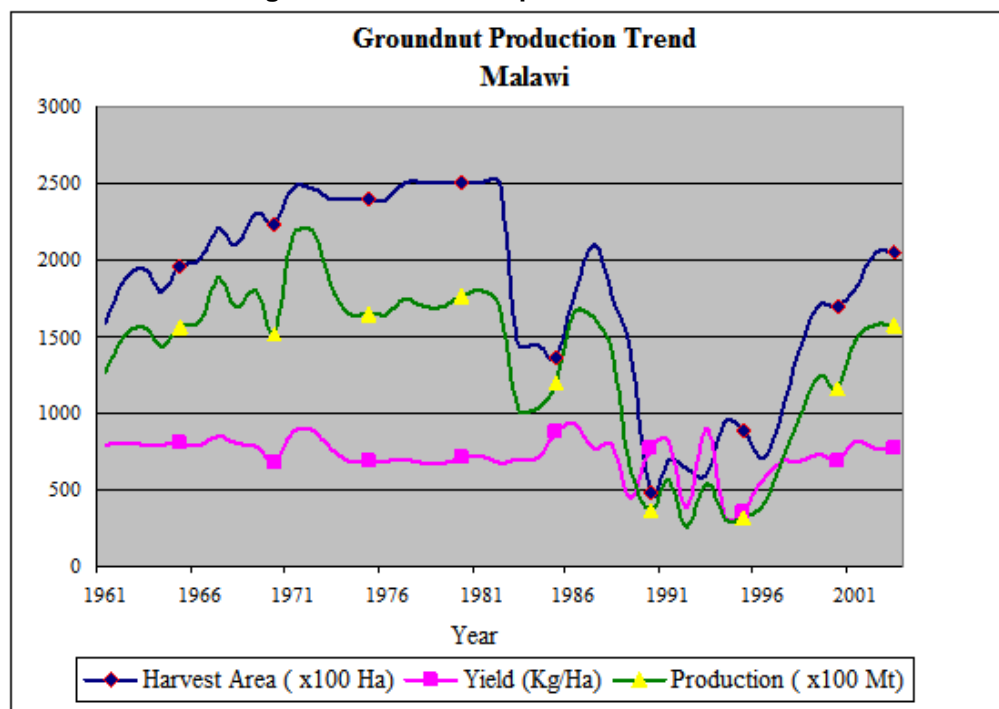
In the past, prices were determined by ADMARC, but now these are increasingly set by the complex of players in the market resulting in spatial and temporal fluctuations. Government now plays a minimal role in setting prices. Prices are lowest immediately after harvest in May, and highest six months later.

According to the McKnight Foundation: “Low agricultural productivity, malnutrition and poverty affect the majority of rural households in Malawi and Tanzania. Poor soil fertility and unreliable rainfall are major factors limiting crop productivity. Consequently, most households do not produce enough food to feed themselves for more than nine months of the year. More than 49% (Malawi) and 40% (Tanzania) of children under five in the rural areas are malnourished to such a degree that their development is retarded. Food shortfalls play a major role in malnutrition but a lack of protein, oil and vitamins in a largely cereal-based diet is also of major importance. More than half of the populations in the two countries live below the poverty line. Thus, the purchase of additional food to supplement the family diet, or of external inputs to improve crop productivity, is not possible for the average household.

Increased groundnut consumption will help families reduce problems of malnutrition, since they are nutritious (high protein [12 - 36%], high oil content [36-54%]), thrive under low rainfall and can be grown with low capital investment. Being a popular commodity that is widely traded in local regional and international markets, groundnuts can also be an important source of income, especially for women farmers, who are the main cultivators of groundnuts and who have tended to be excluded from growing traditional cash crops, such as tobacco.”

http://mcknight.ccrp.cornell.edu/projects/SAF_groundnut_breeding/groundnut_breeding_project.html

Figure 3.2 Groundnut production trends for Malawi



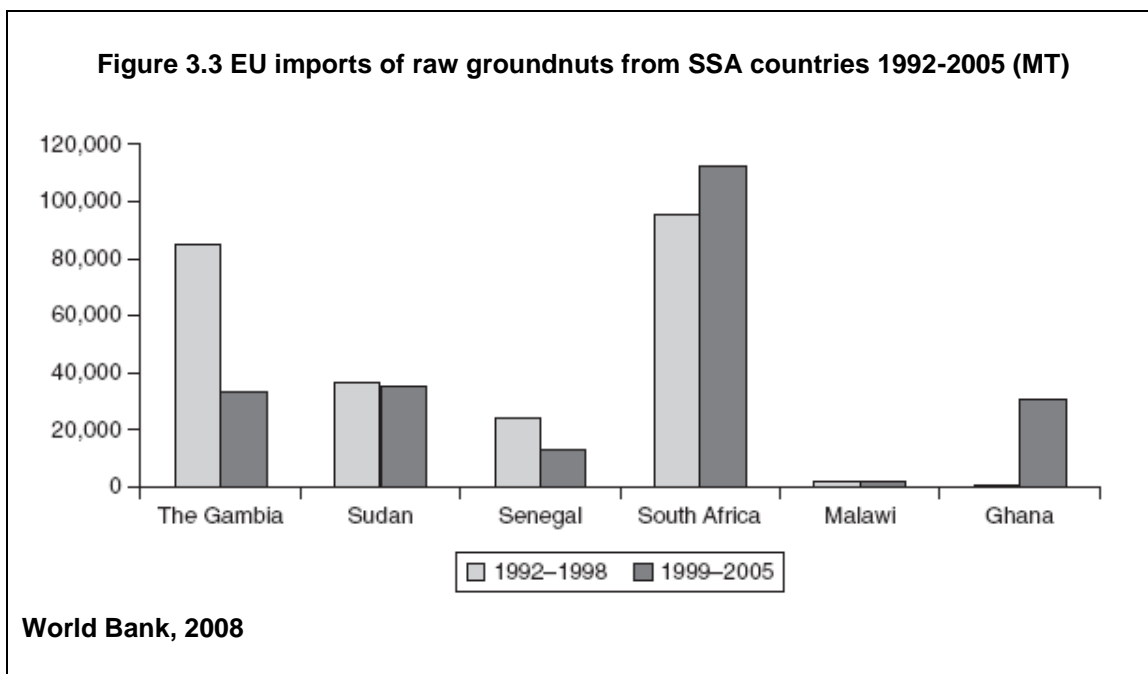
Source: FAO, 2003

This graph masks the poor yields produced in Malawi compared to other groundnut producing countries, as shown below.

Table 3.4 Average yields in main groundnut producing countries (Source: FAO STAT)

Country	1990 yields (t/ha)	2005 yields (t/ha)
Nicaragua	2.6	4.0
USA	2.2	3.3
China	2.2	3.1
Egypt	2.1	3.1
Argentina	2.0	2.8
Brazil	1.7	2.3
RSA	1.2	1.6
Nigeria	1.6	1.6
Mali	0.7	1.1
Ghana	0.9	1.0
Senegal	0.8	0.9
Sudan	0.6	0.5
Malawi	0.8	0.4

Trade liberalisation of Malawi's smallholder agriculture and marketing systems in the early 1990's resulted in dramatic changes in groundnut exports from smallholder producers. There was a reduction of exports (which peaked at about 40,000 Metric Tonnes [MT] in 1973) to negligible levels by 1990 (Figure 3.2). Total groundnut production in Malawi fell over the same period from 150,000 MT to around 20,000 MT.



The reduction was a direct result of the aflatoxin problem in Malawian nuts. Malawian nuts could no longer be exported into the EU because of non-compliance to strict food safety regulations (especially the Maximum Allowable Levels [MAL] of aflatoxin).

Box 3.1 Aflatoxin levels in groundnuts

Groundnuts are susceptible to moulds and fungal invasions. Of particular concern is *aflatoxin*, a poison produced by a fungus called *Aspergillus flavus*. The first outbreak occurred in 1960 when more than 100,000 turkeys in England died in the course of a few months as a result of eating contaminated groundnut meal.

Aflatoxin is a known carcinogen that is twenty times more toxic than DDT and has also been linked to mental retardation and lowered intelligence. The fungus thrives when the temperature is between 86-96°F (30-36°C) and when the humidity is high.

Contamination of groundnuts often occurs in the field prior to harvest. Postharvest contamination can occur if crop drying is delayed and during storage of the crop if water is allowed to exceed critical levels for mould growth. Insect or rodent infestations facilitate mold invasion during storage. Fungal growth and aflatoxin contamination are consequences of interactions among the fungus, the host, and the environment, although the precise factors that initiate toxin formation are not well understood. Water stress, high-temperature stress, and insect damage of the host plant are major determining factors in mould infestation and toxin production. Similarly, poor production practices, such as poor soil fertility, high crop densities, and weed competition, have been associated with increased mould growth and toxin production. Before harvest, aflatoxin contamination of groundnuts is promoted by high temperatures, prolonged drought conditions, and high insect activity; postharvest production of aflatoxins is accelerated by warm temperatures and high humidity.

European legislation states that: Maximum levels of aflatoxins for groundnuts and nuts and processed products thereof, intended for direct human consumption or use as an ingredient in foodstuffs are: Aflatoxin B1: 2 micrograms per kg (2 parts per billion); Sum of Aflatoxins B1, B2, G1 and G2: 4 micrograms per kg (4 ppb).

(<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2006R1881:20090701:EN:PDF>)

The U.S. Food and Drug Administration (FDA) enforces a ruling that 20 parts per billion is the maximum of aflatoxin permitted in all foods and animal foods, including groundnut butter and other groundnut products.

This situation meant that ADMARC¹, the parastatal buyer of agricultural products (including nuts) could no longer buy nuts from smallholder farmers, who were the main producers of groundnuts in the country. While production in Malawi returned to 110,000 MT in 2002, there has not been a similar return to direct export volumes to Europe, partly due to declining investment in smallholder agriculture since the 1980s (Table 3.5).

Table 3.5 Agriculture Sector Government Spending Trends, 1970 - 2005

Indicators	1970-79	1980-84	1985-89	1990-94	1995-99	2000-05
Agriculture Share in Budget (%)	32.15	24.83	10.08	11.17	8.98	6.13
Agriculture Budget (\$m)	21.30	43.98	29.05	41.90	36.12	37.48
Recurrent Budget (\$m)	8.39	21.69	18.52	30.56	26.66	22.17
Development Budget (\$m)	12.91	22.29	10.54	11.34	9.46	15.31
Agriculture Spending/Capita (\$)	4.03	6.88	3.85	4.77	3.51	3.21

Source: Chirwa et al. (2007)

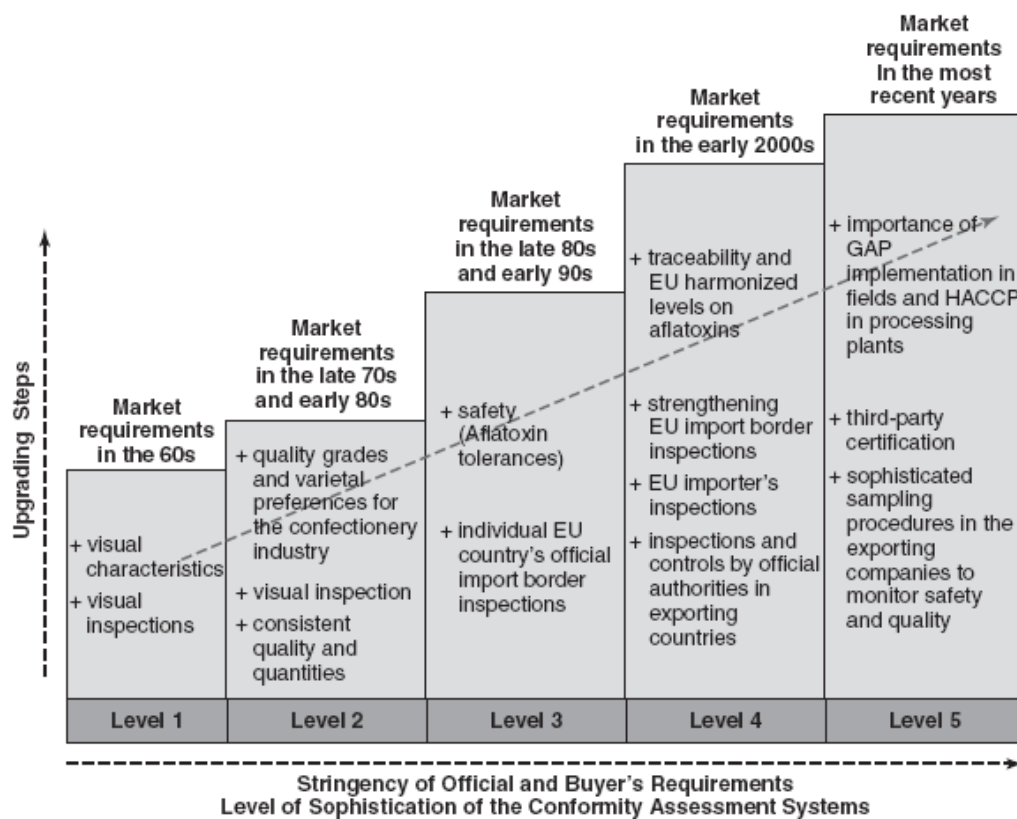
Strategies adopted by exporting countries to reduce problems associated with aflatoxins (especially to the EU) have been:

- a) Shortening their supply chains
- b) Tightening supplier oversight and insisting on good practices implementation.
- c) Increasing product testing to ensure compliance
- d) Shifting the locus of processing functions e.g. establishing blanching facilities in the country of origin

The following diagram (Figure 3.4) shows how EU market requirements have become more stringent over time.

¹ Agricultural Development and Marketing Corporation of Malawi

Figure 3.4 Evolution of EU market requirements and Associated Conformity Assessment Systems for Groundnuts and Groundnut Products



Source: Adapted from the Research Project 'Smallholder Project African Smallholder Farmers and Participation in Higher-Value Supply Chains: Lessons Learned and the Efficacy of Interventions to Achieve Assured Compliance'. The World Bank/University of Guelph (ongoing).

World Bank, 2008

Malawi, through the NASFAM/TWIN/Fairtrade partnership, is attempting to follow all four strategic lines mentioned above. The following Box, taken from World Bank Paper 39 (2008), shows how ICRISAT is supporting product testing to ensure compliance (option "c").

Box 3.2 Increasing producer testing in Malawi

Mini-Case: Development of Cost-Effective Methods for Aflatoxin Detection in Malawi

As part of its strategy to promote effective aflatoxin management in developing countries, ICRISAT developed a low-cost screening method for aflatoxin detection using the ELISA technique. With this technique, it is possible to screen out contaminated lots; for final analysis of product to be exported, exporters use an accredited laboratory that applies techniques recognized by the importing country (e.g., high-performance liquid chromatography [HPLC]). Preliminary screening of groundnuts is the core of the activities undertaken within the collaborative effort to revive groundnut exports established between ICRISAT and the National Smallholder Farmers Association of Malawi (NASFAM), with the support of USAID, which also covers awareness creation and farmers' training activities. Other export crops, such as soy, chilies, and paprika, are also benefiting from this effort. The facilities for aflatoxin testing are located at ICRISAT's center at Chitedze. NASFAM pays the costs associated with training lab personnel. In 2005–2006, more than 11,000 samples were analyzed.

Although testing is done mainly on NASFAM's own crops, third-party testing is also provided to other companies within the country and to operators in Zambia. Thus, there is an interesting potential for expanding third-party testing services on a national and regional basis. Challenges in responding to increased demands for aflatoxin testing under the program include the upgrading of current equipment and acquisition of new equipment to expand testing capacity. However, because the importer markets do not recognize the ELISA test, final testing for exports is largely done in South Africa. The costs associated with transportation of such samples are very high. (The sample size is 30 kg each, and the analysis could cost about US\$230 per sample, inclusive of sampling and testing.) According to NASFAM leaders, it would be highly desirable to establish an in-country HPLC testing facility. However, the weakness of the local transportation infrastructure may jeopardize the benefits a local laboratory could provide in terms of cost reduction.

Source: Personal communications with Dr. Farid Waliyar, ICRISAT India. A description of the current situation of the NASFAM/ICRISAT aflatoxin testing program in Malawi is included in Gordon 2007.

World Bank, 2008

The promotion of Malawian Fairtrade groundnut sales from smallholder producers aims to act as a stimulus to close the gap between total production and exports, although to date only one Malawian producer group (Mchinji Area Smallholder Farmers' Association - MASFA) has been FLO-certified (N.B. several others are now interested in becoming FLO-certified²).

Table 3.6 shows the Fairtrade groundnut production and value for the years from 2005/6-2008/9.

², TWIN staff personal communication

Table 3.6 Fairtrade groundnut production and value from Malawi (from: Twin 2009)

	Delivered volumes (MT)							
	2005/6	2006/7	2007/7	2008/9				
FT Groundnuts	56	36	72	54				
FT Birdfood	0	0	234	18				
	FOB values (US\$)				Fairtrade Premium (US\$)			
	2005/6	2006/7	2007/7	2008/9	2005/6	2006/7	2007/7	2008/9
FT groundnuts	37252	24120	57600	75600	6116	3960	7920	5940
FT birdfood	0	0	198900	16830	0	0	25740	1980
Notes:								
<ul style="list-style-type: none"> • 2005: MASFA membership fell from 11,000 to 2,000 and has not yet recovered • 2007 & 2008: High incidence of aflatoxin reduces volumes available for export; • 2008: Dry period at end of season in Malawi increased aflatoxin risk at harvest. Total groundnut crop est. to be 15,000mt in Mchinji District. • 2008/09: Liberation responds to economic downturn by scaling back projected sales; • 2009: Total crop estimate in Mchinji district fell back to 10,000mt; • 2009: Malawi Government imposes minimum prices for many commodities including groundnuts at a level above the international market price making it difficult for recognized traders to expand export market access; • 2008/09 NASFAM and Twin engaged at a workshop in Chipata in May 09 to exchange technical experience relating to Quality Management Systems, FLO GAP analysis and Aflatoxin risk management. 								

Efforts to improve productivity through improved varieties have not always resulted in positive outcomes. For example, Malawi and Zambia grow a groundnut variety called “Chalimbana,” which produces relatively large-sized kernels with excellent flavour—highly valued in the confectionery market. Research efforts, however, have focused on developing a better-yielding and more disease-tolerant variety. The CG7 variety has been successfully developed, yet this yields a crop with smaller-sized kernels and higher oil content—for which there is not a distinctive export demand, either in regional or international markets. Most recently, ICRISAT³ efforts in Malawi and Tanzania have focused on the development of groundnut varieties with improved yield performance, greater resistance to foliar diseases, and better market acceptance. Under this initiative, a survey was undertaken, in March 2007, among 613 farmers in Malawi and 395 farmers in Tanzania. The survey aimed at identifying the main constraints on groundnut production. Inadequate finance for inputs, unfavourable weather, unavailability of seeds, and poor management skills were the critical factors identified by farmers in both countries; while pests and diseases were an additional (major) critical factor in Tanzania (World Bank, 2008)

ICRISAT (Siambi et al, 2008) argue that the establishment of grades and standards (there being no such system in operation at the present time) will enable smallholder

³ International Crop Research Institute for the Semi-Arid Tropics, which has a worldwide mandate for research on groundnuts and other crops of the semi-arid tropics as part of the Consultative Group for International Agricultural Research

farmers to re-gain access to export markets that have been lost. For this reason, they developed a project that adopted “production standards” to provide a set of crop management practices for farmers that would ensure that the chances of aflatoxin infection were minimised. These included improved traceability, assisted by the structured nature of MASFA with Marketing Area Committees (MACs) and Clubs that enabled individual batches to be easily identified.

Otsuki et al (2001) argue that the reduction of the MAL of aflatoxin to 4 parts per billion has resulted in market losses of over US\$670 million for African countries, especially in sub-Saharan Africa. On the other hand, the confectionary trade has increased substantially over the last two decades to the potential benefit of Malawian producers (assuming they can keep below the MALs for aflatoxin).

In the mid 1980’s African exports of groundnuts accounted for nearly 50% of world exports. By 2005 this had fallen to c.6% with US, China and Argentina accounting for the vast majority of world exports. However, both the US and China have, over the past few years moved from their position of export dominance to being on the verge of becoming net importers due to increased domestic consumption. This has removed around 600,000 metric tonnes of groundnuts from the world export markets which presents a significant opportunity for African smallholder farmers to regain some share of world exports. Thanks to the growing sales of Fairtrade nuts through Liberation⁴ the opportunity for MASFA farmers and their communities is improving further with their groundnuts being included in products that are sold through UK supermarkets.

In a meeting with department directors at the Ministry of Agriculture and Food Security, we were informed that the Agricultural Development Programme has prioritised legumes, including groundnuts, and that the subsidy programme includes the promotion of groundnuts. A group of Donors is providing funding for the stimulation of legume production and export. Seed multiplication to provide farmers access to seed of improved varieties which are resistant to diseases, give higher yields and are more suited to export requirements is the principle bottleneck being addressed in the programme.

In a letter to DFID, the Malawi Ministry of Trade and Industry has also expressed their support to past and current initiatives by NASFAM and Twin Trading for:

- Value addition at origin; Enhanced market access
- Enhanced quality and standards compliance
- Enhanced institutional capacity

The Ministry stated that such initiatives are complementary to the Government of Malawi Growth and Development Strategy⁵. On the donor side there is strong evidence of support from DFID to supply chain innovation, for example through its Regional Trade Facilitation (RTFP) and Regional Standards (RSP) Programmes for Southern Africa. Additionally, retailer support has been demonstrated by the commitment of , a prominent UK supermarket to stock Malawi groundnuts in its stores. The supermarket’s management visited NASFAM and MASFA in April 2009 accompanied by Twin and a major UK charity to learn about investments in groundnut processing, in part paid for by the supermarket’s Development Fund.

⁴ Liberation Foods Community Interest Company is co-owned by farming groups from Malawi, Mozambique, Bolivia, Brazil, Nicaragua, Peru, El Salvador and India. Farmers receive the guaranteed fair price for their produce and also receive a Fairtrade premium often spent on projects which benefit the entire community.

⁵ Letter from the Ministry of Industry and Trade dated 12 October 2009.

4. Methodology

This study is a **longitudinal impact assessment** of Fairtrade groundnuts in Malawi, with specific reference to a single FLO-certified groundnut Producer Organisation, MASFA (Mchinji Area Smallholder Farmers' Association). This report presents the findings of the first of three visits, the others being scheduled for 2011 and 2013. The study was conducted by the Natural Resources Institute (NRI) over a 4-week period between November and December 2009, with over two weeks being spent on field work. NRI is independent of the Fairtrade Foundation which commissioned the study.

The **approach** used is a participatory livelihoods approach in which the Producer Organisation, their members, their families, their communities and the stakeholders who influence or interact with them are studied across organisational, economic, social, political, institutional and technical dimensions. The main focus of the study is on the in-country situation and impacts, rather than across the whole value chain to consumers.

The **process** used had 5 components:

- 1) A review of relevant information;
- 2) Discussion with a range of stakeholders at national, district and local levels to understand the different perspectives of the organisations that shape the context of the groundnut industry in Malawi.
- 3) a) Meetings with the Producer Organisation; b) Focus Group Discussions (FGD) with men and women members, and with non-cane producing farmers in the same localities; c) Case-study semi-structured interviews (SSI) with individual member families, and d) Production, income and membership data requested from relevant organisations. Tools used during the meetings with the PO staff included Stakeholder Analysis to map and understand the influence and activities of main stakeholders, Value Chain Analysis, and Force Field Analysis to understand where the organisations are now and where they hope to be in four years time.



Meeting at MASFA (Force-field analysis exercise)

- 4) A feedback meeting in January 2010 together with MASFA and NASFAM staff and producers, in which the results of the survey were presented and discussed – and the next steps explained.



Some of the participants in the feedback meeting in Malawi

5) A feed back meeting with the Fairtrade Foundation, TWIN/TWIN-Trading and Liberation Foods in which additional information was made available to enhance the first draft of this report.

The study aimed to capture **impact information** in the following areas:

1. Changes in social structure
2. Changes in the socio-economic situation of participating producers/workers and their households including their income, working conditions, living conditions and access to basic services
3. Changes in the organisation of rural areas / workers' organisations / trade unions
4. Changes in local, regional and national development
5. Changes in the management of natural resources

Gender perspectives were specifically addressed through the inclusion of both men and women members in FGDs and case studies, while **diversity** was addressed by designing the sample of Chapters, Marketing Area Committees, Clubs and case studies to cut across ecological and socio-economic conditions. **Triangulation** was assured by the range of stakeholders consulted, and the different levels of the Producer Organisations surveyed.

Simple and measureable indicators are identified in Section 9 that can be used to monitor the progress of economic, social, environmental and organisational impacts attributable to Fairtrade certification and the use of the Premium.

5. Findings of the study

5.1 The producer organisation: The Mchinji Area Smallholder Farmers' Association (MASFA)

The Mchinji Area Smallholder Farmers Association (MASFA) was formed in 2000 to act as an umbrella organisation for smallholder farmers in Mchinji District. MASFA is farmer-owned and farmer-governed, and supplies FLO-Fairtrade certified groundnuts through the National Smallholder Farmers Association of Malawi - NASFAM (certified exporter) and TWIN/TWIN-Trading (certified buyer) to Liberation Foods CIC, a UK-based Fairtrade nut company, co-owned by nut farmer and gatherer organisations in developing countries. The roles of TWIN and Liberation are further explained in Sections 5.3 and 5.4. MASFA is one of 42 District (Smallholder Farmers) Associations that go to make up NASFAM. NASFAM encourages diversity away from the dominant maize and tobacco crops, covering paprika, chillies, cotton, groundnut, rice, soya, beans and sunflower. Further detail on NASFAM is given in Section 5.2.

Box 5.1 Mchinji Area Smallholder Farmers' Association

MASFA Vision

To be the centre of excellence in promotion of profitable and sustainable farming businesses, producing economic and social benefits.

MASFA Mission

To improve the socio-economic status of its smallholder farmers through higher returns from crop production and marketing and the provision of other services that enhance their productivity, knowledge and skills.

MASFA Objectives

- To increase rural incomes through collective marketing
- To promote food security at household level
- To equip smallholder farmers with business and marketing skills
- To promote community Natural Resource Management (NRM)
- To advocate conservation farming practices
- To integrate HIV/AIDS and gender into all programmes

Before forming MASFA, farmers had no access to outside markets, and little relevant extension. Production was for their own subsistence, or marketing through ADMARC (the Agricultural Development Marketing Corporation), the State parastatal monopoly purchaser. Trade liberalisation has now opened up the market to a wide range of other traders.

MASFA is a democratic organisation that was established in response to the problems faced by farmers in the District:

- Lack of access to reliable local and export markets
- Exploitation by middle men
- Lack of exposure to international markets such as Fair Trade
- Inadequate extension services

When MASFA was set up in 2000 it had around 200 local groundnut farmers, keen to improve market access and prices, share expertise and give the farmers a collective voice. Through MASFA, farmers receive a range of services:

- Extension advice (production and post-harvest technology and natural resource management, AIDS/HIV advice) through Association Field Officers and Farmer to Farmer trainers
- Collective Marketing facilities (at Marketing Area Committee level) and systems (transport, payment, traceability)
- Access to improved seed
- Access to international markets through Fairtrade (via NASCOMEX and TWIN)

MASFA deducts MK2 per kg from the price paid to the farmer (this is equivalent to US\$14/MT). In 2009 it had a total of 22 permanent and temporary workers (19 male and 3 female)⁶.

MASFA receives a lot of support (at no additional cost) from NASFAM, including:

- Training on quality management systems and Good Agricultural Practices (GAP) through direct technical support from NASFAM
- Training on Gender and HIV/AIDS
- Training on Conservation Agriculture

The membership of the present Board clearly demonstrates the representation of the Chapters that make up MASFA.

MASFA has the structure shown below. This has not changed since certification.

⁶ FLO audit report, November 2009

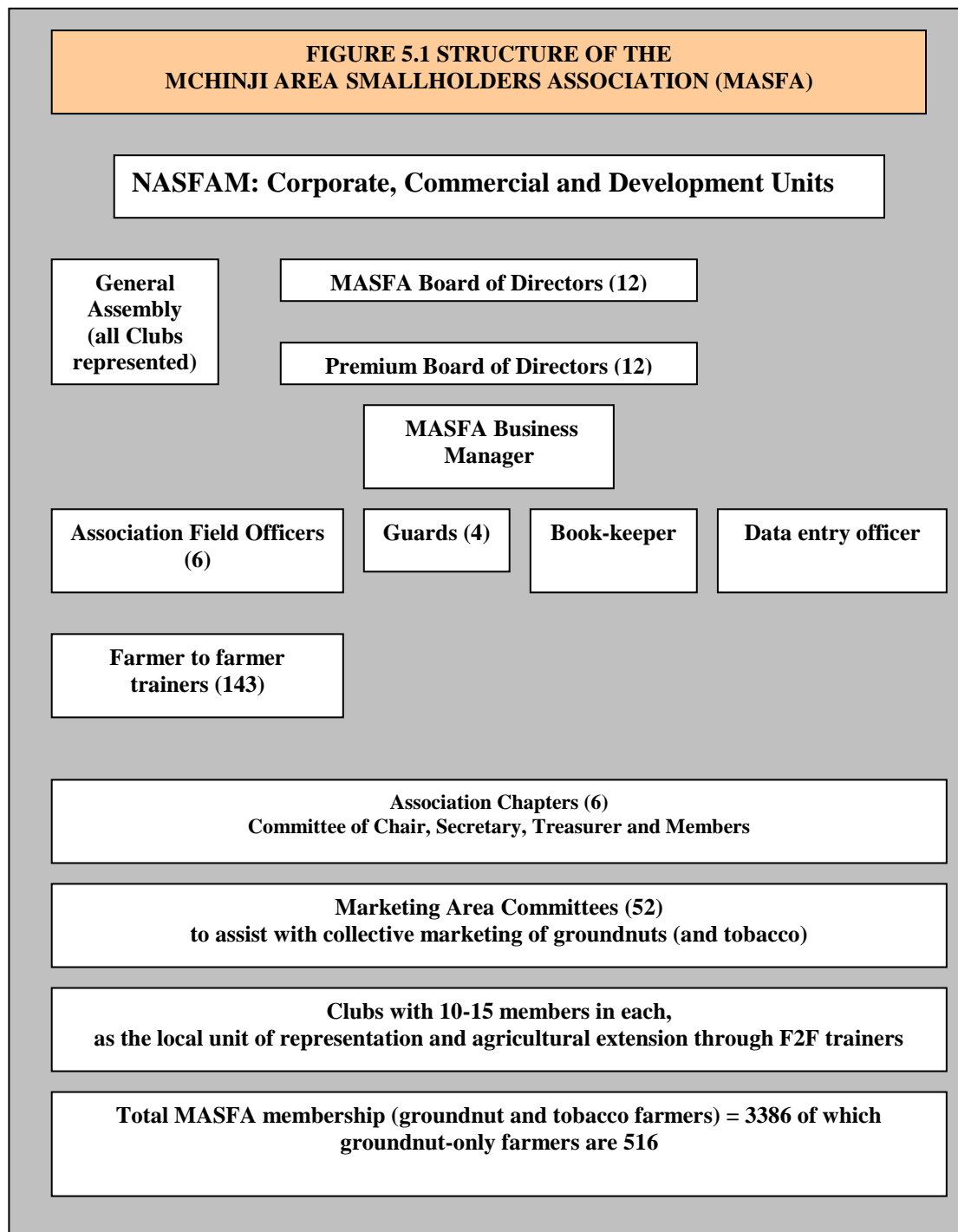
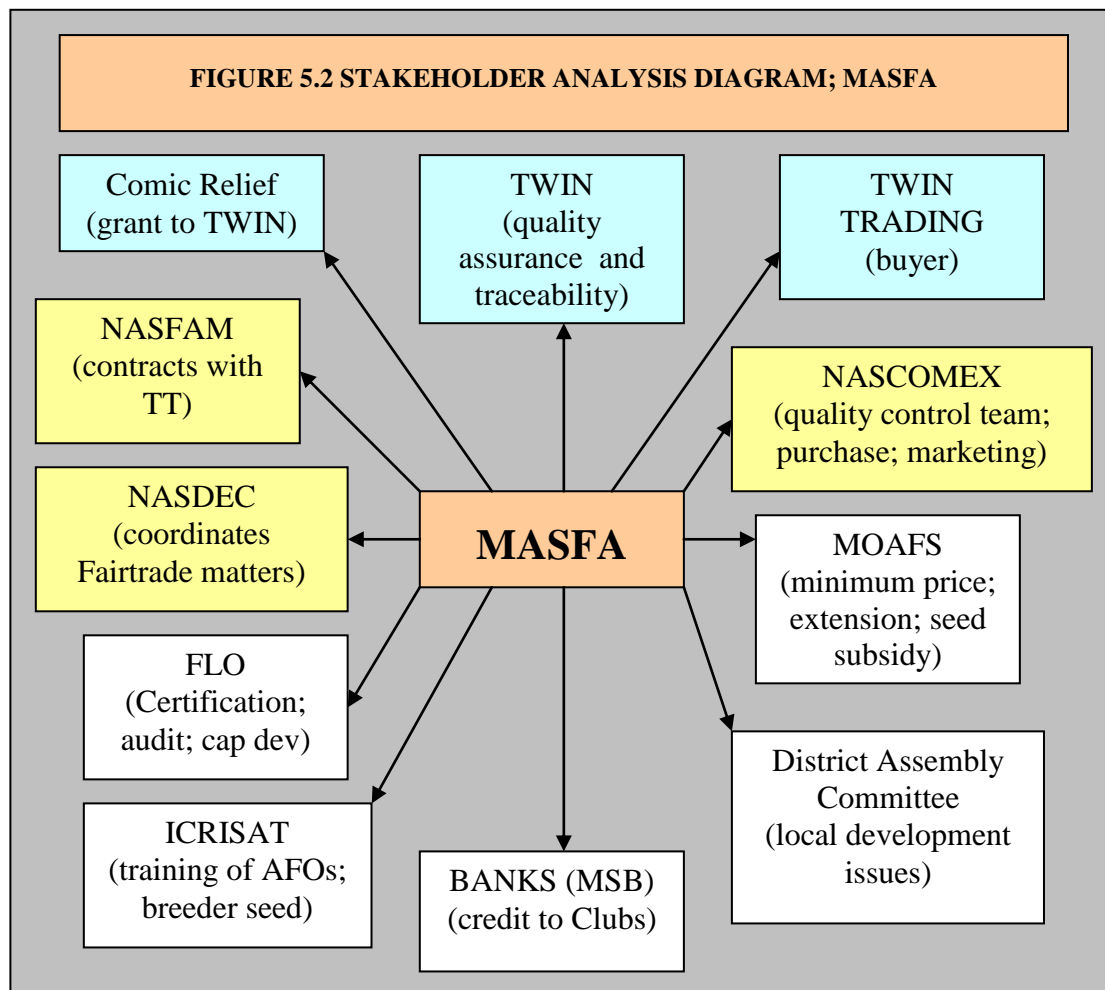


Figure 5.2 shows the main stakeholders identified by MASFA staff. The importance to MASFA of the TWIN family and the NASFAM family can be seen from this diagram.

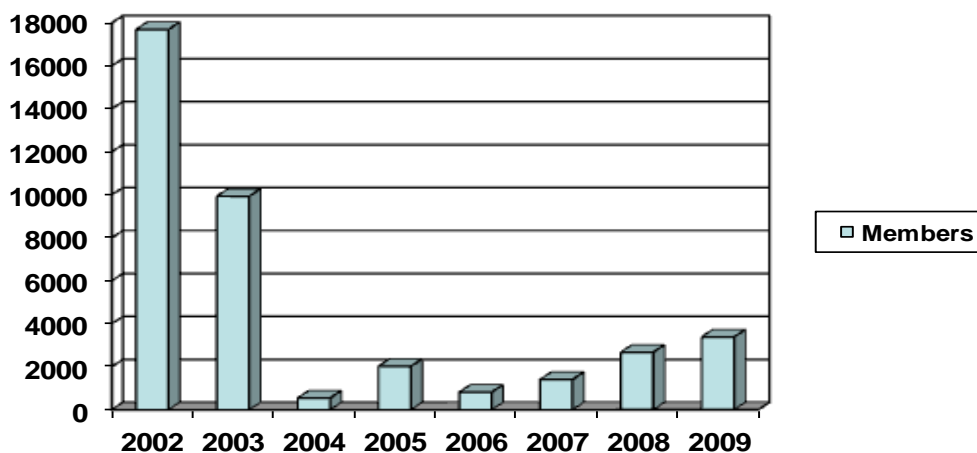


Of these stakeholders, NASFAM, NASFAM Development Corporation (NASDEC), NASFAM Commodity Marketing Exchange Limited (NASCOMEX), TWIN, ICRISAT (the International Crop Research Institute for the Semi-Arid Tropics) and the Ministry of Agriculture and Food Security (MOAFS) were consulted in the preparation of this report.

When increasing quantities of groundnuts started to be produced, and national markets were liberalised, NASCOMEX started to buy from MASFA members. Expectations were high at this point, with farmers assuming that this arrangement would solve their problems (compounded by the drought in 2001) and substantially improve their standard of living, causing MASFA membership to skyrocket in the first two years. However, the price offered by NASCOMEX⁷ is sometimes less than the maximum spot price that other traders can offer, resulting in competition and a loss of members. This in part accounts for the rather variable membership recorded in Table 5.3. The drought in 2005 also severely affected production and had a significant impact on membership over subsequent years. More recently a commodity price spike (2007/8) and the credit crunch (2009/10) have limited both production and the market, reducing market volume and access, and consequently the contribution of groundnuts to smallholder livelihoods.

⁷ NASFAM's offer at the beginning of the season is a starting point – this is not fixed and is amended during the year to reflect movements in the market.

Figure 5.3 Membership of MASFA by year



NASFAM requires that farmers deliver good quality nuts, whereas other traders are not as fussy about quality as these are for domestic consumption. This (and late entry of NASCOMEX buyers into the market) has meant some farmers selling to other traders, rather than maintaining loyalty to MASFA/NASCOMEX (see the Case Studies in Section 6 of this report). A further loss of credibility of MASFA was the disappointment of farmers who could not access certified seed⁸ of improved (Chitedzi Groundnut 7) and local (Chalimbana) varieties. Lastly members are asked to pay for membership (initially MK500 [£2.50], when subsidized by foreign aid , but now MK2000 [ca.£10] per Club or about £0.67 per member) to MASFA. This is <0.5% of the income of the average farmer income from nuts)

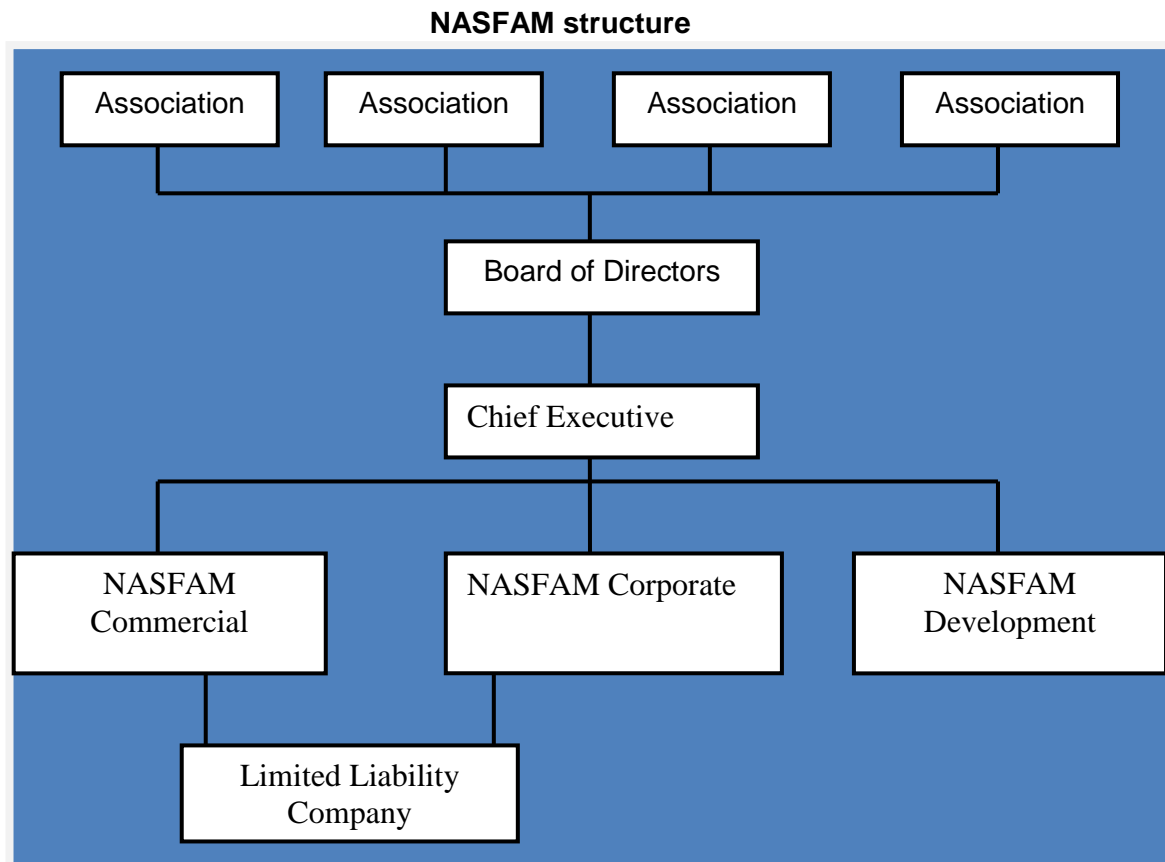
The present MASFA manager is very aware of the trend in membership and the need to improve it. He maintains that the attractions of MASFA membership to farmers are technical advice, the Marketing Area Committees that enable collective marketing, the fair prices paid for the groundnuts, reliable weighing scales and the access to export markets. It is necessary to further educate the farmers about these advantages and to improve the delivery of technical services (advice, seed etc) to farmers. Up to now the Fairtrade Premium has not been a big selling point as the amount has been relatively small (as admitted in the FLO-Cert audit reports) and the Premium has been spent on projects designed to benefit the wider community, rather than individual members.

The perspectives for increasing membership are good, and it is very important to increase both membership and volumes marketed through NASCOMEX so that its overheads can be met and further investment can be made in the supply chain. This would also benefit other Associations (e.g. S. Mzimba) wanting to enter the Fairtrade market.

⁸ Certified seed is certified by the Ministry of Agriculture and Food Security to be of high quality (with regard to purity, germination, debris, weed seeds, moisture content), of known origin and of a named variety. The varieties multiplied are those which have resistance to serious groundnut diseases, in particular groundnut rosette virus and early leaf spot disease (caused by *Cercospora arachidicola* S. Hori).

5.2 The exporter: NASFAM (NASCOMEX)

The National Smallholder Farmers' Association of Malawi (NASFAM) is the largest independent, smallholder-owned membership organization in Malawi. It is an umbrella organization for 100,000 smallholders across Malawi. Most of the smallholders farm on less than a hectare of land. NASFAM is directed by farmers, for farmers. It works with a network of smallholder-owned business associations (e.g. MASFA) to develop the capacity of its members and enhance their productivity, and has a rapidly increasing network of farm supply shops through which it makes available a variety of farm inputs, especially fertiliser. The farm shops have been difficult to sustain following the Malawi Government and other donor interventions on fertiliser subsidies and input supplies.



NASFAM is founded on the principles of collective action and is democratically governed by its members. It has offices in Karonga, Rumphu, South Mzimba, Kasungu, Ntchisi, Nkhotakota, Mchinji, Lilongwe North and South, Ntcheu, Balaka, Namwera, Zomba and Mulanje.

Its operations are guided by its **vision** to be: *the leading smallholder-owned business and development organization in Malawi, producing economic and social benefits for members, their communities and the country*, while its **mission** is *“to improve the livelihoods of smallholder farmers. Through a sustainable network of smallholder-owned business organizations, NASFAM promotes farming as a business in order to develop the commercial capacity of its members, and delivers programmes which enhance member productivity”*.

Box 5.2 The National Smallholder Farmers Association of Malawi

How is NASFAM organized?

NASFAM is organized into a unique extension network to support its membership of over 100,000 smallholder farmers. The smallest operational unit of NASFAM is the Club, made up of 10 – 15 individual farmers. Clubs combine to form Action Groups which are the key points in the extension network for dissemination of information to members, and for the bulking of member crops. Action Groups combine to form NASFAM's association, of which there were 40 in 2007 – 2008. NASFAM Associations are legally registered entities, member-owned and managed by farmer Boards. The Associations are grouped by geographical location under 14 Association Management Centre (AMCs). These provide management and operational support to the Associations in terms of production, marketing and community development. The AMCs are in turn supported by the NASFAM Regional and Head Office structures.

Commercial and Development

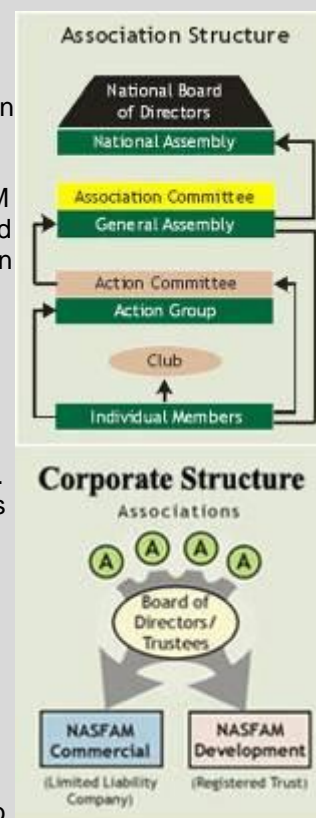
NASFAM functions are split into Commercial and Development activities. NASFAM commercial activities include the marketing of inputs to farmers and produce from farmers. NASFAM Development activities deliver community development and capacity building services to members. NASFAM Commercial and Development operations are respectively divided between and independently registered for profit company and legally registered NGO. Both are governed by a Farmer Board, democratically elected each year by the membership

NASFAM's Strategic Priorities

The current five year Strategic Development Plan (SDP) runs from 2006 – 2011 and addresses the challenges that face NASFAM in its mission to improve member livelihoods. These include the need to increase member loyalty and membership numbers, to increase crop production and commercial marketing capacities, and to develop the capacity of staff and systems to support these operations. As such, the initial strategic priority is to improve and increase service delivery to members, subsequently moving towards increasing NASFAM's capacity for rural productivity and innovation. Reflecting these priorities, the SDP works towards six key results areas (KRAs):

- Increased commercial revenue and profit
- Improved crop quality and quantity
- Enhanced Association performance
- Expanded member livelihoods
- Expanded influence on policy
- Enhanced systems performance

http://www.nasfam.org/index.php?option=com_content&task=view&id=69&Itemid=79



The NASFAM concept grew out of a foreign aid funded project to support and organize smallholder tobacco production. Since 1995, the NASFAM focus has diversified production to other cash and food crops. NASFAM, as it is now, was legally registered under the Trustees incorporation Act in February 1998. The commercial relationship is between MASFA and NASFAM's commercial wing

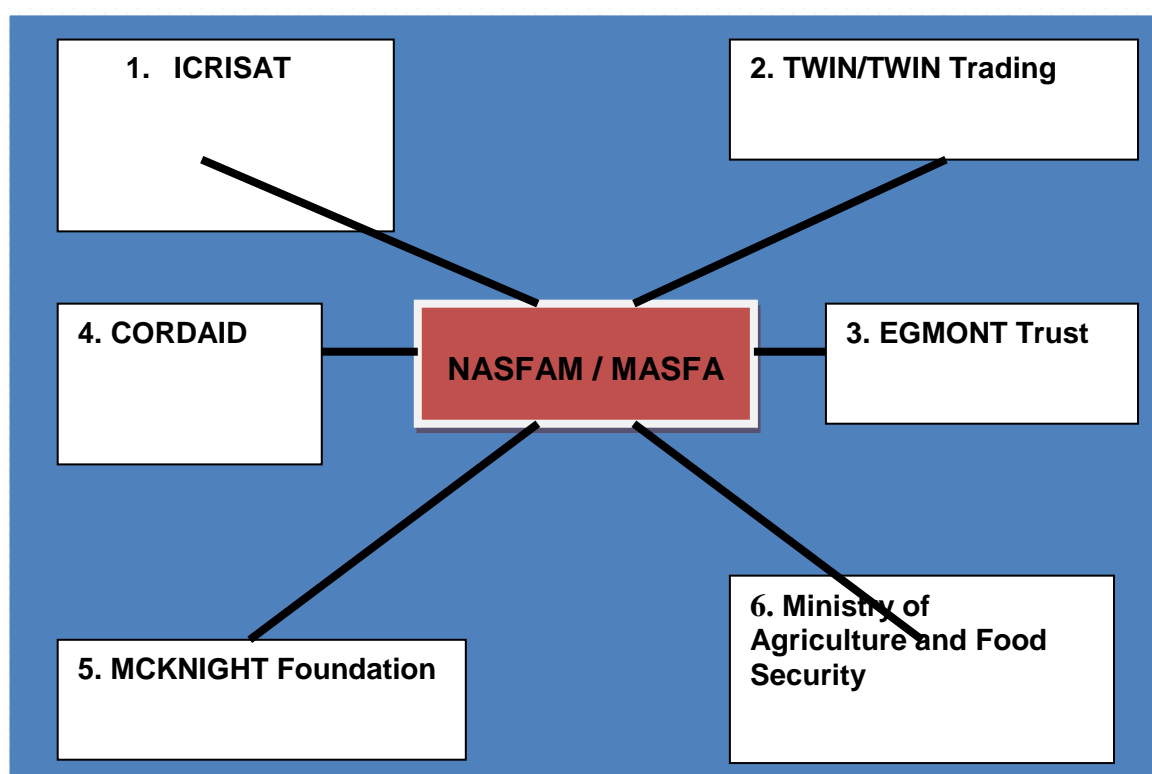
(NASFAM Commodity Marketing Exchange Limited – NASCOMEX) which houses the revenue-generating private sector business and marketing services. However, overall Fairtrade matters are coordinated by the NASFAM Development Corporation, as Fairtrade is viewed as a development-through-market-access activity.

The corporate wing of NASFAM generates its own funds which it uses to run its operations. On the other hand, the operations of the development wing are largely funded by donors.

Further details of NASFAM’s structure and operations are given in Box 5.2, above.

NASFAM stakeholders

The NASFAM stakeholder analysis focused on identification of the key stakeholders that the organization has in support of groundnuts production in Mchinji and South Mzimba. These are discussed below



ICRISAT was identified by NASFAM staff as the main stakeholder in support of groundnut production. ICRISAT supports production through promotion of quality seed and provision of training for quality assurance right from the field. The linkage that NASFAM established with ICRISAT helped it to breakthrough into the European market that was lost due to high level of aflatoxins. ICRISAT also support community seed multiplication activities in both Mchinji and Mzimba districts. This has helped to spread good seed not only in the two target district, but also to other surrounding districts.

TWIN/TWIN Trading: They have assisted NASFAM and ICRISAT in designing the type of training provided at the farmer level since they know what the market wants in terms of quality. They are also the key link to the Fair-Trade market for NASFAM Commercial.

Egmont Trust: This is a UK based trust and supports NASFAM's HIV/AIDS programmes. Through their support some farmers have been assisted to access improved groundnuts seed mainly those affected by HIV and AIDS. This support has resulted in increased groundnut production in Mchinji.

CORDAID, a Dutch-based charity, supports NASFAM's Farmer-to-Farmer extension training programmes. NASFAM realized that the government extension services are weak. As a result they designed the Farmer-to-Farmer extension training approach led within each Chapter by Association Field Officers. Once the lead farmers (Farmer-to-Farmer volunteers) have been trained, they are able to mount demonstrations which have also assisted in improving the quality of nuts produced by farmers.

McKnight Foundation: This organization is supporting the groundnut breeding programme on-station at Chitedze Research station and also support varietal selection activities at the farm level. Farmers run varietal selection trials on their farms which assist in the breeding programmes, and these activities have also led to building of community seed banks at least for the varieties already released.

The Ministry of Agriculture and Food Security (MoAFS) is involved in all the activities that NASFAM implements in the various parts of the country including those on groundnuts. They are a key partner at all levels.

Overall benefit of Fair Trade to NASFAM

Fair Trade has assisted NASFAM to open up and expand its groundnuts market. Demand for NASFAM nuts has expanded greatly, and at the moment it is very difficult to satisfy the demand. For example a South African consumer brand buys each year large quantities of nuts from NASFAM. Due to the decimal benefits that the organization and its farmers NASFAM is rethinking its groundnut strategy. That is whether to continue the Fair Trade route which is very expensive and high demanding on quality but little benefits so far or abandon the Fair Trade option and only invest in expanding the new markets that are greatly expanding because buyers have developed the trust in the quality of the nuts from NASFAM.

From the farmer's perspective, the main usefulness of NASFAM is as a vehicle through which to market their produce. NASCOMEX has tried a number of groundnuts buying systems, none of which has yet proved to be ideal. These are detailed in Box 5.3.

Box 5.3 NASFAM purchasing systems for groundnuts; 2000 - 2010

From 2000 to 2004, Association Field Officers were responsible for buying all the nuts in the areas. But the problem of reconciling stocks against money spent and problems of monitoring pushed NASCOMEX to change the system.

From 2004 – 2006, designated Marketing Area Centre leaders were involved in buying nuts. This too did not succeed as it was difficult to make MAC leaders accountable as they were also the same people who were to persuade other farmers to join MASFA.

From 2006 – 2008, school leavers were recruited by NASCOMEX as buyers. But the problem of shortages worsened.

In 2009, NASCOMEX decided to handle the marketing themselves. They signed a Memorandum of Understanding (MoU) with MASFA where they indicated that they would take

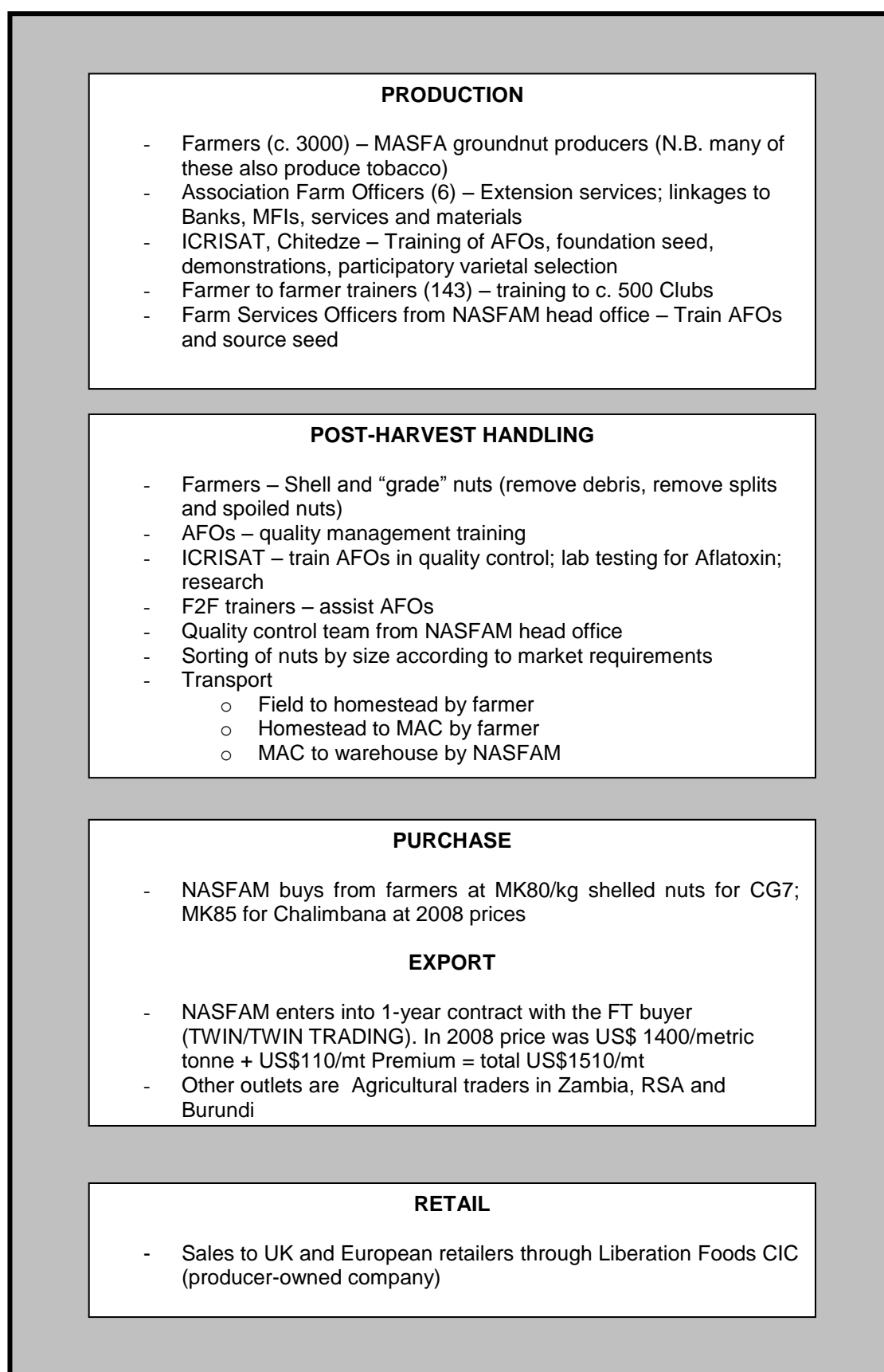
all the blame for any anomalies in the marketing process. Instead of covering all the MACs, they targeted only a few buying points in each Chapter with more buying points in Chiosya, and Mikundi (known to be highest groundnut production areas). Only a few buyers were recruited and had to rotate from one buying point to the other. They did not effectively cover all the areas. As the buyers were buying nuts in one area, farmers in other MACs had to wait while their cash needs could not wait. As a result some farmers ended up selling their nuts to vendors. The volume purchased dropped from a record of 714 MT in 2007/2008 to only 121 MT in 2009. This is largely attributed to the poor marketing system and not to a drop in ground nut production in the district.

The inadequate numbers of buyers was compounded by delays in starting the purchase of nuts from farmers. This was due to the fact that government has set fixed minimum prices for some crops such as cotton, groundnuts, tobacco, maize and soybeans. As a result, buyers took time to start purchasing crop produce as they were still negotiating with government on some of the prices. Government did not want buyers to steal from farmers through offering them low prices for their produce while buyers were aware of international prices and did not want to incur losses. These discussions went on for a long time and affected NASCOMEX entry into the market. Meanwhile, farmers did not understand the delay and sold some of their nuts to alternative vendors.

The abrupt closure of the markets in 2009 further exacerbated the problem. As one lady in Nsanama MAC (Mkanda Chapter) said, *"They left without a warning. If it was a husband leaving me like that I would conclude that he did not love me!"* It was learnt through , a MASFA Board member , that NASCOMEX abruptly closed the markets because poor quality nuts were being sold in one of the sites.

Throughout all of these difficulties, some farmers have remained faithful to NASFAM - mainly those that note the value of training which is gained through their participation as registered members of MASFA.

FIGURE 5.4 GROUNDNUTS VALUE CHAIN DIAGRAM



5.3 The Fairtrade Trading Organisation (FTO): TWIN/TWIN TRADING⁹

Twin/ Twin Trading¹⁰ have been working with MASFA since 2001, first to support it in gaining FLO Fairtrade certification - which was achieved in 2004, and subsequently to enter the international Fairtrade groundnut export market.

Since 2006 Twin has had support from the DFID RTFP¹¹ (Regional Trade Facilitation) and RSP (Regional Standards) Programmes. Through these Programmes Twin has been:

- Supporting producers to achieve and maintain Fairtrade certification;
- Establishing Fairtrade nut supply chains from farm gate to retail shelf in Europe;
- Developing and incubating a new 100% Fairtrade company, co-owned by producers;
- Facilitating technical exchanges, market and promotional visits by producers;
- Helping to introduce farmer managed aflatoxin testing laboratories;
- Implementing traceability down to the individual farmer level which has allowed the most severe cases of contamination to be identified and preventative measures to be put in place (i.e. discouraging farmers from wetting the groundnut shells prior to shelling)
- Establishing pilot storage (to reduce moisture and humidity) and processing (shellers and electronic sorters and graders) plant in Malawi.

(Twin report to DFID, 2009)

Twin have achieved progress on these fronts through a mix of activities,

- Visits to the UK by NASFAM senior managers Fairtrade Fortnight in 2006 and 2007, including shared speaking platforms with UK retailer CEOs, Government ministers and the head of the Fairtrade Foundation; improvement of NASFAM understanding of the European food sector and the requirements that food ingredient supply chains conform to
- Visits to NASFAM for pre-season planning meetings and mid season crop assessments in support of the management of export contracts and the management of risks associated with trading nuts
- Opportunities for Southern African producers to network with northern partners and other smallholder organisations to develop the Liberation Foods business concept;

⁹ Twin was established in 1985 as the 'Third World Information Network', with the following mission: "Twin seeks to use trade to positively redress the imbalance between North and South, to build better livelihoods for the poorest and most marginalised in the trading chain and to promote developmental and longer term shifts in the political and economic environment."

¹⁰ TWIN Trading, the alternative trading organisation behind Cafédirect, Divine Chocolate and AgroFair UK which brings Fairtrade fresh fruit in the UK - and now Liberation Foods has been working closely with NASFAM, MASFA and TWIN to establish new Fairtrade groundnut supplies with support from DFID's Regional Trade Facilitation Programme.

¹¹ The RTFP project supported the development of the Fairtrade nut market through increased volumes of groundnuts traded from Malawi and by including cashews from Mozambique in nut mixes that included Brazil nuts and dried fruit. The project worked with these organisations to engage with a new opportunity to develop the Fairtrade market for nuts in Europe. The project facilitated the re-engagement of smallholders in value-added retail nut markets in Europe and contributed to securing increased incomes and wider market opportunities in regional and international markets.

- Formation of a shadow board for the International Nut producer Co-operative in February 2007 to assist Twin prepare for the establishment of Liberation Foods CIC in June 2007.
- The formation of Liberation Foods as a Community Interest Company, with the International Nut Producer Co-operative (INPC) of nut farmers and gatherers in 8 countries including Malawi and Mozambique as the community of interest

The outcomes of these activities are as follows:

- Export of nuts to Europe established with 576mt of ground nuts reinvigorating the sector, generating income of \$527k, and a Fairtrade premium of \$58k. Prior to this work the producers had not exported any crop to Europe;
- Partnerships developed with key supermarkets;
- Twin assisted in securing a 42% stake for nut farmers in Liberation worth £600k to the producers, with two seats for nut farmers on the Liberation board;
- Liberation Foods CIC turnover was £0.95m, £2.4m and £3.4m in 2007, 2008 and 2009 respectively;
- Leveraged (£758,663) additional support which helped address constraints identified in the supply chains e.g.: DFID Regional Standards Programme aflatoxin laboratory pilots in Malawi and Mozambique;
- Key endorsements secured e.g.: UK retailer Development Fund in crop quality through investments in mechanical shelling;
- Integrated supply chains provided crop quality and market information feedback to producer organisations and their farmers (aflatoxin for groundnuts) which has informed interventions such as farmer to farmer exchanges and engagement with policy makers on the aflatoxin risks to public health.

TWIN is being supported in these endeavours by a number of donors:

- Farmer to Farmer extension (CORDAID)
- Quality Management Systems workshops (Comic Relief, through TWIN)
- Introduction of mechanical shellers (Sainsbury's Fair Development Fund)
- Increased aflatoxin testing capacity and centralised grading and sorting equipment (DFID RSP).

Doreen Chanje is contracted by TWIN in Malawi. An interview was secured with her, and reported in the Box below.

Box 5.4 Meeting with Doreen Chanje (TWIN) – April 2010

Doreen Chanje is contracted by TWIN, and has been working with NASFAM/MASFA since 2007 as a coach to assist them to set up Quality Management Systems (QMS) at critical points along the nuts value chain. MASFA have made significant improvements in ensuring that quality nuts are delivered through TWIN to European markets.

Through TWIN, MASFA has been supported with the following facilities:

- The purchase of a VICAM¹² machine (through DFID's Regional Standards Programme) used for assessing the level of aflatoxins in nuts, and its installation in a laboratory established at Kanengo in Lilongwe

¹² See <http://www.vicam.com/products/mycotoxin.html>

- The purchase of sophisticated grading machines also installed at Kanengo which have enabled NASFAM to export uniform and well graded nuts (through DFID's Regional Standards Programme & the EU Farm Income Diversification Programme)
- The procurement of shelling machines (with support from a UK retailer Development Fund). However these need to be readjusted to suit the nut sizes of the varieties grown in Malawi
- TWIN also assists in developing sustainable marketing links to European markets.

MASFA, with the support of TWIN, would like to go into more value addition and processing activities in country. In 2009, they developed a number of bankable proposals and some of these are in advanced stages of being funded. These target niche markets such as therapeutic foods, but also at franchising some products that are already accepted on the European markets and expansion to regional markets.

MASFA has lost a lot of members because of pricing. There is no difference between the price offered to a MASFA farmer and a non-member, and the MASFA farmer is expected to meet quality requirements for which they are not rewarded. Membership will only improve if NASCOMEX is ready to pay a premium for quality. This is only possible if world prices allow Twin Trading to raise prices accordingly.

TWIN is reluctant to explore new markets as it has not been assured of a consistent flow of high volumes of good quality nuts from NASFAM. In addition research (by ICRISAT) in Malawi has not focussed on those varieties required by the European market.

The late entry of NASCOMEX as a buyer last year (because of the high government minimum price) meant that many farmers had already sold their nuts to vendors. What remained were poor quality nuts which in turn led to the quick closure of the market by NASCOMEX.

Despite these problems the relationship between MASFA-NASFAM-TWIN-Liberation is a good one and there is commitment to keeping the markets active. Each of these organisations should take part of the credit (together with the Fairtrade Foundation) for re-establishing an export trade in groundnuts from Malawi.

5.4 Liberation Foods

Liberation Foods CIC, the world's first 100% Fairtrade nut company, was established in June 2007 with a 42% stake held by an International Nut Producer's Co-operative (INPC) of over 22,000 smallholder nut producers from co-operatives in Asia, Africa and Latin America (including groups in- Malawi, - Mozambique, , , - Bolivia, - Brazil, - Nicaragua, - Peru, - El Salvador and - India). They are also involved in the running of the company and will receive a share of profits when a dividend is paid. This stake potentially gives them a real force in the market, moving them higher up the supply chain, maximising their returns and therefore offering a more secure future for them and their families. NASFAM are members of this Cooperative, and therefore part owners of Liberation.

Liberation is a Community Interest Company (CIC). This is a relatively new type of company which has to be run for the benefit of a 'Community of Interest'. For Liberation, the Community of Interest is the small-scale nut farmers and gatherers in Africa, Latin America and Asia. Its **vision** is: *a world in which smallholder farmers can enjoy secure and sustainable livelihoods, fulfill their potential and decide on their future.*

Liberation Foods CIC turnover was £0.95m, £2.4m and £3.4m in 2007, 2008 and 2009 respectively;

As well as its own snacks, Liberation also supplies Fairtrade nuts to supermarkets in the UK and abroad for own-label products

The first UK Fairtrade groundnuts were introduced in 2006 through a UK consumer cooperative and then mixed Fairtrade nuts were sold into a British multinational food retailer. Following the establishment of Liberation Foods, Liberation's first branded products contained Malawi and Indian Fairtrade groundnuts and cashews. Its first placements were through an online retailer and a global aid & development charity in November 2007 with prominent UK supermarket placements secured for Fairtrade Fortnight in 2008.

In the Malawi Fairtrade groundnut supply chain, the role of Liberation is to be a bridge between TWIN and the retailers.

5.5 The process of Fairtrade certification

Between 2001 and 2003, Twin Trading¹³ developed relationships with NASFAM and MASFA, resulting in Fairtrade certification of MASFA in 2004. The costs (MK1 million) were paid by NASFAM, of which MASFA is a part owner, and later "reclaimed" by NASFAM from the first Premium payments.

Box 5.5 Time line of events

- TWIN and NASFAM work with FTF and FLO to establish Fairtrade nut standards when farmgate prices in Mchinje were ca. MK35-45/kg (2002/3)
- Fairtrade Nut Standards established (January 2004).
- Integrated supply chains from producer to consumer defined (2004)
- **FLO Fairtrade certification of MASFA (2004)**
- MASFA has membership of 11000 and produced 808MT (2004)
- First Fairtrade exports into UK (2005)
- Severe drought in 2005 resulting in dramatic drop in crop available and membership
- 2005 crop affected by drought with 30% blanching losses (cf industry norm of 11%)
- Supermarket partnerships with prominent UK retailers (2006);
- Liberation established – 42% farmer owned (2007)
- TWIN secured new market for FT birdfood, which led to increase in volumes traded
- Aflatoxin testing with support of DFID RSP (2008)
- 2008 crop purchased shortly after peak of the commodity spike for groundnuts at a price of US\$1400 FOB, but sold into a falling market occasioned by the credit crunch

¹³ TWIN Trading is the alternative trading organisation behind Cafédirect, Divine Chocolate and AgroFair UK which brings Fairtrade fresh fruit in the UK - and now Liberation Foods have been working closely with NASFAM, MASFA and TWIN to establish new Fairtrade groundnut supplies with support from DFID's Regional Trade Facilitation Programme.

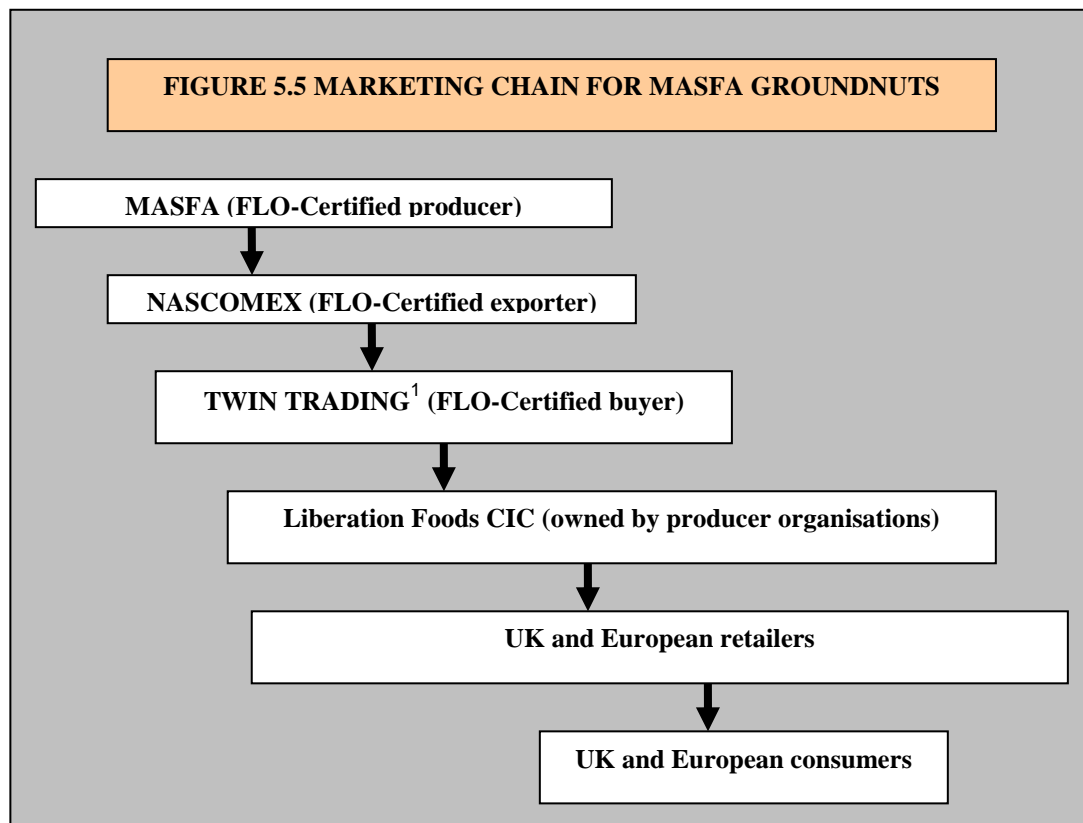
- Mechanised processing (DFID/UK retailer Development Fund 2008/09)
- NASFAM delayed purchase of 2009 crop after GoM imposed farmgate minimum price out of line with international markets
- Fairtrade exports (2004-09) 720mt, \$724k value, \$74k social premium.

(Adapted from TWIN presentation: Southern Africa Groundnuts: Seizing a Unique Opportunity for Growth, , March 2010 and personal correspondence with TWIN staff)

NASFAM created a Task Force to push through the changes required for FLO certification. These included Good Agricultural Practices (GAP), access to improved seeds, more regular meetings of the BoD and Branch Committees. In addition to initial certification, there is also a fee for the annual audit. Such significant costs have to be considered in relation to the benefits anticipated from certification, and although a second Association (in Mzimba) qualified for FLO certification, NASFAM decided against it at least for the time being.

Exports of groundnuts from Malawi started with the 2004 crop which led to the first Fairtrade groundnut product being sold to a UK consumer cooperative for its own-brand Fairtrade salted groundnuts in March 2006, and to a British multinational food retailer for its own-brand Fairtrade nut range. In 2005 Malawi was hit by a severe drought which limited the export potential from the MASFA farmers for that and subsequent years. Drought has far-reaching and long-lasting consequences. It reduces or eliminates food crop (such as groundnut) surpluses and the potential for marketing. Local prices increase, reducing the attractiveness of export prices and perhaps increasing the sale of farmer-saved seed that would have otherwise been used in following seasons. Farmers and their families are physically and financially weakened by drought and may be unable to sow the same amount of land in the years following a drought.

The marketing chain (Figure 5.5) is unusual in that the relationship of the farmer goes right through from production to the retailer. This is because the producers are also shareholders in NASFAM and Liberation Foods. Despite this, the marketing chain is still fragile as the production scale is limited, and the chain only recently established. Unlike well established commodities such as sugar and tea, groundnuts still have to earn a reputation for quality and delivery, and there is a need to raise consumer awareness of Fairtrade nut products and their provenance, and to increase retail placements and convenience at point of placement in store.



5.6. Production achievements and challenges

Groundnut production is having a hard time developing into a commercial venture with sufficient volumes and quality to break into the international market in a sustainable way. Until the formation of MASFA, farmers relied on government extension services, which were not adequate for the development of an export industry. MASFA has established its own extension cadre of Association Field Officers (AFOs – one for each of the six MASFA Chapters).

The AFOs provide extension advice to the membership, and assist with the formation and maintenance of Clubs. They also provide training on land preparation, planting, field production, harvesting and post harvest tasks (quality standards, storage, transport and markets).

No fertiliser (apart from a little gypsum for the shells) is put on the groundnut crop, and no insecticides are used. However, the groundnuts still cannot be marketed as organic because they are grown in rotation with maize for which inorganic fertiliser (and some pesticide) is used. The main varieties grown are: Chalimbana, CG7 and Nsinjiro (Chalimbana 2000). There is also a need to adopt variety characteristics such as high oleic oil content which extend shelf life of groundnuts.

Average farmer yield is: for CG7 – up to 600 kg per acre (1500 kg/ha); for Chalimbana up to 400 kg per acre (1000kg/ha), and for Nsinjiro – up to 600 kg per acre (1500 kg/ha). These are upper limits, and in poor years or without good husbandry, yields can be considerably less. By contrast, yields on research farms such as those of ICRISAT at Chitedzi, are around 1620 kg per acre (4000kg/ha).

The AFOs work through 143 Farmer to Farmer (F2F) trainers, who are unpaid but are given a bicycle, work suits and boots, to get their advice to the whole

membership (N.B. the ratio of farmers to AFO is c.500:1). Challenges facing the AFOs in converting farmers into commercial enterprises include:

- Slow adoption of new technologies such as conservation agriculture (mulching with residues and planting contour bunds with Vetiver grass) that have a slow payback.
- Lack of certified seed
- Duplication with other agencies providing advice
- Farmer-perceived uncompetitive price paid to farmers by NASCOMEX and late entry by NASCOMEX buyers
- High Government recommended minimum price in 2009 (NASFAM cannot match it and remain competitive)
- Broken down motorcycles, meaning they have to hire pedal cycles
- High quality requirements demanded by export markets (including Fairtrade)

The AFOs, who are very active, are supported by NASFAM and ICRISAT in terms of training (in: Club formation and management; Club constitution; Crop production; Quality control (using a Quality Management System manual); Farming as a business; Collective marketing; Basic accounting and record keeping; Gender equality and HIV/AIDS sensitization; Leadership skills; Child labour issues given by Eye of the Child).

It is hoped that the certified seed scarcity will be resolved this season through the government subsidy scheme, which is backed by a group of various international donors. This means that 300 MT of seed will be available through ICRISAT and up to a further 200 MT from other sources. This will be distributed FREE to farmers. It is hoped that this will result in a big boost to production, from 2000MT to a target of 10,000MT at which level it is predicted that prices will stabilize.

There have been significant improvements made in marketing since the inception of MASFA, particularly in:

- Controlling farm gate prices for groundnuts
- Establishment of 52 Marketing Area Committees, so that members only need to transport produce 5km to a marketing point
- Reliable equipment (e.g. weighing scales)
- Strong linkages between local, national and international buyers
- Improved quality control, opening markets such as Fair Trade
- Purchase of grading and shelling machinery
- Traceability system for nuts

ICRISAT maintain that: Quantity + quality + markets = Trade.

Quantity is being tackled through improved agronomic practices (time of planting, spacing, weeding). Quality is being improved through better post-harvest handling, sorting, storage and processing.

Quality control is vital for export markets. This starts at the farmer level, and farmers are trained by the AFOs how to shell, dry, sort (to remove debris, split and spoiled nuts), store and handle the nuts to provide good quality to the warehouse, where the nuts are sorted again into the sizes specified by the market.

A major marketing constraint is now the race to get nuts to the overseas market (Rotterdam) for November in time for the main Christmas-period market. The main

harvest is in April/May. One month is needed for drying, and then two months for hand shelling by farmers (a 25 kilogram bag takes four to five people a full day to shell by hand). Then there is transport, sales, sorting, bagging and shipping. Mechanical shelling would save 1-2 months and ensure timely delivery.

From the 2010 harvest, unshelled nuts will be purchased from farmers, and MASFA will do the shelling at their main warehouse. This will further raise quality as farmers often soak unshelled nuts to soften the shell, thereby increasing the risk of aflatoxin contamination¹⁴. The shelling machinery has already been purchased (although this was not working satisfactorily at the time of the Feedback Meeting in January 2010). This was in part due to the disruption in the market caused by the introduction of an unrealistic minimum price by the Government of Malawi in April 2009. These machines are being used by NASFAM for shelling of seed stock.

NASFAM provides laboratory analysis of the nuts for moisture content and aflatoxin levels. A consequence of the purchase of unshelled nuts is that there is a need for greater storage capacity. This is being provided at Chapter level, using Premium funds to build warehouses.

¹⁴ The maximum aflatoxin levels permitted vary between countries/regions. For the RSA it is 20ppb (parts per billion), but for the EU it is 0-4 ppb and for Japan 0ppb.

6. The socio-economic situation of groundnut farming families in Mchinji District

In Malawi, agriculture represents 39% of Gross Domestic Product, 80% of labour and 80% of exports (USAID, 2007 cited in Minde *et al*, 2008). 52.4% of the population lives below the poverty line (Government of Malawi 2005) with the rural areas in the south of the country worst off. Poor soil fertility and unreliable rainfall are major factors limiting crop productivity. Consequently, most households do not produce enough food to feed themselves for more than nine months of the year and levels of malnutrition are high (33% have insufficient calorific intake), and the HIV/AIDS pandemic (14% of adult population) undermines prospects for economic growth. More than 49% of children under five in the rural areas of Malawi are malnourished to such a degree that their development is retarded. Food shortfalls play a major role in malnutrition, but a lack of protein, oil and vitamins in a largely cereal-based diet is also of major importance. Women farmers are the main cultivators of groundnuts as a food crop, and have tended to be excluded from growing traditional cash crops, such as tobacco.

Groundnuts are grown as part of a mixed crop/livestock farming system. The main crops are: tobacco (the main gross cash earner, but only grown by 40% of families and not very lucrative due to high input requirements), maize (the main food staple), nuts (a cash and food crop), soyabeans (cash crop), beans, sweet potato and cassava (mainly food crops). The livestock kept are chickens, goats, pigs and cattle.

Groundnuts are a particularly easy “entry” cash crop as they don’t require any specialised skills, equipment or fertiliser (fertiliser is put on other crops in the rotation when it can be afforded and when it is available). Groundnut is grown using hand tools only. The groundnut holding varies between 0.5 – 2 acres, and is grown using family labour and some *ganyu*¹⁵ or hired labour.

Education for most farmers is basic (varying from none to Elementary Standard 8), with few on the MASFA Chapter or Marketing Area Centre Committees having any secondary schooling.

The following is a selection of 6 case studies from those interviewed for this study. Additional case studies, together with interviews with Chapter and MAC Committees are included in Volume 2 (Annexes) of this report.

¹⁵ *Ganyu* is a local term used to describe labouring for others by those farm household members who require income to supplement their own production.

Case Study 1: The woman interviewed, , is a Farmer-to-Farmer Trainer while the husband, also interviewed, is the secretary of the Kandekera club, Chiosya Chapter.

Family members	Age	Education	Landholding	Land Allocation
Husband	44	Std 8	7 acres	2 acres for maize 1 acre for nuts 1 acre for tobacco but also grows some sweet potato
Wife	41	Std 5		
Daughter	20	Form 4	Daughter who assists in the field when not in school	
Son	18	Form 1	Assists during holidays since he is boarding	
Daughter	15	Std 7	Assists in farming also	
Son	13	Std 7	-	

They started growing nuts at the same time they started farming. Production fell because most nuts were sold to pay school fees; hence they lacked seed. Their main source of income is tobacco, but they are currently intensifying nut production because the tobacco market is unstable with poor prices and demands more inputs.

They understand Fairtrade well and know when MASFA became certified, that NASCOMEX was purchasing nuts and that the Fairtrade Premium had been used to build the Guardian Shelter. They now get better extension services through AFOs and F2F Trainers which ensures good quality nuts. There is regular training and advice to farmers which non-members do not receive. In addition, they indicated that through the clubs people seemed to have a better understanding of farming as a business.

The income from nuts has enabled them to build a house (in 2006), and buy a goat (now 4) and 3 guinea fowls (15 young ones just hatched).

Case Study 2: The person interviewed, , is a female member of Tilimbitsane Club, Chiosya Chapter.

Family members	Age	Education	Landholding	Land Allocation
Husband	38	Std 8	3 acres	1 acre for maize Less than an acre nuts 1.5 acres tobacco
Wife	28	Std 4		
Son	15	Std 8	Assists when free	
Son	13	Std 4		
Daughter	10	Std 6		
Daughter	6	Std 2		
Daughter	3	-		

The wife reported that growing groundnuts has been part of the farming system since they got married, but that she joined MASFA in 2000.

Groundnuts suit the type of soil in the area, and it is a crop that is not difficult to market. She indicated that buyers actually follow producers while tobacco goes to auction floors, which is quite a bother. Despite this, groundnut production had gone down in the family because of lack of fertilizer. The focus is on producing maize. She

indicated that sometimes they do *ganyu* (labouring for others) and fail to effectively carry out operations in their own garden, impacting on productivity. They have tried to grow some winter crops as a source of income which they use to buy some fertilizer for rain-fed maize.

During 2008/2009, they harvested only 2 ox-carts of maize and made MK17,000 (US\$120). She did not feel that Fairtrade had been beneficial to farmers. She pointed out that NASFAM sometimes fails to come when they promise to buy the nuts. As a result farmers end up selling their nuts to vendors and yet they are members and have paid a membership fee. She indicated that whatever she makes from selling her small harvest of nuts (c.150 kg/year) is used to buy small household needs.

Case Study 3: This lady is a member of Tiyanjane Club, Msitu Chapter.

Family member	Age	Education	Land	Land Allocation
Wife (husband is away and does not support her)	56	Form 2	3 acres	2 acres maize 1 acre nuts
Mother	77	None	She has a small garden of her own behind the house where they are living	

She is a member of the premium committee, chairperson of the MAC and member of the Tiyanjane Women's Club. Due to the old age of her mother, she does most of the farming activities on her own. She sometimes hires casual labour when she has some extra cash from groundnuts or extra maize to pay them.

She started growing nuts in 1986. The main motivation was that it is an easy cash crop to grow. It does not require fertilizer. The main challenge however, has been scarcity of seed.

“Initially, the only market for our produce was ADMARC but after changing, we had no stable market. We became like dogs on heat going around looking for a buyer. If you are not lucky, they steal from you” she said.

She joined MASFA in 2008, with a membership fee of MK500 expecting to easily find groundnuts seed. She got 15 kg of Kasinjiro seed and repaid 30 kg. This year (2009) seed supply is operating as a loan. They will grow seed for ICRISAT, who give them a MK5,000 loan reclaimable against production of 20 kg of seed. The remainder of the seed produced is their profit. They hope to harvest 700kg (from 20 kg) at a guaranteed price of MK140 per kilogram, to give a net income of MK93,000 after repaying the MK5,000 loan.

She was one of the farmers inspected by the auditor who came from Zambia, and has also been involved on an exchange visit to Thyolo, where they learnt from another FLO certified PO how it is managing Fairtrade Premium funds. Among other things, the other FLO certified PO reported that they were assisting orphans with school fees in order to attain higher education. They also constructed foot bridges and assisted schools with desks and other materials. She lamented that in MASFA, Premium funds have only managed to construct a Guardian Shelter.

She indicated that because of price fluctuations and changes in the marketing arrangements, farmers were forced to sell their nuts to vendors. She indicated that at their Marketing Area Centre there was very high competition which pushes vendors to buy nuts at better prices to attract more farmers.

She reported that she is usually food insecure and relies on the market for food. The main reason is that she does most of the farming activities on her own since her mother is old. Her husband went to South Africa in the 1970s and rarely comes home and does not even send money home to support her.

Farming problems affecting her include: Erratic or unreliable rainfall, sickness and frequent funerals which disrupt farming activities.

Case Study 4: Family of a Chisomo club member, Msitu Chapter

Family members	Age	Education	Land holding	Land Allocation
Husband	40	Std 8	4.5 ha	Tobacco 1.5 acres Maize 2.5 ha Soya 0.5 acre Nuts 1.0 acre
Wife	33	Std 4		
Son	15	Std 4	Assists in gardening after school	
Son	13	Std 3		
Son	9	Std 1		
Daughter	4	-		

They started growing nuts in 1995/96. The main motivation was for food and cash for household needs.

Before joining NASFAM, they indicated that they were growing crops without real direction, but after joining, extension services have improved through the clubs and this has also resulted in improved productivity. With income from groundnuts, he reported that they have bought the following: 2 hybrid goats, 2 pigs, and a bicycle

Access to markets has improved but he indicated that 2008/09 was a bad year for farmers in his area because NASCOMEX buying points were very distant compared to previous years. Also prices are never announced in advance because they base the prices on expected market size. They discuss with the association members considering all costs involved. Then they sign an agreement (Memorandum of Understanding) with the farmers to determine the price at which nuts would be bought. This rarely changes within the buying season. Farmers are informed of the prices just before NASCOMEX buyers come into the area to start buying. This is too late as it does not assist farmers to plan their farming enterprises properly.

He reported that each year, he plants not less than 100 trees, and he uses the wood from these trees in curing tobacco. He makes box ridges for water conservation, with marker ridges to guide the flow of water.

The main farming problems he encounters are: erratic rainfall, poor access to inputs - mainly fertilizers and seed, sicknesses and impact of HIV/AIDS, and the minimum government prices which affect buyers.

Case Study 5: A The well-off farming family in Mkanda Chapter

Family member	Age (Years)	Education	Main Crops Grown	Total Land Owned	Land allocation to main crops
Husband	43	Std 8	Maize, Tobacco,	8	1 ha maize 1 acre tobacco
Wife	40	Std 6			

			G/nuts Dimba crops		1 ha g/nuts Also have <i>dambo</i> ¹⁶ land where they grow various vegetables
Son	18	Form 4 – waiting to go to University	He passed his O-Levels and expects to go to Chancellor College to do a Degree in Social Science. While waiting he assists his parents in farming.		
Daughter	16	Std 8	Assists parents in farming after school		
Daughter	14	Std 7	Also assists her parents in farming after school		
Nephew	15	Std 5	Also assists the uncle's family in farming when not at school		

The couple started growing groundnuts in 1989 to introduce a cash crop into the farming system (before they had started growing tobacco). Between 2000/01 and 2007/08 prices were very good, but from 2008 the market started declining again. Despite this, they have expanded the hectareage of groundnuts because they are also producing seed nuts whose price from ICRISAT is still very good (MK120/Kg in 2009 and MK140 for 2010).

They reported that the proportion of nuts they sold to NASCOMEX has dropped because of the market instability with regards to prices and the fact that the market opens late. Hence they sell most of the (non-seed) nuts to vendors. They noted that there was no real benefit of belonging to an association because last year all nuts were bought at the same price even for non-members. But despite all that they still paid their membership contribution for 2009/2010. This because:

- NASFAM market is more stable
- There is room to discuss with the buyers on the point of purchase

The main reason NASCOMEX started buying nuts from non-members was that they wanted more volumes of nuts as demand was higher on the European market.

From the income from nuts they have purchased a radio (in 2004) and paid school fees for all the children. The Table below shows their income for the last 2 years:

Crop	2007/2008 (MK)	2008/2009 (MK)
Tobacco	225,000.00	68,000.00
Groundnuts	12,000.00	20,000.00
Green maize (winter crop)	48,000.00	51,000.00
Cabbage	12,500.00	8520.00
Irish potatoes	16,000.00	Did not grow
TOTAL	313,500.00 (US\$2239)	147,820.00 (US\$1056)

Note: He said that the main reason for the significant drop in tobacco income was the poor prices on the auction floor. Otherwise the quantity of tobacco produced and sold was almost the same as in 2008.

For the first time this year they grew onions but had not found a buyer by the time of the interview.

¹⁶ Low lying land which is usually waterlogged in the rainy season and used for growing crops in dry season under irrigation

The household is usually food secure as they produce enough maize each year. They reported that in 2008, they harvested 3 ox-carts of maize and 6 ox-carts in 2009. They also indicated that they never sell maize as it is grown only for home consumption.

Both the husband and wife had a very good understanding of Fairtrade, including linking it to the guardian shelter at Mchinji. However, they indicated that they had not yet seen any direct benefit coming to the household from their involvement in groundnut production which they sell to NASCOMEX. They reported that previously, they used to get a bonus which was benefiting the family directly. But this was discontinued and instead they were told that the bonus was replaced by the Fairtrade Premium which had to benefit the whole community in Mchinji.

They are engaged in activities aimed at conserving the soil and natural resources:

- Manure making for maize
- Construction of marker ridges to protect the soil from erosion
- Agro-forestry trees to enhance soil fertility.

The couple highlighted a number of challenges that they faced in farming:

- Work peaks sometimes coincide with low cash flow periods such as in the month of February;
- NASCOMEX opening late; as a result they end up selling some of their produce to vendors.

Case Study 6: A female Farmer-to-Farmer Trainer, , in Thandizo Club, Mkanda Chapter

Family members	Age	Education	Landholding	Land Allocation
Wife	42	Std 8	3 acres	1 acre tobacco 1 acre maize 1 acre nuts
Husband	?	Form 2		
Child	17	Form 1	Assists in farming	
Child	13	Std 6	Also assists in farming activities	
Child	8	Std 1		
Child	6	Std 1		

She indicated that she had always grown nuts, but now she was expanding production since she added the ICRISAT seed multiplication loan. She had just received 20 kg of seed to be repaid at a flat rate of MK5000 for the seed within the following year.

Until now, she had always grown Chalimbana as a cash crop but for 2009/2010 she was going to grow groundnut seed for which she will be paid MK140/kg at the end of the season.

She said that in 2009 Chalimbana nuts were bought by NASFAM at MK85/kg and MK80/kg for CG7. In 2009, there was no differentiation in the price paid by NASFAM to members and non-members, which did not please the members. The production of nuts was good when prices were good, but things are going down because NASFAM opens the market late and buy at lower prices than before.

She understands that nut hygiene is important, and follows good practices, including: No mixing of varieties; no sprinkling of water when shelling the nuts; each farmer has an Identification Number linking him/her to their Club, MAC and Chapter. Hence if

quality is bad, they follow the same channel to give back the bad nuts to the one who produced them.

She said that her maize harvest was very low and at the time of the interview, the household had already run out of maize and had to do *ganyu* to find food. She did not get enough money from tobacco either, hence the household she said was poor. She had bought some pigs in 2006 but all died from swine fever in 2008. Now she intends to change and buy goats after selling groundnut seed in 2010. They received seedlings to establish woodlots, and learnt various land husbandry practices including Conservation Agriculture from the AFOs. *"We get the message, but it doesn't mean that everyone is practicing"*. For soil conservation, she had planted vetiver grass, but those who hunt mice burnt it.

7. Areas of impact

7.1 Changes in social structure

The main MASFA structures (Chapters and Chapter Committees, Marketing Area Committees and Clubs) were already in place at the time of certification. However, certification brought more rigour to the technical and organisational aspects of the Producer Organisation. NASFAM created a Task Force to push through the changes required by FLO. These included Good Agricultural Practices (GAP), access to improved seeds, more regular meetings of the MASFA Board of Directors and of the Branch Committees. Since certification the Association Field Officer extension service has been strengthened through training and the recruitment of Farmer to Farmer trainers.

Each MASFA Chapter has a Chapter Committee, elected by members from each of the MACs. In addition to the Committee, each Chapter has:

- 1 A Gender HIV/AIDS Coordinator
- 2 members for the Premium Committee
- 1 Chairperson from the Farmer-to-Farmer Trainers.

The MASFA Board of Directors includes the Chairpersons from each of the Chapter Committees, and the Premium Committee is comprised of the 12 Premium Committee members from the 6 Chapters.

Women constitute 31% of MASFA association committee members and 38% of total MASFA membership.

During the period since certification there has not been a clear trend to increased membership of MASFA, despite the advantages of technical advice and fair trading practices. It is difficult therefore to say that there has been a significant impact on social structure. The “members” are not even always loyal to the Producer Organisation to whom they are not bound by any contract, and sometimes sell their nuts to other traders who offer a market earlier in the season or at a supposedly higher price (there is allegedly widespread falsification of weighing scales among traders).

What MASFA, supported by NASFAM and TWIN through Fairtrade, have put in place is a solid platform from which a cadre of professional, commercial groundnut producers can emerge, to provide the raw materials for a complete supply chain through export to the retailer. The missing link is adequate reward for the effort made in providing a quality product, and a more efficient purchasing operation (payment by quality, more buyers, and greater presence of buyers from early in the buying season and throughout the season) that doesn't lose frustrated and cash-strapped producers to other traders.

The Premium Committees are established, but the Premium amount has been modest to date, and decisions on the use of Premium (for the Guardian shelter and Chapter warehouses) have been influenced by guidance from FLO, rather than reflecting what the broad membership would like to use it for.

7.2 Changes in the socio-economic situation of participating producers and their households including their income, working conditions, living conditions and access to basic services

Farm-gate prices have more than doubled over the last 5 years (from MK40 to MK85). The 2009 **farm gate** contract price paid to farmers by NASCOMEX was MK80/kg shelled nuts for CG7 and MK85/kg for Chalimbana (equivalent to US\$571-607/MT at the present exchange rate of MK140 = US1). Other traders offer spot prices up to MK90/kg for ungraded nuts, and while there may be doubts about the accuracy of their scales, it is easy to see why farmers are frustrated and feel they are not getting a fair return to the extra effort they have made to provide a quality product.

Curiously farmers are paid equally by NASCOMEX for all the nuts they bring to the MASFA warehouse, and **there is no additional payment against quality**. This appears to be a major disincentive to farmers to be conscientious in their sorting, and urgently needs sorting out.

The FLO minimum price for conventional groundnuts is US\$670/MT **FOB**. Most of that is paid to the farmer, leaving little for losses and on-costs up to the port (see Table 8.2B). The full price FOB is estimated to be \$975 or \$305 above the FLO minimum price. Thus the FLO minimum price is due for revision if it is to reflect the true costs of production and post-harvest processing, losses, storage, transport, administration and handling up to the port.

On average less than 30% of MASFA member's groundnut production has been sold to Fairtrade since FT certification in 2003, as shown in Table 7.1. This is for a variety of reasons:

- a) The contracts are limiting in the quantity that will be taken (at the beginning of each season, TWIN and NASFAM decide a purchase price and volume for the season depending on their estimate of the market - which is determined by demand from the importing countries and the supply from other exporters. The 2010 demand is high and the supply from other exporters reduced, providing a good opportunity for Malawi if the quality reaches the required standard)
- b) It is often more profitable to sell to other markets which have a lower quality requirement (e.g. RSA)
- c) Fairtrade (following EU requirements) has a high quality specification which is not always met¹⁷

Table 7.1 MASFA Groundnut Purchases, FT Sales and Premium Flows

Year	MASFA Nut Sales (MT)	Volume Sold as FT (MT)	Percentage of FT sales	Price per MT (US\$)	Premium per MT (US\$)	Total Premium in US\$
2000	183					
2001	422					
2002	326					
2003	349					

¹⁷ While accounting for only 4 percent of EU groundnut (product) import value, SSA accounted for 11 percent of the information notifications [i.e. non-conformation with quality requirements] for these products over the years 1999 to 2006. The majority of these interceptions concerned products from Ghana and Sudan, although some consignments from South Africa, Malawi, and Uganda were also affected (World Bank, 2008).

2004	808	53	6.6	670	110	5,830.00
2005	197	55.6	28.2	670	110	6,116.00
2006	129	36	27.9	780	110	3,960.00
2007	715	324	45.3	850	110	35,640.00
2008	250	72	28.8	1400	110	7,652.00
2009 Anticipated sales	121	72	59.5	975	110	7,920.00
Totals since certification	2220	612.6	Av 27.6	Av 890.8	110	67,118.00

Source: MASFA/NASFAM and own calculations

The figures in Table 7.1 above show a picture of modest total groundnut purchases from MASFA members and modest sales to Fairtrade leading in turn to relatively small amounts of Premium (US\$67,118 over 6 years compared to the Premium of €621,000 in 2009 alone for 282 sugar producers in Kasinthula). This in turn limits the uses to which the Premium can be put, reducing the motivation of farmers to join MASFA and contribute to sales. It is worth recording that it was difficult to get all the figures of sales and Premium from MASFA as they don't keep the records. NASFAM keep the records and initially we had difficulty accessing them.

The first use of the Premium was to repay the loan to NASFAM Head Office which MASFA had used to get certified. This was about MK900,000.

To date there have been two Premium-financed projects, democratically decided by the membership at the General Assembly and overseen by the Premium Committee. An excellent Guardian Shelter has been built next to the hospital at Mchinji at a cost of MK1.1 million, and handed over in 2008. This has reduced congestion in the hospital and has provided a sheltered area for expectant mothers from remote areas to wait for their births. Controversially, the shelter also caters for Mozambican and Zambian nationals who attend the hospital. Some farmers interviewed saw this as an over generous use of "their" Premium. The Guardian Shelter was also decided through consultations at the district level (District Commissioner) and through the chiefs.



The new Guardian Shelter at Mchinji



The old shelter

In addition six warehouses (Community Buying Centres) are planned (one for each MASFA Chapter). The first, at Mkanda, is already partially built, as shown in the photograph below. Each warehouse is expected to cost about MK1,600,000. However, these figures are likely to be revised upwards over time because the cost of building materials is continuously increasing. The capacity of each will be about 100 MT of shelled nuts. The warehouses will provide tangible evidence that MASFA is providing benefits to members, and encouragement that marketing is being taken seriously. They will also provide better conditions for sorting, storage and labelling leading to the improved quality and traceability needed for the export market.



Construction of warehouse at Mkanda

As reported by the Chiosya Chapter Committee; *“Direct benefits (of Fairtrade) to the producers are not yet visible”*. Previously (before certification), farmers used to get a bonus when selling to NASCOMEX. Now they don't, and the Premium (which has in a way replaced the bonus to individual farmers) has yet to provide benefits to individual farmers that impact directly on their livelihoods.

Box 7.1 In an interview with Liberation, a NASFAM staff member said:

“The next lot of Fairtrade premium is being spent on Community Buying Centres. Farmers decided this was important to protect the quality of the nuts. Nuts will be stored at these centres rather than in the farmers' homes. When enough volume has been accumulated the nuts will be collected and processed and shelled centrally. Two of these Centres should be finished in June or July of this year.

The Centres will have a small office with a safe, and a storage area for 20 metric tonnes in conditions which will protect the groundnuts. The permanence of the buildings will also reassure the farmers that they will have a market for what they grow.

Some farmers will have to walk or cycle 10 km or so to the Centres. There is talk among the farmers of using these roofed areas for extra primary classes for children when the period for marketing is finished. Sometimes the schools are too full, sometimes there are not enough teachers, sometimes there are children who do not grasp education as quickly as others and who need extra lessons.

The Centres can also be used for community meetings, and for careers talks to the children to inform them about what their future may hold. Development programmes could use the Centres to give out relief items such as mosquito nets or seed for farmers who have lost their crops due to localized disasters such as a river which has broken its banks.

A big motivation for the farmers is to earn enough money to send their children to secondary school. There are no pensions in Malawi apart from for civil servants. Farmers are on their own with no support for the future, so knowing that your child has a job is a more secure future for them. They know their child will take care of them if they are lucky enough to reach an old age. Farmers will sell whatever they have to buy books and uniforms.

The dream for me as a trader in agricultural products is for each family to make five hundred pounds a year on half an acre. That would really transform Malawi. People could afford provisions such as eggs, dried fish, half a chicken - good protein. They could have basic clothing for their children. This is what we want to gain through Liberation and Fairtrade”.

Members of the Kathyuka MAC Committee (Chiosya Chapter) define the main benefits of MASFA membership as:

- Receiving extension advice
- Sharing experiences among them while the others do not because they never meet
- Elevation or empowerment of women because in the past they never used to talk freely in front of men
- MASFA farmers have better quality nuts with less aflatoxin because they emphasize on quality

The only benefit they attribute to Fairtrade to date is the Guardian Shelter.

Many farmers in the area also have tobacco¹⁸ and maize as cash crops. They want to have groundnuts as another source of income, and appreciate that the groundnut market is now more **stable** (unlike the unstable tobacco market – tobacco also needs more inputs), but find the **price and the purchasing conditions unsatisfactory** (low price, late buying, no quality premium and the fact that non-members appear able to sell to NASCOMEX at the same price as MASFA members).

A few farmers are involved in seed multiplication of improved groundnut varieties. They appear to be gaining a good income from this opportunity. Others have benefitted from the agroforestry trees available from the MASFA nurseries (not a direct benefit of Fairtrade).

Through the interviews and case studies it was difficult to disentangle the improvement in livelihoods and assets attributable to groundnuts. Some reported that they had purchased smallstock (goats, pigs and chickens) and made modest house improvements. Others have paid school fees or bought fertiliser for their other food and cash crops, thereby contributing to food security. However, the overall picture is that groundnut is contributing only in a small way to the improvement of incomes (5-25%) and livelihoods due to low prices and the low volumes sold. This leaves many farmers still unable to cover basic needs without *ganyu* (labouring for others).

7.3 Changes in the organisation of rural areas / workers' organisations

As reported under 5.1, the main MASFA structures (Chapters and Chapter Committees, Marketing Area Committees and Clubs) were already in place at the time of certification. However, the certification requirements brought more rigour to

¹⁸ While tobacco is the dominant cash crop, and larger amounts are earned from it than from other cash crops, its returns (to land or labour) are not high to the farmer, who is therefore keen to identify other cash crops with better returns. However farmers will need to be convinced that groundnut has a long-term, viable future before switching away from tobacco.

the organisational aspects of the Producer Organisation. These included more regular meetings of the MASFA Board of Directors and of the Branch Committees and strengthening of farmer extension.

The interviews and case studies show that many are not convinced about the value of investing cash in MASFA membership.

As family labour is used overwhelmingly on the smallholder farms there is no significant hired labour component to this commodity, and workers organisations are not an issue.

7.4 Changes in local, regional and national development

MASFA is one of 42 organisations making up NASFAM, which is a national organisation with 100,000 members and growing. Therefore it is part of an organisation of national importance and influence.

If MASFA/NASFAM are able to improve the purchasing side of their operation, and if improved seed does become more easily available, and if the Premium is wisely spent to encourage greater and more stable membership, then MASFA has the potential to influence District and national development as a model for conversion to commercial crop production. Even with the current limited success, the Malawi Governments agriculture development strategy document (The Agriculture Sector Wide Approach, March 2009) uses cotton and groundnut exports as examples to highlight the importance of organised, collective markets, although Fairtrade is not mentioned (Box 7.2).

Box 7.2 Organized Markets for Smallholder Agricultural Development

The cases of cotton and groundnuts highlight the importance of organized markets in agricultural growth in Malawi. The period when Malawi was exporting cotton and groundnuts, which have always been smallholder crops, the low volumes produced by smallholder farmers were purchased by ADMARC, enabling it the necessary scale to venture into export activities. A number of factors – including plant hygiene and changes in demand - led to the collapse of the groundnuts market although the international prices remained good. The resurgence of groundnuts as an export crop is due to an organized market through farmer organisations such as NASFAM, which as in the case of ADMARC through smallholder association, it pools micro outputs from its members for exports. Similarly, the cotton sector nearly collapsed due to lack of markets as ADMARC used to be the major buyer of cotton and the existing markets are characterized by side-selling which reduces private sector incentives to invest.

Source: MAFS, 2009 page 16

There was no comparison in this study between the MASFA area of influence (Mchinji District) and other groundnut-growing Districts. We cannot therefore say whether there has been an influence of the Fairtrade prices on trader prices in the District. However, the likelihood is that traders are pitching their spot prices just above the NASCOMEX seasonal price in order to undermine it. This would constitute an indirect benefit to farmers, especially considering the proportion of total groundnut sales to NASCOMEX is very small.

7.5 Changes in the management of natural resources

The extension services promoted through the AFOs and F2F trainers put considerable emphasis on natural resource management. This is in view of the reported decline in soil fertility and serious deforestation (in part due to tobacco production). In addition the requirements of Fairtrade are observed, particularly with

regard to agrochemicals (N.B. groundnuts themselves do not receive inorganic fertilisers or pesticides, but the crops they rotate with do). The practices promoted by the AFOs are:

- The use of manures
- Planting of agro-forestry trees (e.g. Moringa, Msangu, Acacia and others)
- Soil conservation (e.g. planting of Vetiver grass)
- Planting of 250,000 trees in 2008/9
- Separation of nuts from harmful chemicals used in tobacco growing (greater awareness created by Fairtrade due to the needs of certification)
- Elimination of the use of prohibited agrochemicals (greater awareness created by Fairtrade due to the needs of certification)



Tree nursery with local and exotic tree species for planting by MASFA farmers



Nursery for Vetiver grass for planting on contours to reduce soil erosion

8. Improving impact (Avenues of impact)

8.1 Producer standards

The Table below summarises the extent to which MASFA complies with FLO generic standards for producer organisations. This is not a comprehensive audit, which is the job of FLO-Cert. The relevant (confidential) 2009 FLO-Cert reports have been consulted and where necessary these are referred to.

Table 8.1 FLO International generic standards and support mechanisms for small producer organizations¹⁹

STANDARD	COMPLIANCE BY MASFA	IMPACT IMPLICATIONS
1. Social development		
1.1 FT adds to development	No Development Plan seen, but according to the FLO-Cert Small Producers Organisations reporting checklist report of October 2009, this is in place.	MASFA management has a clear idea of the direction in which MASFA is going, but we felt that farmer-members were not well informed about medium and longer term plans.
1.2 Members are small producers	Members cultivate 1-8ha	All agricultural production operations are by hand, limiting the potential for expansion of production except through increased membership that sells to NASFAM buyers. However, post-harvest operations are in the process of being mechanised, which will speed up the period between harvest and export (reaching the lucrative Christmas trade), and improve quality (enabling a higher proportion of nuts to qualify for EU markets).
1.3 Democracy, participation and transparency	<ul style="list-style-type: none"> • Committee structures in place. BoD, Premium Committee, Chapter Committees, MAC committees and Clubs. • Fairly good democratic procedures, but some processes not being followed according to FLO-CERT 2009 reporting checklist, as follows: <ul style="list-style-type: none"> ○ Minutes of meetings not complete ○ Notification of meetings not always made ○ No proof of presentation of annual report 	<p>Gradual improvement in democratic procedures and processes, pushed by the certification standards requirements.</p> <p>If this can be matched by better purchasing procedures, then the two together should start to attract a larger, more loyal and committed membership.</p>

¹⁹

http://www.fairtrade.net/fileadmin/user_upload/content/Jan_2009_EN_Generic_Fairtrade_Standards_SPO.pdf

	<p>presentation at 2008 AGM</p> <ul style="list-style-type: none"> ○ No proof of annual work plan being discussed with membership at general assembly ○ No involvement of membership in general administration ○ No transparent administration, accounting, reporting or communication of the use of Premium funds ○ Members not benefitting from any price differential on Fairtrade sales <ul style="list-style-type: none"> ● Participation (e.g. General Assemblies) is good ● Some participation by Traditional and District authorities (e.g. in choice of Guardian Shelter as a Premium project) ● Still room for some improvement in transparency between NASFAM and MASFA (NASFAM appear to keep the statistics to themselves) ● No documentation available against Premium funds used to construct the Guardian Shelter (according to FLO-Cert reporting checklist, 2009) 	
1.4 Non-discrimination	None observed	Anyone is able to join MASFA, and indeed many of the members are poor farming families (38% of members are women)
2. Socioeconomic development		
2.1 Fairtrade Premium	Modest Premium has been received since 2004/5. This has varied greatly according to the amount of groundnuts sold to NASCOMEX and the proportion of that sold to TWIN (Fairtrade). The use of the Premium has been democratically decided, but members complain that they have received very little individual direct benefit.	The impact of the Premium on smallholder families has been very limited to date, as expressed in many of the interviews held
2.2 Economic strengthening of the organisation	Low membership due to a low perceived direct economic benefit to membership.	<p>The strength of the organisation depends on the number and loyalty of its members.</p> <p>This may change as post-harvest mechanisation and</p>

		processing improves the marketability of the produce, and extension advice improves productivity and quality of the harvested crop. However, these must be accompanied by improved purchasing arrangements that satisfy producer's needs.
3. Environmental development		
3.1 Impact assessment, planning and monitoring	Have not seen an impact assessment.	The AFO extension service is tackling soil fertility decline and deforestation through active campaigns
3.2 Agrochemicals	Prohibited chemicals such as paraquat have been eliminated	
3.3 Waste	Not an issue	
3.4 Soil and water	Soil fertility decline is an issue in the area.	Soil fertility decline is being tackled through training and extension in the use of manures, permaculture and agroforestry
3.5 Fire	Not an issue.	
3.6 GMOs	Not an issue.	
4. Labour conditions		
4.1 Employment policy	Gender policy not seen.	
4.2 Freedom from discrimination	No discrimination	
4.3 Freedom of labour	No forced, bonded or child labour	
4.4 Freedom of association and collective bargaining	Not an issue	
4.5 Conditions of employment	Not applicable on farms	
4.6 OHS	Basic processes being followed for MASFA employees	Workers in the main warehouse and the Farmer to Farmer trainers have protective clothing

8.2 Trader Standards

The FLO generic trader standard principles²⁰ have been entered into Table 8.2 below, and the extent of trader compliance is noted.

Table 8.2A FLO International generic standard principles for traders

STANDARD	COMPLIANCE WITH STANDARD	IMPACT IMPLICATIONS
Pay a price to producers that aims to cover the costs of sustainable production: the Fairtrade Minimum Price	The FLO minimum price for conventional groundnuts is US\$670/MT ²¹ FOB. This is low compared to the costs of production plus on-costs to port as estimated by TWIN and shown in Table 8.2B below. This suggests that the full cost FOB is \$305 above the FLO minimum price of \$670/MT.	There is no impact on price stability or smallholder livelihoods as the minimum price has not been invoked in recent years. A higher minimum price would provide a more realistic safety net, and start farmers believing that investment in groundnut production is a justifiable risk for their families

Table 8.2B (Source: TWIN/TWIN-Trading)

		Farm Gate prices		Farm gate including processing losses	Less FT min price of \$670	Processing, financing, freight, + margin	FT contract value FOB	Contract value – FT min price of \$670/MT
			Process losses			NASCOMEX costs	FOB value	
	MK/kg	\$/MT	20%	\$/MT	\$/MT	\$/MT	\$/MT	\$/MT
CG7	80	571	115	686	15	289	975	305
Chalimbana	85	607	122	729	58	246	975	305
FOB FT Min	93.8	670		670			670	

Exchange rate: MK140 = \$1

Table 8.2C FLO International generic standard principles for traders

STANDARD	COMPLIANCE WITH STANDARD	IMPACT IMPLICATIONS
Pay an additional sum that producers can invest in development: the Fairtrade Premium.	The Fairtrade Premium is US\$110/mt shelled groundnuts. This is being correctly paid, but is held by NASFAM in a dollar account. NASFAM (despite paying the certification and auditing fees, providing training and services such as aflatoxin testing) do not deduct anything from the Premium. MASFA members decide	The impact is that producer-members of MASFA feel that they are not benefitting much from the Premium. If the volume of sales was more and the Premium correspondingly bigger it would be possible to use it for a more diverse set of activities, and thereby satisfy a wider set of priorities, including strengthening the

²⁰ http://www.fairtrade.net/generic_trade_standards.html

²¹

http://www.fairtrade.net/fileadmin/user_upload/content/010110_EN_Fairtrade_Minimum_Price_and_Premium_Table.pdf (version 01/01/2010)

	<p>how the Premium is to be used. There is no provision for the use of Premium to cover some of the MASFA organisational overheads or improvements (at present paid from membership fees and commissions on sales). This is in contrast to other FT situations. The use of Premium has been unduly influenced by FLO staff, whereas in fact MASFA members have the right to decide for themselves how the Premium is used.</p>	<p>producer organisation and providing more direct benefits to smallholders.</p>
<p>Partially pay in advance, when producers ask for it.</p>	<p>No indication of advances was found, and although MASFA don't give credit themselves, they do link farmers to Banks and micro-finance institutions. However, farmers – who are very keen to obtain appropriate and affordable credit - complain that the interest rates are too high. The loans go to the Clubs, who then distribute it to individual farming households. Last season, some 20 Clubs (c.20%) benefitted from loans. NASFAM secures crop finance and carries the financing costs and provides the link to banks and micro-credit facilities. Twin Trading's Fairtrade contracts have acted as collateral which has enabled NASFAM to secure finance from a development organisation.</p>	<p>Lack of advance payment is not an issue at the moment. Timely purchasing and payment, and payment for quality would have a greater impact on strengthening the organisation at this time. Once that is sorted out, a payment schedule including advance payment could be brought in.</p>
<p>Sign contracts that allow for long-term planning and sustainable production practices</p>	<p>NASCOMEX enters into 1-year contract with the FT buyer (TWIN/TWIN TRADING) to supply a specific quantity of groundnuts at an agreed price. In 2008 price was US\$ 1400/metric tonne + US\$110/mt Premium = total US\$1510/mt.</p> <p>There is no corresponding contract with farmers, who often sell to other traders and middlemen. This strategy is also affected by convenience, the need for cash and the price being</p>	<p>The impact (which might be unavoidable) is that farmers do not know what the price will be until after the start of the harvesting season. This is not conducive to “long-term planning and sustainable production practices”.</p>

	offered on the spot.	
Traceability	Each bag sold is identified by a number that shows the member, Club, MAC and Chapter so that bad nuts can be traced back to the producer.	

8.3 Organisational support and business development

There has been good organisational and technical support to MASFA from its “parent” organisation, NASFAM, and also good technical backup and training from ICRISAT. In addition the FLO liaison and audit officers have conducted trainings for committee members. Trainings since 2005/6 have included:

- In August 2007, Board members, Premium Committee members and some staff members went of an exchange visit to a FLO certified PO in Thyolo district (at a cost to the Premium account of MK345,285). The main objective of the exchange visit was to learn from the PO how it was managing its premium including the process for selecting development projects.
- The Premium Committee attended a Project Management Training in March 2008.
- In January 2008, some staff from MASFA and selected Board members were given Quality Management Systems training.
- In January 2009, selected members from among MAC leaders, Chapter leaders, Board members were given committee strengthening training.

Since 2006 Twin has had support from the DFID RTFP²² (Regional Trade Facilitation) and RSP (Regional Standards) Programmes. Through these Programmes Twin has:

- Supported producers to achieve and maintain Fairtrade certification;
- Established Fairtrade nut supply chains from farm gate to retail shelf in Europe;
- Developed and incubated a new 100% Fairtrade company, co-owned by producers;
- Facilitated technical exchanges, market and promotional visits by producers;
- Helped to introduce farmer managed aflatoxin testing laboratories;
- Implemented traceability down to the individual famer level which has allowed the most severe cases of contamination to be identified and preventative measures to be put in place (i.e. discouraging farmers from wetting the groundnut shells prior to shelling)
- Established pilot storage (to reduce moisture and humidity) and processing (shellers and electronic sorters and graders) plant in Malawi.

(Twin report to DFID, 2009)

²² The RTFP project supported the development of the Fairtrade nut market through increased volumes of groundnuts traded from Malawi and by including cashews from Mozambique in nut mixes that included Amazon nuts, dried fruit. The project worked with these organisations to engage with a new opportunity to develop the Fairtrade market for nuts in Europe. The project facilitated the re-engagement of smallholders in value-added retail nut markets in Europe and contributed to securing increased incomes and wider market opportunities in regional and international markets.

8.4 Networking

The supply chain developed with the support of Twin/Twin-trading acts as a network in its own right, with links through the International Nut Producer's Co-operative to nut producers in Africa, Asia and Latin America, and through Liberation to retailers in Europe. There is also networking with a number of international donors, and NASFAM senior management has travelled to London on two occasions to attend Fairtrade Fortnight, sharing the podium with the senior staff of a major UK supermarket

NASFAM has had contact with the African Fairtrade Network (AFN); senior management has attended AFN meetings/conferences.

Within Malawi, there is an emerging Malawi fair trade network, but this has yet to be formalised. Some farmer organisations are weighing up the costs and benefits from different types of fair trade endorsement. For instance, the FLO Fairtrade certification fee is much higher than it is for some alternative certification schemes. The alternative fee is judged to be a more viable investment than FLO certification in some instances, and NASFAM is currently trying to certify Kilombero rice through an alternative certification scheme. There are good prospects of export markets in Scotland through a private economic development group

Some Chapter and Premium Committee members visited a FLO certified PO in Thyolo District to see how they used their Premium.

9. Key indicators to be monitored over time

This study is a **longitudinal** study of the impact of FLO-Fairtrade on smallholder producers. It is intended to monitor the changes (positive and negative) brought about by certification and engagement with the Fairtrade labelling system over 4 years. A set of **simple and measureable indicators** has been identified that can be used to monitor the changes in economic, social, environmental and organisational impacts attributable to Fairtrade labelling and the use of the Fairtrade Premium over time.

Where possible these indicators are:

- Impact indicators – otherwise output indicators
- Measureable/assessable by the Producer Organisations
- Attributable to Fairtrade inputs
- Supplemented by the 2-yearly impact studies (2011/2013) that will add depth to the evidence collected by the ongoing monitoring

The 2009 situation, together with the qualitative narrative and quantitative data contained in this report, provides a **baseline** that can be updated and compared in the monitoring visits scheduled for 2011 and 2013²³.

Table 9.1 Indicators for monitoring progress of the Producer Organisation over time

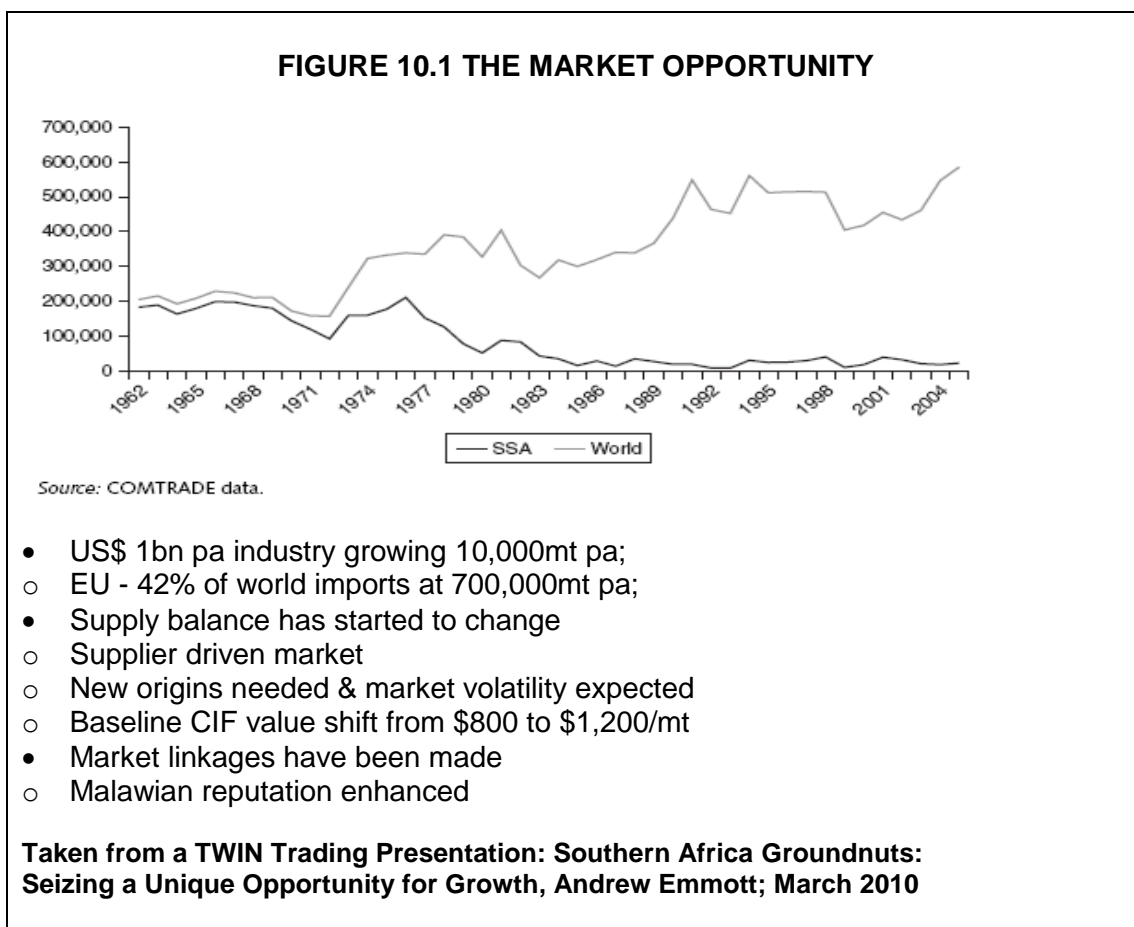
Indicator	2009 situation	2011 situation	2013 situation
ECONOMIC			
Groundnut yield/ha	Poor (750-1500kg/ha)		
Groundnuts sold to NASCOMEX (MT)	121 MT in 2008/9 (NB this fluctuates from season to season and is dependent on a range of factors)		
Proportion of nuts sold to FT	59.5% in 2008/9 (also fluctuates from season to season)		
Amount of Premium	MK107,1280 in 2008/9		
Value addition groundnut products	Liberation Foods products and NASFAM retail roasted salted groundnuts		
Processing equipment installed and working	Shellers, sorters and grading equipment installed. Shellers not used for 2008/9 season crop, but sorters and graders made a difference to quality for the EU market.		
Access to	Not available to		

²³ TWIN is working with NASFAM to collect a set of indicators which could be a useful compliment to this study

appropriate advance payment and/or credit	individual farmers through MASFA		
SOCIAL			
Membership gender balance	Women constitute 31% of association committee members and 38% of total membership		
Health initiatives supported by FT	One: Guardian Shelter		
Number of children receiving school grants	None supported by FT Premium		
ORGANISATIONAL			
Membership numbers	Low (3386)		
Access to certified seed	Poor availability and costly from central sources. Community seed multiplication scheme where members pay back twice what they "borrow". ICRISAT and NASFAM are working with donors to provide quality seeds to farmers		
Access to extension advice	6 AFOs and 143 F2F trainers in place and working		
ENVIRONMENTAL			
Number and type of environmental projects funded from Premium	None supported by FT, but tree nurseries in each Chapter. Vetiver grass nurseries in some Chapters.		
Number of trees planted per year through MASFA	250,000		
NETWORKING			
Networking within Malawi	Exchange visit with other FLO certified PO . Interest in Malawi fair trade network.		

10. Drivers towards a sustainable future for Fairtrade smallholder nut production and export from Malawi

Market: A viable future for the export of groundnuts from Malawi can only be achieved if there is demand from the international market. That market appears to exist – see Figure 10.1, and there is a particularly favourable window in 2010 for entering that market given the poor supply situation from all the traditional major exporters (Argentina, China, USA and India). In addition it is hoped to develop and supply a new Fairtrade market in South Africa.



A joined-up supply chain: This is now in place, thanks to the efforts of NASFAM, TWIN/Twin-trading and Liberation Foods and the goodwill of some prominent UK retailers . Political will also appears to be there in country (support from MAFS and MIT).

Production: Production has been limited by the availability of good seed (possibly resolved from this year), good extension advice (now improved through AFOs and F2F trainers), the weather (droughts and erratic rainfall), declining soil fertility (exacerbated by poor availability of fertilisers) and a lack of affordable credit for farmers that would allow them to invest in their farms.

Quality: Aflatoxin is the main concern as European import regulations are strict (total aflatoxins 4ppb). Despite extension and the installation of processing equipment,

further efforts are needed at the farmer level and in store to provide a reliable product that meets the required export quality specifications.

Value addition: There are two components to this. Firstly the processing of nuts in shells to a marketable whole nut product (through shelling, sorting, grading, drying and blanching), and secondly the processing of nuts into other products, such as paste, oil and ready-to-use therapeutic foods (RUTF). Progress has been made on both fronts with equipment for the former in place in Malawi, and fruitful discussions having been held with a humanitarian enterprise²⁴ to establish a business relationship to supply one third of their needs for groundnut paste to be used in RUTF.



Possibilities for groundnut value addition

Organisational capacity and commitment: Capacity (financial resources, human resources, facilities and systems) are improving year on year, but MASFA and NASFAM still need support from organisations such as TWIN and ICRISAT and from donors before they can operate sustainably on their own (e.g. in the areas of export and logistics, price risk management and Market Information Systems). Good communications between all links of the supply chain and with outside influences (e.g. policy, legal, research, finance systems and organisations) will be needed as volumes and market complexity increase.

An effective purchasing system: While all of the above are being addressed, and there is positive progress with them, the most consistent discontent found amongst the producers was with the system of buying (see Case Studies in Section 6). This has changed over time from MASFA purchasing the nuts through the AFOs, through students being used and latterly NASCOMEX assuming responsibility and buying through purchasing agents. To date this system has been found wanting from the farmers perspective in terms of timeliness (entering late and withdrawing abruptly before the end of the season) and convenience (few buyers and sometimes distant from producers).

²⁴) The company and NASFAM/TWIN-Trading Limited have entered into discussions to establish a business relationship under which a proposed joint venture being established by NF/TT would supply one third of the needs of the company (182 tonnes) with Groundnut Paste for the production of Ready to Use Foods (Letter from company Management staff, - dated 3rd December 2009. This would be conditional on producers meeting quality standards.

11. Conclusions and recommendations

11.1 Conclusion

The overall conclusion is that a **good platform exists** for the realisation of substantial positive benefits for farmers. The organisational pieces are in place for MASFA (management structures, committees, extension services, warehouses) and NASFAM (purchasing/processing/tracing/quality-testing), and the supply chain exists through TWIN and Liberation to retailers in the UK and Europe, with perspectives for additional outlets for products such as groundnut paste and sales to Fairtrade in South Africa. In addition the plans that TWIN have for supporting NASFAM/MASFA over the next period (2009-14) are sound and comprehensive.

11.2 Concerns

However, there is a serious concern with the unsatisfactory **purchasing arrangements** which result in low confidence on the part of farmers and consequent low membership, low sales volumes and low Premium payment. Firstly, farmers are not paid a premium for quality. This is undermining the considerable effort made by the AFOs to raise quality, and causing frustration on the part of those farmers who have invested time and effort in providing a good quality product. Secondly, as attested by many of the farmers interviewed for this study, NASCOMEX buyers arrived late in the season (due to intervention by the government in setting a minimum price that was out of tune with the international market) and left early (because of quality problems). Thirdly, the paucity of buyers meant that they could operate in only a few locations, and the prices set by NASCOMEX for the season were sometimes matched or bettered by other traders thereby tempting farmers into the arms of alternative buyers/middlemen.

11.3 Benefits

To date the **main benefits** of MASFA membership for farmers is in good extension advice, a stable market and access to international markets. The tangible ways in which the supply chain has been strengthened due to the incidence of Fairtrade are:

- Organisational strengthening, resulting from meeting the requirements of FLO certification and auditing
- The Guardian Shelter at Mchinji hospital built with Premium funds (cost of MK1,106,075)
- The warehouses **being built** in the Chapter centres with Premium funds (with **potential** multiple uses for schooling, community meetings etc)
- Capacity building in production technology, post-harvest quality management and export marketing
- Post-harvest equipment purchase for sorting and shelling nuts
- Part-ownership of Liberation Foods CIC with the **potential** for profit sharing in the future
- Engagement with and entry into markets such as UK supermarkets and humanitarian social companies . Key visits to Malawi have included management from a major UK supermarket, a prominent UK charity and The Fairtrade Foundation and also from a celebrity figure from the UK
- Limited, but welcome, income for poor, smallholder farmers which has been used on home improvements, schooling, food security and the diversification of agricultural livelihoods (mostly purchase of livestock).

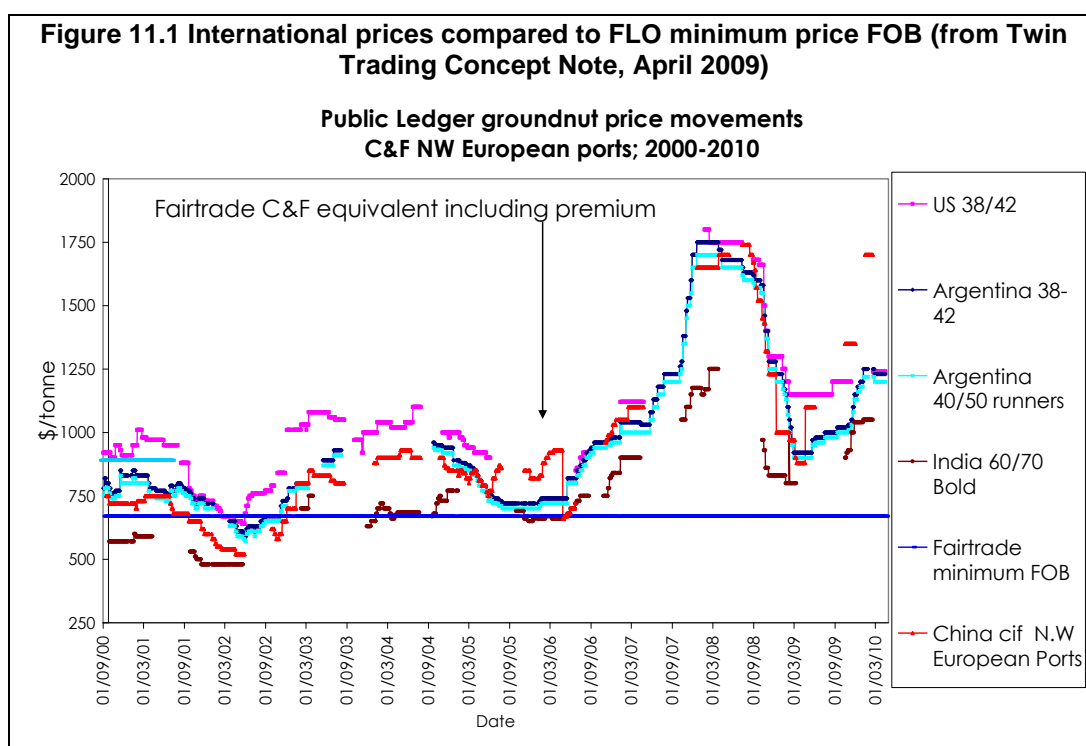
If purchasing processes can be sorted out so they are more attractive to farmers, quality attitudes of farmers improved and membership increased, the forward prognosis is good. Value addition (as in the example of Ready-to-use Therapeutic Food) is a possible future route to provide products for the home and export markets,

and there is good scope for yield and quality improvement – especially with the likelihood of free certified seed for the 2010 planting season.

11.4 Recommendations

Going forward, a number of aspects could be implemented/explored:

- Capacity building of MASFA committees and farmers in organisational (including governance, financial management, use of Premium) and technical areas (including pre and post-harvest quality management to ensure long-term prime market access) should continue
- Capacity building and exposure of NASFAM staff should continue, in order to consolidate the export expertise and build on the linkages that are in place
- There needs to be a continued drive for improved productivity (yields), production and volumes sold to NASCOMEX in order to supply the volumes required for the export business to be viable and sustainable. It is suggested that this volume is calculated and targets set accordingly
- The purchasing system needs to be overhauled to meet the concerns and frustrations of farmers and to encourage an increased and more loyal membership
- The FLO minimum price could be reviewed, as international market prices (and the local buying price) have consistently been above the present minimum price for some time – see Figure 11.1



- The initial sharing of experiences between MASFA and other FLO certified POs could be expanded through the Malawi-wide Fairtrade network (proposed but not yet formally operational)
- Greater NASFAM transparency and information sharing about Premium²⁵, sales income, plans for improving the purchasing system etc with MASFA office holders

²⁵ The Premium is paid by TWIN-Trading into a dollar account held by NASFAM. It is then up to the MASFA Premium Committee to request money from that account when it needs it.

and members (this deficiency was also noted in the FLO-Cert 2009 reporting checklist report)

- FLO could consider recruiting and training Malawian Fairtrade auditors who would be cheaper and able to interpret situations from a Malawian perspective
- Twin/Twin-trading is encouraged to further pursue additional outlets for groundnut products (following on from their initiatives with Valid Nutrition, Fairtrade groundnut butter, South African Fairtrade market, new markets in Asia etc). This will require further investment in processing facilities for blanching and paste production.
- The proposed TWIN initiative for attracting venture finance to an Innovation Fund for groundnut value-addition enterprises is supported
- Bringing other associations into Fairtrade (e.g. S. Mzimba) would increase the volume of nuts available for export as demand increases (assuming quality is up to the necessary specifications) enabling entry into new markets.
- The public health implications of aflatoxin need to be highlighted to stakeholders (including farmers, traders, agricultural extension and health workers) to ensure safe food for local consumers as the risks are poorly understood or appreciated at the present time.