CASA
Commercial Agriculture for Smallholders and Agribusiness

# Adaptive Programming in Fragile Markets: Lessons and Actions for Navigating Macroeconomic Constraints in Malawi

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Commercial Agriculture for Smallholders and Agribusiness

The Commercial Agriculture for Smallholders and Agribusiness (CASA) Programme aims to drive global investment for inclusive climate-resilient agri-food systems that increase the income of smallholder farmers.



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*Designed by NIRAS Communications Team*
***Cover photo: Participants at CASA Malawi Close-out Event in June 2025 in Lilongwe***

# INTRODUCTION

Commercial Agriculture for Smallholders and Agribusiness (CASA) is an FCDO-International Climate Finance (ICF) funded programme driving global investment for inclusive climate-resilient agri-food systems that increase smallholder incomes. The programme has been generating evidence on the commercial and development potential of inclusive business models with smallholder farmer supply chains to facilitate increased agribusiness investment. To this end, CASA has since March 2019 been building the commercial viability and investment readiness of partner agri-SMEs in Malawi's aquaculture and poultry value chains, while also fostering commercial linkages between these enterprises and smallholder producers.

Using an adaptive Market Systems Development (MSD) approach, the programme has implemented catalytic and innovative interventions to enhance the capacity and accessibility of resource-constrained smallholders to participate in the two market systems and derive commercial benefits from these linkages. As a result, a total of 84,807 smallholders were reached through CASA interventions, including 62,508 farmers reached through new and strengthened aggregation and off-taker arrangements through 27 partnerships[1] deriving an average net additional income of £89 per farmer per year.

# CONTEXTUAL ANALYSIS

Bilateral and multilateral donors continue to face challenges in translating agricultural programming into scalable impact for smallholder farmers and agricultural Small and Medium Enterprises (SMEs) within constrained market systems. For Malawi, this has been compounded by the challenging macroeconomic conditions that prevailed for most of CASA's lifespan, which impeded economic activity and constrained growth for agribusinesses. Chief among these are:

- Persistently high inflation levels significantly impacting costs of production
- Inconsistent pricing of produce, and unreliable access to markets for smallholder farmers
- The high cost of commercial finance, fuelled by the government's increased borrowing through open market operations
- Persistent inefficiencies in energy supply, partly due to government controls on energy pricing, and
- An acute and persistent shortage of foreign exchange, driven by structural imbalances in the economy.

Market Systems Development interventions must, therefore, be even more innovative and adaptive to navigate these macroeconomic challenges, institutional fragilities and power dynamics that obtain in contexts such as Malawi. Accordingly, CASA adapted its approach by designing interventions that promoted low-cost production systems using breeds with low input requirements and cheaper feeds to lower entry barriers for smallholders and micro-agribusinesses. CASA also adopted a case-by-case approach to support its SME partners with targeted grants to catalyse model roll-out by, among other things, addressing the unreliable energy supply, which helped to effectively complement the technical assistance provided. Accordingly, CASA grants were conditional and strategically targeted, aiming at addressing specific bottlenecks or challenges within individual businesses that also reflected broader constraints in the wider market. This ensured that such discrete grants minimised the distortionary effect to the market while bringing on board smallholders into the value chain. It also demonstrated to banks the value of adding such products into their loan portfolios.

*1. Involving 22 agri-SMEs while others involved Producer Organisations (POs)*

# KEY LESSONS

## 1. Strategic Integration of Low-Cost Production Systems for Inclusive Commercialisation as an Entry Point for Resource Constrained Smallholders

Programmes that target smallholder commercialisation should consider a phased approach to commercial integration by initially promoting low-cost production systems that ease entry for smallholder farmers and allow the necessary growth to transition to higher-cost and high-return production systems. Development partners must equally consider integrating low-cost production systems at design stage to facilitate inclusive commercialisation in Malawi's agricultural value chains.

This approach must be underpinned by a robust business (model) viability assessment at the intervention design stage, both at the SME and smallholder farmer levels, to avoid scenarios where participating actors become trapped in the same low-input, low-output models that offer limited returns and lack the desired transformative potential. Given that such an approach is likely to attract a large number of smallholders, the partner SME serving as the anchor firm must proactively incorporate agility into its business model. This flexibility should enable the seamless graduation of more ambitious out-grower farmers who wish to scale up their production capacity beyond the original model and/or invest in higher-input, higher-return production systems, while maintaining a clear understanding of the evolving market absorption capacity.

### LOW-COST PRODUCTION SYSTEMS UNDER POULTRY: CASES OF AGWENDA, CHEMA WORLD, AND SPRODETA

CASA's poultry interventions through Agwenda, Chema World, and SPRODETA demonstrated that accessible and affordable systems can enable micro-enterprises to successfully integrate financially constrained smallholder farmers who cannot afford high-input production systems. In these cases, the programme worked with partner agribusinesses to co-design out-grower business models that supported smallholder production of indigenous and dual-purpose chicken breeds. These poultry breeds are easy to manage in relatively affordable housing facilities and thrive on a low-cost feeding regimen, unlike hybrid breeds, which require uncompromisingly high-quality housing and commercial feed. At the same time, CASA and its agri-SME partners aimed to exploit the high price premium and the growing demand for indigenous and dual-purpose chicken breeds amongst the upcoming middle class consumers in the urban markets of the country.

As a result, a total of 6,671 (68.3% women) smallholders were able to engage in the commercial production of the targeted poultry breeds under these three partners (3,160 under Agwenda, 2,011 under Chema World, and 1,500 under SPRODETA), launching the out-grower schemes with minimal start-up investment from both the agri-SMEs and the contracted farmers. While not all these farmers achieved full success with their micro-enterprises, the programme's annual outcome assessment conducted in December 2024 found that poultry smallholder farmers engaged in the second cycle of projects — including Agwenda and Chema World — experienced a steady increase in average additional annual income per farmer, rising from £15 in 2022 to £20 in 2023, and reaching £39 in 2024. This represents a 95% year-on-year increase and a 160% overall increase since entry, demonstrating that these models offer a viable pathway for integration into the value chain and for generating additional income, which if properly managed, could be reinvested into higher-input, higher-return production models.

While the above cases are drawn from only three CASA partnerships, the initial positive results encouraged CASA to continue promoting similar business models in subsequent projects, along with further adaptations related to easing the provision of start-up inputs. Similarly, the programme supported one aquaculture enterprise (Aquaponics for Life) to pilot a low-cost catfish out-grower model, built around utilisation of an affordable production system.

It is therefore imperative that future development programming promotes affordable production models that lower barriers to entry, rather than capital-intensive approaches that might require free input provision, an approach that often distorts commercial viability and is unsustainable beyond the project's lifespan. These lessons offer an alternative to the conventional focus on productivity maximisation as the primary pathway to commercialisation. Instead, they highlight that inclusive commercialisation requires building in some deliberately designed accessible entry points that enable resource-constrained actors to participate meaningfully in value chain development and scaling initiatives.

***Solar system on the roof at Tac Maz Sustainable Ventures; Low-cost chicken housing and breeds at a SPRODETA out-grower member's farm***

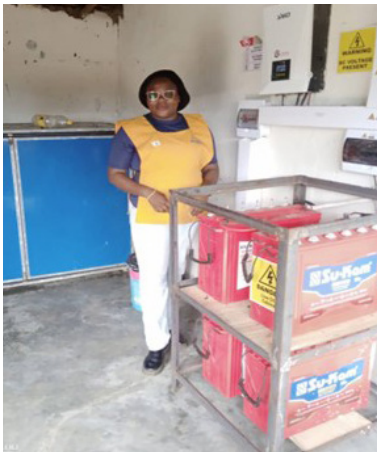
## 2. MSD Approach with Tailored De-risking Mechanisms

While commercial programmes typically avoid the use of grants to prevent distorting business model viability or giving undue advantage to specific firms, such decisions must be approached on a case-by-case basis and informed by prevailing macroeconomic conditions affecting agribusinesses. In its final year, CASA conducted a rapid and broad assessment of the political economy and financial landscape to understand the implications for its partner agribusinesses. The findings provided vital guidance that shaped the focus of targeted TA and grant support, and that sought to address some of the identified key constraints such as lack of access to affordable finance, high cost of inputs for out-growers, and unreliable power supply affecting hatchery and incubation operations. With this market-wide perspective, the programme adapted some of the existing partnerships by providing targeted grants and technical assistance via partnership addenda to address bottlenecks impeding the piloting of co-created business models, particularly those under Tac Maz, and MlimiPay and Teren Agro.

CASA's experience was that while most partner agribusinesses were amenable to trying out new business models and engaging with smallholders, their constraints to piloting these co-created models varied from one business to the other. Programmes should therefore be equipped with the necessary expertise to conduct comprehensive assessments of the political, financial, and macroeconomic conditions impacting agribusinesses in addition to agribusiness-specific business viability assessments. Informed by this understanding, development programmes should necessarily be open, where necessary, to providing targeted, catalytic grants to enable piloting of new models while ensuring that these grants are not disruptive to the market or create unsustainable models for adopters such as those used by CASA.

While provision of grants for asset finance was not normally a preferred support modality for CASA, the key aspect of the Tac Maz case was to catalyse the commercial viability of the business model under the assumption of securing a commercial loan and building the attendant repayment obligations in its cash flows, as a decision tool to provide finance that would unblock the binding constraint hindering the rollout of the inclusive business model.

## IMPACT OF CASA'S DISCRETE CATALYTIC GRANT: CASE OF TAC MAZ SUSTAINABLE VENTURES



*Solar equipment installed at Tac Maz with support from a CASA grant to facilitate chick production and model rollout*

The pilot of a CASA-supported poultry out-grower model by Tac Maz faced major setbacks due to unreliable power supply, which disrupted the hatching and brooding of chicks for supply to contracted farmers. The agribusiness firm lost over 9,000 eggs during incubation and more than 6,000 chicks at the brooding stage, which were quite significant losses for a small-scale enterprise. Consequently, the scheduled delivery of chicks to contracted smallholder farmers could not proceed as planned. Tac Maz was fully aware that the solution was installing a reliable power supply. However, they were unable to make this investment due to limited access to the necessary commercial financing.

Being an adaptive programme, CASA leveraged the investment readiness technical assistant already deployed at Tac Maz to develop cash flow projections for the company, simulating forward-looking scenarios with and without a commercial loan. The objective was to assess whether the company, if successful in obtaining a commercial bank loan, could repay the loan while still progressing toward its originally envisioned growth trajectory and continuing to support its contracted out-grower farmers. When this thesis was ascertained, CASA proceeded to provide a discrete grant to the company to procure and install a solar power system. With this grant, Tac Maz has now resumed its chick production and is now back on course to start delivering six-week old chicks to its out-grower farmers.

## CASA'S DISCRETE ASSET FINANCE GRANT SAVING SALES FOR A PARTNER: CASE OF VIPHYA CHAMBO

*The Viphya Chambo tricycle purchased with a CASA grant to ensure sales during the Covid pandemic*

At the onset of the Covid-19 pandemic, CASA's newly engaged aquaculture partner, Viphya Chambo, began experiencing a decline in sales. The company had been selling its fish through a sales outlet located in Mzuzu City's central market, which at this time started experiencing reduced patronage due to government- and city-instituted travel and crowd restrictions. At the same time, Viphya Chambo was expected to use part of its revenue to finance activities related to piloting the co-created fish aggregation and offtake model.

While not in the original business plan nor in line with CASA's normal approach, the programme team worked with the partner to design a fish disaggregated distribution model, which involved delivering fish to locational markets and directly to the doorsteps of its institutional customers. In addition, the programme provided a targeted grant to the firm to procure and repurpose a motor-tricycle into a refrigerated unit to support the new distribution model. This intervention helped the partner redeem its sales trajectory and later enabled the distribution of fish sourced from smallholder out-grower farmers.

The above cases demonstrate that successful MSD implementation requires incorporating flexibility, adaptability, and tailoring that matches de-risking intensity to enterprise capacity levels, to respond to shifting market system dynamics and realities. Development programming, therefore, needs to provide adequate agility in commercial programmes that would allow implementers leeway to provide the necessary support to actors. Such agility could include embedding patient capital within the programme, resources for technical backstopping before and during intervention, and adequate market facilitation mechanisms including the attendant cold chain requirements when business model validation takes place. These aspects are particularly important to ensure that, prior to and during piloting, the partner SME has a thorough understanding of the risks associated with implementing the co-created inclusive business model, especially when providing inputs on credit to contracted smallholder farmers is part of the model, as was the case with Tac Maz. In such scenarios, the risk and cost of slippages is typically higher than when the SME operates inward-looking business models and might often result in frustration and abandonment of the model by the anchor firm. These risks must be fully incorporated into the business model, including the cost of upfront input provision to smallholders at an interest rate aligned with prevailing inflation rates, to ensure the firm can sustainably supply inputs in subsequent production cycles.

In this context, technical assistance aimed at assessing business viability and fostering strong, commercially grounded relationships between the anchor firm and smallholders is just as critical to ensuring success, sustainability, and scalability of the piloted business models as the provision of targeted asset finance grants. The key lesson here is that development programming should move beyond the conventional assumption that enterprises inherently possess the capacity and risk tolerance to work with smallholders simply because supply linkages have been established. Rather, transformational market systems change requires proactive risk management, particularly in fragile markets within challenging macroeconomic environments like Malawi, where small-scale actors are often unable to absorb the costs of innovation independently. It is imperative that future programming allocate sufficient resources for flexible and comprehensive de-risking mechanisms that bridge the gap between MSD theory and the realities of fragile markets, thereby enabling meaningful participation of enterprises committed to driving innovative and inclusive commercialisation.

## 3. Extended Implementation Periods

The typical 15-20-month MSD project lifespans are inadequate for livestock value chain interventions, which require multiple production cycles which go beyond this timeframe to effectively pilot and test robust models, and to enable longer-term systemic market change. Newly co-created innovative business models often require adaptation following the initial pilot cycle, needing additional time to establish a viable proof of concept, without which scaling and replication is not possible. Donors need to adopt longer programming windows and time them correctly in line with production seasons with phased milestone-based disbursements, particularly for climate-resilient livestock systems where production cycles exceed six months. For CASA, this challenge was frequently encountered in aquaculture interventions, which typically require a minimum of six months, timed to align with the production season from October to June, to run a pilot. Additionally, mandatory preparatory activities undertaken prior to implementation often consumed a significant portion of the overall project duration. Eventually, a lot of the aquaculture projects ended up being extended for periods that often doubled the originally programmed timeframes (see the case of Nkhotakota Steadfast Cooperation Limited (NSCL) below).

## NKHOTAKOTA STEADFAST COOPERATION LIMITED (NSCL): AQUACULTURE COMMERCIALISATION TIMELINE CONSTRAINTS

CASA's intervention with NSCL illustrates how compressed programming timeframes undermine livestock-based business model validation. The partnership established a Pay-As-You-Grow (PAYG) input credit facility targeting 1,000 smallholder farmers across Nkhotakota and Salima districts, requiring multiple aquaculture production cycles for meaningful impact assessment around viability and scalability aspects.

While CASA provided essential technical support—smallholder supply chain establishment support, marketing and branding expertise, nutrition packaging design, and investment readiness facilitation leading to negotiations with MAIIC and Centenary Bank—insufficient time remained to demonstrate complete production cycle outcomes. The initial nine-month project lifespan prevented observing any complete cycle let alone more cycles necessary for validating the PAYG model sustainability, which influenced CASA to seek a 12-month extension to December 2025, which has now also been affected by the early closure of the programme.

The intervention has achieved important preparatory milestones including investment linkage establishment and product development but cannot yet be used to illustrate systemic market change through complete model validation. This case exemplifies how livestock-based MSD interventions require extended timeframes beyond initial capacity-building and pilot establishment to prove commercial viability and sustainable market systems change. Future programming must accommodate multiple production cycles for rigorous business model validation in aquaculture value chains.

Where project time extensions were not granted, some partners implemented model adaptations well beyond the end of their partnership with CASA. In such cases, attributing the results achieved through the adapted models to CASA becomes challenging (see the case of Amazon Poultry below).

## LIMITED PROJECT TIMEFRAME CONSTRAINING OPPORTUNITY FOR MODEL ADAPTATION SUPPORT BY THE PROGRAMME: CASE OF AMAZON POULTRY

For Amazon Poultry, the pilot phase of the CASA-supported out-grower model faced significant setbacks after a large proportion of the chicks supplied by the company on credit to contracted smallholder farmers fell prey to mortality, which was attributed to poor housing and poor management practices. By the end of the partnership, the company had not purchased any birds from the contracted smallholder farmers. However, Amazon Poultry began independently adapting the model by asking contracted farmers to use the company's housing facilities to raise the contract birds. This approach aimed to reduce mortality risks linked to poor housing and to build the farmers' technical capacity in effective poultry management. Farmer groups began taking turns using Amazon Poultry's housing facilities, selling grown birds to the company and reaping the benefits from the schemes. This adapted model ended up attracting more farmers into the scheme long after CASA's partnership.

This adaptation was feasible for Amazon Poultry due to its relatively strong financial position, which also enabled the company to secure a £200,000 loan from a local bank to invest in expanding its feed mill and incubation facilities, enhancing its capacity to continue supplying inputs to out-growers beyond the failed pilot. This contrasts with many agri-SME partners, who lack the resources to absorb such losses and continue refining the model using their own funds.

In the poultry sector, the shift toward dual-purpose and indigenous breeds resulted in longer production cycles compared to hybrid-based business models. Consequently, the CASA team had to grant time extensions to most of these projects to allow for the completion of pilot phases and, in some cases, the implementation of follow-on cycles incorporating necessary adaptations. It is therefore not surprising that project time extensions were granted for nearly all partnerships that came after the first cycle of poultry projects, including those with ASUMI, Agwenda, MUSSCO, Henpark Poultry, Tac Maz, SPRODETA, Yalokolo, and MAAG Farms.

All the cases cited above demonstrate that transformation of livestock value chains requires timeframe programming that fully aligns with production realities. This is imperative to facilitate taking forward adequately validated business models to establish a sound basis for sustainability and scalability of the same as anchor firms build in requisite market linkages. Compressed implementation timelines compromise the quality of interventions and limit the potential for systemic change, ultimately undermining the effectiveness of donor investments in inclusive commercial development initiatives in the livestock sector.

# IMPLICATIONS FOR FUTURE PROGRAMMING

## 1. Strategic Programming Design

- **Blended Finance Integration:** Development partners must fundamentally restructure programming to embed concessional lending mechanisms from design inception rather than assume that the commercial lending environment is responsive to the needs of agribusinesses or projects. The evidence demonstrates that TA-only interventions fail to achieve transformational impact without patient capital mechanisms addressing systemic financial market failures where the macroeconomic environment is difficult like Malawi. This requires DFIs and bilateral donors to develop integrated financial instruments that bridge the validation-to-scale gap for agri-SMEs.
- **Leveraging Low-Cost Production Models to Tap into High-Return Models:** Development programmes should consider incorporating promotion of low-cost production systems as entry points for smallholder farmer inclusion, focusing on either livestock breeds that are less reliant on commercial inputs or production models that utilise affordable, locally available inputs. Incorporating this approach into programme design would be a strategic way to enable greater smallholder participation in commercial value chains, particularly in fragile markets like Malawi, where limited access to affordable working capital finance remains a key barrier to accessing quality inputs and achieving effective agricultural commercialisation. Programming must at the same time incorporate graduation mechanisms that enable participating smallholders to progressively transition to high-input, high-return models by reinvesting income earned from initial sales.
- **Extended Implementation Horizons:** Traditional 15-20-month project cycles prove inadequate for livestock value chain interventions requiring additional production cycles beyond the pilot for systemic market change. Donors need to adopt longer programming windows with phased milestone-based disbursements, particularly for climate-resilient livestock systems where production cycles exceed six months and fiduciary capacity building consumes initial implementation phases.

## 2. Market Systems Approach Adaptation

- **Adaptive MSD Framework:** Classical MSD approaches require significant adaptation in fragile contexts through enhanced and tailored de-risking mechanisms during pilot phases. This necessitates flexible programme design with built-in risk mitigation resources, scenario planning capabilities, and continuous political economy analysis updates reflecting evolving institutional dynamics that affect agribusiness like was done by CASA to inform adaptation to some of its on-going partnerships. The latter may require building the implementation team's capacity in political economy analysis right during the inception phase, either through targeted training or by engaging specialists to work alongside core market managers.
- **Inclusive and Accessible Value Chain Entry Pathway:** Programming must strategically provide for incorporating low-cost, accessible production systems as an entry point for resource-constrained smallholders with carefully designed pathways for re-investing the initial benefits from these enterprises into high-input, high-return production systems.

## 3. Leverage Targeted Grant to Catalyse Model Pilots and Scale-Up

- **Targeted Grant to De-risk Pilots:** Given that testing newly developed inclusive business models often involves heightened risks for agri-SMEs operating in fragile markets such as Malawi, development programmes should be more intentional in allocating adequate grant resources to de-risk the pilots required to prove these models. As demonstrated in the cases of Amazon Poultry and Tac Maz, running an effective pilot in fragile markets like Malawi often requires advancing inputs on credit to involved smallholder farmers to ensure their productive participation in out-grower schemes. It is imperative, therefore, for development programmes to determine the appropriate level and modality of programme support and that this process must be guided by a clear understanding of the specific constraints relative to total input needs of running the pilot, including asset investments where such are necessary to increase the capacity of the agri-SME to produce the inputs targeted to be advanced to out-growers. This will mitigate the risk of subjecting agri-SMEs to model pilot losses like were experienced by Amazon Poultry and Tac Maz.
- **Asset Finance Grants to Unlock Specific Market Constraints:** Development programmes should remain open to addressing both specific and economy-wide market constraints that are common in fragile markets that might require asset financing, as these may hinder the piloting or scaling of inclusive business models. Programmes must factor in discrete asset finance needs driven by market failures unique to fragile markets, such as unreliable power supply in Malawi, which create unique investment requirements for energy-dependent agribusinesses as was the case with poultry firms running hatchery and incubation facilities. Failure to sufficiently de-risk such asset financing needs often lead to unwarranted losses that might frustrate the agribusiness firm attempting to pilot an inclusive business model.

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