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**FIELD SURVEY OF THE
1990-1991 SMALLHOLDER BURLEY EXPERIENCE**

**U.S.A.I.D.
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Introduction

A major reform of the Agricultural Sector Adjustment Credit was to allow smallholders to grow Burley tobacco. Government allocated smallholders a quota of 3 million Kg of a national quota of 70 million Kg. 15,000 smallholders were allowed to grow Burley Tobacco on pilot basis in eight projects. These projects were Phalombe, Chiradzulu, Zomba, Namwera, Ntcheu, Kasungu, Rhumphi and Chitipa.

ASAC stipulated that a two payment system should be adopted for smallholder Burley tobacco with a pre planting price of not less than 45 percent of the three year average Auction price, and a second payment at the end of the marketing season. Government notified World Bank that "Current arrangements dictate that farmers are paid a producer price comparable to a burley tenant. This should be followed by a second payment by ADMARC at the end of the marketing season"¹. The ADMARC producer price was K1.78 for the highest quality tobacco. There were 17 grades of tobacco ranging from K1.75 to 10 tambala.

This paper outlines the results of a survey commissioned by USAID. The objectives of the survey were to review the experience of smallholder burley producers this season. Specifically the survey was to provide data on i) participants holding size and cropping pattern, ii) sources of inputs for burley production, iii) cost all inputs used for the production of burley tobacco : nursery chemicals, fertilizer application, labour, and capital and costs associated with marketing the crop, v) determine where smallholders marketed their Burley, vi) determine prices paid by ADMARC, estates and other; vii) calculate gross margins per hectare for project participants; viii) assess smallholders responses to proposed changes in marketing arrangements: allocating marketing quotas to estates and private traders; establishing Growers Associations or continuing with the present system where ADMARC is the sole legal buyer of smallholder tobacco.

The results of the survey will be used as a background to USAID's preparations of the Agricultural Sector Adjustment Programme. A total of 125 farmers were interviewed in four projects: Namwera, Zomba, Ntcheu and Kasungu. The survey also interviewed 26 farmers in Dowa West RDP who were growing Burley tobacco illegally to provide a basis for comparison of inputs used and gross margins per hectare. The report is structured as follows:

- 1) Summary of survey results;
- 2) Presentation of results by Project;
- 3) Discussion of marketing options;
- 4) Identification of constraints to the development of a multi channel marketing system for Burley tobacco;
- 5) Conclusions.

¹ Ministry of Agriculture Report 38/11/1A/Vol IV. sent to World Bank Resident Mission Lilongwe 8th October 1990

Part I Summary of survey results.

Table 1 Summary data on cropping pattern, investment costs, sales and returns.

	Namwera	Zomba	Ntcheu	Kasungu	DowaWest
Number of respondents	35	39	25	26	26
Average holding size	1.43	2.63	1.8	1.8	1.82
Area Burley	0.2	0.17	0.17	0.17	0.45
Area NDDF				0.1	0.13
Local Maize	0.53	1.62	0.7	0.68	0.68
Hybrid maize	0.33	0.51	0.6	0.53	0.4
Groundnuts	0.09	0.1	0.11	0.24	0.1
Other crops	0.13	0.1	0.19		
Average investment HA	1330	2053	2155	1619	672
% cost nursery inputs	1	1	2	2	1
% cost fertilizers	68	35	57	59	53
% cost interest	8	4	6	7.2	6
% cost labour	8	30	1	14.5	13
% construction shed	10	21	23	13.7	5
curing grading baling	5	9	12	1	13
% transport				3.2	11
N applic HA	156	195	160	177	61
P applic HA	120	107	84	118	36
K applic HA	75	53	83	74	2
Kg sold ADMARC	5015	1111	2004	3512	na
Average Price ADMARC	1.15	1.48	1.22	1.15	na
Kg sold Estates	2287	4826	3342	120	4596
Average price Estates	2.22	1.97	2.22	3.5	1.87
Kg sold Auction	na	na	na	na	4148
Average Price Auction	na	na	na	na	6.23
Gross margin Project	-5	-130	-65	-102	1023
GM if sold to ADMARC	-104	-270	-233	-108	na
GM if sold to Estates	149	-52	295	-121	1007
GM if sold to Auction	na	na	na	na	1796

Table 2 Marketing Preferences.

Marketing Preferences	Rank 1	Rank 2	Rank 3	Rank 4	Yes	No
Estates with quotas	2	41	56	33		19
Traders with quotas	6	57	51	17		20
Growers Associations	138	10	2			
ADMARC	5	24	30	54		38
Join Growers Association?					149	2

Part 2 Presentation of results by Project

Methodology

The survey was conducted during the second week of July by Evaluation Field Supervisors of Namwera, Mangochi and Zomba Projects in Liwonde ADD; Ntcheu Project in Lilongwe ADD and Dowa West in Kasungu ADD. Project officers provided the list of farmers participating in the smallholder burley scheme and respondents were selected at random from this list. The respondents interviewed in Dowa West Project were ASA respondents who were selected at random.

Liwonde ADD

The number of farmers who participated in the scheme is shown in Table 3

Liwonde ADD Smallholder Burley Scheme						
Project	Target	Actual	Target	Actual	Ave ha	Ave quo
Area	Growers	Growers	Quota	Quota	Grower	grower
Namwera	1700	771	340000	208170	0.18	270
Zomba	3800	1773	760000	510000	0.19	385

Total sales to ADMARC are Namwera 50,000 kgs or 24 percent of production. Sales to ADMARC may increase slightly. In Zomba, sales to ADMARC are 5,967 Kg or 1 percent of the crop. These farmers sold in the first week. There have been no sales to ADMARC since and nor are there likely to be. Project staff confirmed that farmers had sold all their tobacco.

Results of the survey in Namwera

35 farmers participated in the survey. 45 percent of respondents had grown burley tobacco before as tenants. All were provided with agricultural credit for burley production. 42 percent had been members of credit clubs in the past. Their cropping pattern reflects that they are farmers with above average holding sizes and commercialized crop mixes see Table 3.

Holding size	1.43
Area Burley	0.2
Local Maize	0.51
Hybrid Maize	0.33
Groundnuts	0.09
Other	0.13

57 percent of respondents stated that they had experienced problems with input distribution. Around 80 percent of respondents stated that the cost of transporting inputs to the household was very expensive. The rate quoted ranged from K7.50 to K12 with an average of K9.00. 20 percent of respondents stated that the seed was issued late, and several complained that the Field Assistant delayed input distribution and did not give them any information on the use of the inputs.

There did not appear to be any shortage of inputs in Namwera RDP. Fertilizer application rates were high with farmers applying 156 Kg N, 120 Kg P and 75 Kgs K per hectare. The fertilizer recommendations are 144 Kg N per hectare, 108 Kg P per hectare and 90 Kg K per hectare. These rates appear very high and are above recommended fertilizer application rates in the estate subsector. The average investment in Burley production per hectare was K1330. The breakdown of costs is shown in Table 4

Cost item	Percent
Nursery inputs	1
Fertilizers	68
Interest credit	8
Labour	8
Construction shed	10
Curing	3
Grading	2

Returns to burley production

60 percent of respondents sold to ADMARC. 5051 Kg were sold to ADMARC at an average price of K1.15 per kilogram. 40 percent sold to a combination of ADMARC and estates. 2287 Kg were sold to estates at an average price of per kilogram. The average return to burley production for respondents was - 5K. The average gross margin per hectare was -K25. The average return for farmers who sold to ADMARC as the sole marketing channel was -K104. The average return for farmers who sold solely or mainly to estates was K149.

Marketing Preferences

Marketing preference	Rank 1	Rank 2	Rank 3	Rank 4	Yes	No
Estates with quota		3	19	11		2
Traders with quota	5	25	3			2
Growers association	30	4	1			
ADMARC		1	10	22		2
Join Growers Association					34	1

Table 5 above shows that a Growers association was the first preference of 85 percent of respondents. Traders with marketing quotas were the second popular option. It was the first preference of 15 percent of respondents and the second choice of 71 percent of respondents. Over 90 percent of respondents ranked estates as the third or fourth option or stated that they would not market to estates. 96 percent of respondents ranked ADMARC as the third or fourth option or stated that they would not sell to ADMARC. 97 percent of respondents welcomed the establishment of growers associations and stated they would join them if they had the opportunity.

Comments by farmers

"I would welcome the opportunity to join the Growers Association because I could get reasonable prices for the tobacco and cheating would be eliminated."

"ADMARC prices are unfair. They have not given us the prices that we were promised."

"ADMARC has not been fair in the grading of tobacco. We would get better prices if someone other than ADMARC would grade and buy the Tobacco"

"It will be extremely difficult to repay the credit this year. Some farmers are making an effort to repay, but they are selling livestock to repay. It is not possible to repay the loan from the sale of burley."

"If we sold on the auction floor we would get reasonable returns even after deducting the cost of processing and transport to market. We would trust that the burley had been bought in justice."

Results of the survey in Zomba

39 farmers participated in the survey in Zomba Project from 2 Extension Planning Areas. Zaone and Zomba East. Zomba project was allocated a quota of 420,000 Kg. Project staff commented that most of the farmers had grown burley in the past either illegally or as tenants. Farmers were eager to participate in the project. There was a problem with credit in Zomba as the project established clubs for Burley farmers but the ADD had exhausted credit funds. The majority of project participants (around 75 percent) did get issued with inputs on credit but these farmers were members of existing credit clubs. The distribution of seed was late but nursery management was good. The shortage of materials for barn construction was a major problem. There was also a shortage of dimethcate for sale on cash. Project staff confirmed that the quality of the tobacco produced by smallholders was excellent and stated that the reason that farmers did not get adequate return this season was solely due

marketing. ADMARC fixed prices at a level where farmers could not breakeven. Project staff commented that several estates had not produced their quota and there was a rush to buy the smallholder tobacco as the quality of the crop was superior to that of estates.

The cropping pattern of participating farmers is shown in Table 6. Table 6 shows that the farmers were on above average holding sizes with commercialized cropping patterns. The Project had hoped to register more resource poor farmers but the shortage of credit funds to register new clubs prevented them from achieving this objective.

Average holding size	2.63
Area Burley	17
Local Mz/pigeon pea mix	1.62
Hybrid Maize	0.51
Groundnuts	0.1
Other	0.1

Only 25 percent of respondents stated that they had grown burley before. This is probably an under estimate. 90 percent had access to credit. 50 percent of respondents cited that they had problems getting access to inputs for burley production, these included:

- * late issue of seed;
- * shortage of nursery inputs;
- * late issue of fertilizer;
- * distance from ADMARC resulted in high cost of transporting inputs to the club;

The average investment per hectare was K2503 which appears excessive. Average fertilizer application rates were 195 Kg N per hectare, 107 Kg P per hectare and 53 Kg K per hectare. The breakdown of costs is shown in Table 5.

Average investment H.	2053
Cost item	
Nursery inputs	1
Fertilizers	35
Credit	4
Labour	30
Construction shed	21
Curing	1
Grading	7
Baling	1

Labour and shed construction accounted for 51 percent of costs. It is reasonable to assume that the costs of poles would be very high in Zomba due to the population pressure, but I question whether the survey respondents costed their labour correctly. It is possible that they are costing all labour hired to burley production, while a significant proportion of the labour may have been used for other crops. If this is the case then the returns underestimate the true figure to some extent.

Returns to burley production

1161 Kg were sold to ADMARC at an average price of K1.48 per kilogram. 4876 Kg were sold to estates at an average price of K1.97 per Kg. The average return to burley production was -K130, and the average gross margin per hectare was -K686. 3 respondents had not sold the burley at the time of the survey. 20 percent of respondents sold to ADMARC as the sole marketing channel and the average return was -K270. 70 percent sold to estates as the sole or major market channel the average return was -K52.

Marketing Preferences

Table 6 shows marketing preferences. It is clear that Growers Associations is the first preference of all respondents. Estates with quotas is the second popular option with 51 percent ranking it second, and 36 percent ranking it third option. Traders are clearly unpopular with 26 percent ranking Traders last and 56 percent third option. ADMARC was rejected by 36 percent of respondents and was the third or fourth option of a further 38 percent.

Marketing option	Rank 1	Rank 2	Rank 3	Rank 4	Yes	No
Estates with quotas		20	14	5		
Traders with quotas		7	22	10		
Growers Associations	39					
ADMARC		12	11	4		14
Join Association?					39	

Comments by farmers.

"You cannot benefit from selling to ADMARC as the scales are incorrectly alligned. We prefer the hanging scale, the flat scale seems inaccurate and ADMARC staff do not wait for the needle to stop swinging. They record at the lowest weight.

"Marketing system at ADMARC is very disappointing. Prices are very low. If this continues burley growing will stop."

"We do not understand the grades because there are too many."

"I am anxious to join a Growers Association and forsee a good future in farming. The Growers Association is the only way to get a fair price for the tobacco at the Auction. I will not sell to ADMARC next season."

"It would be easy to recover our credit if we sold at the Auction Floors through the Growers Association. At now, we are trying to sell livestock or to sell maize at ADMARC but there is a long delay in buying. It will be difficult to repay on time."

"If we got the Auction price, it would assist all farming because we would have some capital to buy inputs on cash."

"With Growers Associations there would be a good future in farming. We could manage our taxes, educate our children and build better homes. All agriculture would be boosted in the villages."

Ntcheu RDP

There was strong interest in growing Burley Tobacco and 1102 farmers participated in the project. The numbers of participating farmers is shown in Table 9

25 smallholders from Ntcheu project participated in the survey from the three Extension Planning areas. Most farmers were already in credit clubs (64 percent). The project established credit clubs so that all project participants had access to credit.

Registration of Growers Ntcheu Project				
	Farmers	Farmers	Total	
EPA	0.1ha	0.2ha	Farmers	Quota
2	100	413	513	138900
4	90	267	357	93600
7	19	213	232	66750
Tot	209	893	1102	299250

The average holding size for Ntcheu project is less than one hectare and the cropping pattern is dominated by local maize in purestand or maize mixed with beans. It is clear that project participants were farmers on greater than average holding sizes and had commercialized cropping patterns as shown in Table 10

Approx holding size	1.8
Area Burley	0.17
Area Local maize	0.7
Area hybrid maize	0.6
Area Groundnuts	0.11
Area other crops	0.19

56 percent of farmers had grown burley before, usually as tenants. 80 percent of respondents stated that they had experienced problems with input

distribution. The major problem was the late issue of barn covers. Project staff confirmed that the barn covers were not issued until March and this resulted in the loss or damage of leaves in the shed. Other problems included the late arrival of inputs particularly nursery fertilizers and chemicals. The project did not have the full consent of chemicals and used dimethoate for cotton rather than dimethoate for tobacco; shortage of seed and late issue of plastic paper were also problems.

The inputs were used for Burley production and only a tiny fraction of inputs were diverted to other enterprises. (It is unfortunate that none of the fertilizer was diverted to maize.) On average, farmers applied 160 Kg N per hectare, 84 Kg P per hectare and 83 Kg K per hectare. Rates of application of N are in excess of recommendations. The recommendations themselves appear excessive. It is likely that they are based on maximum agronomic yield rather than economic optimum. The average investment per hectare was K 2155. The breakdown of costs is shown in Table 11.

Cost item	% costs
Nursery inputs	2
Fertilizers	57
Credit charges	6
Watering cans	1
Labour	23
Construction of shed	11
Baling	1

Returns to Burley Production

The majority of farmers sold to ADMARC. 2004 Kg were sold to ADMARC at an average price of K1.22 per kilogram. 3342 Kg were sold to estates at an average price of K2.22 Kg. Distance to ADMARC averaged 7 Km. Farmers did not cost the transport to ADMARC. They mainly transported their tobacco to ADMARC on foot. The average return was -K65.18 and the average gross margin per hectare was -K442.92. 7 farmers sold to estates. The average return on the enterprise for farmers who sold to estates was K295. Project staff stated that around 50 percent of the crop had been sold to ADMARC. Their estimate of the average price was K1.28 per kilogram. Project staff are concerned about credit recovery. The Project issued K175,378 to project participants. Repayment to date is K23,009. ADD staff considered that the farmers were overburdened with credit and suggest that the credit package is reviewed in the future particularly the fertilizer recommendations. Many farmers state that they will repay their credit but not from the sale of burley tobacco. Farmers intend to sell livestock.

Marketing preferences

Farmers preferences for marketing Burley tobacco is shown in Table 12

Marketing Preference	Rank 1	Rank 2	Rank 3	Rank 4	No	Yes
Estates with quotas		4	4		17	
Traders with quotas	1	3	3		18	
Growers Associations	23	1			1	
ADMARC	1				24	
Join Growers Association?					1	24

The Growers association was the first preference for 92 percent of farmers. 96 percent of farmers indicated that they wanted to join a Growers Association for the Marketing of their tobacco. The only farmers who indicated that he was not prepared to join the Growers Association stated that he wanted nothing more to do with the ADD credit system or Burley production. 4 farmers cited Estates as their second preference, and 4 farmers as their third preference. 17 farmers rejected marketing to estates. Traders with marketing quotas was the option of preference for one farmer, second preference for 3 farmers and third preference for 3 farmers. 18 farmers rejected this option. ADMARC was the first preference of one farmer and was rejected by 96 percent of respondents.

Farmers preferences for marketing were reflected by Project staff who stated that they were eager to establish Growers Associations. They noted that a minority of farmers marketed their tobacco directly on the Auction Floors via Balaka Rail Station. The railway could be used to ease the transport constraint if Growers Associations were established in the future. Project staff felt that there was considerable scope for Private Traders and Estates to exploit farmers. Project staff stated that there was still interest in growing Burley next season but urged that the issue of the second payment to farmers was sorted out. Project staff stated that farmers had lost confidence in the ADD.

Comments by farmers.

"I participated in this scheme because we were told that we would receive around K4 to K5 per kilogram. We do not understand why ADMARC reduced the price to K1.78 per kilogram. As a result the Field Assistants are hated for their false promises on the marketing of Burley"

"I employed labourers throughout the season believing that I would get good prices from ADMARC and could repay the loan and pay the labourers. Now the labourers are my enemies and I cannot repay the credit."

"Tobacco is a very labour intensive crop and we are not getting any reward, we cannot repay the credit. This year we neglected maize production because we expected high incomes from Tobacco."

"In Ntcheu farmers produced very high quality tobacco but they were down graded by ADMARC. The marketing card have not been returned to us and we suspect that the payment recorded on the cards is different."

"When the marketing system for food crops fails us we simply consume the maize or groundnuts but we cannot eat this."

"I sold to licenced growers but I am worried that they will not pay me when they market the crop on the Auction Floor. I produced good quality tobacco and it is the estates who will benefit. I sold my tobacco to estates because ADMARC was even worse."

"I incurred a great loss this season on Burley tobacco. We are definitely the enemies of the Field Assistants, because we believed them when they encouraged us to grow tobacco on the basis of false promises. We are producing tobacco for ADMARC profits."

Kasungu Smallholders scheme

Kasungu ADD planned to register 1500 farmers. Kasungu ADD selected project participants by forming a District level Committee including the Development Officer, District Party Chairman, a traditional chief, and the Project officer. The following inputs were issued on credit by the ADD: 2271 50 Kg bags of D compound, 3,860 bags of CAN and 60,950 metres of poly wrap for barn construction. The value of the credit was K141 for 0.1 hectare and K312 for 0.2 hectare. The number of growers, quota allocated and ADMARC sales to date are shown in Table 13

KADD	NUMBER OF GROWERS				AREA	QUOTA	ADMARC SALES
	Target	Actual	0.1	0.2			
CHULU	300	231	166	65	29.6	44400	20236
KALULUMA	450	374	61	313	68.7	103050	70368
CHIPALA	275	217	132	85	30.2	45550	596
CHIMAMAMA	250	250	174	76	32.6	50000	18375
LISASADZI	125	160	69	91	25.1	38400	16066
SANTHE	100	103	70	33	13.6	20550	22936
RDP TOTAL	1500	1335	672	663	199.8	301950	148577

Results of the survey

A total of 26 farmers were interviewed. The average holding sizes and cropping patterns suggests that they were above average farmers with commercialized cropping patterns See Table 14

Average holding size	1.8
Area Burley	0.17
Area Nddf	0.1
Local Maize	0.68
Hybrid Maize	0.53
Groundnuts	0.24

50 percent of respondents had grown burley in the past either as illegal growers or as tenants. All project participants were provided with

agricultural credit. 58 percent of farmers cited that they had problems getting inputs for burley tobacco. These problems included:

- * late issue of seed;
- * difficulty of obtaining transport from ADMARC to the Club;
- * distance from ADMARC - range 15 to 20 Km,
- * expense of transporting inputs from ADMARC to the club ranging from K18 to K30,
- * shortage of S mixture and dimethoate,
- * the delay in obtaining transport resulted in farmers having to hire a watchman to guard inputs,
- * late issue of inputs by the Field assistant.

The average investment in per hectare for Burley was K1619. The breakdown of costs is shown in Table 15.

Average investment Ha	1619
Cost item	% Cost
Nursery inputs	2
Fertilizers	59
Interest on credit	7.2
Labour	14.5
Construction of shed	13.7
Grading	1
Transport	3.2

Fertilizers accounted for 59 percent of total costs. The average fertilizer application rate was 177 Kg N per hectare, 118 Kg P per hectare, and 74 Kg K per hectare. This are above the recommended fertilizer for both N and P. Project staff in both Kasungu and Lilongwe ADD commented that they did not understand the basis of the fertilizer recommendations and the credit package. They consider that adaptive research to determine appropriate recommendations for smallholders is required urgently.

Returns to Burley production.

3512 Kg were sold to ADMARC at an average price of K1.15 per kilogram. 120 Kg were sold to estates at K3.5 per Kg. (NB, only one respondent admitted to selling to estates.) Table -- above shows that around 50 percent of the burley was sold to ADMARC by the beginning of July. Even allowing for some additional sales to ADMARC since the beginning of July, it is reasonable to assume that around 45 percent of the crop was sold to estates. Project staff commented that three traders were buying burley tobacco at night. Respondents from Kasungu did not admit to selling to estates so the results of this survey are likely to be underestimates of the returns to the enterprise. The average loss on burley production is K102 and the average gross margin is -K678 per hectare. Credit recovery to date is K70,309.75 out of a total loan of K318,729. Project staff confirm that the losses were due to the marketing as the quality of the crop was excellent. They are uncertain whether the losses should be attributed to the farmers or the Government. Farmers who sold to

ADMARC had to wait substantial periods (up to two weeks) for their tobacco to be bought. This was due to the shortage of graders, confusion over the 17 grades of tobacco and the fact that one grader was supposed to cover up to five markets but was not provided with any transport.

Marketing Preference

AS shown by Table 16, Growers Associations was the first preference of 87 percent of farmers, 13 percent of farmers ranked Growers Associations second. All respondent stated that they would join Growers Associations if they had the opportunity. Traders with quotas was the second preference of respondents. 46 percent of respondents ranked Traders as the second preference, 31 percent the third preference. Responses to ADMARC and Estates are difficult to interpret. 78 percent of respondents stated that Estates were ranked third or fourth, and 22 percent ranked Estates as the second option. A surprising 30 percent cited ADMARC as the first or second preference. 70 percent ranked ADMARC as the third or fourth option.

Marketing Preference	Rank 1	Rank 2	Rank 3	Rank 4	Yes	No
Estates with quotas		6	12	8		
Traders with quotas		12	8	6		
Growers Associations	22	4				
ADMARC	4	4	6	12		
Join Growers Association?					26	

Comments by Farmers

"ADMARC has too many grades. The scales are not set properly and so a lot of tobacco weighs little. If we cannot sell to Auction Floors, at least Private Traders give us reasonable prices"

"ADMARC has so many grades, the classifiers do not know their job. Estates have a fixed price for tobacco. If there were more marketing channels, there would be competition and we farmers would benefit."

"We will only get fair prices if the tobacco is graded correctly. ADMARC staff are so inexperienced in grading tobacco, they do not understand the grading system and often they do not follow the schedule. The farmers do not know when they will come and so we wait for many days at ADMARC while the tobacco deteriorates."

"If the Growes Association is formed, it would work effectively as farmers are capable of organization and cooperation on a group basis. If thing go wrong, at least we would have the opportunity to complain."

"We welcome Growes Associations as everyone is fed up with ADMARC. We could process the tobacco and transport it to the Auction."

"Estate owners and traders cheat farmers, they do not pay what they promise."

"Estate owners are not to be trusted and ADMARC prices are very unfair."

Dowa West Illegal Growers

The study also interviewed illegal burley producers from Dowa West RDP in Kasungu ADD to provide a basis of comparison to smallholders participating in the Smallholder Burley Scheme. 26 farmers were interviewed in Dowa West Project. Their cropping pattern is as follows:

Average holding size	1.82
Area Burley	0.45
Area NDDF	0.13
Area Local Maize	0.68
Area Hybrid Maize	0.4
Area Groundnuts	0.1

Previous experience with Burley Production

All respondents had grown burley before. They had grown tobacco for 4 years on average (range 2- 9). 87 percent were members of credit clubs and 13 percent had no access to credit because they were past defaulters. 50 percent of respondent cited that they experienced difficulty getting access to burley tobacco production. The problems cited were:

- * ADMARC reserves all inputs for Licensed Growers or credit participants. It is impossible to get D. Compound on cash.
- * There is a general shortage of fertilizer at ADMARC but particularly D Compound.
- * Seed is unavailable.
- * Inputs on credit were issued late.
- * Farmers who grew tobacco last season (1989/90) were paid late and therefore did not have the cash available to buy inputs on time. The average investment per hectare was K672. The breakdown of costs is as follows:

Average Investment per hectare Burley	672
Cost Item	% Cost
Nursery inputs	1
Fertilizer	53
Credit	6
Labour	13
Construction of shed	5
Curing	1
Baling	7
Transport	11

Farmers in Dowa West did not use excessive amounts of fertilizer. Average application rates per hectare were 61 Kg N, 36 Kg P and 2 Kg K. (42 percent of recommended N, 30 percent of recommended P and 3 percent of K. Farmers would have out on more K had D Compound been available and not reserved for credit farmers or Estates.) Fertilizer accounted for 53 percent of costs. Analysis of sales enables one to estimate yield per hectare and there does not appear to be any reduction of yield due to the lower fertilizer application rates. Labour and Transport to market accounted for a further 24 percent.

Returns to burley production

Farmers marketed their tobacco either to estates or directly on the auction floor. 4596 Kg were sold to estates at an average price of K1.87. 4148 Kg was sold directly on the Auction Floor through a friend's licence and the average price at Auction was K6.23. The average return to growing burley tobacco illegally was K1023. The average gross margin was K2238 per hectare. 46 percent of respondents sold their tobacco directly on the Auction Floors. The average Gross Margin per hectare was K3992 for those who sold directly on the Auction Floor.

Marketing Preferences

Marketing Preferences	Rank 1	Rank 2	Rank 3	Rank 4	Yes	No
Estates with quotas	2	8	7	9		
Traders with quotas		10	15	1		
Growers Associations	24	1	1			
ADMARC		7	3	16		
Join Growers Association?					26	

Table -- shows that Growers Associations was the first preference of 92 percent of respondents. 8 percent of respondents ranked estates with quotas as their first choice. 58 percent ranked estates as the second or third choice. 92 percent of respondents ranked Private Traders as the second or third option. 61 percent ranked ADMARC last.

Comments by farmers

"A Growers Association would be useful and it would enable us to overcome problems in getting access to inputs."

"Auction prices are clearly the best, even after you deduct grading and transport. Private Traders are very risky because they usually buy the tobacco on credit and mostly they do not pay the producer at all. Estates pay more than ADMARC but they make a huge profit on the Auction Floor."

"ADMARC do not mark the cards correctly so we doubt this second payment."

"The Growers Association would be easy to organize along a club basis as the burley farmers are concentrated and we would be responsible for the repayment of the loan ourselves."

"The Growers Association is a good idea because many farmers are growing burley without licences."

"Estate owners and private traders pay farmers in instalments because they don't have enough money for transport. This makes it difficult for us to repay the loan on time."

"All options except the Auction Floor give room for theft."

"It would be possible for the Auction Floors to organize the recovery of the loan on a stop over system."

Part III Discussion of marketing options

Growers Associations

There is a clear preference for Growers Associations. Over 90 percent of respondents ranked Growers Associations as their first preference. 99 percent of respondents indicated that they were prepared to join Growers Associations for the production and marketing of Burley tobacco. This interest was shared by all project staff interviewed.

Reviewing how a Growers Association should be set up and operate was not part of the TOF, and will be the subject of a further study by a specialist. Kasungu ADD presented their "Proposed marketing procedures for smallholder burley tobacco under ASAC" to Ministry of Agriculture. The salient points of that document are summarized below.

Smallholder farmers will sell their tobacco direct on the Auction Floors in Lilongwe. The ADD will take all necessary steps to facilitate the sale of tobacco. The scheme would work as an adaptation of the system followed by the Kafulu settlement scheme in Dowa West Project. All costs involved in processing and transporting the crop are transferred to the grower and will be recovered by the ADD after the tobacco is sold.

The existing farmers clubs will be used. Each club will be issued with a licence and be treated as an individual grower. Where clubs are not operating, farmers within a locality will be grouped and allowed to sell to the Auction Floors.

Kasungu ADD propose that the tobacco is graded by the smallholders and propose to train 4 farmers from each club in grading. The selected farmers should be trained at a Residential Training Centre during February and March. The ADD would set up local tobacco grading centres. These sites will be determined by the clubs but consideration should be given to its accessibility and distance from all growers. Farmers would be required to transport their tobacco to the grading sheds. A temporary, secure and non leaking grading shed would be set up at each centre. The EPA centres appear ideal locations.

As a farmers tobacco is likely to be of several grades, careful recording of grading and baling would be required. This would probably imply that there is need for training in record keeping. Payment to farmers would depend on the amount of tobacco a farmer contributed to each bale.

The ADD have costed equipment, tools and materials required, personnel and transport requirements. This document is attached to this report as Annex

1. The total investment in equipment for the grading centre is K66,623, transport would cost K30,000 and the ADD proposed to hire Government vehicles, the personnel requirements are clerks, security guards and messengers costing K9,300. Most ADD staff in Lilongwe and Liwonde ADD share KADD's commitment to the development of Growers Associations and have pointed to the success of the Dairy Bulking groups as one example of farmers ability to produce and market their produce.

Traders with marketing quotas

This was the second preference of growers and ADD staff though neither were very enthusiastic about this option and expressed the desire to exclude the middleman and to allow farmers market direct on the Auction Floor. The consensus of opinion was that there was considerable potential for traders to exploit farmers and that it would be extremely difficult for the ADDs to monitor their operations.

In a recent study of "Domestic Food Marketing Liberalization in Malawi: A Preliminary Assessment" Scarborough concludes that "Food market liberalization has proceeded apace at the level of policy implementation in Malawi. The initial response of the private sector was encouraging, but major constraints in its capacity to expand, in terms of number and size of enterprises, volume handled, commodity spatial and temporal coverage are now apparent. Hence the degree to which the private sector can effectively relieve ADMARC of the burden of food distribution within the country and contribute to allocative efficiency and budgetary issues is limited. Access to working and investment capital is the most crucial of the constraints on the development of private sector marketing. In addition, a shortage of vehicles relative to demand, scepticism concerning future policy, a general fear of officialdom and poor market information are also inhibitory."²

Estates with marketing quotas

Over 50 percent of smallholder burley was marketed through estates this season at prices averaging K2 to K2.50 per kilogram. Estate purchases enabled some smallholders to make positive returns. There is little enthusiasm for legalizing estate purchases of smallholder burley on the part of the smallholders or project staff. Respondents conceded that they may have a slightly better bargaining position with regard to prices paid if trade was legalized but there was a high degree of scepticism concerning the fairness of the bargaining process. Many respondents believed that estates would continue to pay less than K2.50 per Kg and resented the fact that estates would be able to realize the profits from their tobacco on the Auction Floor.

ADMARC

This was clearly the least popular option. None of the respondents who sold to ADMARC managed to break even this season so the rejection of ADMARC as a marketing option is not surprising. Farmers resented the fact that prices ranged from K1.60 to 10 tambala when they anticipated prices of K3.50 to K4.00 as an initial first payment. The confusion over the grades, shortage of and inexperience of the graders and substantial delay in purchase of the crop contributed to farmers resentment.

² Scarborough 1990 Page 36.

Farmers and ADD staff are uncertain as to whether there will be a second payment. Government has agreed that the second payment should be made by November but this has not been communicated to Project level staff or to farmers. This lack of communication contributes to the uncertainty about next season. Farmers have to establish their nurseries at the beginning of August and they have only managed to repay a fraction of the credit to date.

Part IV Potential Constraints to the development of a multi channel marketing system.

The World Bank Staff Appraisal Report for the Agricultural; Marketing and Estate Development³ identified three major constraints to the development of a multi sector marketing system for smallholder crops.

First the lack of adequate financing. They note that the majority of Traders who participated during the first year of market liberalization had to rely on their own sources of finance. This was due to two reasons i) existing financial institutions lack the administrative capacity to process and supervise loans required to finance agricultural marketing; ii) they lack the incentive to develop the capacity for such lending because of the relatively easy returns to credit extended to the Government and parastatals such as ADMARC. Second, the lack of marketing infrastructure and institutional support to marketing activities. The third constraint is Government' ability to provide an appropriate regulatory environment for private trade activities.

1) Finance

Malawi's financial sector is structured as follows. The main financial institutions are the Reserve Bank of Malawi and two commercial banks, two finance houses, one Building Society, three development finance institutions and the Post Office. The Reserve Bank of Malawi acts as the Central Bank and is responsible for monetary policy, Government finance, and the manager of foreign exchange reserves. Commercial banking is by the two commercial banks Commercial Bank and National Bank. The commercial banks account for 81 percent of savings, 50 percent of financial assets and 45 percent of domestic credit. National Bank of Malawi is the larger and accounts for around 70 percent of bank deposits. The World Bank notes that "Partly by design and partly because of its small size, the financial market is fragmented and oligopolistic. Press Holdings and ADMARC own 80 percent of NBM and 70 percent of CBM. Standard Chartered Bank of the United Kingdom has 20 percent equity in NBM. The Government has 30 percent equity in CBM and 51 percent of the New Building Society. Rather than fostering competition, the authorities have opted for establishing specialized institutions (INDEBANK, NBS, INDEFUND and SEDOM to cater for specific segments of the economy thus intensifying market segmentation and cartel like arrangements."⁴

INDEBANK was established in 1972 and aims to provide medium and long term loans in industrial and agricultural sector projects. Less than 5 percent of its portfolio is agriculture, agro industry accounts for 39 percent, industry 26 percent, property development 12.3 percent and commerce 10 percent.

³ Report No. 7401 MAI 1988

⁴ Malawi Industrial Sector Memorandum 1989 Report No 7402 MAI

INDEFUND is a development finance institution which is a subsidiary of INDEBANK. It was set up in 1981 to finance projects between MK30,000 and MK150,000. INDEFUND has had problems in the past in recovering loan principle from defaulters. SEDOM was established as a trust under the supervision of the Ministry of Trade Industry and Commerce. It is a development finance institution with the aim of assisting small entrepreneurs with technical advisory services, training and financial assistance.

None of the above institutions have played a significant role in extending finance to traders who participate in marketing since liberalization. the Smallholder Agricultural Credit Administration may be an appropriate lending institution for traders. SACA is responsible for extending seasonal and medium term loans to smallholders. If Growers Associations are established in the future they will finance their seasonal inputs through SACA. If SACA is to participate in extending capital to the Growers Associations to finance investment in transport and processing equipment it would require more capital. SACA extended K65 million to smallholders in the 1990/91 season and its estimated loans for inputs is MK70 million next season.

Transport The shortage of transport is a major constraint in Malawi. Traders interviewed by Mkwelambamba in 1989 noted that transport was the major constraint to the development of private trade. The Government Economic report commented that "The performance of operators of road passenger transport has been satisfactory in its inner city operations, notwithstanding the fact that the transport services provided to the rural areas is inadequate. There are still many difficulties being encountered in domestic freight movement. The insufficient trucking capacity for domestic traffic has continued to prevail to such an extent that some consumer goods such as sugar cannot reach some parts of the market. In order to redress this situation the Government is considering soliciting fund for the purchase of trucks for domestic haulage." ⁵ Table -- shows vehicle imports since 1982.

Annual Motor Vehicle Registration 1982-1990									
	Pass.	%	Goods	%	Motor	%	Others	%	Total
Period	Cars		Veh.		Cycles				
1982	740	25	748	25	1166	40	306		2960
1983	964	31	706	23	1066	35	329	11	3065
1984	1045	32	965	30	875	27	368	11	3253
1985	1274	30	1019	24	1454	34	488	12	4235
1986	1625	42	1055	27	832	22	342	9	3854
1987	1391	41	1088	32	640	19	277	8	3396
1988	1003	33	1028	34	678	22	349	11	3058
1989	1298	32	1243	30	1044	25	527	13	4112
1990	1560	33	1853	40	918	20	352	7	4683

Source Government Economic Report 1991.

⁵ Government Economic Report Office of the President and Cabinet 1991.

Vehicles imported into Malawi are subject to heavy rates of Duty. Duty rates are 106 percent for vehicles with engines larger than 1999 cc and approximately 80 percent for vehicles with smaller engines. The only vehicles which are exempt from duty are those imported by expatriates with First Entry Privileges, those imported by diplomats and those imported by Development agencies and Government. Removing duty on vehicles should lead to increased imports and development of the private sector trading capacity.

Malawi has a total road network of 12,200 Km of which 2700 are tarred. Malawi requires at least 100 operating vehicles to achieve reasonable efficiency. Results of a Ministry of Transport survey in 1989 identified 433 transport companies which operated 774 vehicles. The vehicles are located as follows: 48 percent in the Southern Region, 43 percent in the Central region and 20 percent in the Northern Region. Of the 774 vehicles, 22 percent are over 20 years old. Most recent data from Ministry of Transport shows that there has been some growth in domestic haulage capacity since the 1989 survey. There are now 82 major transport companies operating in Malawi. These major hauliers have 958 vehicles including trucks and trailers.⁶

Despite some growth, transport remains a severe problem in Malawi particularly in the Northern Region. It is extremely difficult for farmers to get access to transport to take produce to market. The rates for transporting bales of tobacco is set administratively. The rates for 1991 are as shown in Table --

Administered transport rates for tobacco	
Northern Region	MK 30 per bale
Kasungu	MK 18 per bale
Mchingi	MK 20 per bale
Lilongwe/Dedza/Ntcheu	MK 20 per bale
Salima	MK 15 per bale
Nkotakota	MK 20 per bale
Dwangwa	MK 25 per bale
Kasitu	MK 30 per bale
Ntchisi	MK 25 per bale
Dowa	MK 20 per bale

Source TAMA personal communication.

Project staff commented that the administered transport rates tend to reduce the supply of vehicles willing to transport tobacco as they prefer to operate in a non controlled market where returns are higher. A further problem is the severe congestion at Auction Holdings. Zomba project staff commented that there may be delays of up to two weeks before the tobacco is accepted at Limbe Auction Floors. This has resulted in transporters refusing to move tobacco.

⁶ Source Mr. Kumwenda Department of Roads and Traffic MOT Blantyre personal communication

Other areas of concern

At present there are twelve commercial tobacco graders in Malawi. They are located close to Lilongwe and Blantyre/Limbe. The graders were interviewed by Carvahlo and they indicated a willingness to handle smallholder tobacco and expand their capacity. Auction Holdings have indicated that they may open regional holding depots at Mzuzu, Kasungu, Mchingi, Salima and Nkotakota. While these initiatives are welcome the problem of congestion at the Auction Floors remains a problem. There may be need to expand capacity and staff at Auction Holdings.

Part V Conclusions

The Smallholder Burley scheme was not successful in the first season. Few of the ASAC conditions were fulfilled. One objective of the scheme was to increase the incomes of resource poor households. ASAC stipulated that 75 percent of project participants should have holding sizes of less than one hectare. The average holding size of project participants was greater than 1.8 hectares. The cropping pattern of participating households was commercialized with all respondents growing hybrid maize. Most project participants were credit club members. This suggests that project participants were above average farmers probably in the upper quartile of income.

Project participants did not increase income. Respondents who grew burley tobacco under the smallholder survey scheme made negative returns on average. About 50 percent of the tobacco was sold to estates. Farmers who sold their burley to estates received price ranging from K2.00 to 2.5 per kilogram and broke even or made small profits. Participating farmers are extremely bitter about their losses. ADD staff are frustrated as they feel that they have lost farmers' confidence. Farmers who grew burley illegally in Dowa West Project had a good return on their investment. They sold their tobacco to estates or directly on the Auction Floor. Their gross margins averaged K1007.

Fertilizers accounted for over 50 percent of investment in all projects except Zomba. Application rates for N and P were in excess of the recommended levels of 144 Kg N and 108 Kg P per hectare in all projects participating in the Smallholder scheme. These rates appear excessive. Farmers in Dowa West applied around 33 percent of N and P of smallholders participating in the scheme. Farmers in Dowa West complained about the lack of D Compound and this accounts for the low levels of K application. Farmers who participated in the scheme were over burdened with the cost of investment. A review of the credit package particularly with regard to fertilizer recommendations is required urgently. Both ADD staff and farmers are concerned about the low rate of credit recovery.

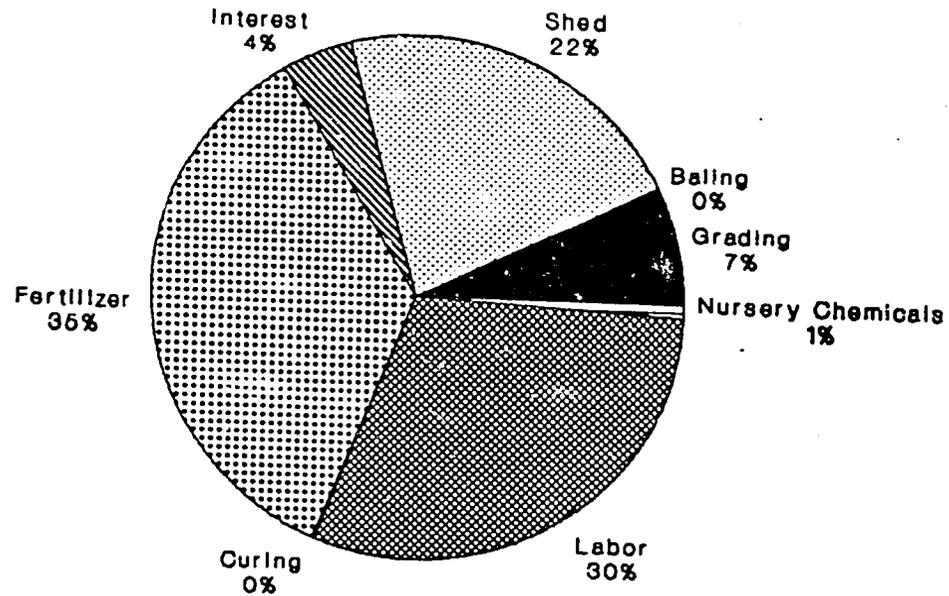
There was considerable variability in project implementation by project in particular in investment cost per hectare. Investment per hectare ranged from K1330 in Namwera to K2004 in Ntcheu. The difference in returns to burley production in the participating projects and in Dowa West is not only due to differences in marketing arrangements. Farmers growing burley illegally in Dowa West invested K672 per hectare. The composition of the investment was different. They spent less on fertilizer, labour and barn construction and more on processing, baling and transport to market as a percent of total cost.

Government is committed to a second payment to farmers who sold to ADMARC. This second payment should ensure that smallholders receive 65 percent of the net profit on the tobacco trading account after allowing for ADMARC's marketing and overhead costs for tobacco. The second payment is due before November and should be announced on the radio. The second payment may be difficult to implement as 50 percent of the tobacco was not sold through ADMARC. ADD staff commented that November is too late as they have to start registering farmers next month. The ADDs are uncertain of how to proceed next season.

The survey indicated that both ADD staff and farmers are eager to establish Growers' Associations to enable them to market smallholder tobacco directly on the Auction Floor.

BREAK DOWN OF TOTAL COSTS

Zomba Smallholder Scheme

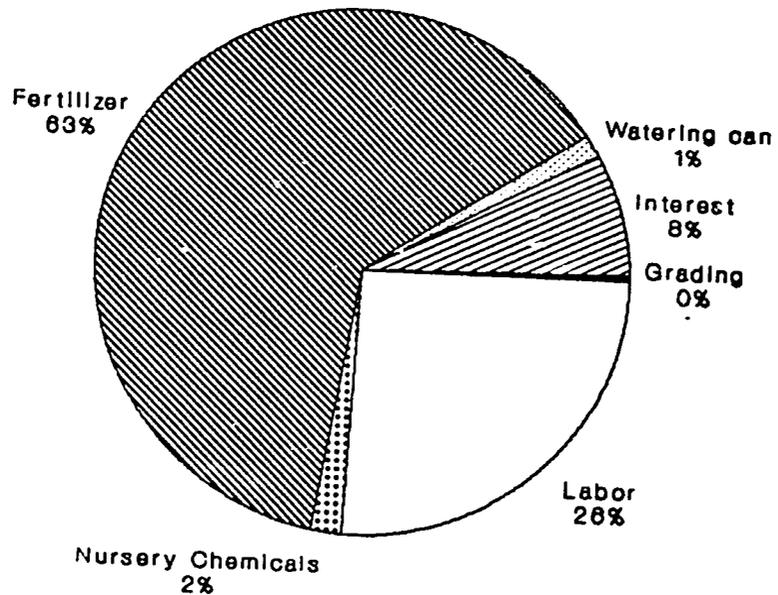


(in Malawi Kwacha)

23

BREAK DOWN OF TOTAL COSTS

Ntcheu Smallholder Scheme

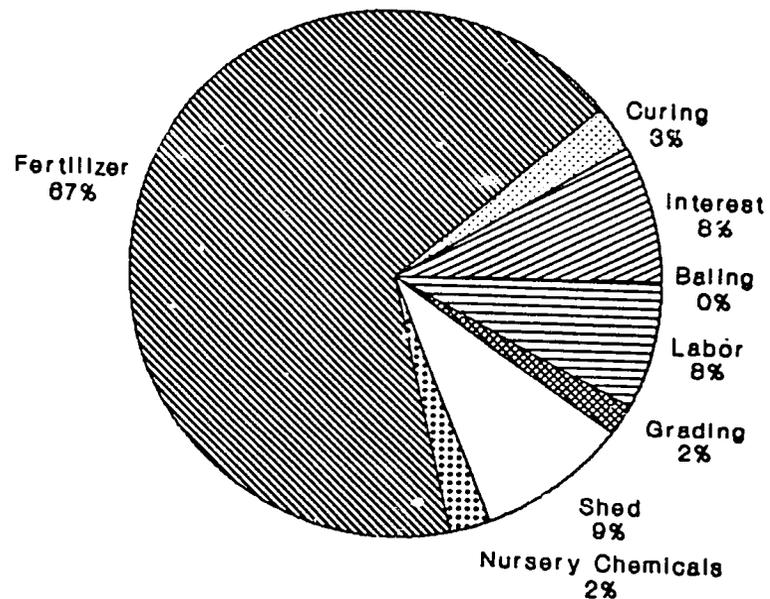


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BREAK DOWN OF TOTAL COSTS

Namwera Smallholder Scheme

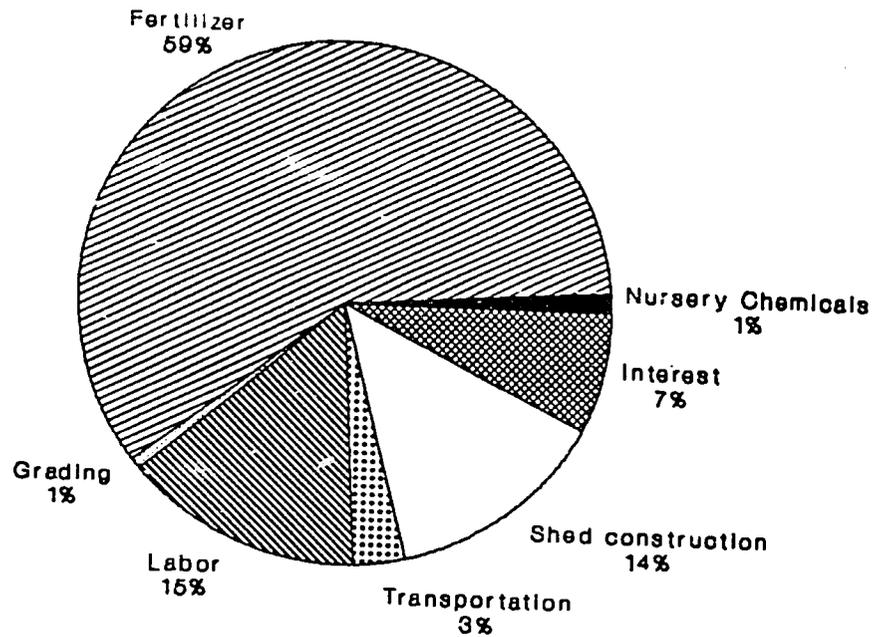


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BREAK DOWN OF TOTAL COSTS

Kasungu Smallholder Scheme

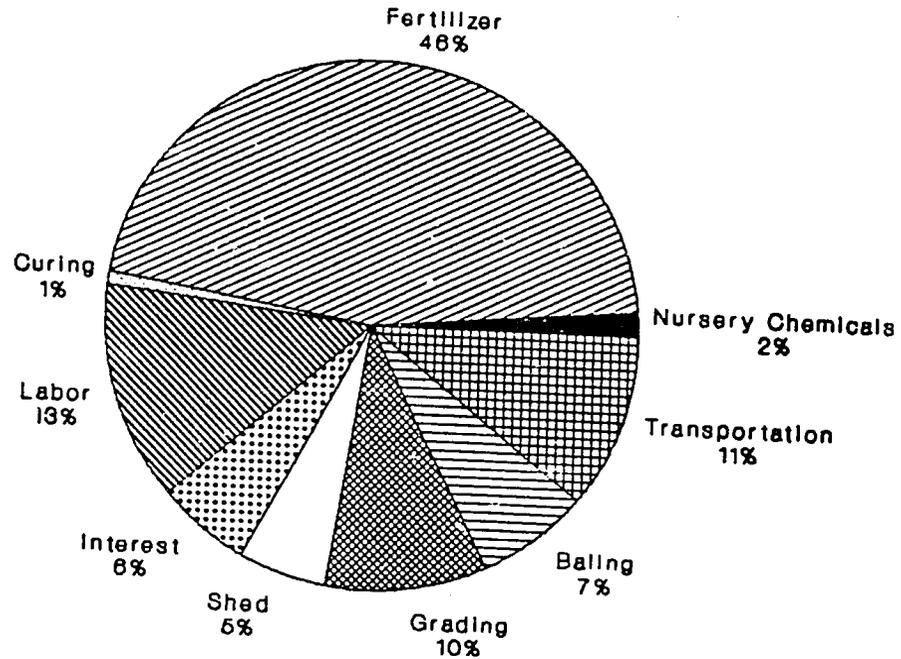


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26

BREAK DOWN OF TOTAL COSTS

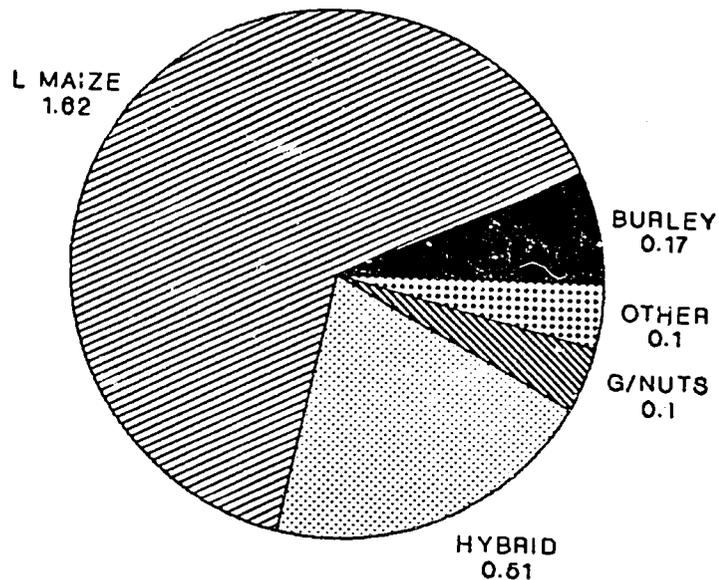
Dowa West Illegal Growers



(in Malawi Kwacha)

21

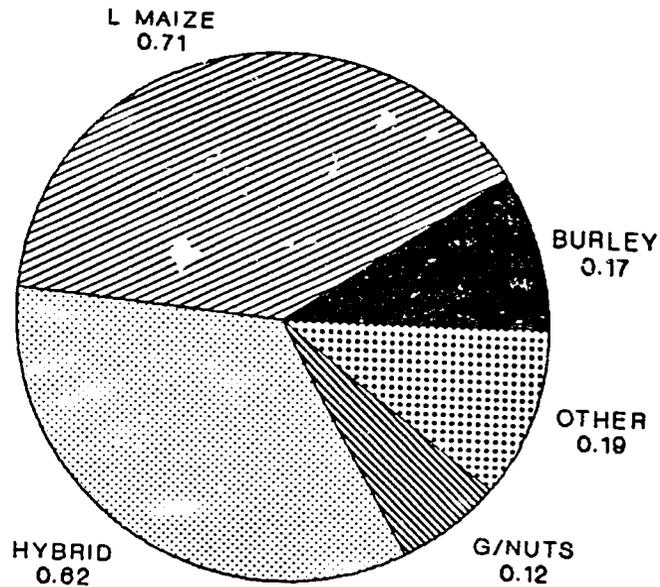
ZOMBA SMALLHOLDER SCHEME CROP PATTERN



(Average Holding Size in Hectares)

28

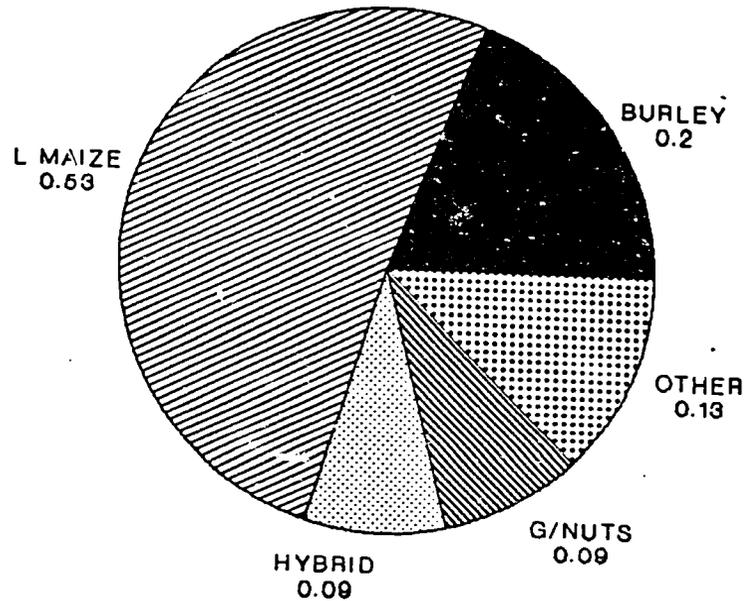
NTCHEU SMALLHOLDER SCHEME CROP PATTERN



(Average Holding Size in Hectares)

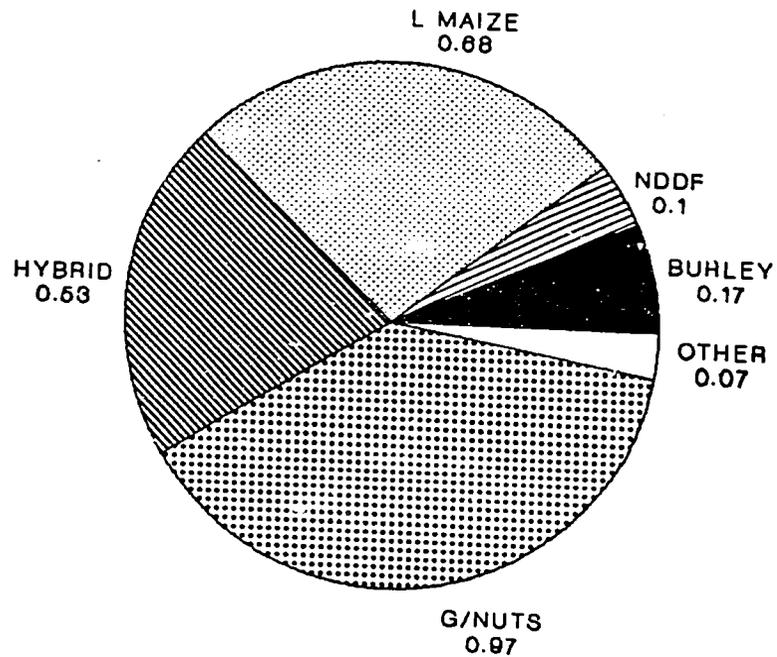
29

NAMWERA SMALLHOLDER SCHEME CROP PATTERN



(Average Holding Size in Hectares)

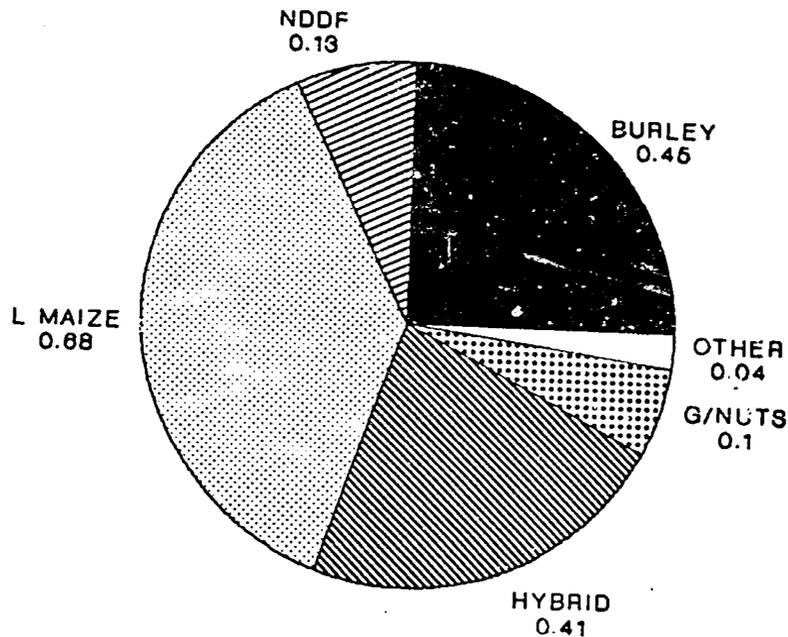
KASUNGU SMALLHOLDER SCHEME CROP PATTERN



(Average Holding Size in Hectares)

29/

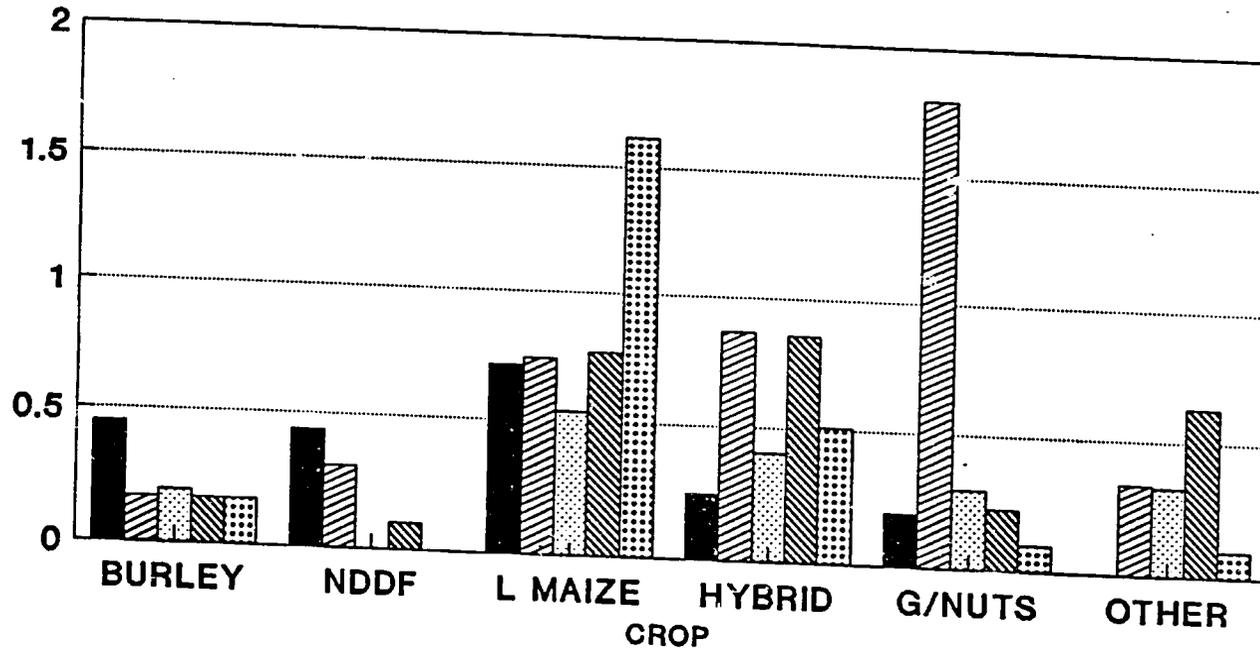
DOWA WEST ILLEGAL GROWERS CROP PATTERN



(Average Holding Size in Hectares)

32

AVERAGE CROP DISTRIBUTION By Project



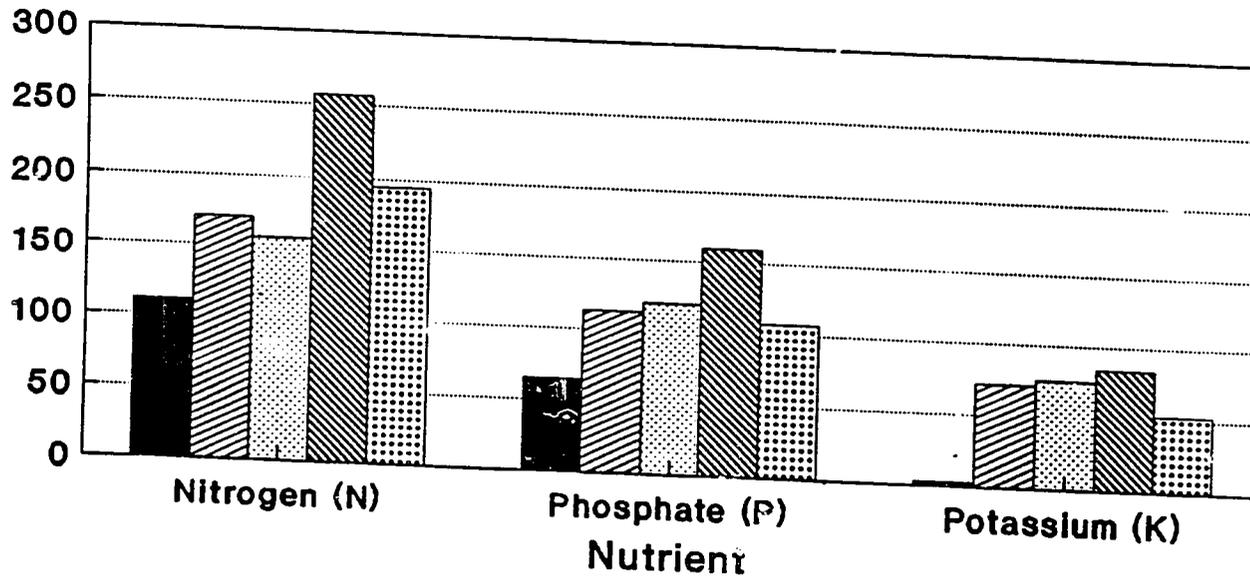
PROJECT

DW ILL
 KAS SH
 NAM SH
 NTC SH
 ZOM SH

(In Hectares)

60

APPLICATION OF NUTRIENTS AVERAGES BY PROJECT



PROJECT

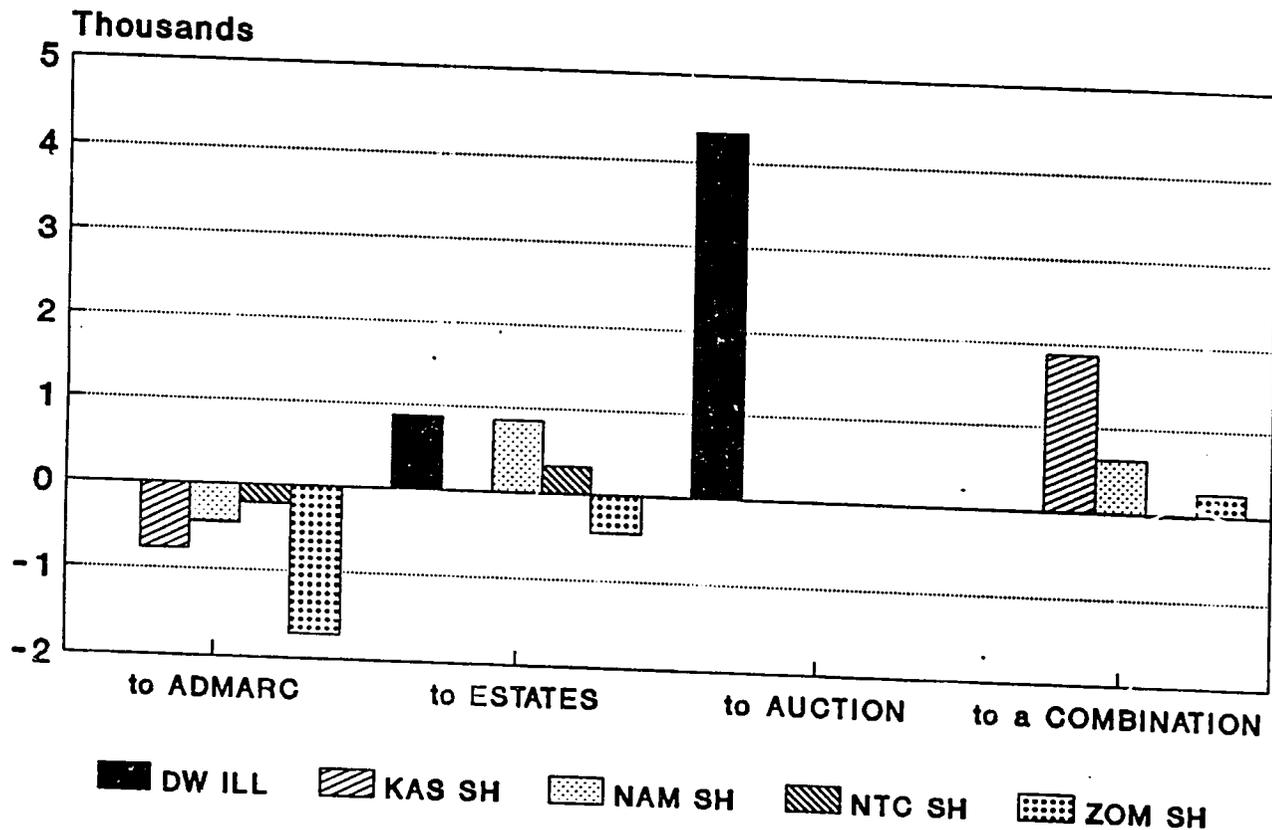
- DW Illegal
- Kasungu SHs
- Ntcheu SHs
- Namwera SHs
- Zomba SHs

(Kilograms Per Hectare)

34

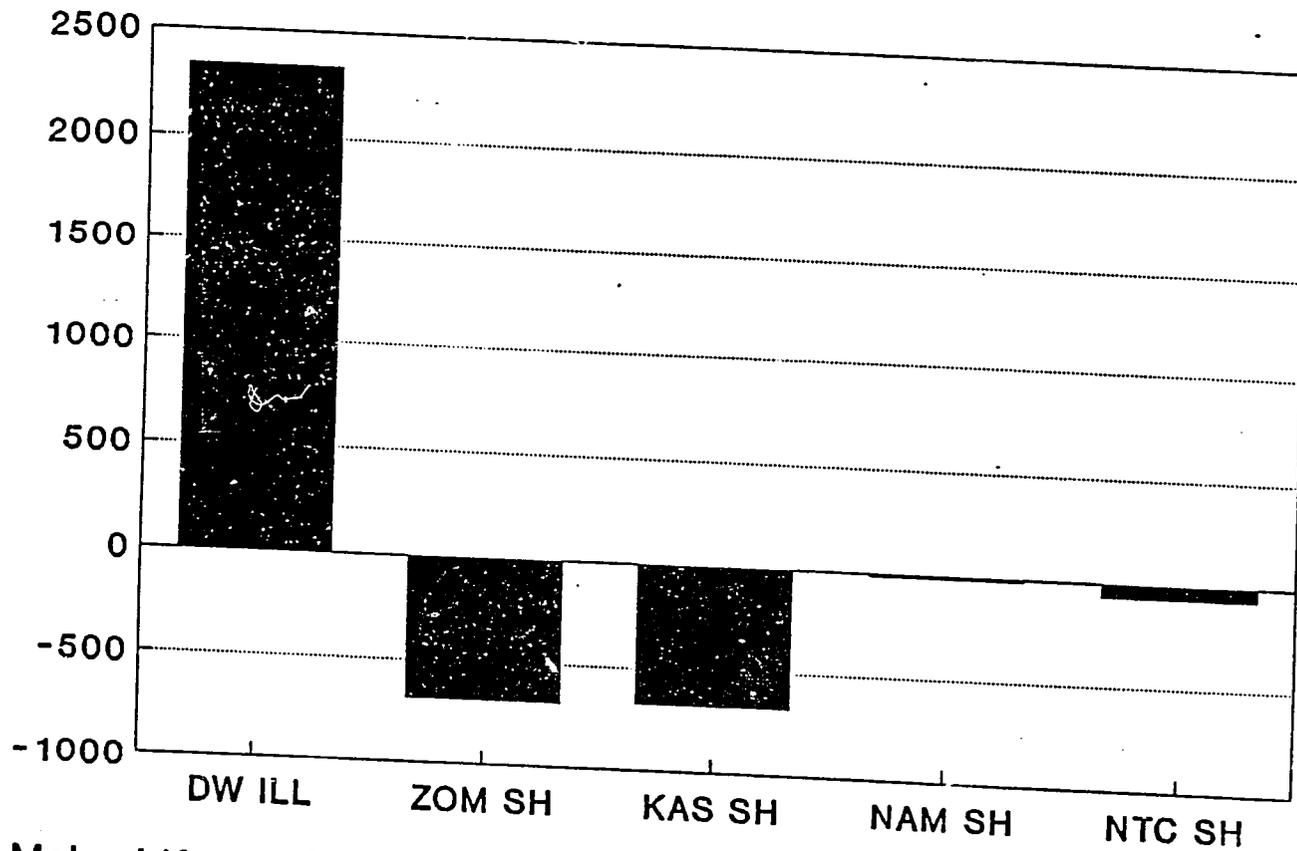
AVERAGE GROSS MARGINS OF FARMERS

By Marketing Pattern



20

AVERAGE GROSS MARGINS PER HECTARE (By Project)



(in Malawi Kwacha)

2/6

Anne & I.

PROPOSED MARKETING PROCEDURES FOR THE SMALLHOLDER BURLEY TOBACCO
UNDER THE AGRICULTURE STRUCTURAL ADJUSTMENT CREDIT (ASAC):
KASUNGU A.D.D.

INTRODUCTION

The production of burley tobacco by smallholder farmers on a pilot basis was introduced in Kasungu ADD in the 1990/91 growing season. The aim of the pilot project is to allow the needy smallholder farmers to participate in the production of a high value cash crop. The project is being implemented in Kasungu Rural Development Project (Kasungu District) where all the six Extension Planning Areas are involved. It was originally planned to have 1,500 smallholder farmers to join the project with an average quota allocation of 200 kg per farmer. The total quota allocation for Kasungu R.D.P. was, therefore, 300,000 kg. There are 1,340 farmers of which 725 and 615 were planned to cultivate 0.1 and 0.2 ha of the crop, respectively. However, some farmers have grown more than the planned hectarage because in their opinion they felt the allocated areas were too small. Therefore, instead of cultivating an area of 195.50 ha we have 250 ha. The management of the crop ranges from average to excellent and the estimated yield is 1,500 kg per ha. The RDP expects to produce a crop of about 375,000 kg.

All the farmers belong to clubs of which there are 48. The farmers were registered as smallholder burley growers by ADMARC which was supposed to be the final buyer of the crop. The following procedures are proposed to be followed by Kasungu ADD to help farmers to dispose of their crop.

All the smallholder farmers will sale the burley tobacco direct to Auction Floors in Lilongwe. The ADD will take all the necessary steps to facilitate the procedures of saling. This is an adaptation of the system followed by Kafulu Settlement Scheme where trained farmers grade their own tobacco and sale it at the Auction Floors in Lilongwe. All costs involved in processing and transpc. ting the tobacco to the Floors are transferred to each grower and recovered by the ADD at the time of payment. The cash returns per ha to individual growers have been impressive.

ORGANISATION OF FARMERS

For ease of operation it is proposed to work with farmers in groups and in the case of Kasungu RDP, the already formed 48 clubs will be used. Each club will be issued with a burley tobacco sales license. Thus each club will be treated as an individual grower. The issue of a sales license to a club will enhance cooperation among individual members in the club. The farmers should be able to work jointly when processing the tobacco for sale. Where clubs are not operating, farmers within a locality will be grouped and be allowed to sale the tobacco to the Auction Floors under one licence. Staff at sectional, EPA, RDP and ADD levels will ensure that the procedures are being followed properly by the farmers in order for the scheme to succeed.

TRAINING OF TOBACCO GRADERS

It is proposed that the tobacco should be graded by the farmers themselves as is the practice with Kafulu Settlement Scheme. However, it is almost impossible to train all the 1,340 farmers to grade their tobacco in time for the coming marketing season. At Kafulu two groups of 45 farmers were trained in grading tobacco by an official from the Tobacco Control Commission within two weeks last year. Each of the 38 trainees was able to grade 1,100 kg of tobacco between April and June, 1990. Each trainee was charged a fee of K6.00 for the training received.

In the case of our smallholder farmers in Kasungu RDP, it is proposed to train 4 farmers from each club in grading tobacco. This would involve about 200 selected trainees who would meet in groups of 50 at a Residential Training Centre for 2 weeks. Some officials from the TCC would have to be called upon to take up the training so that they would be able to assist farmers in their respective areas. The selected farmers/staff should be trained approximately from February to March, 1991. It would be appreciated if the training fee charged by TCC was waived. The trained farmers would then grade all the tobacco for the individual club members including their own. At the same time the farmers would be encouraged to learn the tobacco grading skills. In the event of TCC charging a trainee fee, the trained farmers may charge

a fee for grading their friends tobacco depending upon the decision of the club.

If the farmers will be unable to grade the tobacco on their own, commercial graders may have to be hired. On the other hand, this system would be the most complicated because of the small quantities expected from individual growers. We failed to contact the commercial graders for the likely charges.

SETTING UP OF LOCAL TOBACCO GRADING CENTRES

The sites should be determined by the clubs concerned but consideration would be made to its accessibility and distance from all growers. The EPA Centres would appear ideal but other centres may be considered depending upon the local situation. Farmers would be required to transport their tobacco ready for trading to the predetermined centres using their own means.

A temporary, secure and non-leaking grading shed will have to be set up at each centre. The size of the shed will depend on the amount of tobacco to be handled.

BALING

This is one of the difficult tasks to be done and would require accurate record keeping to be done at each grading centre. A farmer's small quantity of tobacco of say 300 kg would fall into about 6 grades. Since there is a standard weight for a bale for each grade, e.g. 115 kg, farmers may not have enough tobacco for a bale of that size and hence tobacco of more than one farmer may have to be mixed in order to come up with the desired bale weight. How much tobacco of what grade and for which farmer have to be recorded carefully. Payment to farmers will depend upon the amount of tobacco a farmer contributed to make up a standard bale.

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EQUIPMENT, TOOLS AND MATERIALS AT A GRADING CENTRE

A list of the equipment and tools that will be needed at a grading centre is presented in the appendix. This also includes the estimated cost for each of the items.

PERSONNEL NEEDED

This is again presented in the appendix.

TRANSPORT

If feasible, government vehicles should be hired to transport tobacco bales from each grading centre to the Auction Floors in Lilongwe. The charges would at least be reasonable to the farmers.

CONCLUSION

The success of the project will depend upon several factors including the cooperation among staff and between staff and farmers. The support of local leaders at different levels will be important so that they help in explaining the aims and procedures to be involved in selling the smallholder burley tobacco. In order to facilitate credit recoveries, a comprehensive list of total loan covering farm inputs, transport and other charges per grower will be prepared. The farmers, will be made aware about this well in advance. The recoveries will be made at the time of payment.



APPENDIX

EQUIPMENT, TOOLS AND MATERIALS NEEDED AT A GRADING CENTRE

1.	<u>Hanging Scales</u>	
	2/centre x 6 centres @ K1,795.00 each	= K21,540.00
2.	<u>Baling Press</u>	
	2/centre x 6 centres @ K1,800.00 each	= K21,600.00
3.	<u>Baling Paper (Khaki paper)</u>	
	200 m/100 bales (3,000 bales to be made) 30 x 200 m rolls @ K140.00	= K4,200.00
4.	<u>Baling Strings</u>	
	1 roll @ K50 each; 1 roll enough for 50 bales	= K3,000.00
5.	6 x 6 needles @ K5.00 each	K216.00
6.	<u>Hessian Sack</u>	
	2 m/bale = 6,000 m @ K2.50/m	= K15,000.00
7.	3,000 labels @ 7t each	= K210.00
8.	6 x Baling Number Stencil @ K40.75 each	= K244.50
9.	6 x 1 tins paint @ K38.60 each	= K231.60
10.	6 x 1 brushes @ K8.60 each	= K51.60
11.	6 x ledgers @ K15.00 each	= K90.00
12.	12 x Receipt Books @ K15.00 each	= K180.00
13.	Writing materials (assorted)	= <u>K60.00</u>
		<u>K66,623.70</u>

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2/11 T

TRANSPORT

3,000 x K10/bale
K30,000.00

PERSONNEL

6 x Clerks @ K100.00 each/month for 3 months = K1,800.00
 2 x 6 security guards @ K81.00 each/month for 3 months = K2,916.00
 4 x 6 labourers @ K63.00 each/month for 3 months = K4,536.00

K9,252.00

SUMMARY OF COSTS

Equipment etc.	=	K66,623.70
Transport	=	K30,000.00
Personnel	=	<u>K 9,252.00</u>
 TOTAL	 +	 <u>K105,875.70</u>

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APPENDIX I SMALLHOLDER BURLEY TOBACCO CLASSIFICATION - 1991/92

The following are the classification grades and prices ADMARC will use to buy tobacco from smallholder burley farmers in 1991/92

LOWER LEAF (FLYINGS)

<u>GRADE (T/KG)</u>	<u>DESCRIPTION</u>	<u>PRICE</u>
1F	Sound leaf, Whole, with no disease nor green tinge, 41cm - 47cm (16" - 19" and over	144
2F	Sound leaf, Whole, with no disease nor green tinge, 30cm - 40cm (12" - 16")	115
3F	Sound leaf, Whole, with no disease nor green tinge, 19cm - 29cm (8" - 12")	89
XF	Clean broken or green leaf, not waterstained nor perished, over 19cm (8")	54
WF	Waterstained, grass green, badly torn and perished leaf, over 19cm (8")	21

MAIN LEAF

<u>LIGHT</u>			<u>RED</u>	
<u>GRADE PRICE</u>	<u>PRICE T/Kg</u>	<u>DESCRIPTION</u>	<u>GRADE</u>	<u>PRICE</u>
1L	178	Sound leaf, Whole, with no disease nor green tinge, 48cm (19") and over	1R	160
2L	144	Sound leaf, Whole, with no disease nor green tinge, 41cm-47cm (16"-19")	2R	117
3L	115	Sound leaf, Whole, with no disease nor green tinge, 30cm-40cm (12"-16")	3R	84
4L	89	Sound leaf, Whole, with no disease nor green tinge, 19cm-29cm (8"-12")	4R	65
XL	54	Clean broken or green leaf, not waterstained nor perished over 19cm (8")	XR	32
WL	21	Waterstained, grass green, badly torn perished leaf over 19cm (8")	WR	10
<u>NB</u>	Overconditioned tobacco ('Wotsira madzi') will be downgraded			

Appendix 2

Burley Marketing Options Questionnaire

EPA/RDP/ADD _____

Name of Household head _____

Holding Size (approx) _____

Class of respondent _____

Date of Interview _____

	Approx Area
Burley Tobacco	
NDDF Tobacco	
Local Maize	
Hybrid Maize	
Groundnuts	
Specify	
Specify	

2) Have you ever grown burley tobacco in the past ? Yes No.

3) If yes, how many seasons have you grown burley tobacco?

4) How did you market the burley tobacco in the past?

5) Is respondent a member of a credit club? Yes No

6) Was respondent a member of a credit club in the past? Yes No

7) Is respondent a member of a credit club in default? Yes No

8) What is respondent's opinion of the ADD credit system?

9) Did respondent experience any difficulty getting access to inputs for burley tobacco production? Yes No

10) If Yes, Please specify the nature of the problem in full

11) List all inputs the respondent got this season and the source of the inputs.

Name of input	No Bags	Bag size	No Kgs	Source

12) What is the value of the credit loaned for burley marketing?

13) List all variable costs associated with burley production

Area of burley	Kg applied	Cost	Comment
Quota			
Tobacco Seed			
Nursery Chemicals			
Nursery fertilizers			
D. Compound			
.DAF			
23:21:0			
CAN			
Urea			
SA			

14) List the Labour and capital inputs associated with burley marketing.

	Who did	Cost	Comment
Labour			
Construction of shed			

15) Specify how the burley tobacco was prepared for marketing?

	Who did	Comment
Cost of curing		
Cost of grading		
Cost of baling		

16) Specify where the burley tobacco was marketed?

	Distance	Transport	Kgs sold	Price Kg	Comment
ADMARC					
Licensed Grower					
Other specify					

17) Specify the total revenue from the sale of burley _____

18) How many kilos of burley were retained? _____

19) Will respondent be able to repay credit Yes No

20) Comment in detail on the marketing options that currently exist for Burley?

21) The table below lists alternative marketing options, if these were legal and available, rank your preference for the alternative burley marketing channels.

Marketing option	Rank
Estates with marketing quotas	
Private burley traders with marketing quotas	
Growers associations with marketing quotas	
ADMARC	

22) Give full reasons why you have chosen that order of preference.

Please outline what a growers association is before asking question 23. A growers association is an organization of smallholder burley producers. The Growers Association would market their burley directly on the Auction Floor. NB.

Respondent should be aware that if they joined a growers association there may be a delay of between one and three weeks before they would receive payment for their burley. The price they would receive for their burley would be the price that the tobacco reached at the Auction Floors minus the processing and marketing costs. The growers association would be responsible for the processing and transportation of burley to the auction floor. The farmers should be aware that under the current system of selling to ADMARC, they get paid immediately and receive that price whatever the tobacco fetches on the auction floor.

23) Is respondent interested in joining a growers association? Yes No

24) Please record in detail the farmers opinion of the feasibility of Growers Association for the marketing of Burley Tobacco
