National Smallholder Farmers’ Association of Malawi (NASFAM)

Context:
Malawi is one of Africa’s most densely populated countries, with more than 125 people to each square kilometer in the south, and with a national average family landholding of only one hectare. Agriculture plays a vital role in the economy: accounting for 85% of the labor force, 35% of GDP and 90% of foreign export earnings. Malawi is also one of the poorest countries in Africa, with a per capita GDP at less than half the sub-Saharan African average, and with the highest income inequality in Africa. Life expectancy, at 44 years, is eight years less than the regional average, and HIV/AIDS and child mortality rates are amongst the highest in the world. Less than half of the population has access to safe water, and 60% are illiterate.

To address these problems, Malawi’s first democratically elected government, which took office in May 1994, adopted a set of economic policies aimed at the alleviation of poverty. A key element of these policies was the liberalization of agricultural production and marketing, essential to raising incomes amongst Malawi’s resource poor smallholder farmers. In support of this liberalization, USAID funded ACDI/VOCA’s Smallholder Agribusiness Development Project (SADP), launched in 1995.

Activities:
SADP established Agribusiness Development Centers (ADCs), located in key smallholder growing areas. Staff from these ADCs assisted targeted smallholder clubs to strengthen their business skills and to increase their penetration of the market; for example, through improved grading and baling practices, and through group initiatives in such areas as organization of transport and bulk purchase of inputs. All ADC activities were carried out with a focus on assisting clubs to develop and implement group action responses to the challenges of the marketing system.

As a result of SADP, smallholder incomes increased, and an institutional framework was developed through which farmers could carry out their own agricultural development and diversification in a businesslike manner. Perhaps most importantly from a long-term perspective, the 14 agribusiness associations formed by SADP set up NASFAM, the National Smallholder Farmers’ Association of Malawi, to represent them.

According to its bylaws, NASFAM was established to:

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1 ACDI/VOCA is a private, non-profit international development organization which provides technical assistance, training and managerial support in emerging markets and developing countries. Owned and supported by the largest grower-owned supply and processing cooperatives and farm credit banks in the United States, ACDI/VOCA has 38 years experience in 127 countries around the world. ACDI/VOCA currently has programs in almost 40 countries.
Global Grassroots Entrepreneur Trading Network Workshop, The World Bank, Washington, DC USA

- improve the economic and social conditions of the smallholder farmer through direct interaction with, and intervention for, member organizations;
- directly engage in business activities and services that provide linkages with public and private sector service providers;
- improve the business, financial and marketing management capability of smallholder member organizations;
- facilitate smallholder empowerment through improved information, training and advocacy;
- promote the participation of women in institutional development; and
- improve the land use management practices of smallholders.

NASFAM provides a variety of member services financed through an ongoing government levy, user fees, membership dues and external donor support. These services include training in business management, marketing, quality control and literacy. Business partnerships are facilitated between the agribusiness associations and private sector input suppliers and financial service providers. NASFAM through SADP and its successor, the NASFAM Strengthening Project, helps Malawi’s smallholder farmers to re-invest their profits in rural micro-enterprise activities, and provides basic education and information services to 200,000 farm families through a monthly trilingual newsletter and a weekly radio program.

Methodology:

NASFAM was built from the bottom up, starting with clubs consisting of, on average, 15 farmers. Currently, there are over 4,000 clubs, organized into action groups of 5–10 clubs each, governed by a democratically elected Group Action Committee (GAC). The GACs are further organized into 31 associations to date, each sending three elected representatives – at least one of whom is a woman – to the NASFAM National Assembly. The National Assembly elects the eight members of the Board of Trustees.

NASFAM associations are independent, self-governing and financially viable. They receive no subsidies or grants. Associations must meet exacting criteria, including complete financial transparency before joining the NASFAM network. The NASFAM-association relationship is defined in a Service Contract signed by both parties.

Impacts:

NASFAM is continually growing – in terms of members, geographical areas and crop types. The number of members is growing at the rate of approximately 2,000 per month, with membership at the end of the year 2001 exceeding 90,000.
The collective power of NASFAM’s smallholder farmer members is used to negotiate improved terms in transport contracts. Not only have transport costs been halved, tips and bribes have also been eliminated, bales are no longer lost, damaged or diverted, and delivery times have been shortened by more than 60%. In 2001, transport contracts exceeded $800,000, with association commissions at $117,000. Similarly, bulk input procurement has led to lower prices and free delivery. “Pay early - deliver later” schemes have also reduced the risk of devaluation loss on money held for input purchases. Last year, 5,400 tons of fertilizer were purchased, worth $1.7 million, leading to farmer savings of $114,000 and association gains of $12,000.

NASFAM’s initial focus was on the lucrative tobacco sector, which accounts for over 70% of Malawi’s export earnings. In 2001, NASFAM members sold 13,000 tons with a total value of $14 million. However, NASFAM recognizes the inadvisability of reliance on one crop, in particular given the decline in world prices, and is active in promoting crop diversification amongst its members. Zikometso Association in Mulanje markets Birdseye chili peppers to Europe and Australia returning a proportion of profits to members as a second payment. As a result, members received 35% higher prices for their product than non-member farmers in 2000. Last year, the association sold 65 tons of chili peppers, at a value of $93,000. The association is also the first in NASFAM to recruit its entire management and field staff, purchase its own computer and provide motorcycles to field employees. NASFAM continues to act in a field advisory capacity and exports produce as a broker for a fee.

For the first time in Malawi, with NASFAM’s assistance, smallholder cotton is being sold direct to local ginneries, resulting in higher prices for farmers. Balaka Area Smallholder Farmers’ Association (BASFA) increased its volume of cotton marketed to the ginneries by 500% from 1999 to 2000, raising member profits by 17%. In 2000, 500 tons of cotton were marketed by 4,245 farmers for $100,000. During the last season, BASFA sold seed-cotton valued at almost $140,000.

NASFAM’s works with two coffee associations in the north of the country. 32 coffee hand pulpers were purchased by NASFAM with an ACDI/VOCA loan and were sold to coffee clubs on a loan arrangement over a period of two years. The pulpers allowed smallholder coffee producers to produce parchment coffee. The success of the coffee sales has led to further investments by donors in fermentation tanks, tree nurseries and demonstration plots. In 2000, 35 tons were marketed with a value of $35,000. However, global coffee prices have slumped in recent years, and NASFAM is helping association members to diversify their cash crop production.

The Mchinji Association, formed in 2000, marketed 183 tons of groundnuts during its first year of operation, exporting 100 tons to UK and Zambia. The association made a profit of $20,000. 80% of the surplus was returned to the farmers as a second payment. Last year, sales of groundnuts reached $216,000 (425 tons). Another growth area is that of herbs and spices, in particular paprika, ginger, turmeric and sesame. 50 treadle pumps have been installed
for irrigation, seeds are being multiplied, and marketing constraints are being tackled.

While NASFAM encourages associations to be limited in scope, balanced by their capability to manage and finance themselves - and as such, most associations are based around one crop - the marketing of a mixture of food and cash crops in some areas is critical to year-round viability. Currently, marketing efforts link farmers to local buyers, but the long term objective is to create an agent within the NASFAM framework that will provide a one-stop service for associations to individually or collectively export or first-step process farm products. For example, in 2001, 62 tons of soy beans were marketed, with a value of $13,500.

NASFAM has a long history of partnership with the Malawi Rural Finance Company, which provides seasonal credit to the members for input procurement. The excellent credit history established by NASFAM members has encouraged other financial institutions to participate, and the National Bank of Malawi is now the first commercial bank to extend seasonal loans to the clubs. NASFAM is also working with the Malawi Union of Savings and Credit Co-Operatives to establish Association-based credit unions.

The establishment of small farm supply shops at association locations has many purposes. The pilot program is intended to serve as an educational and operational exercise for committees who are involved with planning and investing in a business enterprise for the first time. The NASFAM ADC staff assist with feasibility studies, shop location, shop management and financial issues; and the committees review the information, present the proposal to the General Assembly, implement the plan and monitor the operation.

NASFAM promotes gender equity in terms of equal participation in the democratic ownership process, equal access to benefits from association services, and encouragement to engage in leadership roles. Women farmers currently hold three of the eight seats on the NASFAM Board of Trustees, constitute 32% of association committee members, and 38% of the total membership.

NASFAM works towards changing policies that discriminate against smallholder farmers, and past advocacy strategies have resulted in improved tax policies for smallholder farmers and a proportion of the nationally imposed sales levy being returned to the association. Current key areas of attention are: enhancing smallholder access to financial markets; improving marketing systems; encouraging appropriate rural business development; and improving rural infrastructure. NASFAM disseminates information through its quarterly newsletter, Titukulane, crop bulletins, and monthly radio programs.

**Sustainability:**

Now approaching its fifth anniversary, NASFAM has elected to embark on a restructuring process that will turn it into a holding company with two subsidiaries: a for-profit NASFAM Commodity and Marketing Exchange (NASCOMEX) and a donor-subsidized Center for Development Support (NASCENT). NASCOMEX will house the revenue-generating private-sector business and marketing services, and NASCENT will provide “soft” services that straddle the public/private goods divide, such as information services, training, advocacy and outreach. By
separating out the two different roles of the association, NASFAM is ensuring that it is able to operate both as a transparent business entity serving its member-owners, and as an instrument for economic and social grassroots community development.

**Lessons Learned:**

As with any such initiative, there were environmental factors that facilitated success: particularly the government’s liberalization of agricultural production and marketing. However, programmatic methodologies also contributed to the achievements of NASFAM:

- A commitment to working only with self-motivated farmer groups enabled a limited staff to reach tens of thousands of small holders.
- Extensive surveys and research were conducted before expanding into new geographical areas, and only those with economic and human potential were selected.
- From the outset, associations were viewed as a business – rather than social – entities, which existed to improve the economic standing of members through commercial services that addressed constraints to their livelihoods.
- NASFAM has never tried to directly provide all the services required by its members, but facilitated linkages between associations and external private and public service providers.
- Only those services that directly benefited farmer members were promoted: not business activities solely to generate income for the association.
- On-site technical assistance was provided through field offices located where farmers could find the staff, use the phone, and meet to discuss issues and problems.
- Farmer associations were organized around the marketing of a single important crop, with diversified marketing coming later, after the merits of collective action and associations were proven.
- NASFAM and ACDI/VOCA’s programs of support have had no formal collaborative effort with government extension officers in the field, in order to remain strictly non-governmental. Cordial working relationships with good communication focused attention on farmer development and not on turf battles.
- To keep honest people honest, a high priority was placed on formal accounting systems, training, and periodic field audits.
- NASFAM’s success attracted a wide range of potential donors and collaborating organizations. The association has weighed carefully the costs and benefits of partnerships, and rejected any that do not directly help NASFAM and its membership.

**Field Responses:**

For Margaret Matimba, a peanut farmer in the center of the country, the benefits of association membership have far outweighed the costs. “We were facing many problems [before forming the local association] especially in the field of marketing such as a lack of reliable markets, low market prices, unscrupulous buyers, and a lack of technical expertise in the field of marketing....
There are many changes that have taken place since the association came into existence. Farmers now have a voice, and big organizations now respect our concerns.” Another NASFAM farmer, Mrs. Muyaya, agreed: “We now have a wide choice of where to purchase farm inputs because as an association, we have bargaining power – hence we can negotiate for reasonable prices. Ever since I joined the association, I have made more profits... so much so that I have built an iron sheet roofed house.”

“We want to support the farmer; we want the poor farmers to get rich; we want them to be able to send their kids to school; we want them to be healthy, well fed and happy. In the final analysis we want them to earn money. This is where NASFAM fits in so well; where it has made the biggest difference so far. Even from the same levels of production, farmers are earning more. NASFAM’s training of farmers, its emphasis on diversification and on marketing, its optimal mix of resources for the farmer make NASFAM a real model for the future.”

- Dr. Ellard Malindi, Permanent Secretary of Agriculture and Irrigation

Prepared by:

Joshua Walton
Senior Vice President, Africa and the Middle East
ACDI/VOCA
50 F Street, N.W., Suite 1100
Washington
DC 20001, USA
Tel: (202) 638 4661; Fax: (202) 626 8726; E-mail: jwalton@acdivoca.org