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COUNTRY FACT SHEET ON FOOD AND AGRICULTURE POLICY TRENDS

Malawi

Socio-economic context and role of agriculture

Malawi is a landlocked country in Southern Africa, with an economy driven predominantly by the agricultural sector that accounts for one third of the GDP and nearly 80 percent of employment. Agriculture is considered the engine of Malawi's economic growth since, between 2005 and 2011, more than 80 percent of the country's total exports were agricultural commodities, primarily tobacco, sugar and tea. Tobacco alone however, represents an average 60 percent of Malawi´s total exports.[1] The manufacturing and agricultural sectors work together in their contribution to the overall growth of the economy, which in 2013/14, registered an average GDP growth rate of 5.2 percent. In particular, the 2013 growth in manufacturing was attributed to usage of higher volumes of raw agricultural inputs and a more constant supply of fuel and other raw materials.

Malawi remains among the five poorest countries in the world, with over 50 percent of the population living below the poverty line and one quarter considered 'ultra-poor'. Furthermore, about half of all children are suffering from acute or severe malnutrition. The high incidence of rural poverty in Malawi is both caused and reinforced by low productivity and small farm size.[2] The Malawian minimum wage,

	Selected indicators		2007	2009	2011	2013
SOCIO-ECONOMIC	GDP (current billion US$) *		3.6	5.0	5.6	3.7
	GDP per capita (US$) *		266	345	364	266
	Agricultural value added (% of GDP) *		32	31	30	27
	Agricultural value added (annual % growth) *	(average 2007-2013)	5.75			
		(2013)	5.4			
	Total population (thousand)		1. 714	14 573	15 458	16 363
	Rural population (% of total)		84.7	84.5	84.3	84
	Agricultural labour force (% of total labour force)		80.3	79.4	78.5	77.6
	Human Development Index **	(2013)	0.414 (ranking 174)			
AGRICULTURAL PRODUCTION & TRADE	Per capita cultivated land (ha)		0.23	NA	0.24	NA
	Area equipped for irrigation (ha)		74 000			
	Value of total agriculture production (constant gross value 2004-2006, billion US$)		2 523	4 145	4 683	NA
	Value of cereals production (constant gross value 2004-2006, billion US$)		566	1 394	1 516	NA
	Yield for cereals (hg/ha)		24 670	21 243	20 943	20 688
	Cereal import dependency ratio (%)	(2007-2009)	6.4			
	Top 3 commodities	Production quantity	Cassava, Potatoes, Maize (2012)			
		Production value	Cassava, Potatoes, Maize (2012)			
		Import quantity	Wheat, Tobacco (unmanufactured), Soybean oil			
		Import value	Wheat, Tobacco (unmanufactured), Soybean oil			
		Export quantity	Maize, Sugar Raw Centrifugal, Tobacco (unmanufactured)			
		Export value	Tobacco (unmanufactured), Sugar Raw Centrifugal, Tea			
	Top 3 trade partners	Import value	Zambia, USA, Argentina			
		Export value ^^	UK, Zimbabwe, Belgium			
FOOD SECURITY & NUTRITION	Top 3 commodities available for consumption		Maize and products, Potatoes and products, Cassava and products			
	Per capita food supply (kcal/capita/day)		2 293	2 311	NA	
	General (g) and Food (f) CPI (2000=100)		244.1 (g), 224.7 (f)	287.7 (g), 258.5 (f)	403.4 (g), 332.5 (f)	
	People undernourished (million)	(2008-2010)	3.3			
		(2011-2013)	3.5			
	Proportion of undernourished (%)	(2008-2010)	22.7			
		(2011-2013)	22.0			
	Prevalence of underweight children under 5 years of age (%)		NA	12.1	13.8 (2010)	NA
	Prevalence of stunting among children under 5 years of age (%)		NA	48.8	47.8 (2010)	NA
	Prevalence of wasting among children under 5 years of age (%)		NA	1.8	4.1 (2010)	NA
	Global Hunger Index ^	(2013)	15.1 (Serious)			NA
	Access to improved water sources (% of population) *		76	79	85	NA

Source: FAOSTAT; *Source: WB; **Source: UNDP; ^ Source: IFPRI. Note : Food CPI 2009, 2011: 2008=100

1 Malawi National Statistics Office. 2012. Statistical Yearbook 2011

2 World Bank. 2007. Malawi poverty and vulnerability assessment: Investing in our future, Synthesis Report. Washington, DC.

currently fixed at around $1.12 per day, is one of the lowest in the world.

Although Malawi is endowed with diverse agro-climatic zones and with plentiful fresh water, land is becoming severely degraded due to increasing population pressure and agricultural intensification. The reliance on rain fed cultivation coupled with the potential effects of climate change presents vital challenges to the sustainability and resilience of the sector. Other major challenges include: fuel shortages, declining foreign exchange earnings, declining investments, lack of direct access to sea ports, and high HIV/AIDS prevalence rates.

1. Government objectives in agriculture, food and nutrition security[3]

The **Malawi 2020 Vision** was adopted in 1998, providing a framework for the implementation of short- and medium-term plans for development sectors. It identifies agriculture and food security as key priority areas to foster economic growth and development. This long-term vision has been translated into a medium-term policy framework for social and economic development, namely the **Malawi Growth and Development Strategy (MGDS)**. The primary objective of MGDS I (2006-2011) and MGDS II (2012-2016) is to reduce poverty through sustainable economic growth and infrastructure development, focusing on agriculture and food security as a key priority area. The Strategy seeks to increase agricultural productivity and diversification for sustainable economic growth. Currently, the country is also implementing the **Economic Recovery Plan–ERP** (2012) aiming at restoring economic stability through commercial agriculture, tourism, energy, mining and infrastructure development. Another strategy, running parallel to and complementing the ERP, is the **National Export Strategy –NES** (2013–2018), developed in 2012 to boost domestic and external trade. Furthermore, the strategy aims at improving the competitiveness of Malawian products as well as economically empowering farmers, with a focus on the poorest and most vulnerable groups.

In order to achieve agricultural development goals and to meet Comprehensive African Agricultural Development Programme (CAADP) targets, Malawi developed the **Agriculture Sector-Wide Approach, ASWAp** (2011-2015). This national plan advocates for and drives strategic investment towards programmes and initiatives that fall under three distinct pillars: (1) food security and risk management; (2) commercial agriculture, agro-processing, and market development; and (3) sustainable agricultural land and water management. Currently, the ASWAp includes two major agriculture-sector development programmes: the **Farm Input Subsidy Programme (FISP)** and the **Green Belt Initiative (GBI)**. These programmes account for 70 percent of the total ASWAp budget towards food security and risk management.[4] The GBI aims to maximize the available water resources for irrigation to increase production, productivity, hence incomes and food security, at both household and national levels.

2. Trends in key policy decisions (2007 to 2014)

2.1 Producer-oriented measures

As a landlocked country with high import costs, Malawi has been pursuing a policy aiming towards national food self-sufficiency for decades. In the past, the estate sector was afforded the privilege of earning foreign exchange for the country by exporting cash crops such as tobacco and tea, while the smallholder sector was relegated to subsistence farming. In recent years however, the government has shifted policy focus toward the smallholder sub-sector. Thus, production support measures during the 2007-2014 period, focused primarily on input subsidies to small-scale farmers.

Continuous support for maize production

Maize is by far the main component of the Malawian diet and is grown by about 80 percent of all smallholder farmers. Malawi has implemented five agricultural input programmes since 1970.[5] FISP is the most recent, having been introduced in the 2005/06 farming season[6] after two severe food crises in 2002 and 2005 that prompted government and donors to rethink the previous abolishment of subsidies during the structural adjustment period. The core component is support to maize through the provision of vouchers or coupons for hybrid seed and fertilizer to small-scale farmers. Over the monitored period, the government allocated a large share of the budget of the Ministry of Agriculture and Food

3 The Government of Malawi has developed various national development strategies, agricultural strategies and agricultural-related legislations and policies (please see Annex 1).

4 NEPAD.2014. Malawi joint sector review assessment: advancing mutual accountability through comprehensive, inclusive, and technically robust review and dialogue.

5 The 6 programmes were: (1) Agricultural Input Subsidy Programme subsidized seed and fertilizer for smallholder farmers (1970-1995); (2) Supplementary Input Programme Input kit distribution to vulnerable households (1995-1997). Thirdly, Starter Pack Programme Universal distribution of fertilizer and seed (1998-99). Fourthly, Targeted Input Programme Targeted fertilizer and seed distribution (2000-04). Fifthly. 2005 Extended Target Input Programme Expanded targeted fertilizer and seed distribution. Finally. Farm Input Subsidy programme Targeted voucher based maize seed and fertilizer subsidies (2006 to present).

6 All programmes aimed at improving the productivity of smallholder maize farms so as to achieve indirectly food sufficiency. Malawi has been self-sufficient in maize since 2005/06 and has even exported maize. However, according to the World Bank Malawi has no competitive advantage as a maize exporter; its export performance has been distorted by input subsidies.

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A woman is shelling maize at a farm in Mzingo village in the Mchinji District of Malawi. Maize is by far the main component of the Malawian diet and is grown by about 80 percent of all smallholder farmers.

Security, ranging from 50 to 70 percent for FISP, resulting in a significant increase in coverage and benefits distributed.[7] Studies on the impact of FISP have shown beneficial impacts on beneficiaries' maize production and net crop income, but limited impact on food consumption and household income. The opportunity costs for maintaining the programme, however, entail the sacrifice of more long term production solutions. Furthermore, evaluations of FISP have spotted several issues related to its financial sustainability as well as the identification and targeting of beneficiaries[8] since there is a high concentration of support to the middle income bracket as opposed to the poorest.[9]

Promotion of crop diversification

The lack of diversity has made the agricultural sector in Malawi vulnerable to market or climate induced shocks. Hence, agricultural diversification away from reliance on maize and tobacco is a key objective of the MGDS II. Moreover, the ERP intends to scale up support to other agriculture products such as multiplication of cassava cuttings and sweet potato vines. In both the 2013/14 and 2014/2015 budget statements, the government allocated financial resources for scaling up legume production: approximately MWK 1.7 billion (US$ 4.8 million) for the first cropping and MWK 2.0 billion (US$ 5.7 million) for the second.

Recent land amendments

Malawi has three land tenure categories: customary, private and public, and has in the past suffered an imbalance between estate and smallholder land ownership. In 2002, Malawi adopted the National Land Policy (MNLP) that called for the redistribution of land from large estates to smallholders and the formalization of customary tenure in order to address tenure insecurity. The government attempted to present amendments in 2006 but were opposed mainly by the civil society on the grounds of an insufficient response to the legislative requirement of the MNLP, which identified the need for a basic land law.[10]

The most recent attempt at amendments took place in 2013 with the formation of the Land Bill and the Customary Land Bill, which seek to implement some of the recommendations adopted in the MNLP. The first step is to make land administration and management services more efficient through decentralization and the establishment of a functional and computerized land information management system. The other amendment involved a change in the categorization of land, leaving two – public and private - instead of three divisions, where customary land is now a component of public land. The Customary Land Bill 2013 provides for the management of customary land and introduced some important modifications; for example, foreigners can only own land if they partner with locals, and village chiefs no longer have sole say over land - village committees will instead be the new land authority.

2.2 Consumer-oriented measures

In Malawi, poverty and vulnerability are known to be mutually reinforcing, therefore social protection together with disaster risk reduction are the third theme in MGDS II. Within this framework, the government developed the Malawi National Social Support Policy (NSSP), launched in 2013. The strategy provides a holistic framework for designing, implementing, monitoring and evaluating social support interventions and programmes, especially for the most vulnerable groups. Major programmes previously launched are sustained and coordinated within the NSSP framework.

Scaling up social cash transfer programmes

Cash transfer programmes in Malawi are relatively new but are growing in popularity. A pilot unconditional social cash transfer (SCT) programme was launched in 2006. It was formally institutionalized in an additional three districts in 2007. In 2009, was expanded even further. The programme, administered by the government and jointly implemented with various partners and donors, it provides an average monthly transfer of MK 1 700 (US$ 13) per household, deemed enough to fill the extreme poverty gap in target households.[11] In the 2013/14 budget statement, MWK 450 million (US$1.3 million) was allocated to the SCT, a 300 percent increase from the previous year. In addition, as a part of the ERP, some of the short-term measures taken are intended to protect vulnerable groups such as scaling up cash transfer programmes like SCT and Labour Intensive Public Works Programme (LIPW).

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7 Chirwa, E. & Dorward, A. 2013. Agriculture input subsidies: the recent Malawi experience. Oxford University Press.

8 IFPRI.2013. How best to target agricultural subsides? The case for an indicator-based targeting system in Malawi. Policy note 15

9 Journal of African Economics. 2014. Decentralised beneficiary targeting in large-scale development programmes: Insights from the Malawi fram input subsidy programme.

10 Centre for Environmental Policy and Advocacy (CEPA).2013. Review of the land bills 2013. Malawi

11 Schubert, B. and Huijbregts, M. 2006. The Malawi social cash transfer pilot scheme: Preliminary lessons learned, Paper prepared for the conference on: Social Protection Initiatives for Children, Women and Families: An Analysis of Recent Experiences, New York, 30-31 October, 200

Phasing out fuel subsidies

Malawi phased out universal fuel subsides in May 2012, replacing them with Automatic Price Mechanism (APM) adjustment, a system in which the price of fuel will be automatically adjusted to reflect the changes of global fuel prices. The cost of fuel subsides in 2011 was MWK 10.5 billion (US$ 68 million); thus, phasing out fuel subsidies saved the government MWK 36 billion (US$ 234 million) by the end of 2012.[12] However; the removal of the fuel subsidies has had an inflationary effect on food prices,[13] especially at the retail level, affecting the poorest consumers most of all.

Scaling up nutrition programmes

The Malawian Government's attention and commitment to improving nutrition is evident in the formulation and endorsement of the National Nutrition Policy and Strategic Plan-NNPSP (2007-2012). Based on the NNPSP strategy, detailed policies were elaborated in the National School Health and Nutrition Strategic Plan and guidelines (2009-2018), the Infant and Young Child Nutrition Policy (2009), and the National Sun Nutrition Education and Communication Strategy (2011-2016) that focuses on the prevention of chronic undernutrition during the first 1000 days to prevent stunting. In 2011, Malawi was the first country to launch the Scaling Up Nutrition (SUN) initiative.[14] Also, the government is expanding the National School Meals Programme (NSMP) and vitamin A supplementation in the framework of the ERP. In December 2007, the Cabinet issued a Directive mandating the Ministry of Education, Science and Technology (MoEST) to implement a universal school meals programme. The World Food Programme (WFP) provided support to the Government in designing the programme in a suitable and sustainable way, such that in 2011, the government lunched the NSMP, expanding school meals across the country and shifting to deeper government ownership.

Diverse measures in response to inflation

The government has taken measures to protect consumers from high inflation. For example, salaries were increased for all public servants by an average 20 percent before the inflation spike in 2007. Salaries were increased again in 2010 by 15 percent and in 2011 by 7 percent. In addition to expanding income tax exemption in 2011, the income level subject to tax exemption rose from MWK 10 000 (US$ 36.7) to MWK 12 000 (US$ 44.1). Furthermore, since 2006 the government has implemented price bands (dictated floor and ceiling for buying and selling maize) to protect consumer from the increasing maize prices, although the price band was not effective as it was set below the prevailing prices in the markets and because of the limited financial capital of ADMARC. On the other hand, the government took measures which increased prices: in 2012, it introduced a 16.5 percent VAT (in order to remove distortion in the VAT structure, operations and transactions) on previously exempt commodities including water, meat, residues and wastes from food industries, saw-dust and wood waste, newspapers, clothes, and standard bread. The government opted to remove VAT on bread only later in 2012.

2.3 Trade- and market-oriented policy decisions

Malawi trade policy is directed towards maintaining an open economy with relatively low tariffs (average of 13.5 percent)[15] and general absence of non-tariff barriers, aiming at achieving economic growth and improving the standard of living for the Malawian population. In the context of MGDS II, the government is pursuing export led growth to reduce poverty.

Continued involvement of public parastatals in agricultural markets

Maize is Malawi's main staple food crop and is of great strategic importance; the country's food security status is generally defined in terms of adequate availability of and access to maize. Therefore, maize policy has been an exception to most market liberalization reforms, and is often used as an instrument by various political parties in order to secure availability and low prices. For example, government parastatals, namely Agricultural Development and Marketing Corporation (ADMARC) and National Food Reserve Agency (NFRA), are heavily involved in the maize market. Through ADMARC, the Ministry of Agriculture and Food Security has operated a price band system for maize since 2006, in order to protect consumers and support producers. In August 2008, private maize trade was banned altogether, re-establishing ADMARC as the exclusive legal buyer and seller of maize. A month later, the government issued a new price band within which private trade was allowed. However, this policy has not been sufficient for price stabilization, particularly during 2008/09 and 2012/13 partially due to the limited financial capital of ADMARC.

Trade restrictions on maize

In reaction to weather and market induced food price crises, the government has implemented various trade and market measures in order to combat high prices such as export bans in 2005/06, 2008/09 and 2012/13, private domestic trade bans in 2006 and 2008, and import restrictions throughout the entire period under review. However, the latest ban was re-affirmed in April 2013 by the government, in addition to more restrictive border controls.[16] Such short-term and ad hoc policies had conflicting effects on the various value chain agents. Throughout that period (2007-2014), an exception was granted for government-to-government export

12 As mentioned in the 2012/13 Mid-Year Budget Review Statement, these savings are channelled towards scaling up social protection programmes and priority investments for growth.
13 According to Malawi Food Security Outlook (FEWS Net): retail maize price increased by 20 percent and higher in certain areas from December 2012 to January 2013.
14 SUN is a global movement that unites national leaders, civil society, bilateral and multilateral organizations, donors, businesses and researchers in a collective effort to improve nutrition.
15 WTO Trade policy review. 2010. Malawi trade policy review.
16 Furthermore, the government had imposed in more than one occasion restrictions (2005, 2006, and 2008) on private trade of maize at domestic market.

agreements with Zimbabwe; carried out by large private traders under the auspices of NFRA.

Reform of the foreign exchange regime

Government control over the foreign exchange rate until May 2012, when it was allowed to freely float, is considered one of the main macroeconomic policies negatively affecting agricultural sector. This is because not only do exchange rates affect the cost of imported agricultural commodities and inputs but also the revenue gained from exports. Officially, the exchange rate has been floating freely since 1994, but in 2008, the government tightened the control, moving almost to a fixed rate regime. In May 2012, the Government of Malawi liberalized the foreign exchange regime, resulting in an immediate 49 percent devaluation of the currency, [17] which continued to depreciate into 2013.[18] Other reform measures included: freeing up the exchange rates determined by foreign exchange bureaus; cancellation of requirements for prior approval and pre-vetting of all imports in excess of US$ 50 000; and the reversal of surrender requirements on tobacco dollars.

3. Emerging issues and challenges

Persistent food insecurity despite national agricultural budget increases

Following the Maputo and Malabo declarations, many policies and strategies formulated by the Government of Malawi were based on the CAADP Framework.[19] The agricultural sector has seen a large increase in public agricultural spending in recent years, with more than 10 percent of the national budget allocated to agriculture (above the Maputo target) and an increase of spending by 21 percent in 2013.[20] And yet, even with this investment, various food security and nutrition policies have failed to rid Malawi of chronic food insecurity and malnutrition as stated in the selected indicators above. Inefficient resource allocation and recurrent changes in economic performance have impeded income and poverty improvements in the country.[21]

Redistribution of resources in the agricultural sector

The current policy landscape across the agricultural subsectors is quite fragmented; limited budget resources are devoted under the ASWAp to crucial areas such as private sector development, capacity building, value chain development, climate change, soil degradation and financing. Also, crop diversification is one of the main goals of the MGDS II and is also a component of the ASWAp. However, the majority of resources are allocated to maize producers through FISP. This concentration of resources on one commodity and a single policy comes at the expense of the development of other sectors as well as more sustainable support to maize.

Revisit FISP and social cash transfer programmes

National agricultural policy is currently focused on the input subsidy programme which has contributed to significant growth in maize production.[22] Along with the social cash transfer programme, FISP is intended to target the poorest households, aiming at lifting beneficiaries out of poverty and improving their food security. So far the results of these programmes have not yet been reflected by improvement in the quality of life of the Malawian people. The government could revisit these two major programmes and look into the possibility of a twin-track strategy for food security by combining social support for the most vulnerable people and productive support for poor farmers, ensuing that support reaches the intended beneficiaries by designing appropriate targeting criteria and selection mechanisms. Furthermore, there is a need to focus on strengthening livelihoods of smallholders by improving access to risk management tools and increase production in environmentally and financially sustainable manner.

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A Social Cash Transfer programme beneficiary is receiving the monthly cash transfer in Mchinji District of Malawi.

17 Lilongwe University of Agriculture and National Resources & African Climate Policy Center- UN Economic Commission for Africa. 2013. Assessment of agriculture sector policies and climatw change in Malawi- The nexus between climate change related policies, research and practice.

18 In 2011 the rate was MWK 166, in 2012 the currency value decreased to MWK 250 and in March 2013 from MWK 250 to MWK 425.

19 CAADP Post Compact Review. 2010. Malawi- Country Technical Review Report. Lilongwe

20 NEPAD.2014. Malawi joint sector review assessment: advancing matual accountability through comprehensive, inclusive, and technically robust review and dialogue.

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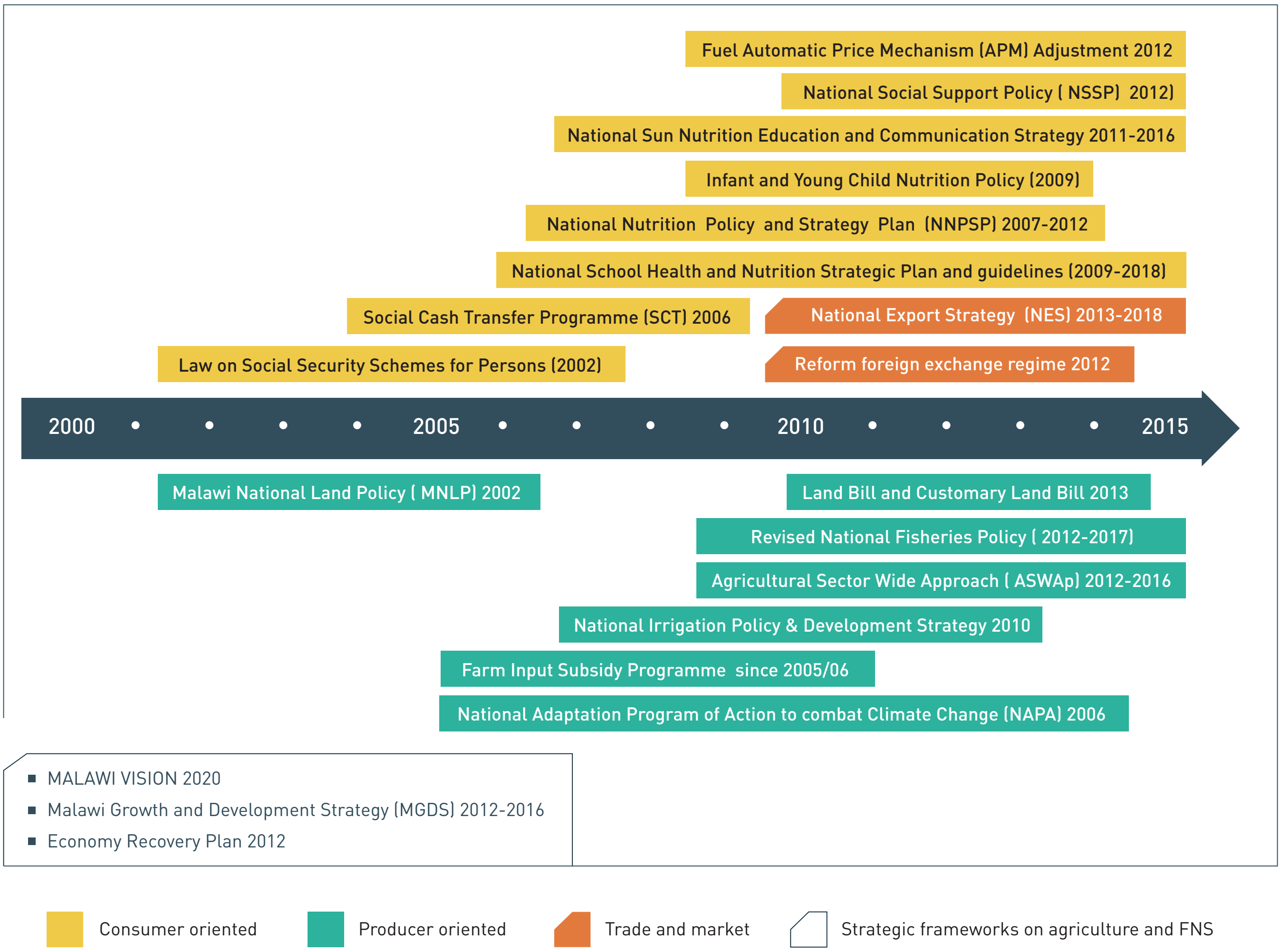
22 CAADP Post Compact Review. 2010. Malawi- Country Technical Review Report. Lilongwe

ANNEX: MALAWI AGRICULTURE-RELATED NATIONAL DEVELOPMENT STRATEGIES FROM 2007 THROUGH 2014



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