To: Trade, Industry, Agriculture committees

Re: Benefits of Fair Trade for Malawi's exports and diversification agenda

Prepared by the Malawi Fair Trade Network for the Fair Trade breakfast 6 June 2012

What is Fair Trade?

Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South.¹

How do you know a product is Fair Trade?

To join Fair Trade farmers must comply with a set of social, economic and environmental standards. From a social perspective, Fair Trade ensures labour rights are upheld and democratic decision-making processes are in place allowing all members to participate; in terms of economic benefits, it ensures farmers receive minimum price covering the sustainable cost of production and that a premium – or ‘extra cash’ is allocated for community and business development. Last but not least, environmental standards guarantee sustainable agriculture practices are followed.

In the same fashion, buyers in the Fair Trade market are encouraged to enter into long term contracts and offer pre-financing to farmers. This helps to level the playing field in the market place for small holders and guarantees a trading system which offers transparency and traceability to the consumer, which is crucial to continue growing the market overseas.

Through the Fairtrade certification the aforementioned principles are guaranteed along the supply chain. In Malawi Fairtrade certification has had a significant impact among producers of tea, groundnuts and sugar. Research carried out in 2010 confirms significant benefits have been received in terms of economic, social, technical and organizational development for smallholder and state workers in the country.²

How does Fair Trade benefit Malawian farmers?

Fair Trade, particularly through certification, has successfully contributed to the empowerment of farmers in Malawi through the strengthening of farmer organisations as well as the additional support leveraged from non-governmental organisations like Fairtrade International, TWIN, VSO, and research organisations such as ICRISAT and the Tea Research Foundation, commercial companies such as Liberation and J Sainsbury’s, Illovo, the tea and sugar estates and national bodies such as the National Smallholder Farmers Association of Malawi (NASFAM).³

3.7 million tons of Fairtrade production in Malawi as of 2012

³ Pound, 2011
Fair Trade has also been instrumental in complementing the support smallholder farmers receive from government in accessing international markets. Since its introduction in Malawi in 2004, Fair Trade has supported over 12,400 smallholder farmers by facilitating entry into the global market of three Fair Trade products; tea, sugar and ground nuts. Currently, 25% of the annual national sugar production is grown by the Kasinthula Cane Growers Limited (KCGL)\(^4\) and, 9% of the annual 46,000 tonnes of export tea is sold into the Fair Trade market.

Farmers engaged with Fair Trade have been able to not only increase their market share, but have also received support in dealing with unexpected challenges. A case in point was the scare of aflatoxin in the 1970s which significantly decreased Malawi’s groundnut exports. As a response, once Fair Trade entered Malawi, it provided support to groundnut smallholders and helped them to re-engage in international markets with sales generating an income of $527,000.\(^5\)

### Fairtrade products in Malawi (nuts, sugar and tea)

<table>
<thead>
<tr>
<th>Business</th>
<th>Farmers</th>
<th>Workers</th>
<th>Production (Kgs)</th>
<th>Exports (FT)</th>
<th>Premium (US$)</th>
<th>Projects (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kasinthula</td>
<td>764</td>
<td>600</td>
<td>6 900 000,00</td>
<td>4 167 000,00</td>
<td>1 578 265,00</td>
<td>693 681,00</td>
</tr>
<tr>
<td>Sukambizi</td>
<td>6 300</td>
<td>5 078</td>
<td>4 884 915,00</td>
<td>1 412 051,00</td>
<td>706 025,50</td>
<td>6 428 443,11</td>
</tr>
<tr>
<td>Eastern</td>
<td>4 000</td>
<td></td>
<td>1 362 095,00</td>
<td>1 123 905,00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satemwa</td>
<td>2 500</td>
<td>10 600 130,00</td>
<td></td>
<td>1 362 095,00</td>
<td>1 123 905,00</td>
<td></td>
</tr>
<tr>
<td>Msuwadzi</td>
<td>164</td>
<td>611</td>
<td>23 950,00</td>
<td>4 790,00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mzuzu</td>
<td>2 600</td>
<td></td>
<td>14 000 000,00</td>
<td>23 000,00</td>
<td>11 500,00</td>
<td></td>
</tr>
<tr>
<td>Kwalanzu</td>
<td>2 500</td>
<td>19</td>
<td>522 000,00</td>
<td>56 992,00</td>
<td>43 712,00</td>
<td></td>
</tr>
<tr>
<td>Masfa</td>
<td>3 010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>16 838</td>
<td>10 678</td>
<td>37 518 673,00</td>
<td>5 626 001,00</td>
<td>3 719 667,50</td>
<td>8 289 741,11</td>
</tr>
</tbody>
</table>

\(^4\)KCGL has been Fairtrade certified since July 2011

\(^5\)Towers, Nancy. Malawi: Business and Food security brief, 2011?
Does Fair Trade contribute to national challenges?

In addition to market growth, Fair Trade helps tackle food insecurity in Malawi mainly through three channels: by helping secure a decent and reliable income (through the promotion of long-term contracts, access to credit and support to income diversification); strengthening farmers’ organisations to access specific resources needed by their community to improve food security; and helping to improve a family’s access to food by promoting the expansion of food and cash crops.

Members of the Kasinthula Cane Growers smallholders’ group in Chikwawa District, Southern Malawi, use 40% of the premium from Fairtrade for personal development for ‘income diversification’. This has meant that smallholders like Lloyd Wisted can invest in other ways to generate an income; he now has a small kiosk selling groceries and has built two houses which he rents out. Mr. Dziweni has bought a grocery shop and more cattle….Sugar Cane smallholders have also been able to buy more livestock. This is valuable in Malawi where livestock is seen as an investment which can be sold off quickly when cash is needed.

Furthermore, current efforts by Fair Trade and partner organisations are targeting the diversification of crops which will enable farmers to steer away from products such as tobacco and enter the Fair Trade market through products which can be processed locally, thus adding value to their business, creating jobs locally and enhancing regional trade opportunities.

What is the future of Fair Trade in Malawi?

The appetite for “ethically and sustainably” sourced products in Europe continues to grow and it is also making inroads in emerging markets including South Africa, Brazil, Mexico and India. The retail sales of Fair Trade products in 2009 was €3,4 billion, with a 13% positive annual growth. It is clear that the companies behind this growth see that investing in the sustainability of supply chains is a win-win situation, both for European companies (that need to ensure reliable sourcing and also to respond to increasing societal and consumer demands) but also for producers in the South. Producers in Malawi can reap the benefits of this global trend.

The Malawi Fair Trade Country Network, which comprises all Fair Trade certified producers and other stakeholders, works to expand products and volumes through improved marketing and extension services, to create partnerships and to increase networking within and outside Malawi. The network will play a great role in maximizing the potential of Fair Trade by increasing exports and diversifying agricultural products in the country. This provides a strategic opportunity to collaborate with the committees of Agriculture, Trade and Industry specifically.

How can government and Fair Trade work together?

The Government of Malawi has demonstrated commitment to supporting smallholders and striving for fairness in the market place through among others its Growth and Development Strategy (MGDS). The full potential of Fairtrade would be realized through adoption of a Fair trade policy which ensures ethical and sustainable trade in Malawi.

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*Ibid*
This can be done through the following actions (though not exclusively):

<table>
<thead>
<tr>
<th>Aim</th>
<th>Objective</th>
<th>Proposal</th>
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<tbody>
<tr>
<td>Increase competitiveness of producers in Malawi</td>
<td>Provide technical support to smallholders to obtain certifications required by international markets (i.e. organic) including the Fair Trade markets (Europe and South-Africa)</td>
<td>Allocate a budget line for Fair Trade in the 2013 national budget</td>
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<td>Increase exports</td>
<td>Create competitive advantage and product differentiation in Malawi exports by highlighting high standards and ‘brand’ them as ethically and sustainably sourced products</td>
<td>Introduce a clause in the National Export Strategy and the Competition and Fair Trading Act and the Integrated Trade and Industry policy to explicitly promote and clarify the role of Fair Trade in Malawi.</td>
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<td>Grow domestic market</td>
<td>Create awareness about Fair Trade in Malawi among producers and consumers</td>
<td>Work closely and support the Malawi Network</td>
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<td>Grow regional market</td>
<td>Support producers in selling into the Fair Trade market in South Africa</td>
<td>Allocate funding to attend exhibition/meeting/conferences for the Malawi Fair Trade network</td>
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<td>Involve farmers in policy making processes</td>
<td>Promote the Malawi Fair Trade network as platform for advocacy and participation</td>
<td>Invite Malawi Fair Trade network to participate in relevant consultations, government meetings as a specialist group of farmers</td>
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</table>

Conclusion

As the Fair Trade movement continues to grow both internationally and locally, so does the potential for enhancing socio economic development in Malawi through not only export and diversification of agriculture products, but through the expansion of regional markets, particularly the Fairtrade market in South Africa. Farmers in Malawi have seen the benefits of Fairtrade in terms of their business growth and of their community development in areas such as food security. Current efforts are also focusing on wide diversification of crops to effectively counterbalance the diminished global demand for burley tobacco. There is therefore an invaluable opportunity for government to support the expansion of such benefits to more farmers and more products by, for instance, incorporating Fair Trade as a development mechanism in national budgets and introducing it as a clause in both the National Export Strategy and the Competition and Fair Trading Act and the Integrated Trade and Industry policy, among others. With that in mind, the Malawi Fair Trade Country Network will host its first Fair Trade Breakfast on 6 June, 2012 and invites members of the committees of Agriculture, Trade and Industry to join Fair trade farmers, commercial partners and representatives of the international community to explore these and other opportunities more in greater depth.

Contact information

Malawi Fair Trade Network
Frank Olok
malawi@fairtradeafrica.net
+265.994.023328

National Smallholder Farmers’ Association of Malawi (NASFAM)
John Chipeta
Jchipeta@nasfam.org
+265995404072