Where are Our Profits?
Farmers Use Gross Margin Analysis Tool
Crop Livestock Integration and Marketing in Malawi (CLIM²)
Kalima Sunday, Sabine Homann-Kee Tui, Andre van Rooyen

Rationale
The CLIM² project promotes crop-livestock integration with comparative gross margin analyses (GMA) to influence farmer decision-making towards viable enterprise selection.

Farmers who understand the use of GMA can better evaluate agricultural enterprises, returns on labor, cash and other investments.

When and who
- The SSLLP team, along with agri-business officers and agricultural extension District Officers held GMA trainings in March 2018 for 180 farmers.
- One group in Balaka, three in Chiradzulu and two in Thyolo.

Activities
Two-day participatory training workshops for farmers to understand and apply GMA.

Approach
The CLIM² project and government staff explained the concept of GMA as estimates of possible returns from various farm enterprises.

- Comparison of gross margins per farm activity using government estimations of achievable yields and village level prices
- Importance of gross margins for planning and selection of profitable crop/livestock enterprises, based on the households’ resources.

Farmers calculated gross margins for their current enterprises.

The results were discussed as a group; this opened the eyes towards more profitable enterprise options.

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Gross income</th>
<th>Variable cost</th>
<th>Net income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize (1ha)</td>
<td>280,000</td>
<td>253,050</td>
<td>26,950</td>
</tr>
<tr>
<td>Pigeon pea (1ha)</td>
<td>120,000</td>
<td>105,300</td>
<td>14,700</td>
</tr>
<tr>
<td>Chicken (n=30)</td>
<td>407,100</td>
<td>26,500</td>
<td>380,600</td>
</tr>
</tbody>
</table>

Example of GMA in Thyolo district

Key messages
Smallholder farmers calculating gross margins for their enterprises is a powerful concept for decision making.

Farmers realize opportunities to reconfigure their farms, inspired by the GMA tool and scope for increasing efficiency.

Extension officers engaging with farmers on GMA get a fresh look at how they can improve food and nutrition security and income in their constituencies.