



Oxford Policy Management



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# Smallholder risk management solutions: Design of a replicable business model in Malawi

The Smallholder Risk Management Solutions (SRMS) project is being implemented in Malawi by a consortium led by Oxford Policy Management. The project aims to investigate the key risk factors that smallholders face in sustainable agricultural intensification, and to explore risk management strategies that can be put in place to manage them.



The project is focusing on **pigeon pea**, which has great potential to become an important part of smallholder risk management. Besides being a drought-resistant crop that tolerates poor soil conditions and fixes nitrogen, pigeon pea can provide fresh green pods for six months between April and September, and when stored in dried form it can also be an important source of protein throughout the year. Pigeon pea is widely produced, consumed and marketed in the Southern Region of Malawi, therefore the SRMS project has chosen to work in **Phalombe District** in southern Malawi.



The project has started off with a diagnostic analysis of the pigeon pea **value chain** in Phalombe, to investigate the key opportunities and constraints on current performance, to explore ways to improve coordination between the value chain actors, and to describe the characteristics of input markets and the various incentives for technology adoption. Based on the analysis of the local value chain, a **'replicable business model'** has been designed, in collaboration with the Farmers' Cooperative in Phalombe. This will be tested and researched over two crop seasons.

The model aims to address systemic risks that hinder commercialisation, and to connect the value chain actors (farmers, input suppliers, buyers and processors) effectively through collective marketing. The model is inclusive of poor smallholder farmers and provides an economic incentive to all actors in the value chain to cooperate in helping to make it work.



The business model is based on the establishment of a **seed revolving fund**. For the 2017/18 growing season the SRMS project will provide 2 kg of treated certified seeds to 200 farmers (of whom 72 will be members of the Cooperative). Out of their harvest (assumed to be 180–250 kg on 0.1 hectare) each farmer is expected to deliver 8 kg of pigeon pea back to the Farmers' Cooperative. This will result in 1,600 kg of pigeon pea, which will remain with and belong to the Cooperative, and will provide them with a capital base for further investment. The model assumes that three-quarters of the returned quantity (1,200 kg) will be sold after harvest by the Cooperative. The income from these sales will be sufficient to purchase at least 100 kg of treated certified pigeon pea seeds, which will be distributed to the members for planting in 2018. The remaining one-quarter (400 kg) of the returned pigeon pea harvest will be used as pure seed and subsequently included in the seed revolving fund. The model will be revised in the subsequent years up to 2019, by when the Cooperative will have accumulated sufficient knowledge and capital to replicate the model without project support.

Besides providing technical and management support to the Cooperative during the implementation of the replicable business model, the SRMS project will also broker business contacts for the Cooperative with private traders and processors in Blantyre, with the World Food Programme and with the Agricultural Commodity Exchange in Malawi.



The Sustainable Intensification of Agricultural Research and Learning in Africa (SAIRLA) Programme is a UK Department for International Development-funded initiative that seeks to generate evidence and design tools to enable governments, investors and other key actors to deliver more effective policies and investments in sustainable agricultural intensification that strengthen the capacity of poorer farmers', especially women and youth, to access and benefit from SAI in Burkina Faso, Ethiopia, Ghana, Malawi, Tanzania and Zambia.