



# **An Assessment of Policy Reforms for Enhancing Agricultural Productivity**

## **A Case of Malawi**

**By**

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## Presentation Outline

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## Background

- **Importance of the agriculture sector**
  - Key sector of the Malawian economy
  - Two main subsectors - the smallholder and estate subsector
  - Employs over 80% of the workforce
  - Contributes over 80% to foreign exchange earnings
  - Accounts for 39% of gross domestic product (GDP)
  - Supplies >65% of the manufacturing sector's raw materials
  - Provides an ≈64% of total income of the rural people
  - Is the major livelihood source for rural Malawians
  - Significantly contributes to national & household food security

## Objectives of the Paper

- **Main objective:-** To assess the policy reforms Malawi has undertaken to enhance agricultural productivity.
- **Specifically, the paper will;**
- Analyse the underlying causes of low agricultural productivity in Malawi
- Highlight major policies that implemented to address productivity constraints
- Provide some recommendations for increasing productivity

## Analytical Approach

- This is a Literature review based paper
- Literature sources – mainly Government publications, journals, and some Malawi country case evaluations

## Evolution of Agricultural Development Policies in Malawi

- **Early post independence policies:-** Significant government involvement in the smallholder agricultural sector in areas of production, extension, technology development and marketing of agricultural produce
- However, despite these unparalleled efforts, poverty remained widespread and severe
- **Subsequent post independence policies:-** Government oriented its policies towards poverty reduction
- Introduced a structural adjustment programs (SAPs) in 1979 with support from the World Bank and International Monetary Fund

# Evolution of Agricultural Development Policies in Malawi

- Under SAPs, first key reform - price decontrol, to allow market forces to drive resource allocation in production

Secondly was market liberalization to foster competition & ensure that smallholder farmers got good input and producer prices

- Other related reforms included repeal of the Special Crops Act; Seed, Chemical and Pesticides Act
- From mid 1980s, government gradually reviewed role from policy formulator and implementer to policy initiator and regulator

## Evolution of Agricultural Development Policies in Malawi

- However, lack of proper framework for concerted efforts by players in the sector compromised realization of envisaged benefits of this change
- In view of this, Ministry of Agriculture has recently harmonized implementation of its policies and strategies into the Agricultural Development Program (ADP)
- The ADP addresses all issues under the sector as enshrined in the Malawi Growth and Development Strategy, the Malawi Agricultural Sector Investment Program (MASIP) and various other Acts and Legislations

## Agricultural Growth Trends in Malawi

- Inconsistent performance of the agriculture sector since independence
- In early post independence years: estate sector grew at an average of 17% per annum & smallholder sector grew at 3%
- From 1970 - 2000, aggregate agricultural growth was 4.35% per annum
- Recent figures (2000 – 2005) indicate sector growth at an average of 2.16% per annum, indicating declining growth
- Between 2005 -2007, agricultural growth has accelerated to over 8% per annum, with agricultural GDP growth for the year 2007 standing at 9%
- Livestock production trends have also been declining in the past 8 years, a reflection of the lack of emphasis in agricultural strategies towards the sector
- The gradual decline of agricultural sector growth is mainly a result of low levels of productivity



# Underlying Causes of Low Agricultural Productivity in Malawi

## **1. Decline in Agricultural Sector Investments**

- SAPs led to the withdrawal of some public services in the sector due to reduction in budgetary allocation to the sector
  - *The situation has recently been reversed with the new government administration., with current agriculture funding at  $\approx 14\%$  of total government budget*

## **2. Inadequate Access to Agricultural Inputs**

- Widespread poverty constrains farmer access to productivity enhancing inputs such as fertilizer, pesticides, hybrid seeds and improved livestock breeds
- Furthermore, access to credit for buying inputs is limited due to lack of collateral amongst farmers, and the high risk nature of agricultural production

# Underlying Causes of Low Agricultural Productivity in Malawi

## 3. Inadequate Communication and Adoption of Technologies

- Challenge to match technologies being used to changes in the socio economic environment
- Research-extension linkage has been weak
- Level of smallholder uptake of improved technologies that enhances productivity is rather low
- National surveys have shown that in general, less than 50% of farmers use hybrid seed and less than 35% use fertilisers in the absence of any government intervention
- Another major reason for the low uptake - low purchasing power on the part of farmers, coupled with poor access to agricultural credit in Malawi has compounded the problem

# Underlying Causes of Low Agricultural Productivity in Malawi

## 4. Inadequate Access to Credit

- The formal financial sector prefers to lend to households with diversified asset portfolios
- Micro finance institutions are reluctant to loan smallholder farmers since they often lack collateral and because agricultural production is risky

## 5. Low Output Prices

- Farm gate prices for most crops are rather low in comparison with the levels of investment made by farmers in terms of farm inputs
- This has proved to be a disincentive to farmers, resulting into gradual decline in agricultural productivity as farmers reduce their level of investments in inputs

# Underlying Causes of Low Agricultural Productivity in Malawi

## 6. Land Degradation

- Land degraded heavily due to deforestation, overgrazing, bushfires, siltation of water courses and land fragmentation, leading to declining soil fertility and water pollution.
- Population pressure has led to land fragmentation which discourages long-term investment in land improvement technologies by farmers

## 7. Weak Intra and Inter Sectoral Linkages

- Management of natural resources not always been well coordinated, resulting into conflicting service delivery and wastage of the limited natural resources

## 8. Climate Change & Overdependence on Rain Fed Agriculture

- Unreliable rainfall, extended periods of dry spells and periodic flooding

## Policies Implemented to Address Low Productivity

- **Goal:** To increase agricultural productivity in all commodities and service areas. Policies implemented over the years:
  - **Input Policies**
  - **Free Input Programs:** Starter Pack from 1999 – around 2003/04 and Targeted Inputs Program from 2003/04
  - **Farm Input Subsidy Program** – Since 2004/05
    - Farmers provided with coupons to buy hybrid seed and fertiliser at subsidised prices
    - Country realised maize surplus productions since the start of the program
    - In 2006/07 - surplus production of  $\approx 1$  million metric tons
    - Exported to Zimbabwe, donated to Swaziland and Lesotho

## **Policies Implemented to Address Low Productivity**

- In 2007/08 another maize surplus of about 200,000 metric tons though production went down by 14.4%
- Program's success is widely recognised far and wide
- Malawi has for the first time in many years been able to attain food security and produce sufficient surplus maize to export to other countries
- Achievement has been attributed to good weather conditions and the effect of the FISP, which improved availability and uptake of inputs by farmers.

# Policies Implemented to Address Low Productivity

## **2. Pricing Policies**

### **(i) Maize Pricing Policy**

- Implementation somewhat inconsistent over the years
- After liberalisation, the marketing and pricing of maize was left to forces of supply and demand
- Inadequate private trader competition in the sector drove prices up
- Government decided to intervene to protect producers and consumers
- Introduced a minimum buying producer price which was implemented intermittently with price bands
- Government reintroduced maize price band in 2008

# Policies Implemented to Address Low Productivity

## (ii) Cotton Pricing Policy

- Prior to market liberation, cotton enjoyed the same level of protection offered to cash crops such as tea and tobacco, and was mainly bought by ADMARC and processed through a government owned factory
- Post liberalisation era has seen the influx of private sector and at times formation of cartels which have suppressed farm gate prices.
- In view of this, government introduced a minimum/floor price for the buying of the crop based on the gross margin analysis principles



## **Policies Implemented to Address Low Productivity**

### **(iii) Tobacco Pricing Policy**

- Post liberalisation era, intermediate buyers introduced to increase competition in the tobacco marketing
  - Allowed farmers to choose whether to sell through auction floors or intermediate buyers
  - However, some malpractices arose due to this system, which compromised tobacco quality and inevitably depressing the tobacco prices offered
  - In addition, various levies and taxes charged through tobacco auction system reduced revenues going to farmers
  - In view of this, intermediate buyer system was abolished and minimum buying price for tobacco introduced
  - Government has also legalised contract growing and marketing of tobacco
  - Policy has contributed to increasing quality and quantity of tobacco production

# Policies Implemented to Address Low Productivity

## **3. Sustainable Agricultural Land and Water Management**

- Malawi implementing several programs to ensure sustainable land & water management, in view of weather variability and climatic change
- Encouraging farmers to adopt sustainable land management practices that build soil fertility, prevent soil erosion and conserve rain water.
- These include organic matter recycling (e.g., mulching, manuring, composting); contour ridging; Vertiver hedge row planting; use of perennial legumes; minimum tillage, and agro forestry.
- Impact of these technologies is widely appreciated by farmers who recognise importance of such technologies for enhancing productivity

# Policies Implemented to Address Low Productivity

## 4. Livestock Development

- Livestock development policy advocates self-sufficiency in animal products for food & sale to effectively contribute to GDP, reduce poverty, create wealth and reduce dependence on imports. Some programs implemented in this regard include;
- Improving availability of high quality breeding stock
- Promotion of community based health care systems for livestock
- Promotion of stall feeding & low cost livestock feeds
- Establishment of improved abattoirs & slaughter slabs
- Enforcement of regulations against the slaughter of pregnant and breed able stock
- Disease control programmes, especially for trans boundary diseases
- Adoption of the pass on system for multiplying small stock in rural communities

# **Policies Implemented to Address Low Productivity**

## **5. Technology Generation and Dissemination**

- Ongoing efforts to strengthen research in agricultural production and utilization of available technologies in collaboration with extension services.
- Emphasis is on market and industry oriented research, whilst targeting the comparative advantages of each commodity and agro ecological zone
- Farmer led extension and training services are being promoted

# Policies Implemented to Address Low Productivity

## **6. Commercialising Smallholder Agriculture & Market Development**

- Promotion of Public/private partnerships that promote market development for inputs and outputs, such as the formation and development of product-specific farmer cooperatives and associations.
- In addition, the Agriculture Market Information System, run by MoAFS collects and processes data on commodity prices and volumes traded at various points throughout the country.
- Efforts are in place to further widespread dissemination of this information through the media, since there is clear evidence that if farmers with reliable information about prices, have better bargaining power, and this acts as an incentive for adoption of methods that enhance their productivity

# **Policies Implemented to Address Low Productivity**

## **7. Production Diversification**

- Farmers in Malawi have traditionally prioritised maize, the staple food over other food and cash crops
- In view of declining soil fertility, MoAFS is currently advocating the production of other food crops such as cassava, sweet potatoes, Irish potatoes, bananas; as well as cash crops such as groundnuts, soya beans, macadamia, paprika and others.

# The Role of International and Regional Cooperation in Enhancing Agricultural Productivity

- Malawi is a member to a number of regional and international economic groupings
- These include Southern Africa Development Community (SADC) and the Common Market for Eastern and Central Africa (COMESA), the African Union, the World Trade Organisation among others.
- Such organisations have an important role to play in enhancing agricultural productivity within member countries as they provide the regional policy framework on matters such as cross boarder trade, which provide incentive for productivity growth

## Conclusion and Recommendations

- The experiences of Malawi show that agricultural productivity in developing countries with missing markets needs concerted government efforts to consolidate these markets and provide conducive environment for private sector participation in the sector
- Market linkages and associated infrastructure; promotion of technologies that match with farmer resource – base; and the sustainable use of natural resources are critical determinants of agricultural productivity. Such programs have demonstrated the potential to increase productivity returns



## Conclusion and Recommendations

- On an international scale, countries should be encouraged to join regional and international economic groupings and align their development activities in line with development frameworks that promote collective agricultural productivity within these groupings.
- Regional and international groupings should also enhance mobilisation of resources that will facilitate the implementation of agricultural development policies



**End of presentation**

**Thank you for your attention**