



**NASFAM Strengthening Project  
(NSP)  
Malawi**

**Quarterly Report**  
**January 1 to March 31, 2002**  
Report No. 2: 2001/2002



*Prepared for:*

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

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## 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
ADMARC	Agricultural Development and Marketing Corporation
AFM	Association Field Manager
AFO	Association Field Officer
AFSU	Audit and Financial Systems Unit
AGM	Annual General Meeting
BASFA	Balaka Smallholder Farmers' Association
BDU	Business Development Unit
BOD	Board of Directors
BOT	Board of Trustees
CPMM	Crop Production and Marketing Manager
DANIDA	Danish International Development Agency
DEO	Data Entry Officer
EPA	Extension Planning Area
FCL	Full Container Load
GAC	Group Action Committee
GM	General Manager
HRD	Human Resource Development
IB	Intermediate Buyer
ISU	Information Services Unit
LMA	Land-use Management Advisor
MAC	Marketing Center
MAFE	Malawi Agro-Forestry Extension [Project]
MAI	Ministry of Agriculture and Irrigation
MDU	Marketing Development Unit
MIS	Management Information System
MK	Malawi Kwacha
MRFC	Malawi Rural Finance Company
MSB	Malawi Savings Bank
MUSCCO	Malawi Union of Savings and Credit Cooperatives
NASCENT	NASFAM Center for Development
NASCOMEX	NASFAM Commodity Marketing Exchange
NASDEC	NASFAM Development Corporation
NASFAM	National Smallholder Farmers' Association of Malawi
NBM	National Bank of Malawi
NORAD	Norwegian Aid
PAC	Policy, Advocacy and Communication
PROSCARP	Promotion of Soil Conservation and Rural Production
QGM	Quarterly General Meeting
RC	Regional Coordinator
SADP	Smallholder Agribusiness Development Project
SDU	Skills Development Unit
TSA	Technical Services Advisor

TS

Technical Specialist

## Project Background – NSP Now in its Second Year



This quarterly report covers the second quarter of the 2001/2002 program year of the 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 program 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.

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.

In October 2000, NSP inherited 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's 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.

In October 2001 NASFAM started the process to develop a Strategic Development Plan (SDP), incorporating SDPs from all 34 member Associations. This report will cover the numerous initiatives resulting from these efforts.

## 1.0 Highlights: Second Quarter 2001/02– January to March 2002

- 1.1 NASFAM management and Association field staff has initiated 2,226 training and business meetings since October 1, 2001 involving 56,453 farmer participants. Women attending these sessions represent 37% of the participants.
- 1.2 As of March 31, 2002, there are 32 Associations and pre-associations (those still in the formation stage) with over 92,000 members, and the total number of EPAs covered by NASFAM remains at 61. Membership dropped slightly due to adjustments in the data collection systems but it is expected to increase with the start of the marketing season next quarter.
- 1.3 **NASFAM products are now seen on Lilongwe supermarket shelves!** The rice marketing program has closed its season this quarter with the final sale of packaged rice to local retailers. Over 64mt of high value Kilombero rice from the new Karonga Association (KASFA) was wholesaled in bulk (50kg bags) and in retail units of 1, 2 and 5 kg. Total sale value of the crop was K 3,047,988 making KASFA profitable during its first pilot year [editor note: fixed management cost was covered by NASFAM; operational and marketing costs were financed through gross margin.]
- 1.4 Association supply shops are becoming an important commercial activity with eight new shops starting operations this quarter, bringing the total of Association shops to twenty. NASCOMEX has become the main supplier of shop commodities that include seed, treadle pumps, chemicals and hardware items. Gross sales of items to shops exceeded K 3.3 million (\$47,000) since the start of the year.



*NASFAM women farmers in Namwera work together to improve their market road systems*

## 2.0 NASDEC Technical Services

2.1 **Background.** Technical Services – formerly Field Operations - is currently placed in NASDEC under the supervision of the Chief Operations Officer (COO) Tamanda Chidzanja. It encompasses all regional and field staff under contract with NASFAM who are responsible for the efficient running of all associations’ operations; either directly as contracted Managers; or indirectly as auditors, and management advisors. The various components of Technical Services are:

### Technical

- Three Regional Offices with Coordinators
  - Management Systems Advisors (includes on-site Business Advisors)
  - Audit and Financial Service Officers
  - NASCOMEX Representatives are based at Regional Centers but report to NASCOMEX
- Thirteen Association Management Centers (Companies)
  - Contracted Association General Managers and Managers
  - Contracted Association Crop Production and Marketing Managers

### Program

- Rural Self Help Program (Road improvement, bridge repair)
- Association Equipment Revolving Fund (Computers/Motorcycles)
- Association Warehouse/Office Construction Program

2.2 **Regional Offices Formed as ADCs Close Down.** All ten Agribusiness Development Centers closed down this quarter and resources handed over to the custody and care (not ownership quite yet) of the thirteen Association Management centers (AMC). ADC bank accounts were closed out and staff assigned to new positions within the Association employee structure or to one of the three new Regional Offices. Three Regional Offices have been formed in Mzuzu (Northern Region), Lilongwe (Central Region) and Zomba (Southern Region). All three regional teams are made up of varying combinations of the following staff:

- Regional Coordinator
- Audit and Financial Systems Officer
- Management Systems Advisor (to start January 2003 under NORAD)
- NASCOMEX Representative

2.3 **Audits and Financial Systems Unit (AFSU).** The main function of the AFSSU team this quarter was continued site visits and surprise cash counts. They conducted an Association bookkeeping course in conjunction with HRDU and continued to assist bookkeepers on site. AFSSU is currently advertising and recruiting interns from Polytechnic College for next quarter to assist bookkeepers and auditors during the upcoming marketing season.



*The AFSU auditor for the Central Region checks the books with the bookkeeper for Mchinji Association*

#### 2.4 NASFAM Associations and Group Association Management Centers. All 32

Associations have been formed into either “single association” management centers for the larger Associations, or “group association” management centers for the smaller Associations. All Associations will be registered as not-for profit companies limited by guarantee by June 2002. Even the former “Joint Associations” or JAMs will be registered as Group Association Companies.

- Single Association Companies include:
  - Karonga pre-association (rice)
  - Mchinji Association (groundnuts)
  - Balaka Association (cotton)
  - Balaka Chilli pre-association (Birdseye Chilli)
  - Zikometso Association (Birdseye Chilli)
  - Lilongwe South pre-Association (Mixed)
- Group Association Companies include:
  - Rumphi Group of Associations
  - South Mzimba Union of Associations
  - Kasungu Group of Associations
  - Lilongwe North Group of Associations
  - Ntcheu Group of Associations
  - Zomba Group of Associations
  - Namwera Group of Associations

#### **Northern Region**

<b>Association Management Center</b>	<b>Associations</b>	<b>EPAs</b>
Karonga Rice Growers Association	One	2 EPAs
Rumphi Group of Associations	Five	5 EPAs
S. Mzimba Union of Associations	Four	4 EPAs

#### **Central Region**

<b>Association Management Center</b>	<b>Associations</b>	<b>EPAs</b>
Kasungu Group of Associations	Four	4 EPAs
MASFA	One	6 EPAs
Lilongwe North Group of Associations	Three	3 EPAs

### Southern Region

Association Management Center	Associations	EPAs
Ntcheu Group of Associations	Two	2 EPAs
BASFA	One	5 EPAs
Balaka Chillies Pre-Association	One	4 EPAs
Zomba Group of Associations	Four	4 EPAs
Namwera Group of Associations	Four	4 EPAs
ZISFA	One	8 EPAs

- 2.5 **Field Training and Education:** The HRD and MIS Units in NASCENT monitor the primary club training program that is conducted by Association field staff. These training sessions are followed by regular club, market center and Association meetings held to plan for and provide commercial services. For the second quarter of this year, (January 1 through to March 31, 2002), the field staff had initiated 2,226 training and business meetings involving 56,453 participants. Women attending these sessions represent 37% of the participants.

<i>Meeting Type</i>	<i>Meetings Held</i>	<i>Participants</i>
Association Committee Meetings	210	2,708
GAC training and business meetings	931	27,917
Club training and business meetings	755	19,527
Other (Field Days)	330	6,301
Total	2,226	56,453



AFO in Mchinji heading off to conduct a training session with groundnut farmers belonging to MASFA

- 2.6 **Association Expansion and Membership Status.** Membership and club numbers have declined very slightly since last quarter due to data collection adjustments and “housecleaning”. There are 32 Associations and pre-associations (those still in the formation stage) with over 92,570 members, and the total number of EPAs covered by NASFAM remains at 61. Membership numbers are expected to rise next quarter as marketing operations come on line.

### NASFAM Growth by Quarters

Levels	(Oct 1, 01)	QTR 1	QTR 2	QTR 3	QTR 4
Farmers	93,542	96,181	92,570		
Clubs	5,162	5,135	4,940		
GACs	453	436	464		
Associations	34	32	32		

2.7 **Association Warehouse and Office 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 eleven market centers in Mulanje that were completed in 2000. The program moved to Balaka where seven cotton market centers were completed in 2001. The program is now in Rumphi constructing three market centers for Kasitu Association and three centers for North Viphya (with one doubling as an association office). The program is scheduled for completion in June 2002
- **Association Office/shop.** Sponsored through DANIDA, NASFAM has long-term plans to construct an office-shop-warehouse combination at each Association location. To date, nine of these structures have been completed in Ntcheu, Namwera, and Kasungu, and the construction team is now in Rumphi constructing five more. Each structure is comprised of an office, conference room, farm supply shop, and warehouse that can double as a training venue in the off-season.
- **Warehouse Construction:** Sponsored through NORAD, these large warehouses are planned for each Group Association location and Lilongwe. Progress to date:
  - **Mchinji** – Construction completed and ready for the 2002 season
  - **Lilongwe** – The site has been selected for this HO facility.
  - **Mulanje** – Construction ongoing and expected to be completed in June 2002
  - **Karonga** – Site selection ongoing; construction scheduled for July 2002

2.8 **NASFAM Restructure.** The restructuring process continues this quarter based on the NASFAM Strategic Development Plan (SDP) that was approved by the NASFAM Board of Trustees and General Assembly at the Annual General Meeting (December 5 and 6, 2001). The AGM held last December approved the formation and registration of NASDEC, NASCOMEX and NASCENT. All three organizations were registered as companies this quarter in January 2002.

### 3.0 NASCENT - National Programs and Services

The NASFAM Center for Development (NASCENT) has three Program Units: Human Resource Development (HRD); Policy and Programs Units (PPU) and Management Information Systems Unit (MIS). While most of their programs directly target and benefit NASFAM farmers and Associations, many of their services also have an impact on the lives of most Malawian smallholder farmers. It is our intention that these non-affiliated farmer groups will become familiar with NASFAM concepts and benefits, creating eventual demand for further expansion.

**3.1 Human Resource Development Unit.** The main focus of this unit this quarter was management improvement at several levels including Association committee, shop keepers and AFO induction training. HRD intends to strengthen and manualize all field management-training programs, and to improve on Association capacity building. The chart below indicates all HRD training since the start of the year.

#### Skills Development Unit Training Programs October 2001– March 2002

##### INTERNAL TRAINING WORKSHOPS (NORAD Funded)

#	TRAINING WORKSHOP TITLE	TARGET GROUP	LOCATION	DATES	TOTAL TRAINED	M	F	REMARKS
1.	COMMITTEE STRENGTHENING TRAINING	NEW COMMITTEE MEMBERS	LILONGWE	NOV. 19-23	40	30	10	
			BALAKA	NOV. 26-28	23	19	4	
			KASUNGU	DEC. 11-13	40	38	2	
			SOUTH MZIMBA	DEC.	35	27	8	
			RUMPHI/MZUZU	DEC.	32	26	6	
			MULANJE	JAN 2-22	29	17	12	
			KARONGA	MAR 11-13	26	25	1	IMPROVE GENDER RATIO
			MCHINJI	MARCH 20	14	11	3	
2.	GENDER AWARENESS TRAINING	GENDER SUB-COMMITTEES	MZUZU	Nov. 28	31	12	19	
			KASUNGU	NOV. 14	20	7	13	CHIWAMBA & CHIGOTHI ABSENT
			ZOMBA	DEC.12	45	21	24	
3.	AFO INDUCTION COURSE	ASSOCIATION FIELD OFFICERS	NRC-LILONGWE	FEB 4-8	37	37	0	
4.	BASIC RETAIL MANAGEMENT	ASSOCIATION SHOP KEEPERS	MEDI - MPONELA	FEB 11-14	27	10	17	
<b>TOTALS</b>					<b>399</b>	<b>280</b>	<b>119</b>	
PERCENTAGES					100%	70%	30%	

**EXTERNAL TRAINING WORKSHOPS (NORAD Funded)**

#	NAME OF PARTICIPANT	WORKSHOP TITLE	VENUE	DATES	T	M	F
1	PETER NJIKHO	STRATEGIC PLANNING	MIM-LILONGWE	OCT.	1	1	0
2	SPENCER TSITSI	STRATEGIC PLANNING	MIM-LILONGWE	OCT	1	1	0
3	TIBONGE CHITHITI	FLEET MANAGEMENT	ESAMI-ARUSHA	OCT	1	1	0
4	MCLUWENI KACHIPANDE	INTERNAL AUDITING	ESAMI-MBABANE	DEC	1	1	0
5	G. KAMALIZENI M. NAMACHOTSA N. JENTALA C. TCHONGWE	SCC-STUDY CIRCLE CONCEPT	LILONGWE HOTEL	FEB 12	4	3	1
6.	W. CHITEDZE	PURCHASING AND STORES COURSE	LILONGWE	FEN 18	1	1	
<b>TOTAL</b>					<b>9</b>	<b>8</b>	<b>1</b>



*Over 500 farmer leaders attended committee-strengthening courses this quarter*

**3.2 Policy and Programs Unit.** This Unit's responsibilities have been expanded to include the management of all the donor grants that include reporting, monitoring and grant proposal preparation.

**3.2.1 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.

**3.2.2 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.

**3.2.3 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.

**3.3 Management Information Systems Unit** A key project activity is to establish linkages with data sources through e-mail, www, publications and inter-agency data systems, and to have ready access to information in demand. Systems are in place to assure two-way flow of information between field and NASFAM, and with time and further education, the system will become truly effective. A comprehensive data storage-retrieval and reporting system is being established and will greatly expand NASFAM capabilities in management and marketing systems. Some progress to date includes:

- Recruitment and training of Data Entry Officers (DEO) at all 13 Association Management Centers; DEOs entering club data.
- Computers updated and installed at all 13 management centers
- New data base program designed and installed at all management center locations.



*Bookkeepers receive special training by the NASFAM HRD Unit*

## 4.0 NASCOMEX – Marketing Operations

The crop-marketing season starts in March for chilli and next quarter (April/May/June) for the remaining target crops of cotton, paprika, rice, soya, and groundnuts. Marketing statistics for each crop in terms of procurement tonnage, value and sales will appear in next quarter's report.

### 4.1 Export Marketing of Malawi Birdseye Chillies

#### 4.1.1 Zikometso Association

**Background.** Now in its fifth year of operation, the Zikometso Association has three marketing zones covering nine EPAs - each zone has its own committee and general assembly. About 260 clubs and 50 marketing centers (MACs) create the backbone of the market structure and the 5,700 farmer members produce more than 100 mt of chilli in the Association area of operation. The Association is managed through its own Board of Directors and has its own independent management structure.

The Association has a new manager and the staff has high expectations to achieve two major objectives this coming season: increase volumes and decrease operational costs.

#### 2002 Season to date:

- ❑ Seed distribution was completed last quarter in October 2001 and the new crop looks very good in terms of quality and quantity. Volume is estimated to reach 80 metric tonnes.
- ❑ The new Manager, Dan Chibwana, has promoted staff morale and proven himself capable of improving efficiency and decreasing operational costs.
- ❑ NASCOMEX has signed forward contracts for ten containers (70 mt) with its European agent. Market appears very strong and the prices are good (ave. \$2,500/mt)
- ❑ Marketing started on March 28. Competing companies seem to have re-appeared after a long absence and the price has been set at K 60/kg. It is unclear what is creating renewed interest in the crop and what is driving the price up. Supplies seem to be sufficient to satisfy all buyers.

### 4.1.2 Balaka Chilli Program

**Background.** A new office was opened in Balaka last year at the BASFA premises to kick-start a new chilli marketing operation in Nankumba/Chilipa and Ntaja areas (each area will become a Chapter). Mr. S. Chapa was transferred as the Association Manager and TSAs were assigned to each Chapter in October last year. Clubs and Chapters were formed in time for the distribution of seed – sufficient to produce over 50 metric tonnes of chilli. Association Field Officers were recruited this quarter in January and the clubs were training in collective marketing techniques.

Marketing is scheduled to start in May next quarter and the price will be comparable to that in Mulanje. We are expecting to market about three containers or 21 metric tonnes this pilot year. It appears that there will be increased trader activity due to the resurgence of the chilli production and the association is ready to go toe-to-toe. Farmers, members and non-members, will ultimately benefit.

A warehouse has been secured nearby and the warehouse clerk has been trained. Most training of staff and leaders has been conducted through the farmer-to-farmer program with trips to Zikometso. Experienced Zikometso staff has also traveled to Balaka to conduct inspections and provide on-site training.

## 4.2 Cotton Production and Marketing

**Background.** The Balaka Area Smallholder Farmers’ Association (BASFA) was formed in 2000 with a club and farmer membership today of 200 and 3700 respectively. The first two seasons focused on direct delivery programs with farmers achieving “ginny gate” prices that were 20% higher than farmgate prices.

Marketing is expected to start next quarter in late June with ginning companies delaying the season start-up due to low and unpredictable international prices.

### 2002 Season To Date

- With problems remaining with pink bollworm, polypropylene contamination, and unpredictable currency fluctuations, NASCOMEX has not sought export contracts.
- BASFA has a new manager who has been assigned the task to improve field supervision and procurement systems. Commodity security is also critical.
- NASCOMEX will encourage greater competition between the two local ginnery companies to improve prices, services and production extension. Expected contract points are:
  - Finance advances to secure deliveries (from competitors)
  - Free collection from main depots
  - Adequate woolpacks

### 4.3 Groundnut Marketing

**Background.** The Mchinji Area Smallholders farmers' Association (MASFA) was founded in March 2000 with 206 clubs and 4,024 farmer-members operating nine market centers. Over 183 metric tonnes was marketed the first pilot year and sold by September 2000 and a second "bonus" payment of K660,000 was paid to members. This bonus created considerable confidence in the Association style of marketing and membership grew considerably. Today MASFA boasts 17,000 farmer members located in 768 clubs operating 40 market centers – and the expected volume this year will exceed 1000 mt.

#### 2002 Season To Date

- ❑ MASFA has just completed the construction of a large warehouse capable of storing 1000 mt of groundnuts.
- ❑ It also has capacity for the installation of grading equipment scheduled for next quarter. This will allow MASFA to grade and export groundnuts for the first time and seek better markets in RSA.
- ❑ Preliminary discussions with prospective buyers indicate that crop financial problems may be resolved – allowing for faster and more efficient procurement.
- ❑ MASFA has one of the strongest management and membership foundations in NASFAM. Despite a soft international market, 2002 looks to be a very promising market year.
- ❑ A key strategy will be to link up the groundnut producing areas of Kasungu and Lilongwe South. Crop finance will be provided if these Associations are able to put together a viable plan of operation.

### 4.4 Rice Marketing - Karonga

**Background.** The Karonga pre-association (KASFA) was founded in June 2001 with its first pilot rice marketing program starting in July of that year. By August 120,617 tonnes of paddy were procured and milled, and by the end of last year, 64,000 kg of long-grain polished rice and 9,550 kg of broken rice were delivered to the care of NASCOMEX Marketing Operations Department for bulk and packaged sale.

In January NASCOMEX started the breakdown packaging of about 11 metric tonnes of Kaporo Kilombero rice into 1, 2 and 5 kg retail units and started wholesale operations with key high-end retailers in Lilongwe including Bisnowaty, Foodworth, Seven-Eleven, and Tutlas. This pilot effort proved highly successful and 25% more profitable and the program will expand greatly this coming season.

The 2002 market season will commence in June, next quarter and a target of 500 mt has been set.

### 2001 Season – Kilombero Rice

Crop	Purchases to Date	Purchase Value	Sale Value (est)	Sales to date
Kilombero Rice	120,617-paddy	K1,929,872	K3,200,000	K 3,047,988
	64,000 - Clean			



*New members to the Karonga Association show off their rice fields in Kaporo*

#### 2002 Season to Date

- ❑ Karonga pre-association has a strong management team with experienced TS and AFOs. The arrival of Jemi Numeri as the new General Manager will also add strength to the team.
- ❑ Karonga, through NASCOMEX, has procured its own rice milling equipment from Tanzania and will build a new mill for storage and milling
- ❑ The farm-gate price has been dropped from K16/kg in 2001 to K14/kg this coming season. This allows for the currency appreciation and expected increase in transport costs.
- ❑ Bulk sale contracts with Blantyre Milling are under way.

#### 4.5 Paprika – South Mzimba; Kasungu and Rumphi

**Background.** In June 2001 NASFAM signed a contract with Cheetah Malawi Ltd. to buy and sell all paprika in the South Mzimba area. The season ended with 27,447 kg of paprika sold to Cheetah valued at K1,803,072. South Mzimba farmers also marketed about 35.5 metric tonnes of high quality soybeans through the Association Union with a buy/sell margin of K3/kg. Total sales for soybeans exceeded K548,107

The market season may start in June next quarter. In addition to South Mzimba Union, nine additional Associations in Kasungu and Rumphi will also have paprika buying contracts with Cheetah Ltd this year. Soya is also looking good for those areas and we are looking at a bumper year.

## 2002 Season to date

- ❑ South Mzimba will expand its paprika marketing program for 2002 by increasing volumes and improving management.
- ❑ Paprika will also be the main secondary crop for the four Rumphi Associations and the four Kasungu Associations. Kasungu and Rumphi will have new office/warehouse structures at each Association site and will be in excellent shape to introduce this new activity this coming year.
- ❑ North Viphya Association, at a disadvantage with its emphasis on coffee, will now re-launch itself as the main paprika buyer in Mphompha EPA under contract with Cheetah. New market depots are being constructed with assistance from EU-PROSCARP.

## 4.6 Soya Marketing

Soya is fast becoming NASFAM's major secondary crop with paprika a distant second. During the 2001 season, four Associations marketed a total of 61.8 metric tonnes worth K939,934. It is anticipated that soya marketing will double in volume in 2002. The season starts in June, next quarter.

## 4.7 Market Expansion

NASFAM is planning only modest expansion programs for the 2002 crop-marketing season:

- ❑ Paprika: As mentioned earlier, Rumphi and Kasungu will join South Mzimba this coming season in formal paprika marketing probably under contract with Cheetah Ltd.
- ❑ Groundnuts: Kasungu and Lilongwe South Associations are also expanding into groundnut marketing with possible linkages to MASFA if required.
- ❑ NASFAM is currently studying the geographic expansion into the Salima and Nkhotakota areas for the marketing of rice, cotton, groundnuts, soya, and chilli.
- ❑ The Liwonde National Park is collaborating with the new Balaka Chilli Program for the production of Birdseye chilli along its border fence. The objective is to provide income generation for border farmers (to prevent encroachment and poaching) and to discourage park wildlife, particularly elephants, from breaching the new fence in search of farm produce. The Park program sponsored five farmer-leaders and staff on a visit to Zikometso in March this year to learn the business.
- ❑ Zomba and Lower Shire: A study will be carried out to determine the potential of assisting rice farmers in the Domasi area near Zomba. Another study will also cover the Lower Shire cotton sector to assess the need to form associations for marketing seed-cotton.

## 5.0 NASCOMEX – Business Operations

### 5.1 Bulk Fertilizer Procurement and Sales

**Background - Results for this year: 2001/2002.** The cash phase of this program starts during the last quarter of the previous reporting period (July, August, and September of 2001) but it has been traditional to report the final results under the current production year - in this case 2001/2002 – because the bulk of the fertilizer sold takes place through credit systems during the 1<sup>st</sup> quarter (Oct/Nov/Dec 2001) of the program year. It is also fertilizer used to grow the 2001/02 crops. In last quarter's report, the following statistics were reported:

- ❑ 3,500 metric tonnes of fertilizer was purchased at a value of K77.35 million (or \$1,184, 265).
- ❑ Savings off local retail prices 8.1% for a total savings of K6,278,663 or \$96,594
- ❑ Transport was free
- ❑ 22 Associations earned commissions of K1.2 million or \$18,734.

#### 2002/03 Season to Date

- ❑ NASCOMEX has started negotiations with a South African company with a Malawi partner company for direct importation of fertilizer for the first time.
- ❑ This pilot effort (very large pilot effort) is targeting about 30 Associations to sell through cash and credit systems, about 9,000 metric tonnes valued at more than \$2 million.
- ❑ NASCOMEX is discussing similar options with key Malawi fertilizer companies to ensure that we receive the best competitive package
- ❑ Ron Ngwira has been traveling to RSA to meet with company management to hammer out the deal. A local consultant has been hired to work out the details for both HO and Association management of the program.

### 5.2 Association Farm Supply Shops and Central Supply

**Association Farm Supply Shops.** Association supply shops are becoming an important commercial activity. Eight new shops started operations this quarter and NASCOMEX has become the main supplier of shop commodities that include seed, treadle pumps, chemicals and hardware items. Gross sales of items to shops exceeded K 3.3 million (\$47,000) since the start of the year. Next quarter should see a 200% increase in sales as NASCOMEX expands operations into fertilizer and other commodities.



*Members and non-members benefit from conveniently located NASFAM Association shops*

Association	Shop Location	Start-up Date
Nsipe	Nsipe, along the M1	September 1998
Kandeu	Kandeu EPA	November 1998
Nkhamanga	Bolero Boma	February 1999
Henga Valley	Mhaju Boma	February 1999
Dzaone	Dzaone EPA	December 1998
Chipala	Gogode	January 2001
Joka/Lwasozi	Embengweni	April 2001
Elangeni	Mabulavo	July 2001
Champira	Jenda	July 2001
Hewe	Hewe EPA	Sept 2001
Kasitu	Mbwengu EPA	Sept. 2001
Nyanja	Nkoma Turn-off	Nov 2001
Masuku	Masunku EPA – main road	January 2002
Katuli	Katuli EPA	January 2002
Mtiya	Namwera –Main Office	January 2002
MASFA	Kamwendo	March 2002
Lisasadzi	Lisasadzi – on M-1	March 2002
Namadzi	Namadzi – on Blantyre Rd.	Jan 2002
Thondwe	Thondwe market	Jan 2002
BASFA	Balaka town	March 2002

NASCOMEX provides the following commercial services to Associations with retail operations:

- Consignment stock contracts with seed and supply companies
- Consignment stock program for fertilizer – cash and credit systems
- Direct order systems for the payment and delivery of goods through HO (hardware, consumables, chemicals)
- Central supply service through HO for bulk commodities (treadle pumps)
- Stock transport through the NASCOMEX fleet

### 5.3 Fleet Management

NASCOMEX manages two commercial trucks of four and seven tonnage. As of March 31, 2002, after six months of operation, the two-truck fleet generated K 2.2 million (\$32,000) in gross revenues and earned a net surplus of K 1.5 million (\$22,000).

### 5.4 Bulk Transport Contract Management

No bulk transport operations took place during this off-season quarter. It is anticipated that bulk transport contracts will exceed \$1 million this year. A full-time employee is paid by the department to manage the extensive tracking that is required for this service. In addition to transport contracts, NASFAM also provides group blanket insurance coverage for goods in transit, storage, and fire/theft. Cost of the policy is shared by all the participating Associations.



*The NASCOMEX Manager for Marketing, Duncan Warren, instructs the leaders from Karonga how to effectively market their rice*

## 6.0 NASFAM Grant & Loan Support

In addition to NSP support, NASFAM is receiving grants from several sources: EU-PROSCARP, DANIDA, and NORAD. Each grant or loan is accounted for according to each donor's conditionalities, and where special requirements exist, is monitored for compliance.

### 6.1 EU-PROSCARP Grant

This five-component, K5.3 million grant started in October 1999 and continues to June 2002. 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>Additional</u>
• Crop Finance Fund (original)	K1.000 million
• LESSA Input Loan (Seeds and treadle pumps)	K .622 million
• Village Storage Depots	K 2.685 million
July 2000 extension	K 1.000 million
October 2000 addendum	K 1.412 million
• Land-use Management Advisors (3)	K 1.000 million
July 2000 extension	K 1.000 million
• Sprayers (July extension)	K .630 million

### 6.2 DANIDA Grant

We have been informed this quarter that DANIDA funding will cease as of the 31<sup>st</sup> May. NORAD has indicated that they may support some of the programs critical to the NASFAM operation that were formerly funded by DANIDA. The grant has four programmatic themes. Budget amounts are shown below. Funding is in Danish Kroner - amounts are converted to US Dollars for the purpose of this report.

	<u>LOP</u> <u>Budget</u> <u>US\$</u>
1. Programme Expansion (including equipment)	375,000
2. Training and Material Development	300,000
3. Association Office Construction	185,000
4. Crop Finance Working Capital (Revolving Fund)	<u>165,000</u>
Total	US\$ 1,025,000

The grant represents funding under Phase I of DANIDA's wider programme of support to the Agricultural Sector, and was to end on 30 June 2002 (now May 31<sup>st</sup> 2002).

### 6.3 NORAD Grant

NASFAM entered into an agreement with NORAD effective 1 October 2001 for support to four programmatic areas. Budget amounts are shown below. Funding is in Norwegian Kroner - amounts are converted to US Dollars for the purpose of this report.

	<b>LOP</b>
	<b><u>Budget</u></b>
	<b>US\$</b>
1.Human Resource Development	410,000
2.Material Support	450,000
3.Community Action	150,000
4.Commercial Programmes	250,000
5.Overhead Support	<u>230,000</u>
Total	US\$ 1,490,000

- ❑ Human Resource Development funds three sub-categories. Approximately 65% of the budget supports local training interventions, primarily for Associations. 19% of the budget is directed to NASFAM staff capacity building, allowing staff to pursue further education that is in line with their function at NASFAM, and the remaining 16% of the budget is available to fund consulting assistance.
- ❑ Material support consists of a variety of non-expendable equipment, including motorcycles for associations, three small trucks, used for haulage of produce and construction materials, and HF radios for remote offices that are not accessible by telephone.
- ❑ Community action funding supports infrastructure development at association/ community level, including such projects as warehouse construction, bridge repairs and so forth.
- ❑ Commercial programme support includes is targeted at farm supply shops and expansion into rice marketing in the Zomba area.



*Treadle pumps sold through NASFAM farm supply shops may be part of the answer to improved agricultural production during the dry season*

#### **6.4 USAID: NSP Project Grant**

NSP, managed by ACDI/VOCA, provides core funding and technical expertise under a contract arrangement with the NASFAM Board of Trustees. The grant covers most of NASFAM's administrative costs including payroll, equipment, supplies, operational costs and maintenance. The current NSP grant and contractual agreement ends October 31<sup>st</sup>, 2002.

#### **6.5 Ministry of Agricultural and Irrigation (MAI) Treadle Pump Loan**

To encourage dry season agriculture, the MoAI has provided NASFAM with treadle pumps and accessories on loan (interest-free). Two consignments of 1,000 pumps each have been received, the first in FY2000 and the second in FY2001. Pumps are sold to farmers at MK2,000 from which NASFAM and the Associations receive a small mark-up (MK500 and MK200 respectively) to cover distribution and selling expenses. Around 800 pumps were sold in FY2000 and around 1,000 pumps in FY2001.

## 7.0 NASFAM Activities

- 7.1 The **Board of Trustees** met once this quarter on March 12<sup>th</sup> and 13<sup>th</sup> for continued discussion on the NASFAM re-engineering and other matters. The BOT meets four times a year.
- 7.2 NASFAM held its **first Association Managers meeting** on March 18<sup>th</sup> and 19<sup>th</sup> for two days of planning and discussion for the forthcoming marketing season. Similar meetings were held in the past for ADC Coordinators, a position that has been phased out. These meetings are held once per quarter.
- 7.3 **NASCOMEX** staff from BOPs and MOPs (Business and Marketing Operations departments) met with all the staff and Boards from all thirteen management centers for on-site input and output market preparation. This thirteen site mission is a major change from the 80-person, four-day Annual Planning Workshop that has taken place over the past six years.
- 7.4 March 25<sup>th</sup>, 2002 is the **fifth anniversary date of the 1997 Farmers' Conference** that was held with 32 farmers to determine the formation of a national level organization to represent the fourteen Associations that existed at the time. A steering committee was elected to carry out various assignments including objectives, finance, bylaws and institutional structure. They met again on July 22, 1997 where a resolution was passed to form NASFAM.
- 7.5 Zikometso and Karonga Associations both held their **Annual General Meetings** in January (the first for Karonga). These two Associations hold their AGMs' in January because their fiscal year closes in December (the only two out of 32 that have this reporting period).
- 7.6 NASFAM held its first **Marketing Policy Symposium** on February 14<sup>th</sup> at the Malawi Institute of Management (MIM). It was jointly organized by NASCOMEX and the Development Center to explore the policy issues concerning trade and smallholder farmers. Many of the public and private sector stakeholders that usually work with NASFAM attended the one-day workshop.



*Scenes from the Market Policy Symposium held at MIM on February 14, 2002*

## 8.0 Project Planning, Reporting and Monitoring

- 8.1 **Planning, Monitoring and Reporting.** The planning, monitoring and reporting program for NASFAM is extensive. An annual strategic development planning workshop is held once a year for top-level NASFAM management to review ongoing programs, plan for new initiatives, and develop new concepts. This workshop is supported by four follow-on Association management meetings held periodically where Association managers and regional coordinators link up with head office program managers to discuss program and administration issues.

The NASFAM head office meets bi-weekly by company (NASCENT and NASCOMEX) to discuss assignments for the week and coordinate on-going activities. Each Regional office and Association management team also meets on a weekly basis to review progress and plan for the week's activities.

The NASFAM Executive Committee meets at least once a month and on a needs-be basis to form a consensus-based decision making process, to maintain effective communication, and to develop a personable and professional working relationship between NASFAM leadership and technical advisors. The Executive Committee is made up of the CEO, COO, Executive Director of NASCENT, the General Manager of NASCOMEX and the Financial Director. The two NSP Advisors also maintain a seat on the Committee.

Planning and reporting procedures at the Association level start with the development of the Annual Work Plan, now done in coordination with the Regional Support Teams. Association management also compiles Quarterly Action Plans that are reviewed and adjusted weekly. Association business reports are submitted monthly to NASFAM Head Office. NASFAM also prepares an Annual Work Plan, and progress reports on activities are prepared quarterly and annually.



*Association Annual Strategic Planning meetings such as this one are critical to the long-term commercial success of NASFAM*

## Planning, Reporting and Monitoring

<b><i>Association Level</i></b>	Annual Work Plan and budget	Two weeks before Program Year	
	Quarterly Action Plans	Oct-Dec/Jan-Mar/Apr-Jun/Jul-Sep	
	Weekly Planning and Monitoring Meetings, w/Association Management	Held either Monday or Fridays	
	Monthly Business Reports	Submitted first week of following month	
	Monthly financial reports	Submitted first week of the month	
	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,	Annually – end of FY	
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	<b><i>NASFAM Office</i></b>	Annual Work Plans	To start October 1
Quarterly Reports		Submitted first week of Jan, Apr, July, Oct	
Annual Report		Oct - Sept; Submitted November	
Annual and monthly financial reports		FY start October 1	
Frequent Field Visits to Associations		Throughout the year	
Field Management Meetings		Four per year, every quarter	
Executive Committee Meetings		Weekly; needs-be basis	
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<b><i>Regional Team</i></b>	Regional Coordinator prepares Quarterly Report; assists Association in the preparation of their plans, budgets and reports	Every quarter,	
	NASFAM Audit Team Audits Associations, trains bookkeepers, prepares annual report; team reports to committees	Every quarter, report is annual	
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<b><i>Board of Directors</i></b>	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	
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<b><i>NASFAM General Assembly</i></b>	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	