



Analytical Research on Skills for Export Trade

Envisioning Future of Oilseeds and Horticulture Sectors

Protea Ryalls

**Blantyre
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Presentation Outline

❖ Background

- Problem analysis
- Sector profile and characteristics

❖ Sector envisioning

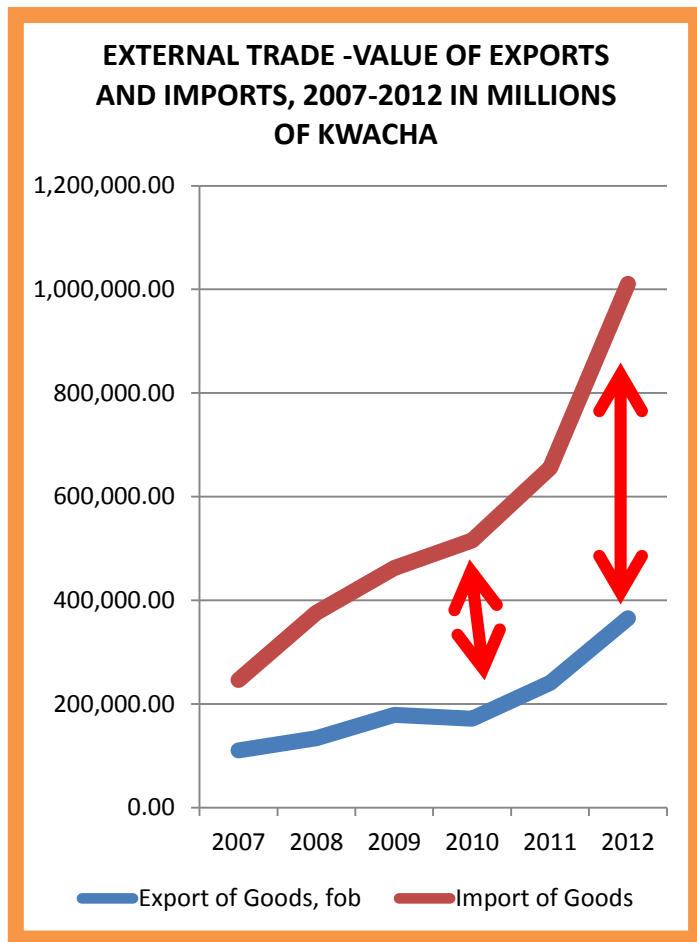
❖ Conclusion and recommendations

❖ The end





Background – Poor & widening trade gap



- **Implication: Poor BUT busy exporting jobs**
- **Structural challenge:** Heavy reliance on agriculture
 - Narrow econ. base :*Econ. diversification*
 - Narrow export base: *Trade diversification*
- **Skills & productive capacity**
- **Overall Purpose of research**



Background: Sector Description

- **Oilseeds** = Sunflower, groundnuts and soya
 - raw and semi-raw commodities
 - value addition products
 - » NES & cotton ????
- **Horticulture** = Malawi's wide variety of fruits, vegetables and flowers
 - NES puts horticulture as part of agro-processing sub-sector under the manufactures sector



Background -- Sector contributions

Oilseeds

- X: G/nuts, soya, sflower -- raw
- M: Soya, sflower, g/nuts -- processed

Horticulture

- X: Veggies - flowers – fruits
- M: Veggies - fruits - flowers

Exports (2010 - 2013)

Sector	% Total Exports	% NGDP
Oil seeds	4.03	0.8
Horticulture	0.2	0.04
Total	4.23	0.84

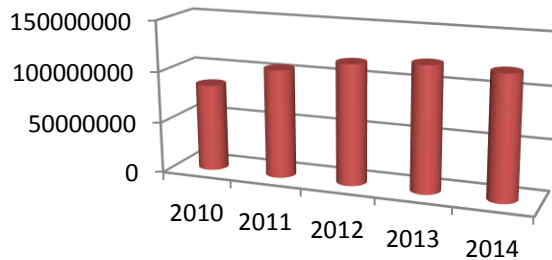
Imports (2010 - 2013)

Sector	% Total Imports	% NGDP
Oil seeds	1.12	0.47
Horticulture	0.46	0.19
Total	1.58	0.66

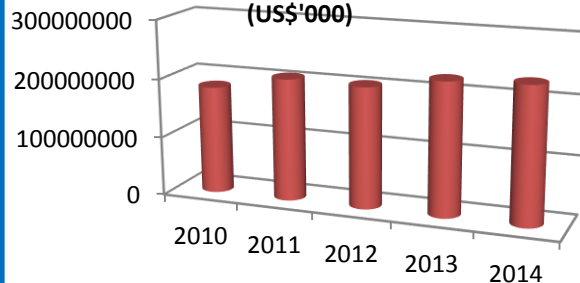


Background -- Global perspective

Global Oil Seed Export Trend (2010-2014)
(US\$'000)



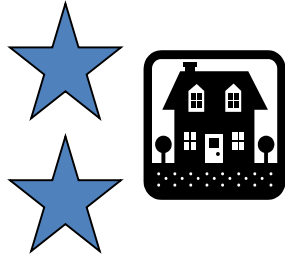
Global Horticulture Export Trend (2010-2014)
(US\$'000)



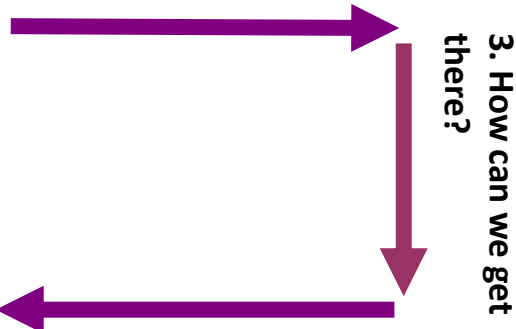
- **Increasing trend of (selected) oilseeds exports (2010 and 2014)**
- Exporting regional countries: Malawi (0.06%) in 3rd position after RSA (0.4%) and Tanzania (0.2%)
- Steady increase since 2010 -- Malawi, Tanzania and Mozambique
- **Increasing trend of (selected) horticulture exports (2010 and 2014)**
- Exporting regional countries: Malawi (0.03%) in 4th position after RSA (1.2%), Tanzania (0.13%) and Mozambique (0.06%)
- Steady increase: Malawi and South Africa



Sector Envisioning : 3 Scenarios (STED Guide)



1. Where are we now and do we stay there?



2. Where do we want to be?



Scenario 1: Business as Usual

- Existing parameters -- market growth, pricing and competition
- No actions -- existing growth path, existing products and markets

Scenario 2: Same but More

- Step up efforts to export more of existing products to same and similar markets

Scenario 3: Sector upgrade

- Add more elements to upgrade the sectors
- existing products and markets →→ more new products to more new markets



Envisioning the oil seeds sector

(i) Business as Usual

- **Existing growth path:** From 3.13% (2006 – 2011, DTIS - 2014) to 4.03% (2010 – 2013, NSO)
- **Existing products:** Largely in raw form (97%, 2010 – 2013)
- **Existing markets:** Mostly local and regional (SADC)
- **→→ Finding:** Scenario inconsistent with the NES vision

(ii) Same but More

- **→→** Step up efforts to export more of existing products to same and similar markets -- NES short-term strategy -- Scale up production, improve quality and pricing of the oil seeds



More oil seeds to same markets possible!

Production possibilities

- Some oil seeds easily scalable, widely grown and adaptable to numerous environments -- gnuts
- Possibility to link farmers and processors -- processed products

Market possibilities

- Increasing local demand (soya; sunflower) & import substitution (soya/gnuts/ processed products – cooking oil, soaps)
- Existing (sunflower) & growing regional markets (soya/gnuts)
- No tariffs or significant non-tariff barriers by regional countries
- Competitors (Argentina, China and the United States) face a 9.4% tariff barrier to export to RSA (gnuts)



Limitations to more oil seeds to same markets.....

Production limitations

- Low productivity (soya/gnuts)
- Low and fluctuating smallholder production (Soya/sunflower)

Market limitations

- Competition in regional market (soya/gnuts/processed)
- Unstable regional demand (soya)
- 10% tariff barrier in Tanzania (Malawi 99%, gnuts)
- ➔➔ **Finding:** Scenario also inconsistent with the NES vision
 - Small size of local and regional market
 - Regional dd varies dramatically from one year to the next



(iii) Sector upgrade for more products and markets

- ➔➔ Upgrade sector find and export more new products to more new markets -- Scale up high-value processing of the oil seeds



More new oil seeds products and markets possible!

- **Target products:** High-value processed oil seeds products
- **Target markets**
 - Agricultural products can be processed and exported under existing preferential trade arrangements within and beyond SADC, COMESA, EAC
 - Generalized System of Preferences (GSP) Scheme of the EU's EBA Initiative
 - AGOA – now extended for 15 years beyond September 30, 2015
 - China General Tariff Preferential Treatment
 - India Preferential Trade Benefiting Least Developed Countries (LDCs)
 - Japan Preferential Trade Arrangement Benefiting LDCs.



Specific possibilities for more & new oil seeds products and markets.....

- No current regional market (cooking oil)
- Expanding regional market in RSA (> \$350 million); sizable regional market in Tanzania; & largest COMESA market in Egypt (cooking oil)
- No tariff barriers or significant non-tariff barriers by regional markets
 - Cooking oil -- RSA, Zimbabwe or Zambia
- 10% tariff barrier against Malawi's possible competitors (Brazil and Argentina) in RSA (cooking oil)
- Possible indirect exports to Zambia and Zimbabwe through RSA market – RSA supplies these markets (cooking oil)
- Existing domestic market (soaps)
- Already well established regional market in Zambia (soaps)



..... more & new oil seeds products and markets – possibilities and limitations

Possibilities – cont'd

- New regional markets (\$174 million, 2011) -- Zimbabwe, South Africa and Democratic Republic of Congo (soaps)
- Large COMESA regional market (around \$400 million, 2011)
- Possible use of Fairtrade Mark branding for exports outside the region (soaps)

Limitations

- 25% tariff barrier in Tanzanian market that is supplied almost solely by Argentina (cooking oil)
- Costly transport linkages between Malawi and Egypt (cooking oil)
- Significant tariff barriers in new regional markets (soaps) -- 15% (DRC); 20% (RSA) and 40% (Zimbabwe)



Envisioning the horticulture sector

(i) Business as Usual

- **Existing growth path:** Increasing trend in total exports – (0.11% (2011) to 0.26% (2013))
- **Existing products:**
 - Floriculture industry -- hard to define the value chain type (Sturgeon, 2008)
 - Vegetables -- end-user (homestead, local and export markets) unchanged
 - Sizable share of processed fruit export products (almost 100%)
- **Existing markets:** No current market for pulp (NES)
- **→→ Finding:** Scenario inconsistent with draft vision – No specific NES vision – from 0.05% (2010) to 1% (2017)

(ii) Same but More

- **→→** Step up efforts to export more of existing products to same and similar markets – Borrow short-term strategy for oil seeds





More horticulture to same markets possible!

Production possibilities

- Competitive advantage: Varied climatic conditions (tropical to semi-temperate offer an opportunity)
- Export production -- sizable share (100%) of export of processed fruits (2010 – 2013)

Market possibilities

- Increasing local demand for hospitality industry
- Import substitution -- sizable share of imported unprocessed (23%) and processed (77%) fruits (2010 – 2013)
- Growing regional markets in neighbouring countries' growing areas of Lusaka, Tete, Nacala, Harare and Mbeya



Limitations to more horticultures to same markets.....

Production limitations

- Unavailable horticulture production data at farm level → difficult planning for increasing production
- Low production – limitation to medium scale fresh fruit juice manufacturers & no economies of scale
- Limited expertise on post harvest handling of horticultural products

Market limitations

- Poor quality issues -- high fibre and seeds content; Poor storage, processing/grading and transport infrastructure; Limited expertise on marketing ; Competition with African flowers producers
- →→ **Finding:** Scenario also inconsistent with the draft vision
 - Small size of local and regional market
 - Regional dd varies dramatically from one year to the next



(iii) Sector upgrade

Upgrade sector to find and export more new products to more new markets -- Borrow medium to long-term strategy for oil seeds

More new horticulture products to more markets possible!

Production possibilities

- Scale up high value processing

Marketing possibilities

- High potential for pulp in the short term
- Growing regional markets in neighbouring countries' growing areas of Lusaka, Tete, Nacala, Harare and Mbeya
- Target potential markets of Kenya, UAE, RSA, UK and Scandinavia



Limitations to more new horticulture products and markets.....

- Underdeveloped domestic and export market of fruits in Malawi relative to those in region countries -- Kenya, RSA and Zimbabwe (Richard Kachule and Steven Franzel)
- Low production of quality and standard fruits incompatible with higher capacity processing machinery (3,000 kilogrammes of fruits per hour) – no economies of scale; diluting imported concentrates vis-à-vis direct fresh fruit processing
- Low quality and standards
 - high fibre and seeds content in Malawi's fruit exports
- Low quality packaging and labeling
 - horticultural products sold in heaps
- Lack of access to affordable financing for heavy capital investment required for the necessary processing equipment (Kachule and Franzel, 2009)





Conclusion and recommendations

Steady widening trade imbalance = export of the much-needed jobs in MW

STED approach = answer to ensuring the necessary productive capacity

However:

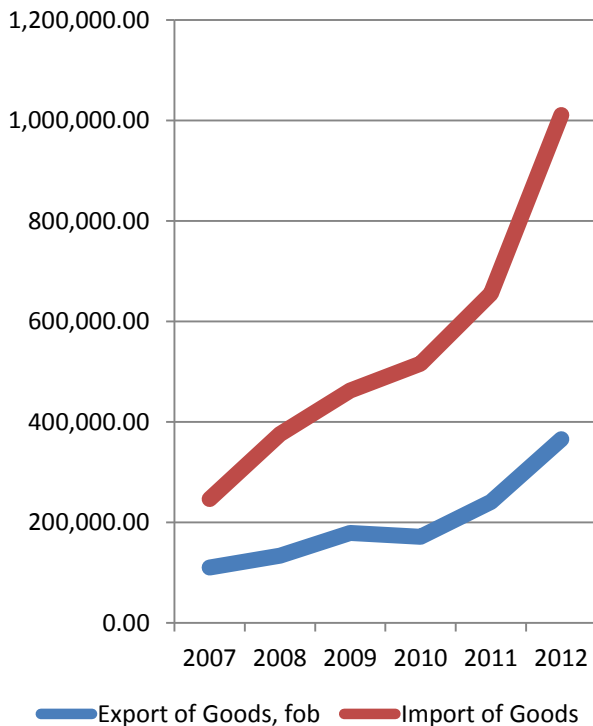
- Business as Usual will not do the job!
- Neither will focus on existing products and markets do the job!

Recommended scenario: Sector upgrade efforts to finding and exporting new products to new and more markets

- Institutionalize business enablers – access to markets, inputs, finance, secure tenure of property, business development services, skills as well as improved regulatory environment
- Ensure better value chains integration
- Improve customer quality perception or branding

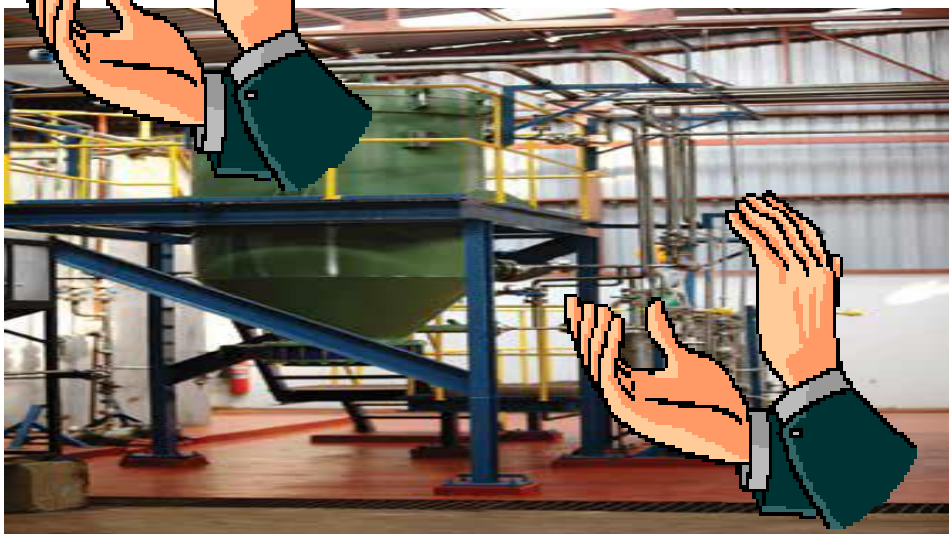


**EXTERNAL TRADE - VALUE OF EXPORTS AND IMPORTS, 2007-2012
IN MILLIONS OF KWACHA**





The End



THANK YOU FOR YOUR ATTENTION



Qs and As

