



MALAWI: Subsidising agriculture is not enough



Photo: IRIN

Malawi also needs to invest in irrigation

JOHANNESBURG, 5 February 2008 (IRIN) - Malawi is riding high on the success of its fertiliser subsidy programme and has become a regional exporter hoping to profit from booming food prices, but analysts are a bit more wary.

Globally food prices have shot up by nearly 75 percent within a decade and will continue to do so, according to the World Bank's annual Global Economic Prospects 2008.

"We are looking to expand our exports regionally, at least; the high food prices have come as an added incentive. It is a good opportunity for our farmers - we have to invest in agriculture," said Patrick Kabambe, permanent secretary in the Ministry of Agriculture.

Malawi's National Food Reserve Agency officially exported 286,589 tonnes of maize to Zimbabwe by the end of December 2007, according to the USAID-funded Famine Early Warning System Network (FEWS-NET). The World Food Programme also sent 32,363 tonnes of Malawian maize to Zimbabwe, bringing the total official exports from Malawi to 321,406 tonnes. The country also donated maize to drought-hit Lesotho and Swaziland.

World prices have risen sharply partly because of the "stepped-up" use of food crops for biofuels and partly because of other factors like rapid income growth in developing countries, high fertiliser prices, low stocks, and droughts, the World Bank said.

In 2007, the ministry of agriculture recorded a "big jump" in the number of farmers growing maize, said Kabambe. "We are still compiling the data."

According to the last situation report from the Food and Agriculture Organisation (FAO), cereal-based food staples like bread, pasta and tortillas became more expensive in countries across the world, as did milk and meat.

"Prices have been contained for now but continue to remain high at the beginning of 2008," said Abdolreza Abbassian, secretary of the FAO-Intergovernmental Group on Grain. "The price of wheat and soya-bean [in January 2008] was at the highest it has been in 30 years, while maize is trading at 10-year high prices."

Fears of a global "economic meltdown" and a positive crop forecast for the northern hemisphere have helped stabilise food prices in the past few weeks.

Malawi's agriculture has turned a corner since the drought in 2005, which left close to five million people in need of food aid. The government estimated the 2007 maize crop at 73 percent higher than the average for the past five years. The country requires around two million tonnes of maize annually to feed its population of over 12 million but harvested surplus of about 1.5 million tonnes.

The government attributed the high maize production to subsidised fertiliser, which was sold to farmers at 950 kwacha [about US\$6.50] per 50kg bag in 2007; in 2004 the price was around K4,000 [about \$27] per 50kg bag.

Each kilogram of fertiliser applied per hectare can produce a minimum yield of over 3kg of grain, according to the Zimbabwe-based African Centre for Fertiliser Development. Farmers in Africa usually apply 16kg/ha, while the desirable level is 100kg/ha. Fertilisers account for one-third of the worldwide increase in cereal production, and 50 percent of the increase in India's grain production, according to the FAO.

The UN agency has warned that unless the nearly 70 million smallholder families in sub-Saharan Africa apply fertilisers and start practising sustainable land and water management on their farms within the next decade, they "will seriously jeopardise their long-term food security, productivity and incomes, while environmental degradation will accelerate".

FAO recommended that average fertiliser application rates in sub-Saharan Africa increase up to 23kg/ha within the next decade to prevent loss of nutrients in the soil and resultant low productivity, but few farmers in Africa can afford them.

Subsidies at what cost?

Agricultural pundits tend to criticise input subsidies. "The problem is one of opportunity cost - what might have been achieved with the same resources had they been spent on something else?" asked Steve Wiggins, Research Fellow in Rural Policy & Governance at the UK-based Overseas Development Institute (ODI).

"The clearest candidate is agricultural research, where studies repeatedly show very high returns to additional spending; rural roads would be another candidate. Besides, he warned, "the political economy of subsidies is not so good either: once in place, they are the very devil to remove".

Subsidies tend to rise and India is often used to illustrate the pitfalls. "Spending on farm subsidies for electricity, irrigation and water [in India], having once been modest, now exceed the budget for primary education," Wiggins commented.

"India has a huge education deficit; it is staggering that more is spent on farm subsidies than primary schools. Most of the subsidies, by the way, go to the larger and better-off farmers." He said the lack of investment in rural infrastructure and research had slowed the farm economy in India, which was no longer generating new jobs.

Thom Jayne, who teaches agricultural economics at Michigan State University (MSU) in the US, pointed out that "Currently, the governments of Malawi and Zambia devote at least 60 percent of their agricultural budgets to input and crop marketing

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subsidies, leaving relatively little for the long-term investments that must be put in place for sustainable reductions in poverty and hunger."

Malawi plans to spend \$78 million in 2008 - up from \$51 million in 2007 - on seed and fertiliser subsidies for farmers, said James Breen, regional emergency agronomist at the FAO. The scheme was effective because it recognised that subsistence farmers have too little working capital, "but it costs", he added.

Why should Malawi not have the scheme? asked Mafa Chipeta, FAO representative at the African Union and the UN Economic Commission for Africa. "If the developed world can subsidise agriculture to the tune of millions for its farmers, who earn \$50,000 a year, why can't Africa offer subsidies to its farmers, who earn \$100 a year?"

Wiggins acknowledged that agricultural subsidies offered by governments in the developed world were a "wasteful embarrassment" but argued that rich countries could afford them.

Malawi's success has won plaudits from noted economists Jeffery Sachs and Glenn Denning of the Earth Institute at Columbia University in the US. "The impact has stunned the sceptics and the doomsayers; it seems that an African green revolution is possible after all," Sachs and Denning said in an article they wrote for the London-based Financial Times newspaper in 2007.

MSU's Jayne defended fertiliser subsidy sceptics, saying, "Their positions are usually based on sincere efforts to make scarce development resources provide the greatest achievable payoffs for smallholder farmers. Part of the reason for relatively low returns to fertiliser subsidy programmes, as commonly implemented, is that they displace or 'crowd out' commercial fertiliser sales."

He pointed out that "Recent evidence from Zambia and Malawi indicates that every additional ton of fertiliser distributed under their subsidy programme adds only 0.5 to 0.6 tons of fertiliser to farmers' fields. This is because subsidised fertiliser is often distributed to farmers who would otherwise have purchased fertiliser from commercial retailers [rather than to needy farmers]."

Subsidies often broke down during implementation, said Jayne. In Malawi's case, for example, the subsidy programme did not involve any private fertiliser retailers, which could impede future investment in establishing fertiliser outlets in remote smallholder areas.

"Only four firms received almost all of the contracts to import government fertiliser," he noted. Seventy percent of the subsidised fertiliser was delivered to government distribution points, which then sold the fertiliser to farmers at 25 percent of the full cost, making it very difficult for commercial retailers to sell their own fertiliser, since they had to import at full cost.

More importantly, in studies conducted during 2007 Jayne found that the Malawi programme failed to target needy farmers. "The logic of the programmes is that poor farmers cannot use fertiliser efficiently, and would not contribute to national maize self-sufficiency, hence the need to target more commercialised smallholder farmers."

He added, "Nevertheless, the poor benefited indirectly from the Malawi fertiliser programme because the abundant harvest brought maize prices down and the staple food cost them less".

Fertiliser is only one ingredient in a bumper harvest

Sachs and Denning admitted that Malawi would need more than subsidised farm inputs to escape from the trap of dependency. "Malawi needs to invest in water harvesting and irrigation, diversified agriculture, village-based clinics, rural electrification, rural roads and other infrastructure critical for long-term growth."

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Land size also counts: a growing population and limited arable hectareage has hampered Malawi's ability to produce food. The country's inheritance patterns, which result in land being equally divided among siblings, has led to an average arable landholding of .23ha per capita, and even less in the southern region, according to a report commissioned by USAID in 2005, The Governance Dimensions of Food Security in Malawi.

"Land is far more inequitably distributed than income ... because much of the best land is occupied by agricultural estates," forcing most Malawians to rely on the market to procure maize, the report commented. "This places them at the mercy of highly volatile food prices, which tend to be low at harvest and higher during the growing or the 'hungry season' [December to March]."

Many small-scale farmers resorted to working for a pittance - about 29 US cents a day - as casual labour on the estates, which still kept maize beyond the reach of many.

"In Malawi, where land pressures are particularly severe, 70 percent of all smallholder households possess less than one hectare of land, and only nine percent of smallholders in a nationally representative survey [conducted in June 2007] sold maize in the past 12 months," Jayne said.

"While many farms in Asia were similarly very small at the time of their green revolutions, many of them enjoyed irrigation and the higher returns to fertiliser that could be achieved with water control, and more than one cropping season," he added.

"These factors substantially improved Asian land productivity, and partially relieved the severity of the land constraint among small farms. By contrast, the vast majority of African farms are dependent on rain and one crop season per year."

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