

Concept note 4**Project Name: Strengthening the Rice Value Chain Policy and Regulatory Frameworks for Market Access Concept****1. Background**

The fragmented and small-scale nature of rice farming in Malawi hampers the efficient marketing of both farm inputs and outputs. With growing regional demand for Malawi rice and the country's reliance on regional and global supply chains for inputs, trade along the commodity chains faces several inefficiencies. To achieve socio-economic transformation through agriculture, smallholder rice farmers must transition from subsistence farming to market-oriented production. The export potential of Malawi rice can be fully realized only when production meets market expectations for price, quality, and quantity. To improve the market and trade competitiveness of Malawi rice, significant upgrades in production and processing systems are required.

The current small and fragmented production volumes often place smallholder farmers at a disadvantage in terms of bargaining power. To address this, the National Rice Development Strategy 2 (NRDS-2) proposes that smallholder farmers pool and organize their resources collectively. This would enable them to streamline the production, aggregation, marketing, and trading of rice and its byproducts. The strategy will focus on producing market-preferred rice varieties, reducing production costs, improving grain quality through better post-harvest practices, and enhancing the overall structure and function of the market.

Farmer groups and cooperatives will be encouraged to establish strong linkages with millers, traders, and input suppliers. Policy advocacy will promote improvements in contractual obligations between farmers, traders, input suppliers, millers, and financial institutions, including through initiatives like the Anchor Farming approach. By fostering private-sector engagement, improving access to finance for value chain participants, and building capacity across the sector, Malawi can enhance the market orientation and competitiveness of locally produced rice.

Additionally, strengthening partnerships with the Ministry of Trade and the Malawi Investment and Trade Centre (MITC) is essential for providing clear information on export market demands, varietal preferences, and minimum safety standards well in advance of production. Timely feedback from international trade expos will further support this effort.

2. Project Site

The project will be implemented across the country targeting rice actors in all district councils of Malawi where they practice rice farming. However, some interventions which involve development or review of policies and strategies will be implemented by the relevant Ministries,

Departments and Agencies (MDAs) which will be disseminated to rice value chain actors upon completion.

3. General Objective

To improve market orientation and competitiveness of Malawi rice.

4. Specific Objective

- Create an enabling policy environment.
- Develop and implement frameworks for structured market.
- Enhance access to official marketing information, ICT infrastructure and market intelligence.
- Create institutional capacity within the value chain to promote product competitiveness and accessibility of rice market.
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5. Activity

Create an enabling policy environment.

Contract farming policy is being developed, facilitated by Ministry of Agriculture. A strategy was developed but will be reviewed to be among policy instruments. The policy development is being supported by the Agriculture Commercialisation project (AGCOM). The mechanisation and financial incentives for the agriculture sector were developed and launched by Ministry of Agriculture. Specific rice related fiscal incentives can be communicated to Ministry of Finance and Economic Affairs through the Ministry of Agriculture.

Regional policy instruments such as the Common External Tariffs (CET) and duty remissions will be reviewed and recommendations on new evidence-based policy options will be suggested based on evidence.

- Review and identify local, national and regional policy instruments related to rice.
- Identify any policy instruments including strategies, tax or tariffs that need to be reviewed to address marketing bottlenecks.
- Development of contract farming policy and policy instruments.
- Develop rice value chain mechanisation strategy as a policy instrument on implementation of the National Agriculture Policy and financial incentives framework for the rice value chain.
- Review regional policy instruments such as Common External Tariff (CET) and duty remissions and recommend new evidence-based policy options for improving trade competitiveness of Malawi rice in the region and beyond.

Develop and implement frameworks for structured market.

The component is going to conduct awareness and dissemination of policies and strategies that affect rice value chain actors to ensure adherence and awareness of the different regulations that

govern the rice sector. The awareness campaigns will include national and regional policies that affect rice value chain actors which include the contract farming policy, Government of Malawi incentives for Agricultural diversification and commercialisation which details incentives that apply to the sector in relation to mechanisation and financial issues.

- Enhance awareness of local, national and regional policy instruments.
- Hold dissemination and awareness campaigns on contract farming policy.
- Conduct awareness campaigns on farm mechanisation policy incentives in rice value chain actors.
- Conduct awareness campaigns and dissemination of regional and policy instruments such as CET and duty remissions, and recommend new evidence-based policy options for improving trade competitiveness of Malawi rice.
- Conduct awareness and dissemination of policy and policy instruments that clarify financial incentives for value addition of rice and its by-products and on farm mechanisation.

Enhance access to official marketing information, ICT infrastructure and market intelligence.

The component will ensure the Ministry of Trade and Industry completes the development of the structured markets strategy is underway. The strategy is being developed through AGCOM which is funded by the World Bank.

- Develop and implement structured market framework.
- Completion of the development of structured markets framework.
- Conduct awareness and dissemination of structured markets framework.
- Lobby for the establishment of a local structured market on rice which considers the challenges affecting uptake of warehouse receipt system and tailor-make markets to improve access to seed and other inputs.

Create institutional capacity within the value chain to promote product competitiveness and accessibility of rice market.

The component will mobilise farmer organisations to establish aggregation to achieve market economies of scale and collective bargaining. The component will facilitate linkage of rice farmers with off-takers by organising Business to Business meetings.

The component will also establish appropriate ICT infrastructure for market intelligence and marketing systems and develop systems that can interact with even non-smart phones to ensure no rice value chain actor is not served by the platform.

- Enhance flow of information, ICT infrastructure, development of low-cost farming technologies and dissemination of market intelligence.
- Facilitate knowledge transfer and MBS certification among rice value chain actors for market competitiveness.

- Enhance Small and Medium Enterprises Development Institute capacity on rice while ensuring that rice MSME's are certified.
- Facilitate aggregation of rice by Farmer Organisations and anchor farms by establishment of prerequisite infrastructure.
- Facilitate B2B meetings to link farmers to markets.
- Facilitate awareness and implementation of the SHEP approach for market assurance.
- Establish market intelligence and market information system for analysing and disseminating information on rice (types, sources, and prices) seeds, fertilizers, organic manures, agrochemicals, tools, and machineries in rice producing areas.
- Establish appropriate ICT infrastructures that support the market intelligence and market information platforms to support even non-smart phones.

6. Budget: TBA

7. Project Duration: 5 years

8. Beneficiary

The proposed direct beneficiaries of this concept include smallholder farmers, processors, millers and traders while secondary beneficiaries comprise Government through tax revenue and research institutions who are encouraged to innovate and collaborate.

9. Expected Impact

- Contract farming policy and other national and regional policy instruments developed/reviewed and disseminated.
- Enhanced contract farming awareness and improved farmer awareness on farm mechanisation and financial incentives.
- Structured markets frameworks developed and implemented.
- Flow of information, ICT infrastructure, development of low-cost farming technologies and dissemination of market intelligence enhanced.
- Improve market imbalances, improve the bargaining power of smallholders, and improve clarity of terms of agreement in the rice value chain at national and regional level.
- Improved uptake of contract farming, mechanization incentives, regional policy instruments and financial incentives for rice value chain actors.
- Improved uptake of structured markets such as warehouse receipt system.
- Enhanced evidence-based marketing decision making supported by real-time market intelligence, with secure digital interactions and uptake of sustainably affordable rice value chain technologies.
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End