

# Research Project

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with the requirements of the M Com Degree

## Factors Affecting the Development of Non-Traditional Export: A Case Study of the Cut Flower Industry in Malawi



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## KEY WORDS

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- Cut flower
- Malawi
- Non-traditional exports (NTE)
- Diversification
- Horticulture
- European Union (EU)
- Netherlands
- Comparative advantage
- Supply chain
- Cluster



## ABSTRACT

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**Title:** *Factors Affecting the Development of Non-Traditional Export: A Case Study of the Cut Flower Industry in Malawi.*

Malawi has a narrow export base comprised mainly of tobacco (65%) tea (8%) and sugar (6%) as the main sources of foreign currency. Cut flowers were identified as one of the export products that could help wean the country's economy off its high dependency on tobacco leaf exports. The decreasing price of tobacco at the auction floors coupled with new anti smoking legislations worldwide has made alternative crop exports critical. The Malawian cut flower industry has its roots in a horticultural pilot project set up by the government in 1988. Lingadzi Farm was the largest and the first to be set up. Maravi Flowers then followed it. Lingadzi Farm closed in 2000 due to high freight costs and was closely followed by the opening of Zikomo Flowers. However, the Malawian cut flower industry has been unable to develop at the same rate as those other Southern African countries like Zimbabwe, Zambia and South Africa. Her cut flower exports has dropped to under 0.5 million Euros from a high of 2.5 million Euros in 1996. Zambia and Tanzania, two neighbouring countries, on the other hand started at the same time as Malawi and have grown tremendously reaching 20 and 15 million Euros in exports respectively. Unlike the Kenyan and Zimbabwean industries, the Malawian cut flower industry has been unable to develop an out grower or smallholder scheme to increase volumes. The two cut flower farms continue to operate amid rather difficult circumstances. The most important factors affecting the Malawian cut flower industry are lack of skills, lack of access to finance and high freight costs due to the low volumes. The strength of the Malawian cut flower industry lies in its comparative advantages of good climate and low labour costs. The declining production in Zimbabwe and the newly opened Dubai horticultural market presents new opportunities for the industry. However, the threat of poor image of flowers from LDC countries remains a formidable concern for the future growth of the industry. The government can assist the cut flower and horticultural exporters by creating an environment conducive for exporting through the provision of incentives like tax breaks, lowering or abolishing fuel surcharge tax on cargo flights and setting land aside for high value agricultural exports.

**Submission Date:** 14 November 2006

## DECLARATION

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I declare that “*Factors Affecting the Development of Non-Traditional Export: A Case Study of the Cut flower Industry in Malawi*” is my own work and has not been submitted before for any degree or examination in any other University, and that all the sources I have used or quoted have been indicated and acknowledged as complete references.

Maxnature Kubwalo

Signed \_\_\_\_\_

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## ACCRONYMS

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ADMARC	Agricultural Marketing Development Corporation
AfDB	African Development Bank
EFGAZ	Export Flower Growers Association of Zimbabwe
EU	European Union
FHEA	Farmers Horticultural Export Association
FPEAK	Fresh Producer Exporters' Association of Kenya
GATT	General Agreement on Trade and Tariffs
HEC	Horticultural Export Committee
HODAM	Horticultural Association of Malawi
INDEBANK	Investment and Development Bank of Malawi
IFC	International Finance Corporation
ITC	International Trade Centre
LDC	Least Developed Country
MEPC	Malawi Export Promotions Council
MNE	Multinational Enterprise
MRA	Malawi Revenue Authority
NASFAM	National Association of Smallholder Farmers
SADC	Southern African Development Community
SWOT	Strengths, Weaknesses, Opportunities and Threats
UNCTAD	United Nations Commission on Trade and Development
USA	United States of America
USAID	United States Agency for International Development
ZEGA	Zambia Exports Growers Association

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## DEDICATION

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*To Chifundo, Takumbuka, AnaDzonzi and Oki.*



# CHAPTER 1

## BACKGROUND INFORMATION

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### 1.1 Introduction

This chapter introduces the background information on Malawian and her traditional agricultural exports like tobacco, tea and the problems that these traditional exports have been facing on the global market. The second part of this chapter discusses the potential role that non-traditional exports could play, using the growth of cut flower exports of other African countries. The last part outlines the objectives and questions of the research.

### 1.2 Malawi's Traditional Exports

Malawi is a developing country located in the Southern part of Africa. It is surrounded by equally developing countries like Tanzania to the north, Zambia to the west and Mozambique to the east and south. Historically, like most developing countries, the economy has always been dependent on a very narrow and limited base of agricultural commodity exports for foreign currency earnings (Humphrey, 2003; Rwigema, 2004). The top three traditional export commodities from Malawi are tobacco, tea and sugar (Jumbe, Sterns and Toomey, 2000). These three contribute 65%, 8%, and 6% of total value of Malawi's exports, respectively (Mataya and Tsonga, 2001). The tobacco export revenue is about \$200 million annually (AfDB, 2006). The other traditional exports are cotton, rice, coffee, pulses, skins and hides, edible nuts, spirits and vinegar, natural rubber, and cotton fabrics (Malawi Chamber of Commerce, 1999). Malawi's exports are predominantly sold to the EU, Japan, the USA, and South Africa. These region and countries comprise Malawi's important trading partners.

Malawi has a very small and shrinking manufacturing base, accounting to only 13% of GDP and employing only 3% of the population of about 12 million people (AfDB, 2006). Although she is highly dependant on agriculture, Malawi's agro and food processing industry is also very limited (Kaluwa and Mhone, 1996). Manufacturing and small-scale mining accounts 17% for GDP (African Development Bank, 2006). Consequently, she has remained largely a primary commodity exporter with wide exposure to price shocks experienced on the global commodity markets. Although commodities are well entrenched on the international markets, over reliance on raw commodities has been identified as a significant problem for least

developed countries (Humphrey, 2003; Van der Laan, 1993). Economies like that of Malawi which largely depend on tobacco exports for foreign currency earnings have been the hardest hit (Belthicka, Stryker, Mwase, Kazembe and Kangwere, 2001). The ever-fluctuating commodity prices on the world market have made it difficult for most African countries to achieve continuous growth in commodity exports. This is confirmed by the declining of the share of commodities from the developing countries on the world trade (Jiang, 2001). As a result, least developed countries (LDC) like Malawi have been experiencing perpetual diminishing foreign currency earnings in general. Diversification has been touted as a possible solution to this problem (Jumbe et al., 2000).

The price of tobacco leaf at the Malawian auction floor has ever been decreasing in dollar terms. In 2006, the price was at MK84.00 (equivalent to about US\$ 0.65) per kilogram. This price is lower than that of the 2005 selling season of MK98.00 (equivalent to about US\$0.89) and the 2004 price of MK110.00, equivalent to about US\$1.10 (Kakwesa, 2006). This price erosion has become a major problem for the tobacco farmers who continue to face ever increasing input costs each growing season. Tobacco farming is also closely linked to environmentally harmful practices like deforestation (Tobin and Knausenberger, 1998). Tobacco farming uses trees for use as firewood for curing. The recent various anti-smoking campaigns and legislations against tobacco have made tobacco farming an unpopular and risky enterprise for the farmers. The price erosion has not been restricted to tobacco only. The tea prices on the world market have also been depressed due to an over supply. As a result, Malawian farmers have been growing and exporting less tea each year. The African Development Bank (AfDB) estimates that in the third quarter of 2004, Malawi earned \$3.2 million from tea exports. In the third quarter of 2005, the total earnings were a mere \$0.9 million (AfDB, 2006).

Malawian tobacco has also been facing stiff competition from other producer countries like Brazil, which are more competitive than Malawi. Were it not for the levy of 0.26-0.29% imposed on Brazilian and American tobacco exports to the EU, Malawian tobacco would not be competitive at all (AfDB, 2006). It is ironic that Malawi is now trying to diversify away from tobacco. Originally, the British colonial settlers in Malawi grew coffee first in the late 1890s and early 1900. However, coffee prices collapsed in the 1930s and 40s as a result of the Great Depression (Hernandez, 2002). The British colonialists then turned to cotton, and tobacco as a diversification strategy to reduce dependency on coffee (Fekete, 2002).

### 1.3 The Potential Non-Traditional Exports

By the 1980 to 90s, it was clear that if Malawi were to increase her foreign currency earnings, she needed to expand her export base considerably. Various agricultural products were identified and recommended as potential export non-traditional products (Jumbe et al., 2001). Chillies, paprika, soya, mushrooms, turmeric, and cut flowers were identified as such products (Jumbe, et al., 2001; Mataya and Tsonga, 2001). However, these aspirations have not been entirely successful, as Malawi's diversification effort has met considerable challenges. The unavailability of quality seeds, the lack of finance, skills shortages, stringent food and safety regulations in the developed countries and high international standards on both quality and production posed serious challenges (Davies, 2000; Mataya and Tsonga, 2001).

Malawi has achieved limited growth and success not only in exporting cut flowers, but also in achieving any meaningful export diversification. In fact her relative position in major commodities market has deteriorated (Fekete, 2002). This limited growth has been attributed to a lack of entrepreneurship in the country (Malter et al., 1999). However, to understand the development of agricultural enterprises in Malawi, one has also to understand the historical context of various government policies. Prior to political and economic reforms in 1994, the Malawian government played an active and direct role on the economy, running farms and other businesses. The government imposed limitations on the type of crops that smaller farmers could grow. Large corporations, both private and government owned, did not face these restrictions. They have consequently dominated the Malawian agribusiness (Jumbe et al., 2000). Together with the government, these large corporations determined what the smaller farmers could produce. After these restrictions were lifted, the Malawian smallholders started growing more tobacco, sugar, tea and mushrooms (Mataya et al., 2001). However, the effects of the old policies are still being felt. Five years after the lifting of the restrictions, 85% of all of the Malawian agricultural exports were still being "accounted for by five multinational companies" (Fekete, 2002:47). For this research, the main reasons behind the perceived failure of the cut flower industry even after the liberalisation in 1994 becomes pertinent.

To date, Malawi has only managed to export a very limited number of non-traditional agricultural exports namely, cut flowers and chillies. The Malawian cut flower industry achieved some growth in both production and exports in the early 1990s. This should have provided a solid foundation for success. For instance, Malawi exported an equivalent of 1.26 million Euros of cut flowers in 1994. By 1996 this value had more than doubled to 2,5 million euros. However, by the year 2002, cut flower exports had dropped sharply to a paltry 0.465 million euros ([www.sadctrade.org/cutflowers](http://www.sadctrade.org/cutflowers)). During this time, the cut flower industries in the neighbouring countries flourished. In 1999, Zambia exported flowers worth US\$8.685 million. By 2004, this figured had grown to US\$21.702 million. Tanzania exported US\$5.884 in 1996 and by 2003, she had exported US\$12.174 million worth of flowers ([www.sadctrade.org/cutflowers](http://www.sadctrade.org/cutflowers)).

Had Malawi achieved the same continuous growth as her neighbours, cut flowers would have played a very important role in the Malawian economy as a source of employment and foreign currency. The Kenyan cut flower industry employs between 40,000 and 50,000 employees and contribute about US\$200 million in foreign currency annually from a 2000 ha flower production area (Opondo, 2002; Whitaker and Kolavalli, 2004). This is equivalent to the total tobacco revenue for Malawi. Malawi has not been the only country to experience a downturn in cut flower exports. Although it started off very well, the state of the cut flower industry in Zimbabwe has greatly been impacted by the current political and economic problems facing the country. Overall, the horticultural industry exports earnings dropped by 59% from US\$149 million to US\$90 million in 2005 (Njini, 2005; <http://www.sadctrade.org/cutflowers>).

	1996 <i>US\$'000</i>	1997 <i>US\$'000</i>	1998 <i>US\$'000</i>	1999 <i>US\$'000</i>	2000 <i>US\$'000</i>	2001 <i>US\$'000</i>	2002 <i>US\$'000</i>	2003 <i>US\$'000</i>	2004 <i>US\$'000</i>
<b>Malawi</b>	3,349	2,636	3,036	1,124	636	802	582	651	334
<b>Mauritius</b>	5,884	5,614	5,138	4,355	4,814	4,208	3,675	3,371	2,997
<b>South Africa</b>	16,721	18,002	16,855	18,866	19,793	18,573	19,043	23,181	27,087
<b>Tanzania</b>	5,848	8,342	10,105	12,702	11,862	13,321	12,174	11,480	12,934
<b>Zambia</b>	8,865	9,873	13,694	18,353	18,306	17,623	21,702	19,506	18,446
<b>Zimbabwe</b>	57,048	58,086	61,755	62,300	67,762	67,707	66,839	69,045	54,879

**Table 1: SADC Cut flower Exports to the European Union**

Source: <http://www.sadctrade.org/cufowers>



Although the Zambian horticultural industry has grown overall, it has started to experience logistic problems since the British Airways stopped its direct flights to Lusaka in August 2005. This has led to a drop in the available space on the available flights to Europe by about 40 tonnes (<http://www.times.co.zm/news>). The rising value of the Zambian Kwacha has also made Zambian exports in general to be more expensive (Fundanga, 2006).

The southern and eastern African cut flower industry is facing new challenges. Currently, the EU is in the process of implementing a new policy that demand 100% inspection of all cut flowers at the EU entry point. Countries like Kenya have identified this as a potential trade barrier and threat to their cut flower industry (Njoka, 2006). Far a field, the Israeli cut flower industry, another key cut flower supplier to EU, has been in decline (EU Market Survey, 2003; Susman, 2002). In 2001 alone, the industry declined by 8%. This decline was blamed on shortage of workers, shortage of water and foreign currency fluctuations. The number of employees dwindled to 20,000 from a total of 50,000 twenty years ago. Surprisingly, the remaining farms have increased their flower production (Susman, 2002).

#### **1.4 Rationale For The Research**

Without a successful diversification strategy, the Malawian economy faces numerous challenges in the future. It is clear that the days of tobacco as the main stay of the economy are numbered and its contribution to the national economy rapidly diminishing. The cut flower industry presents a typical industry, which could assist Malawian economy to wean itself off tobacco. The research presents lessons that could also be used to assist other agricultural product exporting industries like the chillies industry, mushroom industry and others.

Literature on the production and the trade of high value non-traditional products like cut flowers in “fringe” countries like Malawi is rather limited (Hallam, Liu, Lavers, Pilkauskas, Rapsomanikis, Claro, 2004). There is a need for more research on specific fringe producer countries like Malawi and others. They are key to understanding the potential and possible routes new firms and countries can take to excel in cut flower exports.

## 1.5 Research Objectives

The main objective of this research is to ascertain the state of the Malawian cut flower industry by:

- Examining the developmental trajectory followed by the Malawian export cut flower industry over the last ten years.
- Identifying the various factors inhibiting the growth of the Malawian export cut flower industry.
- Recommending appropriate interventions and strategy to support vigorous growth of the sector in future.

## 1.6 Research Questions

The research attempts to answer the following pertinent questions regarding the Malawian cut flower industry.

- How did the Malawian cut flower industry evolve?
- How have the various factors impacted the growth of the cut flow industry in Malawi?
- What are the strengths, weaknesses, opportunities and threats to the Malawian cut flower industry?
- How can the Malawian cut flower industry increase its exports to the European Union in future?

## 1.7 Conclusion

This chapter presented the background to Malawian exports. It is clear that the Malawian economy can no longer depend on its traditional exports of tobacco, tea, sugar and coffee alone. She needs to diversify her economy and cut flower production is one of the ways in which diversification can be achieved.

## CHATER 2

### LITERATURE REVIEW

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#### 2.1 Introduction

This chapter introduces the current views on the cut flower industry and the horticultural industry in general. It relies on earlier studies done by other researchers and also looks at other cut flower industries in the SADC region, especially in Zambia, Zimbabwe and Tanzania. The chapter outlines the necessary pre-requisites to the development of a successful cut flower industry and identifies the common themes and the gaps in the existing literature. The chapter then finally ends by analysing the different models that are used for the analysis of agro industries and introduces the model used for this research.

#### 2.2 Theoretical Framework

There are several theories and approaches used in the research of floriculture, horticulture and agriculture in general. Industrial organization theory is mostly used to study the supply chain, whilst internationalisation studies have been used to measure the performance of industry (Neven and Droge, 2001). Past research on the cut flower industry in LDCs have largely focussed on cluster competitiveness, environmental, social and ethical issues (Asea and Kainja, 2000; Malter et al. 1999; Neven and Droge, 2001; Opondo, 2002; Videa, 2002). Porter (1998) identified clusters as a collection of firms engaged in a similar field. The “diamond model”, “value chain model” and the SWOT analysis model have generally been popular as tools of analysis of clusters (Neven and Droge, 2001, Porter’s 1998). As cut flower farms generally occur in clusters, these three models have widely been used to analyse their performance. The main thrust of Porter’s models is that “the internationally competitive industries in a country are generally not a number of diverse and unconnected sectors of firms but rather occur in specialised clusters” (O’Malley and Van Egeraat, 2000:55). The stimulant to competitiveness in such clusters then is rivalry. In order to understand competitiveness of such an industry, one has to understand global competition (Moro, 2001).

Porter’s “diamond model” is recognised as one of the most important tools for analysing factors that affect any industry in general (World Bank Report, 2004). One of the common

criticisms of this model is its exclusion of multinational enterprise (MNEs). Porter elected to leave these out of his model because he felt subsidiaries lack key managerial and R&D functions to make any impact on the global competitiveness of the local entities (O'Malley and Van Egeraat, 2000). However, experiences and research in the Kenyan, Zimbabwean and Ethiopian cut flower industries have shown the importance of both MNEs and local expertise in achieving a competitive indigenous cut flower industry (World Bank Draft Report, 2004). The level of analysis of the diamond model puts emphasis not on the individual firm but rather the whole cluster of an industry. This has resulted in rather limited research focusing on the individual entrepreneurs and their firms (Moro, 2001). One of the key drivers for the development of the cut flower industry is the individual entrepreneur who is able to rise above the current challenges (Malter et al. 1999). This then requires modifications to the model or at a different model to be used for cut flower firm analysis.

Another model that has been popular with researchers is the SWOT analysis. SWOT stands for *strengths, weaknesses, opportunities and threats*. The model has widely been used in strategy formulation in management. The analysis can generally be broken into two, namely the internal and external situation analysis. The internal analysis is an assessment of the firm's potential strengths and weaknesses, whilst the external analysis is mostly concerned with possible changes in the environment that could lead to opportunities or threats (<http://www.netmba.com/strategy/swot>).

	STRENGTHS	WEAKNESS
OPPORTUNITIES	<i>Offensive</i>	<i>Adjust</i>
THREATS	<i>Defensive</i>	<i>Survive</i>

**Figure 1. SWOT Analysis Framework**

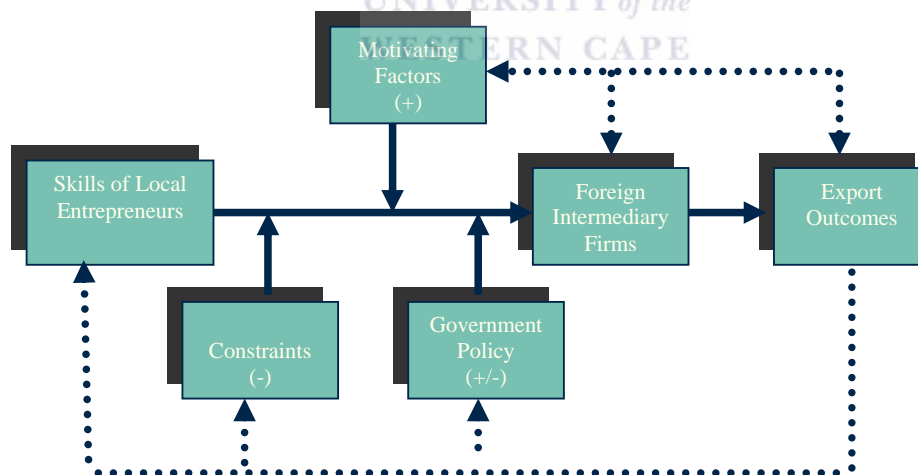
Sources: (Swinton, 2006; Thompson & Strickland, 1996)

SWOT analysis is an easy to use and handy tool for reducing a large quantity of qualitative data into a manageable framework. However, it has its limitations. Lack of specificity in the analysis is one of the limiting factors identified by Mathews (1999). For instance, SWOT

analysis may force some factors to fit into categories where they may not necessarily fit. What one would consider a threat might end up being an opportunity for the firm (<http://www.netmba.com/strategy/swot>). This can also render the SWOT analysis to be highly subjective, based on the personal viewpoints. SWOT analysis cannot mitigate all the disadvantages of using Porter's diamond model. SWOT may also not reveal past trends that could be important to understand the development and the future of the cut flower industry in Malawi.

### 2.2.1 The Research Model

For this research, components of the model developed by Malter and Jaffe (2001) below was utilised. This model captures the broad factors that are influencing the cut flower industry in Southern Africa and elsewhere, as found in the literature review. For local entrepreneurs to meet their objective of improving exports, several factors are at play. There are always constraints limiting their potential to achieve their export potential. The catalysts like a pre-existing agro industry may lead to the development of the cut flower industry. Government policies on the other hand and intervention may aid or hinder the development of the industry. Foreign intermediaries, who are not fully captured in the Porters model, are included in this model. They occupy a critical role, through the provision of technical skills, market knowledge and finance.



**Figure 2. The Research Model**

Source: Malter and Jaffe (2001)

All of these factors ultimately impact on the export outcomes of the cut flower industry.

### **2.3 Origins of the Cut flower Industry Southern and Eastern Africa**

The first cut flower nurseries in the Southern and Eastern part of Africa were established in Kenya in 1969 (de Groot, 1998). By the early 1980s through to the 90s, other countries like Zimbabwe, Uganda, Tanzania, Ethiopia, Zambia had developed their own cut flower industries. Each country's industry developed under a different unique set of conditions and consequently achieved varying success. Past research has indicated that a real competitive exporting cut flower industry cluster has developed in Southern African (Malter and Jaffee, 2001). The countries covered in this research include Zimbabwe, South Africa, Zambia and Malawi.

The origins of the cut flower industry in Malawi have their roots in the establishment of export oriented horticultural pilot farms in Lilongwe, near the Kamuzu International Airport. Previous efforts by the Africa Lakes Company from 1972 to 1974, and the government owned Agricultural Development Marketing Corporation (ADMARC) from 1973 to 1978 to export horticultural products failed miserably (Di Meo, 1988). In 1986, the Malawian government allocated 500 ha of land for horticultural purposes as part of its export diversification programme. The International Trade Centre (ITC) also got involved on this project as part of its United Nations Conference on Trade and Development/General Agreement on Trade and Tariffs (UNCTAD/GATT) export development programmes for Malawi, Zambia and Tanzania. The participating farms were Moona Farm, Carmel Farm, Njiwa Farm, Chitambi Farm Holdings and Mkochera Evergreen Fields (Vakis, 1988). The pilot project did not identify new farmers, but rather utilised farmers that were already farming in the area surrounding the international airport.

The identified farmers attached to the project were assisted in various ways. Funding and expertise was sought from the international donor community (INDEBANK, 1991). For instance, a project consultant from ITC was seconded to the project. The farmers and other exporters were taken on tours of horticultural exporting countries like Kenya and also to explore the targeted markets like Paris, Amsterdam and London (di Meo, 1988). The government, through the Ministry of Agriculture, assisted in the establishment of the Horticultural Export Committee (HEC) in May 1986 and chaired the committee. Its main objective was to coordinate the horticultural production (Vakis, 1988). The farmers

themselves established the Farmers' Horticultural Export Association (HEA), a self-regulating association through which all exports were to be made (Di Meo; 1988, Vakis, 1988).

The main focus of the early farms was to grow and export vegetables like beans, jalapeno, cayenne chillies and okra and the first exports started during the 1987/1988 growing season. Because of the small production scale, the quantities per shipment were below 500kg. By the third growing season, it was clear that the pilot project was a dismal failure. By 1990, the two horticultural organisations had virtually collapsed. The table below shows the exported quantity during the short life of the exporting horticulture industry of Malawi. Vakis (1999) states the figures below as the exported quantities during this pilot project phase.

Season	Horticultural Exports
1987/88	12.0 tons
1988/89	6.0 tons
1989/90	4.5 tons
1990/91	7.0 tons

**Table 2. Malawian Horticultural Exports to the EU.**

Source: Vakis (1990)

### 2.3.1 Why Did the Horticultural Industry Collapse?

The apparent failure of the horticultural industry during the pilot phase was attributed to several reasons. The main causes of the failure of the Malawian horticultural exporting farms were the lack of financial support, lack of basic care in grading, poor packaging, high internal transport costs locally, high airfreight costs and insufficient infrastructure (Di Meo, 1988; Vakis, 1988, 1990). There was no proper irrigation system on the farms and no cold rooms on the farms to lower the temperature of the vegetables before packaging. At that time, there were also no adequate refrigeration facilities at the airport (INDEBANK, 1991; Vakis 1988, 1990). The failure has also been attributed to "lack of discipline amongst some farmers" (Vakis, 1990: 5). These reasons ultimately led to low quality of exports, and rather erratic and unreliable supplies to the EU market. As a consequence, the Malawian horticultural exports fetched low prices. When the farmers anticipated low selling prices, some withheld their

produce from the export market (Vakis, 1988). This contributed further to the problem of erratic supplies for the European market. The produce ended up on the local market.

## 2.4 The International Cut flower Market

The total global annual consumption in cut flowers is worth about \$27 billion (International Trade Centre Discussion Paper, 2001). The EU, an important cut flower destination for African producers consume about 50% of the global flowers (EU Market Survey, 2003). Local growers in EU countries meet most of the market requirements. However, to meet the shortfall in the supply, especially during the out of season period, the developed countries import about \$4.2 billion worth of cut flowers from the rest of the world (USAID, 2004). Of this, the LCD countries export about \$45 million (International Trade Centre Discussion Paper, 2001). The most important cut flower African exporters to the European Union and USA are firms located in Kenya, Zimbabwe, Morocco, and South Africa. Other promising exporters are identified as Malawi, Uganda, Tanzania, Zambia and Ethiopia (Rozena, 1994). The figures show that there is still some scope of growth for developing countries as they are exporting only a small portion of the total available market of \$27 billion. Fringe exporters like Malawi could be a source of this growth.

	1996	1997	1998	1999	2000	2001	2002	2003	2004
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>EU</b>	79,731	81,638	89,675	92,611	96,150	98,898	102,772	106,419	95,294
<b>Switzerland</b>	5,674	3,974	3,645	4,947	4,022	4,446	3,289	5,569	6,899
<b>Japan</b>	5,160	4,801	4,455	5,156	6,035	4,637	5,596	4,657	4,144
<b>US</b>	2,089	2,874	3,624	2,935	2,417	2,289	2,592	1,770	1,290
<b>Other</b>	4,918	9,277	9,814	12,060	14,669	12,086	9,916	9,180	9,549

**Table 3. SADC Cut flower Exports to the International Flower Markets.**

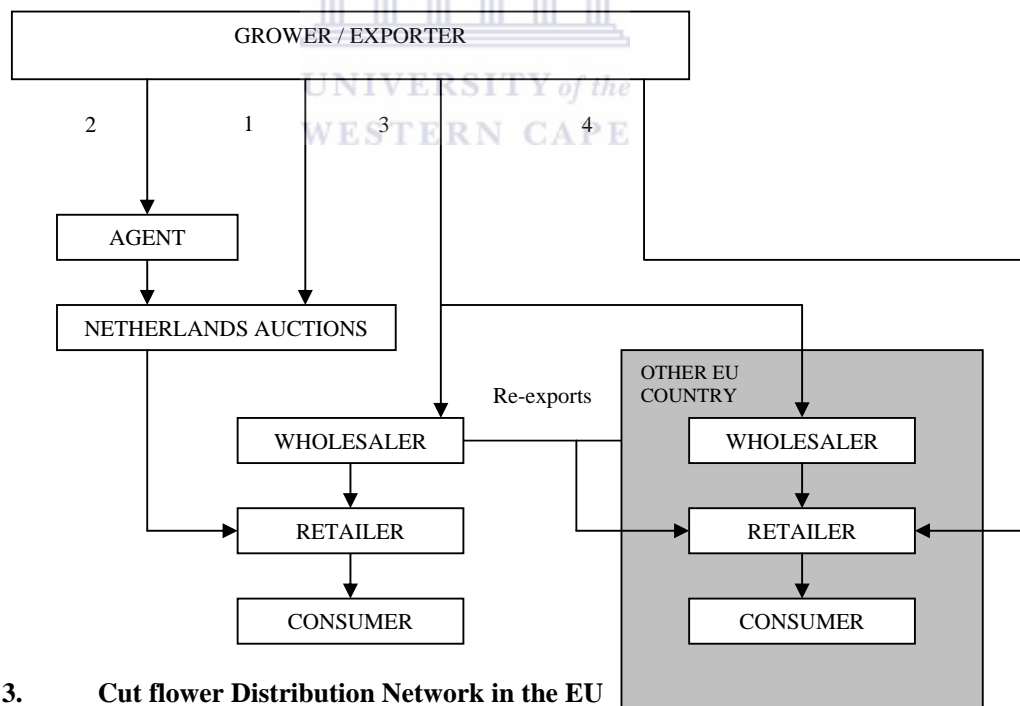
Source: [www.sadctrade.org/cutflowers](http://www.sadctrade.org/cutflowers)

The international cut flower market is highly competitive with rather low entry and exit barriers for suppliers. Similarly, it also has quite low switching costs for both exporter and importer (Wijnands, 2005). Although the global cut flower supply grows by an average 15% annually, the market is saturated and a new entrant has to displace an existing supplier (USAID, 2004; Kang'aru, 2006). The international market is characterised by a discerning



and sophisticated customer base. This customer base largely resides in the developed world, far from the African growers and is willing to pay a premium for perceived quality (Whitaker and Kolavalli, 2004). To reach to this customer base, African exporters have to use airfreight and develop knowledge of the destination market.

Although the biggest consumer of cut flowers in the EU is Germany, the Netherlands has the highest per capita consumption (EU Market Survey, 2003). Research by Barrett, Ilbery, Browne and Binns (1999) on importation of horticultural produce from Kenya into the United Kingdom (UK) has shown that two chains link high value horticultural produce with UK customers. The first one is the independent retailer supplied through wholesale markets and the second is large supermarkets. Cut flowers follow a similar distribution chain. Figure 1 shows the distribution channels of cut flowers into the EU. Most of the African cut flower exports are sold at the world's biggest flower auctions in the Netherlands. Netherlands plays a dominant role in the distribution of cut flower in the EU. It is the largest producer, importer (extra EU) and exporter of cut flowers in the EU. Although her total area of production is decreasing, her output has remained steady (EU Market Survey, 2003). Dutch farmers also play a crucial role in breeding new varieties. As they retain the "breeder's right", they are paid a royalty by other farmers who wish to grow these new varieties



**Figure 3. Cut flower Distribution Network in the EU**

Source: EU Market Survey (2003)

Although the market price of cut flowers vary from day to day, exporters to the EU like Malawi generally get lower prices than their Dutch counterparts. The EU Market Survey (2003) lists the high quality of the Dutch produce as the reason for this variation. Table 4 shows the different prices of different varieties of roses on the Dutch cut flower auction across two seasons. The prices depend on several factors. Seasonality, variety, vase life, regularity of supply, stage of bud opening, colour brightness of bud and packaging all affect the price at the auction floors (EU Market Survey, 2003).

	Large Budded (Euro/stem)			Small Budded (Euro/stem)			Spray (Euro/stem)
	<i>Grand Prix</i>	<i>Sphinx</i>	<i>Passion</i>	<i>Golden Gate</i>	<i>Escimo</i>	<i>Black Beauty</i>	<i>Diadeem</i>
<b>2001</b>	0.43	0.27	0.36	0.15	0.11	0.14	0.15
<b>2002</b>	0.50	0.25	0.36	0.14	0,11	0.11	0.14

**Table 4. Rosa Variety Prices Per Stem at the Dutch auction.**

Source: EU Market Survey (2006)

## 2.5 Pre-Requisites to a Competitive Cut flower Industry

There is no shortage of cut flower exporters from the developing countries trying to get into EU market. The presence of countries like Kenya, Zambia, Zimbabwe, Thailand, India, South Africa, Uganda, Tanzania, Turkey, China, Morocco, Costa Rica and Ecuador and Columbia bears testament to this. For a new exporting cut flower industry or any exporting agro-business in general to exist and thrive in a developing country, several pre-requisites must be met at each production stages (see production cycle in Appendix A).

### 2.5.1 Comparative Advantage in Labour, Land and Climate

The availability of cheap labour, land and favourable climate is a crucial comparative advantage (Roosendaal, 1994). Unfavourable climate, rising land and fuel costs in the USA prompted the shifting of production to Columbia in the 1960s (Mendez, 2001). The country has subsequently developed a highly competitive cut flower exporting industry, exporting mainly to USA and the EU. Favourable climate also meant that Colombian cut flower farms

were able to grow flowers all year round, without the need for cooling in summer and heating in winter. African countries like Kenya and Zimbabwe also attempted to ride on this comparative advantage and maximise the exporting of cut flowers and other agricultural products. Favourable climate conditions not only lower costs for greenhouses but may also present an opportunity to export products that are out of season in other countries.

### **2.5.2 Good Infrastructure**

Cut flowers are highly perishable, sensitive and seasonal products that must be delivered to the final consumer within a few hours of being cut. They are largely dependent on the consumer's personal tastes and preferences (Malter et al., 1999). To achieve the full potential of the comparative advantage, and deliver the cut flowers according to the customer's taste, exporting countries located far from the market must also develop good infrastructure and distribution channels. Control or at least link with existing distribution channels in the importing countries is paramount. The Kenyan horticultural industry has particularly been successful with linking up with existing UK distribution channels like wholesalers and retailers (Barrett et al, 1999). The advent of wide-bodied jets and booming of the tourism industry in the 1960s enabled the Kenyan growers to deliver flowers to the European market efficiently and rapidly. This assisted tremendously in the development of the exporting industry (Collinson, 2001). Columbian growers went further than merely linking with existing channels by opening up their own importer distributor companies in the USA (Mendez, 1991).

### **2.5.3 Access to Relevant Skills**

Growing cut flowers requires specialised skills that can only be obtained after several years of practicing ([www.sadctrade.org/cutflowers](http://www.sadctrade.org/cutflowers)). Relevant managerial skills to steer cut flower firms to success is another important key pre-requisite (Malter, Reijtenbagh and Jaffee, 1999; Mataya and Tsonga, 2001; Roozendal, 1999). Skills can also be obtained through use of foreign intermediaries like wholesalers, consultants and others. However, the number of these specialists that have played a role in the development should not be exaggerated. As Whitaker and Kovalli (2004) mention, the number of floriculture expatriate specialists with technical or management skills in the Kenyan cut flower industry is rather small compared to the large number of semi-skilled women casual employees involved in this industry. Zimbabwean

growers have utilised Dutch and Israeli consultants to develop its cut flower industry (Malter et al., 1999). These experts can be specialists or sales people who have the relevant information of the export markets. Intermediaries can also provide the necessary finance to the local entrepreneurs. However, unskilled employees can also be an advantage to the industry. The lowly paid unskilled labour can present a sizeable cost advantage. During genesis of the Columbia cut flower industry in the 1960s, wage differentials between Colombia and the USA gave Columbia a 41% lower production (Mendez, 2001).

#### **2.5.4 Pre-Existing Successful Agro Industry**

Studies in Zimbabwe and Rwanda have also shown that a pre-existing successful agro-industry whose owners are seeking new opportunities can act as a catalyst to spur the development of a cut flowers industry (Malter et al., 1999; Rwigema, 2004). In the case of Zimbabwe, it was the pre-existing tobacco farmers seeking new opportunities and sources of foreign currency for their agricultural operations. For Rwanda, tea and coffee farmers shifted to cut flowers after a drop in the prices of these commodities. This is in contrast to the Kenyan and the Zambian scenario. The Kenyan cut flower industry started at a time when coffee and tea, were at their peak and had to compete for farm labour and expertise (Whitaker and Kolavalli, 2004). In the case of Zambia, most of the cut flower farmers had little experience in farming. The new cut flower farm owners were mostly industrialists, accountants and politicians (Malter et al., 1999). They saw the cut flower industry as an investment opportunity

#### **2.6.5 A Sophisticated Local Market**

One of the conditions for the development of a competitive exporting cluster is a sophisticated local market to spur competition, innovation and lower prices (Porter, 1990). This is true of the European industry and market in general. It has dominated the cut flower industry for quiet some time. The cut flower consumption in Africa is low compared to the developed world. However, without any sizeable local market, African countries are able to tap into this highly global trade as suppliers. To achieve this, the African exporters have to leverage on their comparative advantage, take advantage of the improving international logistics and develop short, well performing supply chain and ensure that the flowers reach Europe whilst fresh (Wijnands, 2005; [www.sadctrade.org/cutflowers](http://www.sadctrade.org/cutflowers)).

## 2.6 Conclusion

There are several models that are used in the analysis of agricultural industries. This chapter looked at the various models that were considered for this research. The structure of the cut flower distribution channels and market was also presented chapter also The chapter analyses the pre-prerequisites to developing a successful cut flower industry by engaging current literature on the subject. It presented the origins of the horticultural industry in Malawi and how the development trajectory of this industry affected the current cut flower industry.



## CHAPTER 3

### RESEARCH DESIGN

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#### 3.1 Introduction

This section outlines the research methodology used in this study. The research methodology is qualitative and primarily uses the case study method for data collection. Open-ended interviews were conducted face to face, by email and over the phone with various stakeholders of the Malawian cut flower participants. The chapter also discusses the issue of validity and reliability in this research.

#### 3.2 The Case Study Method

The research on the Malawian cut flower industry was conducted using the case study method. According to Yin (2003), the case study method is more appropriate to this type of research as it attempts to answer the question of why and how, and hence a useful explanatory tool for research. One of the main advantages of the case study method is that it offers a multi-perspective analysis (Tellis, 1997). This method is also ideal as most of the factors affecting the cut flower industry are expected to be multifaceted.

#### 3.3 Information and Data Sources

Information for this research was obtained through open-ended face-to-face interviews, telephonic interviews and email interviews with the individuals listed in Appendix B. Archival records of governmental institutions like the Malawi Export Promotions Council (MEPC) and Malawi Revenue Authority (MRA) provided secondary source of information.

#### 3.4 Validity and Reliability

Like all research methods, the case study method has its own limitations. Tellis (1997) raised two limitations, which are applicable to most qualitative research:

- Difficult to generalise the results as the sample may not be representative of the population.

- Establishing the validity and reliability of the results would also be most difficult.

Because of the limited number of cut flower farms in Malawi, the three farms researched represent the whole population of cut flower farms in Malawi. Therefore, it is possible to generalise the results to the whole industry. There are various ways in which the above limitations have been mitigated in this research. For instance, data triangulation was used. This entails using a variety of sources as opposed to relying on only one source of information (Becker, Dawson, Devine, Hannum, Hill, Leydens, Matuskevich, Traver, and Palmquist, 2005). The results were also discussed with peers prior to composing the final report to assist in establishing validity and reliability of the results through “pooled judgement” (Becker et al., 2005). As suggested by Morse, Barrett, Mayan, Olson and Spiers (2002), the researcher also remained open and willing to relinquish any ideas that are poorly supported regardless of their initial appeal.

### **3.5 Data Analysis**

The analysis method employed in this research is qualitative as most of the data obtained was qualitative, with summaries of the major issues and answers identified as the preliminary results of the research. Further questions were then developed from these main issues and answers and posed back to the participants until the real major issues and answers are clearly and unambiguously identified.



### **3.6 Limitations of the Research**

A common research problem in Malawi pertains to the lack of reliable official data from Malawian government departments (Eriksen, Throndsen, Bjerke, Olav, Kjølås, 2002). However, it is hoped that this would be rectified, as there is now a special unit at the Malawi Revenue Authority to compile and provide information as imports and exports from Malawi.

However, even when the information is available, it can be cumbersome to get the official information for instance, to obtain the figures of total cut flower exports from the Malawi Revenue Authority, a letter of application must be made to the Commissioner General to state why one needs these figures. This can take up to two weeks if the request is not deemed to be

in order. In other countries, such information is readily available on the revenue authority's website.

Email and telephonic interviews can also be particularly difficult. Whereas one is able to read "body language" in face-to-face interview, this is not possible in the email and telephone interviews. However, it was not always possible to meet all of the people on their premises. But the two methods provided a way of confirming and challenges ideas and facts generated during the face-to-face interviews.

### **3.7 Conclusion**

This chapter outlined the research methodology used. It presented case study method and the reasons why it was selected for this research. The sources of information were also identified. Being a qualitative research, issues of validity and reliability become pertinent. It presents the various ways in which the validity and reliability of this research can be enhanced. Finally, the chapter discussed the limitations to this research.





## CHAPTER 4

### RESEARCH FINDINGS

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#### 4.1 Introduction

This chapter outlines the findings of this research as gathered from the interviews and other documentary sources. It covers the genesis and the development trajectory followed by the Malawian cut flowers industry, from the start and the demise of the first cut flower farm and the subsequent opening of two other farms. It then looks at various factors impacting on the industry and presents the various factors impacting on the cut flower industry. The last section is a SWOT analysis of the industry, looking at the external and internal factors.

#### 4.2 *How did the Malawian cut flower industry evolve?*

The apparent failure of the exporting horticultural industry to take off in Malawi did not deter those who wanted to enter other agricultural exporting business. INDEBANK, a local Malawian development bank, commissioned a feasibility study in 1991 with a view to funding another horticultural exporting project. The development bank confirmed that a horticultural exporting business in Malawi was still a viable business.

##### 4.2.1 Lingadzi Farm

The year 1990 marked the beginning of an exporting rose cut flower industry in Malawi and its entry to the global supply chain. The first cut flower exporting farm was established in Lilongwe and was called Lingadzi Farm. The owners were expatriates and had financial backing from EDESA, a Swiss development bank together with a local bank, INDEBANK. Located in the original 500 ha secured for horticulture development, Lingadzi Farm employed about 700 general employees and a Dutch cut flower expert. Its total operations were allocated about 150 hectares, with about 17ha under flower production (USAID, 2004). The owners erected dedicated cold rooms at the airport to ensure that the cut flowers being exported to the Netherlands and South Africa were in good condition by the time they reach the market.

At its peak, Lingadzi Farm was the biggest cut flower exporting farm in Malawi, exporting an average of 20 million stems a year (Mhone, 2000). However, by 1998, Lingadzi Farm was in trouble. The management faced a controversy of mismanagement and rising freight costs due to rising fuel costs (Mhone, 2000). The management made several requests to the government to intervene, especially as regards to the commissions that were being paid to Air Malawi. They made presentations to the Malawian cabinet on what they expected the government to do, without any success. Finally, Lingadzi Farm closed in 1999/2000. The management attributed the closure to lack of government support and intervention in the face of rising fuel freight costs. Some of the employees from Lingadzi Farm have continued participating in the cut flower industry, joining the other farms. Others have moved on to other sectors of the economy.

#### **4.2.2 Maravi Flowers**

The Barron family owns Maravi Flowers. They have a long history in the Malawian tobacco industry since the colonial times. The Maravi Flower farm is located at Thete in Dedza, about 75km from the capital city, Lilongwe where the international airport is situated. The area is renowned for its good soil, climate and tobacco growing. Maravi Flowers started in 1996 with an initial investment of \$1.2 million. The International Finance Corporation (IFC) extended a \$451,000 loan as part of this investment ([www.ifc.org](http://www.ifc.org), 2005). The farm grows rose flowers, ornamental grasses for export, and vegetables for the local market, predominantly for the Shoprite supermarket chain in Malawi. A total of 9 hectares is under flower production.

Maravi Flowers employs about 276 workers. Former employees of Lingadzi farm, around ten workers, and the Dutch flower specialist joined Maravi Flowers Limited soon after Lingadzi Farm closed. The farm has just employed a Zimbabwean expert as a replacement to the Dutch expert. Maravi exports about 10 tonnes of cut flowers per week to Europe. It does not export any flowers to the South African market. It is now the largest cut flower producer and exporter from Malawi. The new Manager denied rumours circulating during the research that the farm was up for sale.

### 4.2.3 Zikomo Flowers

Just as Lingadzi Farm was winding up its operations, another private cut flower farm, Zikomo Flowers Limited was established in Lilongwe in 1999. The owner Mr Patel is a Malawian of Indian origin. Zikomo Flowers is located outside the initial horticultural zone, but the area has good soils and a river nearby provides a good water source. The total area under cultivation is 4 ha and comprises of roses. The owner confirmed plans to extend it to 6-7 ha of cut flowers only. Zikomo Flowers has about 130 people on its books. A Kenyan cut flower expert runs the day-to-day operations on the farm and provides the necessary cut- flower expertise.

The farm exports about one hundred thousand cut flowers per week to Netherlands and South Africa. Exports to the South African markets are limited to the off-season for South African farmers and stops once the South African cut flower season commences. The flowers are all air freighted to the South African and the EU markets. South African Airways and Air Malawi move the flowers between Lilongwe and Johannesburg. Just as with Maravi Flowers, the flower airfreights to the Netherlands are handled through Kenyan Airways and pass through Nairobi in Kenya before being loaded onto connecting flights to Europe.

### 4.2.4 Targeted Markets

Buoyed by direct flights between Malawi and Europe, the cut flower exporters initially targeted Europe for their produce, just as their counterparts in horticulture had done in the 1980s. International airlines like UTA, KLM and British Airways used to provide a much-needed direct link between Malawi and Europe. This meant that the cut flowers could be delivered to Europe within 24 hours of being air freighted from Kamuzu International Airport. By 2002, the three international airlines had stopped flights into Malawi. This has, however, not deterred the existing exporters as most of the production from the two farms is still being exported to the European market. The local market is rather limited, but growing. Both Zikomo Flowers and Maravi Flowers sell about 15% of their total production to the local market through florists. Most of these cut roses are of non-export quality and would otherwise be thrown away.

### **4.3 *Factors impacting on the growth of the cut flower industry in Malawi***

Since its inception in 1990, the growth of the Malawian cut flower industry has been shaped by several factors. The impact of these factors has also evolved with time as the industry matured. Of the original three cut flower farms, only one farm was unable to continue with operations. The remaining two are operating under very difficult conditions.

#### **4.3.1 Role of Local Entrepreneurs**

Although indigenous Malawians dominated the original horticultural exports in the 1980s, the role of local Malawians on the current cut flower industry has been very minimal. No indigenous Malawian owns any of the existing cut flower farms. Indigenous Malawians are playing a rather limited role as employees and florists buying flowers from the farms or importing and selling to hotels, offices and individuals. There are generally two reasons for this state of affairs. Firstly, there is massive lack of skills in cut flower farming in Malawi, and secondly, banks are unwilling to finance cut flower farming, especially after the failure of the first cut flower farm, Lingadzi Farm. This has severely limited the level of local Malawians' participation and contribution to the industry.

Interestingly, other local entrepreneurs owning florist shops in Malawi do import cut flowers from countries like Zimbabwe and South Africa. Because the current farms are largely growing roses, other types of flowers like protea have to be imported in order to increase the range of flowers they can offer to customers. Zimbabwe and South Africa are the main sources of these imported flowers.

#### **4.3.2 Constraints Limiting the Industry**

The Malawian agricultural export industry is in stagnant. The cut flower industry faces daunting tasks of overcoming the various challenges that it faces and maintain profitability. From the various interviews undertaken with the general manager of Zikomo Flowers and Maravi Flowers, farm managers, freight agents, customs officials and others, the following are the constraints currently limiting the performance of the Malawian cut flower industry.

#### **4.3.2.1 Lack of Direct Flights with Europe**

Although Malawi has two international airports, namely Chileka and Kamuzu International Airports, she has no direct air link with Europe as most of the international airlines stopped flying to these airports in the 1990s. However, the two international airports are still serviced by Air Zimbabwe, South African Airways, Kenyan Airways, Ethiopian Airways and of course Air Malawi. None of these airlines provide a direct link between Malawi and Europe. All passengers and goods being sent to the European market by air have to go through Kenya or Zimbabwe or Ethiopia or South Africa. Currently, both Zikomo Flowers and Maravi Flowers exports to Europe are carried on the Kenyan Airways to Nairobi, where they are scanned for security purposes and put on another flight to the European destination.

Nairobi offers the best alternative to Harare, Johannesburg or Addis Ababa, because of its proximity to Europe compared to say Johannesburg and because of its high frequency of flights between Kenya and Europe. Kenyan Airways is seen as favouring Kenyan cut exporters at the expense of Malawian shipments. They have been accused of prioritising Kenyan shipments when there is not enough cargo space available. This implies, in general, that exports from Malawi generally spend more time in transit before they arrive at the market. This is a serious problem as cut flowers have a very limited shelf life. If the flowers arrive in Europe after their shelf life has expired, they fetch lower prices.

There were attempts to use the South Africa airport of Johannesburg for direct linking to the EU. However, the outbreak of the mad cow disease made this option difficult to implement. South Africa farmers seized the opportunity to increase the supply of ostrich meat to the EU as European shunned beef in preference of other meat. The increase in meat exports from South Africa meant that there was no available space on the flights to pick up Malawian cut flowers.

#### **4.3.2.2 High Freight Costs**

One of the consequences of lack of direct air link with European markets is that, Malawian exporters pay more on handling fee compared to their counterparts in other cut flower exporting countries like Zambia and Zimbabwe. On average, Zikomo Flowers and Maravi Flowers pay a total freight charge of up to \$2.20 per kg compared to \$1.60-1.85 paid by their

competitors in Zimbabwe, Zambia and Kenya (AfDB, 2006). This is seen as the biggest constraints to the growth of the Malawian cut flower industry. Airfreight charges constitute about 60-80% of the total landed cost of the flowers in Europe. Below is a comparison of the cut freight charges of the various countries.

	<b>Via</b>	<b>Flowers Freight Costs to Europe Per kg</b>
<b>Zambia</b>	Direct	\$1.60 - \$1.70
<b>Tanzania</b>	Nairobi	\$1.90 - \$1.95
<b>Kenya</b>	Direct	\$0.90
<b>South Africa</b>	Direct	\$2.00 - \$2.20
<b>Malawi</b>	Nairobi	\$2.05 - \$2.10

**Table 5. Flower Freight Costs to EU**

Source: USAID (2004)

This Malawian freight costs include, handling fees, fuel surcharge, security chart and war risk charge.

Maravi Flowers has also to contend with a considerable gravel road stretch from the farm to the international airport, as the farm is located about 75km from the Lilongwe International Airport. Road transport cost is also higher in Malawi than in neighbouring countries. For instance, the costs in Malawi are \$0.065 –0.075 per ton/km compared to \$0.02 – 0.035 in South Africa and Zimbabwe (AfDB, 2006). The roads are also in a worse shape compared to neighbouring countries. Of the total of 7,717 km of roads that Malawi has, and only a third is tarred (AfDB, 2006).

#### **4.3.2.3 Lack of Space on Available Flights**

When Lingadzi Farms, Zikomo Flowers and Maravi Flowers were all in operation, Air Malawi reached an agreement with South African air cargo companies like MK Airlines and DAS for a full cargo aircraft to come and pick up flowers from Lilongwe to Europe. From this arrangement, Air Malawi was imposing a 4% levy on all shipments. With the closure of

Lingadzi Farm, the available volumes plummeted and the remaining two farms (Zikomo Flowers and Maravi Flowers) could not guarantee a full loaded flight each week. The chartered cargo flight ceased immediately after the closure of Lingadzi Farm in 2000. The remaining two had no option but to revert to the use of normal passenger flights for cut flower exports. The lower volumes were uneconomic and could simply not justify bringing a full cargo plane. However, cargo space on passenger flights is not guaranteed to the cut flower exporters. Airlines give first priority to the fare paying passengers and their luggage. Their core function is to carry passengers and not cargo. It means when the flight is full, the passengers' cargo comes first before flowers.

Both Zikomo Flowers and Maravi Flowers have continued using Kenyan Airways for all of their airfreights to Europe. Although Kenyan Airways, through its cargo subsidiary, has expressed interests in lifting cargo from Malawi to Europe, there appears to be no priority on the Malawian cut flowers exports. Air Malawi, on the other hand, has tried to engage the industry to try to understand and promote exports, as it sees cut flower exports as a source of revenue for Air Cargo, its cargo subsidiary. Surprisingly, an interview with an export clerk at Manica Freight Agents, the handling agent for Zikomo Flowers suggested that there is no lack of space on the Johannesburg flights from Lilongwe International Airport.

#### **4.3.2.4 Fluctuating “Strong” Currency**

Although the Malawian currency, the Kwacha, has currently stabilised, it has lost much of its value throughout the years. As the cut flower farmers are exporting, they prefer a weaker local currency as it makes their flowers relatively cheaper at the Dutch auction. The relative stability of the Malawian Kwacha has made it difficult for Malawian cut flower farmers to compete, compared to those of Zimbabwe, whose currency has faced a massive devaluation in recent years. A weak currency on the other hand, increases costs of inputs. Most of the inputs are imported from Europe and South Africa. To purchase planting material and other inputs, the farmers have to convert Malawian Kwacha into internationally accepted currencies like the euro. Zikomo Flowers and Maravi Flowers pay a royalty of about 2 euro per planting material. A highly fluctuating currency also makes it difficult for the management to plan and to budget for inputs and cash flow.

#### 4.3.2.5 Cost of Financing

To expand the current operations, considerable financing is required, and Malawian banks are not eager to finance agricultural activities, especially after the failure of Lingadzi Farms. With lending rates of up to 30%, financing for expansion is expensive. The initial investment alone is about US\$31 per m<sup>2</sup>. The farmer must also source funding for production for at least the first two seasons, which can reach up to, US\$84,507 per ha (Asea and Kaija, 2000). For instance, both Maravi Flowers and Zikomo Flowers have reached a stage where they would want to expand their flower production. However, a big expansion has a risk in that the increased volumes might be too big to be put on passenger flights. Yet still, a smaller expansion might be too little for the exporter to be able to charter a full cargo plane. The expansion might end up with no impact on lowering airfreight costs.

#### 4.4 Government Policy

Although the government played a role in the establishment of the original cut flower farm, by allocating land, its role and interventionist policies diminished later on. Under continuous pressure from international funding agencies like the International Monetary Fund and the World Bank began to implement structural economic reforms by a playing a lesser direct role in the economy. These ranged from trade liberalisation, exchange rate flexibility and privatisation (Fekete, 2002). These reforms continued through the change in government in 1994, after 30 years of one party dictatorship.

The Malawian government has removed most of the controls it had on the agricultural sector of the economy prior to 1994/95. Although the government's policy favours export diversification, there are no sector specific incentives for cut flower exports. The Malawian government eliminated all export taxes, and also waived all taxes on production inputs. Most of the people interviewed expressed their disappointment with the level of government support of the industry. However, the expectations of what the government should do, differ. It is clear that the industry does not expect any subsidies not even on freight costs. There is a feeling of the government not doing enough to encourage other farmers to join the cut flower industry and increase the export volumes. Others expect more assistance from the government



in dealing with the high freight costs from Malawi, in general, through the removal of fuel surcharges etc. Another criticism levelled at the government by the industry is that the government has been intervening to strengthen the local currency at the expense of exporters (Langa, 2003).

The government has also implemented a new regulation that requires all chemicals like pesticides that are introduced into the country to be registered. Although this is a noble idea and need to be supported, the cost might have to be borne by the cut flower farmers themselves. Because of the small size of chemical market, the onus to register the chemicals with the Malawian government will be on the importers. For other countries like South Africa, the chemical manufacturers would register the chemicals with the government. The cost of testing the chemicals and the subsequent registration of each pesticide is yet to be determined.

#### **4.5 Motivation**

Although faced with such serious and debilitating constraints, the cut flower entrepreneurs are motivated by primarily three factors namely, an investment opportunity, product diversification and an off season crop. For instance, the owner of Zikomo Flowers had never been involved in any agricultural industry before he started his current farm. The participation in the cut flower industry was purely an investment. The owner of Maravi Flowers has been involved in the Malawian tobacco industry for some time. The move to cut flowers appears to be product diversification and off-season cash flow. Maravi Farm has diversified further by growing vegetables and fruits for the local market.

Another motivation for entering non-edible agriculture products industry like cut flowers instead of other edible crops was the theft of edible crops like maize. This was spelled out during the preliminary research with MEPC. None of the current cut flowers expressed this as their motivation, and this can be confirmed by the entrance of Maravi Flowers into farming of vegetables and bananas for the local market. For Maravi Flowers, the risk is not that high to warrant no participation in food crop production.

#### 4.6 The Role of Foreign Intermediaries

The term foreign intermediary describes foreign individuals and firms that play a role on the Malawian cut flower industry. These roles could be providing finances, specialist expertise like floriculture, logistics and marketing. Foreign intermediaries have and continue to play a critical role on not only the cut flower industry, but also the Malawian agricultural industry in general. A typical example would be the role being played by foreign experts at National Association of Smallholder Farmers of Malawi (NASFAM) in assisting smallholder farmers to increase the production and exporting of chillies and groundnuts.

Foreign intermediaries have played three roles for the Malawian cut flower industry. The first role is the provision of finance. The first cut flower farm, Lingadzi Farm was set up with funding from the Swiss bank, EDESA jointly with INDEBANK. Maravi Flowers itself was partially funded by IFC. This is a critical role that foreign intermediaries are playing, filling a void left by the reluctance of local finance houses to fund flower production.

The second role that foreign intermediaries are playing on the Malawian cut flower industry is providing floricultural expertise. Lingadzi Farm had expert advice from the Dutch cut flower specialist. Maravi Flowers has had Dutch and Zimbabwean cut flower expertise from the employed farm managers. Zikomo Flowers has relied on Indian and Kenyan expertise for its operations. These experts usually occupy high positions, second in command to the farm owners. Of course this expertise comes at a cost, as these individuals have to be paid by the cut flower farmers themselves.

Another critical role being played by intermediaries is as EU located agents, providing useful market information, daily prices, state of delivered flowers and other advice to Zikomo Flowers and Maravi Flowers. Zikomo Flowers and Maravi Flowers have no presence in Europe. They rely on these agents to provide all the necessary information and find buyers for the sent flowers. Once the flowers reach Europe, the agent is in charge and coordinates the sale of flowers to the supermarket or the auction. Zikomo Flowers also utilises the same method but with a different agent for the South African market.

#### **4.7 *What are the strength and the weaknesses of the Malawian cut flower industry?***

The Malawian cut flower industry is being shaped by both internal and external factors. Its strengths are similar to those of its neighbouring countries like Zambia and Tanzanian, namely good soils, climate and low labour costs. However, these important strengths appear to be offset overwhelmingly by its weaknesses. Compared to other countries, the limited number of participants in the industry and absence of flower specific organisations to encourage and promote the interests of the industry is apparent. This means that there is no coherent voice that is able to interact with the government on policy and cut flower industry related issues.

There appears to be no major opportunities for the industry, except for “new” markets like the recently opened Dubai horticultural market. If pursued, this could provide an alternative market to the cut flower exporters. Malawian farmers could also benefit from the slowing production from Zimbabwe, not only on cut flowers only, but also vegetables and fruits. But this would require more organisation and participants.

Potential land and water shortages in Malawi pose a potential threat to the growth of the industry. For instance, the area around Zikomo Flowers farm is surrounded by new building developments, which limits the possible growth of the farm and other farms in the area. Globally, environmental issues are taking a centre stage in cut flower production. The use of chemicals in the growing of cut flowers, tobacco and other agricultural products is becoming a concern worldwide. Malawian cut flower farmers need to start thinking of possible environmentally friendly production methods to satisfy the needs of the consumers in the developed countries.

#### **4.8 Conclusion**

The findings of the research were presented in this chapter. A background to the three cut flower farms was outlined as the interviews revealed. The various factors that are impacting on the cut flower industry of Malawi were outlined. High freight costs were found to be the overriding factor. A SWOT analysis of the Malawian industry was also conducted and presented in a tabular format.

<b>INTERNAL FACTORS</b>	
<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Lower labour costs compared to neighbouring countries.</li> <li>• Conducive climate and relatively good soils.</li> <li>• Malawi has a stable political environment.</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• The Malawian cut flower industry has very few participants.</li> <li>• Malawian exports incur high freight costs to the traditional markets in Europe.</li> <li>• Access to financial assistance is difficult and expensive.</li> <li>• There is very little organisation in industry.</li> <li>• There is little market knowledge to enable new farmers to enter into the industry.</li> <li>• There is general lack of horticultural skills.</li> <li>• High electricity tariff.</li> </ul>
<b>EXTERNAL FACTORS</b>	
<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• The new Dubai horticulture market should offer new opportunities for the Malawian farmers.</li> <li>• The declining cut flower production in Zimbabwe could enable Malawian farmers to fill the shortfall.</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• Poor image of cut flower exporting LDC countries.</li> <li>• Malawi could face serious land and water shortage in the near future.</li> <li>• Current environmental concerns.</li> </ul>

**Table 6: A SWOT analysis of the Malawian Cut flower Industry**

## CHAPTER 5

### DISCUSSION OF THE RESULTS

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#### 5.1 Introduction

This chapter discusses the results obtained from the research from the genesis of the industry to the present day industry. Attention is paid to the role that the multinational corporations have played to shaping the industry. It also looks at the implications of the failure of Lingadzi Farm on the existing cut flower industry. The role of the Malawian government and the foreign intermediaries is also discussed.

#### 5.2 *Impact of the Development Trajectory*

Unlike in Kenya, the Malawian pilot horticultural industry failed to provide a solid foundation for the development of the cut flower industry. Most of the inherent problems that led to the demise of the horticultural industry are still in existence today and are not going away soon. The use of existing farmers on the identified pilot land needs to be questioned. Indeed such strategy could have resolved potential problems of buying the land and relocating the farmers to new areas. But, there is little doubt that they had little skills in disciplines like farm management and export marketing. In fact, Vakis (1990) confirms that there was only one specialist in horticulture at the Bunda College of Agriculture (part of the University of Malawi) at that time. Had the donor community and the government used a different criterion for identifying these farmers, there could have been some success. Skills should have been on top of their list and not merely residing or already farming in the area. The government could have used the private sector or any of its semi autonomous departments to drive this project instead of the Ministry of Agriculture. The governments simply lacked the capacity and expertise to drive such a project. The repercussions of this failure are still being felt today.

One of the most disappointing features of the original and continuing Malawian horticulture industry is its inability to form concrete sector specific associations. The original associations like the Farmers Horticultural Export Association (FHEA) and the Horticultural Export Committee (HEC) originally formed in 1986 are no longer in operation (INDEBANK, 1991). They ceased operation soon after the pulling out of the donor community. There was no

funding and the expected production and exports were not materialising, leading to disillusionment. Experience in Zambia, Zimbabwe and Kenya has shown the importance of such organisation ZEGA (the Zambia Exports Growers Association), EFGAZ (Export Flower Growers Association of Zimbabwe and FPEAK (Fresh Producer Exporters' Association of Kenya) and others. Today, there is the Horticultural Development Association of Malawi (HODAM) is the only organisation promoting the growing of fruits and vegetables in Malawi. Only time will tell if this entity will make meaningful contribution to the cut flower industry as well, since cut flower farmers also belong to this association.

The local market for cut flowers is growing and 15% market share of total production, though not enough to support production, is significant bearing in mind that there was almost no domestic market at the inception. This market share has been growing albeit as the Malawian cut flower exports are dwindling. The Malawian cut flower industry appears to be developing opposite to the way cut flower industries other countries evolved. For instance, around the independence of Kenya in 1963, the indigenous smallholder farmers in Kenya originally grew cut flowers only for the domestic market. Exports were very limited and only done by few European farmers (Kolavalli, 2004). Once exports started on a massive scale, big estates overtook the smallholder producers.

Despite the numerous challenges facing the industry, The Maravi Flowers and Zikomo Flowers have continued to exist. They are able to do so because of their other business operations that can assist them during the cut flower lean times like when production or the market prices are low. The local Malawian market is also providing a financial buffer to the farmers, as the farmers are able to get revenue on lower quality flowers, which could have been thrown away. This more so for a farm like Zikomo Flowers that rely solely on cut flowers exports. Maravi Flowers Farm, on the other hand, has other horticultural products that it also sells on the local market.

### **5.3 Factors Affecting Malawian cut flower exports**

The various factors that are affecting the Malawian cut flower farmers have different effects on the cut flower export potential of the country. However, the net result of all of these factors is low export volumes out of the country and ultimately less foreign currency for the country and less revenue for the government to implement its developmental programmes. The impact

of these factors is closely interlinked and cannot be dealt with in isolation. For instance, though not direct, the role of the government on the industry has influence on skills development, rate of exchange and cost of labour.

### **5.3.1 The Role of the Local Entrepreneurs**

The lack of participation of the local indigenous Malawians can be explained by the high lending rates and old government policies like prohibition of small holders farmers to engage in growing of special crops. The high lending rates put agricultural financing out of the reach of an ordinary farmer. The old agricultural landscape had favoured large estates at the expense of smallholder farmers and local entrepreneurs. This dominance of the Malawian agricultural exports by a few multinational corporations also had an impact on the horticultural and by extension the cut flower industry. This is dealt with in the following sections.

African cut flower exporting countries like Kenya and Zimbabwe were able to develop and/or integrate smallholder out grower schemes at the beginning of their respective industries. The Kenyan industry has by now consolidated and only about 24 out of about 500 cut flower commercial farmers contribute up to 75% to the Kenyan cut flower exports of \$200 million (Collinson, 2000; Kolavalli and Whitaker, 2004). Although the quality was generally poor, they nevertheless ensured high volumes, which enabled exporters to negotiate for lower freight charges. However, Malawian smallholder farmers have largely remained in the tobacco industry where they continue to struggle, growing tobacco from one disappointing season to the other. They have to produce what the big multinational corporations are willing to buy.

One of the lingering failures of Lingadzi Farm was its inability to spur the industry through out-growing scheme. Of course one cannot lay the blame on Lingadzi Farm for the state in which the industry is. But as pioneers to any infant industry, foresight was necessary. As the biggest cut flower farm in Malawi, Lingadzi Farm should have had the foresight to realise that not only the future of the industry, but its own future as well, depended on the development of cluster of farms and related businesses to develop around the area. There is no indication of any direct symbiotic interaction between Lingadzi Farm and any other farm. They could have had a valid reason not to be so keen to have other potential farmers on the

premises. Reasons like disease and pest control are paramount in farming. Without Lingadzi Farm taking the lead and encourage smallholder farmers and other entrepreneurs to enter into the industry, the chances of an isolated cut flower exporting farm in a third world country to mature and prosper are minimal. In fact, when Lingadzi Farm was closing down, its greenhouses and other infrastructure was “disassembled in such a manner that it would not be used again for cut flower production” (USAID, 2004, p20). If true, this was a huge disservice to the local cut flower industry and its potential growth, as others might have continued with the operations.

The approach and management style of the existing operations appear to offer an insight into why they still exist today. Indeed even during this research, the farm managers and propriety of the two existing farms were eager to participate in this research. Zikomo Flowers’ approach is exemplified by their willingness to share business between Air Malawi and South African Airways to at least contribute to the survival of Air Malawi, as it has been in financial and management trouble for quite some time (Sabola, 2006). Air Malawi has realised that there is potential for cut flower and other horticultural exports. The airline recently took potential agricultural exporters to Kenya and Dubai to explore potential export opportunities (Msowoya, 2006). This is the level of interaction that must exist, not only between the farmers and the service providers, but also amongst the farmers themselves.



### 5.3.2 Constraints Affecting The Industry of the WESTERN CAPE

The overriding constraint to the growth of the Malawian cut flower industry is the high freight costs. This is a function of low cut flower exports currently originating from Malawi. Currently, Malawi exports 2.0 to 2.5 metric tons of cut flower per week whilst a minimum requirement for an economic airfreight operation is 15 metric tons per week (USAID, 2004). Malawian exporters or their handling agents are simply unable to negotiate for better freight charges with these current low volumes. The current cut flower operations are basically sunk costs, so the cut flower operations will probably limp on from one season to another until complimentary high value products are exported to EU or the current farmers decide to expand on a massive scale. Indeed, an outbreak of diseases or pests or drought in one of the existing supplying countries could present a new lease of life to the Malawian cut flower industry. Should the same happen in Malawi, it could spell the end of the cut flower industry.



Although there are no direct flights between Malawi and Europe, introducing direct flights alone would not solve the problem overnight. Both of the international airports in Malawian lack security scanners to conduct checks on cargo. So even if there were direct flights, none of the international airlines would be able to take cargo from Malawi. In fact, although British Airways was still flying between Europe and Malawi, it stopped carrying cargo shortly after the 9-11 bombing of the World Trade Centre Towers in New York due to security concerns at the Kamuzu International Airport.

The freight charges in Table 6.2 reveal that Malawi has almost the same airfreight costs as South Africa. However, the South African cut flower industry has performed far better than the Malawian industry. There are two major factors that one needs to take into consideration. Firstly, Malawian cut flower farms procure some of their inputs from South Africa and Europe, from which they have to transport to Malawi, incurring extra costs in the process. South African flower exports fetch higher prices on the auction because of better quality and also include other high value indigenous cut flowers like proteas, which fetch up to 1.00 euro (EU Market Survey, 2003). This is ten times the average price of rose flower auction prices. The lower quality and price of Malawian flowers can also be attributed to several factors like low frequency of flight between Malawi and Europe, leading to not-so-fresh flowers being delivered to EU markets, soil types, variety, vase life, etc, but also freight costs. To increase volumes, Malawian cut flower exporters normally pack shorter stemmed roses, which fetch lower prices on the market.

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### **5.3.3 Government Policies**

The Malawian agro industry is still paying the price for the government policies that were adopted in the past. The Tobacco Act, which required that tobacco could only be grown on registered estates prevented smallholder farmers from growing tobacco on their own land. They could only grow it on land leased from the larger estates. The Banda<sup>1</sup> regime had believed that by promoting estates, in the same way as the colonial government had done, they would provide labour to the smallholder farmers who in turn would grow their own food to feed their families. In the process, it was hoped that the smallholder farmers would acquire skills to apply to their own small farms (Stambuli, 2002). Not only was the relationship

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<sup>1</sup> Dr Kamuzu Banda was the life president of Malawi between 1964 and 1994 under one party rule.

between tenant and estate tipped in favour of the big estate, but also the small farmers missed an opportunity of reaping any profits from the profitable tobacco during its heydays in the 1960s and 1990s. The government policy seriously undermined the meaningful development of any smallholder development (Takane, 2005). Without the necessary finance or collateral, Malawian small-scale farmers were unable to develop beyond being sources of cheap labour for the estates.

It must be noted that the role that any third world government can play in nurturing any industry is rather limited. Faced with capacity problems and other social issues like HIV/AIDS and education, the Malawi government's ability to intervene in any industry is minimal. However, its impact on creating conducive environment for investment and business cannot be underestimated. Past policy of favouring agricultural multinational at the expense of small indigenous farmers was disastrous. Its current export diversification efforts have largely been unsuccessful. There has been no concrete policy from the government regarding how it would practically diversify the export base. The government has left this important task to donors, and rightly so, the private sector to fund and manage, just as it happened during the horticultural pilot project. It is worth remembering that, unlike other cut flower exporting nations, Malawi has the narrowest exporting base. So the diversification is an urgent and important tool for poverty alleviation and development, and must be at the centre of its effort.

The Malawian cut flower industry is not seeking direct subsidies but for government's assistance in creating a climate conducive for the industry to grow. Gestures like low energy tariffs for farmers use, tax breaks for new entrants to both farming and exporters, lowering the surtax on fuel for cargo planes brought in to transporting fresh produce and other exports would all provide a starting point. Currently the government levies about 17% surtax on all fuel. The government has already shown its willingness to waive taxes and offer tax breaks to other non-exporting project in the past on an ad hoc basis. What is required is a clear and unambiguous policy that covers identified sectors like fresh produce. This would help ensure that freight rates and landing fees are lowered to acceptable levels and volumes can increase as more farmers move to the sector. The disappointing thing is that even with such high landing fees, the government is not benefiting as civil aviation officers are reportedly pocketing the funds paid by airlines by issuing fake receipts (<http://www.nationmalawi.com/articles.asp>).

### **5.3.4 The Role of Foreign Intermediaries**

With the huge investment required for cut flower operations, foreign intermediaries will continue to play the financing role if there will be any new farming operations. The value of investments required is simply out of the reach of ordinary indigenous Malawian farmers to contemplate, unless the local banks change their policies regarding agricultural projects. Because of the lack of skills in Malawi, foreign intermediaries become critical for the existence, continuation and the success of the industry. The government could play a role by ensuring that the necessary skills are transferred to the local Malawians as well as part of its working permit issuing conditions. This can take the form of ensuring that training of local Malawians is one of the conditions for granting a foreign expatriate a working permit.

Globally, the cut flower market and horticultural industry in general is buyer driven, with power tipped in favour of the foreign agents. This is not evident in Malawi and can be contrasted with the experiences of other with more mature cut flower industries like Kenya and Columbia. This can be explained by the fact that Malawi has a very small industry, which is still at a developmental stage. At this stage, the Malawi cut flower industry has freight costs as a major issue to contend with. The problem, is how to get the flowers to the agent. However, agents still play a huge part in the industry and their power should not be underestimated. Both Maravi Flowers and Zikomo Flowers have to rely on them for prices, market information and feedback on sent flowers almost on a daily basis. Their ability to negotiate for lower commissions also depends on the volumes that they export. There are no huge volumes leaving Malawi to the European market, so there is no leverage for Malawian cut flower exporters to negotiate with their agents.

### **5.4 Conclusion**

This chapter discussed the research results obtained the previous chapter. The chapter is divided in the same format as the previous chapter to ensure that each finding is discussed. This is achieved without losing sight of the fact that most of the factors impacting on the industry are intertwined and cannot be isolated.

#### 6.1 Introduction

The chapter concludes the findings of the research by providing a summary of the findings to each of the research questions. It ends with making possible recommendations to assist the industry to increase its exports to the EU. The recommendations might also have other implications, which were not necessarily part of this research.

#### 6.2 *How did the Malawian cut flower industry evolve?*

The Malawian cut flower industry has its roots in the horticultural pilot projects initiated by the government in the 1980s. The Malawian cut flower development trajectory has largely followed the same trajectory set by pioneering countries like Kenya and Zimbabwe. However, it also has some unique feature like a predominant role being played by foreign intermediaries and a limited number of farms with virtually no smallholder out-growers. This has served to limit the produced cut flower volumes, which has ultimately led to high airfreight costs.

#### 6.3 *Factors impacted the growth of the cut flow industry*

The cut flower industry has been shaped by similar factors that shaped the cut flower industries of the neighbouring nations like Zambia and Zimbabwe. Although Malawi has skills in farming crops like tobacco, she faces a unique problem of lack of local skills in floriculture. This has limited the number of participants on managerial levels in the industry. The most important factors inhibiting the growth of the Malawian cut flower industry are access to finance and high freight costs. These are also closely linked to government policy factors.

#### **6.4 *What are the strength and the weaknesses opportunities and threats of the Malawian cut flower industry?***

The critical strengths of the Malawian cut flower industry are in the low labour costs, stable political environment and good climate conditions. Its weaknesses are the lack of skilled workforce, few participants, lack of industry-wide organisation, lack of direct flights to overseas markets and high freight costs to Europe. The declining horticultural industry in Zimbabwe presents Malawi with a unique opportunity to tap into the available skills. The recently opened Dubai horticultural market could also serve as a new market for Malawian cut flowers. The poor image of cut flowers from the LDC countries remains a challenge for Malawi. The possibility of land shortages in a few years remains a formidable threat to the industry. As concerns regarding use of chemicals in agriculture and organic agriculture become important, a swing to organically grown flowers on the part of the European consumers is an imminent threat to the Malawian cut flower industry.

#### **6.5 *How can the Malawian cut flower industry increase its exports to the European Union in future?***



##### **For Policy**

- The government must provide concrete incentives to new entrants to the fresh produce exporting industry as a whole so as to increase horticultural exports and lower the freight costs.

##### **For Practice**

- Lower landing fees and abolish fuel surcharge on fresh produce exports in order to support the infant industry and increase volumes.
- Introduce horticulture at the agricultural colleges and request the current operating farms to integrate into the education system to improve horticultural skills in Malawi.
- Charge lower electricity tariffs for exporting industries to assist with the lowering of non-freight costs.

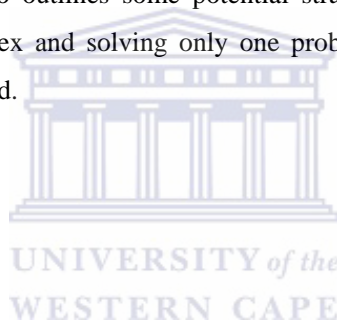
- Set aside land for high value agricultural exports only to ensure continued production and expansion in the future. Without land for new entrants and expansion of the existing operations, the chances of the industry growing further will be severely limited.

### **For Further Research**

- Using current farms as potential breeding farms for live seedling exporting farms, depending.

### **6.6 Conclusion**

Although the efforts of the current cut flower farmers are highly commendable, the Malawian cut flower industry is in a stagnant state. Without any intervention, the future of the industry looks bleak. The chapter also outlines some potential strategies to remedy the situation. Indeed, the situation is complex and solving only one problem will not resolve all of the issues as they are all intertwined.



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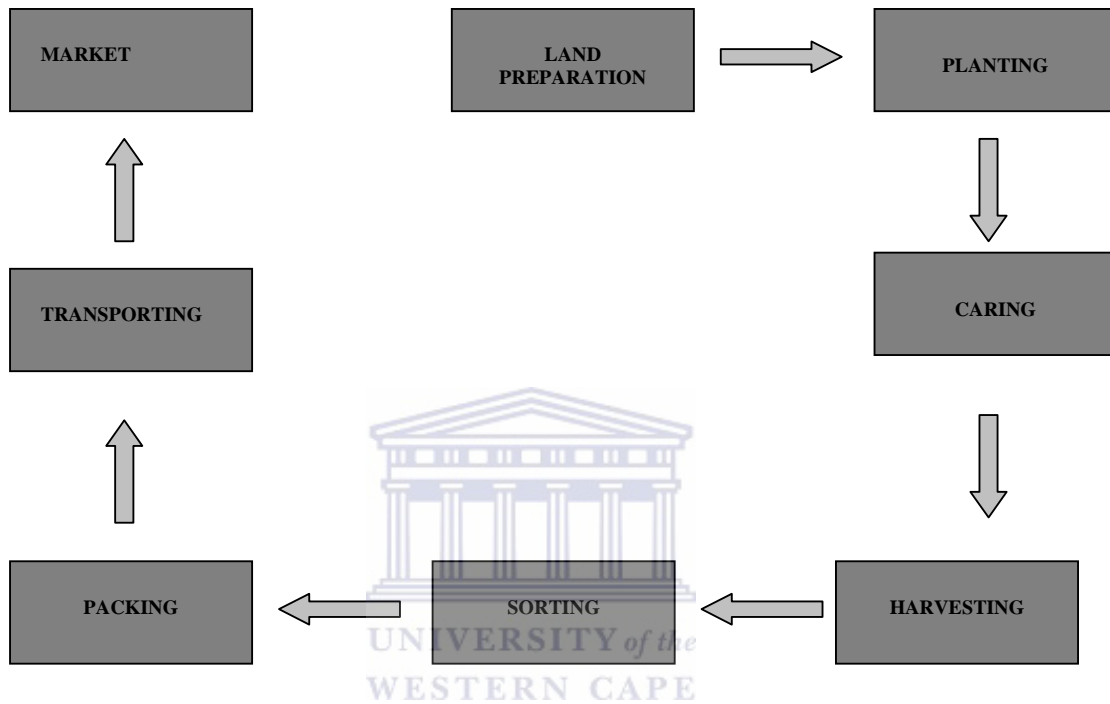


## APPENDIX A

### CUT FLOWER PRODUCTION STAGES

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The figure below shows the various production stages for cut flowers.



**Figure A1:** Cut Flower Production Stages

## APPENDIX B

### PARTICIPANTS IN THE RESEARCH PROJECT

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***Mr Crawford - The Farm Manager at Maravi Flowers***

- Conducted a telephone interview, as he was not available on previous visit to the farm. New farm manager, from Zimbabwe.

***Ms Crystal Hawken - Owner of Crystal Flowers***

- Email interview

***Mr Maliangu - Farm Supervisor at Maravi Flowers***

- Face to face at the farm and telephone interview.

***Mr E Maluwa - Export Clerk at Manica – Kamuzu International Airport***

- Face to face interview at the Manica offices at the Kamuzu International Airport.

***Ms Mbukwa - Malawi Revenue Authority***

- Face to face interview at Malawi Revenue Authority offices.

***Mr J. Njanji - Zikomo Flowers***

- Face to face interview on the Zikomo Flowers farm.

***Mr Nyirenda - Malawi Export Promotions Council***

- Face to face interview at the offices of the Malawian Export Promotions Council.

***Mr J. Patel - Zikomo Flowers***

- Face to face interviews at the Head Office in Lilongwe.

***Ms J. Popesko - Former Manager: Lingadzi Farm***

- Short face-to-face interview in Lilongwe at Cowbell premises. Emailed further questions but were never replied.