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## **TRANSFORMATION IS NOT OPTIONAL**

When you read through presentations and papers that people present at different forums it is very confusing as to why Malawi continues to suffer economically. Conclusion: lack of drastic action! Economic transformation is not an option, it's a necessity! Beyond needing to be desperate for change, and beyond being uncomfortable with the status quo, we must act, now! Transform the mind yes, but also transform the actions!

In part, we should look at the obstacles to doing the business we want, select the top 10 and detail an action plan to resolve them once and for all. The same obstacles come up every year and they can be dealt with, others have done it, so can we.

On the other hand we still need to revisit our export base. Even after taking out corruption, Malawi's exports base itself has not been growing with OEC reporting that "During the last five reported years the exports of Malawi have changed by - \$411M from \$1.46B in 2014 to \$1.05B in 2019."<sup>1</sup> It should not be expected that we will get increased results from the same export base. Our production figures are not growing exponentially, on average they remain the same. Sadly, but not too surprisingly, our commodities are facing challenges.

One may argue that 2019 and 2020 have been difficult years. Indeed businesses in Malawi have been hard hit two years running. Just when the year 2020 was giving reprieve from the political environment that slowed down consumption and supply of goods and services in general, COVID19 struck! Both 2019 and 2020 demanded changes in the way we did business.

Our troubles albeit were not limited to the past two years, thus we must analyze our challenges further than just the 2 years. It is very apparent that each particular traditional export commodity ex Malawi has been meeting its own challenges over the years whilst our actions have remained dormant probably expecting that the following year would bring us better results. Countries around us have changed their approaches and new competitors have arisen against our traditional exports:

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<sup>1</sup> <https://oec.world/en/profile/country/mwi/>

Commodity	Challenge
Tobacco	On average 6% drop globally due to growing global Smoke-free campaigns and maintained tobacco markets
Tea	Climate change affecting volumes and the drive for fillers is not growing. Increased production in the region has complicated the demand even more.
Sugar	Climate Change and competition affecting our volumes.
Cotton	Ginners reduced to less than 5, capacity dropped from 200,000 tons to less than 30,000 tons due to local interventions not congruent to global trends
Legumes	Main legumes soya / pigeon peas have limited markets. India changed policies reducing demand of our crops, particularly pigeon peas. In any case the margins on these crops are limited. Neighboring countries also producing legumes are increasing the competition in global exports.
Timber	No longer sustainable.
Uranium	Global prices depressed making production locally unsustainable

Not wanting to paint an all gloomy picture, and as is expected, for every crisis an opportunity is created thus not all sectors shrunk in 2019 and 2020. The pharmaceutical and medical industry naturally were busy in the year 2020. With the halt on or reduction in travel, and the inevitable increase in virtual meetings (which was the natural alternative), the telecommunications sector also thrived on data. These are just a few examples of how changing the way we do things impacted some positively. Some positioned themselves better than others and have benefitted more over the same period. The question is, have we as a country positioned ourselves better for 2021 and beyond? Have we transformed our mindset and action?

Many want things to get back to normal, however, there is prudence in assuming certain things will not return to what was considered normal. It is clear that there is a new normal that we need to get used to. We need to transform. We cannot rely on our same exports alone going forward.

Exports diversification has been talked about for long, but as a country we have generally continued with the status quo. It has been encouraging to see some diversification in terms of Macadamia nuts, but the new Malawi must transform

and venture into high margin products, which are the organic horticultural and (free-range) livestock products.

It is interesting that studying the exports of Malawi through the years, our organic and very tasty fruits and vegetables, our amazing and organic chambo fish, local poultry and natural livestock have not made it through exports beyond our borders at significant enough levels to be noted, except obviously Malawi Mangoes who make Malawi proud!

For those in the Food sector, research will show that people are getting more health conscience by the day, what with the growth in ailments related to food, e.g. mineral water has grown in competition with soft drinks in part because of this health consciousness. There is a growing demand of organic foods and Malawi has the propensity to position herself for this market of healthy foods.



Roadside markets are on the increase evidencing that the produce market is slowly getting saturated. People have secured business with hotels, supermarkets and restaurants but there is still a lot of surplus that simply goes to rot if not bought. Malawi is saturated with produce and the prices will get lower and lower with increased supply unless there is a means to export.

Exports of fruits and vegetables would help reduce the loss through decay following failed local sales and would bring the much needed income for smallholder farmers and forex for the nation. Unconfirmed estimates suggest that

over 40% of our fruits and vegetables are destroyed due to lack of local sales and / or agro-processing and / or storage amongst other things. Both agro-processing and exports of these fruits and vegetables is low. Aggregation is also very limited which also presents problems if you were to secure the markets abroad that need these goods on a weekly basis.

Notwithstanding the aforesaid, the logistics industry has facilities and infrastructure to handle refrigerated exports and encouragingly some shelf-life of the products allows for sea transportation which is the cheapest and would provide the highest margins. It is granted the other products would demand chilled airfreight.

Additional to all the arguments in favor of horticulture, the prices of some of the horticultural products on the global markets when considered could be inviting:

Product (Fruit / Vegetable)	Prices Based on UK Supermarkets		Temperature	Shelf Life (Days)
	UK Market Price	UK Market Price in MWK		
Organic lemons (each)	£ 0.40	MWK 431.75	10-13	30-180
Organic apples	£ 0.33	MWK 356.19	-1-4	90-240
Organic Cabbage (each)	£ 1.35	MWK 1,457.15	0	21-42
Organic leeks (per kg)	£ 4.00	MWK 4,317.48	0	30-240
Organic carrots (per kg)	£ 1.30	MWK 1,403.18	0	60-150
Organic potatoes (per kg)	£ 0.97	MWK 1,046.99	5-10	60-150
Garlic (per kg)	£ 3.75	MWK 4,047.64	0	30-240

Even after considering logistics costs, the margins would be interesting for some products.

Additional, not substitutional, to the traditional export commodities, there is every argument for promoting horticulture production for exports:

- a) Challenges with the traditional export commodities, dwindling export base
- b) Lost foreign exchange when we import fruits and vegetables
- c) Wastage of fruits and vegetables we produce
- d) Huge demand for organic fruits and vegetables
- e) Favorable margins on the global markets for organic fruits and vegetables
- f) Logistics infrastructure available to facilitate refrigerated exports by air and sea dependent on shelf-life

**Suggested Next Steps Summarized<sup>2</sup>:**

- 1) Enhance cooperatives. We have too few success stories, but Mzuzu Coffee is a pure example of possibilities we are not optimizing on when things are set-up correctly. The set-up of legal cooperatives with proper governance structures would allow for the much needed aggregation of volumes that the foreign markets would require.
- 2) Build exports capacity through training on exports. Our mindset has remained on local selling of raw products but we need transformation.
- 3) Encouraging the set-up of agro-processors in target areas through investment incentives. This would offload excess production that is saturating the market.
- 4) Map out production centers for horticultural goods, poultry, livestock farming and fisheries and create Special Economic Zones for these areas and have cold stores built and operated through PPP or otherwise to maintain the required temperatures for exports.
- 5) Increase volumes and improve quality of horticultural produce in general. Imports of fruits and vegetables are being favored to what Malawi is producing. On the part of vegetables, the grading and exports is a low hanging fruit.



💡 Continuous Improvements are a Prerequisite to Continuous Growth  
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<sup>2</sup> Working on an advanced paper for interested parties