

MALAWI GROUNDNUTS OUTLOOK

April - September, 2016

Prepared by Legumes Unit at AICC

Introduction

This is a quarterly outlook for the groundnuts subsector. It presents an analysis of the groundnuts value chains trends along different parameters of the chain with the aim of providing an outlook for next three months domestically.

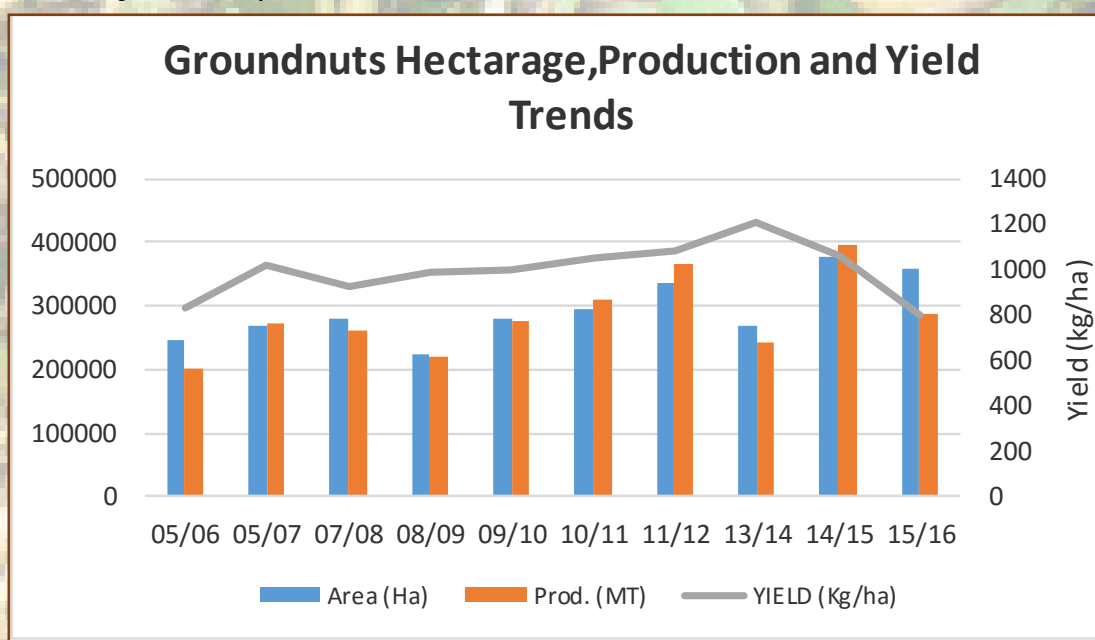
Understanding the Groundnuts subsector.

Groundnuts (*Arachis hypogaea*) is an important legume crop in the smallholder agriculture in Malawi as it provides approximately 25% of the agricultural income. Groundnuts is produced by farmers in all districts of Malawi as a source of food, income, livestock feed, for export and also for improving soil fertility etc. In its effort to boost groundnuts production

the Government of Malawi prioritizes groundnuts in its export strategy as well as subsidizes groundnuts seed through the Farm Input Subsidy Programme (FISP). By 2012, around 93% of groundnuts in Malawi was grown by smallholder farmers, with the remaining 7% being produced under the estate sub-sector.

overall production has not significantly increased in Malawi. The highest production of 397,505MT was registered during the 2014/2015 growing season. However, production and hectare declined in the 2015/2016 season due to the erratic rains caused by the El Nino.

In terms of marketing, the Agricultural Development and Marketing Corporation (ADMARC), a statutory Corporation, was the sole buyer and supplier of produce and inputs respectively for a long time. However, since mid-1980s government liberalized market to allow private sector play an active role in the marketing of inputs and produce in Malawi. The

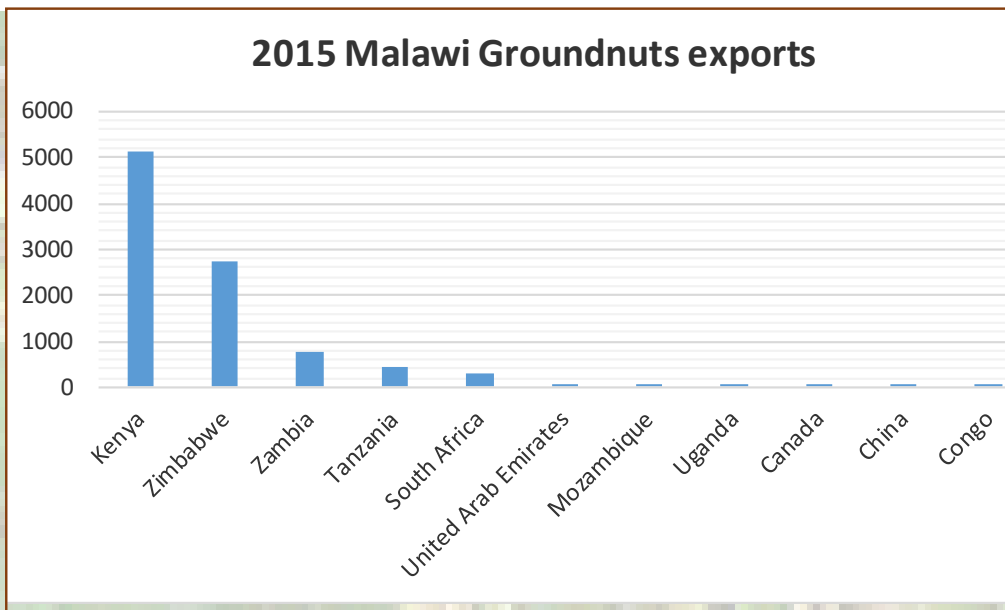


Source: AICC 2016.

Figure 1: Groundnuts Hectarage, Production and yield trends Malawi 2005/2006-2015/2016

In Malawi about 100,000 smallholder farmers cultivate groundnuts, of which women are the majority. Total cultivated land for groundnuts ranges from 200,000 to 400,000 hectares. On the other hand Malawi ranks first in Africa in terms of productivity with an average productivity of 940kg/ha. Over the past 10 years,

major export markets for Malawi are neighbouring countries of Tanzania, Kenya, Zambia, South Africa, and Zimbabwe as shown in Figure 2. The combined average production for these countries account for 95% of Malawi's production of groundnuts.



Source: MITC 2016

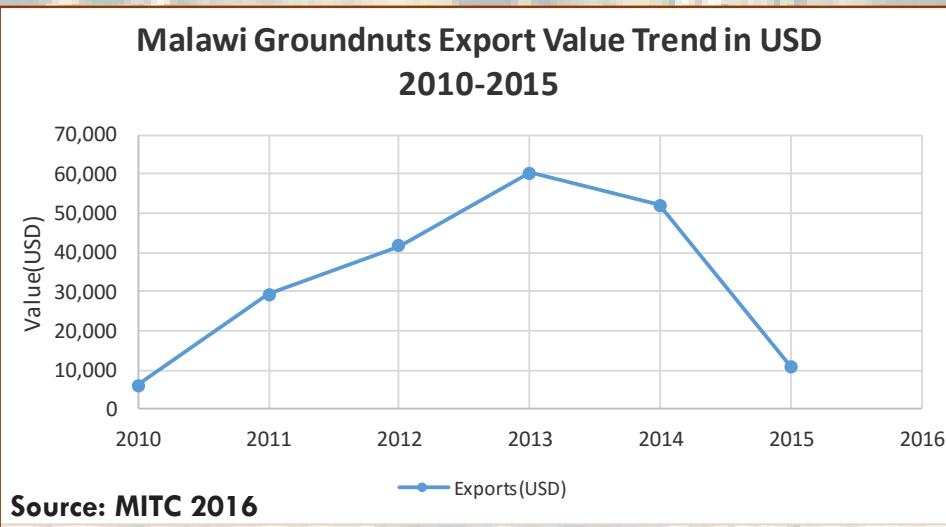
Figure 2: 2015 Malawi Groundnuts exports

Malawi's groundnuts continue to have levels of Aflatoxin beyond the permissible levels for human consumption. Aflatoxins are small molecules that are toxic to both humans and animals. Though they appear in several agricultural products, they are most common in groundnuts. Contamination can occur any-time from pre-harvest to storage and can severely threaten the groundnuts export potential of Malawi.

Malawi Performance over the past three months

Groundnuts production in Malawi has not kept up with the demands for both the local and export markets especially in terms of volumes over time. In 2015 Malawi exported only 9531MT of groundnuts against a global demand of 1940210MT representing a

Furthermore there is low harvest and poor quality due to erratic rains in areas growing groundnuts. Most groundnuts are mixed (CG7 and Chalimbana) due to the low harvest hence affecting prices.



Source: MITC 2016

Figure 3: Malawi Groundnuts Export value trend in USD 2010-2015

0.49% contribution to the global demand. However, the export values are an underestimation of reality as over 90% of groundnuts trade takes place in informal markets and is not registered in national accounts, Figure 3 presents the export trend for groundnuts in Malawi over the years.

In terms of marketing the majority of farmers (85.2%) sold their produce to traders over the past few months. these traders consists of vendors, retailers, wholesalers and individual household or fellow farmers. Vendors are the major buyers of groundnuts because they are accessible and available all the time. Farmers also sold groundnuts produce to consumers at designated government markets. The determination of prices was dependent on the demand, transport cost, quality, grading and the purchase price. Groundnuts fetched an average price of MK520 per kg during the harvest period for the supply was high. By June the price picked up to MK600 per Kg and now (September) the average price is MK720 per kg due to low supply and high demand.



Africa Performance

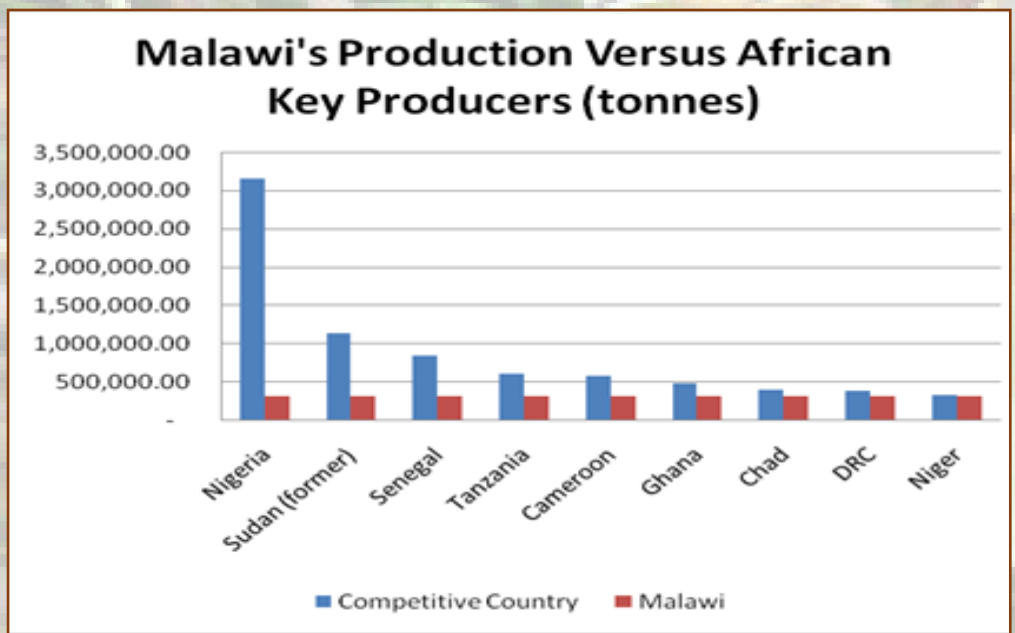
Groundnuts production in Africa has suffered from fluctuations and downward trend. Yields are still very low, averaging about 800 kg/ha, less than one-third the potential yield of 3000 kg/ha. This large gap between actual and potential yields is due to several factors, including non-availability of seed of improved varieties, poor soil fertility, inappropriate crop management practices and low inputs used in groundnuts cultivation as well as pests and diseases.

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Figure 4 presents Malawi's Position against key African producers. In 2007 the total harvesting area in Africa was 9.04million ha with a total production of 8.7 million MT. The average productivity in Africa is 964kg/ha which is poor when compared to the US and other developed countries where it is close to 3500kg/ha.

Average productivity is 1720kg/ha in Nigeria, 500kg/ha in Sudan and close to 700kg/ha in Senegal. In addition Nigeria produces 30% of Africa's total, followed by Senegal and Sudan with each about 8%.

Groundnuts production in Nigeria has suffered major setbacks from rosette epidemics and foliar diseases,



Source:MITC 2016

Figure 4: Malawi's Production versus African key Producers

Malawi's Position against key African producers. In 2007 the total harvesting area in Africa was 9.04million ha with a total production of 8.7 million MT. The average productivity in Africa is 964kg/ha which is poor when compared to the US and other developed countries where it is close to 3500kg/ha. aflatoxin contamination and lack of sufficient and consistent supply of seed of improved varieties. This has significantly affected productivity and thus production and subsequently led to lose its share in the domestic, regional and international markets.

World Trend and Performance

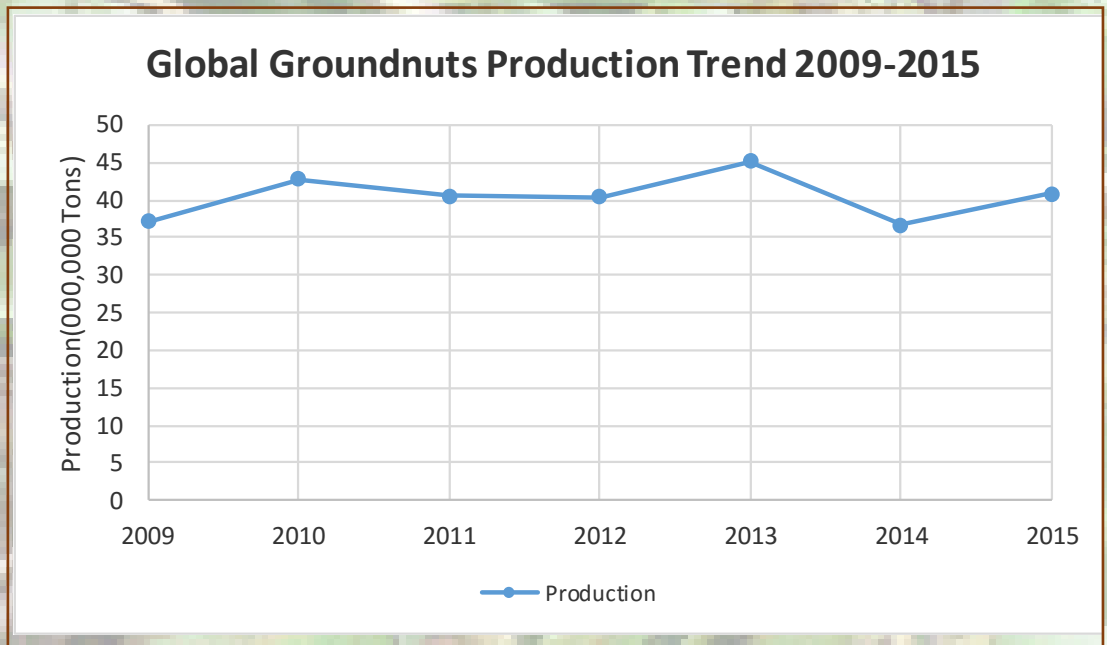
As of July 2016 the price of groundnuts was \$ 1,811.50 per tonne and in July 2015 the price of groundnuts was at \$ 2,063.58 representing a 12.22 % decrease in price. The decrease in price is relatively due to the increase in production unlike in the year 2014/2015 hence output was lower.

The global output of unshelled groundnuts in 2015/16 season is projected at 40.8 million tons, nearly 3% above the 2014/15 performance of 36.7 million tons. The increase of 1.1 million tons reflects the rebound in

India and Sudan productions. Production growths are foreseen for China and the United States, the increase in United States is mainly due to higher groundnuts prices in comparison with cotton, corn and soybeans, which are competitors for land. The Chinese production is expected to recover from last season's decrease caused by reduced planted area mainly due to farmers' response to lower returns, and thus better match the rapidly rising local demand for groundnuts oil. Figure 5 presents the global production trend over the years.



In 2015 world demand for groundnuts was at 1,940,210 tones and it is anticipated to rise by 3% this year. The export trade could decrease by nearly 6% and imports could maintain their 2014/15 level, leading to an increase in global ending stocks to a record level of nearly 2.9 million tons.



Source: FAO stat 2016

Figure 5: Global groundnuts production trend (2009-2015)

Outlook for Malawi for the Next Six Months

Groundnuts prices have been relatively higher in normative terms (Kwacha terms) in the 2015/2016 growing season. However crops such as soy bean have fared much better on the local and global markets. With the increase in demand of other legumes such as soy bean, it is more likely that the groundnuts production will dwindle per hectare as farmers will go for a more promising crop which is soy. This, eventually will cause an increase in price in the groundnuts market as supply will be low and demand will be high.

This shift in production is accounted for the ever increasing demand of soya bean by agro processors such as Rabs processors who are producing a lot of products such as soya pieces which have dominated the domestic market. The increased demand will cause an increase in soy bean prices hence farmers will most likely shift away from groundnuts. Nevertheless the reduced supply of groundnuts will cause an increase in price on the local market during the 2016/2017 season.

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