

MALAWI SOYBEAN OUTLOOK

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Prepared by Legumes Unit at AICC

Introduction

The Malawi Soybean outlook presents an analysis of Soybean value chain in the country with specific focus on production, market price as well as general trade trends in Malawi and how it is likely going to perform along these parameters in the next 6 months.

Understanding Soybean Value chain

Soybean is increasingly becoming an alternative food and cash crop in Malawi. The area under Soybean cultivation is increasing due to the emerging policy direction by government on crop diversification, agro processing and value addition for both domestic and export markets, as well as the investment from private sector into technologies that require huge quantities of Soybean for processing such as solvent extraction units as is the case of Sunseed Oil, Oil and Protein as well as the emerging soy pieces production.

Before adopting the Structural Adjustment Program in the mid-1980s, Agricultural Development and Marketing Corporation (ADMARC) was the only buyer of farm produce. However, since mid-1980s the government liberalized markets to allow private sector play an active role in the marketing of farm inputs and produce, including Soybean. Soybean is predominantly produced by small holder farmers who account for about 91% of total Soybean production in Malawi. Although Soybean grows well across the country, it does well along the fertile soils of Lilongwe, Ntchisi, Kasungu plains and Mzimba where the region accounts for approximately 91% of total average annual production. Average smallholder yields range from 800-1000Kg per hectare with commercial farms yields averaging 2000 Kg per hectare. Smallholder Soybean farmers mainly sell their produce directly to buyers at local markets, companies and NGOs working in livelihood interventions. Malawi also exports most of its Soybean to the Southern Africa Development Community (SADC) mainly through structured agriculture commodity markets. The exports

volume might even be higher than that recorded in national accounts as farmers and other traders prefer unchartered routes to evade taxes and other export requirements. The volume of recorded exports is around 10% of total potential value.

Demand for Soybean has highly increased in Malawi, mainly as cash crop. Most of the demand is in the confined animal feed operations that appears to be expanding with the increase in population and urbanization. Despite its importance and potential, the crop faces a number of challenges which include short shelf span, poor production practices, diseases particularly Soybean rust and effects of climate change.

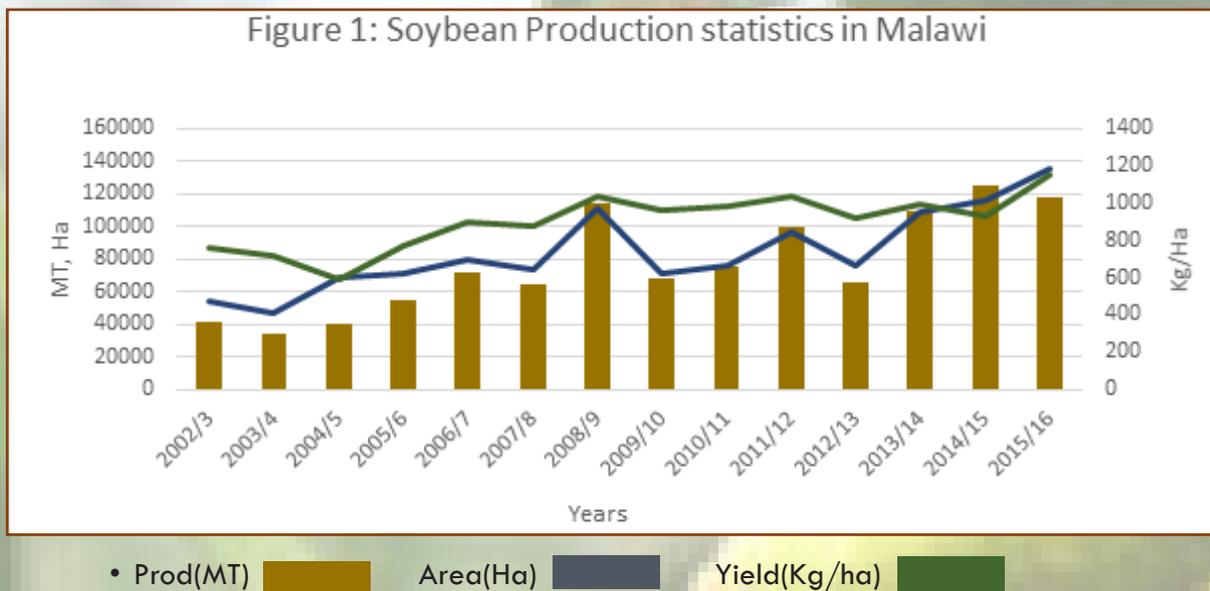
Malawi's Performance

Over the past 10 years, overall production has almost tripled from 40,889 in 2002/3 to 117,867MT in 2015/16. At the same time the most frequently reported farm gate price received by farmers shortly after harvest time around May and June 2013 was MK120/Kg, or MK120, 000/MT, equivalent to US\$343/MT. Despite the increase in production, the yield per hectare has remained stagnant over the past five years.

Soybean yields are still low as farmers obtain 800-1000 Kg/ha on average against the potential yield of 2000 Kg/ha. Development and promotion of new high yielding Soybean varieties and technologies currently grown by farmers in Malawi over the last 6 years, has increased productivity from 800Kg/ha to 1000Kg/ha. Products like Soybean inoculant that increases yields by over 30% have been limited on the market until 2014 when a local company Agriculture Input Supply Limited started producing and distributing Soybean inoculant on the market. The business is in its infancy stage but is recording growth every year. Where inoculant has been used, smallholders have reported up to 2MT of soy bean per hectare.



The annual average production from 2002 to 2015 is estimated to be 77175MT. The production, area under cultivation and yield has been increasing on average between 2003 and 2016. Figure 1, show Soybean production, area and yield trends during the period.



As it can be seen above, despite production, area under cultivation and yield experiencing increasing trends, the rate of increase for the three variables varied significantly. Production, area and yield has been increasing at annual rates of 4.3%, 3.2% and 1.6% respectively. As Figure 1 shows, the increase in production is primarily due to increase in area under Soybean cultivation.

Soybean also offer a favorable potential of becoming a major export crop for Malawi. Export value of Soybean in Malawi has been increasing from \$3,238,000 in 2006 to \$8,391,000 in 2015. Figure 2 show Soybean production and export values.

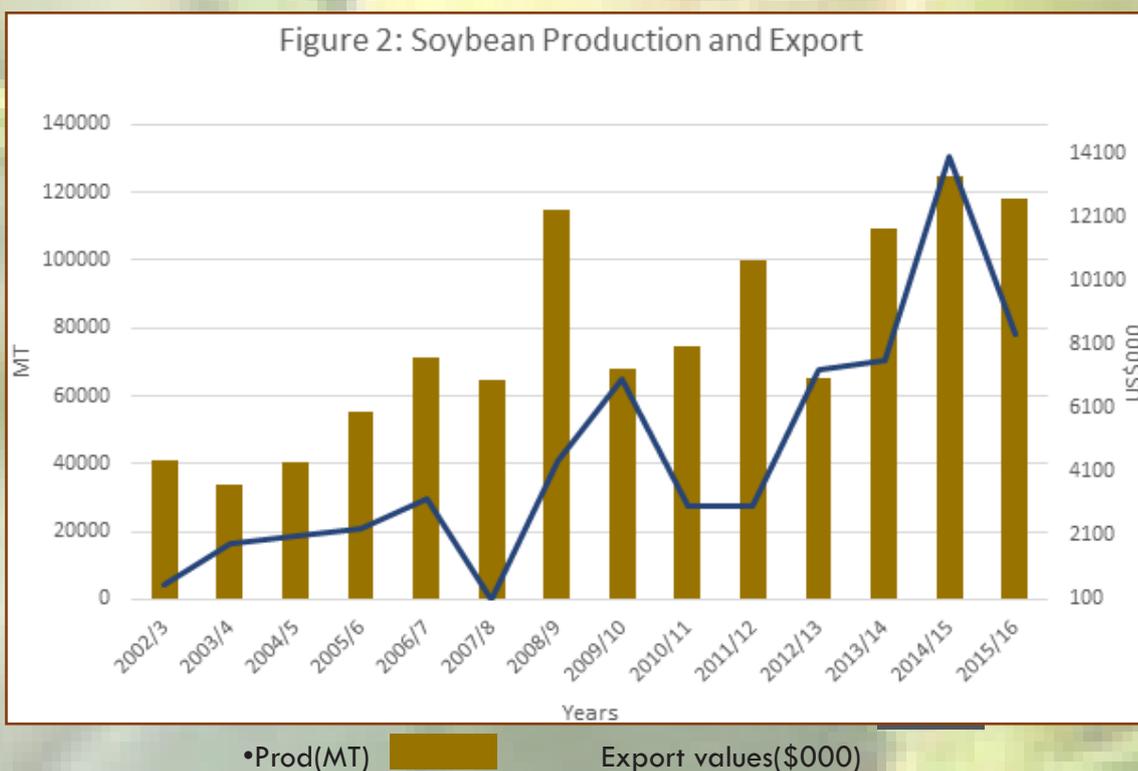


Figure 2 shows that in the past 10 years, Soybean production has been steadily increasing, on the other hand export has been increasing as well, although it went down in the year 2010 and 2012.



World Trend and Performance

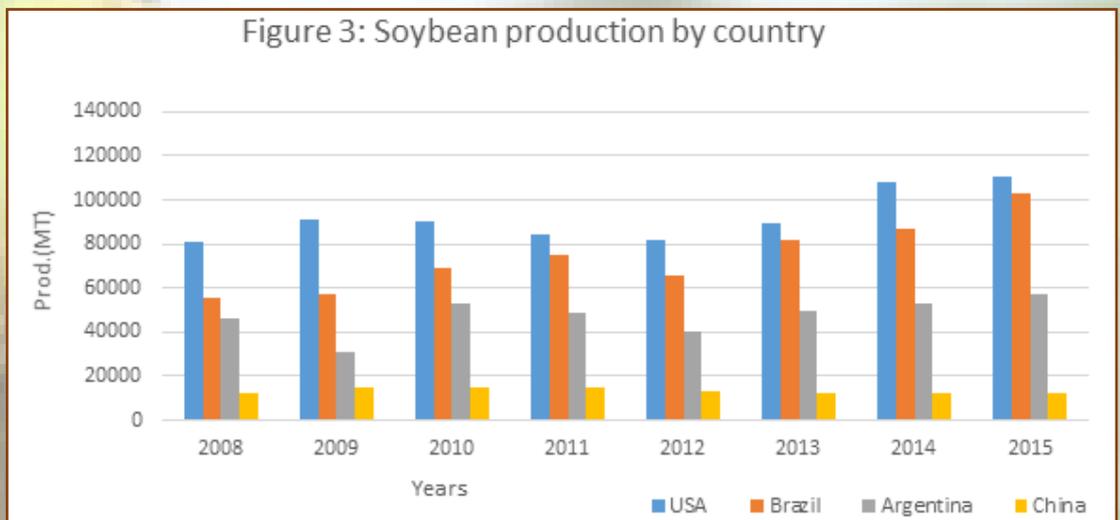
Soybeans serve as one of the most valuable crops in the world, not only as an oil seed crop and feed for livestock and aquaculture, but also as a good source of protein for the human diet and as biofuel feedstock. The world Soybean production increased by 76% from 2002 to 2014.

Last year the world Soybean production was 312.56 million tons. The United States, Brazil, Argentina and china are the highest producers in Soybean. Figure 3 shows Soybean production by country

In the US, Soybean is the dominant oil seed that accounts for 90% of the nation's oil seed production according to USDA. The US accounts for 34% of the World's Soybean production. The production is forecast at a record of 268 000 000 MT up 2% from October and up 1% from last year. Based on November 1 conditions yields are expected to average 2,235 kgs per acre, up 73.7 kgs from last month and up 53.6 kgs from last year. Area for harvest in the United States is forecast

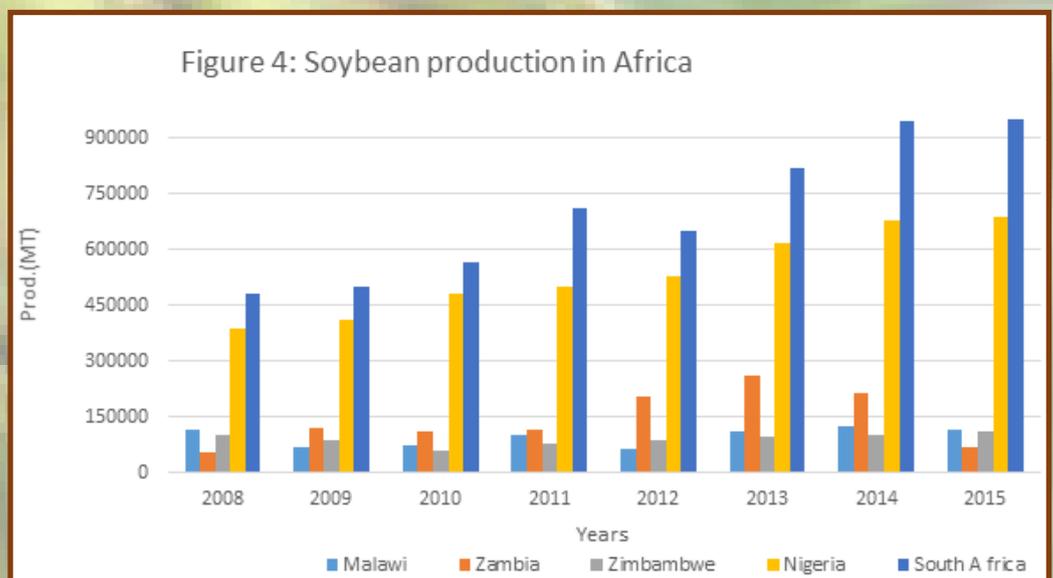
at 82.4 million acres, unchanged from last month. Brazil accounts for 30% of the global production of the crop. In the four most recent growing seasons of 2014/15, Soybean production has been on steady rise, according to USDA. Annual production quantities in that time span have ranged from 66.5 to 94.5 million metric tons.

Argentina has farmlands of over 20.3 million hectares dedicated to growing Soybeans. The country accounts for 18 percent of the world's Soybean production. In the four most recent Soybean seasons in Argentina up to 2014/15, annual production has been in the range of 40.1 to 56 million metric tons.



Africa Performance

There was an increase of Soybean production in African for the past decade or so. Nigeria is the largest producer of Soybean in Africa, followed by South Africa, Uganda, Zimbabwe and Rwanda. In 2008 Soybean production was 437, 000MT in Nigeria, South Africa produced 221 000MT, Uganda 166 000MT, Zimbabwe 83 0000 and Rwanda. Figure 4 shows Soybean production in Africa.





Soybean production has increased in Nigeria from 160 000MT in 1995 to 480, 000MT in 2010. Soybean is gaining prominence in Nigeria as over 200,000 ha of land was devoted to its cultivation as far back as 1992. This according to CTA was then the largest area of land devoted to Soybean cultivation in the whole of Africa (CTA, 1992). Nigeria's Soybean output is forecast to increase to 510,000 MT in 2011/12, up from 480,000 MT in 2010/11. The increase in output is attributed to favorable weather in Nigeria's Soybeans production belt. Compared to the erratic pattern in 2010, rainfall was favorable both in terms of volume and distribution in 2011. Also, acreage increased because of the prevailing attractive prices.

Currently, Soybean production in South Africa is between 100 000 and 800 0000 tons per annum at average yield of 1.7 to 2 tons under dry land conditions. South Africa's Soybean production reached 566 000tons in the 2009/10 production season, the largest Soybean crop to date. Soybean area harvested in South Africa varied between 165 400 ha and 311 450 ha from the 2007/08 production season to the 2009/10 season. During this period South African Soybean yield average was 1.9ton/ha. Productions on south Africa's Soybean demand in 2015 using different growth rates from different sources indicates that the demand for Soybeans may vary between 1759 000 and 3 290 000 tons per annum. Soybean production grew by 63% between the 2011/12 to 2014/15 production seasons.

Soybean production in Rwanda increased in 1997

to 2010. Soybean production was estimated to 57, 089MT in 2010 while it was 6,779MT in 1997. At the same period, the total lands allocated to Soybean production grow from 13, 756ha to 72, 353ha.

Outlook for Malawi for the Next Six Months

Soybean industry has a lot of opportunities due to the ever increasing demand both domestically and world. Currently, the export market in SADC Countries demands 170, 000 MT/year from Malawi and yet Malawi only produces an average of 77,175MT annually, although the production of this year was 117,867MT. The production is to expand because there is high demand for private sector interest, especially processors to support and enhance Soybean production to meet local demand and this will contribute to increased production.

Soybean is mainly grown in central region but other districts especially Thyolo, Mulanje and Phalombe have embarked on Soybean production and such developments coupled with good weather, Malawi might register a record high Soybean production in 2016/17. According to data from two agriculture exchange markets AHCX and ACE shows that Soybean has been experiencing an increase in export value. Area under cultivation in Malawi is going to increase significantly from the current 135 741 Ha to 141 578 Ha due to the increasing previous season prices which averaged Mk310/Kg. However, due to increase in supply on farmer's side, the supply might surpass the demand causing the price to fall or stagnate.

The Chief Executive Officer

African Institute of Corporate Citizenship (AICC)

TAURUS House

Executive Offices

City Centre, Along Convention Drive

P/Bag 382

Lilongwe 3

Malawi

Tel: 265 (0) 775 787/ 691

Fax 265 (0) 775 761

Email: aicc@aiccafrica.org

Website: www.aiccafrica.org