From Famines to Food Surplus: The Malawi Experience

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The recent turnaround in Malawi, a small nation in Southern Africa, from being a food deficit country to one producing surplus food grains and overcoming a persisting and excruciating famine is one of the most dramatic incidents in the history of the battle against hunger by the African nations. Malawi has been in the world headlines since 2002 with reports of widespread starvation deaths and hunger related diseases. The estimates of victims of hunger varied from 500 to several thousand, which compared unfavourably, even with the infamous Nyasaland famine of 1949 (said to have claimed around 200 lives) under British colonial rule. A large section of the population of this predominantly rural nation was forced to resort to eating banana stems and roots in a bid for survival.

This painful situation was recompensed when Malawi increased her corn production fascinatingly in the last couple of years. A record volume of maize output of 2.7 and 3.4 million metric tons in 2006 and 2007 respectively, up from the 1.7 million in 2005 transformed the famine-routed country to a food surplus economy. The country, till recently heavily dependent on the United Nations World Food Programme for feeding its population, has itself supplied as much as 400,000 tons of maize to the World Food Programme in 2007 for fighting an emergency food scenario in neighbouring Zimbabwe.

The important lesson for policy-makers in other African countries, which continue to battle with chronic hunger and food insecurity, from the Malawi turnaround, is the fact that it has been triggered solely by a government policy intervention- a reintroduction of deep fertilizer subsidies as part of the 2005 Fertilizer Subsidy Policy. This policy was implemented at the cost of inviting the wrath of the donor community, particularly the IMF, World Bank and the USAID. Starting in 2006, and on a larger scale this year, the government distributed coupons to low-income farmers to allow them to purchase two 110 pound sacks of fertilizer for 950 kwacha (roughly $7) a price around one-fifth the market price of 4,500 kwacha. The government also gave them coupons to buy seeds enough for planting half an acre. As a result, the average farmer's yield jumped to two tons per hectares from 0.8 tons.

The subsidy programme has cost the government $62 million -- 6.5 percent of its total budget. The move was thoroughly opposed by economists and officials associated with the donor agencies who argued that the large expansion in subsidies will worsen the budget deficit, create distortions in the market and not lead to any enhancement in efficiency in the economy. Their argument fell flat in the wake of the phenomenal jump in the corn production, which saved the country $120 million that it had spent in 2005 importing food aid. An additional $120 million were earned by the nation through the sale of maize to Zimbabwe and other countries. This success, which has accompanied Malawi’s return to Keynesian policies, has raised serious questions regarding the hunger-fighting policies pursued by several African nations under the aegis of the IMF and World Bank. The bold decision of the Malawi government to break away from the IMF

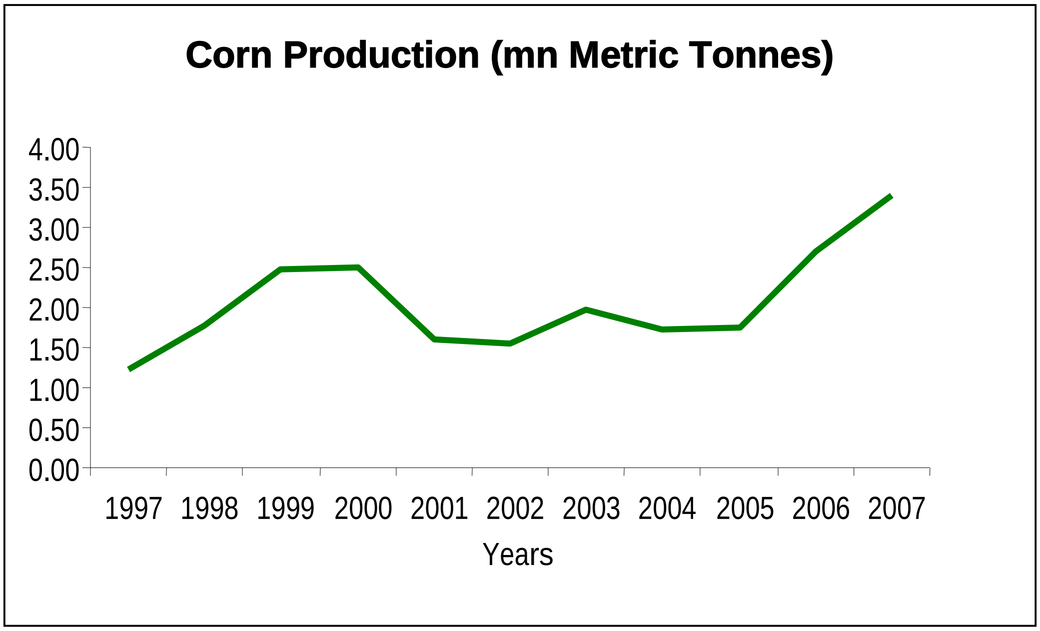
Structural Adjustment Programme (SAP) for agriculture and the ensuing food security that it achieved, bluntly points out that the North Atlantic vision of 'one size fits it all' may not really be the best way of tackling the diverse problems of the different LDCs.

Fertilizer subsidies have been a bone of contention between the Malawi government and the IMF-World Bank ever since the SAP was introduced in agriculture in 1993, the year in which the country transformed into a multi-party democracy. The agricultural sector in this predominantly agricultural economy is divided into two sub-sectors: large commercial estates and small farm agriculture- the latter producing some 80% of the food consumed in the country. Historically, the corn production has been held as synonymous with food security by the Malawian population and its political circles. In contrast to this, the implementation of the SAP sought to diversify agriculture and make farmers more price-responsive. This resulted in a gradual reduction in the production of food grains. Over the last decade, the Smallholder farmers have been largely plagued by deteriorating soil fertility and a lack of access to fertilizers. Reduced to near subsistence farming, most farms had low maize yields and were unable to grow enough food to feed their families throughout the year.

In a bid to rejuvenate food-grains production, the government embarked on the 'Starter Pack' programme in 1999. The 1998-99 and 1999-2000 Starter Pack campaigns (SP1 and SP2) supplied farm households with free packs containing 15 kg of fertilizer, 2 kg of maize seed (the main staple food) and 1 kg of legume seed ('Starter Packs in Malawi' by Sarah levy, Bridging research and Policy, Global Development Network). SP1 and SP2 were universal programmes covering all rural smallholder households in Malawi, providing almost 3 million packs each year. Under Fund-Bank pressure, the government was forced to scale down this programme and introduce the Targeted Inputs Programme (TIP) in 2001. The number of beneficiaries under TIP fell to 1.5 million in 2001 and subsequently to only a million in 2002. The dismantling of the universal 'Starter Pack' programme and unsuccessful targeting under the misguidance of the donor agencies marked the beginning of the 'hungry period' which eventually resulted in a severe famine in the next few years.

From Chart 1, we can see the increase in corn production in the couple of years when the universal 'Starter Pack' was implemented. The program contributed to an increase of two to three 50 kg bags of maize on average per beneficiary household. In 2000, the high corn output of 2.5 million MT (FAOSTAT) actually meant 350,000 tons of surplus maize in the economy. Thereafter, the corn production declined steeply in 2001. The persisting low output for the next three years led to severe food shortage and soaring maize prices depriving millions of people of two square meals a day. The subsequent upturn in the corn production graph in 2006 happened only when the government ignored donors' advice and decided to dedicate a large part of its budget for reintroducing deep fertilizer subsidies.

Chart 1

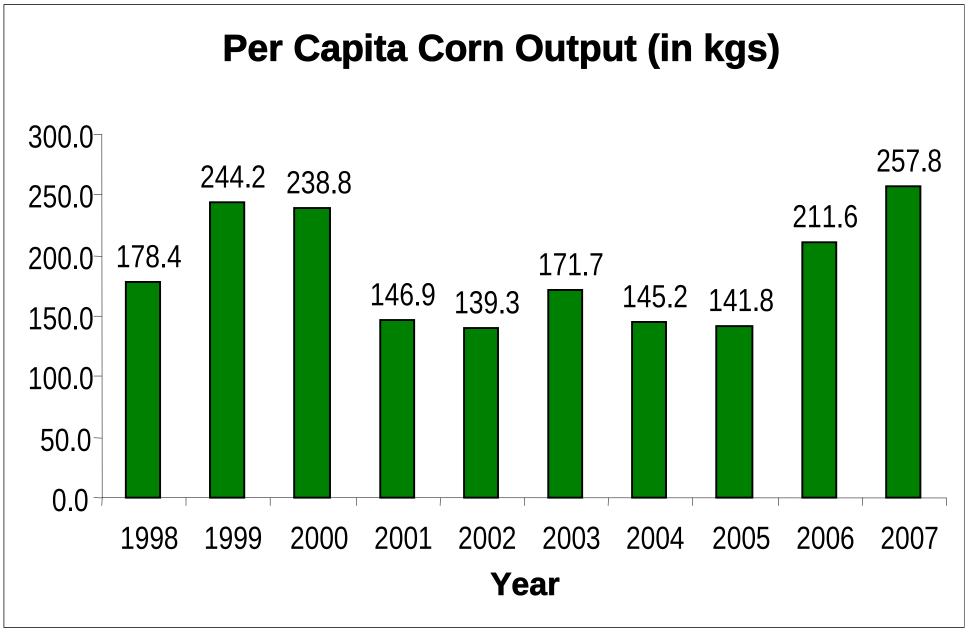


Source: FAOSTAT for 1997 to 2005, the corn production figures for the last two years are as reported by the GoM.

With a population of 13 million in 2007, Malawi needs more than 2 million metric tons of grain a year for self-sufficiency in food production. This was achieved in each of the last two years with the 2007 corn production being a record high since the country gained independence in 1964. Chart 2, showing the trends in per capita corn production in Malawi, indicates the return of self-sufficiency in food production, which she had lost at the start of the 21st century. The 200 kg plus per capita corn output witnessed at the end of the last century returned in the last couple of years much to the relief of the millions of Malawians who have remained hungry for most part of the current century.

The programme has also had a positive impact on the livelihoods of the people. The low maize prices during 2006-07 led to an increase in the real wages of ganyu (casual labour) by 75% or more. In the past few years, not only have households that create opportunities for ganyu become very limited but ganyu itself had become exceedingly exploitative. This had largely aggravated the situation of poverty and food insecurity in recent times.

Chart 2



Source: Calculated on the basis of corn production figures from FAOSTAT and GoM and population figures from the National Statistical Office, GoM.

The surplus corn production in the last couple of years has been credited to the better monsoons by some officials and economists. Alan Eastham, the US ambassador to Malawi said in a recent interview- "The plain fact is that Malawi got lucky last year…they got fertilizer out while it was needed. The lucky part was that they got the rains" (Celia W. Dugger, The NY Times, Dec 2, 2007). It is rather naïve on their part to attribute the turnaround to rainfall variations as the food shortage and famine itself was created by human folly in the first place. The annual rainfall data (Table 1) shows that Malawi actually received her highest rainfall in the last decade in 2001, ironically, the year in which the food shortage first appeared. The sharp decline in corn output in this year coincides with and was clearly triggered by the dismantling of the 'Starter pack' programme. On the contrary, the year 2000 that saw surplus corn production experienced very poor monsoons; and in fact, the annual rainfall in the first three years of the 'hungry' period has been higher than that of 2000. The lean monsoons in 2004 and 2005 further worsened the famine conditions that had already set into the countryside due to bad policies. It is amply clear that the better rains in the last two years would have also gone to a waste, like in 2001, had the government's fertilizer policy not been in place.

Table 1: Annual Rainfall: Malawi

Year	1998	1999	2000	2001	2002	2003	2004	2005
Rainfall (mm)	37,523	39,104	28,322	42,705	33,910	33,950	26,440	25,427

Source: Department of Meteorological Services, Malawi

The reaction of the donor agencies to the overwhelming success of the subsidy policy sought to camouflage their own failure. The World Bank while expressing its views stated that they were never opposed to subsidies but were still concerned that Malawi does not have a well-charted path of eventually doing away with her subsidies. It is really difficult for the Malawian civil society groups, policymakers and her people to comprehend why they should be 'doing away' with their most successful economic programme since independence. The attitude of the Fund-Bank to the fertilizer subsidies is not really unexpected. Their role in messing up the country's fertilizer policies forms only one half of the story of the dreadful famine. The blatantly incorrect advice of the IMF, WB and EU Commission on how Malawi should (mis)manage her grain reserves really completes the saga of the Malawi famine.

The privatisation of the state grain marketing board in Malawi (ADMARC) has been an objective of the World Bank for 10 years. The drive for the privatisation of ADMARC would seriously undermine the vital social role that ADMARC was playing by procuring grain through its subsidized markets even in the remotest parts of the nation. To hasten the collapse of the public food distribution system, the pressure for privatization was complemented by IMF advice in 2001 to the National Food Reserve Agency (NFRA) to sell off about 100,000 MT of its strategic grain reserves to pay off a loan to ABSA, a South African bank. The high costs of food storage were cited as an additional justification for this unsolicited advice. The liberalized environment facilitated widespread corruption in the sale of grain reserves. A situation emerged where a large part of the reserves had been sold to unscrupulous profiteers. The government was left with near zero reserves when the food shortage appeared due to low corn production in 2001. The private traders had hoarded the maize for resale at a higher price once the hunger struck. In December and January, the price of maize reached as high as 40 Malawian Kwacha (MK) per kilogram, up from MK 4 in June 2001.

Once the country was struck with the famine, the officials of the donor agencies got themselves busy in shouldering off the responsibility of the mismanagement of grain reserves. It was a difficult task as the world had already come to know the culprits behind the man-made famine that had broken out in Malawi. Horst Kohler, the IMF Managing Director disowned the advice when he appeared before a British Parliamentary Committee on July 4 2002, and made the following defence: "…this is an issue in the responsibility of the World Bank and the EU Commission. The IMF was part of this process of giving advice to the Malawi Government and the IMF may also have not been attentive enough,…have sent the President of Malawi a letter in which I made clear that he was involved with the World Bank and the EU Commission in this project; that the IMF was part of, say, the kind of international advice and the IMF may, again, not have been attentive enough how they exercised how to run this maize stock, but it was not the responsibility of the Fund to implement the advice. It is clearly an issue to think how we can avoid that this kind of mistake will happen again." (Francis Ng'Ambi, African Business, Jan 1 2003) The above faltering defense speaks better than none other as to who the culprits were behind the grain debacle.

The Malawi famine is a classic example of what happens when poor countries are forced to adopt the straight-jacketed reform policies preached by the Western donor agencies. The re-emergence of food surplus in Malawi has illustrated that it is better to follow what the Western developed nations practice than to pay heed to what they preach for others. At the peak of the 2002 food crisis, while the Malawian government was suffering the results of the IMF's anti-subsidy policies and inappropriate agriculture advice, the US government passed an agriculture bill that increased subsidies to its domestic farmers. Although, it is difficult for a poor African nation to work against the will of the donor agencies, it is in their own interests to show the same resolve that the Malawian president Mutharika exhibited at the time of launching his fertilizer subsidy policy when he declared, “As long as I’m president, I don’t want to be going to other capitals begging for food” (Dugger, The NY Times, Dec 2, 2007).