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Incentives and Constraints to  
Expand of Viable OFSP Commercial  
Value Chain –  
The case of Malawi





## Incentives and Constraints to Expand of Viable OFSP Commercial Value Chain

- What were the incentives
- What were the constraints
- What were the results
- What were the lessons learnt



# Study participants

## Vine multipliers

- Large scale - 1
- Farmer groups - 1

## Producers

- Producers - 2

## Processors

- Large scale -1
- Farmer groups -1

## Retailers - 2

## Consumers - 2

## Development agencies -2

## Government agencies -1



Seeds Production Cycle



In vitro



Hardening



Screen house – high investment costs

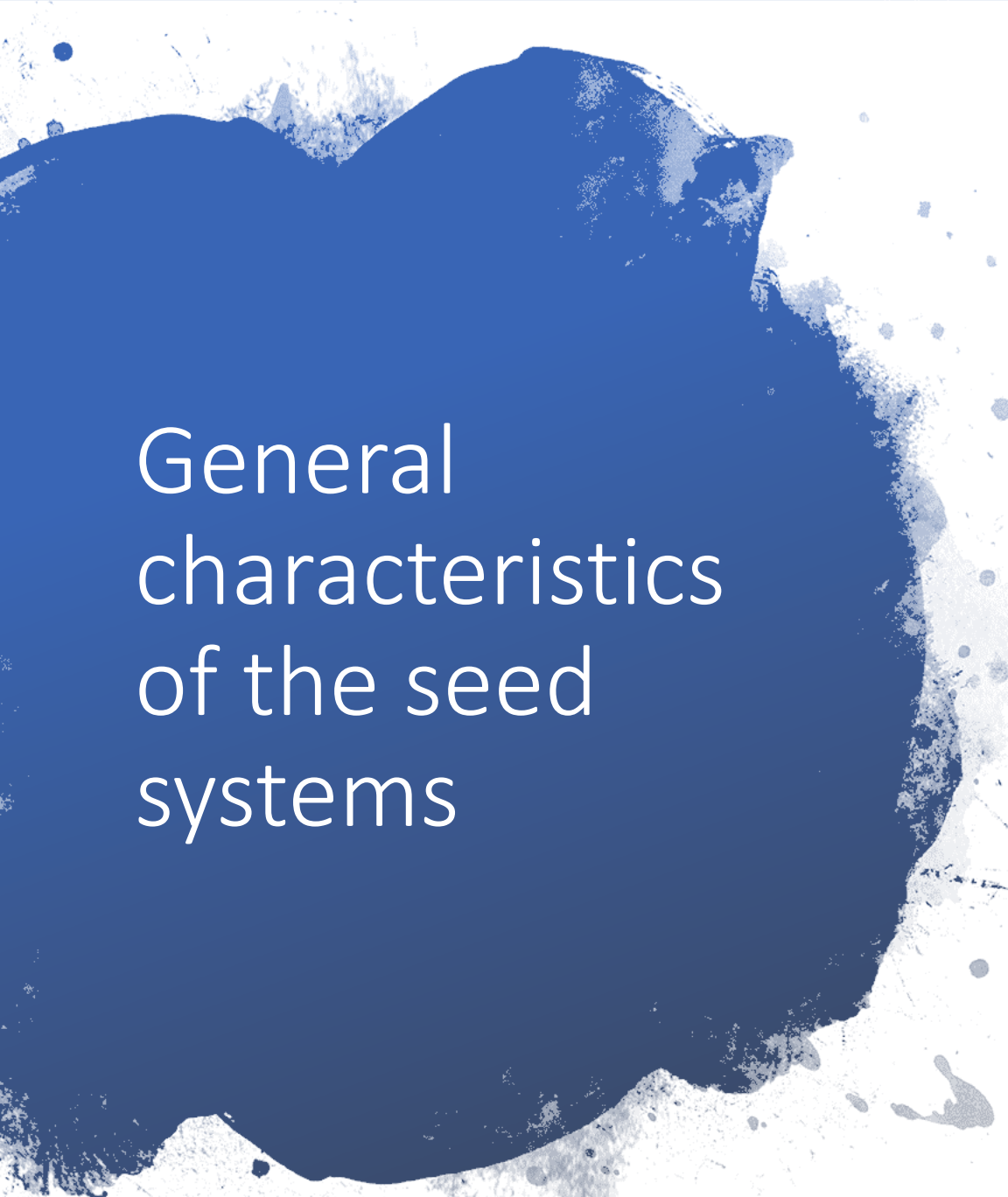


Tunnels



Field multiplication during the dry season

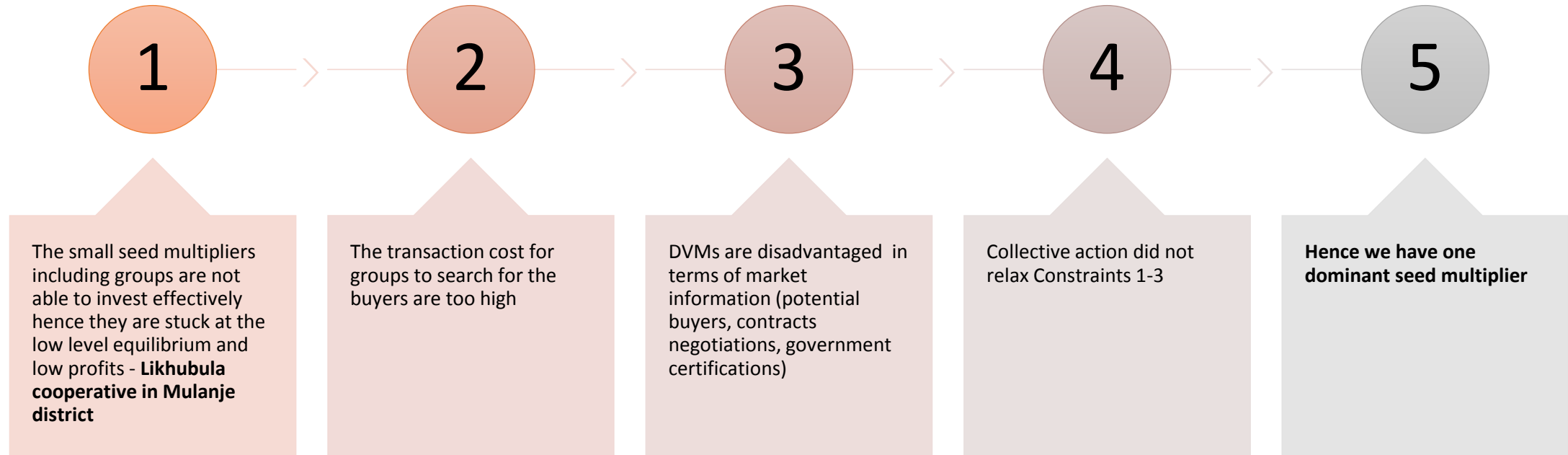




# General characteristics of the seed systems

- High investment cost – source of cost are
  - Screen house
  - Irrigation cost
  - Labor
  - Information asymmetry
  - Steep learning curve
- High risk
- High transaction costs in getting all the necessary documents to be registered as a OFSP vine supplier (Ned Konala a DVM in Mulanje District )
- Requires good negotiation skills and networking abilities

# Results for seed systems





# OFSP roots production and marketing

- This activity was easy to enter because of ease of access of OFSP vines due to donor interventions
- Characterized by overproduction at the during the harvest periods in the two locations –
  - Mulanje and Phalombe – utilize the main rainfall
  - Shire Valley – utilized the residue moisture
- No roots storage facilities



# Processing

- Three level of processors have emerged in Malawi
- Large scale processor – Universal industries
- Medium scale processor
- Small scale processor – women group
- The investment levels are very different
- Entrepreneurship skills among the investors – very contrasting
- Market power – depends on the scale and the product produced
- Geographical location – large scale processor is in the main city (Not near the raw material)







# Impact of market arrangements of roots sales

- Information asymmetry – affected negatively the processor as well as producers
  - Farmer groups had roots but they did not know where to sell them
  - Processors was not producing products (Puree, crisps) because of lack of roots
- Coordination – failure was evident in sourcing and delivery of roots
- Very high transaction costs
- Market power of the buyer was very evident and it was abused by the buyers workers

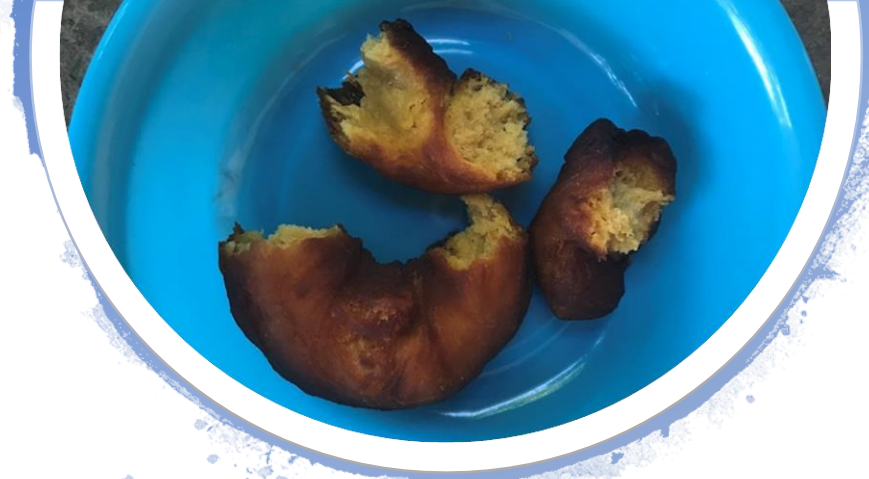


## Role of development agencies and government/policy makers

- There is was good coordination between the development agencies
- Good collaboration was evident and there was trust
- Investment coordination between government, development agencies and private sector benefited all the actors

## Results of good partnerships between actors in the value chain

- Workable seed system was developed that allowed good investment
- Farmers adopted OFSP production
- OFSP roots were available in the market
- Collective action – farmers were better organized and that led to better access to services
- Private sector had confidence in investing in OFSP processing





# Processing of OFSP in Malawi

- Processing of OFSP is still at its nascent stage
- The main processor is Universal industries
- Tahila
- New Bread Talk – Concern Universal



# Consumer perception of OFSP products

- Consumers liked OFSP products because they were tasty (Bread, Crisps, Mandazi, doughnut)
- Consumers liked the products because they were healthy
- Retailers were also happy with the sales of OFSP products across the board
- However, there was lack of consistency in production of OFSP products for different reasons



# Benefits to the the actors

## **Farmers**

- Farmers got food security
- Nutrition benefits
- Increased incomes
- Improved incomes

## **DVM**

- His incomes increased

## **Processors**

- Better products
- New healthy products







# Lessons learnt

- Coordination of all the actors is very important for the success of the value chain (Policy makers, Researchers, development agencies, farmers and private sector)
- The seed system requires some mechanism to de-risk the investment for it to be viable (market guarantees)
- There is need to invest in seed system at the initial stage to assist farmers
- Collective action is not enough for smallholder farmers to participate in the seed system
- Seed system is characterized by very high transaction costs

# Lessons learnt

- There is coordination failure in roots marketing between the OFSP roots producers and processors
- There is high investment cost to make differentiated unique OFSP products
- Proper branding, packaging are very important for OFSP products to be accepted and be a successful in the market
- Working with medium to large scale processors is a long term commitment and requires building of relationships– it takes a long time from introduction to OFSP products ideas to actual products being on the shelf
- It does not require expensive adjustment in machinery or production process when working with established private producers to start OFSP production



Thank you

