

# MALAWI'S FOOD CRISIS OF 2001/02

## IMPLICATIONS FOR FOOD SECURITY POLICY<sup>1</sup>

Malawi's food crisis during 2001/02 raises a number of fundamental questions about national food security policy. Most fundamentally: what institutions and policies are required to achieve the food security goal of adequate food at affordable prices to all Malawians at all times? This briefing note raises three of these issues – access to agricultural inputs, management of the Strategic Grain Reserve, and public interventions in agricultural marketing – and proposes measures to address them. This note concludes by identifying two research priorities to inform policy formulation.

### **Access to Agricultural Inputs**

It is generally accepted that constrained access to agricultural inputs is a major cause of chronic food insecurity and rising vulnerability in rural Malawi. It costs much more for landlocked Malawi to import food than to grow it, and recent experience shows that delayed food imports can cost lives.

Given rural population pressure and the unreliability of farming, it is clear that, in the longer term, farmers must be encouraged to diversify away from maize toward cassava and other drought- and flood-tolerant alternatives, or even out of agriculture if and when livelihood opportunities emerge. In the short- to medium-term, however, farmers must be supported in their efforts to produce more food. Structural adjustment policies that undermined smallholder farmers' access to agricultural inputs – the Fertiliser Subsidy Removal Programme, the collapse of the Smallholder Agricultural Credit Association, the scaling down and partial commercialisation of ADMARC operations – have undermined the ability of Malawians to make a viable living out of farming, without offering any alternative sources of livelihood. In fact, rising rural poverty has reduced the availability of off-farm employment and the effectiveness of informal systems for accessing credit, seeds and labour.

The Starter Pack and Targeted Inputs Programme undoubtedly contributed to enhanced national and household food security in Malawi in recent years, though we do not know whether application of these inputs buffered smallholder food production against drought and floods in 2001 and 2002. The 'winter TIP' will also reduce the size of the food gap later this year, by up to 85,000 MT. On the other hand, farmers have no control or choice over this source of access to inputs. The programme is negotiated among the donors and with the Government of Malawi each year, its coverage and targeting criteria vary from one year to the next, distribution is often late and sometimes politicised, and the size of the package is small and fixed. Although there is considerable political support for a universal Starter Pack in the coming agricultural season, in the medium term it is doubtful that the Starter Pack or even the Targeted Inputs Programme is either fiscally or politically sustainable.

Ideally, mechanisms should be found to restore smallholders' access to inputs in Malawi, in such a way that farmers can choose for themselves which inputs to acquire, how much, and when. But exactly how can poor farmers get guaranteed access to agricultural inputs at affordable prices? One option is extending access to credit, through supporting commercial credit providers such as Malawi Rural Finance Corporation, revolving credit schemes (the Sasakawa Global 2000 model), or recreating farmers' clubs along the lines of the Smallholder Agricultural Credit Association.

The danger with any general subsidy is that it will benefit the wealthy more than the poor. A valid criticism of fertiliser subsidies in the 1980s is that they mostly 'leaked' from smallholders to estates. Another possibility, therefore, is for input subsidies to be self-targeted on the poor, through inputs-for-work projects. Fertiliser and seed accessed through this channel would be directly proportional to (voluntary) employment on these projects. To reach the majority of poor households, this policy would need to be complemented by a programme targeted at the labour-constrained poor, such as people with disabilities, the chronically ill, and orphans. Recent experience has shown that rural communities are more willing to identify the 'visibly needy' as beneficiaries of resource transfers

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<sup>1</sup> Work in progress by Stephen Devereux and funded by Action Aid.

than the 'marginally poor'. If communities provide lists of labour-constrained families, these households would be eligible for free distribution of inputs packages – which they could sell if they are unable to farm – or they might receive other benefits instead, such as food or cash.

## **Strategic Grain Reserve Management**

The mismanagement of Malawi's Strategic Grain Reserve in 2001 was a major contributory factor to the food crisis of 2002, and this issue must be urgently addressed. Some necessary steps have already been taken: the National Food Reserve Agency (NFRA) will be regularly audited, the SGR will be managed transparently, and SGR grain will be held separately from ADMARC stocks. Apart from these management questions, a number of technical and policy questions remain unresolved, including the optimum stocking level, how to intervene in the market without undermining producer and trader incentives, and how to capitalise the NFRA so that its vital food security mandate is adequately financed. Clearly, the NFRA cannot run the SGR as a cost-recovery operation.

What is the appropriate level of the SGR to meet national food security objectives at reasonable cost? This must be negotiated and agreed between the Government of Malawi and its donor partners. Early in 2001 the IMF advised the Government of Malawi to reduce the SGR from its full capacity level of almost 180,000 MT down to 60,000 MT, arguing that 180,000 MT was both unnecessarily high and unsustainably expensive. The IMF argued that three months of grain, at a draw-down rate of 20,000 MT per month, should provide enough lead time to import extra grain in an emergency. Understandably, last year's failed maize import programme has left government officials and others less than convinced by this argument. Some argue that the capacity of the SGR should be maintained at 180,000 MT, or even increased to 250,000 MT.

While the donors' concerns about the high cost and relative inefficiency of maintaining a large Strategic Grain Reserve are valid up to a point, Malawi is surely a special case. Being landlocked and extremely poor, Malawi faces both supply and demand constraints in terms of accessing food at short notice from beyond its borders. As a relatively small country in the sub-region, Malawi will be acutely exposed – as it was last year – whenever a regional food shortage occurs, since its larger neighbours (Mozambique, Zambia, Zimbabwe) have first call on food imports by virtue of their greater size, purchasing power and connectedness to South Africa and overseas markets.

Bearing all these factors in mind, it is recommended that the following strategy be considered for managing the Strategic Grain Reserve in future.

- The size of the SGR should be maintained in the range 60,000 Mt to 120,000 MT.
- In the first year, 120,000 MT should be purchased after the harvest, 60,000 MT of which will be sold out in the dry season six months later. In subsequent years, 60,000 MT will be purchased each year and 60,000 MT will be disbursed each year.
- The reserve should be split into two silos and managed independently on an 18-month cycle. Grain purchased after one harvest will be retained for 18 months before being recycled. In other words, in one year Reserve A buys 60,000 MT then Reserve B sells 60,000 MT, in the following year Reserve B buys 60,000 MT then Reserve A sells 60,000 MT, and so on.
- The reason for holding a minimum stock of 60,000 MT at all times is that this provides a buffer against unusually bad years, when importing food at short notice might prove problematic, as in 2001. The 18-month cycle also provides flexibility for replenishing one or other silo through imports, if local surpluses are not available for purchase in any given year.
- Although the size of this SGR is probably too small to stabilise food prices counter-seasonally, its sales might be targeted on poor and vulnerable groups, to maximise food security impacts, or the grain could be disbursed as food aid, through vouchers and/or food-for-work projects.

**Table 1. Proposed management cycle for Malawi's Strategic Grain Reserve**

SGR	Year 1		Year 2		Year 3	
	Harvest	Dry Season	Harvest	Dry Season	Harvest	Dry Season
Reserve A	Buy 60,000 MT	Sell 60,000 MT	Buy 60,000 MT	No sales	No purchase	Sell 60,000 MT
Reserve B	Buy 60,000 MT	No sales	No purchase	Sell 60,000 MT	Buy 60,000 MT	No sales
<b>Total Reserve</b>	<b>120,000 MT</b>	<b>60,000 MT</b>	<b>120,000 MT</b>	<b>60,000 MT</b>	<b>120,000 MT</b>	<b>60,000 MT</b>

## Agricultural Marketing Interventions

Some of the roots of Malawi's vulnerability to moderate production shocks like those of 2001 lie in the nature and implementation of the structural adjustment reforms that were introduced during the 1980s and 1990s. Particularly damaging to the poor were policy reforms that removed several pillars of support to household food security, such as subsidised agricultural inputs and credit, access to input and output markets, and pricing policies and market interventions that protected consumers against price variability. It is now clear that Malawi is trapped in a highly vulnerable 'transition' phase, between parastatal regulation of agriculture, and full privatisation of food security functions that were previously perceived as the responsibility of the state. The anticipated benefits of agricultural liberalisation, including the emergence of an efficient and competitive private sector, have not yet materialised. Moreover, given Malawi's extreme poverty, weak transport infrastructure and thin network of traders, it is highly unlikely that the private sector can effectively replace the public institutions that have been undermined or dismantled in the pursuit of liberalisation, at least in the foreseeable future. This reality poses a difficult set of food security policy choices in Malawi.

1. How should public agencies like ADMARC negotiate their future relationship with the private sector – by scaling up, closing down, or fully commercialising?
2. Should public agencies like the NFRA intervene in the market – for example, to stabilise prices counter-seasonally – or should their interventions be restricted to managing emergencies?
3. What support does the private sector need to perform more efficiently, so that household food security – and the lives of poor Malawians – are not compromised in future bad years?

Opinion among policymakers in Malawi is divided on these issues. Some donors argue that the timetable for full commercialisation of ADMARC by the end of 2002 should continue regardless of the recent food crisis, and that government should withdraw from agricultural and food marketing altogether. Conversely, government and NGOs argue that ADMARC's 'social market' function – supplying food to isolated areas at affordable prices – is vital and should be retained, even if this requires subsidy. The food crisis has shown that well-managed and timely public interventions are essential to ensure the provision of adequate food supplies at affordable prices for poor Malawians who are market-dependent for a high proportion of their food needs. These interventions include:

- maintaining a SGR large enough to bridge food production deficits until imports arrive;
- importing food when domestic production plus commercial imports are inadequate;
- establishing temporary 'social markets' in poor and vulnerable communities;
- either subsidising staple food or intervening in the market to smooth price fluctuations.

It is recommended that the achievement of food security in Malawi should be placed under the management of a publicly constituted agency, which would have a broader mandate than either the existing ADMARC or NFRA. This '**National Food Security Agency**' would be responsible for ensuring that adequate food is available at affordable prices for all Malawians at all times. Unlike ADMARC, however, this agency would be streamlined and focused on achieving a limited set of social objectives. For example, it would open temporary markets in the buying and selling seasons, rather than setting up permanent depots managed by full-time staff, and it should be scaled down as and when private actors emerge in the food marketing sector. Its activities would include:

- overseeing the management and functioning of the Strategic Grain Reserve;
- coordinating food import programmes and food aid appeals as needed;
- planning and monitoring the operation of 'social markets' in vulnerable communities.

The question of whether consumer subsidies should be reintroduced for staple food is contentious. It is extremely difficult to implement any subsidies in a liberalised economy with porous borders. The benefits of untargeted subsidies will inevitably be captured by local wealthy elites or people in neighbouring countries, but targeting resource transfers in Malawi has proved highly problematic. There are no robust proxies of need in Malawi's context of widespread poverty, and communities have strongly resisted selecting among themselves. Self-targeting options offer a possible solution – for instance, subsidising yellow maize or cassava – but further thinking is urgently needed.

## **Follow-up Research**

Malawi's food crisis has highlighted the need for accurate and credible information, including better estimation of roots and tubers production, in preventing future crises. Another important lesson is that information provided through 'informal' sources such as NGOs should be validated rather than dismissed: because they work at community-level, NGOs can act as useful early warning systems. Additionally, two pieces of applied research would provide useful information towards the design of a revised Food Security Policy and reduced vulnerability to future livelihood shocks in Malawi. The first requires fieldwork in communities affected by the food crisis, while the second is a desk study.

### ***Food Crisis Impact Survey***

Despite generating a great deal of coverage in the national and international media, little detailed information is available about impacts of the food crisis on affected populations. Most information comes from NGOs which conducted rapid assessments of 'coping strategies' in districts where they work, and community-based organisations such as church groups which collected lists of names of people who died. While providing valuable insights on the crisis, this is local-level data which cannot be easily aggregated, its reliability has been questioned by the government and international donors in Malawi, and it is generally descriptive rather than analytical.

It is recommended that a representative household survey be commissioned, to record the impact of this year's food crisis on the Malawi population, and thereby learn vital lessons for better crisis prediction, management and response in future. The urgency of this lesson-learning derives from the fact that the food crisis is ongoing: this year's harvest is worse than last year's, and many of the rural poor have already destituted themselves in trying to survive last year's livelihood shock. Investigating the coping capacity of the rural poor, soliciting their opinions on how best to protect their lives and rebuild their livelihoods through the difficult next few years, should be an imperative.

### ***Comparison of 2001/02 with 1991/92***

In February–April 2002, several hundred Malawians died of hunger-related causes – the first such recorded deaths since the Nyasaland famine of 1949, when an estimated 200 people died. Yet Malawi has suffered agricultural production shocks on several occasions since 1949, notably the Southern African drought of 1991/92, but with less dramatic consequences in terms of malnutrition, mortality, and social breakdown. The puzzling question that this raises is: why did a moderate food production shock in 2001 lead to the worst food crisis in Malawi's recorded history? Understanding the major differences between 2001/02 and 1991/92 should provide insights into appropriate policy interventions for future food crisis management and prevention. Possible factors to explore include:

*Liberalised agricultural policy environment:* In the early 1990s Malawi, like most of its neighbouring countries, maintained a complex (and costly and inefficient) set of institutions and policies that supported the production and marketing of food staples. Though costly and inefficient, and largely responsible for the white maize dependence that may be part of the problem Malawi faces today, institutions like ADMARC and policies like fertiliser subsidies and price stabilisation contributed to household food security. Ten years later, these policies and institutions have effectively gone, not only in Malawi but throughout the sub-region, which makes any thought of reintroducing these interventions highly problematic: subsidies in one country will inevitably be captured by local elites or neighbouring countries. Liberalisation of agricultural production and marketing removed many pillars of livelihood support to poor smallholder households, leaving them acutely vulnerable to livelihood shocks such as the harvest failure and subsequent import bottlenecks of late 2001.

*Deepening demographic and social vulnerability:* Since 1991, Malawi's population has grown very rapidly, putting enormous pressure on an already fragile and low-yielding natural resource base. At the same time, HIV/AIDS has spread through the population, selectively removing economically active adults from the workforce and creating tens of thousands of orphans, elderly- and child-headed households. Moreover, Malawi's transition to democracy in 1994 has been accompanied by rising crime and violence, and an apparent decline in the community spirit that previously supported vulnerable groups through times of stress. This trend is highlighted by the breakdown of the rule of law in affected communities during the recent food crisis.