Malawi's Maize Marketing System: A Rapid Appraisal Study

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Perceived Problems of Maize Marketing in Malawi

- Frequent shortages and stock-outs, leading to huge price spikes and hunger.
- Farmers lack access to markets
- Exploitation of farmers by traders
- Price instability

Malawi has relatively high level of price instability

	Market	Coefficient of variation
Malawi	Lilongwe	0.48
	Karonga	0.46
Zambia	Lusaka	0.40
	Kasama	0.36
Kenya	Nairobi	0.24
	Kitali	0.33
Mozambique	Maputo	0.24
	Nampula	0.43
Mali	Koutiala	0.33
	Mpessoba	0.35

Objectives

1. To describe the structure of Malawi's maize marketing system:
   - Identify the various marketing channels
   - estimate trade volumes
   - assess degree of competitiveness in each channel
2. To report perceptions and concerns of farmers and traders about how these markets work
3. To estimate farmers' and traders' maize storage losses

….to provide a foundation for future discussions about maize marketing policy

Data and Methods

- Focus group discussions with farmers
- Interviews of traders, ADMARC, processors
  - October 2008
  - Blantyre, Mulanje, Lilongwe, Dowa and Mchinji Districts
  - Sites stratified by degree of isolation from ADMARC (accessible – medium – isolated)
  - Total of 18 areas in 5 districts

Data and Methods (2)

- Blantyre:
  - Chilipa Extension Planning Area (EPA), Chanika, Lunzu, Kunthembwe and Kanjedza trading centers.
- Mulanje:
  - Makokola EPA, Mulanje Boma, Chitakale Trading Center, and Chisinkha EPA
- Lilongwe:
  - Nathenje/Kamphata, Kawale, Chinsapo, Area 49, and Chigwirizano markets
- Dowa District:
  - Madisi and Bowe EPAs
- Mchinji:
  - Chiwosya EPA and Mchinji Boma
- Plus interviews of traders and processors in Lilongwe and Blantyre cities

Data and Methods (3)

- Nationally representative household surveys
  - IHS-2 (2002/03 and 2003/04 seasons)
  - AISS (2006/07 season)
  - 2,591 households consistently interviewed across both surveys

9 Main Findings

Finding 1:

Most smallholder farmers do not sell maize – they are buyers

Smallholder households' maize marketing status

2007/08 marketing season	% of total sample (n=2,591)	Value of household assets, 2007
		Kwacha /hh
Sold maize/did not buy	7.1%	76,839
Bought maize and/or maize meal/did not sell	56.4%	30,058
Bought and sold – net seller	3.1%	85,134
Bought and sold – net buyer	4.1%	21,893
Neither bought nor sold – autarkic	29.3%	48,290
	100%	

Finding 2:

Most of the marketed maize supply in Malawi comes from a small % of farms

Characteristics of smallholder farmers, Malawi, 2003/04

	N=	Farm size (ha)	Asset values ('000 MK)	Gr. Rev., maize sales (kgs per hh)	Total hh income ('000 MK)
Top 50% of maize sales	1.2%	4.0	215	3,682	169
Rest of maize sellers	17.1%	1.6	28	231	81
Households not selling maize	81.7%	1.3	24	0	51

Finding 3:

Marketed quantities are a small proportion of production

Estimate of maize marketed in Malawi

Production year	Maize harvest (tons)	Proportion of harvest sold by farmers (%)	Estimated qty of maize marketed from domestic production (tons)
2002/03	1,758,688	15.7	276,114
2003/04	1,733,125	13.8	239,171
2006/07	3,400,000	13.6	462,200

Finding 4:

The greatest demand for marketed maize is in rural areas

- 88% of population resides in rural areas
- 60-70% of rural households buy maize
- many urban households grow their own maize

Finding 5:

Malawi is generally a maize-importer, relying heavily on informal imports to ensure food security

Informal maize imports

	Tanzania	Zambia	Mozambique	Total
	---------------------- metric tons ---------------------			
2004/05	2,656	2,157	71,229	76,206
2005/06	84,862	419	71,218	165,451
2006/07	1,888	378	77,394	79,525
2007/08	1,886	1,779	56,078	60,466
2008/09				49,723

Malawi marketed maize balance:

National maize quantities	Poor harvest	Average harvest	Good harvest
Supply including informal imports (tons):*	316,000	427,500	594,000
Maize purchased (tons):	628,200 – 638,275	425,690 – 433,440	263,650 – 269,850
National maize surplus (deficit)	(312,200) - (322,275)	(5,940) - 1,810	324,150 – 330,350

* Supplies include informal imports

Finding 6:

Most farmer maize sales are to private traders

Proportion of maize sold by farmers to different categories of traders

Area	Category of buyer:				
	ADMARC (%)		*Farmer to household buyer (%)*	*Small Traders (%)*	*Medium/Large Traders (%)*
Blantyre	14.4		38.1	46.5	0.0
Mulanje	0.0		19.9	34.7	45.4
Lilongwe	16.6		16.7	41.7	25.0
Dowa	5.0		0.9	1.0	88.1
Mchinji	4.0		7.0	21.6	67.4
OVERALL	8.0		16.5	29.1	45.2

Finding 7:

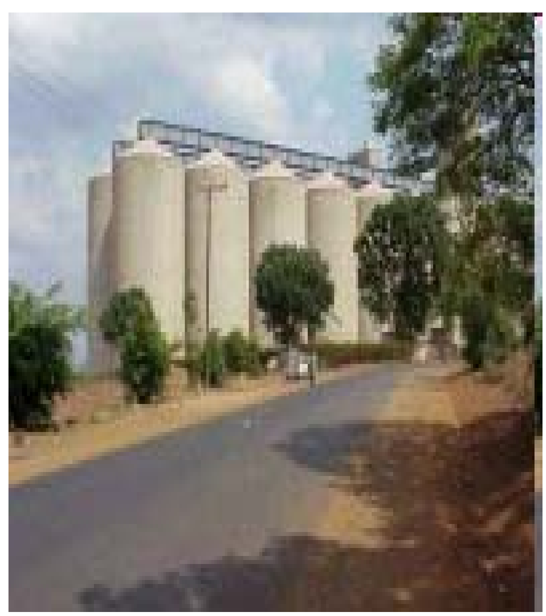
Farmers not especially happy with either traders or ADMARC but tend to prefer selling to traders

Farmer's Perceptions of Private Maize Traders

- Positive Perceptions:
  - Offer better prices than ADMARC
  - Begin buying early
  - They buy in isolated places
  - In every village site surveyed, farmers stated that many traders operated in their village
  - always pay cash
- Negative Perceptions:
  - Maize sold to traders leaves the region
  - Traders export maize ("unpatriotic")
  - Some cheat with scales

Farmer's Perceptions of ADMARC:

- Ideas of ADMARC:
  - Exists to help farmers
  - Stabilizes prices
  - Will ensure that maize does not become too expensive.
- Experience with ADMARC
  - ADMARC employees cheat farmers and consumers
  - Scales are not reliable
  - Often out of cash to buy maize
  - Long lines
  - Offer low prices
  - start buying too late in season



Farmers complaints about marketing system

- No "Floor Price" immediately after harvest.
- ADMARC is not a positive force in the market:
  - It is not thought to be more trustworthy than traders
  - Does not buy maize in the more isolated places
- High degree of risk associated with holding maize to sell later in the season
- 2008 maize ban particularly has hurt farmers storing grain for sale later in season

Finding 8:

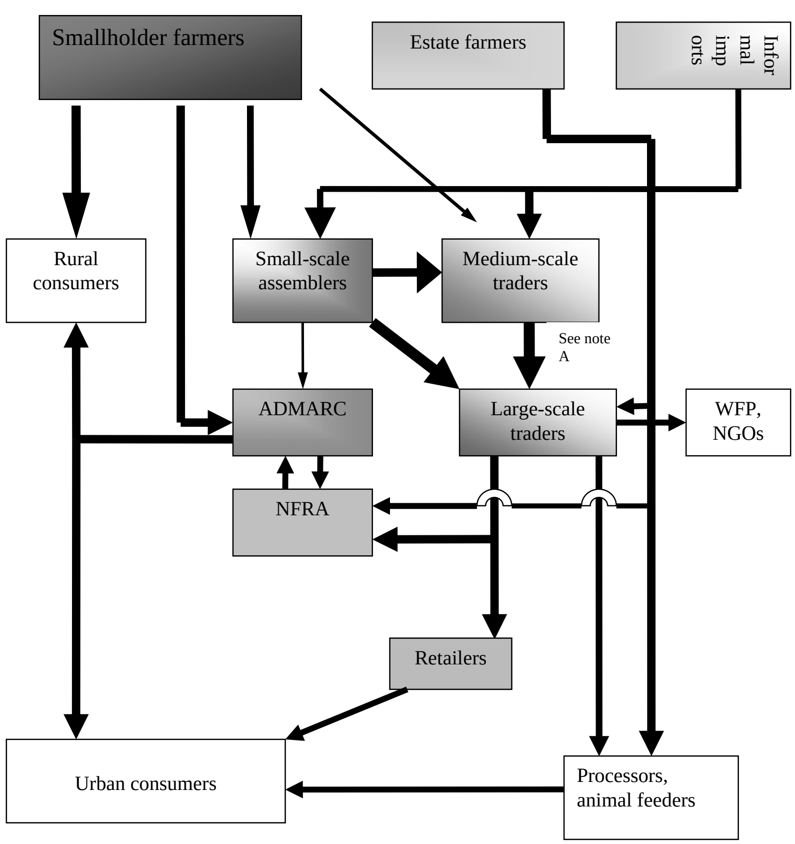
Farmers and traders both indicate that number of small-scale traders has increased in past 5-10 years

Increased number of private assemblers serving farmers

- 1 to 5 scale:

(1=declined; 3=the same; 5=increased)

- Change in number of:
  - Small-scale traders: 4.8
  - Medium-scale traders: 3.2
  - Large-scale traders: 2.7



Finding 9:

•Storage losses appear to be around 12-14%

-estimated from samples collected in the target districts.
-Collected samples were analyzed at Bunda College Seed Technology Laboratory.

Storage losses
(weight loss after 6 months)

District	Farmer Level (%)	Trader level (%)
Blantyre	12.20	21.67
Mulanje	19.34	14.88
Dowa	8.66	9.67
Mchinji	14.53	12.16
Average	13.68	14.60
Overall average		**14.14**

Conclusions:

1. Farmers do not support the common perception that market liberalization has failed:
   - Most farmers prefer to sell to private traders over ADMARC
   - Increased investment in small-scale assembly over past 5-10 years
   - Govt has made new investments in rural roads
   - Number of traders serving their villages "too many to count" - few farmers interviewed felt they were cut off from markets
   - Farmers often complain about both traders and ADMARC
   - Marketing costs are high, but generally competitive

Conclusions:

2. Most smallholder households are buyers of maize, not sellers
3. Shortages in markets and stock-outs at ADMARC markets, leading to huge price surges, are perhaps the greatest problem about maize markets in Malawi
   - Hence, major issue is how to ensure adequate buffer stocks in cost-effective way
   - Demand for grain greatest in rural areas (not urban)
4. Malawi is dependent on informal imports (having imported consistently in the last 5 years)
   - While import bans don't stop informal trade, they increase costs of trade, which are passed on to consumers

Potential Recommendations

1. *Create forum for regular consultation and coordination between private and public sectors*
   – need timely information on price movements, stock levels, and trade flows to serve as the basis for regular discussion between public and private sector stakeholders.
   – Accurate information plus frequent communication can mitigate the chances of a food crisis.
2. *Invest in an improved crop production forecasting system to serve as a foundation for improved consultation and coordination between the public and private sectors.*

Potential Recommendations (2)

3. *Mechanisms to flexibly scale-up buffer stocks*
   - REPO contract
   - Call option on SAFEX
   - Don’t inhibit informal imports (e.g., import ban, duties)
4. *Operate under transparent rules governing when/how government enters the markets*
   – Clear rules for:
     - buying price
     - selling price
     - when
     - sell to whom
     - budget available

Potential Recommendations (3)

5. *Eliminate maize trade barriers with neighboring countries:*
    - *export bans,*
    - *import tariffs,*
    - *licensing requirements*

Thank you

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