Staple food prices in Malawi

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Main staples

- Maize is dominant staple, accounting for 54% of caloric intake
- Cassava and sweet potato/potato follow with 7-8% each
- Wheat and rice negligible at national level, but important in urban areas

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Quantity consumed (kg/person/year)</th>
<th>Daily caloric intake (kcal/person/day)</th>
<th>Share of caloric intake (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize</td>
<td>133</td>
<td>1154</td>
<td>54%</td>
</tr>
<tr>
<td>Cassava</td>
<td>89</td>
<td>161</td>
<td>7%</td>
</tr>
<tr>
<td>Potato*</td>
<td>88</td>
<td>163</td>
<td>8%</td>
</tr>
<tr>
<td>Others</td>
<td>647</td>
<td></td>
<td>31%</td>
</tr>
<tr>
<td>Total</td>
<td>2125</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: FAO, 2009a
* FAO data combine potato and sweet potato.
Importance of trade

- Maize imports and exports are modest
  - Traditionally, maize imported from Mozambique when harvest poor
  - In recent years, some maize exports to Zimbabwe & Kenya
- Cassava and potatoes are essentially non-tradable

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Production (1000 tonnes)</th>
<th>Imports (1000 tonnes)</th>
<th>Exports (1000 tonnes)</th>
<th>Imports as a percentage of apparent consumption</th>
<th>Exports as a percentage of production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize</td>
<td>2,354</td>
<td>63</td>
<td>131</td>
<td>2.8%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Cassava</td>
<td>2,756</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Potatoes*</td>
<td>2,218</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Source: FAO, 2009b
Note: The data used are average of 2005, 2006 and 2007
Apparent consumption refers production plus imports minus exports.
* FAO data for “potatoes” probably refer to sweet potatoes.

Importance of trade – Domestic flows of maize

- Maize surpluses in center
- Flows to densely populated south and cassava growing north
- Inflows from Mozambique and Tanzania if poor harvest
- Recent exports due to good harvests
Importance of trade – Domestic flows of cassava

- Cassava surpluses on northern lake shore
- Flows to other parts of Malawi
- Less domestic and cross-border trade in cassava than maize

Price trends – Maize trends

- Maize prices follow common patterns
- Spikes every 2-3 years due to poor harvest
- But price rises far above US and SAFEX maize prices
- Suggests inefficient import markets
- Meyers analysis shows domestic markets relative efficient and quick to respond
Price trends – Average monthly maize price

- Large seasonality with low point in June-July with harvest
- US and SAFEX prices not seasonal
- Lowest prices in Chitipa (north) and Lilongwe (center)
- Highest prices in Nkhata Bay (cassava zone) and Lunzu (south)

![Graph showing maize price trends by month](image)

Food policy

- Trade policy for food (maize)
  - Export bans whenever domestic prices rise
  - No import bans, but government participation in maize imports often scares off private sector imports
- Role of ADMARC
  - Buys and sells maize through network of depots
  - Now manages food stocks for National Food Reserve Agency
  - Exports and imports maize on behalf of government
  - Sales as a share of production declined until food crisis
- Fertilizer subsidies
  - Numerous changes in fertilizer subsidy program over decades
  - Recently large-scale subsidies under AISP credited with boosting maize production
Food policy

- Maize price spike in 2001-02
  - Food reserves stocks drawn down (sales) initially, depressing price
  - Poor rains led to low production in 2001
  - Government sold subsidized imported maize, preventing private imports
  - When ADMARC stocks ran out, price surged

- Maize price spike of 2003-04
  - Production in 2004-2005 below normal,
    - Poor rains
    - Fertilizer program announced but implementation delayed
  - But maize imports prevented prices from rising too much

- Maize price spike of 2007-08
  - Large estimated harvest in 2006-07 led to plan to export 450 th tons
  - Only able to export 280 th tons and price bid up in late 2007
  - Another large estimated harvest in 2007-08, export plans but not possible
  - Government bans private trade, then softens to impose price ceiling

Summary

- Maize prices in Malawi volatile for several reasons
  - Uni-modal rainfall so one harvest per year
  - Landlocked so large spread between import parity and export parity
  - Maize dominates diet, many consumers resist cassava

- Active intervention by government
  - ADMARC & National Food Reserve Agency
  - Maize export bans
  - Fertilizer subsidy programs

- Debate about role of government intervention and price stability
  - Some argue that instability shows that private sector cannot be trusted with maize trade
  - Others argue that unpredictable intervention by government in maize trade has squeezed out private sector, exacerbating volatility of prices
  - Chapoto and Jayne show that maize prices in Malawi are more volatile than in countries with less intervention such as Mozambique and Uganda