

VICE PRESIDENT OF TANZANIA (GREY SUIT) VISITS THE AWARD WINNING CAMAL EXHIBITION AT ARUSHA COFFEE CONFERENCE

8TH QUARTERLY REPORT

01 JANUARY 2006 – 31 MARCH 2006

USAID CONTRACT : GS-23F-9800H, TO # 690-M-00-04-00120-00
 SUBMITTED TO: USAID MALAWI
 ECONOMIC GROWTH STRATEGIC OBJECTIVE (SO6)



SUBMITTED BY: CHEMONICS INTERNATIONAL
 SALES PROJECT



DATE: APRIL 2006
 Contact : **Tel : (265) 01-634-122/512/525**
 FAX : (265) 01-633-911
 EMAIL : MALAWISALES@CHEMONICS.COM

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

ACRONYMS

AAFEX	Association for African Agro-Exports
ADEPTA	Association for the Development of International Trade in Agro-Food Products and Technologies
AG/NRM	Agriculture/ Natural Resource Management
AGOA	African Growth and Opportunity Act
AID	Agency for International Development - Washington
AIMS	Agricultural Input Markets Development Project
AMSCO	African Management Services Company
APS	Annual Program Statement (USAID)
BOA	Basic Ordering Agreement
CAMAL	Coffee Association of Malawi
CDA	Cotton Development Association
CLIN	Contract Line Item
CNFA	Citizen's Network for Foreign Affairs
COMESA	Common Market for Eastern and Southern Africa
CQI	Coffee Quality Institute
CSP	Country Strategic Plan
CTO	Cognizant Technical Officer
COP	Chief of Party
DCA	Development Credit Authority
DEMAT	Development of Malawian Entrepreneurs Trust
DFID	Department for International Development (UK)
DMS	Deepening Malawi's Microfinance Sector – USAID Project
EAFCA	Eastern African Fine Coffee Association - Uganda
ESCOM	Electricity Supply Corporation of Malawi
FDA	Food and Drug Administration (US)
FM	Financial Management Office (USAID)
FY	Fiscal Year
G&A	General and Administrative
GDA	Global Development Alliance
GOM	Government of Malawi
GTMA	Garment and Textile Manufacturers Association of Malawi
HACCP	Hazard Analysis Critical Control Point
HO	Home Office – Chemonics Washington
IF	Integrated Framework for Trade-Related Technical Assistance to LDCs
IFDC	International Center for Soil Fertility and Agricultural Development
ILO	International Labor Organization
inWent	Capacity Building International (Germany) <i>Internationale Weiterbildung und Entwicklung gGmbH</i>
IR	Intermediate Result
ISO	International Organization for Standardization
IT	Information Technology
ITC	International Trade Center
ITI	International Technologies Investment, Ltd.
KIR	Key Intermediate Result
KRA	Key Results Area
LOE	Level of Effort
LOP	Life of Project

MBS	Malawi Bureau of Standards
MC	Making Cents
MCCCI	Malawi Confederation of Chambers of Commerce and Industry
MEAC	Monitoring, Evaluation, Analysis, and Communication
MEPC	Malawi Export Promotion Council
MIPA	Malawi Investment Promotion Agency
MK	Malawian Kwacha
MTPSD	Ministry of Trade and Private Sector Development
MUSCCO	Malawi Union of Saving and Credit Cooperatives
NAG	National Action Group
NASFAM	National Smallholder Farmers' Association of Malawi
NGO	Non-Governmental Organization
NOLF	Notification of Limitation of Funds
NORAD	Norwegian Development Agency
NTAE	Non-Traditional Agricultural Exports
ODC	Other Direct Costs
PA	Protocol Agreement
PERSUAP	Pesticide Evaluation Report and Safer Use Action Plan
PIR	Project-level Intermediate Result
PMP	Performance Monitoring Plan
PSI	Population Services International
RAISE	Rural Agricultural Input Supply Expansion (CNFA)
RATES	Regional Agricultural Trade Expansion Support - Kenya
RF	Results Framework
RFP	Request for Proposal
RSA	Republic of South Africa
RTT	Results Tracking Table
SACU	Southern African Custom Union
SADC	Southern African Development Community
SAF	Strategic Activity Fund
SALES	Support for Agriculturally Linked Enterprises Project
SCAA	Specialty Coffee Association of America
SEG	Sustainable Economic Growth
SGS	<i>Societe Generale de Surveillance</i>
SIAL	<i>Salon International de l'Alimentation</i>
SO	Strategic Objective
TAML	Tea Association of Malawi
TCB	Trade Capacity Building
TSI	Trade Support Institution
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
USAID	United States Agency of International Development
USD	United States Dollars
WDO	Work Days Ordered
WICO	Wood Industries Corporation
WTO	World Trade Organization

I. ADMINISTRATION

During the second quarter of Fiscal Year 2006 the SALES team received formal notification from the Regional Contracts Officer (RCO) of "Termination for the Convenience of the Government." While disappointing, this early closure came as no surprise given the precarious nature of the SALES project's funding since its inception almost two year's earlier. Once formally notified, the administrative team immediately initiated steps to assure the early close-out would proceed within the timeframe requested by the RCO (i.e., effective termination on 30th June 2006).

A. Close-Out Process

The SALES team drafted a close-out plan and submitted same to the Chemonics Home Office for editing and submission to the RCO. The team also developed a durable goods disposition plan identifying potential recipients of project assets. This plan will be submitted to USAID for comment and correction in early April 2006. Once the finalized durable good disposition plan is approved by both USAID and the GOM the project will inform recipients to collect their respective items from the project and formally sign-over ownership.

After receiving the RCO close-out letter in mid-February, although dated 19th January, the administrative team immediately informed all local and expatriate staff of the impending early closure of the project. Any and all outstanding travel advances were communicated to staff for settlement along with any other personal related accounts receivable (i.e., water, electricity, sublet rentals, phone, etc.). The three landlords for the two personal houses and one office space were informed in writing of the impending closure of the project and anticipated termination of the existing leases. The one sublet tenant for the shared office space was similarly informed in writing. Shipping agents were contacted to determine the necessary steps for departing expatriate staff and scheduling of departures.

Utility service providers (ex., water, electricity, Internet, security, etc.) were also duly informed in writing of the impending closure of the project. Local staff began the close-out procedures for the filing and accounting systems. The project accountant informed any and all outstanding accounts receivable/payable of the need to settle in a timely fashion. By the end of March only one check from the project was over a month outstanding due to a clerical error at the vendor (BP Petrol). Severance payments due local employees along with outstanding leave balances were calculated for all local staff. In response to the announced early close-out all local employees opted to become contract staff to facilitate their departure to subsequent employment on an extremely tight labor market.

B. Other Activities

In addition to the close-out procedures initiated during this quarter the Administrative Team continued to support project technical activities. Principal administrative support to technical activities this quarter were the preparation, disbursement and processing of multiple travel advances. These travel advances supported staff and partner's attendance at the Arusha coffee conference and Dubai GulfFood Exhibition.

II. TECHNICAL

The RCO close-out letter was explicit about the “reasonable number and type of activities to expect the project to achieve within the constraints of the remaining time and funding.” The letter goes on to state that “Any and all other previously undertake or projected activities” within the three sectors supported by SALES (cotton, coffee and Nali) “should be stopped.” This guidance has been followed throughout the quarter and will be continued until the project is closed.

In the cotton sector activities were limited to dissemination of the extension training films while continuing to collect data and monitor impact. In coffee three major activities were approved under the RCO guidance that included EAFCA coffee conference preparation and attendance, completion of the coffee sector strategy document (Coffee Sector Road Map) and a Brewing for Excellence training. The letter identified four activities to support Nali’s attendance at the Dubai GulFood Show, test Nali’s sauce line for chemical and biological contaminants, address any identified contaminants and attend the Chicago Fancy Food Show in early May 2006.

A. COTTON SECTOR.

SALES continued to support the cotton sector throughout the quarter by working with the two major ginning companies in Malawi, Clark Cotton (CC) and Great Lakes Cotton (GLC), to provide extension services to smallholder cotton farmers. SALES developed, DVD-based, training films are embedded within the existing extension services offered by these two companies. These cotton sector partners project three different films developed by SALES. The three films address issues of agricultural chemical safety, the use and maintenance of a backpack sprayer commonly used in the cotton sector (JactoRed) and a cotton husbandry best practices film (In High Cotton). Almost 21,000 people have been trained using this “embedded extension” approach. Training has been held across the entire length of the country with a focus on the southern region because it is traditionally a major cotton growing area. However, areas in the north and centre are gaining in importance.

COTTON REGION & DISTRICT		Male	Female	TOTAL	
NORTH	MZIMBA	399	198	597	1,434
	RUMPHI	301	149	450	
	KARONGA	256	72	328	
	MZUZU	38	21	59	
CENTRE	SALIMA	785	452	1,237	1,734
	KASUNGU	125	46	171	
	NKHOTAKOTA	83	50	133	
	LILONGWE	92	33	125	
	DEDZA	64	4	68	
SOUTH	CHIKWAWA	6,473	2,858	9,331	17,781
	NSANJE	4,021	2,584	6,605	
	BALAKA	984	195	1,179	
	NTCHEU	313	66	379	
	MULANJE	64	41	105	
	MACHINGA	72	31	103	
	BLANTYRE	31	11	42	
	NENO	29	8	37	
TOTAL		14,130	6,819	20,949	

Table #1 : Reported Cotton Trainees by Region

The data presented in Table 1 above are preliminary figures through the end of March 2006. There is a lag of between one month to six weeks between the time of the training and the reported figures. Hence, the figures produced in Table 1 should be taken as the minimum values achieved at this point in time. The training figures are also indicative of

the relative importance of each district to the national cotton supply. Figures are somewhat skewed to the south because the 2004-05 growing season was limited to 2 rural projection kits between the 2 cotton ginning companies. The companies did not have enough kits to cover the entire country in the first year of the embedded extension program. In the 2005-06 campaign a total of 8 kits were divided between the 2 cotton ginning companies allowing national expansion.

In addition to the geographic analysis of these data they can also be examined temporally. A definite seasonal pattern to the trainings appears when the data are examined on a monthly basis and presented by agricultural year. Table 2 (below) presents the data collected throughout the 2004-05 agricultural year and data to-date for the season currently underway (2005-06). Films were not available until December 2004 given the project arrived in-country in June of that same year. Hence, no data were available for the August through December 2004 timeframe. Note that the bulk of the trainings have been shifted to earlier in the agricultural season from 2004-05 to 2005-06 as the films were available earlier ("In High Cotton" was completed in July 2005) and the ginners had more experience with the kits. Furthermore, additional kits were provided. Farmer feedback has consistently mentioned they would appreciate these films being shown even earlier in the agricultural season to take full advantage of the lessons transmitted. Figures for March 2006 are preliminary as data continues to drift in from the ginners due to the data collection lag mentioned above. Training figures will likely drop dramatically in the coming months, as in the 2004-05 season, with reasonably complete reporting available by the end of the project.

DVD Film Trainees in Cotton Sector			
MONTH	2004-05	2005-06	TOTAL
Aug		68	68
Sep		0	0
Oct		530	530
Nov		794	794
Dec		624	624
Jan	84	5,676	5,760
Feb	209	1,581	1,790
Mar	3,810	1,629	5,439
April	5,944		5,944
May	0		0
June	0		0
July	0		0
TOTAL	10,047	10,902	20,949

Table #2 : Reported Cotton Trainees by Date

In addition to these macro-level figures used to monitor program impact more micro-level documentation has continued. The SALES team drafted an individual-level "success story" this quarter based on the experience of a smallholder female farmer in Balaka District. This young women is the first born in her family and presently attends secondary school while farming to provide income to pay her school fees. Wema Sikisi first saw the films in November 2005 and immediately changed her farming practices. She was also motivated to plant a second field using the full repertoire of more modern farming techniques presented in the film.



PHOTO #1 : Wema Sikisi in her cotton field

B. COFFEE SECTOR.

SALES staff were attending the 3rd African Fine Coffee Conference and Exhibition in Arusha (16th – 18th February) when formal notification of the project's early closure was received. Although this news was a disappointment for both SALES and the Coffee Association of Malawi (CAMAL) attendees the exhibition booth still required regular and optimistic representation. That this succeeded in spite of the bad news was evidenced by Malawi's booth being recognized as the "Best Exhibitor" at the conference. CAMAL and Malawi were publicly recognized at the final participant dinner and awarded a "Certificate of Achievement" as best exhibitor for 2006 (see Annex A). Malawi's coffees fared much better in the cupping competition, as compared to last year's event in Zambia, scoring among the Top Five of all country entrants (see Annex B).



Photo #2 : Part of the CAMAL stand in Arusha

SALES efforts to support rejuvenation of the coffee sector in Malawi were further confirmed this quarter by the publishing of a Success Story on the AID/W website. The story is entitled "Malawi Coffee Travels the Globe" and is published in AID/W's "Note From the Field" series. This "Note" has a publication date of 11 January 2006 (see Annex D for a copy of this success story). The story recounts the impact of the September 2005 coffee cupping training in Thyolo on the Smallholder Farmer Coffee Trust (SFCT) that produces the Mzuzu blend of coffee in Malawi. SFCT management reproduced this training in Mzuzu for their internal edification with material support from SALES similar to the earlier Thyolo event. SFCT management sought to bring the same level of awareness and focus on quality to an even larger number of their own staff.

Monthly coffee cupping sessions continue to be held at the SALES offices for the CAMAL Technical Committee members identified as the top national cuppers. Cupping sessions were held in both January and March with February taken by attendance at the Arusha conference. The January domestic cupping focused on those coffees submitted for distribution at the Arusha exhibition. The cupping identified one coffee of six submissions with some serious faults. The grower was informed and he immediately removed that coffee lot from among those scheduled for distribution. He also recalled coffee from the same lot being sent to Japan for independent cupping. This one example highlights the importance of regular cupping to achieve higher quality coffees and the necessity to incorporate immediate feedback to growers on their coffees. The March cupping used coffees collected in Arusha from other regional growers such as Ethiopia, Kenya, Tanzania and Burundi. These coffees were cupped by the Malawi cuppers to broaden their palates and introduce new aromas, flavours and faults to their growing repertoire. It is only through multiple, regular and diverse coffee cupping that true international quality cuppers will be produced in-country.

The Coffee Sector strategy document, also known as the Coffee Road Map, was completed this quarter by the local consulting firm, Kadale Consultants. The resultant strategy was discussed by the CAMAL membership and adopted. The initial impact of this strategy document was the approval by the CAMAL membership to fund and staff a one-person permanent CAMAL secretariat.

SALES Project efforts to support the coffee sector in Malawi are also garnering attention within the country. Several articles appeared in the local newspapers in late March 2006. "The Nation" newspaper published articles entitled "Coffee Exports on the Rise" and "CAMAL wants smallholder coffee growers in South, Centre" while "The Daily Times" announced that "Mzuzu Coffee Comes Third at International Exhibition." All three articles were informative and reasonably accurate reflecting an increased understanding of the coffee sector among the economic journalists at these Malawian newspapers.

C. NALI - Food Sauces.

The highlight of this quarter for the support program to Nali was their attendance at the GulFood Show in Dubai during February. Several important contacts were made during this exhibition with potential Middle Eastern buyers. Nali's sauce line is presently being tested by National Standards Bureaus in Lebanon, Egypt and Pakistan. By the end of the quarter word was received that Pakistan's Standards Bureau had approved Nali for domestic consumption. Price negotiations are underway with potential Pakistani importers.



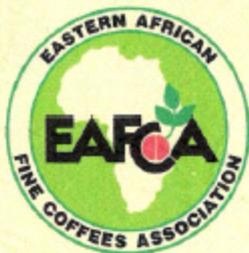
PHOTO #3 : Nali at GulFood 2006 in Dubai

Nali's managing director also took advantage while attending the GulFood Show to visit other exhibitors. Targeting potential importers of bird's eye chillies he identified several opportunities for exporting this dry commodity. Between similar contacts from the ANUGA trade show in Cologne in November and Dubai in February Nali has confirmed orders for 80 containers of bird's eye chilli exports in 2006 (roughly 7 tons per container).

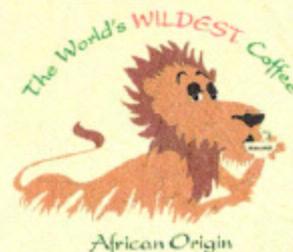
Preparations continued this quarter to support Nali's attendance at the Chicago Fancy Food Show in Chicago during the first week of May 2006. SALES staff continued to update the new Nali export label to conform to US FDA standards. Samples of the full line of Nali's sauces were sent to a US-based laboratory using FDA consistent techniques to analyze for chemical and biological contamination. Results were obtained by the end of the quarter and identified a problem that could potentially limit Nali's access to the US market. However, this problem is also easily remedied locally by improved attention to quality production principles also supported by SALES through the HACCP and ISO 22000 programs.

ANNEXES

- ANNEX A** Certificate of Achievement
- CAMAL “Best Exhibitor” - Arusha
- ANNEX B** 2006 Taste of Harvest Final Scores
- ANNEX C** Coffee in the Local Press
- “Mzuzu Comes Third at International Competition”
20 March 2006 – The Daily Times
- “ Coffee Exports on the Rise”
20 March 2006 – The Nation
- CAMAL Wants smallholder coffee growers in South, Centre”
23 March 2006 – The Nation
- ANNEX D** Coffee Success Story
- USAID Website – “Notes From the Field” – February 2006



3rd African Fine Coffee Conference & Exhibition



CERTIFICATE OF ACHIEVEMENT

to

COFFEE ASSOCIATION OF MALAWI

for being the best exhibitor at the

“3rd African Fine Coffee Conference & Exhibition”

held on 16th – 18th February, 2006 in Arusha, Tanzania

Leslie D. Omari
Chairman, EAFCO

Robert Wagwa Nsibirwa
Executive Director, EAFCO

2006 Taste of Harvest Final Scores

TOH				
Rank	Avg Score	Country	Sample #	Sample Name
1	85.15	Burundi	5/4a	Kayanza - FW B
2	81.97	Burundi	2	Mumirwa FW - AA
3	81.63	Burundi	1	Mumirwa FW - A Class 2
4	80.1	Burundi	3	Ngozi FW - B 2619
5	76.13	Burundi	4	Kirundo - Muyinga FW - AA
1	88.25	Kenya	9	Ruthara Karindundu AA
2	84.78	Kenya	6	Mbugo AA 416
3	83.92	Kenya	5	Fairview AA 0018
4	83.9	Kenya	7	Mutira Mutitu
5	80.72	Kenya	8	Gikanda Kangocho AA
1	83.61	Malawi	14	Mzuzu Small Holder #4
2	82.19	Malawi	11	Mzuzu Small Holder #5
3	79.72	Malawi	13	Mzuzu Small Holder #1
4	74.14	Malawi	12	Mzuzu Small Holder #2
5	68.67	Malawi	10	Mzuzu Small Holder #3
1	82.39	Zambia	16	Rift Valley AA, Kasamba
2	81.61	Zambia	15	Teranova Estate AA
3	80.47	Zambia	17	Chisoba AAA
4	80.25	Zambia	19	Munali AA
5	78.69	Zambia	18	Middlerig AA
1	86.36	Tanzania	21	Lituru CPU AAA #5
2	82.92	Tanzania	20	Kilimanjaro Plant. AA #8
3	82.81	Tanzania	23	Pilikano CPU AA #10
4	82.36	Tanzania	22	Kilicafe North CPU AA #1
5	81.97	Tanzania	24	Ngaka CPU #3
1	81.13	Madagascar	27	Alexis Razafindrasira
2	79.67	Madagascar	25	Ampefy Coffee Growers Assn.
3	74.1	Madagascar	28	Andobo Coffee Growers Assn.
4	62.3	Madagascar	26	Ramanoelina
1	87.42	Ethiopia	33	Mulege Pvt Ltd, Sidamo 2
2	85.6	Ethiopia	32	YCFCO Ltd - Yirgacheffee gr2, ORG, FT
3	84.85	Ethiopia	29	Oromia Coffee Farmers Coop
4	84.25	Ethiopia	31	Green Coffee Agro-Ind PLC, ORG Kaffa Forest
5	84.08	Ethiopia	30	Wondo Tradg - Yirgacheffe Washed gr2
	80.88	Zimbabwe	34	Crake Valley Farm AA Plus
1	82	Rwanda	37	Rwashosca / Maraba
2	81.95	Rwanda	38	Nkora Coffee A
3	80.35	Rwanda	35	Musasa Coffee Cooperative A
4	79.75	Rwanda	36	BUFcoffee A



Mzuzu coffee comes third at international exhibition

BY ANTHONY KASUNDA

MZUZU Coffee scooped third position and Coffee Association of Malawi (CAMAL) was voted the best exhibitor during a 3rd Eastern African Fine Coffee conference and exhibition in Arusha, Tanzania.

CAMAL chairman Laurence Lawrence told a news conference on Friday the exhibition was organised by Eastern African Fine Coffee Association in February.

Lawrence, who is also Makandi Tea Estates General Manager, said the annual exhibition attracted 10 countries and 35 exhibitors and the judges were international importers, roasters and buyers.

"It is pleasing to note that the judges ranked Mzuzu Coffee produced by Smallholder Coffee Farmers Trust among the top three best coffees in Eastern and Central African region," he said.

He said the success of Malawi pavilion meant the Malawi coffee industry was making strides towards implementing improved standards in both smallholder and estate sectors.

"The association recognises that the challenges of coffee development require concerted efforts to exploit the opportunities for technology, innovation and modern approaches," he said.

Lawrence said such initiatives should be implemented to improve coffee production and marketing in order to significantly contribute to the growth of the country's economy.

He said Malawi like most countries whose economies rely on tobacco should find an alternative crop in the wake of the

The Daily Times

20 March 2006

anti-smoking lobby by World Health Organisation.

The chairman said the association had embarked on vigorous promotion of Malawi tea at both international and domestic market.

"We believe our participation at the exhibition has created awareness that there is quality coffee in Malawi and now we need to find market."

"When the demand is high, we will be able to increase production. Production of coffee evolves around quality," he said.

He said that to ensure that quality coffee goes on the international market, the association has a Quality Control group to identify the distinctive personality of both single origin and blended coffee.

"These standards assure Malawi's coffee are held to systematic, comparable and high international standard that compete on world markets."

At the moment, most of coffee produced in the country over 80 percent, is sold at the international markets.

Last season, Malawi produced about 1,900 tons of coffee. According to CAMAL, Malawi is expected to produce slightly more than 2,000 tonnes of coffee in 2006.

Lawrence said with technical support from Usaid Sales Project, the association would embark on training restaurants and hoteliers on how to brew coffee in May this year.

The next exhibition will take place in February next year in Addis Ababa, Ethiopia.

Coffee exports on the rise

by Frank Phiri

Exports of green coffee beans are expected to increase by 300 metric tonnes, a development industry officials say signals strong recovery of the sector.

Laurence Lawrence, chairman of the Coffee Association of Malawi (Camal), said on Friday output of the crop is projected to increase from 1,885 tonnes in 2005 to around 2,250 tonnes this year.

Good rains and improved tending of the coffee bushes are major contributing factors to the anticipated turnaround, he said.

"Rains have been significantly better this year, which should aid flowering of the trees. Another sign that Malawi's coffee sector is poised to bounce back is the reinvigoration of Camal," he said.

Lawrence, who is also General Manager of Makandi Estates—a divi-

sion of Global Tea and Commodities Limited, said output of Malawi coffee has been increasing since 2004 when 1,300 tonnes was produced.

He said latest developments in the industry give hope that coffee could become a strong complementary export to tobacco which faces market sanctions due to the anti-smoking lobby worldwide.

While tobacco prices are struggling to fetch the desired US\$2 per kilogramme, those of commercial and premium-grade coffee are already in the ranges US\$1.70 to US\$2 per kilogramme.

Lawrence said specialty-grade coffee fetches beyond the normal average price, and that Malawi has already made in-roads globally through Mzuzu Coffee produced by the Smallholder Coffee Farmers' Trust (SCFT) in the North.

Lawrence said Mzuzu Coffee was ranked third best roast at last month's



Coffee being graded in Thyolo—Pic Courtesy of Camal

African Fine Coffee Conference and Exhibition (FAFCA) in Arusha, Tanzania where Camal's pavilion emerged the best exhibitor.

He said Mzuzu Coffee is the country's standard-bearer with a specialty rating of above 80 percent given by the Specialty Coffee Association of America (SCAA). The rating is helping it secure advance orders from the

US, Italy, Holland and Japan. According to Camal, Malawi consumes 40 tonnes of coffee annually and the rest is exported at premium prices. Current coffee production still falls below its 1990s peak of 7,000 tonnes. Major coffee producers in Malawi are Sable Farming, SCFT, Makandi Estate and Press Agriculture.

Camal wants smallholder coffee growers in South, Centre

By Frank Phiri

The Coffee Association of Malawi (Camal) has embarked on a drive to lure smallholder farmers in the Southern and Central regions to venture into production of the export bean.

Camal Chairman Laurence Lawrence said this week the association would like to see farmers in the two regions emulating the Northern Region-based Smallholder Coffee Farmers' Trust (SCFT).

SCFT is behind Mzuzu Coffee which has emerged the country's best coffee so far and is clinching major export markets.

"We do not have such schemes in the South and Centre which could go a long way to boost production and meet growing demand," Lawrence said.

He said Camal would be willing to support the small-scale coffee growers with access to markets, inputs and training in crop

Lawrence said the association was talking to potential donors such as European Union (EU) and United States Agency for International Development (Usaid) to seek funding for a pilot smallholder coffee growers' project.

Usaid, through the Support for Agriculturally-Linked Enterprises (Sales) project, is already funding some of Camal's activities like training in professional cupping and roasting.

"We think that such a project would complement current initiatives in food security and afforestation. Concurrently, farmers would be encouraged to plant other crops while waiting for their coffee to mature," he said.

Between 1989 and 2000, several smallholder farmers in the South and Centre abandoned coffee growing due to the crash in international prices amid soaring prices of inputs.

The move followed the collapse of an export quota system administered by the International Coffee Organisation (ICO).

ICO's system used to ensure a

minimum price for producers but liberalisation of the world coffee market led to its abolition.

Camal says good rains have boosted prospects of an increase in harvest by about 300 metric tonnes which could off-set the impact brought by severe drought on production in the 2004/05 growing season.

The improved outlook has bolstered hopes that coffee—which accounts for US\$2 million to US\$3 million per year in exports—could aid the country's diversification efforts from decades of heavy reliance on tobacco.

Tobacco currently faces a global stiff anti-smoking lobby which has subdued prices and buying power of multinational companies.

Malawi is in the league of 10 countries in Eastern and Southern Africa whose coffee is on high demand due to characteristics such as acidity.

The 10 countries export about 98 percent of Africa's top quality beans to markets in Europe and the United States.



NOTE FROM THE FIELD

Malawi Coffee Travels the Globe

USAID supports coffee trust's efforts to use quality control to become more competitive



USAID SALES/Chemonics

Harrison Kalua "breaking the crust" at the Mzuzu coffee cupping competition.

Increased market awareness of the quality of Malawi's coffees translates into more exports, improved foreign exchange earnings and higher profits for coffee farmer trusts, as well as higher incomes at the household level.

USAID supports the coffee sector in Malawi through the Support for Agriculturally Linked Enterprises (SALES) activity. The main goal of SALES is to increase rural employment, incomes, investment and trade in Malawi by spurring the growth of private sector "agriculturally linked" enterprises. The Coffee Association of Malawi (CAMAL), in response to lessons learned from an Eastern Africa Fine Coffees Association (EAFCA) conference in Zambia, expressed interest in improving its members' skills in coffee production methods, grading, and cupping, the technique used to evaluate a coffee's quality and characteristics. The SALES project, in collaboration with EAFCA, provided support to CAMAL to organize its first annual cupping competition in September 2005.

As General Manager of the Smallholder Coffee Farmers Trust (SCFT) in Malawi, Harrison Kalua has attended several cupping trainings and competitions throughout the world. However, at the USAID/Malawi-sponsored first annual national cupping competition in September 2005, he was impressed with how using Specialty Coffee Association of America (SCAA) standards reduced the subjectivity of cupping coffees. Knowing that quality control is a key to success, Kalua recognized this sort of training should be replicated in the Mzuzu area of northern Malawi, where the SCFT works with more than 3,500 smallholder coffee growers.

Kalua won additional motivation when his smallholder growers swept the top five coffees in the national competition. After showcasing these competition-winning coffees in the fall at international cupping events in Germany and Costa Rica, he returned to Malawi to host an internal SCFT competition in December. Patterned on the national competition, the Mzuzu training/competition was held over the course of two days during the first week of December. Kalua sought and received assistance from USAID in the form of SCAA support materials for the training.

January 11, 2006

This publication was produced for review by the U.S. Agency for International Development. It was prepared by Richard Kimball of USAID/Malawi.

Winning the national competition has allowed Kalua to export his smallholder's coffees to international markets. Attending the Germany competition with a "national winner" status, he closed a deal on 18 metric tons with a specialty coffee buyer in Italy. SCFT coffee sold at a 35 percent premium above the "New York C," or coffee reference price, on the New York Board of Trade. His Costa Rica trip also has already paid off: interested buyers are lining up for the 2006 crop now in the field.

Kalua wants to retain a competitive edge for his company, the Trust, and his growers. He understands that quality control is at the root of this success. He recently told a national Malawian newspaper that the SCFT must "pull up our socks in order to maintain the lead in the coffee industry" and that this explains why "this in-house exercise" of an internal coffee training and competition is so important. His target is to have 60 percent of the SCFT annual production classified as "specialty."

Coffee Sales Build New Home for Malawian Family

The increased market awareness of the quality of Malawi's coffees not only translates into more exports, improved foreign exchange earnings and higher profits for the Trust. Increased prices for the "specialty" grade Malawian coffees also yield higher incomes at the household level.

McDonald Nguluwe has been a coffee farmer with SCFT in Malawi since 1999. Coffee grown by him and other smallholder farmers is

processed and marketed by the Trust, which operates as a union of smallholder coffee growers organized within five associations.

Nguluwe lives in the Chibavi area near Nkhata Bay. In addition to two tons of coffee each year, Nguluwe grows bananas, pineapples, cassava and maize. His wife sells the bananas and pineapples in the local market to generate a cash flow for everyday needs. Coffee is paid out once a year in a lump sum and allows him to make more long-term investments.

Nguluwe is very pleased with the improving quality of SCFT coffees and has directly benefited from higher prices. In 2005, partly due to SCFT being the national cupping winner, farmers received 13 percent more for their crop than in the previous year. This additional income has allowed Nguluwe to begin construction on a house, purchase a television and pay the school fees for his seven children. His wife Annie Kamanga, having seen her husband's success, has also begun planting coffee. Nguluwe, in turn, is encouraged to do more and has set his personal target at producing three tons per year.