

## Maize storage: For food security or for profits?



WRITTEN BY CHARLES MPAKA

TUESDAY, 14 SEPTEMBER 2010

Traders that store their maize until the lean periods of the year in Malawi may be viewed as interested in profit-making but the practice plays an important role in ensuring food security in the country, a research has established.

“The harvest comes only once a year, but humans must eat continuously throughout the year. Hence, storage from the harvest till the months directly preceding the new harvest is necessary [for food security],” says a research report dated February 6, 2010.

The document, titled “Malawi’s Maize Marketing System”, is a product of a collaborative research of food security research experts from Malawi, Zambia and the United States of America.

The report was prepared under the Evaluation of the 2008/9 Agricultural Input Subsidy Programme in Malawi and was undertaken for the Ministry of Agriculture and Food Security. It was funded by Department for International Development (DFID).

According to the report, while seasonal price rises are sometimes taken as evidence of hoarding and profiteering, the development actually plays “a socially valuable function in ensuring food security.”

The report says storage involves costs in terms of fumigation, rent on storage facilities, interest charges on the inventory and on security guards. These expenses thus justify higher maize prices during lean periods, the research suggests.

“[Prices] must rise throughout the season to compensate people for storing the commodity at harvest,” it says.

Based on interviews with traders, the researchers learnt that traders spend from MK650 per tonne per month to K1,300 per tonne per month in storage costs.

The report says storage costs were relatively high in the urban areas of Lilongwe and Blantyre where rental costs were high.

However, the report indicates that only medium to large scale traders afford the costs of storage.

“Small traders are typically not in a position to store their own maize because this requires access to finance. Purchasing maize in bulk requires a loan, on which they must pay interest until they sell the maize and repay the loan. Hence, small traders tend to sell maize soon after they have bought it,” it says.

The study found that medium traders were able to store maize for longer periods in anticipation that the price would rise more so than storage expenses.

But the report says an important question to deal with is how the rate at which prices rise through the year compares to actual storage costs.

According to the report, national food security in Malawi relies on improving the performance of maize markets. But it highlights the difficulty of balancing between ensuring that maize is consistently available at



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tolerable prices to most poor people in Malawi with the need for surplus producing farmers to receive prices that are above production costs for them to be even more productive.

“These concerns give rise to the classic food price dilemma for policy makers in Malawi: how to keep prices low enough to ensure low income consumers’ access to food while keeping prices high enough to promote farm production incentives,” it says. These tensions cannot be avoided, underlines the report, but suggests they can be relieved through reducing food marketing margins.

Malawi News made several attempts on Wednesday to get the comment of Principal Secretary for Agriculture Andrew Daudi but his phone went unanswered. When he picked his phone on Thursday, he said he was in a meeting and cut the line. On its part, Civil Society Agriculture Network (Cisanet) agrees with the findings of the research.

According to Cisanet, in a liberalised economy like Malawi’s, government cannot control the markets. However, it can monitor it to ensure the pricing by the traders is not “excessive to the disadvantage of poor people,” says Cisanet National Coordinator Victor Mhoni.

Mhoni says the food security aspect shall always be a problem in Malawi as long as the Agricultural Development and Marketing Corporation (Admarc) remains an underperforming institution and due to general grain distribution bottlenecks from areas of high production to those of low production.

“On pricing, what I see is a key factor is that we do not have a coherent marketing framework to control the flow of grain and check private marketing of maize in the interest of poor people,” he says.

According to the study, ensuring that grain is consistently available at affordable prices is crucial for consumers’ food security.

The research was conducted by Julius Mangisoni, professor at the University of Malawi’s Bunda College of Agriculture, Nicholas Sitko, research fellow at the Food Security Research Project in Zambia, Ricker-Gilbert of the Michigan State University in the US and Thomas Jayne, a professor in International Development at the Michigan State University.

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