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Mr. Navin Kumar
MICF Fund Manager

As we move ahead in 2019, we would like to share the achievements and lessons from some of our projects over the last 4 years of implementation. Through our portfolio, Malawi's private sector continues to demonstrate willingness to adopt innovative new business models that show potential to strengthen the sector whilst delivering sustainable social impact. With a new round underway, we look forward to further success in the year ahead and continue to be impressed by the levels of innovation delivered by the Malawian private sector.

WHAT IS MICF



The Malawi Innovation Challenge Fund (MICF) co-funds innovative business ideas that have potential for significant social impact put forward by the private sector in Malawi. Over the past 4 years, the fund has launched 4 competitive rounds spread across the Agriculture, Manufacturing, Agribusiness, Logistics and Irrigation sector. The Year Ahead. With a current portfolio of 23 projects, 2019 is shaping up to be another busy one for MICF with many of our original projects coming to an end and new projects starting implementation. Highlights are expected to include:

Project evaluations for completed first-round projects contracted in 2014. The surveys will evaluate the changes in livelihoods and impact on employment for the projects beneficiaries and assess the health of those private sector businesses after project implementation.

Continued implementation of 2nd Round projects. Of the 8 projects which were contracted for the Agribusiness and Manufacturing and Logistics Windows, 2 have completed implementation with more expected this year.

3rd round Irrigation

Window projects underway and baseline surveys to be conducted. The MICF evaluation team will assess the current status of those who hope to benefit from these innovative irrigation projects.

4th Round Projects Awarded. In December 2018, the investment panel reviewed 102 applications and chose 21 successful candidates to move on to the proposal stage. The large number of applicants shows the high number of private sector companies looking for opportunities to develop and innovate. Matching grants will be awarded in 2019.



SUCCESS STORIES



Satemwa Tea Company

constructed a new processing and packing facility and developed an inclusive business model to incorporate smallholder tea farmers into the supply chain. Their distinctive and innovative

blend of teas position the company as a major player in the lucrative high value tea market, and broaden the scope for Malawian tea to be celebrated both locally and internationally.



Sunseed introduced a fridge free margarine into the Malawian Market. The margarine, Sunspread, provides a locally produced alternative to South African



margarines within retail outlets. The company contracted over 10,000 farmers to supply raw material which acted as a catalyst for income growth amongst smallholder farmers.

Roseberry Farms successfully set up a smallholder led supply chain and constructed greenhouses to produce high value horticultural crops. Through this, the company

has been able to break into all the major supermarkets in Malawi, and reduce the country's reliance on imported vegetables.

AFRISPHERE



If commercial cattle buying can be extended to benefit more people, Nyama World will have more produce to sell, and the whole livestock industry will become sustainable.

- Ms. Marie B. Khongolo

September 2014 – December 2018

From livestock to livelihoods; how the beef industry is transforming life for smallholders in Northern Malawi

Despite being home to nearly 80% of the nation's cattle, the Northern region of Malawi has not – until now – had the infrastructure in place

to produce quality-assured, local beef or beef products. In fact, with significant capacity gaps amongst farmers, limited knowledge around disease and disease control, and a



lack of processing facilities; it has long been assumed that smallholder-led supply chains are doomed to fail in these parts.

In 2014, Afrisphere Ltd., trading as Nyama World, set out to disprove this notion, with an ambitious project using inclusive business models to prove that putting the smallholder center stage of the beef value chain could lead to commercial success in Northern Malawi.

Four years on, and it is clear to see that the project is flourishing. With the successful introduction of the Bonsmara bulls, via an intensive cross-breeding programme, smallholders are profiting from the increased yield and training offered. More than 10,250 farmers have been trained to date and many more are benefitting from the company's disease prevention efforts. Across the value chain more than 200 jobs have been created: within the expansive feedlot in Bolero, at the abattoir in Mzuzu, and in the 10 retail shops across Malawi.

The company-wide initiatives to engage and empower women and youth across the clubs also have a tangible social impact; challenging traditional gender roles within these communities, encouraging youth to favour staying in Malawi over emigration and allowing families to share both financial and labour burdens.

The story of Nyama World

and the cattle farmers is just beginning, with the smallholder remaining center stage. Over the coming years, the company has ambitious targets to train a further 20,000 farmers with the intention of absorbing them into their ever-growing network of partners. After all, as the number of farmers and cross-bred cattle grows, so does Nyama World. They actively encourage self-sufficiency within the farmers clubs and hope for the farmers to one day have the means available to purchase their own Bonsmara bulls of the highest quality. It is these synergies and partnerships that the MICF encourages; providing opportunities to explore new innovations that could change the face of the private sector in Malawi and the lives of its people.

Key Project Innovations:

INNOVATION Cross-breeding Bonsmara and local cattle, leading to quicker animal growth for smallholders.

INNOVATION The construction of the first non-stun, halal, abattoir built in the region.

INNOVATION Developing the first farm-to-plate cattle traceability system in Malawi.

INNOVATION Empowerment of women and youth within the community by challenging traditional roles.

LILONGWE DAIRY

Lilongwe Dairy conceptualized this project in 2016 with the aim of addressing the challenges identified in both the downstream and upstream side of production. The company aimed to set up a new milk collection model including a farmer pass on scheme and traceability system that would lead to the production and marketing of a new UHT milk product. Specifically, the project focuses on the following key elements:

- 1.** Improving milk collection operations by setting up storage infrastructure and cooling tanks to reduce wastage.
- 2.** Introducing new improved breeds of cattle & provision of technical backstopping support to farmers.
- 3.** Introduction of Family Pack UHT milk products.





What are the current developments in the dairy market?

The dairy sector within Malawi is still growing, we have had good growth consistently over the past 2 years. Last year, Lilongwe Dairy had a growth rate of 47% and the sector as a whole grew about 28%. The year, 2018, commenced with a growth rate of 40% on the demand side and 20% on the supply side.

What do you attribute the rapid growth of Lilongwe Dairy to?

Malawi is predominantly an importing nation; we import over 50% of the dairy basket into Malawi. Manufacturers such as Lilongwe Dairy, have never had adequate supply to fulfill the basket. Implementation of the project through MICF has resulted in the increase of supply from small-scale farmers which has enabled the diversification of our product portfolio. In addition, we have managed to reduce the cost of manufacturing which has led to a 40% increase in demand for our products. This has made us competitive against imported goods, helping us to achieve greater market share.



Mr Edwin Chilundo, General Manager of Operations, provides insights on the successful implementation of the project.

This type of collaboration or partnership with MICF was groundbreaking.

Mr Edwin Chilundo
General Manager Operations

What products are engaging the consumer base?

The product that we launched through MICF, the 1 litre milk pack, is reaching new segments. We could not reach these segments, because we had technological limitations; we did not have the platform or equipment that could produce the packs. Through the MICF project, we were able to manufacture the products locally and start replacing imported equivalents.

We have observed an increase in the volume of milk procured and the increase in income of smallholder farmers after the deployment of the project, what do you attribute this increase to?

The project particularly looked at improving milk collection. By putting the infrastructure in the rural areas, it allowed us to be closer to the milk production. The more we moved closer to the milk production, we experienced less losses in the supply chain. The project had estimated saving supply chain losses of 8-12%. We exceeded

that and reached 33%, which was much more than what we had expected.

We granted 182 heifers to female farmers to increase the production and quality of milk. The farmers were supported with training, infrastructure, working capital, and extension backstopping.

Also, as a result of the demand pulling the supply, prices improved much better than they were before. Initially, price was 155MWK per litre and increased by 20% in a 2-year period.

Do you have any comments regarding MICF and how they managed to share the inherent risk associated with the project?

This type of collaboration or partnership with MICF was groundbreaking, we would not have been able to invest in the supply chain because of the risk involved. The company would have struggled to invest in a cooling center, the infrastructure and secure the raw milk. MICF shared the risk with us and that has paid off as majority of farmers bought into the concept of the new supply model.



Lilongwe Dairy

Social Impact Achieved



2,700 existing smallholder farmers actively supplying milk on a daily basis to the company and have improved incomes.



182 female farmers receive additional income of **US\$800** per annum through milk sales from new heifers.



44 New Jobs created.

Farmer Insights

Hearing firsthand from farmers on what the project has meant for them.



Name: Chrissie Wyson
Number of years worked with Lilongwe Dairy: **5 years**

HOW HAS BEING ASSOCIATED WITH LILONGWE DAIRY IMPACTED YOUR INCOME AND LIVELIHOOD?

Ms. Wyson: *Through the income from dairy farming I supported my children with school necessities and now they have all completed their education.*

Ms. Manyera: *Previously I could not afford to purchase food for my family, the income from Lilongwe dairy comfortably supports my food purchases.*

Ms. Malewule: *I have managed to build an iron sheet-thatched house and use fecal wastes from cows as organic fertilizer at my farm.*

HOW HAS LILONGWE DAIRY SUPPORTED YOU OVER THE PAST 2-3 YEARS?



Name: Linly Manyera
Number of years worked with Lilongwe Dairy: **4 years**

Ms. Wyson: *Building a cold room within the area has improved my income as I can now sell all the milk which is produced.*

Ms. Manyera: *Previously, people came from Lilongwe to test the milk we produced, and now, the testing (for quality) is done in close proximity.*

Ms. Malewule: *Lilongwe Dairy informs me about price changes in advance.*

WHAT CHANGES HAVE YOU OBSERVED WITHIN THE PAST COUPLE OF YEARS WITH THE ADDITION OF BETTER INFRASTRUCTURE AND PROVISION OF HEIFERS?

Ms. Wyson: *I now have my milk sold without any losses through spoilage as the cold-room is nearby.*



Name: Eliza Malewule
Number of years worked with Lilongwe Dairy: **18 years**

Ms. Manyera: *I managed to re-pay the loan provided for the heifer I was given to start my business in dairy farming.*

Ms. Malewule: *Lilongwe Dairy is able to buy all the milk from me as long as the milk is of high quality. Previously, they could not buy all the milk I brought forward for sale.*

DO YOU FORESEE YOURSELF CONTINUING TO WORK WITHIN THIS INDUSTRY FOR THE NEXT 5-10 YEARS?

Ms. Wyson: *I promise to proceed with dairy farming 'forever'.*

Ms. Manyera: *I am optimistic and will continue working within this industry.*

Ms. Malewule: *Yes, even if I die today my sons and daughters will proceed with this enterprise as it is lucrative.*

Partners

