Markets, Trade & Agri-food Systems Transformation

Pathways to Developing Markets for Sustainable Agri-Food Systems Transformation

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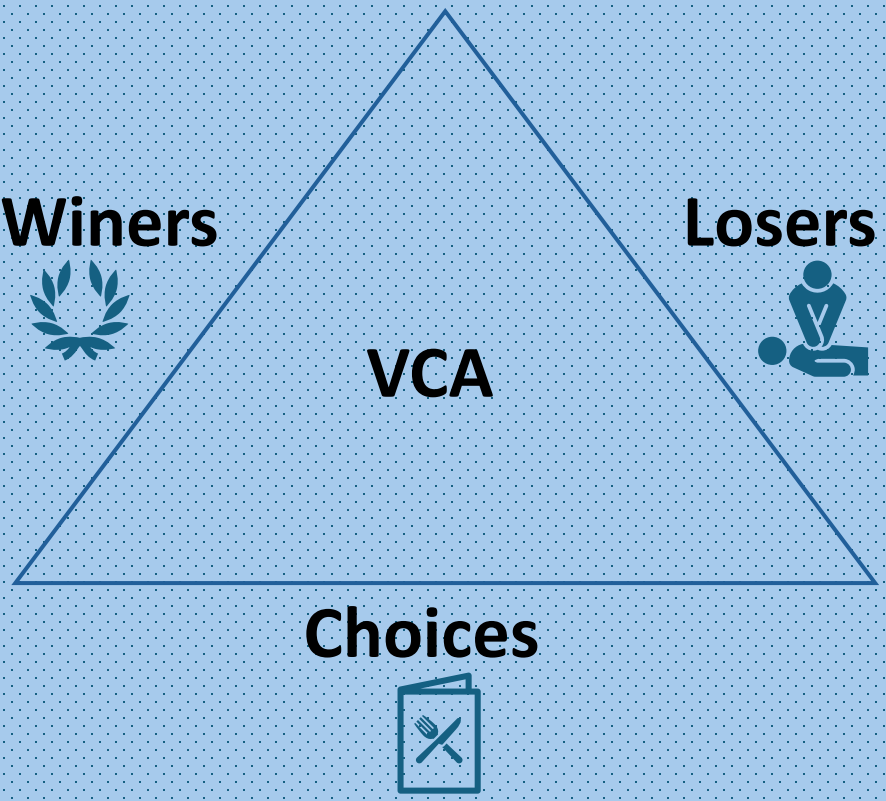
Presented at MAPC Lilongwe

Conceptual Boundaries



Conventional VCA in its triangular dimension (Pro-poor, Nutrition Sensitive & Greening Value Chain Approach) has trade-offs with choices, winners & losers shaped by judgement calls and political economy

The framing of (SDGs)'s 'leave no one behind' and 'do no harm' is a direct response to the recognition of these trade-offs

The current agri-food system is designed on the need to balance the inherent trade-offs in the food-money-environment complex

The performance of agri-food system should therefore be measured along the lens of these trade-offs.

Malawi's 'Ugly' & 'Narrow' Path

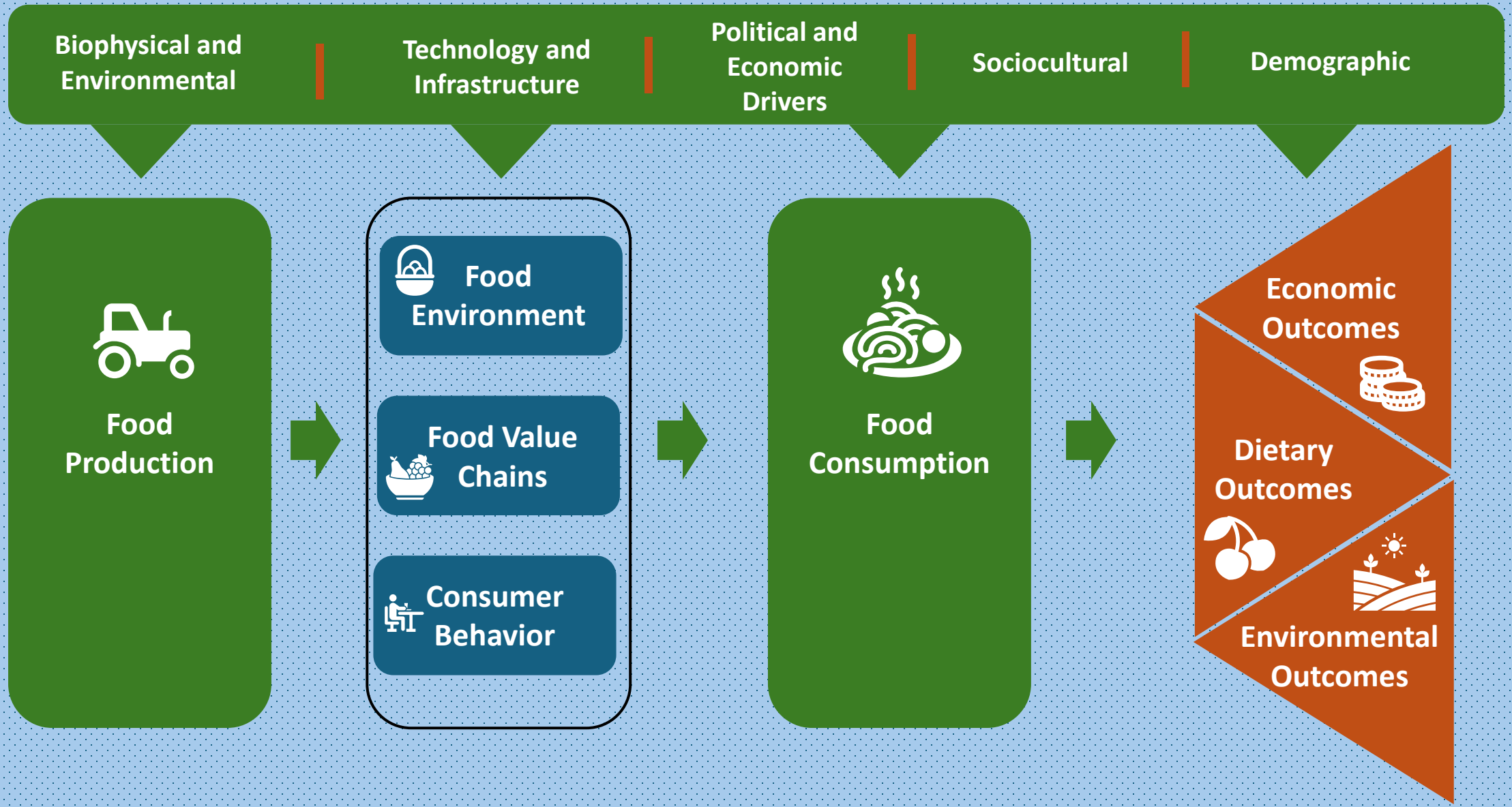
Less than 7% generate enough income from their farming to meet their basic needs

Farming contributes to 30% of the total income of the typical farming household ($20 annually).

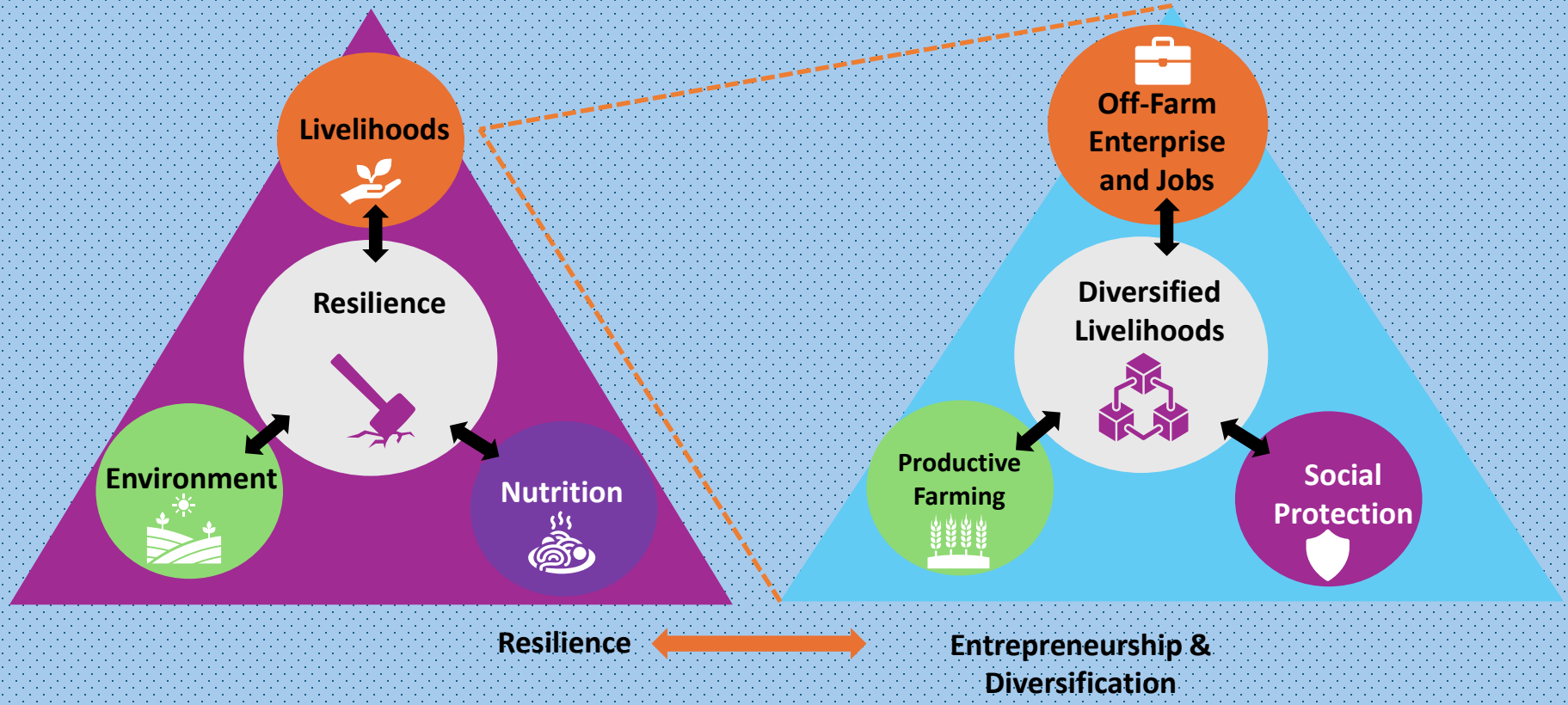
Even with significantly higher levels of productivity, a farmer with extremely small landholdings is likely to remain in poverty and struggle to meet basic needs

Significant sources of income are outside farming.

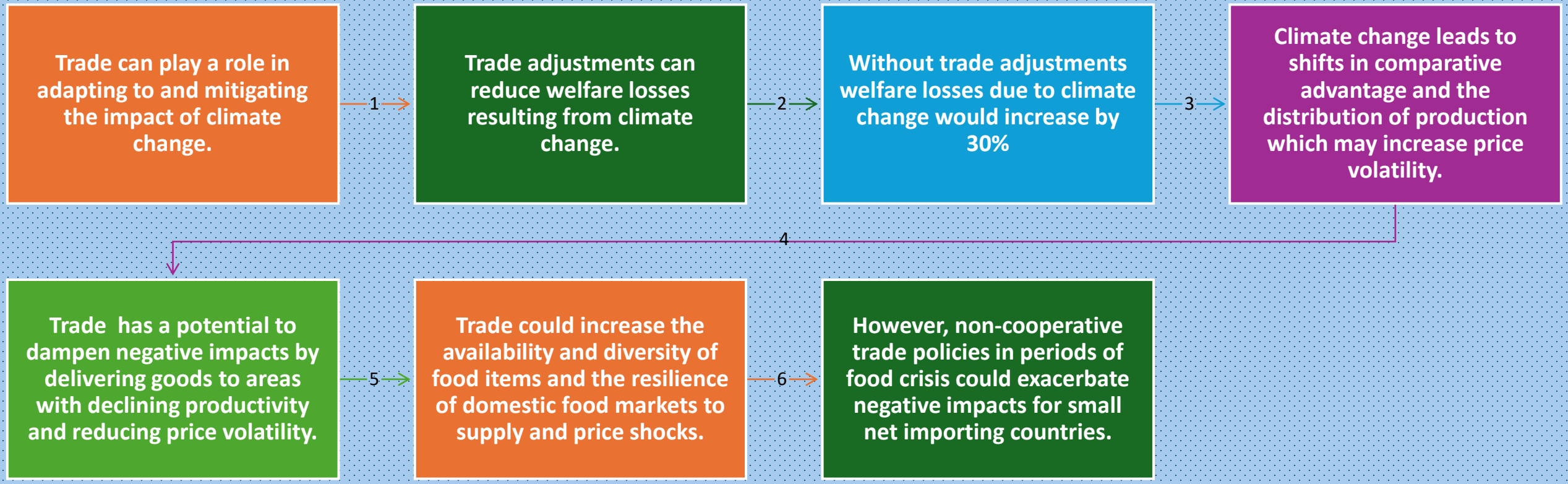
Malawi's Contextual AGFS



Resilience – Diversification Nexus



Markets, Trade & Agri-Food System



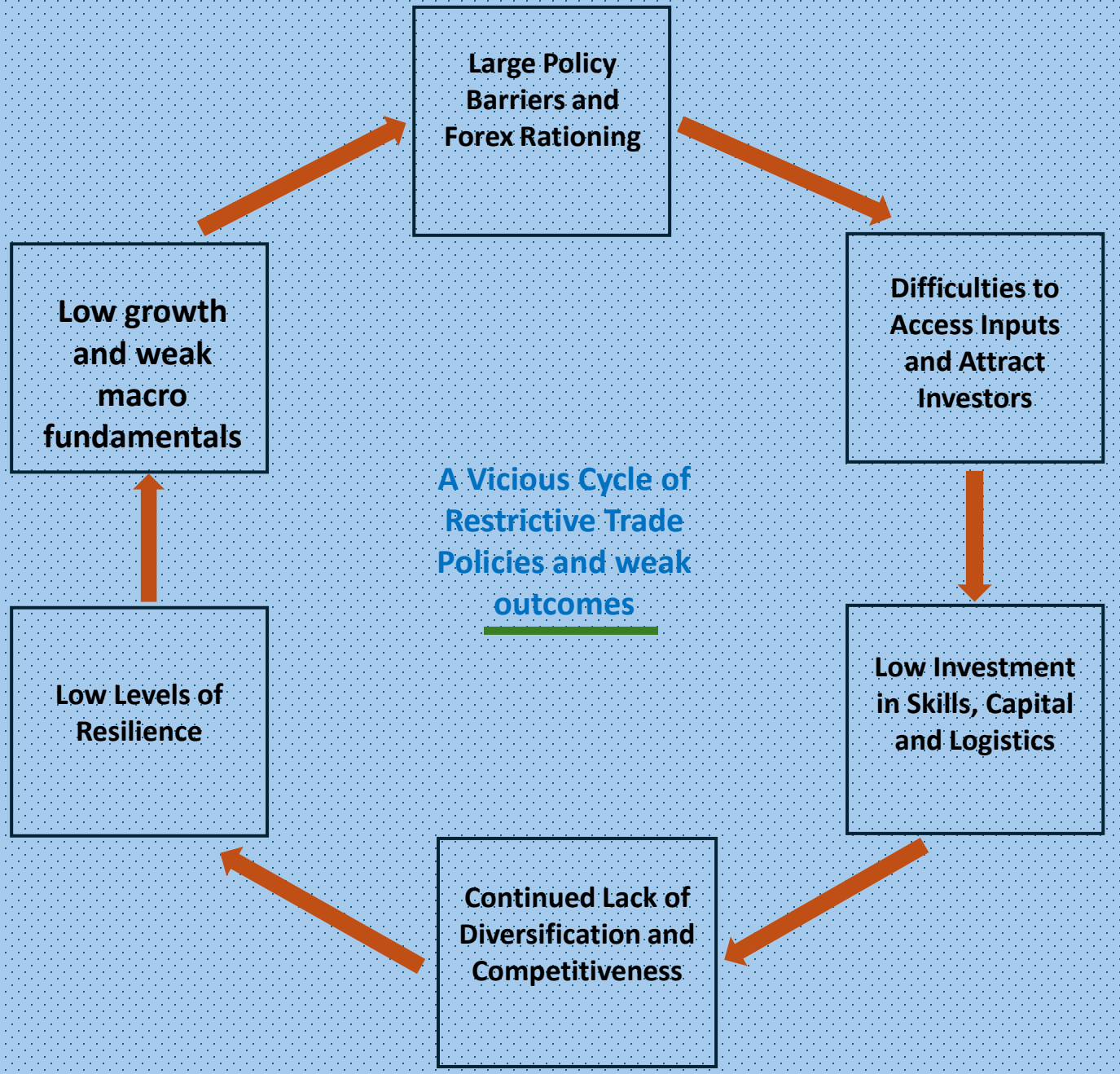
Markets, Trade & Agri-Food System in Malawi

Malawi agri-trade faces substantial non-tariff measures (NTMs), especially sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT)

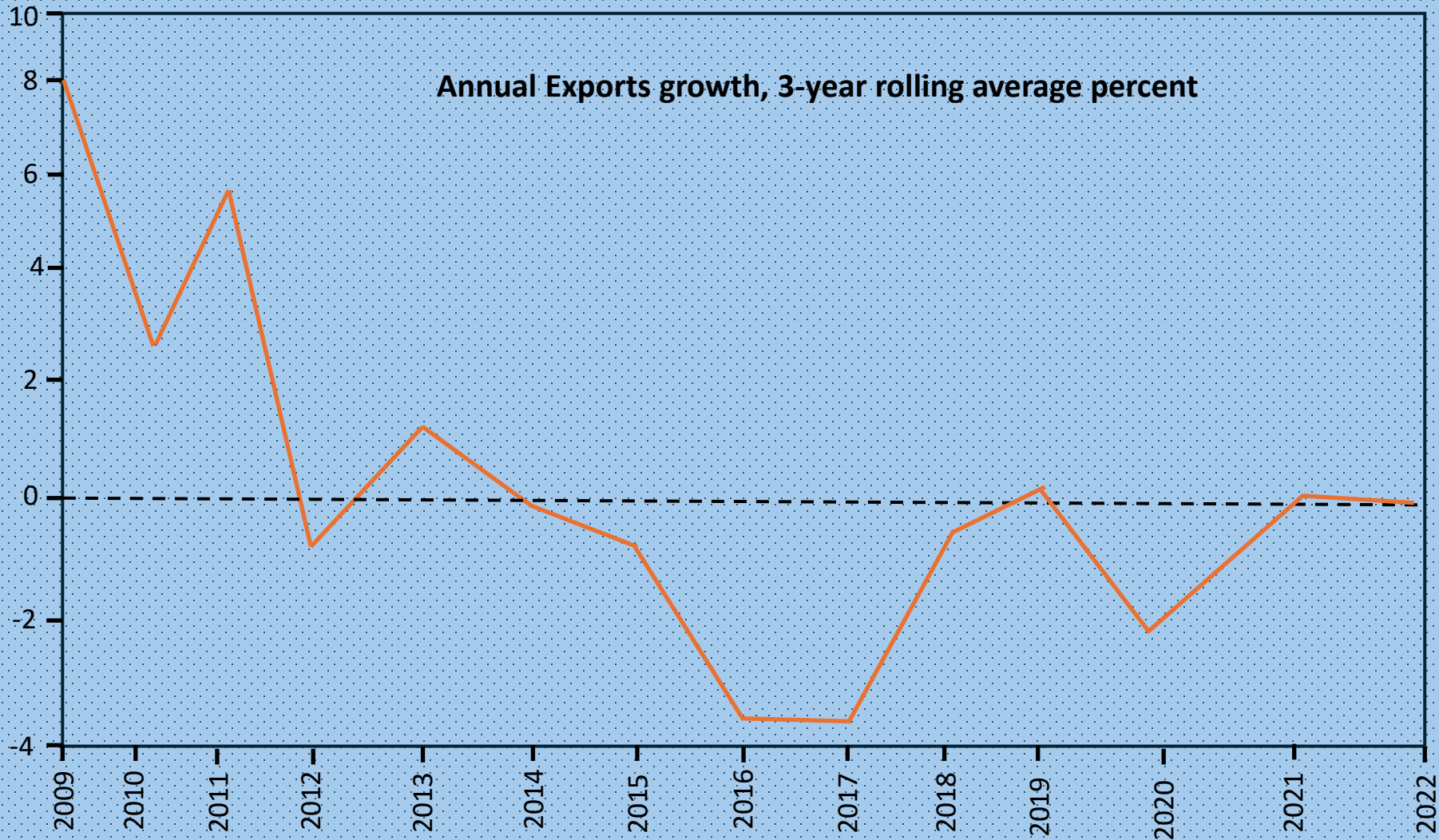
Current instruments lack horizontal depth and vertical depth

Significant policy barriers and foreign exchange rationing not only reduce access to inputs but also act as a tax on exports, creating disincentives for firms to trade. These distortions hinder diversification into non-traditional exports (g/nuts, macadamia) with higher value added and drive informal trade and smuggling

A Vicious Cycle of Restrictive Trade Policies and Weak Outcomes



Malawi's goods exports Have been in decline



Pathways

- **Boast Market Performance by focusing on:**
  - Expansion of private trading by addressing lack of credit and uncertainty about the government's commitment to market reforms (price controls etc) ; inadequate market information, poor roads and communications infrastructure, limited access to storage and transport facilities
    - Reductions in marketing margins — spread between producer and consumer prices—reflects the lower marketing and processing costs of a more competitive private sector.
  - Markets integration measured by how well price signals are transmitted among markets. Integrated markets allow for the efficient flow of commodities from surplus to deficit regions.

Pathways

- Establish social safety nets and cash transfers to enable rural dwellers add resources to the local economy.

- Establish well-designed climate-smart agricultural support programs to enhance resilience against the increasing threats from climate change
- Support and strengthen farmer organizations, which are critical for the emergence of productive partnership arrangements.
- Promote regional market integration by alleviating barriers to trade.

Pathways

Revitalize our readiness for AfCTA in terms of voumes, quality & labour competitiveness (not driven by political expediency than real business context)

Support Special Economic Zones (SEZ) and/or EPZ implementation: The (SEZ) 2023 Act if well implemented (it designates the MITC as the SEZ Authority). Four key sites are already earmarked for the industrial parks in Lilongwe (Magwero), Blantryre (Matindi, Chigumula) and Mzuzu (Dunduzu). The major challenge of course remains the state capacity to invest in such parks.

You say, ‘God stores away [the punishment of] man’s wickedness for his children.’ Let God repay him so that he may know *and* experience it.

Job 21: 19 AB