

NATIONAL FISP SYMPOSIUM: EIGHT YEARS OF FISP – IMPACT & WHAT NEXT?  
(14-15 July 2014)

Bingu International Conference Centre, Lilongwe

Session 5: Long term agricultural strategy and the role of FISP.

**LONG-TERM PERSPECTIVE ON FOOD SECURITY AND APPROPRIATE POLICY RESPONSES**

by

**Mafa E. Chipeta**

Chair,  
Colleagues,

For inviting me to share my thoughts on the topic of the day, let me start by thanking the organizers of this excellent and important symposium, especially IFPRI and LUANAR.

I have been asked to speak on “*Long-Term Perspective on food security and appropriate policy responses*” and should explain that I will be drawing largely on my international exposure, given that much of my career has been outside Malawi. It is a privilege to be offered a chance to engage in a topic that is significant for my own country. Taking advantage that much has already been said by others, I will adopt a bullet-points format.

**The basis for Malawi’s long-term ambitions**

1. FISP and any other agricultural or food security intervention needs to be influenced by the following considerations:
  - a. Malawi is very poor and its government and society must give top priority to making it prosperous – I use the word “prosperous” deliberately rather than opting for massaging poverty, patting it on the back and keeping it warm.
  - b. Malawi is crowded and has little spare land: apart perhaps from Rwanda and Burundi, no other African country is more crowded than ours. For this reason, and to feed a fast-growing population while also helping to increase wealth (a 30 million population has been projected for 2030 and 40 million for 2050), Malawi must emphasise making its agriculture highly productive.
  - c. Even after several years of FISP, the current maize yield in Malawi averages about 2 tons/ha, which is significantly lower than the developing-country average of some 3.5 tons/ha for cereals – Malawi may be a success story in covering its own food needs but its productivity still some catching up to do.

- d. Given the above situation and on the assumption that Malawians have a right to aspire beyond just conquering hunger, we must all have **ambition** as we face the future. We must also have self confidence and collectively adopt a “we can do it” mindset – the kind of self confidence we had at Independence. As Malawians we must be ambitious if we are to share wealth rather than poverty;

### **Does agriculture necessarily grant food security?**

2. Generally, Malawians believe that more agriculture equals more food security: in fact this is only partly true. Obviously there must be food for food security to be possible. But on a global level, the more agriculture-dependent a country is, the less food secure it tends to be: the proportion of the population involved in agriculture is inversely related to the level of food security;
3. A quick global glance reveals that agriculture represents only a tiny proportion of the GDP in the most food secure countries: in nearby South Africa (about 2%); in developed industrial countries – often less than 1%. As countries develop, food security is a function not so much of peoples’ direct engagement in agriculture as of their stable income (mostly from non-agricultural sources) and its food-purchasing power;
4. We observe that in developed economies, the proportion of the national population engaged in agriculture falls to 5% or less and yet this is enough to produce massive surpluses of food and fibre to consume and export. And yet we have come to take for granted and to accept that our countries (Malawi and much of Africa), where 70% or more of people are “farmers” should receive charitable “food aid” donated by countries where only 3-5% of the people are agricultural;
5. It would take a miracle for Malawi to reduce the share of its people left in farming to only 5% in the foreseeable future but surely we should not be happy to keep the current 70% of our people on the land? Can we imagine 70% of the 30 million Malawians in 2030 or of the 40 million Malawians in 2050 subsisting on the land when we are now already cultivating plots averaging less than an acre, are rapidly degrading the soils and destroying our natural vegetation?;
6. It is obvious that our economic plans must aim to rapidly reduce numbers of people tilling the land (clearly not yet to 5% but perhaps to 20% - 25 %)? But surely these reduced numbers of farmers cannot be selected from the “poorest of the poor” if they are produce enough to feed the rest of us and also to make Malawi a farm-exports powerhouse? - it just would not work;
7. Given that for some time we have to retain the poorest on the land (under social protection), we need alongside them serious farmers who are ambitious, organized, and capable of harnessing modern technologies and production-enhancing measures beyond only use of fertiliser and seeds. We need farmers who can make farming profitable even at input prices higher than FISP offers and therefore do NOT need a fertiliser that is so subsidised as to be practically a gift;

8. Whatever the combination of efficient and highly productive agriculture and “social protection farming”, Malawi agriculture will need to attract its brightest and best into the sector by having:
  - a. high productivity;
  - b. profitability; and
  - c. capacity to offer the farmer incomes not much lower than in other sectors;

**Is the need for subsidies or for a longer menu of “support measures”?**

9. Worldwide, agriculture is hardly ever a fully liberalized sector: it is too important to be left entirely to the free market, if such ever exists in any sector;
10. Somewhere in agriculture’s value chain, governments are often obliged to intervene in order to make farming profitable enough to be worth doing: it would otherwise often not pay. Examples of agricultural support (many euphemisms are used to avoid the word “subsidy”) include:
  - a. Tax-exemptions or other price-reductions for farm equipment, costly breeds, or fuels (Britain for long had and may still have low-cost agricultural diesel dyed red to reduce fraud).
  - b. Subsidies on consumable inputs (fertilizers, feeds, pesticides etc).
  - c. Attractive minimum guaranteed price at farm gate or cut-in of government payment if price falls below a set floor (US Farm Bill and in some cases also in Europe).
  - d. Subsidy on final product such as maize or flour (Zambia), rice (Indonesia, India) or bread (Egypt) for all or targeted parts of the population.
  - e. Price support for exports and/or negotiated deals with importer countries to secure markets.
  - f. Creation of larger domestic markets (high production contributes to this by lowering prices) and more stable ones (e.g. by expanding feeding programmes for schoolchildren and other deserving groups such as the sick, prisoners or military etc);
11. There is endless variation in the manner in which countries use public policy to support agriculture. Malawi may be doing well with its fertiliser and seeds focused FISP, but if it wants farmers higher than the “poorest of the poor” to also take off, it should use a larger menu of support options. For its larger farmers, FISP fertiliser and seeds may not suffice as incentive to perform better; consider the following for example (not given full details, which are all readily accessible on the internet):
  - a. **Angola:** With particular attention to ensuring that family agriculture benefits: (a) adequate credit; (b) extending infrastructure, especially roads; (c) rural commerce promotion; (d) establishing agricultural production linked to new agro-industrial poles (farms of 20-30,00ha have been started in many localities).

- b. **Brazil:** Operating the “Zero Hunger” multi-faceted programme – (a) reserves domestic food market largely for small farmers (nearly 70% of internally consumed food is from them, the commercial farms focus on exports); (b) provides electronic cards for income transfer – for food as well as other purchases; (c) offers farm credit and technical services to small-scale farmers; (d) creates greater demand through school and other institutional food procurement programmes; and (e)\_ generally supports entry of the poor into the mainstream economy.
- c. **China:** (a) removal of all agricultural taxes; (b) direct payments to farmers plus three other major government subsidies for: new varieties/breeds; agricultural machinery purchase; integrated inputs (including fertilizers and fuel); (c) protected prices and guarantee by the government to purchase grain from farmers.
- d. **India:** (a) not directed at agriculture but important for poorest of the poor is the constitutional guarantee of 100 days/year of work at minimum wage; (b) subsidised food distribution as social protection based on a heavily subsidised food reserve system; (c) subsidies on credit, fertiliser, irrigation fuel/power, irrigation water itself; (d) heavy investment in research.
- e. **EU:** main intention for support to agriculture is to sustain attractiveness of rural life by ensuring income there is not much lower than in more urban pursuits. EU could just give cash transfers but prefers that the beneficiaries work for it, for which agriculture is convenient. The support is so heavy that EU farming has huge surpluses which sometimes need other subsidies to destroy so as to keep prices high enough. Here is also price support in cases of catastrophic price falls; subsidies for environmental products such as “green” fuels; and for not planting crops when surpluses become ridiculously high. It is relevant to note that support goes to both large and small farmers – the former in fact get most of the money.
- f. **US:** similar to EU, key provisions relate to intervention when prices fall drastically to preset threshold levels. There is heavy market development through international trade deals and support to food aid shipments from surpluses. The latter may be threatened by subsidies for food conversion to environmentally friendly biofuels which increasingly soak up much corn and oilseed production. It is relevant to note that support goes to both large and small farmers – as in the EU, the former in fact get most of the money.
- g. **Ethiopia:** much support goes to providing food as plain gift but also as food and/or cash for work to rehabilitate degraded lands or build rural infrastructure.
- h. **South Africa:** (a) heavy subsidies into commercial farming before democratisation – after liberation, all subsidies cut but assets of many government statutory commodity board privatised so essentially giving commercial farmers a historical subsidy of nearly free assets upon which they have built globally competitive companies; (b) commercial farmers still enjoy tax benefits encouraging mechanisation; (c) emerging small farmers often get free land and some operating cost grants for the early years.
- i. **Zambia:** copied Malawi FISP but went a step further by also subsidising the maize in the consumers’ market – there are adverse consequences to the intervention;

**Zambia – unintended consequences of maize subsidies**

Subsidies, in this case focused on maize, have proved addictive. Small farmers love them and keep going back for more every year – they have little incentive to graduate. Being denied subsidies, commercial farmers cannot compete on growing maize so they have left this crop alone. However, since it is heavily subsidised, they can buy it cheaply for their value-added processing mills (perhaps also for stock-feed);

Perhaps the most serious development problem is that the smallholders are so focused on subsidies that they hardly participate in higher-value agriculture (horticulture, dairy, poultry etc) and so leave these opportunities to commercial farmers – the latter are making good money, the smallholders remain trapped in genteel poverty.

**Appropriate policy responses?**

12. It is tempting to be prescriptive: I will not succumb. I recognise the important achievements of FISP but there must be more than inputs subsidies. However, instead of saying what future policies to adopt, I prefer to say what policies must aim for as we seek a more vibrant and entrepreneurial agricultural future:

- a. Keeping 70% of the people on the land should NOT be an option in crowded Malawi.
- b. All viable options must get large numbers of people off the land into non-farm employment. Since non-farm jobs will mostly involve value-added processing and marketing of farm produce, Malawi must focus on rapidly generating large and stable surpluses in agriculture first. To achieve this, Malawi has no choice but to privilege those farmers who can achieve high productivity; this automatically excludes many of the poorest, who often remain net food buyers or food-aid recipients even after FISP inputs support.
- c. But the poorest of the poor cannot just be abandoned, even if they will not give the surpluses to create wealth. They should, whether through FISP, through a variant of it or through a completely new intervention, continue to receive support that is clearly recognised for what it is: social protection that keeps their poverty warm and avoids their falling into destitution. A very few entrepreneurial ones among them may graduate, despite this not happening much so far.
- d. The support needs of the more serious farmers are differentiated and the FISP menu of only fertilisers and seeds would not suffice. Malawi needs a fuller policy for support to agriculture and providing only cheap farm inputs is no substitute. The policy should create a differentiated support system (combinations of subsidies, tax-reductions/exemptions etc) which would be demand-driven, to each according to needs and capacities; it could include:
  - Improving access to long-term productivity-enhancing assets (equipment, structures etc): experience elsewhere suggests that sometimes support to transport or multipurpose equipment may help more than helping with agricultural equipment alone).
  - Inputs (including credit).
  - Knowledge.
  - Market development and stabilisation.
  - Containing the unreasonable cost of inputs and outputs transport for both domestic and export sources/destinations;

13. Given that subsidies for consumable inputs will almost certainly remain part of the policy menu, it seems essential to ensure that:
- a. imports of fertilisers are IN BULK – even if this infringes on the dogma of private sector freedom – the cost to Malawi of fragmented imports is too high to have dogmas about private sector leadership stand in the way;
  - b. absolute priority is given to having a functioning railway – it should be unacceptable to any government in Malawi:
    - to leave a critical railway bridge (Bangula) broken for over a decade.
    - to have trains that run at a snail's pace, if they run at all, and
    - to encourage a transport culture dominated by trucking in a country whose trade is dominated by bulky and low-value agricultural commodities;
14. Clearly much of the above is beyond “agricultural policy”; the need instead is for “policies for agriculture”, some of which will be in ministries responsible for infrastructure, for transport, for trade, for social security.

**What then of the poor?**

15. We spoke of the need to not confuse “social protection” with development, as appears to be the case under FISP just now.
16. Beyond that, Jesus said something that has surely not changed “the poor are always with us”.

Thank you.