

USAID TRADEHUB KNOWLEDGE BRIEF | JULY 2020

With USAID Support, One Malawian Grain Trader Is Giving Back to Smallholder Farmers in His Country



With support from the USAID Southern Africa Trade and Investment Hub, Malawian firm Dalitso General Suppliers agreed in March 2020 to supply 210 tons—seven 30-ton truck loads—a month of non-GMO soya beans to a South African buyer, Irwing Soya. The deal's implementation will begin in May 2020. Although the price will likely fluctuate from month to month, depending on exchange rates, the monthly sale will be worth approximately \$105,000—or \$525,000 through September 30, 2020, the end of the USAID TradeHub's fiscal year.

Meyerton-based Irwing Soya (South Africa), according to its website, “is closely tied to ilanga oils and the well-known South African manufactured catering oil brand Gold ‘n Crisp.” Irwing Soya manufactures vegetable oils, meal for human consumption, and animal feed inputs from soya, groundnuts, and beans. The firm, which supplies the likes of Tiger Brands and Premier Foods, has seen rising demand for non-GMO soya, which it offers at competitive rates. The Dalitso deal, which comes after a series of USAID TradeHub meetings with Irwing Soya's chief executive, is part of the program's push to boost exports from southern Africa to South Africa.

A PERSONAL JOURNEY

For Henry Dalitso Masina, Founder and Managing Director of Dalitso General Suppliers, the sale is more than a business transaction. As a primary school teacher in Malawi's rural villages, Masina used to supplement his modest salary by farming tobacco and selling it on the local market. He used the proceeds from his tobacco business—around \$400—to open a shop, where he bought legumes and other grains from smallholder farmers during the seasonal harvest and resold them during the lean months, when demand was high. Although his business was growing, Masina needed an infusion of capital to take his enterprise to the next level.

With USAID support, under the agency's former Market Linkages Initiative, Masina secured funding to construct a warehouse, which allowed him to purchase more products from farmers during the harvest. Drawing on these stored purchases, Dalitso was able to boost its sales to customers, not only in Malawi, but as far afield as Kenya and Tanzania, where buyers were processing Masina's soya and groundnuts for export to other markets. In 2015, barely a decade after planting his first crop, Masina had inked direct deals with these processors.

ABOUT THE USAID TRADEHUB

The USAID Southern Africa Trade and Investment Hub engages with partners across the region to increase sustainable economic growth, global export competitiveness, and trade in targeted southern African countries. It supports these objectives by increasing exports from southern African countries to South Africa and the United States (under the African Growth and Opportunity Act [AGOA]), boosting capital and technology flows from South Africa to other southern African countries, and providing targeted trade facilitation support to Zambia. The USAID TradeHub works with market actors to identify and resolve enterprise constraints and to implement sustainable solutions through market-based trade and investment facilitation services. The USAID TradeHub partners with the USAID Bilateral Missions through the Regional Mission in the successful delivery of its objectives.

Funding Level
\$73.7 million

Duration
2016-2021

Project Location
Pretoria, South Africa; Lusaka, Zambia

Geography
Botswana, Eswatini, Lesotho, Malawi, Mozambique, Namibia, South Africa, Zambia

Key Partners
U.S. and southern Africa enterprises, U.S. government agencies, business membership organizations, and trade and investment promotion agencies

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210

Tons of soya to be shipped by Malawi's Dalitso General Suppliers to a South African buyer each month.

105

Estimated amount, in thousands of dollars, which the sale will generate for Dalitso each month. The actual amount may fluctuate slightly with the exchange rate at time of shipment.

525

Estimated revenue, in thousands of dollars, which will have been facilitated for Dalitso by September 30, 2020.

COMMITMENT TO FARMERS

Today, Dalitso boasts annual sales of some 26,000 metric tons of soya, 20,000 metric tons of groundnuts, and 13,000 metric tons of maize. With 850 permanent staff and a further 2,000 temporary workers—from onsite grain buyers to cleaners and loaders—Dalitso is a vital part of Malawi's economy. But it is the firm's commitment to smallholder farmers that most distinguishes this homegrown enterprise. According to Masina, Dalitso sourced its products last year from more than 600,000 smallholder farmers in Malawi's most rural districts.

This abundant supply is no accident. To support its smallholder partners, Dalitso operates 56 shops supplying agro-inputs to rural farmers in six of Malawi's 28 districts. Located in remote areas, with few services, these shops help farmers save time and resources, allowing them to buy the inputs they need locally and without the premiums charged in larger towns and cities. Dalitso also buys its products at competitive rates, contributing to food security in rural areas while promoting increased production through free extension services.

A PUBLIC GOOD

Beyond its benefit to individual farmers and their households, Dalitso also contributes to the overall health of its customers. Its range of products, which include soya beans, maize, groundnuts, pigeon peas, rice, and other grains, are nutritious, staple foods in the local communities Dalitso serves. These products are also used in various nutritional programs targeting children and other vulnerable adults, including school feeding initiatives and emergency relief responses by government and international non-governmental organizations, both locally and internationally. The products are also used in processing of livestock feed, which boosts the availability of protein and other animal-based nutritional products in the country and beyond.

RESPONDING TO COVID-19

When Malawi joined other countries in the region to implement strict movement restrictions aimed at slowing the spread of the COVID-19 pandemic, Masina and his team devised a way to keep as many of Dalitso's workers safely on the payroll as possible. To avoid large gatherings at its central processing facility, the firm moved this step to the point of sale, where products could be prepped for buyers on-demand and with fewer workers involved. This kept Dalitso's operation in step with the government's social distancing rules while maintaining a source of income for as many of its employees as possible.

The innovation could have a lasting positive effect. Dalitso, according to Masina, is now "sensitizing" farmers on how they can enhance grading and sorting of their produce before putting it up for sale. To create incentives for farmers to take these new steps, the firm is offering premium prices for properly graded produce. In the short-term, as Malawi and other countries cope with the on-again, off-again spread of COVID-19, empowering farmers in this way will keep their supply chains active. Longer-term, though, bringing processing closer to the point of sale could make these supply chains more efficient and profitable for farmers, reducing the number of workers needed to carry out further cleaning, grading, and sorting at the firm's central facility.

WHY SOUTH AFRICA MATTERS

With a gross domestic product four times larger than that of the USAID TradeHub's seven other target countries combined, South Africa is a ripe destination for southern African exports like Dalitso's. As they meet South Africa's high import standards, these products will also help prepare exporters to South Africa to ultimately export to other high-value markets like the United States.

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