



**NASFAM Strengthening Project
(NSP)
Malawi**

Quarterly Report
October 1 to December 31, 2000
Report No. 1: 2000/2001



Prepared for:

USAID/Lilongwe
Cooperative Agreement No.
690-A-00-00-00172-00

Prepared by:

ACDI/VOCA
50 F Street, NW, Suite 1100
Washington, DC 20001
Telephone: (202) 638-4661
Facsimile: (202) 626-8726

A

NASFAM 2000 - 2002

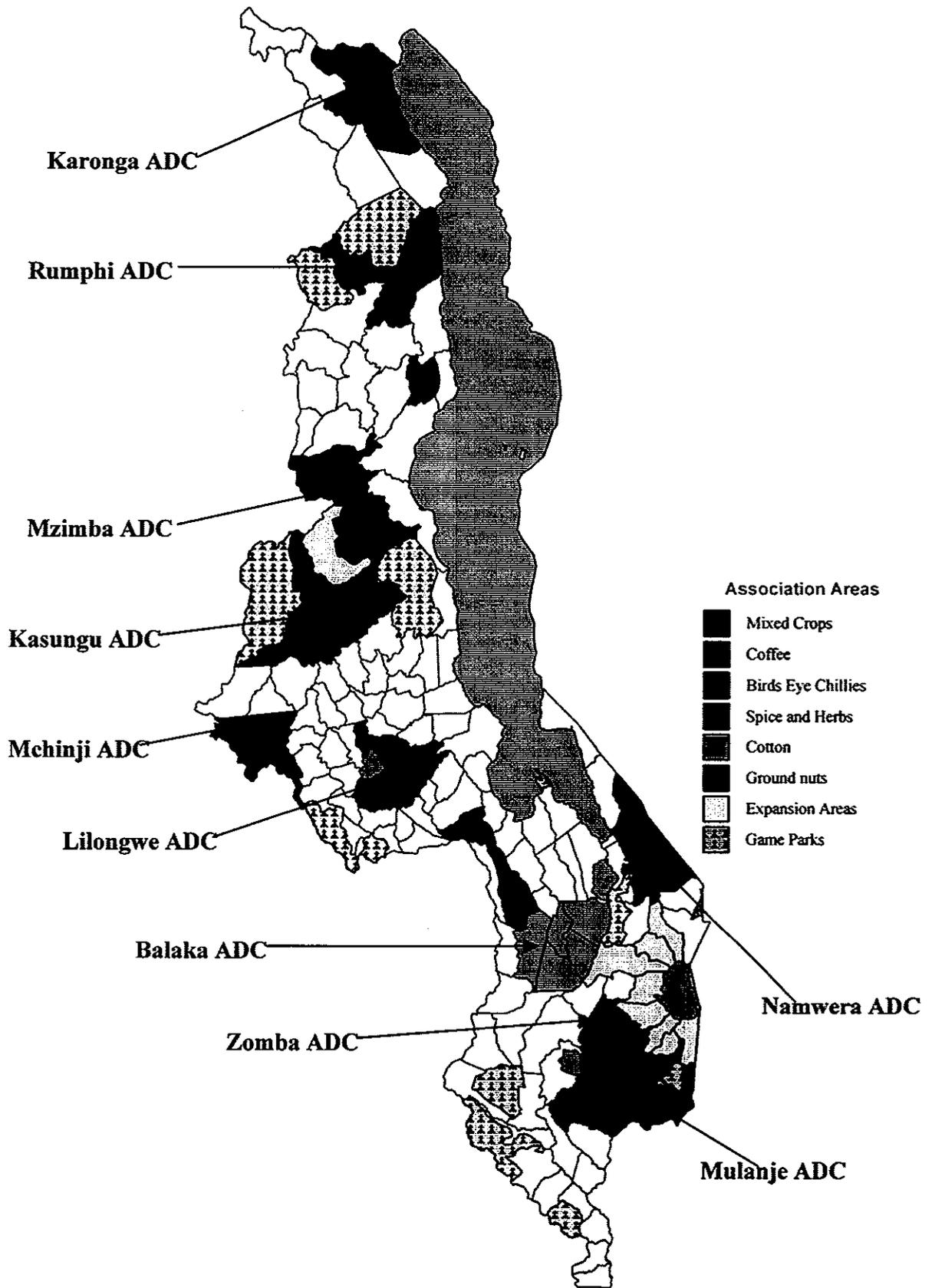


Table of Contents

	Page
Cover Photo: New office for Nsipe Association	
Map of Project Area of Operation	
Table of Contents	
List of Acronyms	
Project Background	
1. Highlights: First Quarter	1
2. Field Programs and Services	2
2.1 Background	2
2.2 Field Training and Education	2
2.3 Association Expansion and Membership Status	3
2.4 New ADC	3
2.5 Field Construction Program	3
2.6 Rural Self-Help	4
2.7 Association Motorcycle Program	4
3. National Programs and Services	5
3.1 Association Financial Systems	5
3.2 Skill Development Unit	5
3.3 Numeracy/Literacy Program	5
3.4 The <i>Titukulane</i> Newsletter	5
3.5 Bulletins	5
3.6 NASFAM Radio Programs	5
4. Agribusiness Development Programs-Crop Marketing	7
4.1 Export Marketing of Birdseye Chilli	7
4.2 Northern Arabica Coffee	8
4.3 Balaka Cotton Program	8
4.4 Groundnut Marketing – Mchinji	9
4.5 Association Market Expansion	10
5. Agribusiness Development Programs – Business	12
5.1 Bulk Fertilizer Procurement	12
5.2 Association Farm Supply Shops and Central Supply	12
5.3 Financial Linkages	13
5.4 NASFAM Business Company	13

Table of Contents -Continued

6.	Grant and Loan Programs	15
6.1	Bread for the World Grant	15
6.2	Treadle Pump Loan – MOA	15
6.3	EU-PROSCARP Grant	15
6.4	DANIDA Grant	15
6.5	USAID: NSP Project	16
6.6	NORAD Grant	16
7.	NASFAM Activities	17
8.	Project Planning, Reporting and Monitoring	18
8.1	NASFAM Management	18
8.2	Board of Trustees	18
9.	Activities for Second Quarter	20

NASFAM Strengthening Project

List of Acronyms

ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
ADA	Agribusiness Development Advisor
ADC	Agribusiness Development Center
ADCC	Agribusiness Development Center Coordinator
ADD	Agricultural Development Division
ADMARC	Agricultural Development and Marketing Corporation
AFM	Association Field Manager
AFO	Association Field Officer
AGM	Annual General Meeting
ARET	Agricultural Research and Extension Trust
BASFA	Balaka Smallholder Farmers' Association
BDU	Business Development Unit
BOD	Board of Directors
BOT	Board of Trustees
DANIDA	Danish International Development Agency
EPA	Extension Planning Area
FCL	Full Container Load
GAC	Group Action Committee
GM	General Meeting
IB	Intermediate Buyer
ISU	Information Services Unit
LMA	Land-use Management Advisor
LMC	Land-use Management Coordinator
MAC	Marketing Center
MAFE	Malawi Agro-Forestry Extension [Project]
MAI	Ministry of Agriculture and Irrigation
MDU	Marketing Development Unit
MK	Malawi Kwacha
MRFC	Malawi Rural Finance Company
MSB	Malawi Savings Bank
MUSCCO	Malawi Union of Savings and Credit Cooperatives
NASFAM	National Smallholder Farmers' Association of Malawi
NBM	National Bank of Malawi
NSCM	National Seed, Cotton and Milling
NORAD	Norwegian Aid
PAC	Policy, Advocacy and Communication
PROSCARP	Promotion of Soil Conservation and Rural Production
QGM	Quarterly General Meeting
RC	Regional Coordinator
RDP	Regional Development Project
RTOA	Road Transport Operators Association
SADP	Smallholder Agribusiness Development Project
SDU	Skills Development Unit
TSA	Technical Services Advisor

Project Background

This is the first quarterly report of the new NASFAM Strengthening Project (NSP) that runs from October 1, 2000 to October 31, 2002 (25 months). NSP is the third phase of a seven-year effort to promote rural agricultural development and food security through farmer-owned agri-business marketing associations.

The first two phases under the Smallholder Agribusiness Development Project (SADP I & II), were managed by ACDI/VOCA under a USAID Cooperative Agreement from July 1995 to September 2000. SADP played a key role in the initial development of smallholder agribusinesses which: 1) improve smallholder returns on agricultural sales and better terms on inputs; 2) encourage greater smallholder self-sufficiency through access to information and improved business know-how; and 3) promote collective action through commercially sound and farmer-owned business associations.

In its first year of operation (1995/96), SADP transferred to targeted smallholder clubs the technical know-how to manage independent and efficient marketing operations based on sound business principles, and worked with service providers to improve services to smallholder clubs. As farmer needs became more apparent in 1996/97, SADP supported smallholder groups to take collective action to solve problems, and facilitated the development of structured EPA-level associations to acquire economy of size and collective power of voice. These smallholder farmer-owned associations now provide needed services on a commercial basis through which smallholder members realize increasing returns, reduction of costs, and solutions to their farm business problems. These associations have already started to develop the capacity to take over the provision of technical services to farmer clubs currently being made available through SADP's technical field program.

Smallholder farmer groups operate in a highly complex environment that has been in a process of continual change for the past 6-8 years. This element has brought to smallholders both opportunity in the form of greater competition and improved access to cash earnings from specialized crops, and hardship from greater uncertainty related to market failure in the rural credit, input supply and transport sectors. Within this environment, during 1997/98, twelve smallholder farmer associations working with the project chose to respond to their changing environment by forming a national farmer organization that provides the marketing, business, training and management services to member associations. Association Representatives resolved to form and register the National Smallholder Farmers' Association of Malawi (NASFAM) that was incorporated under the Trustees Incorporation Act in February 1998.

The project phase that just ended, SADP II (October 1, 1998 to September 30, 2000), officially recognized NASFAM as the agency for sustainable rural development to which its smallholder farmer membership subscribes. NASFAM took over the functions (including staff and budget) formerly held by SADP and took the initiative into new diversified crop marketing programs and geographic expansion. New crops and new operational zones included the northern region for Arabica coffee, Lilongwe for mixed crops, Balaka for cotton, Mulanje for chillies, and all current associations for diversified crop marketing and expansion into new business opportunities.

As of October 2000, NSP inherits a network of 31 associations with 67,000 members. Although the member network is financially viable and sustainable, management capacity needs considerable attention. Expansion of crop marketing in terms of volume and diversification is also a key component of the NSP program. NASFAM' strategy for sustainability is further strengthened with the long-term commitment by other supporting donors including DANIDA, NORAD, and EU-PROSCARP who are assisting with infrastructure, training, market expansion and material support.

1.0 Highlights: First Quarter – October to December 2000/2001

- 1.1 This quarter is the off-season for crop marketing but the bulk fertilizer procurement program hit full stride in October and November. About 5,400 metric tonnes of fertilizer was procured through the Associations valued at K135.7 million (\$1.7 million. This represents a 29% increase in fertilizer business from last year. Associations earned almost K 1.0million (\$12,000) in commissions. Savings to members was over K 9 million (\$112,000).
- 1.2 Member Associations used this time period to hold Annual General Meetings. All members held AGMs where audited financial accounts were presented to farmers. Also discussed and approved were 2000/2001 Business Plans and Budgets.
- 1.3 NASFAM General Assembly met for its Annual General Meeting on December 6 and 7, 2000 at the Natural Resources College outside Lilongwe. All Associations were represented by 90 Representatives, and Managers were invited to attend for the first time.
- 1.4 The NASFAM and Association field staff has initiated 996 training and business meetings involving 25,000 farmer participants. Women attending these sessions represent 32% of the participants; somewhat lower than the percentage of women members (38%).
- 1.5 As of December 31, 2000, there are 31 Associations and pre-associations (those still in the formation stage) with over 77,000 members, and the total number of EPAs covered by NASFAM is now 49. Membership grew by 13% (from 67,600) over the last three months due to continued growth within existing associations.
- 1.6 NASFAM is developing a field market infrastructure with construction of 12 market centers in Mulanje for chilli, 2 market centers in Balaka for cotton, 2 completed Association offices in Ntcheu and three offices to be completed next quarter in Namwera.
- 1.7 Over 3000 farmer-members have completed a six-month adult literacy course sponsored by NASFAM in the Central Region. The program moves south where 6000 NASFAM farmer-members will be trained.
- 1.8 The NORAD grant started this October and has helped considerably in equipment upgrade and vehicles.

2.0 Field Programs and Services

2.1 Background. Under the SADP II/NASFAM transition plan, all SADP staff, both in the field and head office, have been transferred to NASFAM management and work under the direction of the General Manager and the Deputy General Manager.

Based at nine Agribusiness Development Centers (ADCs), NASFAM field staff are technical advisors to clubs, action groups and associations; promoting effective business operations through skills training, planning, institutional development, and capacity building. In the case of well-established Associations, field staff have been instructed to work through Association committees and management allowing Associations to make all program and administrative decisions and to have full control over monetary and other assets. Associations are managed through salaried managers who are answerable to their respective committees. New target zones and "pre- associations" rely temporarily on field staff support making it necessary that decision making, planning, fund security and fiscal responsibility be shared between committees and staff.

In the case of mature Associations, the Technical Service Advisor (TSA) is being replaced by the Association Field Officers (AFO) who understudy NASFAM staff for a month or more before taking over the responsibilities of field training, communication and commercial operations. Salaries and expenses of these AFOs are be paid by the Associations. This provides the Association total operational autonomy that will be guided by the permanent presence of an on-site NASFAM Field Advisor.

All Association services and administrative overhead costs are covered by revenues derived from member equity, profits, and fees for services. *Aside from office sharing and technical assistance, no donor funds are used to support or subsidize Association commercial activities.*

NASFAM Agribusiness Development Centers

ADC	Associations	EPAs	ADC	Associations	EPAs
Karonga ADC*			Lilongwe ADC	Four	6 EPAs
Rumphi ADC	Six	6 EPAs	Balaka ADC	Three	6 EPAs
S. Mzimba ADC	Four	4 EPAs	Namwera ADC	Four	4 EPAs
Kasungu ADC	Four	4 EPAs	Zomba ADC	Four	4 EPAs
Mchinji ADC	One	4 EPAs	Mulanje ADC	One	8 EPAs

*Scheduled for 2001

2.2 Field Training and Education: The Skills Development and Information Services Units monitor the primary club training program that is conducted by field staff. These training sessions are followed by regular club, GAC and Association meetings held to plan for and

provide commercial services. For the first quarter of this year, (October 1, through to December 31, 2000), the field staff had initiated 996 training and business meetings involving 25,000 farmer participants. Women attending these sessions represent 32% of the participants; somewhat lower than the percentage of women members (38%).

<i>Meeting Type</i>	<i>Meetings Held</i>	<i>Participants</i>
Association General Meetings	25	2,545
Association Committee Meetings	65	1,793
GAC training and business meetings	678	13,104
Club training and business meetings	140	5,682
Other	88	1,990
Total	996	25,023



Farmer members of BASFA hold a club meeting in Balaka to discuss cotton marketing

2.3 Association Expansion and Membership Status. NASFAM has expanded into new crops and EPAs to work with coffee, cotton, groundnuts and mixed crop marketing operations. There are now 31 Associations and pre-associations (those still in the formation stage) with over 77,000 members, and the total number of EPAs covered by NASFAM is now 49. Membership grew by 13% (from 67,600) over the last three months due to continued growth within existing associations.

NASFAM Growth by Quarters

Levels	(Oct 1, 00)	QTR 1	QTR 2	QTR 3	QTR 4
Farmers	67,580	77,173			
Clubs	3,663	4,137			
GACs	344	373			
Associations	31	31			

2.4 New ADC. The tenth and last (for the time being) NASFAM ADC site is sponsored under the DANIDA program and is undergoing intensive research and debate. The proposed site, Karonga, offers an interesting mix of marketing opportunities with rice as the main commercial crop, followed by coffee, palm oil, and cocoa. A consultant has been hired to conduct an industry up-date for rice. Site visits, base-line surveys and market studies will be conducted next quarter.

2.5. Field Construction Program. NASFAM is managing three different grants for the construction of market centers, offices and warehouses:

- **Market Centers:** Sponsored through EU-PROSCARP, the program started with the construction of twelve market centers in Mulanje that were completed last year. The program moved to Balaka where 4-8 cotton market centers are currently under construction.
- **Association Office/shop.** Sponsored through DANIDA, NASFAM has long-term plans to construct an office-shop-warehouse combination at each Association location. The target for the current plan is 18 sites but grant funds are sufficient for about 8. It is expected that the project review in August will transfer funds to cover the cost of the remaining sites. Progress to date:
 - **Nsipe** – completed
 - **Kandeu** – completed
 - **Katuli**- finished in June
 - **Masuku** – finished in June
 - **Mtiya** – finished in June
 - **Kasungu sites** – foundations completed – structures finished in September
 - **Rumphu sites** – foundations completed, structures finished by December
- **Warehouse Construction:** Sponsored through NORAD, these large warehouses are planned for each ADC location and Lilongwe. Progress to date:
 - **Mchinji** – Site selected and paid for, designs completed, titled not yet transferred. Construction to start and finish in June 2001.
 - **Lilongwe** – The site has been selected for this HO facility.
 - **Mulanje** – The site has been selected and designs are on the drawing board.

2.6 Rural Self Help. This program is sponsored through NORAD and is focused mainly on bridge repair and road improvement although other community projects can be proposed. The program kicks off next quarter.

2.7 Association Motorcycle Program. Through NORAD assistance, NASFAM has procured and sold fifteen motorcycles to Association field staff, making them capable of taking over duties performed by their TSA colleagues. Associations had to approve the purchase at their general meetings, apply to NASFAM indicating their payment systems, and sign a purchase agreement. This programs makes it possible to transfer TSAs to other program areas, knowing that their AFO counterparts are now mobile and able to carry out their duties.

3.0 National Programs and Services

In addition to ADC field activities aimed directly at smallholder farmers, clubs and Associations, NASFAM provides several national-level services. Some programs directly benefit NASFAM farmers and Associations while others benefit most Malawian smallholder farmers with the intention that these non-affiliated farmer groups will become familiar with NASFAM concepts and benefits, creating eventual demand for further expansion.

3.1 Skills Development Unit. The main focus of the unit is to strengthen and manualize the field training programs, and to take the lead in Association capacity building. SDU has expanded with the arrival of Marie Monahan, an APSO volunteer; and DANIDA is sponsoring a manual writer due to be recruited in early 2001. The chart on the next page lists the courses implemented since the start of the program year.

ADULT LITERACY PROGRAM (DANIDA FUNDED)

ADC LOCATION	# OF CENTERS	# OF LEARNERS
KASUNGU	19	521
MCHINJI	7	274
LILONGWE	56	1383
NTCHEU	22	784
TOTALS	104	2962

3.2 Numeracy/Literacy Program. This two-year program sponsored by DANIDA, will conduct more than 400 six-month classes for 12,000 NASFAM members to improve reading and mathematical skills. To date 104 classes with 3000 participants have taken place in the central region. The program will move to the Southern region next quarter and will target 6,000 participants and 200 classes. NASFAM has contracted HURIMA, a local NGO specializing in adult education, to implement the program.



Members of the new Mchinji Area Smallholder Farmers' Association proudly display their certificates at a ceremony celebrating the completion of the six-month Adult Literacy course

3.3 Association Financial Systems/Audit Programme. This program has been re-designed to provide more on-site training and financial systems development for member Associations. The audit section has been upgraded to unit status and an APSO volunteer, Shay O'Byrne, has been assigned as Technical Advisor to the renamed **Audit and Financial Systems Unit (AFSU)**. A full time vehicle and driver has been assigned to the unit to allow then to pursue a more rigorous field schedule. All member Associations are required to undergo financial reviews and annual audits.

3.4 The *Titukulane* newsletter for this quarter has been published in English, Chichewa and Chitumbuka (6,000 total for each publication run). The newsletter is published on a quarterly basis and is distributed to clubs of member Associations.

3.5 Bulletins. The new **crop bulletin** - a single page, two-sided, mini-newsletter has proved to be very successful and will continue this year. It is prepared quickly and distributed in a timely manner to farmers producing and marketing specific crops including coffee, chilli, groundnuts and cotton. Its main purpose is to provide timely production information and market news to farmers.

3.6 NASFAM Radio Programs. NASFAM works closely with the Agriculture Communications Branch of MAI for the production and broadcasting of educational and informational radio shows. Various shows were produced this quarter covering various topics resulting from the NASFAM Annual General Meeting and other programs.

Skills Development Unit Training Programs October – December 2000

INTERNAL TRAINING WORKSHOPS (NORAD Funded)

Month	Training	No of Trainings	Males	Females	Totals
October	Committee Strengthening Workshop	2	63	13	76
November	Committee Strengthening Workshop	4	118	31	149
November	National Bank Credit Management	3	40	0	40
December	Committee Strengthening Workshop	1	27	8	35
Totals		10	248	52	300

EXTERNAL TRAINING WORKSHOP (NORAD Funded)

Month	Training	No of Trainings	Males	Females	Totals
October	TOT Natural Resource Management	1	9	1	10
December	Management for Results	1	9	0	9
December	Export for Business	1	3	1	4
Totals		3	21	2	23

4.0 Agribusiness Development Programs – Crop Marketing

4.1 Export marketing of Malawi Birdseye Chillies

Market Results – 2000. The 2000 Birdseye chilli season has closed for the year and the results have been very encouraging. The Mulanje ADC field staff and the Zikometso management did a great job preparing the field for marketing, planning the operation, preparing the central warehouse and implementing the program.

About 66 mt were procured, 42 mt were exported and 20 mt were sold within Malawi. Farmers were paid K40/kg (\$ 0.75) as a first payment and a bonus second payment of about K 1.2 million or K18/kg (\$ 0.23) for each farmer was paid before Christmas this year (2000). This earned Zikometso members returns of 35% above prevailing market rates. The accounts of Zikometso have been audited by AFSU and the annual net surplus is in excess of K2.2 million (\$27,000) before member refunds.

Market Breakdown (based on actuals)

Total Purchases	65.9 mt	K 2,568,716
Sales	62 mt	K 7,331,152
<hr/>		
Gross Returns		K 4,762,436
Total Expenditures		K 2,500,000
<hr/>		
Net Surplus		K 2,262,436

Other News

- Twelve MAC storage depots sponsored by EU-PROSCARP were completed in October 2000.
- The first AFO was recruited for the Phalombe Zone this year. Two more will be employed next year for Thyolo and Mulanje zones. A motorcycle for the AFO was purchased from last year's surplus and two more will be purchased from this year's surplus.

Chilli Marketing - 2001 Season (Starts March 2001)

Crop	Purchases to Date	Purchase Value	Sales Value	Sales to date
Chilli				

4.2 Northern Arabica Coffee: North Viphya and Phoka Hills Associations

Background

Two smallholder coffee producer groups from the northern region - Viphya Hills and Phoka Hills - joined NASFAM in 1997 with the expectation that they would receive technical assistance to remedy the decline in the smallholder coffee industry in the North. NASFAM initiated their assistance program in early 1999 when they realized that collaboration with the former Smallholder Coffee Authority (now "Trust") was unlikely.

Summary – 2000 Season

The fiscal year for the coffee associations is July to June, and the marketing of coffee usually starts around July/August and can continue until November. Export sales carry on into the following calendar year. As of this quarter purchases have stopped and coffee lots are being sold to an exporter in Blantyre. Final sales will take place next quarter.

- ❑ Coffee quality greatly improved this year through a new "Quality Price" contract program combined with increased training on processing.
- ❑ But despite the quality improvement, the international market price of coffee dropped by more than 40% and our sales took a beating. Proof of our quality improvement is reflected in the 15% price drop from the previous year, compared to the 40% drop in the world market price (average price of \$1.05/kg green in 1999 compared to \$.98/kg green in 2000),
- ❑ Fermentation tanks were constructed through the matching grant program on members' farms with high volume.
- ❑ Volume decreased from 29 mt to 17 mt due to an unusual "early bloom" in late 1999. We still expect an improvement in volume next season.

Crop	Purchases to Date	Purchase Value	Sales Value	Sales to date
Coffee	17.058 mt	K887,016	K 1,034,352	K 933,957

4.3 Balaka Cotton Program

Background

The Balaka ADC opened in January 1999 with the mission to improve marketing efficiency, and to increase yields of cotton through collective action of smallholder cotton producers. Existing club systems were limited and Associations were non-existent. Today, The Balaka Smallholder Farmers' Association (BASFA) is a full member of NASFAM and boasts 194 clubs with more that 4,200 members.

Marketing is closed for the 2000 season (refer to the Annual Report). During the 1999 and 2000 seasons, BASFA farmers delivered 100 and 500 metric tonnes respectively and received the same financial benefits (ginners price) as the larger traders. Difference in price between "bush markets" and the ginners is 20%. Cotton was graded, accepted, and paid for in cash. Transporters were paid on the spot, and farmers back at the Market Center were paid same or next day with an increase in farm revenue of about 17%.

Planning is underway to radically change the way BASFA members market their cotton. The Association will buy the crop at Marketing Centers (MACs), and sell to the best market which may not necessarily be the local ginnery (Great Lakes Ltd.). NASFAM will advance crop finance and the Association will recruit a Business Manager, Marketing Officer, Bookkeeper, and buying clerks.

NASFAM is also supporting BASFA in terms of policy which is concerned with the following issues:

- Fair Price. Cost of production is about K19.50/kg. Expected price delivered to the ginnery is K14; trader price in the field is expected to be about K12. Comparable ginnery prices in neighboring Zambia are K23/kg.
- Participation as a Stakeholder. Farmers need a forum to discuss production issues with stakeholders and have input into price deliberations.
- Dollar Price. The seed-cotton price should be stated in dollars following the tobacco system. As the market matures during the season, price improvements should encourage purchase adjustments.

Cotton Marketing – 2001 Season (starts June 2001)

Crop	Purchases to Date	Sales Value	Transport	Net Return on Sales
Cotton				

4.4 Groundnut Marketing – Mchinji

Background

NASFAM moved into the Mchinji area (main target was Chiosya EPA) in March 2000 and formed a new ADC with four staff to develop a collective marketing operation for groundnuts. In just a few months 206 clubs with 4,024 farmer-members were formed around 9 market centers in time for the market season. With emphasis on quality, the staff adjusted from institutional development to market development and over 183 metric tonnes was marketed and sold by September 2000.

The pre-association made an end-of-season profit of K 794,687 and a bonus second payment of K 658,582 was approved to 'balance-up' the price of all nuts procured at less than K32/kg. This allowed all members to receive the same price (K32/kg) at the end of the season. This experimental bonus system may prevent the hoarding of nuts by farmers in anticipation of higher prices resulting in delayed purchases and a prolonged buying season.

2001 Season

Institutional Development. Due to the success of the past season NASFAM has expanded into three additional EPAs of Msitu, Mikundi, and Mlonyeni, which will expand the Association by another 120 clubs and 2,000 members. With the market volume expected to increase to 500 mt, the pre-Association has recruited a bookkeeper and AFO to handle the workload and an Association Business Manager is scheduled to be recruited next quarter. The

new Mchinji Area Smallholder Farmers' Association (MASFA) will have three Chapters and a Board of Directors by the end of next quarter.

Market Development. NASFAM has been busy conducting market research on groundnuts with business trips to South Africa and Zimbabwe. The Cannon-Garth option in Namatete is still open but their dollar value is well below local trader prices. It is likely that local companies such as Tambala Foods and Admarc will be target buyers unless a RSA firm offers ex-warehouse prices in excess of \$500/mt. The Association has been given the green light to locate a site for the construction of the warehouse funded through the NASFAM/NORAD grant.

Groundnut Marketing – 2001 Season (Starts June 2001)

Crop	Purchases to Date	Purchase Value	Sale Value (est)	Sales to date
Groundnuts				

4.5 Association Market Expansion

Market Expansion - 2000

Single crop marketing associations are encouraged to expand their comparative marketing advantage into other agricultural cash crops such as soybeans, groundnuts and pigeon peas. Twenty out of 31 Associations collectively marketed about 920 metric tonnes (up from 93 metric tonnes during 1998/99), worth about K 22.3 million (\$318,000).

Mixed Crops Volumes Sold To Date (December 31, 2000) in Kilograms and Kwacha

Crop	Kilograms	Kwacha	US \$
Chillies (Zikometso)	65,865	7,438,680	\$111,343
Groundnuts (Mchinji)	183,106	6,257,612	87,170
Cotton (BASFA)	501,000	6,447,421	90,211
Coffee (Rumphi)	17,058	1,034,352	12,929
Sub-Total	767,029	21,178,065	301,653
Groundnuts (Other)	7,180	236,940	3,552
Beans (est.)	3,000	60,000	899
Soya	133,166	790,039	11,844
Pigeon peas (est.)	9,337	46,000	690
Sub-total	152,683	1,132,979	16,985
TOTAL	919,712	K 22,311,044	\$318,638

Market Expansion – 2001

NASFAM is planning several expansion programs for the 2001 crop marketing season:

- **Paprika:** A market study will be conducted to appraise the merits of a pilot paprika market program in South Mzimba. The market system will be more structured than the usual mixed crop marketing approach with Market Centers, trained market committees, crop finance, documentation and local warehouse facilities.
- **Rice:** Research is currently under way on the rice industry to determine the viability of starting ADC smallholder rice operations in Karonga (DANIDA) and Machinga (NORAD). This study will be followed by base-line surveys of the farmers in the target areas to assess the constraints and advantages of rice marketing. Due to considerable government support for *on-scheme* rice farmers funded by the African development Bank, NASFAM will work with *off-scheme* farmers if it is determined that Association-led collective marketing can have a positive impact on rice farmer revenues.
- **Birdseye Chilli.** With three successful years of chilli marketing in Mulanje under our belts, NASFAM has started to explore the option of expanding into other chilli zones. BASFA in Balaka is currently being researched for such a move.

5.0 Agribusiness Development Programs - Business

5.1 Bulk Fertilizer Procurement

Program Results for 2000/2001. The cash phase of this program starts during the last quarter of the previous reporting period (July, August, and September of 2000) but it has been traditional to report it under the current production year - in this case 2000/2001 – because the bulk of the fertilizer sold takes place this quarter.

There are three key players in the credit sector, with MUSCCO joining MRFC and NBM this year for the first time. Cash procurement by clubs represents only 6.5 % of the total business - the rest is credit. The credit breakdown is as follows:

MUSCCO:	17%	K 20.8 million (\$ 260,000)
NBM	25%	K 30.5 million (\$ 381,000)
MRFC	58%	K 78.2 million (\$ 978,000)
<hr/>		
Total Credit		K129.5 million (\$1,619,000)
Total Cash		K 6.3 million (\$ 79,000)
<hr/>		
Total Program		K135.8 million (\$1, 698,000)

- ❑ 5,383 metric tonnes of fertilizer was purchased at a value of K135,741 or \$1,698,000). This is a 29% increase over the previous year (4174 MT).
- ❑ Savings off local retail prices 6.7% for a total savings of K9,093,000 or \$114,000
- ❑ Transport was free
- ❑ 22 Associations earned commissions of K 959,015 or \$12,000

5.2 Association Farm Supply Shops and Central Supply

Association Farm Supply Shops. No new shops have been established this quarter but feasibility studies have been conducted for two new shops in South Mzimba. This will bring the total to 8 shops. Two new initiatives starting next quarter will provide support for the supply shop program. The first is the construction of Association office/shop structures at EPA locations funded by DANIDA. The second initiative is a program sponsored by NASFAM/NORAD for improved shop management and a central procurement and delivery service.

Association	Location	Start-up Date
Nsipe	Nsipe, along the M1	September 1998
Kandeu	Kandeu EPA	November, 1988
Nkhamanga	Bolero Boma	February 1999
Henga Valley	Mhujju Boma	February 1999
Dzaone	Dzaone EPA	December 1998
Chipala	Chipala EPA	August 2000

Central Supply. A consultant is being recruited to conduct a feasibility study on a NASFAM central supply system to procure inputs for Associations wholesale or import regionally. NORAD has provided funds for the consultant, a vehicle and a Venture Fund for the importation of commodities and equipment ordered by Associations.



A farmer demonstrates the use of a treadle pump at Kandeu Association

5.3 Financial Linkages. It is the responsibility of the Business Development Unit to form linkages with financial institutions, represent members in ongoing programs, and monitor the progress of savings, credit and finance programs in the field.

- ✓ **MRFC** has been NASFAM's main partner for crop production credit for several years and has collaborated on the bulk purchase program over the past three seasons. NASFAM's member repayment rate with MRFC remains high due to the bulk transport contracts, with some Associations having no defaulting clubs.
- ✓ **National Bank of Malawi (NBM)** has worked with NASFAM for two seasons increasing its loan portfolio with NASFAM from K12 million in seasonal credit to K 30 million. This partnership has been treated as a high priority by NASFAM since it offers a new player in the rural credit field providing alternative credit choices to farmers and improved services and lower costs.
- ✓ NASFAM is working with **MUSCCO** on two different fronts:
 - ❑ Association-based credit unions - **SACCOs** (Savings and Credit Cooperatives) – and;
 - ❑ Seasonal input credit next season with K 20 million from DANIDA. The implementation of the program this quarter went very smoothly - we shall see how the repayment program goes in April next year.

- ✓ **Malawi Savings Bank** is undergoing re-engineering with a private sector style separation from the old traditional post office savings system. These rural-based banks are offering savings and credit facilities – a small-scale version of the larger commercial banks in competition with rural credit unions. Discussions have been underway for some time to fine-tune services that fit NASFAM's requirements such as check cashing, full account withdrawals and electronic fund transfers. So far these discussions have not materialized into direct services.

5.4 NASFAM Business Company

NASFAM has established a task force made up of the Executive Committee, Finance and BDU to prepare NASFAM for the creation of a business subsidiary that will provide profitable commercial services for NASFAM members. Actions to date are:

- Formation of task force
- Scope of work for local consulting company to handle registration process
- Scope of work for external consultant (funded through DANIDA) to prepare business plan, job descriptions and operational guidelines.
- Advertisement of Business Manager to work with consultants

6.0 Grant & Loan Programs

NASFAM is no longer a single donor institution. In addition to NSP support, NASFAM is receiving grants and loans from several sources: Bread for the World, EU-PROSCARP, DANIDA, Ministry of Agriculture and NORAD (Norway). Each grant/loan is accounted for according to donor criteria, and where special conditions exist, is monitored for compliance.

6.1 Bread for the World Grant

The MOA with "Bread" was signed on February 19, 1999 for a \$20,000 (K 800,000) grant to NASFAM. The first tranche of \$5,000 was used to conduct research on food security issues. Another \$9,000 was provided during 2000 for continued research, report publication and sponsorship of a food security conference held in May 2000. The balance of \$6,000 will be received by NASFAM in 2001 to be used for travel (Mozambique and the United States) and conference presentation. The grant will not be continued.

6.2 Ministry of Agricultural and Irrigation (MAI) Treadle Pump Loan

To encourage dry-season agriculture the Ministry of Agriculture and Irrigation has provided NASFAM with 2,000 treadle pumps and accessories on loan (interest free) valued at K 4,750,000, to be paid back in two years. The program is popular with members and about 1200 pumps have been sold to date. They have been consigned to Associations for cash sales with markups for NASFAM and the Association.

6.3 EU-PROSCARP Grant

This is a five-component, K5.3 million grant that started in October 1999 and continued to June 2000. The program was extended in July 2000 for twelve more months with an additional K 2,630,000 (ending in June 2001). These funds will be used for village marketing units, cotton sprayers and LMA support. An addendum was signed in October 2000 for K 1,412,000 to continue construction of cotton marketing depots in Balaka.

<u>Activity</u>	<u>Original</u>	<u>Additional</u>
<input type="checkbox"/> Crop Finance Fund	K1.000 million	
<input type="checkbox"/> LESSA Input Loan (Seeds and treadle pumps)	K .622 million	
<input type="checkbox"/> Village Storage Depots	K 2.685 million	
July 2000 extension		K 1.000 million
October 2000 addendum		K 1.412 million
<input type="checkbox"/> Land-use Management Advisors (3)	K 1.000 million	
July 2000 extension		K 1.000 million
<input type="checkbox"/> Sprayers (July extension)		K .630 million

6.4 DANIDA Grant

This is a four-part \$1.4 million (K69 million) grant over 30 months that started in January 2000. The program start-up was January 2000 for the following programs:

1. Program Expansion (3 new ADCs)	K5.100 million
2. Training workshops, gender support and material development	K6.400 million
3. Association office construction	K2.000 million
4. Crop Marketing Fund	K10.000 million
5. Administrative support	K1.300 million

6.5 USAID: NSP Project Grant

The new NASFAM Support Project (NSP) started October 1st, 2000 and ends October 31st, 2002. NSP provides core funding and technical expertise under a contract arrangement with the NASFAM Board of Trustees. NSP follows five years of SADP I and II which ended September 30, 2000.

6.6 NORAD Grant

NORAD signed an agreement with NASFAM in November 2000 for a three-year NK 14 million (\$1.6 million) program that started October 1st, 2000. The four main program areas supported by the grant are:

1. Human Resource Development
 - a. Training and outreach
 - b. Staff capacity development (educational advancement)
 - c. Consulting (international and domestic)
2. Material Support
 - a. Replacement equipment
 - b. Vehicles, trucks and motorcycles
 - c. Association motorcycles
 - d. Communication equipment
3. Community Action
 - a. Association warehouse construction
 - b. Association self-help for rural infrastructure improvement
4. Commercial Programs
 - a. Venture Fund (primarily for importation of goods and equipment)
 - b. Rice program (optional for the Zomba area)
 - c. Association farm supply shop support
 - d. ADC expansion (optional funding for one additional ADC in year 3)

7.0 NASFAM Activities

- 7.1 The Board of Trustees met once this quarter on December 4th and 5th to prepare for the Annual General Meeting.
- 7.2 The NASFAM 3rd Annual General Meeting took place on 6th and 7th of December and had an attendance of 90 Representatives from 30 Associations (3 each). Association managers also attended the AGM for the first time. The Annual Progress Report was presented along with the Annual Financial Report and the NASFAM audit company presented the annual audit report. Members passed two by-law resolutions and held elections for six new Board members. Discussion groups were held the second day to allow farmers an opportunity to debate in detail issues which affect their daily lives.
- 7.3 Private company sponsorship of special crop marketing awards took place at the closing function on December 7, 2000.
- | | |
|---|--|
| <input type="checkbox"/> Chemicals and Marketing Ltd (Malawi) | Best Cotton Clubs (one per chapter -4) |
| <input type="checkbox"/> Noordhaven Trading Co. (Holland) | Best Chilli Clubs (one per Zone -3) |
| <input type="checkbox"/> I&M Smith Ltd. (RSA) | Best Coffee Club |
| <input type="checkbox"/> Cannon Garth (UK) | Best Groundnut Club |
| <input type="checkbox"/> ATC Ltd. | Association Business Excellence Award |
- 7.4 ADC Coordinators and ADAs attended a meeting at NASFAM in December 2000 that focused on fertilizer and crop marketing programs.
- 7.5 NASFAM Management staff met at the Management Institute of Malawi (MIM) in December to brainstorm future programs and to resolve outstanding issues. This is the first of several meetings that cumulate with the Staff Planning Workshop in Mangochi planned for next quarter.
- 7.6 Tamanda Chidzanja and Ron Ngwira traveled to South Africa on December 17/22 to continue their research into crop marketing and business opportunities.
- 7.7 MUSCCO started its seasonal credit launch on October 11 at the various ADC locations.
- 7.8 Tamanda Chidzanja attended the USAID sponsored "Sustainable African Agriculture Producer Organization Workshop in Nairobi on November 8&9, 2000.

8.0 Project Planning, Reporting and Monitoring

The planning, reporting and monitoring program for the project is comprehensive for both NASFAM management staff and member Associations.

8.1 NASFAM Management

The NASFAM Planning & Training Workshop is held in January to enable the head office and field staff, and Association management to review ongoing programs, plan for new initiatives, and develop new skills. This workshop is followed up by at least four (every quarter) ADC Coordinator/Manager meetings where field staff/managers link up with HO program managers to discuss and update program and administrative issues.

NASFAM head office staff meet weekly to review field trips, discuss assignments for the week and plan future activities. The ADC field staff also meet on a weekly basis to review previous work and plan for the week's activities.

Planning and reporting procedures at the ADC level start with the development of the Annual Work Plan, now done in coordination with the Association committees. ADC staff also compile Quarterly Action Plans which are reviewed weekly. Reports on activities are submitted monthly to NASFAM head office. NSP prepares quarterly and annual program reports. Financial reports are submitted monthly.

To facilitate a smooth transition between NSP and NASFAM, and to ensure coordination in decision-making, an "Executive Committee" meets weekly or on an as-needed basis. The committee is made up of the NSP Project Director and Associate Director and the NASFAM General Manager and Deputy General Manager.

8.2 Board of Trustees

The NASFAM Board of Trustees also meets quarterly, and NASFAM management prepares a management report. Programs and financial issues are reviewed and discussed. Members of the BOT also attend Quarterly or Annual General Meetings of the member Associations to observe farmer participation and take note of major issues. It also provides an opportunity for Board members to address membership directly in the field and take responsibility for NASFAM operations.

The Board of Trustees reports to the NASFAM General Assembly twice per year at the General and Annual General Meetings that take place in June and December. At the AGM, the Annual Work Plan and Budget are approved, the Annual Progress Report and Annual Financial Report are reviewed, and elections for Board members are held.

Planning, Monitoring and Reporting Systems

<i>ADC Level</i>	Annual Work Plan (in conjunction with Associations)	To start October 1, to be submitted in September
	Quarterly Work Plans	Oct-Dec/Jan-Mar/Apr-Jun/Jul-Sep
	Weekly Planning and Monitoring Meetings, w/Association Management	Held either Monday or Fridays
	Monthly Reports	Submitted first week of following month
	Monthly financial reports and budgets	First week of the month
<i>NASFAM Head Office</i>	Annual Work Plans	Discussions start Aug/Sept Plan starts October 1
	Quarterly Project Reports	Submitted first week of Jan, Apr, July, Oct
	Annual Project Report	Oct – Sept; Submitted November
	Annual and monthly financial reports	FY start October 1
	Frequent Field Visits to ADCs and Associations	Throughout the year
	ADC Coordinators Meetings	Four per year, every quarter
	Executive Committee Meetings	Weekly; needs-be basis
<i>Board of Directors</i>	Board Meetings; GM Reports	Four per year, every quarter
	Attend Association Meetings	As scheduled
	Review and Inspect new Associations	As scheduled
	Approve Auditor; receives report	End of FY
<i>NASFAM General Assembly</i>	General and Annual General Meetings. At AGM: Annual Work Plans and Budgets discussed; Annual Report and Annual Financial report reviewed, elections held	June and December
<i>Member Associations</i>	Annual Work Plans and Budgets prepared by Committees, Management, ADC	For FY beginning in September or October
	Manager files monthly financial reports to Committee	Monthly
	NASFAM Audit Team Audits Associations, trains bookkeepers, prepares annual report; team reports to committees	Every quarter, report is annual
	Committees meet monthly, Coordinator member of Committee	Monthly
	Association General Assembly meets Quarterly for activity planning	Four per year, every quarter
	Association Meets for AGM: Elections, Work Plans, Budget, Annual Report, Auditor presents Financial Report	Annually – at end of FY

9.0 Activities for Second Quarter 2000/2001 (Jan/Feb/Mar)

Highlights of planned activities include:

- Annual Staff/Management Planning Meeting in January
- Completion of coffee marketing, expecting returns from last sale
- Recruitment of new Coffee Extension Advisor
- New chilli program starts in Balaka, transfer of staff
- Cotton marketing workshop planned for new BASFA program
- Research Paprika marketing for South Mzimba
- Re-design the LESA program
- EU/Proscarp grant program continues with
 - Construction of BASFA Cotton depots
 - Components of LMA, Seed, pumps discontinued
 - K 1 million market fund handed over to NASFAM
- DANIDA grant program continues with
 - Market fund used for chilli, groundnuts, coffee, cotton and paprika
 - Identification of third ADC, staff transferred
 - Rice study completed, base-line study completed for Karonga/Zomba
 - Association office construction continues in Namwera
 - Literacy/numeracy programs moves to Southern Region
 - SDU staff member recruited for technical writing
 - Regional travel for workshops, training and trade are planned
 - Technical libraries are established for all ADCs
- NORAD Grant gets into high gear:
 - Procurement of fifteen motorcycles, two trucks, four pickups, computers
 - Motorcycle plan developed
 - Funds SDU activities
 - Education plan developed
 - Rural self-help guidelines developed
 - Warehouse construction started
 - Consultant recruited for farm shop study
- Bread for the World grant- no action next quarter
- Board of Trustees meet –March
- Field Audit – Annual audits and reports completed for Zikometso and MASFA
- *Titukulane* and bulletins published; radio programs taped
- Credit programs monitored for repayment rates
- BDU works on fertilizer procurement program -2001
- Regional Coordinators placed when pick-up trucks arrive



NASFAM Member Associations -January 2001

ADC	Type	Association	Association Membership				
			EPAs	MACs	Clubs Farmers	ADC Totals	
Rumphi	Mixed	Nkhamanga Smallholder Farmers' Association	1	11	183	3,168	
		Henga Valley Smallholder Farmers' Association	1	6	133	2,580	
		Kasitu Valley Smallholder Farmer' Association	1	10	152	2,432	
		Hewe Smallholder Farmers' Association	1	6	43	743	8,923
	Coffee	North Viphya Smallholder Farmers' Association	1	7	15	202	
		Phoka Hills Coffee pre-association	1	6	9	103	305
South Mzimba	Mixed	South Mzimba Union					
		Champira pre-assoc. at Champira EPA	1	5	93	1,395	
		Lwasozi pre-assoc at Mbawa EPA	1	6	92	1,380	
		Elangeni pre-assoc. at Emfemi EPA	1	9	172	2,580	
	Joka pre-assoc. at Vibandalala EPA	1	5	93	1,395	6,750	
Coffee	Kasoro Pre-Association	1					
Kasungu	Mixed	Lisasadzi Smallholder Farmer' Association	1	9	127	2,286	
		Chipala Smallholder Farmers' Association	1	20	408	8,976	
		Chamama Smallholder Farmers' Associaton	1	16	222	5,550	
		Chulu Smallholder Farmers' Association	1	8	179	3,043	19,855
Lilongwe	Spice/Herb	Lilongwe East Smallholder Farmers' Spice Association; (3 EPAs: Chitsime, Mpenu, Mkwimbwa)	3	8	38	720	
	Mixed	Nyanja pre-association	1	9	122	2,074	
	Mixed	Chigonthi Smallholder Farmers' Association	1	9	125	1,875	
	Mixed	Chiwamba pre-association	1	10	79	1,264	
	Coffee	Dedza Pre-Association	1				5,933
Mchinji	Groundnuts	Mchinji pre-assoc. at Chiosya, Msitu, Mikundi, Mlonyeni EPAS	4	18	326	6,121	6,121
Balaka	Mixed	Kandeu Smallholder Farmers' Association	1	13	180	3,092	
		Nsipe Smallholder Farmers' Association	1	15	130	2,705	5,797
	Cotton	Balaka Area Smallholder Farmers' Association					
		Bazale Chapter	1	9	50	975	
		Rivirivi Chapter	1	9	55	1,036	
		Mpulisi Chapter	1	9	46	750	
		Utali Chapter	1	7	43	820	
Manjawira Chapter	1	5	34	664	4,245		
Namwera	Mixed	Masuku Smallholder Farmers' Association	1	11	76	1,611	
		Mtiya Smallholder Farmers' Association	1	13	76	1,385	
		Katuli Smallholder Farmers' Association	1	9	62	1,101	
		Nyambi Smallholder Farmers' pre-association	1	8	61	1,220	5,317
Zomba	Mixed	Thondwe Smallholder Farmers' Association	1	14	133	2,660	
		Dzaone Smallholder Farmer' Association	1	14	204	4,060	
		Ngweleru Smallholder Farmer' Association	1	8	150	3,000	
		Namadzi pre-association	1	3	28	560	10,300
Mulanje	Chillie	Zikometso Smallholder Farmers' Association (8 EPAs; Msikwanjala, Milonde, Mulanje West, Thumbwe, Nkhulambe, Waruma, Thyolo North, Matapwata)	8	48	198	3,627	3,627
Totals			31 (pre or full) Associations	49	373	4,137	77,173

25 Mixed Crop Associations	29	252	3,357	62,819
2 Coffee Associations	2	13	24	305
1 Cotton Association	4	34	194	3,581
1 Chilli Association	8	48	198	3,627
1 Spice/Herb Association	3	8	38	720
1 Groundnut Association	3	18	326	6,121