

## Summary paper to

### Examining Opportunities and Challenges for Upgrading Value-Adding Activities within Sugar Production in Malawi

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#### Context

Malawi has an abundance of natural resources and is a large exporter of tobacco, sugarcane, cotton and tea, amongst other export commodities, and in fact, over 30% of the country's GDP is composed of contributions from the agricultural sector. It is not surprising then that 90% of the country's labour force work in the agricultural sector, yet the country still suffers high levels of poverty and deprivation, particularly in rural areas, where much of the agricultural work is focussed. This study focuses on one export commodity – that is sugar, and examines the various actors involved at different stages of production. It seeks to understand opportunities and challenges within the Malawian economy that affect the capacity of those labourers who earn very little for their work, to move upward on the value chain, in order to establish whether shifts in the value chain might be pursued as a development strategy in Malawi and other comparable places.

The study reviews literature dealing with value chain analysis, as well as mapping the political, economic and historical context of Malawi in order to situate the study within the broader academic discourse of movements along the value chain and the associated challenges within developing countries. The data is based on four semi-structured interviews and one focus group discussion, conducted in the Chikwawa district of Malawi.

#### Aims

- Who are the main actors involved in each of the stages of the sugar production value chain and what is their socio-economic background?
- Is there a recognisable pattern that links socio-economic background with particular stages of the value chain?
  - If so, why might this pattern be occurring?
- If it is true that people from poorer socio-economic backgrounds make up the labour force for lower-value activities, what are the factors that prevent people from poorer economic backgrounds from engaging in higher-value activities?
- What opportunities exist for the above mentioned groups to engage in higher-value activities and how useful and accessible are these opportunities?
- Are shifts to higher value activities desirable to traditionally poor local communities both in economic terms and in terms of the subsequent shift in livelihood strategies for those communities?

## Findings

- This research sought to uncover the link between socio-economic backgrounds and value positions in the sugar production value chain. It clearly identified that those working in the lower end of the value chain tend to come from low-income and lowly educated families with little or no prospect to engage in higher value work due to education barriers.
- In the Malawian context specifically education is a massive factor and the country as a whole is experiencing a skilled labour shortage across all fields including sugar production. However there are cases where skilled labourers are needed but not valued, therefore they moved elsewhere in the country or region where demand is high and met with more competitive wages.
- The study also uncovered a range of problems that arose from the producers of sugar and the countries monopolistic buyer which is Illovo. This provides a number of issues since Illovo is the biggest employer, tax-payer and foreign exchange currency. As such, the Malawian government may be reluctant to challenge them.
- This study also highlighted the important role of NGOs in ensuring that rural farmers are aware and educated on their rights as well as the benefits and drawbacks of being a part of associations and legions. The role of NGOs is vital to ensure the capacity building of rural farmers in the value chain.
- This research also brings to light the need for capacity building for rural farmers however there is the issue of how willing the government is to enact upon this. Despite there being several national development programmes which highlight the need to invest and develop into agriculture as a means to improve overall development, little has been done within the sugar industry to support local communities and build capacity within Malawi.
- Illovo retain much of the skills and knowledge that surrounds sugar production and therefore it is essential that NGOs offer training and capacity building projects. Governments also need to realise their efforts and not be offset by the actions of civil society organisations.

*For access to the complete paper, please contact Research & Development at Humanitarian Academy for Development (HAD) at: [research@had-int.org](mailto:research@had-int.org)*