WHAT ARE THE HOUSEHOLD-LEVEL IMPACTS OF MALAWI’S FARM INPUT SUBSIDY PROGRAM?

By

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Fertilizer Input Subsidy Program (FISP) symposium in Lilongwe, Malawi.
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Opinion poll.

What do you think is the main objective of FISP?

- A) Social protection – food security, poverty alleviation
- B) Increase maize production
- C) Both of the above.
- D) None of the above
Objectives of FISP in Malawi

- The official aim is to “increasing maize productivity”, “enhancing rural incomes”, and “promoting food security”.
What has been the impact at household level?
Impact on Maize production and prices

- Impact on yield.

- 1kg fert=1.82kg maize and 3.16kg if hh received in previous year. (Ricker-Gilbert, & Jayne 2011).

- Receipt of complete package (Maize + fertilizer coupons = 447kg/ha and 249kg/ha if received only fertilizer coupons (Chibwana et al. 2012).

- But price of maize has also increased.
Impact on food security

• Recent National Statistics Office (NSO) survey indicate that 33% (~1 million) of households experienced situations of food insecurity.

  – 42% of rural population being food insecure in 2010/11.

  – FEWSNET reported that 1.6 million people faced food insecurity risk in 2012/13.
Impact on Private sector and investments.

• Subsidies fertilizer is crowding out commercial fertilizer. 1kg sub fertilizer
  ➢ reduce 0.22kg of commercial fertilizer.
  ➢ Eg in 2010 Subsidy total sub fertilizer=160,000MT reduced commercial fertilizer by 32,000MT
  ➢ Recent 0.18kg 28,800MT. Ricker-Gilbert et al, 2011

• 1 kg subsidised maize seeds reduce maize seed purchase by 0.58kg (Mason and Ricker-Gilbert (2013))

• Very small crowding out of organic manure (Holden and Lunduka, 2012).
## Profitability of the FISP to Households

<table>
<thead>
<tr>
<th>Year</th>
<th>(A) Market price of maize (US$/kg)</th>
<th>(B) Market price of fertilizer (US$/kg)</th>
<th>(C) Subsidized price of fertilizer (US$/kg)</th>
<th>(D) B/C ratio (market price fertilizer) Maize</th>
<th>(E) B/C ratio (subsidized fertilizer price)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005/06</td>
<td>0.14</td>
<td>0.39</td>
<td>0.15</td>
<td>0.98</td>
<td>3.10</td>
</tr>
<tr>
<td>2006/07</td>
<td>0.15</td>
<td>0.49</td>
<td>0.13</td>
<td>0.85</td>
<td>3.81</td>
</tr>
<tr>
<td>2007/08</td>
<td>0.25</td>
<td>0.59</td>
<td>0.12</td>
<td>1.14</td>
<td>6.95</td>
</tr>
<tr>
<td>2008/09</td>
<td>0.28</td>
<td>1.25</td>
<td>0.07</td>
<td>0.60</td>
<td>13.39</td>
</tr>
</tbody>
</table>
Impact on Household economic well-being

• Over all poverty incidence in Malawi fell from 52.4%-50.7% between 2003/04 and 2009/10. **BUT** ultra poor rose to 25%.

  – *Has FISP made substantive contribution towards poverty reduction?*

• Ricker-Gilbert and Jayne (2011) found:

  1) additional Kilogram of subsidised fertilizer boost crop income by US$1.16.

  2) No significant contribution to asset wealth.

• Chirwa (2010) found full package recipient had US$11.19 per-capita expenditure or 8.2% increase.
Why marginal impacts?

• A) Targeting the poor?
  – Targeting the poor with subsidized input coupons, as FISP aims to do, may in fact preclude increasing maize productivity if poor farmers are unable to use modern seed and fertilizer effectively, because they lack complementary resources of labour, land, and managerial skills.
Are current FISP objectives achievable?

<table>
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<tr>
<th>OBJECTIVES</th>
<th>FOOD SECURITY FOR THE POOR</th>
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<th>TARGET</th>
<th>OBJECTIVES</th>
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<tr>
<td>The poor and vulnerable households</td>
<td>Safety nets programmes</td>
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<td></td>
<td> Food for work</td>
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<td></td>
<td> Public works</td>
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<tr>
<td>Productive farmers</td>
<td>Input support</td>
</tr>
<tr>
<td></td>
<td>Subsidy programmes</td>
</tr>
<tr>
<td></td>
<td>Output support</td>
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<td></td>
<td>Improve market access</td>
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</table>
• **B) Poor management and administration of the program?**
  – Extra administrative cost could be better spent directly on subsidy inputs.
    • A general subsidy??
    • Raising farmers’ contribution

• **C) Low Maize-fertilizer response rates?**
  • Conditional fertilizer subsidy? ------ on land management practices.
  • Targeting farmer clubs? (productive farmers)

  – Additional programs aimed at assisting the poor e.g. safety nets, cash transfer.
THANK YOU!!

Link: Policy briefs I, II, III, IV on IFPRI website.