



Policy Brief

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CRITICAL CHALLENGES AFFECTING RICE MARKETING IN MALAWI



Need for a fresh commitment to Rice Market
Development Reforms and Implementation

I.0. INTRODUCTION

I.1. Overview of the Rice Sector in Malawi

In the fiscal year 2012/2013, Government through the Ministry of Agriculture and Food Security (MoAFS) set aside a special crops fund worth MK1.5 billion just to complement to the food security promotion initiatives as well as the export promotion in a bid to help Malawi generate more foreign exchange through agricultural commodity exports. One of the crops earmarked for promotion was rice, which has been grown in many parts of Malawi, and it has a lot of potential, which had never been exploited. The fund was introduced after noting that Malawi's food insecurity and the dwindling agriculture exports have been exacerbated by overemphasis on maize production and little or no diversification, among other factors.

Rice (*Oryza Sativa L.*) is the number one cereal food crop in the world that is consumed by a population of about 3.7 billion and a large part of this being in Asia alone. Rice is also increasingly becoming a cereal of choice for the growing urban population on the African continent. Over the past two decades, most countries in Sub-Saharan Africa (SSA), Malawi included, have become net importers of rice from the Far East. According to the World Bank the region imports about 40 percent of its rice supplies, accounting for a third of the rice traded in global markets. Despite the crop having been traditionally cultivated on the continent of Africa for centuries, in 2006, African countries spent an estimated US\$2 billion on rice imports.

I.2. Rice production in Malawi

Rice is one of the main cereals grown alongside maize. Areas where rice is grown are along the Lakeshore, Phalombe plain, the Shire Valley and areas around Lake Chilwa either in irrigated rice schemes or in rain-fed lowland areas. There is also upland rice grown. The main rice varieties that are grown across Malawi are Kilombero, Faya 14M69, Pusa 33 and TCG 10. Kilombero and Faya varieties are only grown during the rainy season because they do not flower when grown during other seasons of the year.

The newly introduced varieties of Pusa 33 and TCG10 can be produced all year round but they usually require more water hence grown under irrigation. Research revealed that over 80% of rice grown in Malawi is produced under rain fed which translates into more supply of Kilombero and Faya rice varieties.

Apparently, the national aim is to increase paddy yields per unit area in irrigated rice schemes and also increase both the yield and area of rain-fed rice to meet both domestic and export demand (MoAFS, 2012). The country has got a potential of over 70,000 ha to be put under rice production but currently the area being cultivated is less than 65,000 ha (Table 1).

Table 1: Rice Production Figures since 2000

Year	Production (Kg)	Hactarage (Ha)	Yield (kg/ha)
2000	71601	43,523	1645.13
2001	93150	50,146	1857.58
2002	94186	56,463	1668.10
2003	88155	54,393	1620.70
2004	49693	43,523	1141.76
2005	41270	49,097	840.58
2006	91450	52,290	1748.90
2007	113166	57,631	1963.63
2008	114885	62,801	1829.35
2009	135988	63,509	2141.24
2010	110106	58,741	1874.43
2011	117733	61,559	1912.52

Malawi rice production has been too low to satisfy the rice demand both locally and internationally. The average potential yield of between for Kilombero and Faya are 4000 and 5000 kilograms per hectare respectively but farmers in the schemes only achieve between 1500 and 2000 kilograms per hectare.

Pusa 33 and TCG10 yield up to 6000kg/ha but currently farmers get between 3000 and 4000kg/ha. As a result late onset of rainfall has a huge impact on rice production in Malawi, besides, inadequate use of fertilizer and use of over-recycled rice seed due to scarcity of improved rice seed. An analysis of the production trends show that rice production has undergone significant fluctuations over the past decade (see table I above). Yield levels of less than 2000 kg/ha are far much below the potential levels of 6000 kg/ha or more. Any increase in rice yields has largely been a result of increased hectareage under rice cultivation and not necessarily increase in productivity.

1.3. Rice market development in Malawi

Before food market liberalization in 1987, state interventions in the marketing of food crops in Malawi were in the form of monopsony power through state marketing agency, regulation of private traders and price controls (Chirwa, 2000). The government of Malawi through Agriculture Development and Marketing Corporation (ADMARC) was the sole market of agricultural inputs and buyer of agricultural produce in Malawi.

ADMARC had a wide network of market depots and branches in both urban and rural areas across the country. ADMARC was a ready market and farmers started rice production knowing well in advance where to sell and at what prices. Market price information was announced well in advance, at the beginning of the growing season so that farmers started their rice production. Rice farmers easily bought inputs from the nearest ADMARC depot.

ADMARC had a monopolistic opportunity over the marketing of agricultural inputs and produce. However, after the implementation of the market liberalisation policy the restrictive production and marketing policies were removed, the market opened up for other players. ADMARC is no longer an active monopolistic player and there is easy private sector involvement in the marketing of agricultural inputs and produce. Besides, ADMARC has reduced its presence in many areas especially in rural areas and many private traders have entered the market.

2.0. CHALLENGES AFFECTING MARKETING OF RICE IN MALAWI

Rice marketing is a key constraint to rice value chain development in Malawi. Marketing problems must be addressed if rice value chain is to realise its full potential to provide food and stimulate broad-based agricultural and economic development. Rice value chain development is a source of broad-based



economic growth for two reasons: first, it is labour-intensive and second, it is associated with relatively large income and price elasticities of demand. The labour-intensive aspect is important in absorbing underemployed rural labour and in spreading benefits broadly among the rural population. The relatively high price and income elasticities of rice products imply that increases in market supplies of rice are not likely to result in severe price falls. The challenges highlighted in this brief are based on the research that was carried out by CISANET in 2012 and the policy dialogue CISANET convened in 2014.

2.1. Lack of coordination among the rice value chain actors

The rice value chain players do not coordinate in the way they carry out their activities. Rice farmers at times produce without knowing the varieties and quantities as per market demand and the buyers or processors search for rice across the rice schemes of Malawi with the intention of cleaning the rice after buying in bulk. The scenario shows how broken the rice value chain is. Eventually, it is always difficult for the processors to predict the volumes at the opening of the season, and on the other hand farmers are usually not sure on what varieties and quantities of rice to produce. It is strongly believed that once rice markets are identified with their requirements made available to the rice producers, the producers will work towards satisfying those markets.

2.2. Unstable market prices

Before market liberalization, the government officially determined the prices for all food crops by announcing pan-territorial and pan-seasonal prices that were binding to ADMARC. Entry of the private traders in the market has resulted in unstable prices as trader set their own prices despite the government setting minimum prices for selling agricultural produce. Farmers produce rice without knowing where and at what price they will sell. The low prices offered on the markets are a disincentive and does not reflect the cost of rice production. As a result, many existing and potential farmers are discouraged to expand or start rice production.

There is an outcry among many rice buyers that Malawi Rice is very expensive compared to imports from Asia despite that Malawi rice like Kilombelo has good flavour that most of the imported rice. High cost of production due high input prices, high electricity bills, high processing and transportation cost force farmers to charge high selling price in order to recover the costs they incur.

2.3. Low value addition/processing

The Cooperatives handle rice processing in a more traditional way. For instance, Hara Rice Cooperative has a rice-drying bay that is used to for drying rice before it is milled. Rice producers of Domasi WUA, on the other hand uses polythene sheets or hessian sacks spread on the soils then place their rice for drying. The rice handling involves a lot and the processing chain itself has a number of other opportunities. Farmers can choose to sell raw rice, mill the rice and grade it into different sizes (i.e. full grain or broken grains) and package the processed rice in well-labelled packs of different sizes. The by-product of rice milling plants is usually the rice husks that can also be sold to animal feed processors or the same Cooperatives and WUAs can process the rice husks into farm/organic manure that can be used in the rice fields for improved productivity. The latter is a lost opportunity in many schemes yet rice millers in the city of Lilongwe are cashing in on the same rice husks by selling to the neighbouring country, Zambia, at an export price of MK1000 per 50Kg bag.

Further, while some rice schemes like Bua in Nkhotakota have had the opportunity of receiving rice milling machines, these machines have stayed idle for a long time mainly due to lack of electricity connectivity by ESCOM. Related to that is the high electricity bills related to pumping of irrigation water and operation of rice mills. For instance, Lifuwu in Salima has a bill of over MK1, 000,000 to settle.

2.4. Poor or weak farmer organisations

Most of the rice farmers sell their rice individually despite having membership to rice cooperatives. While some do so because most cooperatives have inadequate funds to absorb all the rice, the problem is that when rice farmers sell rice individually, they do not have a strong voice to negotiate the price with private traders. Most of the time private traders have an upper hand since they have market and price information and they easily cheat the rice producers. In most cases, a scheme can have up to 1000MT of rice but kept by individual members in their houses.

Under such fragmented storages of produce, farmers are attempted to use the harvests extravagantly, selling to ad hoc buyers inconsiderately, individual selling reduces the producers bargain power, it is difficult for the marketing leaders to quantify the rice being kept by the individual members, quality of rice is compromised and many other challenges with this approach. It is high time farmers started selling their rice through bulking approach.

2.5. Inadequate and uncoordinated policy to support the rice value chain

Rice marketing like all other crops in Malawi suffers the challenge of lack of policy support. There are limited extension services to support rice marketing as such producers and traders lack knowledge on market research and market mix to effectively carry out their marketing activities. Lack of contract farming legislation is further deepening the unreliability of rice markets. Another policy challenge is high energy tariffs charged on electricity energy for irrigation; rice milling etc that leads to high cost of marketing.

RECOMMENDATIONS

- Need for more concerted effort in mobilizing and organizing rice producers into more vibrant farmer-based institutions/organizations
- Introducing programmes aimed at promoting rice productivity
- Government to facilitate the putting of contract farming legislation to ensure reliable markets
- Design initiatives with overall objectives of strengthening the rice producers organizational development e.g improving strategic focus, sustainability, agribusiness, conflict resolution, promoting the participation of rice producers in policy processes
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- Enhance the representation of rice producers in policy matters in the way other value chains producers are incorporated
- The regulatory frame work should be appealed so as to give stiffer punishment to illegal cross boarder traders
- Electricity Supply Corporation of Malawi(ESCOM) should complement Government efforts by promoting cheap energy supply for rice production and processing for markets

The views and recommendations in this policy brief do not necessarily reflect those of the individuals or organizations that have kindly contributed to its production. This Policy Brief is intended to contribute to debates on important agricultural policy on Critical Challenges facing the Rice Market in Malawi

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