Malawi Agro-dealer

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SMEs TRANSFORMED FROM SEASONAL TO ALL YEAR-ROUND AGRIBUSINESSES

AAI PROMOTES SMEs THROUGH IMPROVED BUSINESS MANAGEMENT PRACTICES

BUILDING UP CAPACITY FOR SMEs DEVELOPMENT

SPECIAL EDITION
Table of Contents

Editor’s note 3

Executive summary 4

Malawi Confederation of Chambers of Commerce and Industry awards AICC 5

A thumbnail of the AAI projects 6

Sustainable agro input business through AAI Project 7

Unleashing full potential in SMEs through market access points 7

Building up capacity for SMEs development 8

AAI promotes SMEs through improved business management practices 9

AAI linked SMEs to agricultural input manufacturers 10

SMEs transformed from seasonal to all year-around agribusinesses 11

Sustaining small and medium enterprises through diversification training 12

Six things you should know about agro-dealership 13
Welcome to the first ever edition of “Malawi Agro-dealer” for African Institute of Corporate Citizenship (AICC). This issue is dedicated to disseminate interventions and awareness on initiatives being done by AICC through the Agribusiness Acceleration Initiative (AAI). AAI project is a project that is addressing some of the challenges that agro-dealers are facing in Malawi through building capacity of SMEs to increase small agribusinesses turnover, profitability, enable small rural agribusiness, increase number of farmer suppliers/customers, facilitate small rural agribusinesses increase their range of market services and to facilitate small rural agribusinesses increase in their workforce.

This intervention is being undertaken with a background that 50% of employment avenues in Africa are created by SMEs and that agro-dealing is a component that has the ability of improving the agricultural landscape of an economy. Malawi has had a considerable number of agro-dealers that were not certified as well as not complying with some legislations on pesticides management. AICC through its AAI project has managed to build capacity in agro-dealers, unleash full potential of SMEs through market access points as well as promoting SMEs through improved management practices. The project has also managed to transform some seasonal agro-dealers to manage all year round agri-based activities as well as building sustainability of agro-input input businesses. As of date, some agro-dealers under the project have managed to diversify into other business activities, increase their business turnover, increase the workforce and others are able to provide private extension services to farmers.

This publication presents a thumbnail of the AAI project, progress made thus far and successes that have been made. As we continue updating and informing readers and stakeholders, we urge you to visit our Facebook page www.facebook.com/aiccafrica, our website www.aiccafrica.org, our Instagram page “aiccmalawi,” our Linkedin page “African Institute of Corporate Citizenship” and our tweeter handle “@AfricaAicc” for further information.

We will be more delighted to continue interacting with you and responding to your comments and questions left on the above online media channels.

Let me take this opportunity to thank all our contributors, readers and stakeholders for the support rendered in the production of this first issue.

Enjoy the Newsletter!

Godfrey Pumbwa
Governance and Communications Officer
Small and Medium scale enterprises play a critical role in every economy. An average of 50% of employment avenues in Africa are created by the operations of SMEs. They generate significant proportions of GDP and employment. About 52% to 57% of Gross Domestic Product (GDP) is produced by SMEs and 61% of employment is created by SMEs. In Malawi, the role of agricultural small and medium scale enterprises in enhancing agricultural production is indispensable. Agro-dealers enhance agricultural production by enabling access of agricultural inputs to the farming community by making farm inputs available, affordable, accessible, and of good quality. Agro-dealers play pivotal roles in acting as output markets for agricultural produce thus their presence enables the effectiveness of the agricultural sector.

Conventionally, an agro dealer is a sole proprietor or business organization and sometimes cooperative society that engage in sale and purchase of agricultural input. They usually have a valid registration certificate or license to carry out this activity as required by the law. They are usually also part of a union that governs activities of dealers. An agro-dealer can also be referred to as a local entrepreneur who sells seeds, fertilizer and agro-chemicals to small-scale farmers.

An ideal agro-dealer is one who has access to financial products, sustainable profit margins, adequate business management capacity and offering a range of market services and products to farmers. These salient features allow innovation, efficiency, and market expansion and job creation.

Though pertinent to the economy, agro-dealers in Malawi, face myriad challenges that stamp productivity of their businesses. To address some of the challenges agro-dealers are facing, AICC is implementing the Agribusiness Acceleration Initiative (AAI) project that builds capacity of SMEs to increase small agribusinesses turnover, profitability, enable small rural agribusiness, increase number of farmer suppliers/customers, facilitate small rural agribusinesses increase their range of market services and to facilitate small rural agribusinesses increase in their workforce.

This first-ever edition of “Malawi Agro-Dealer” highlights the interventions of this project, progress made thus far and a selection of successes that have been made.

I believe that you will be delighted with this edition. I wish you a wonderful read!

Felix Benson Lombe PhD
Chief Executive Officer
The Malawi Confederation of Chambers of Commerce and Industry (MCCCI), the voice of the private sector, has awarded the African Institute of Corporate Citizenship (AICC) as Small and Medium Enterprises Promoter of the year 2019 through its Agribusiness Acceleration Initiative (AAI) project which is promoting the role of Small and Medium Enterprises in providing a range of market services to smallholder farmers.

Speaking before presenting the awards to various awardees at the first MCCCI Small and Medium Enterprises Expo at the trade fair grounds in Chichiri, Blantyre, Prince Kapondamgaga, then President of MCCCI said the chamber has started the annual SME expo and awarding different players that promote SME growth intending to promote the growth of SMEs through business linkages.

Kapondamgaga indicated that the players that were awarded at the event were only those players that have truly shown an impact on SMEs’ growth in Malawi. “The chamber recognizes and awards real actors, we don’t award mediocrity, and the awardees today have shown and proved to us that they have the interest of SMEs at heart. Their efforts can’t go unnoticed!” Stressed Kapondamgaga.

Speaking after receiving the award, AAI project manager Nyembezi Lungu, said the award will highly motivate the institution to do more in promoting SMEs as well as innovative approaches in addressing challenges faced by SMEs in Malawi.

“Importance of SMEs in development cannot be overemphasized. When we talk about development in Malawi, it is believed that the country does not have the much-needed resources to develop but at AICC, we believe that SMEs are vital for Malawi’s development. We highly believe that collaborations between the public and private sectors can lead to greater development in Malawi. Unless NGOs in Malawi collaborate with not only government but also the private sector, the depth of impact of NGOs will always be a mere talk” stressed Lungu.
The Agribusiness Acceleration Initiative (AAI) is a NORAD funded project that is jointly being implemented by MUSIKA of Zambia and African Institute of Corporate Citizenship (AICC) of Malawi from 2018-2020 targeting smallholder farmers through Small and Medium Enterprises (SME) agribusinesses. The intention is that a smartly targeted and delivered business strengthening initiative will make a significant contribution to the performance of the small agribusiness sector, and its ability to grow, generate employment and market opportunities for their farmer customers and suppliers. The initiative is based on the assumption that small rural agribusinesses, if adequately empowered with the appropriate resources, tools and management capacity, will be able to offer quality services to smallholder farmers. Having two definitive beneficiaries, the project has specific aims towards the SMEs and the smallholder farmers.

Firstly, the project is enhancing SMEs capacity to deliver market services and build commercial partnerships with other market players like; large scale agribusinesses, input suppliers, financiers, output market players and supportive service providers. The initiative is envisaged to increase small agribusinesses turnover, profitability, number of customers/suppliers, workforce and range of market services provided to smallholder farmers.

Furthermore, the project is improving smallholder farmer's access to a range of agricultural market services that will ensure increased productivity through access to inputs and services, markets for crops and livestock, provision of information, technology transfer, mechanization and other auxiliary services.

The Initiative is using capacity building through training, mentorship, coaching and linkages, to address challenges faced by the SMEs in Malawi. SMEs are trained on a variety of topics including business management practices, product knowledge, health and safety, business ethics, mechanization, research and market among others. On the other hand, mentoring involves the teaming of a knowledgeable agribusinesses (often large scale) with an SME agribusiness, to enable a transfer of information, skills and expertise. Current, the project is implemented in 7 districts; Chakwawa, Blantyre, Zomba, Dedza, Kasungu, Mzuzu and Rumphi.
The adoption of an agro-dealer input delivery model to improve smallholders’ access to modern inputs is based on several problems of low agricultural productivity due to low or lack of farm input use in rural areas. The AAI project builds capacity of agro-dealers in the provision of affordable services to poor farmers in rural areas through assisting them to acquire training in business skills, recordkeeping, sales and marketing, stock management, managing business working capital, input market search, customer service and knowledge on the proper use of modern technology.

Furthermore, the capacity development initiatives by AAI also link agro-dealers to formal financial institutions and farm input suppliers or wholesale traders for credit purposes and thus improve their working capital base. The effectiveness of such businesses thus banks on their sustenance and the efficiency in which they supply inputs to remote rural areas at affordable prices by smallholders.

UNLEASHING FULL POTENTIAL IN SMEs THROUGH MARKET ACCESS POINTS

Just like any other business thrive on profitable markets, Small and Medium Enterprises (SMEs) agribusiness make steady progress by attracting enough funds on the smallholder market. Most agribusinesses under the Agribusiness Acceleration Initiative (AAI) project implement principles of the marketing concept to help their respective businesses achieve their objectives. SMEs as private firms, their major objective is profit, and at least surviving and attracting enough funds to sustain their business. To attract these
funds, SME agribusinesses are obligated to satisfy the needs of the smallholder farmers to the best of their ability.

AAI project emphasizes to SMEs that the introduction of market access points is one of the most significant opportunities that SME agribusinesses can capitalize in the smallholder market. Since the market environment changes at an accelerating rate, there is a growing need for SMEs to gather real-time market information and respond to smallholder farmer’s needs and wants. After deciding upon the farmer’s needs and wants, the SMEs decide upon the product positioning – a point of sale that is most convenient to the smallholder farmers. Needless to say, catching the eye of the farmers and making it easy for them to buy a product is the main aim of good distribution.

Since the inception of the AAI project, there has been an increase in the number of market access points opened by the SME agribusinesses. This was proven by a study commissioned by AICC in 2019 to examine the progress of the project building on the baseline, project report and primary data collection. Results from the study indicate that there is a significant difference in the number of outlets before and after joining the AAI project as there has been a great increase in the number of market access points since the beginning of the project.

Mr. Davis Umali of Akalole Vet, in particular, is a prominent veterinary officer, hailing from Zomba District who acknowledges AICC for acting as a broker to credit facilities on his quest to expand his business. Looking at the potential that this business had, the AAI project linked him to savings and credit cooperative organizations (SACCO) under the Malawi Union of Savings and Credit Cooperatives (MUSCCO), where Davis accessed a loan that saw him opening another shop in Blantyre. For many years, Akalole Veterinary Services has been operating without a proper financial management system. However, the AAI project has exposed him to many pieces of training on financial management and today, Akalole Vet services boast of stratified documentation. The project has also motivated him to start offering extension services to remote areas such as livestock dipping, treatment of animals from different ailments, castration of animals hence creating demand for his veterinary business. He is also intending to train para-vets (lead farmers) in areas of animal diseases and their control, pharmacology and provide them with drug box initiative.
Small and medium enterprises (SMEs) are widely recognized in Malawi, for their role in the social, political and economic development. However, efforts to improve financial performance and growth of SMEs has remained futile for many years partly due to inadequate knowledge by the concerned stakeholders on how capacity building impacts on performance and growth of SMEs. To address the knowledge gap, AICC through the AAI project identified a trainer to carry out the task and has since partnered with Old Mutual Malawi Limited and Opportunity International Limited to deliver pieces of training to the SME’s based on the agreed training modules and curriculum. The human capacity building is aimed at providing people with the knowledge, expertise, and opportunity to access information, knowledge, and training that enables them to perform effectively.

The AAI project has facilitated trainings in seven districts. The trainings have covered topics on fundamental business principles, product knowledge, health and safety, mechanization, research and market among others. As attested by many agro-dealers, entrepreneurs’ ability to identify and tap such opportunities differs between entrepreneurs depending on access to information and willingness to act upon the information in terms of risk. Despite the trainers technical expertise offered to SMEs, their experience in agribusiness and practical sense remains in question. This is why the AAI project engages large scale agribusiness to mentor the SMEs through one-on-one interactions. During the implementation of the project, AICC officers in the districts intensified mentorship activities to all trained SMEs.

Among other successful SMEs in Zomba District, Mr Saukira Betton is one of the agro-dealers and aggregators that were identified during SME mapping as a potential beneficiary of the AAI project. AICC and its training partners developed a calendared schedule of short ‘business strengthening events’ for each region to which businesses that fall into the relevant segments are invited. In this way, Mr. Betton attended trainings tailor-made suiting his needs well, focusing on basic principles of business management, including record keeping – a module in particular that motivated the businessman to register his business. Before, Mr. Betton was not able to venture into any stable business connection with any large scale agribusinesses due to limited capacity, lack of documentation and running an unregistered business.
Stock holding is crucial for Small and Medium Enterprises (SME’s) Agribusinesses during the growing season as demand for inputs is high. Majority of these SME’s have capital limitations which they need to link themselves to suppliers to stock them with more inputs. Lack of suppliers make the SMEs to have inadequate stocks to meet the smallholder farmers’ demand for inputs. Although most SME’s manage to stock the basic agriculture inputs like seed and fertilizer, they fail to stock other inputs such as inoculants, pesticides and other chemicals due to limited capital.

The development of small and medium enterprises is subject to many limitations that emerges both from their external environments, internal weaknesses and lack of knowledge in small business management. Lack of improved business management skills and application of these skills are some of the biggest factors contributing to SMEs failure. As one way of improving small and medium enterprises (SMEs), African Institute of Corporate Citizenship (AICC) through its Agribusiness Acceleration Initiative (AAI) project is improving SMEs with high potential of growth through tailor-made agribusiness solutions that include training in improved business management.

Skills in record keeping and business management have helped SMEs to easily access finance and to be recognized with large scale businesses as their distributors among others. One of the unique agrodealers under this project is Pemba agrodealers, a business located in Chinamwali in Zomba. Mr Pemba and his wife joined the AAI project in December 2018 while their business was unregistered and without a business plan. They have since learned to keep records for the business and have developed a business plan that they follow. Through the training of record keeping and business planning, Pemba Agrodealers has now been registered with Malawi Revenue Authority (MRA) and has also been diversified into an aggregating entity of farm produce having demonstrations field for DEKALB maize seed and also linked to MOSANTO Malawi.

AAI LINKS SMALL AND MEDIUM ENTERPRISES TO AGRICULTURAL INPUT MANUFACTURERS

Small and medium enterprises often have limited exposure to the skills required for operational and business reporting, business plan preparation, navigating regulatory requirements, and keeping meaningful records for decision making. AICC through AAI project, engages and build partnerships with private sector players ranging from input suppliers, off-takers, supportive service providers, government as well as other regulatory service providers to enable SMEs have skills in diversification and record keeping among others.
As one way of addressing this issue, Agribusiness Acceleration Initiative (AAI) project identified that there is a business relationship gap between suppliers and SMEs due to lack of business ethics among the SMEs. AAI has for the past two years been working on building linkages and trust among these two parties by training the SMEs business ethics like loan payments and registration of SMEs to build trust to the suppliers. This effort has really solved the problem as several organizations have given SME’s stocks in the 2019/20 growing season.

One of the suppliers who have supplied its products to the SMEs is Mandolo Limited Company an inoculant manufacturer. AAI partnered with it and have managed to stock SME’s inputs worth $12,000. It should be noted that Mandolo Limited is an upcoming manufacturing company hence $12,000 is a substantial amount to such an organization. To guard from default, AAI facilitated that the consignments be backed up with a payment agreement signed by both parties.

The project has really improved the engagement between SMEs and large agribusiness partners as the suppliers are also involved in provision of training and mentorship to the SMEs. Through this initiative, Mandolo Limited Company which is a newly established player in input supply and distribution of inoculant partnered with 6 SMEs. In additional over 91 SMEs were 19 of them are owned by women have been engaged by seed companies where they were supplied with inputs on consignment.

Agribusiness Acceleration Initiative (AAI) project is providing business knowledge to the Small and Medium Enterprises (SMEs) through business diversification trainings, where SMEs are imparted with suitable all year-round business models that are helping them to maintain their market relevance all year-round rather than engaging themselves in seasonal reliant ventures. AAI with other partners are conducting business diversification training which are enabling SMEs to upgrade from seasonal to all year-round agribusinesses.

Some of the SME owners who have benefited from these trainings is Mr. Kenson Phameya and his brother Aubrey of Nyirongo Village, who have been co-running the aggregation business since 2012 in Kasungu. Their focus for the past years was on the provision of farm products market to smallholder farmers around Chinkhoma trading centre and other surrounding areas. Besides being successful in aggregation, their business was seasonal as they were used to close their shop during the growing season. AAI in partnership with Old Mutual organised and facilitated a business

**SMALL AND MEDIUM ENTERPRISES (SMEs) TRANSFORMED FROM SEASONAL TO ALL YEAR-ROUND AGRIBUSINESSES**

![Image](https://example.com/image.png)
diversification training in Kasungu and Dedza where the Phameyas were in attendance. After the training, the Phameyas decided to diversify the business by opening an agrodealer’s shop where they stock agro inputs like chemicals and seed. The Phameyas confessed that through the AAI trainings that they have been attending, they are able to recognise opportunities which have made them engaged in other types of agri-businesses. Currently the Phameyas have a new agrodealers shop at Chinkhoma trading center where they are able to serve smallholder farmers with quality farm inputs. AAI is continuing training SMEs as one way of developing and sustaining them.

**SUSTAINING SMALL AND MEDIUM ENTERPRISES THROUGH DIVERSIFICATION TRAINING**

Agriculture Acceleration Initiative (AAI) project in partnership with Old Mutual imparted the Small and Medium Enterprises (SMEs) with diversification mentorship as seasonality of agro dealership business in Malawi affect annual turnover of the agro dealers and this make the SMEs fail to sustain their businesses throughout the year-round. Trainings were done to equip aggregators on how to stock other products and services apart from agro inputs only. 67 SMEs were specifically targeted and trained in business diversification by Old mutual, representing 48 % of annual targeted SMEs.

Effective business diversification mentorship was accurately done as AAI project identified Old Mutual Malawi Limited as a trainer/mentor to deliver the mentorship and trainings to the SMEs based on the agreed training modules and curriculum. Old Mutual have been engaged on a partnership basis where an agreement was made that AICC will not pay training fees to the organisation but will only refund the transport and accommodation costs for the trainers. This shows the mutual partnership that AICC and other organisations in different sectors have, to develop the SMEs.

One of the successful agrodealer who benefited from these diversification training is Nkhwazi trading, a business located at Mibawa Bus Terminal. The agrodealer was selling agro inputs like chemicals which was only targeting small holder farmers during the growing season. The business has been meeting several challenges like reduced rate of sales and losses after the growing season since it was stocking seasonal agro inputs. After the training, the business has improved, as it is now stocking both pre and post-harvest agro inputs that meets small holder farmers demands in all the seasons. Nkhwazi trading has also diversify into cosmetics, electronics, clothes and other items that has improved its marketing strategies and gross revenue of the business, which has led to an increased number of customers and employees working under it.
There are different types of fertilizers, crop chemicals, farm inputs and seed varieties. Thus it is important that you know what is needed and acceptable by your customers and provides them with the very best of quality inputs.

For those that will deal with fertilizers it is paramount you know about the nutrient value of different fertilizers and methods of conversion of nutrients to fertilizer material. It is also good to know the role of plant nutrients in crop production and what symptoms the crop show when the nutrient is deficient.

An agro-dealer should also have knowledge of how to apply or use the inputs they sell. For example, he/she should know the time to use input, methods of application and quantity to be used.

A sound knowledge of marketing, products branding and sales is also important. As many products will come your way and you just have to sell and make a profit.

An agro dealer also needs to have knowledge of the local market and the demand of consumers. This would also involve understanding the farmer’s practice and noting where there are gaps to provide advice and inputs to meet their needs.

It is a business so ensure to source input at good prices and quality. Agro dealership requires both technical and business skills and if done properly can be profitable. The livelihood of many farmers also depends on what they get out of their farms. And the starting point for many is the kind of inputs they buy and how they use it. Thus being an agro dealer is a business of trust, integrity and the touching of lives when done properly. You will be on the path of helping farmers meet their needs and producing quality food and agricultural products.
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