

MALAWI PIGEON PEAS OUTLOOK

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Prepared by Legumes Unit at AICC

Introduction

The Malawi pigeon peas Outlook is a periodical publication that aims at informing legumes stakeholders on current status and most importantly mid-term and long-term prospects for the pigeon peas value chain in Malawi. Produced by the African Institute of Corporate Citizenship (AICC), the publication looks at issues within the pigeon peas value chain as per the domestic and international trends.

Understanding the Pigeon Peas Value Chain in Malawi.

Pigeon Peas is one of the most important pulses in Malawi grown for consumption (both as relish and snack) and marketing (domestic and international). In line with the climate change, pigeon peas' ability to contribute to soil fertility improvement due to its nitrogen fixation traits and addition of organic matter through biomass is of critical importance in Malawi's agriculture more than ever. Furthermore, pigeon peas is rich in protein (21%), vitamins, calcium and iron which can boost the nutrition of resource poor communities. Pigeon Peas is also used as livestock feed, fuel wood for cooking and agro forestry farming systems

In Malawi, pigeon peas is mainly grown in the southern region in districts of Zomba, Mangochi, Machinga, Mulanje, Thyolo and Chiradzuro. While in the central regions it is not predominantly grown by smallholder farmers due to cultural reasons. However, Salima, Kasungu, Lilongwe and Mchinji districts have seriously taken up cultivation of medium-maturing varieties. Pigeon peas is also grown as a boundary marker in northern Malawi, although lately it has

Since 2008, the area under pigeon pea cultivation has slightly been increasing associated with increases in production. However, yield is averaging at 800kgs/ha against a potential of 2500kgs/ha. Production has increased by 201% over the 5 years from 110,991MT in 2008/09 to 335,091 MT in 2014/15. The graph below illustrates pigeon peas production trend in Malawi for the past 12 years.

developed great potential in Karonga and Chitipa districts.

Malawi has a total of 7 improved pigeon peas varieties with 2 new varieties (Chitedze 1 and 2) recently added in the seed system. 65% of the Pigeon pea produced is consumed on-farm where as 25% is exported. 10% is traded on the domestic markets.

The pigeon peas value chain includes Seed Breeders with lead from the Government. It is also comprised by certified seed producers and of recent there has been a growth in Private Seed companies with assistance from the Malawi Seed Alliance (MASA) an Irish Aid funded initiative. The main producers of pigeon peas are smallholder farmers with support from government and non-governmental organizations.

Pigeon peas marketing is at this point not structured as it is with most legumes thus farmers sell in the spot market with small, medium and larger scale traders. However, Commodity exchange businesses play a key role in mitigating the fluctuation of legume supply and demand across years through storage and arbitrage. These procure and provide space to store legumes and grains at a fee, especially in farmer-trader transactions (Warehouse Receipt System); and mechanisms to buy and sell legumes (Bid Volume Only or Offer Volume Only systems). Farmer associations have local bottom-up initiatives to store legumes, which are connected with storing and trading.

Malawi has also experienced an increase in processing companies. Almost 90% of the Tur dhal is exported to India via different channels.

Malawi's Pigeon Peas Performance

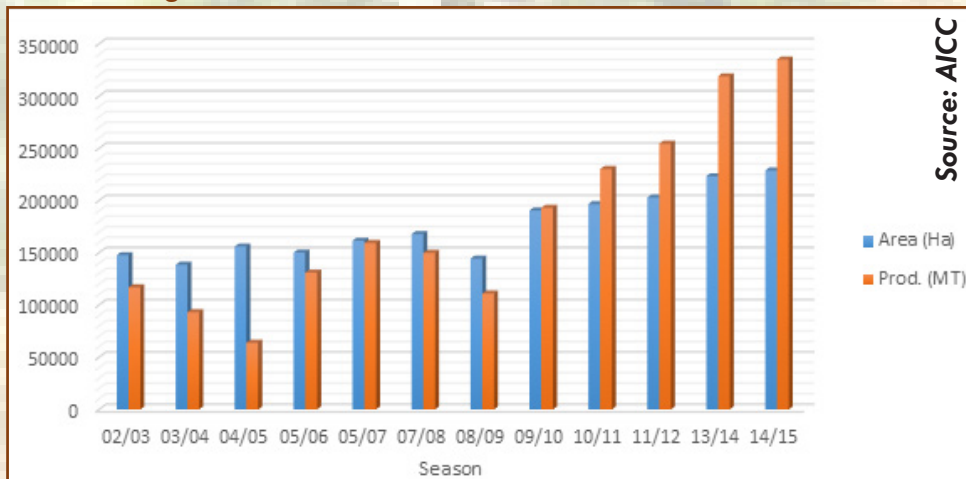
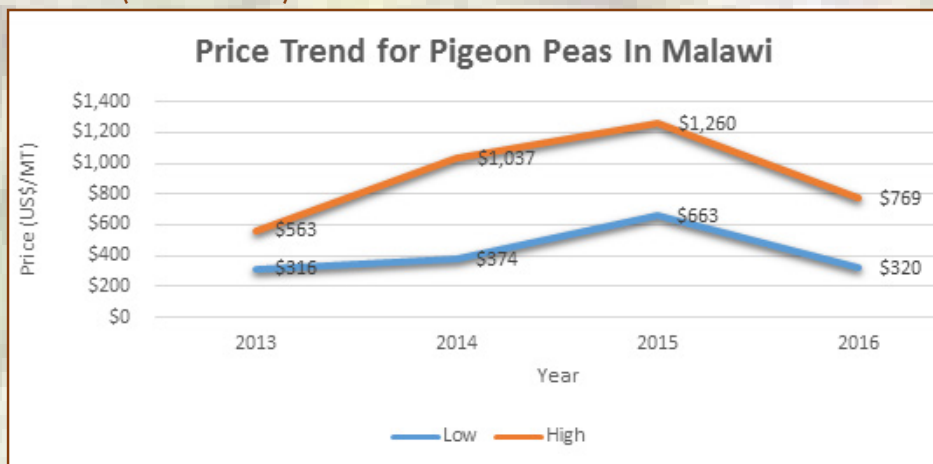


Figure 2: Pigeon Peas Production Trend in Malawi (2002-2014)

Figure 3: Pigeon Peas price trends in Malawi (2013-2016)

Pigeon Pea prices have increased exponentially since the establishment of the Commodity exchanges and increase in market information dissemination through the Malawi Investment Trade Centre (MITC) and Ministry of Trade, Industry and Tourism. Pigeon Peas prices mainly increased from the 2013 marketing season due to the declaration of MITC and AHCX on export opportunities coupled with launch of the pigeon peas forward contracts. The increase in prices was also triggered more due to the low production in India which is the major producer and consumer of pigeon peas in the World.

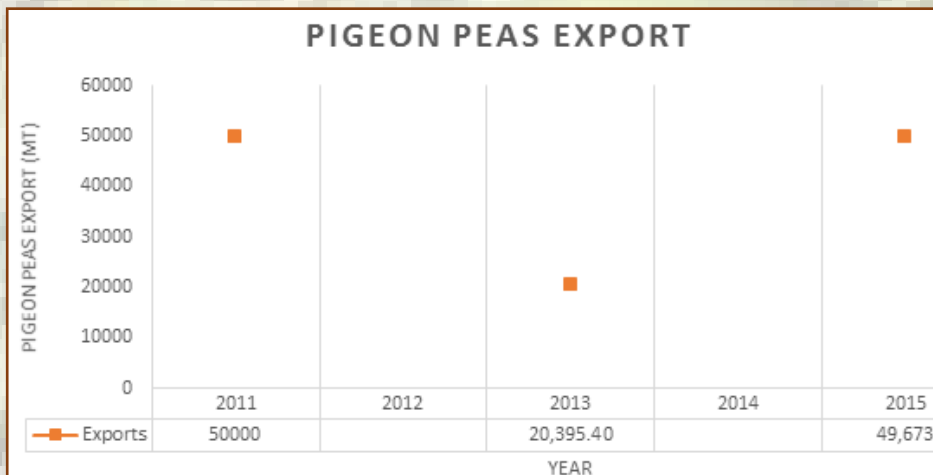


Source: AICC

Due to this increase in prices to about US\$ 1.67/ kg, producers pegged prices at US\$1.38/kg at the start of the 2015/16 marketing season. However, prices are trickled in at US\$ 0.62 /kg to 0.69 /kg. Where as in other areas prices as low as US\$ 0.48 have been reported in early August and US\$ 0.35/kg in Mid-August.

Figure: Malawi Pigeon Peas Export Trends

In 2015, Malawi managed to export 49,673 Tons of pigeon peas through ACE, AHCX and other formal Trade portals. Pigeon Peas was the major export of the legume crops within the 2014/15. However, this represented a 1% Malawi's supply of pigeon peas to the world demand. Tanzania, the second largest Pigeon Peas producer in Africa, surpasses Malawi in international trade. This reveals Malawi's minimal participation in international trade.



Source: AICC

Pigeon peas export has been fluctuating over the decade. In 2011, Malawi exported a total of 50,000 metric tons which was directed to the Indian Market. However, in 2012 India the largest importer of Malawian pigeon peas did not register pigeon peas imports from Malawi due to insignificant and ad hoc trading. In 2013 total pigeon peas export was further reduced to 20,395.4 metric tons. During this period, the total export to India amounted to 18,262 metric tons (over US\$ 11 million) which accounted for 90% of the total pigeon peas export. Pigeon peas export surged up again in 2015 where 49,673 metric tons was exported with 36,464 metric tons of it being supplied to the Indian Market. AHCX increased its direct exports by 4,890 metric tons from 601 metric tons in 2014 to 5,500 metric tons in 2015. This increase has been attributed to the increase in awareness in regards to export markets for pigeon peas. However, reports indicate that over US\$ 60 million of export revenue from pigeon peas was lost due to under declarations. This signals the significance of the informal markets for pigeon peas in Malawi.

Poor grain quality continues to hamper Malawi's potential to capitalize on international trade opportunities. The quality and safety of legumes supplied from farmers to traders and processors and then from them to national and international buyers, is often inconsistent over time. Public standards are poorly enforced at the domestic level, and often effective monitoring takes place only on exported product. High transaction costs also hinder export opportunities, for example;



the cost of exporting a 20-foot container of pigeon peas to Mumbai in India is US\$ 1800 for Malawi compared to an average of US\$ 800 for Tanzania, and US\$ 500 for Kenya.

Pigeon Peas Performance in Africa

In African, pigeon peas is mainly produced in the Eastern and Southern Africa region with Malawi as the largest producer (43%) followed by Tanzania, Uganda and lastly Kenya.

India signed a Memorandum of Understanding (MoU) with Mozambique to increase the import of pulses. Mozambique is expected to export 100,000 tons of pigeon peas to India this year worth more than \$60 m and India wants to double this in four years. This entails that Mozambique might grow to become one of the leading pigeon peas producers in Africa.

Tanzania is expected to double pigeon peas production by 2016 due to re-launch of the second phase of a project to promote maize-pigeon pea intercropping farming system. The first phase of the project has been very successful and farmers have been able to increase the yield of pigeon peas from 500 kg per hectare to 1600 kg per hectare.

In 2015, three African countries were amongst the top 5 major import sources of pigeon peas for India, these included Tanzania (20.68%) which seconded Myanmar, Mozambique (15.28%) and Malawi (7.99%). This indicates the potential that African countries especially those in the EAS are key in the global Pigeon Peas Value chain.

World Performance for Pigeon Peas

The world production of pigeon pea sums up to 3.25 million tons. 4.76 million hectares is devoted to pigeon peas production worldwide, with 3.8 million hectares for India only. Thus, rendering India the largest producer of Pigeon peas seconded by Myanmar. However, since 2014 India continues to experience a shortage of pulses, according to the 2016 Commodity profile for pulses, India has imported a total of 5,130,000 metric tons of Pulses between April, 2015 and February, 2016 of which about 2 million was pigeon peas.

Pigeon peas production in India has decreased due to extreme weather conditions recently, which has also raised the demand for Myanmar Pigeon Peas. Thus Myanmar has earned \$81 million from pigeon pea exports to European Union (EU) member countries as of the first week of July in 2015-16 fiscal year.

The world demand for pigeon peas in 2015 amounted to 4.9 million tons with 43% of the total demand emanating from India. This was followed by China at 903,258 tones, which is attributed to China's intensification in processing and Utilization of pigeon peas. This again shows that, in regards to pigeon peas, India is the number one player in terms of consumption and production.

Russia exported 109,200 tons pigeon peas in July. That is an increase of 63% compared to the same time last year. Most of the peas were bought by Turkey, which took in 67,000 tons. India was second at 21,300 tons. Furthermore, Myanmar's bean and pulse exports dropped 41 percent from January to March of 2016, compared to the same time a year earlier. This includes pigeon peas of which the vast majority were shipped to India.

In regards to prices, pigeon peas prices in India hit all-time high for the month of June to 9000 Rupees per Quintal equivalent of \$1343 per metric ton, however prices have plunged to as low as 5100 rupees per Quintal (US\$ 761.03 per Mt). This signals high production in 2016 targeting the India market. This is substantiated by reports indicating an increase in production of Pigeon Peas.

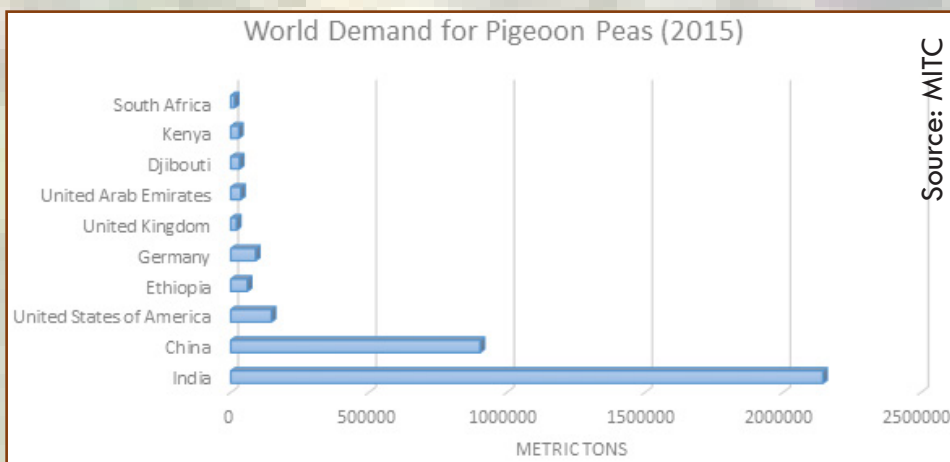


Figure 3: World demand for Pigeon Peas in 2015



Outlook for Pigeon Peas in Malawi (Next 6 months)

The marketing season for pigeon peas hits the peak in September-October. Prices for pigeon peas are expected to rise to more than US\$ 1.31/kg as the kwacha is fairing less to the dollar owing to relatively low foreign reserves which will once again prompt pigeon peas price hike.

Another major factor for price increase is going to be determined by how long Maymnar's pigeon peas supply to India will last. India purchases the first stock of pigeon peas from Myanmar which is the second largest producer of pigeon peas and also presents lower import transaction cost as a neighboring country to India. Thus, prices in competing countries are lower during this period as India is being supplied by Myanmar. Therefore, once the Myanmar stock dwindles in November, pigeon peas prices are expected to rise in competing countries including Malawi. Commercially it would be prudent to export in November- December. The Government of India approved increased procurement of pulses. Thus India will continue to procure pulses in order to curb rising prices and feed the vulnerable population in India at subsidized prices. In relation to that, Malawi and India governments are currently negotiating an MOU where Malawi will supply pigeon peas to Indian Government. If this is passed, Malawi will be compelled to increase its pigeon peas production starting from the upcoming production season and it is envisaged that both smallholder and commercial production of pigeon peas will also expand. Thus it is envisioned that pigeon peas production will continue to increase despite the low prices in the 2015/16 marketing season experienced by smallholder farmers. However, this will depend on evidence based sensitization that will be rendered to farmers in regards to firstly, availability of markets for pigeon peas both domestically and internationally

and Secondly, prices that may prevail during harvest time .

It should be noted that with strides being undertaken in competing countries such as Mozambique and Tanzania (the second largest producer of pigeon peas in EAS), Malawi is likely to fall back and loose the market share in the international pigeon peas market due to poor quality issues reported by the Commodity Exchanges, high transactions that have been earlier alluded to and slow transition into the structured market system for grain legumes including pigeon peas. This is subject to how quick Malawi can move quickly to eliminate these challenges. Amongst other things; Malawi therefore needs to design market arrangements that reduce transaction costs for private sector traders and exporters.

In order to ensure continued supply of pigeon peas to major exporters, pigeon peas quality will be emphasized in the formal trade portals. This is in light of; intense discussions on structured market systems in Malawi leading to the development of the export directive, increase in quality consumers and buyers in India and the continued migration of pigeon peas into the central and northern region. This will probably result in increased investment in quality control systems by processors and commodity exchanges.

Furthermore, as the Malawi Revenue Authority (MRA) seeks to reduce cases of under declaration by conducting weekly price checks coupled with establishment of the Trade Informational Portal and East African Grain Council (EAGC) in Malawi. It is expected that cross border trade for pigeon peas will be properly documented. This will eventually lead to availability of information in regards to international prices and export opportunities. In the long run, this could trigger production as well as investment in commodity trading and possibly pigeon peas processing.

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