



Government of Malawi

**Concept Note**

**on the**

**Establishment and Management**

**of Mega Farm Project**

**by**

**The Ministry of Agriculture**

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# **CONCEPT NOTE ON THE ESTABLISHMENT AND MANAGEMENT OF MEGA FARM PROJECT BY THE MINISTRY OF AGRICULTURE**

## **1.0 Introduction**

Since attainment of independence in 1964, agriculture has been and still remains Malawi's mainstay of the economy with great contribution to food and nutrition security, employment, foreign exchange earnings and household incomes.

According to the 2015 Annual Economic Report, agriculture accounts for 30 percent of Gross Domestic Product (GDP) and generates over 80 percent of national export earnings. The 2013 Malawi Labour Force Survey report indicates that agriculture employs 64.1 percent of the country's workforce.

Agriculture in Malawi is comprised of the smallholder and the estate sub-sectors, with more than 70 percent of agricultural GDP coming from smallholders. These farmers mostly grow food crops, such as maize, rice, cassava, sweet and Irish potatoes, and legumes to meet the subsistence requirements of their households. In addition, smallholder farmers grow cash crops, such as tea, tobacco, sugarcane and coffee. There are also efforts to increase their engagement in other commercial crops such as paprika, cotton, horticulture, and fruit production (mango, banana and citrus). The estate subsector focuses primarily on the commercial production of high-value cash crops such as tobacco, tea, sugarcane, and macadamia, all of which contribute significantly to the agricultural exports of the country. The estate subsector also provides contract farming opportunities for smallholders. Recently, there has been a growing emergence of medium-scale farmers defined as those cultivating at least five hectares but less than 25 hectares of land.

Such being the case, there is need for intensive investment in the sector if the national economy is to remain vibrant to support its ever-growing population.

However, the potential of Malawi's agriculture is not fully exploited to completely end poverty and sustain national development. Some of factors making the potential not being attained include, but not limited to: poor access to quality inputs;

unstructured/unregulated markets for farm produce; high prevalence of pre and post-harvest pests and diseases; compromised extension service delivery; poor agricultural infrastructure to support production; climatic shocks due to over-reliance on rain-fed agriculture; limited access to capital to stimulate agricultural production, low mechanization; Inadequate successful agribusiness models to inspire local investors into commercial farming business

To avert the above challenges, the Government of Malawi need to create a conducive environment which would enable its farming communities attracted to venture into agricultural production if attainment of household and national food, nutrition and income securities as well as national economic growth are to be achieved.

One such deliberate approach in accordance to Malawi Vision 2063, would be the implementation of the Mega Farms Approach across all the three regions of the country to act as hubs for farmers in the respective areas of operation.

## **2.0 The Mega Farm Approach**

The Malawi Government is undertaking various reforms aimed at improving the service delivery as well as output. The Ministry of Agriculture has adopted 3 key Reform Areas of i) Enactment of Enabling Agricultural Policies and Acts; ii) Transformation of Agricultural Production and iii) Agricultural Marketing and Value Addition.

Under each reform area there are several activities to be carried out, outputs, outcomes as well as the benefits to be realized out of implementation of these reforms and the Ministry of Agriculture is committed to implement these reforms within a 30 month period between October 2020 and June, 2022. The reforms are aimed at changing the face of the Ministry as far as service delivery to the farming community as well as other stakeholders within and outside the agricultural sector is concerned.

Under Key Reform Area 2(Transformation of Agricultural Production) which aims at addressing issues of low crop and livestock productivity, low agricultural output, limited competitiveness of the country's agro-industry, sector's susceptibility to climatic and weather shocks, one of the outputs committed by the Ministry is Establishment of the 3

Mega Farms i.e. one per region which have to be in place and operational by June 2022.

### **3.0 Operationalization of the Mega Farms**

The Mega Farm Concept is in line with the Government's commitment and philosophy of ending hunger and poverty both at household and national level in line with Sustainable Development Goal (SDG) number one( eradicate extreme poverty and hunger) and Malawi Vision 2063 Pilar number1(Agriculture productivity and commercialization).

The Mega Farm concept aims at establishment of large scale production units at one place with having all necessary supporting resources i.e. human, capital, equipment and infrastructure from land preparation to marketing. The farm is involved in producing various crops and livestock on the farm and also under out-grower approach. This means the farm provides a ready market for farmers' produce at a price agreed between the farmer and the farm which may be the Government set minimum farm gate price or above. This therefore eliminates exploitation of farmer by middlemen who take advantage of the poorly regulated produce marketing to swindle the farmers thereby making farming viewed as not being lucrative.

With this Mega Farm approach, many people skilled and unskilled personnel will be employed on and off-farm across the value chain thereby contributing into the creation of employment.

The Mega Farms will in a way operate in an Anchor Farm model where providing support services to smallholder farmers surrounding it. Smallholder farmers will be organized in groups and form apex organizations i.e. associations or cooperatives which will be linked to the Mega Farm.

Other support services the mega farms will provide to the surrounding communities shall include but not limited to:

- i. Conduct coaching on crop and livestock production and management, agribusiness
- ii. Provision of out-grower services
- iii. Provision of general extension and advisory services

- iv. Provision of high quality inputs for crop and livestock production on agreed terms and condition
- v. Warehousing facilities for commodity aggregation
- vi. Improvement and/or establishment of community infrastructure (Corporate Social Responsibility)
- vii. Market linkages
- viii. Farm equipment hiring services

#### **4.0 Planned Activities**

The key actions or planned activities under the Mega Farm concept will include:

- i. Identification of potential land for establishment of Mega Farms
- ii. Processing land acquisition and concessions
- iii. Sensitization of Mega Farm scheme
- iv. Recruitment of Consultants for various construction works
- v. Identification of potential private sector investors
- vi. Recruitment of specialized government experts to partner with private investors
- vii. Recruitment of out-growers

#### **5.0 Expected Outputs**

- i. Increased employment opportunities for the surrounding communities and beyond
- ii. Improved food and nutrition security at district and community level
- iii. Improved extension service to surrounding communities
- iv. Improved community welfare through anticipated Corporate Social Responsibilities (CSR) by the Investors and Government
- v. A highly vibrant and competitive agricultural sector
- vi. Improved income levels for the out-grower farming communities through the ready market

#### **6.0 Mega Farm Set up**

Mega Farm is a best approach in commercializing agricultural production but as indicated above, setting up and managing a Mega Farm is highly capital intensive. And considering that production is not a core function of government, but just creating

a conducive environment (such as Facilitate their access to financial services and commodity markets), there is need for a Public-Private Partnership (PPP) approach where interested private investors would take lead while Government is providing an enabling environment for the former.

Three farms will be established with each region having one. The total area for the farms will be 10,000 hectares to cater for crop and livestock production. Considering that it may not be possible to get the required hectareage on one farm, several farms will be identified but there will be one central point where all produce will be taken to for processing and other value addition processes.

Each farm will be required to have the following facilities to make it complete:

- i. Value addition/processing plants for maize, soya, groundnuts and sunflower
- ii. Livestock feed processing/production unit
- iii. Warehouses for different crops with facilities such as mechanical stacking machines with conveyers, seed/grain processors, weighing and bagging.
- iv. Farm machinery such as forklifts, heavy duty tractors and their allied equipment such as ploughs, ridgers, harrows, rippers, planters and applicators, motorized sprayers
- v. Weighbridge for determining farm inputs and produce coming in or out of the central Mega Farm Unit
- vi. Motor vehicles and motorcycles
- vii. Offices for staff
- viii. Housing for junior officers and permanent labourers
- ix. Perennial water source and fully installed irrigation facilities (surface and overhead)

## **7.0 Capacity Situation**

The country has vast potential land for establishment of the Mega Farms which are currently not being owned by any farmer. In an event where the proposed land is within the farming communities, then Government can make arrangements to compensate the concerned farmers or relocate them. Currently, Press Agriculture Limited has farms

all over the country which are idle and Government will go into agreement with the company to have their land be turned into Mega Farms by Government.

In an event of a PPP, the Ministry has also qualified staff in Crop production, Irrigation development and management, Agribusiness Management and Planning that will be part of the management of the Mega Farms based on recommendations from the engaged Consultants.

Malawi as a country is endowed with perennial water bodies across the country which can facilitate irrigation in the mega farms thereby producing twice or thrice a year depending on the crop enterprise to be selected. This will also assist in building resilience towards climate change shocks regularly being experienced by the country due to over-reliance on rain-fed agriculture.

To cut on cost of inputs especially seed, the Mega Farms will be producing its own seed which will undergo all seed inspection and testing and certification as prescribed under the Seed Act and extra seed will be sold to the farming communities around and beyond.

The Mega Farm will be easy to sustain itself as products from the farm will be sold at competitive prices while the by-products will be used for livestock feed processing as well as soil fertility and structure improvement for sustained crop production.

## **8.0 Mega Farms and their contribution addressing issues under Reform Area 2**

### **i. Low Crop and livestock yields**

The Mega Farm approach aims at fully mechanizing crop production activities from land preparation to post harvest handling hence timely implementation of recommended activities apart from use of high quality farm inputs which are some of the prerequisites to attainment high crop yields. Crop residues to be incorporated into the farms will enhance soil fertility which is another catalyst for attainment of desirable yields.

Some crop residues may directly be fed to livestock while by-products from some crops such as maize, soya, groundnuts and sunflower can be used for compounding

high quality livestock feed thereby contributing to increased livestock performance and production.

**ii. Low agricultural output**

With the organized production by the Mega Farms and as a ready market for farmers surrounding the communities through out-grower approach coupled with availability of high quality inputs will positively lure farmers into serious investment into farming hence this will spur agricultural output

**iii. Limited competitiveness of the country's agro-industry**

Most of our products are less competitive because of limited quality and quantities offered on the market. The Mega Farms will therefore endeavor to produce en-masse and invest in modern and high tech value addition to meet international standards and make the products more competitive on both the domestic and international market thereby reducing on imports of products that Malawi has a higher comparative advantage to produce.

**iv. Sector's susceptibility to climatic and weather shocks**

Malawi's agriculture is heavily reliant on rainfall making it highly risky as it is normally associated with dry spells, poor intensity and distribution coupled with proliferation of pest and disease attacks. Mega Farms will therefore invest in irrigation to avert these climatic shocks during rain-fed period and also enable another production of 2 post-rain crop cycles depending on the crop enterprise selected. This will therefore lead to increased production volumes a catalyst for resilience to the climatic shocks.

**9.0 Project Risks**

Despite the political will from the current Government to establish and implement the Mega Farms, the success of the Project hinges on several factors such as but not limited to:

- i) Availability of land and the willingness of the community to offer the land for investment

- ii) Timely availability of adequate financial resources to establish the Mega Farms and support all operations across the selected value chains
- iii) Cooperation of farming communities around the mega farms against vandalism.