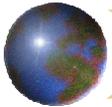


Staple food prices in Malawi

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under the Comesa-MSU-IFPRI African Agricultural Markets Project (AAMP)



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

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

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

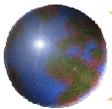
Commodity	Production (1000 tonnes)	Imports (1000 tonnes)	Exports (1000 tonnes)	Imports as a percentage of apparent consumption (percent)	Exports as a percentage of production (percent)
Maize	2,354	63	131	2.8%	5.6%
Cassava	2,756	0	0	0.0%	0.0%
Potatoes*	2,218	0	0	0.0%	0.0%

Source: FAO, 2009b

Note: The data used are average of 2005,2006 and 2007

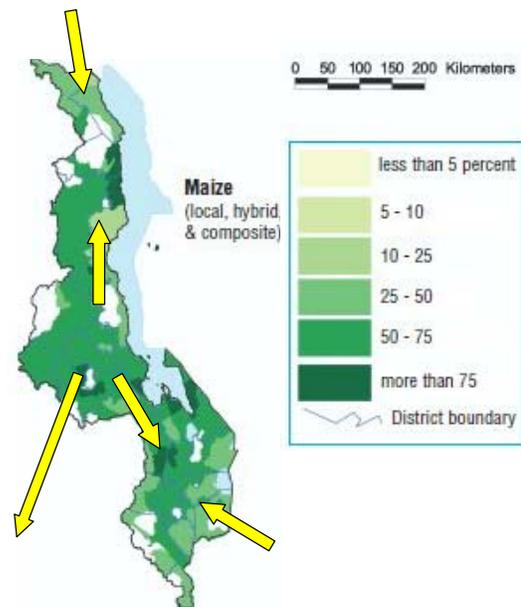
Apparent consumption refers production plus imports minus exports.

* FAO data for "potatoes" probably refer to sweet potatoes.



Importance of trade – Domestic flows of maize

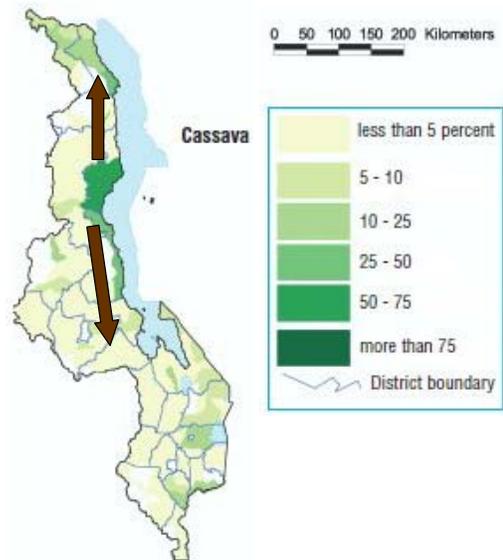
- Maize surpluses in center
- Flows to densely populated south and cassava growing north
- Inflows from Mozambique and Tanzania if poor harvest
- Recent exports due to good harvests





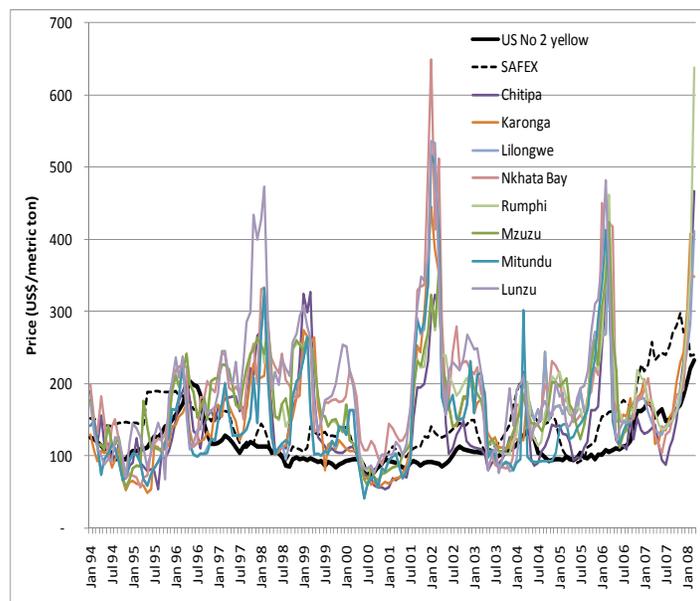
Importance of trade – Domestic flows of cassava

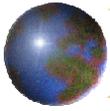
- Cassava surpluses on northern lake shore
- Flows to other parts of Malawi
- Less domestic and cross-border trade in cassava than maize



Price trends – Maize trends

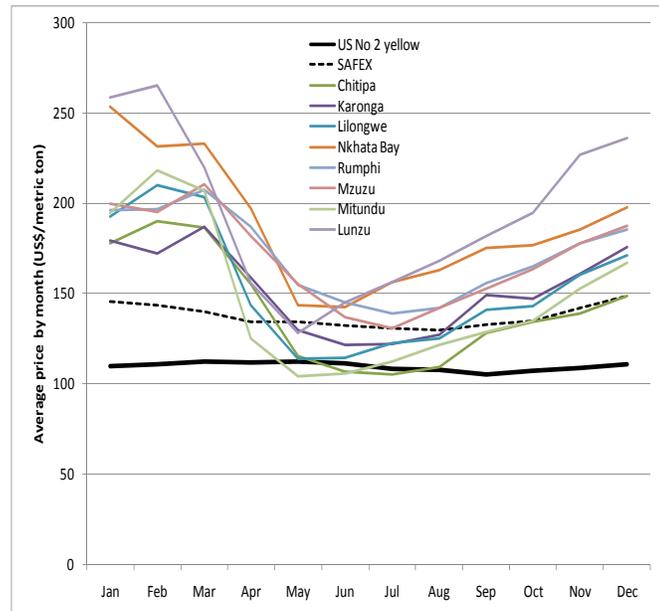
- Maize prices follow common patterns
- Spikes every 2-3 years due to poor harvest
- But price rises far above US and SAFEX maize prices
- Suggests inefficient import markets
- Meyers analysis shows domestic markets relative efficient and quick to respond





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)



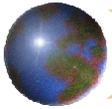
Food policy

- 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