

## Background

In line with its mandate of positively impacting agricultural production and smallholders in Africa, AATIF assesses its progress and impact on five key outcome areas including (i) agricultural production and productivity; (ii) employment; (iii) income; (iv) outreach to smallholder farmers and; (iv) living and working conditions. As part of its research efforts, AATIF commissioned a baseline Rapid Appraisal of Export Trading Group (ETG) - one of its intermediary investee company in Malawi. AATIF extended a loan to ETG for a 5-year term in 2015, to be used for (a) capital



Employees working at ETG processing facility in Lilongwe.  
Photo taken by Research Support Services (RSS)

expenditure for processing plants and warehouses; (b) working capital for crops with trading cycles > 180 days and; (c) provision of inputs (fertilizers, farm equipment, farming technologies, agricultural expertise) to smallholder farmers in Malawi. ETG is a diversified Pan-African agribusiness conglomerate specialized in end-to-end agricultural supply chain management, including procurement, warehousing, transport, agricultural processing and consumer products. ETG has offices in 40 countries in the world with significant presence in 26 African countries, buying crops directly from thousands of smallholder farmers (farm gate with few intermediaries). The survey - that cannot be used to rigorously assess impact - compares three groups<sup>1</sup>: i) ETG spot farmers; ii) TLC Group 1 farmers; and iii) TLC Group 2 farmers. The baseline data collected in October-November 2018 will serve as a basis for assessing the impact of the investment in ETG at the end of the investment period in 2021.

## Key Findings

The baseline report observed differences between the groups of farmers. However, these cannot yet be interpreted as causal impacts of ETG. At best, they can - together with qualitative evidence from the field - be taken as indicative of potential positive impacts. Below is a summary of the findings:

### 1. Agricultural production and productivity levels

The average land size under crop cultivation per smallholder during rainy season is 3.4 acres (97% of land) and 1.1 acres (30% of land) during dry season. Just a small proportion of farmers cultivate crops during dry season (about 7%). Land size under crop cultivation during rainy season is relatively smaller for ETG Spot Farmers (2.9 acres) compared to TLC Group 1 and 2 farmers (4.0 and 4.8 acres respectively). Very few farmers (7%) report increasing their farming land over two years preceding the survey. Those who increased did so by an average of 1.4 acres (1.6 acres ETG Spot farmers and 0.9 acres TLC farmers).

The most important crops grown are maize (65%), followed by soya (29%). Among TLC Group 1, soya is the most important in about a half of the households (52%). During rainy season, the size of land for maize cultivation is 1.7 acres, while for soya is 1.3 acres. Average yield of maize during rainy season is 677 Kgs/acre, while for soya is 323 Kgs/acre. ETG Spot farmers seem to have higher maize productivity levels, while TLC farmers appear to have higher soya productivity levels. Most households (89%) face constraints during crop production, drought being main. Other crop production constraints include insect pests; lack of/expensive farm inputs (e.g. fertilizer, seeds), poor rainfall, land disputes and lack of adequate labour.

<sup>1</sup> ETG spot farmers are farmers who supply to ETG spot markets in Malawi, while TLC farmers are those with a form of contract farming arrangement with Total Land Care (TLC), an organization working with and benefiting from ETG inputs, extension support and markets for produce in Malawi. TLC farmers are further categorized into those who sold crop commodities to ETG the season preceding the survey - TLC Group 1, and those who never sold to ETG the season preceding the survey - TLC Group 2.

Most farmers use fertilizer (87%), ETG Spot farmers and TLC Group 2 having highest proportions. Whereas overall use is on about 46% of land area cultivated, fertilizer application is lower among TLC group 1 and 2 (37% and 35%). Moreover, majority of households (86%) apply fertilizer on maize. 8 in 10 households overall receive fertilizer from ETG, the highest proportion being TLC Group 1 (96%).

## 2. Employment

ETG provides direct and indirect employment opportunities to local communities through its aggregation and processing operations. ETG reports a workforce of 1,039 employees in Malawi, (17% females). About 55% are permanent employees, 40% casuals and 5% contracted. Casual/contracted employees are predominantly male, mostly within the age group 20 to 35 years. Benefits (e.g. medical cover, house and transport allowance, and end of the year bonus) are only provided for permanent workers, while casuals are only provided with off-days. Workers are normally provided with Personal Protective Equipment (PPE) and a few confirm using them. Notably, women rarely benefit from the provided PPEs. Most female workers seem to have received no trainings, they are meant to learn from workmates. However, ETG employees perceive they have been able to secure employment, resulting in improved household income and welfare. ETG purchases crop commodities from smallholder farmers (through intermediaries) thus providing markets and income sources for smallholders in Malawi. Generally, household farm activities are carried out using family labour, limiting labour employment opportunities.

## 3. Farm and overall household income

Crop farming is the dominant source of income, accounting for 75% of overall household income. Farmers also engage in other agricultural income sources (mainly livestock keeping including sales), and non-agricultural income sources (mainly business/self-employment). TLC Group 1 farmers appear to be less engaged in non-agricultural income sources. Average overall household income during rainy season (about 4 months) is MWK 77,019, and highest among TLC Group 2 (MWK 95,294), while during dry season (about 8 months) is MWK 273,669, again highest among TLC Group 2 (MWK 336,765). Agricultural national minimum wage is MWK 35,000 per month. Only 22% of farmers keep records, and most struggle to present income and expenditure figures. Those who report, present large variability. Estimated household income attributed to sales to ETG in dry season is higher for ETG Spot farmers, while in rainy season it's higher for TLC Group 1 farmers. About 4 in 10 households overall perceive an increase in income from ETG/TLC. However, care should be taken against attributing causality to what is likely a result of selection effect. Prices for crop commodities vary widely, attributed to existence of intermediaries/traders. Farmers are not restricted to sell their produce to ETG.

## 4. Company outreach to smallholder farmers

ETG hardly finds smallholder farmers from whom to purchase commodities directly and do not keep registers of such farmers, they mostly purchase through intermediaries. The company is at advanced stages of establishing EFF<sup>2</sup> in Malawi to support an out-grower extension programme. Out-grower support and procurement is also facilitated through TLC farmer cooperatives. While almost all TLC farmers are members of a farmer's union, ETG spot farmers have very low proportions (17%). However, ETG has reached 2,068 small holder farmers through 20 training sessions conducted in various locations in Malawi. These farmers were trained on use of chemicals and fertilizers for different crops, sustainable agri-business, horticultural crop development and health & safety. More TLC farmers had participated in ETG/TLC trainings (69% TLC group 1 farmers and 80% TLC group 2 farmers), compared to very few ETG Spot Farmers (9%).

## 5. Improvement in living and working conditions

More than half of the households overall live on less than USD 1.90 per person per day (very poor); while 77% live below USD 3.10 per person per day (poor). TLC farmers appear to have relatively higher poverty rates than ETG Spot farmers. The mean Household Dietary Diversity Score (HDDS max=12) is relatively higher for Kasungu (ETG Spot farmers, 3.9) as compared to TLC Group 1 (3.3) and TLC Group 2 farmers (3.5). Majority of households (64%) belong to the Low Dietary Diversity tertile, with highest proportions among TLC farmers (74%). Data suggests a possible indicator of lower food security in Ntchisi (TLC farmers) compared to Kasungu (ETG spot farmers).

<sup>2</sup> ETG Farmers Foundation (EFF) is an ETG syndicate organization that operates to develop smallholder farmers and their communities. Through local and international partnerships, EFF has been able to lay foundations for local market economies by increasing access to inputs, credit, markets, and training smallholder farmers to meet the quality and reliability requirements of commercial markets.



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