

To: Trade, Industry, Agriculture committees

Re: Benefits of Fair Trade for Malawi's exports and diversification agenda

Prepared by the Malawi Fair Trade Network for the Fair Trade breakfast 6 June 2012

What is Fair Trade?



Fairtrade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South.¹

How do you know a product is Fair Trade?

To join, Fairtrade producers must comply with a set of social, economic and environmental standards. From a social perspective, Fairtrade ensures labour rights are upheld and democratic decision-making processes are in place allowing all members to participate. In terms of economic benefits, Fairtrade ensures farmers receive a minimum price which covers the sustainable cost of production. In addition, producers are paid a social premium. This is 'extra money' that is allocated for community and business development. Last but not least, environmental standards guarantee that sustainable agriculture practices are followed.

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In the same fashion, buyers in the Fairtrade market are also encouraged to enter into long-term contracts and facilitate access to pre-financing for producer organisations. This helps to level the playing field in the market place for producers, and guarantees a trading system which offers transparency and traceability to the consumer. This is crucial for continued market growth.

**3.7 million tons of
Fairtrade production in
Malawi as of 2012**

Through Fairtrade certification, the aforementioned principles are guaranteed along the entire supply chain. In Malawi, Fairtrade certification has had a significant impact among producers of tea, groundnuts and sugar. Research carried out in 2010 confirms significant benefits have been received in terms of economic, social, technical and organizational development for smallholder and estate workers in the country.²

How does Fair Trade benefit Malawian farmers?

Fairtrade, particularly through certification, has successfully contributed to the empowerment of farmers in Malawi through the strengthening of producer organisations. Additional support has been leveraged from non-governmental organisations like Fairtrade International, TWIN and VSO. Fairtrade certified producers in Malawi also continue to get support from research organisations such as ICRISAT and the Tea Research Foundation. Other supporters include commercial companies such as Liberation and J Sainsbury's, Illovo, the tea and sugar estates and national bodies such as the National Smallholder Farmers Association of Malawi (NASFAM).³



¹ FLO-WFTO Charter of Fairtrade Principles – May 2008 www.fairtrade.net

² Pound, Barry and Alexander Phiri. The impacts of fairtrade in Malawi: a synthesis report on recent studies. National Resources Institute, March 2011.

³ Pound, 2011

Fairtrade has also been instrumental in complementing the support that smallholder farmers receive from government in accessing international markets. Since its introduction in Malawi in 2004, Fairtrade has supported over 12,400 smallholder farmers by facilitating entry into the global market of three Fairtrade products namely tea, sugar and ground nuts. Currently, 25% of the annual national sugar production is produced from sugar cane that is grown by smallholder farmers belonging to the Kasinthula Cane Growers Association (KCGA)⁴. Similarly, 9% of the annual 46,000 tonnes of export tea is sold into the Fairtrade market.

Farmers engaged with Fairtrade have been able to not only increase their market share, but have also received support in dealing with unexpected challenges. A case in point was the scare of aflatoxin in the 1970s which significantly decreased Malawi's groundnut exports. As a response, once Fairtrade entered Malawi, it provided support to groundnut smallholders and helped them to re-engage in international markets with sales generating an income of \$527,000.



Fairtrade products in Malawi (nuts, sugar and tea)

Business	Farmers	Workers	Production (Kgs)	Exports (FT)	Premium (US\$)	Projects (US\$)
Kasinthula	764	600	102 955 039,50	74 322 750,50	1 451 721,43	1 500 000,00
Sukambizi	6 300	5 078	6 900 000,00	4 167 000,00	1 578 265,00	693 681,00
Eastern	4 000	67	4 884 915,00	1 412 051,00	706 025,50	6 428 443,11
Satemwa		2500	10 600 130,00	10 600 310,00	1 056 461,00	1 123 905,00
Mswadzi	164		611 628,00	611 628,00	305 634,00	
Mzuzu	2 600	200	13 197 600,00	147 020,00	4 790,00	3 962,00
Kwalanzi		2500	14 000 000,00	23 000,00	11 500,00	
Masfa	3 010	19	4 500 000,00	522 000,00	56 992,00	43 712,00
TOTAL	16 838	10 964	157 649 312,50	91 805 759,50	5 171 388,93	9 793 703,11

Data collected in 2012 by Malawi' Fair Trade Network

Notes:

1. Satemwa has no farmers but rather works, hence the Joint Body
2. Mswadzi has not implemented any projects nor do they employ any workers
3. Kawalanzi has no farmers but rather a joint body formed by workers and no project has been implemented

⁴ KCGA has been Fairtrade certified since 2010

Does Fair Trade contribute to national challenges?

In addition to market access and growth, Fairtrade helps address food insecurity in Malawi mainly through three channels: i) by helping to secure a decent and reliable income (through the promotion of long-term contracts, access to credit sources and support to income diversification); ii) strengthening farmers' organisations to access resources needed by their community to improve food security; and iii) helping to improve a family's access to food by promoting the expansion of land grown to food and cash crops.

Members of the Kasinthula Cane Growers Association in Chikwawa District, Southern Malawi, use 40% of the premium from Fairtrade for personal development and 'income diversification'. This has meant that smallholders like Lloyd Wisted can invest in other ventures that generate an income; he now has a small kiosk selling groceries and he has built two houses that are rented out. Mr. Dziweni has bought a grocery shop and more cattle... Sugar Cane smallholders have also been able to buy more livestock. This is valuable in Malawi where livestock is seen as an investment that can be sold off quickly when cash is needed.⁵

Furthermore, current efforts by Fairtrade and partner organisations are encouraging the diversification of crops. This will enable farmers to steer away from products such as tobacco and enter the Fairtrade market through the production of crops which can be processed locally, thus adding value to their business, creating jobs locally and enhancing regional trade opportunities.

What is the future of Fair Trade in Malawi?



The appetite for “ethically and sustainably” sourced products in Europe continues to grow and it is also making inroads in emerging markets including South Africa, Brazil, Mexico and India. The retail sales of Fairtrade products in 2009 was €3,4 billion, with a 13% positive annual growth. It is clear that the companies behind this growth see that investing in the sustainability of supply chains is a win-win situation, both for European companies (that need to ensure reliable sourcing and also to respond to increasing societal and consumer demands), but also for producers in the South. Producers in Malawi can reap the benefits of this global trend.

The Malawi Fair Trade Country Network, which comprises all Fairtrade certified producers and other stakeholders, works to expand products and volumes through improved marketing and extension services, to create partnerships and to increase networking within and outside Malawi. The network is positioned to play a great role in maximizing the potential of Fairtrade by increasing exports and diversifying agricultural products in the country. This provides a strategic opportunity to collaborate with the committees of Agriculture, Trade and Industry specifically.

How can government and Fair Trade work together?

The Government of Malawi has demonstrated commitment to supporting smallholders and striving for fairness in the market place through, among others, its Growth and Development Strategy (MGDS). The full potential of Fairtrade would be realized through adoption of a Fairtrade policy which ensures ethical and sustainable trade in Malawi. Table 2 below illustrates how the Government can support the growth of Fairtrade in Malawi.

⁵ Ibid

This can be done through the following actions (though not exclusively):

Aim	Objective	Proposal
Increase competitiveness of producers in Malawi	Provide technical support to smallholders to obtain certifications required by international markets (i.e. Fairtrade, organic)	Allocate a budget line for Fairtrade in the 2013 national budget
Increase exports	Create competitive advantage and product differentiation in Malawi exports by highlighting high standards and 'brand' them as ethically and sustainably sourced products	Introduce a clause in the National Export Strategy and the Competition and Fair Trading Act and the Integrated Trade and Industry policy to explicitly promote and clarify the role of Fairtrade in Malawi.
		Support efforts by Producer Organisations to invest into Processing Facilities for value addition
Grow domestic market	Create awareness about Fairtrade in Malawi among producers and consumers	Work closely with and support the Malawi Fair Trade Network
Grow regional market	Support producers in selling into the Fair Trade market in South Africa	Allocate funding to attend exhibition/meeting/conferences for the Malawi Fair Trade network members
Involve farmers in policy making processes	Promote the Malawi Fair Trade network as platform for advocacy and participation	Invite Malawi Fair Trade network to participate in relevant consultations, government meetings as a specialist group of farmers

Conclusion

As the Fairtrade movement continues to grow both internationally and locally, so does the potential for enhancing socio economic development in Malawi through not only export and diversification of agriculture products, but through the expansion of regional markets, particularly the Fairtrade market in South Africa. Farmers in Malawi have seen the benefits of Fairtrade in terms of their business growth and of their community development in areas such as food security. Current efforts are also focusing on wide diversification of crops to effectively counterbalance the diminished global demand for burley tobacco. There is therefore an invaluable opportunity for government to support the expansion of such benefits to more farmers and more products by, for instance, incorporating Fairtrade as a development mechanism in national budgets and introducing it as a clause in both the National Export Strategy and the Competition and Fair Trading Act and the Integrated Trade and Industry policy, among others. With that in mind, the Malawi Fair Trade Country Network will host its first Fairtrade Breakfast on 6 June, 2012 and invites members of the committees of Agriculture, Trade and Industry to join Fairtrade farmers, commercial partners and representatives of the international community to explore these and other opportunities in greater depth.

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