

How much did the maize export ban cost Malawi?

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This note has been prepared by IFPRI Malawi at the request of the UK Department for International Development (DFID) and the United States Agency for International Development Malawi (USAID), and estimates how much export revenue Malawi has lost due to the export ban on maize during the summer/autumn of 2017. Using three potential export locations in East Africa, transportation costs to these locations from central Malawi, and two alternative estimates of Malawi's likely maize surplus, this note estimates that Malawi lost between MWK 25 billion and MWK 69 billion (approximately \$34 to \$95 million) from the export ban in the 2016/17 agricultural year.

The key findings are summarized in Figure 1 below. The horizontal bars correspond to two different maize surplus scenarios for the 2016/17 agricultural year. These are: (a) a low surplus scenario: the 186,500 MT maize surplus projected by the Ministry of Agriculture, Irrigation and Water Development's (MoAIWD) June cereals balance sheet; and, (b) a high surplus scenario: the 347,500 MT surplus estimated by IFPRI using a modified cereals balance sheet in which a smaller share (66% rather 73%) of the population's calorie requirements comes from maize.¹ The low maize surplus scenario is portrayed by cross-hatched bars, while the higher maize surplus is shown using solid bars. The horizontal axis shows three potential locations for the export of Malawian maize: Dar es Salaam in Tanzania, Nairobi in Kenya, and Kigali in Rwanda. Wholesale maize prices are generally lower in Dar es Salaam than Nairobi, which are in turn lower than in Kigali. However, higher transportation costs (comprising freight plus loading and unloading charges) offset the higher wholesale prices paid in Kigali and Nairobi. Maize surpluses were valued using the wholesale maize price at the end of August, which is the lean season in East Africa and when maize prices (excluding transportation costs) usually peak in the three export locations.² This approach allows a plausible range for lost export revenues from the maize ban to be estimated.

Figure 1: Estimates of lost export revenue from the maize export ban, August/Sept 2017.

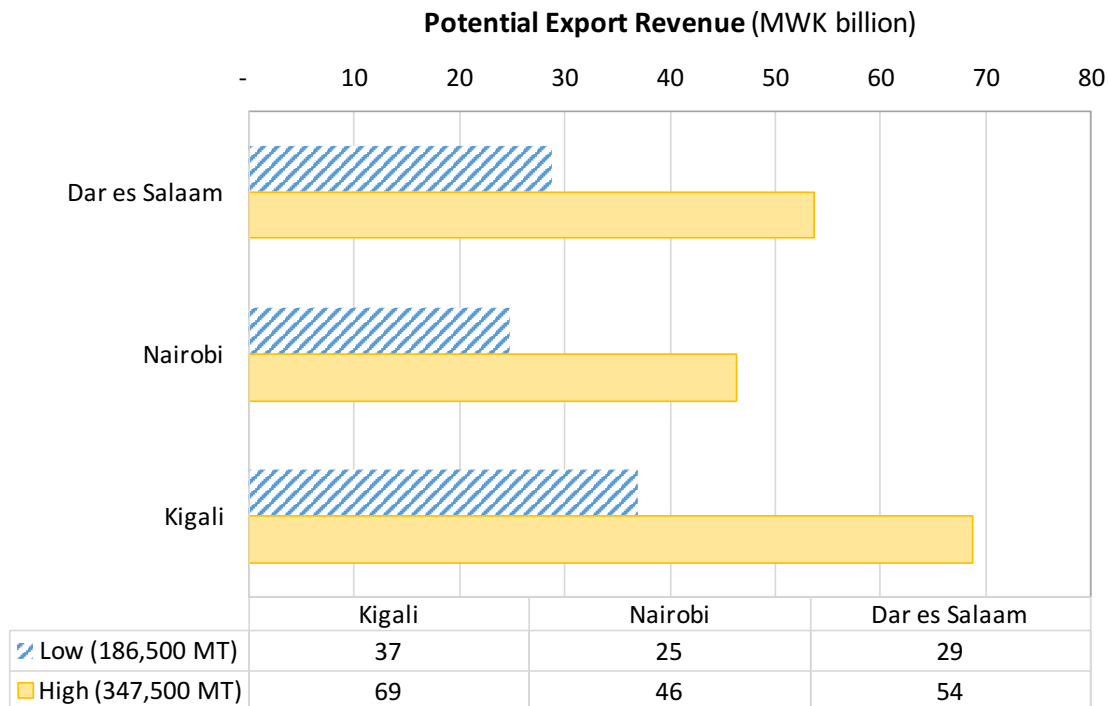


Figure 1 shows that Malawian traders could have earned between MWK 37 and 69 billion in gross revenues if they had been able to export to Kigali in August/September 2017. Similarly, if they had been able to export to Dar es Salaam, they could have earned MWK 29 to 54 billion. Exports to Nairobi would have been marginally less profitable than those to Dar es Salaam, mainly due to higher road transportation costs to Nairobi, generating MWK 25 to 46 billion.

Several points deserve to be stressed about these estimates of lost export revenue. First, the estimates presented above are gross export revenues minus transportation costs. They do not include the cost of buying or storing maize, plus other necessary costs incurred by maize exporters. Nonetheless, given that wholesale maize prices in Malawi were 45 to 70 percent lower in July 2017 than in these East African markets, Malawian traders may be expected to have made substantial profits from exporting maize in August/ September 2017 had they been permitted to do so.

Second, trade taxes and other ‘facilitation’ fees are not taken account of in the estimates. COMESA guidelines indicate that maize imports into Kenya, Rwanda and Tanzania should be duty free. Nevertheless, it is common practice for traders to pay ‘facilitation’ fees to customs officials and police at national border crossings, and these fees tend to be highly variable.

Third, these estimates deliberately do not take account of the lifting of the maize export ban by on 30 October 2017. While it would be possible to estimate the incremental cost to Malawi of the four-month delay in the lifting the export ban (i.e. from the point when it became clear that Malawi would have a maize surplus in mid-June to the lifting of the ban at the end of October), this would be a theoretical exercise – as no maize export licenses have been granted by the Ministry of Industry, Trade and Tourism since then.

Finally, it is important to note that maize prices in East Africa have been dropping since September and, with the onset of the second maize harvest in Kenya, Rwanda and also Uganda – which typically exports maize to its neighbors– there is much less demand for Malawian maize. The window of opportunity for maize exports from Malawi to East Africa is already closing.

Comments on this note are welcome (particularly from maize trading companies and other representatives of the private sector), and may be sent directly to ifpri-lilongwe@cgiar.org.

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¹ The 66% calorie requirement is consistent with calculations by Verduzco-Gallo, Ecker and Pauw (2014) using the consumption module of the Integrated Household Survey (IHS3) of 2010-11.

² The wholesale prices were obtained from the East African Grain Council’s Regional Agricultural Trade Information Network (RATIN), while transportation costs were obtained by contacting several leading Malawian trucking companies and grain traders.

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