

Most Malawian maize and soybean farmers sell below official minimum farmgate prices

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This note analyzes the prices received by 1,048 maize and 1,265 soybean farmers in Malawi during the main harvest marketing season of 2020. Between April and July, whenever they sold maize or soybeans, farmers were asked to report the prices they received by calling or texting a toll-free number managed by Farm Radio Trust. Reported prices were then compared to the minimum farmgate prices set by the Ministry of Agriculture and Food Security. Our findings show that 76 percent of maize farmers and 90 percent of soybean farmers sold their crops at below the official minimum farmgate prices. On average, prices received by these farmers were approximately three-quarters of official minimum farmgate prices.

Since the early 2000s, Malawi’s Ministry of Agriculture and Food Security (MoAFS) has announced minimum farmgate prices for around 21 crops at the beginning of each agricultural season. These minimum farmgate prices are based on the typical costs of production and aim to protect farmers against extremely low prices. However, despite many anecdotal stories of traders offering farmers such low prices, there is little hard evidence on whether minimum farmgate prices are binding.

IFPRI crowdsourced farmgate prices by broadcasting jingles on three leading radio stations. The jingles invited farmers to report the prices and locations at which they had sold their maize and soybeans to a free call center operated by Farm Radio Trust. To encourage participation, the telephone numbers of farmers who responded were entered into a weekly raffle to win coupons redeemable for farm inputs at Agora or Farmers World outlets. Between April and July, a total of 1,048 maize and 1,265 soybean farmers called or texted Farm Radio Trust to report the prices at which they had sold their crops.

The key findings are summarized in Figures 1 and 2, which plot daily average, minimum and maximum prices and minimum farmgate prices against time. The minimum farmgate prices set by MoAFS on April 7, 2020 were MWK 200/kg for maize and MWK 300/kg for soybean (MoAFS 2020). The findings show that 76 percent of maize farmers and 90 percent of soybean farmers sold their crops at below the official minimum prices this season. On average, the prices received by maize farmers were approximately three-quarters of the applicable minimum farmgate prices (75 percent for maize and 76 percent for soybeans). The median sales price received was MWK 140/kg for maize and MWK 230/kg for soybeans.

Figure 1: Daily maize prices per kilogram received by farmers, April–July 2020.

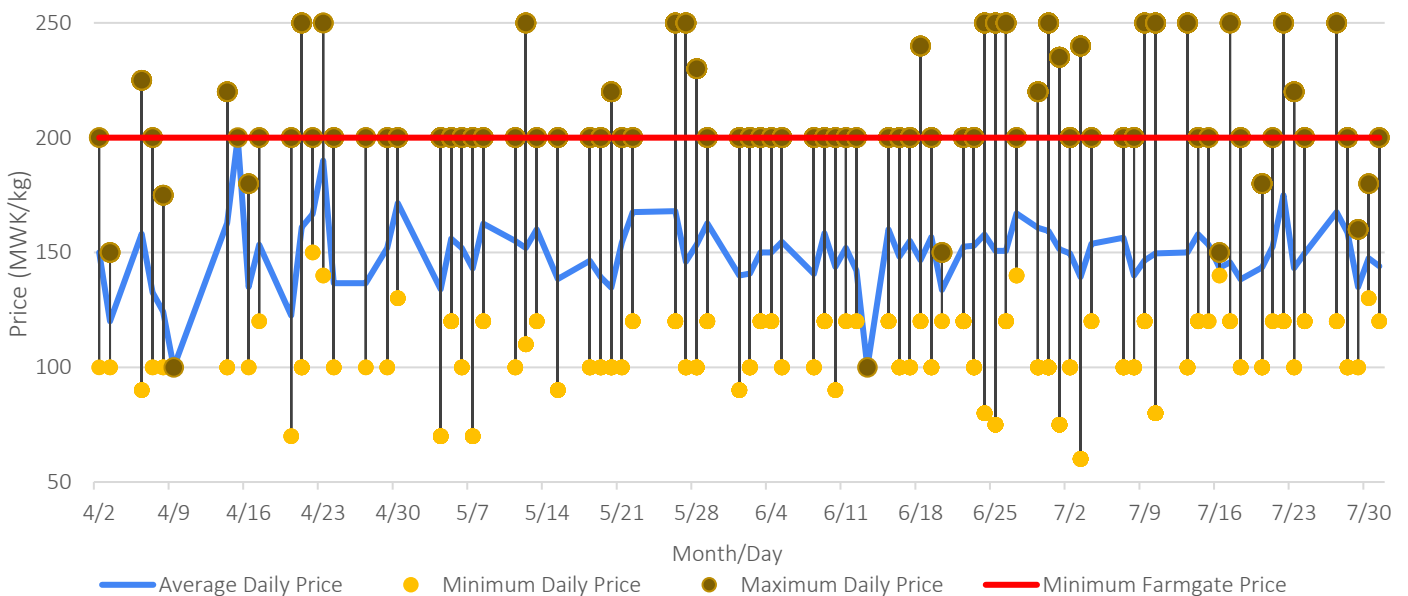
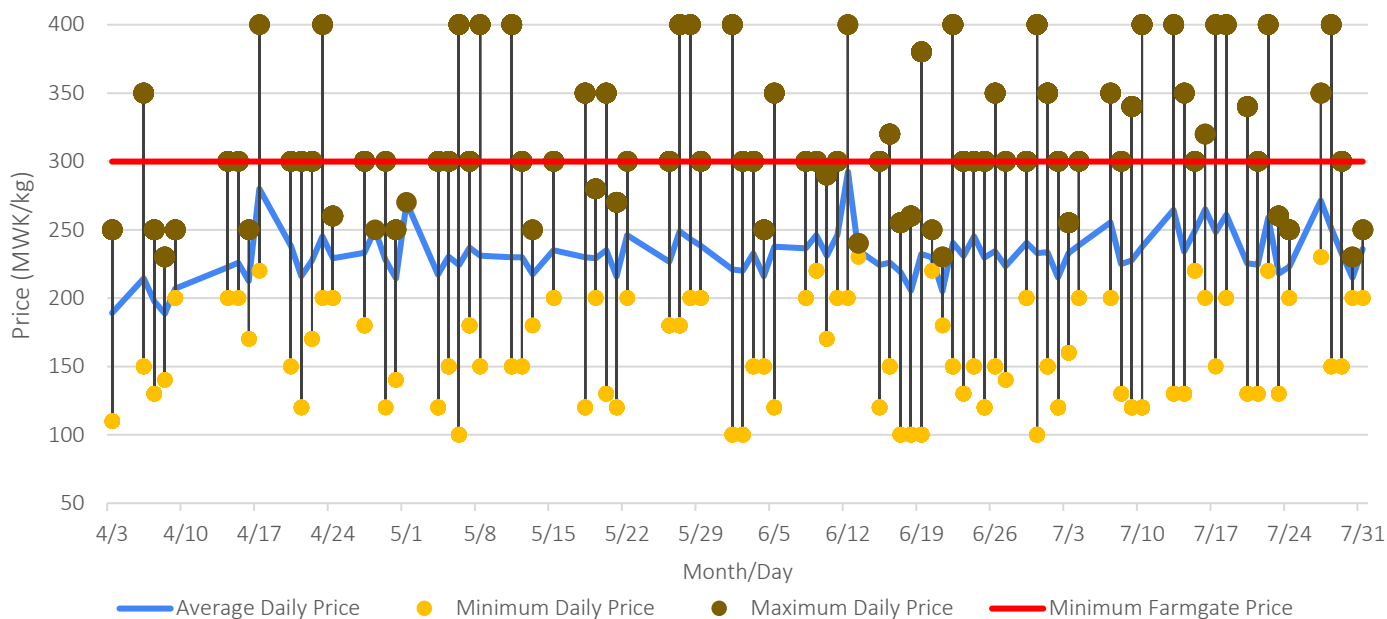


Figure 2: Daily soybean prices per kilogram received by farmers, April–July 2020.



Most sales by farmers took place at local markets (41 percent for maize, and 52 percent for soybeans) or on the farm (40 percent for both crops). A minority of farmers were able to sell directly to ADMARC (11 percent) or to processors (14 percent) and received higher prices as a result. Most respondents (90 percent) were male and (64 percent) came from the Central Region, which contains the principal maize and soybean producing districts. However, sales prices were reported from all districts in Malawi except Likoma.

We conclude that most maize and soybean farmers sell at below minimum farmgate prices. These results are in line with findings from an earlier crowdsourcing study for pigeon peas and chickpeas in southern Malawi between August and October 2019 (Ochieng 2019). Both studies confirm that official pricing is weakly enforced and is therefore ineffective in guaranteeing minimum prices to farmers. A better way to ensure that farmers receive higher prices for their crops is to encourage greater competition at all levels of the agricultural marketing chain.

Comments on this note are welcome and may be sent directly to ifpri-lilongwe@cgiar.org.

RESOURCES

MoAFS (Ministry of Agriculture and Food Security). 2020. *2019/2020 Minimum Farmgate Prices for Selected Agricultural Commodities, as of 7 April 2020*. Food Security Unit, Ministry of Agriculture and Food Security, Lilongwe.

Ochieng, Dennis O. 2019. *Report on a Pilot Study to Crowdfund Farmgate Prices for Legumes in Southern Malawi*. Lilongwe, Malawi: International Food Policy Research Institute (IFPRI). <https://doi.org/10.2499/p15738coll2.133569>

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