



**REPORT ON PROCEEDINGS OF THE NATIONAL CONSULTATIVE
DIALOGUE MEETING ON AGRICULTURAL INPUTS DEVELOPMENT,
MALAWI INSTITUTE OF MANAGEMENT, LILONGWE, MALAWI,
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FORWARD

The Malawi chapter of the national consultative dialogue meeting on agricultural inputs development was held on 25th July 2006 at the Malawi Institute of Management (MIM) in Lilongwe. The organisers of the dialogue meeting were the Food Agriculture and Natural Resources Policy Research Network (FANRPAN) and Civil Society Agriculture Network (CISANET). FANRPAN is a regional network in Southern Africa, while CISANET is the regional network's country node in Malawi.

The report presents summaries of the various research papers based on the presentations that were made during the consultative dialogue by the various researchers. Since stakeholder feedback on the papers was the fundamental interest of the consultative dialogue, the report presents only stakeholder comments over and above paper summaries on each of the papers without necessarily presenting the responses that the researchers made to stakeholder comments. To balance this, however, only those comments that the researchers agreed were pertinent as they finalised the reports are included here. Comments that were clarified and hence needed no further attention by the researchers are not reported.

The report is organised into two sections: Summaries of the papers and stakeholder comments form the material of the first section, while the second section presents the consultative dialogue's conclusions and the next steps following dialogue.

The first presentation of the day was an overview of role of FANRPAN and the objectives of the consultative dialogue meeting by FANRPAN's Programme Officer, Mr Fred Kalibwani¹.

Mr Kalibwani explained that FANRPAN is an autonomous regional network of policy research into food, agriculture and natural resources, which is recognised by governments, universities, agri-business and civil society as a platform for interface between policy and science. It provides a multi-country policy dialogue. The policy pathway for FANRPAN moves from country institutions to the regional stakeholders' forum through the FANRPAN secretariat. It is through the secretariat that dialogue is with regional coordination blocks, such as SADC and NEPAD/AU and other transcontinental ones like the World Trade Organisation.

Mr Kalibwani explained that the network's work revolves around four thematic thrusts, namely: markets and trade; HIV/AIDS issues and agriculture; strengthening institutional capacity for policy development; and natural resources and knowledge management. The fundamental objective of FANRPAN is to develop and establish a conducive policy environment for a food secure SADC.

Pursuant of FANRPAN's overall objectives, the network commissioned four multi-country policy studies of agricultural inputs. The first study looked at the importance of relief seed and opportunities for improving the contribution of relief seed programmes to seed market development. The second study was commissioned to assess the different ways in which relief seed and other input vouchers are being programmed and to determine ways in which these can best benefit both farmers and commercial seed markets. The third study looked at food aid and commercial imports of genetically modified (GM) commodities in Malawi. The fourth study was on

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fertiliser trade, with the aim of identifying the policy and regulatory issues that are a barrier to effective private sector engagement and free movement of fertiliser across the SADC and COMESA member countries.

After the brief background to the studies, Mr. Kalibwani explained the aims of the national dialogue meeting. The aims of the workshop were as follows:

- To share the findings and recommendations of the FANRPAN agricultural inputs studies in Malawi and get stakeholder feedback;
- To provide a platform for stakeholders, charged with increasing agriculture productivity in key national food, agriculture and natural resources (FANR) sectors, to discuss national and regional strategies for input intensification;
- To identify key national and regional level policy recommendations for the intensification and market development of agricultural inputs ahead of the FANRPAN regional policy dialogue.

SUMMARIES OF THE PAPERS PRESENTED

THE RELIEF SEED TRADE

Dr M.A.R. Phiri² and G.A.D Kananji³

The study focussed on examining the role of safety-net programmes such as relief seed interventions, and the opportunities for improving the contribution of relief seed programmes to seed market development in Malawi.

The paper indicated that, over the past decade, Malawi has experienced a series of seed stresses that have affected agricultural productivity trends, emanating from natural disasters and other market-related factors that have caused low seed supplies and low food security in general. These factors justified the call for government, NGOs and donors to scale up relief seed interventions. Examples of broad-scale seed-related programmes were given as the Starter Pack Initiative and Targeted Inputs Programs, which have received significant financial support from donors.

The paper argued that the supply of relief seed has not only become an important activity for agencies involved in relief operations, but has also allowed communities affected by natural disasters to resume their livelihoods. It has become a major component of the national and regional seed trade, as well as a source of new varieties for most other crops.

It was recognised that relief seed aid/trade was a very important component in food security, but the paper outlined challenges associated with relief seed and trade as follows:

a. Programme planning and implementation issues:

- Lack of good lead time in seed programmes has affected production planning by seed companies. Sudden need for large quantities of seed, often declared just weeks before planting season, has inevitably led to purchase and distribution of poor quality seed of inappropriate or unknown varieties;
- Most relief seed programmes have been designed and implemented in a manner that has usually undermined market development, such as development of rural input retailers;
- Free seed distribution activities through relief programmes have negatively impacted community seed multiplication initiatives;
- Free input and distribution, and the introduction of open-pollinated varieties (OPVs) have affected the viability of seed companies (i.e., shrinking market



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for hybrid seed maize leading to accumulated carryover seed stocks) and have been blamed for the downward trend in maize production;

- Consolidation and coordination of seed activities
- b. Quality control/standards and regulatory systems:
- In some cases, NGOs have imported seed of varieties not adapted to target agro-ecological areas and these give very low yields;
 - In disaster years, opportunistic traders have sold NGOs and agencies grain instead of seed due to lack of standards enforcement;
 - Farmers lack variety for choice; and
 - Inappropriate distribution policies have been of concern in relief seed programmes.

The paper's recommendations focused on strategies for improving seed trade at national and regional level, and the efficiency of emergency seed interventions. The paper concluded that a strong and flourishing seed trade in the region would ensure provision of good quality seed, but the following preconditions must be met:

- The plant breeders rights charter for Malawi must be in place, otherwise regional trade would be difficult;
- Seed laws in the region should be harmonised in order to have coordinated seed marketing and seed quality control;
- The Malawi Seed Services Unit should be changed into a National Seed Authority (NSA) as an autonomous agency to look into variety registration, seed quality control and certification.

However, in terms of relief seed interventions, the following recommendations were made:

- To evaluate the nature and extent of disaster and possible responses in a coordinated manner and to determine the number of affected families and the needs for various seed and variety types;
- To ensure that locally adapted varieties are procured on time and distributed through appropriate sources;
- To monitor crop performance and yields in order to evaluate the impacts of the emergency assistance and implications for future food supply.

Stakeholder Comments on the Paper

- That the study must reflect government policy in terms of the partnership between government and NGOs and other civil society organisations;
- That, during the 2006/07 season, government intends to use hybrid maize in the subsidy programme and hopes NGOs will note the need to use hybrid seed as opposed to OPVs in their relief packages;
- That the study must capture the current coordination level between government, NGOs and CSOs, as well as other institutions in relief seed distribution;

- That, in terms of the regulatory framework, the study must critically analyse whether Malawi indeed needs relief seed continuously and whether there is a policy governing relief seed;
- That the study must compare the trade volumes of relief seed and the seed trade in Malawi. How much seed is distributed by NGOs and CSOs and how much is traded by seed companies operating in Malawi? What do the volumes involved entail in terms of market share by seed companies and the future seed production and marketing in Malawi?
- That, with regard to relief seed assessment, the study needs to elaborate how relief seed requirements are determined in Malawi and by whom;
- The study needs to capture whether relief seed distributions have been evaluated and isolate the critical issues with regard to seed markets in Malawi;
- That the general statements made in the paper must be properly backed by evidence. For example: "...after liberalisation, the seed industry collapsed..." Such a statement is so strong that it needs strong empirical backing. Further, the study asserts that there was a policy shift by government from hybrids to OPVs. This too needs to be backed by evidence:
 - ☆ The plenary suggested that the researchers use production statistics as evidence. The production statistics show a significant jump in area under OPVs, for example;
 - ☆ Additionally, though the policy-shift argument is not clear and somehow inconclusive, the fact that government tenders have consistently asked for OPVs since 2002 until June 2006 could be used as evidence for the "policy shift" argument;
- That the study should determine the variables that drive seed markets in Malawi. To this end, it should analyse the impact on seed companies of stopping the supply of relief seed;
- That the study should capture the total number of seed companies that have breeding programmes;
- That the study should analyse the observed permanence of seed relief in Malawi;
- That government subsidies must not be seen as relief seed programmes, but as development programmes, since they are planned and implemented in the medium- to long term.

RELIEF FOOD MECHANISMS AND SEED VOUCHERS: THE CASE OF MALAWI

R. Kachule and M. Madola⁴

The aim of the study was to describe the different ways in which relief seed and seed vouchers are being programmed, and to determine ways in which seed vouchers can potentially best benefit both farmers and commercial seed markets. The paper addressed three main relief seed mechanisms, of which direct seed distribution is predominant. The paper indicated that, being the most dominant system, it might



Fred Kalibwani and Richard Kachule preparing a presentation

affect long-term development of commercial seed market. The other two relief seed mechanisms are the use of seed vouchers and cash transfers to buy seed. The paper stated that they tend to be market friendly and to address some of the problems associated with direct seed distribution.

The paper also presented the institutional arrangements for disaster/emergency management in Malawi. The government is responsible for coordination and management of disasters through the Office of the Commissioner of Disaster Preparedness,

Relief and Rehabilitation and its village, district, and national coordination committees/task forces, with support from NGOs and the donor community.

The paper specifically scoped the players involved in the seed sector, based on categories broadly mentioned as (i) government, which is responsible for seed regulatory, policy formulation and implementation frameworks; (ii) the private sector, comprised of commercial and small-scale seed producers and marketers.

Seed fairs were documented as one of the systems where the voucher scheme has been very prominently used in Malawi. The seed fairs, based on the Catholic Relief Services system, look at stakeholder involvement in planning as a key component, with a coordinating team made up of beneficiary representatives, seed marketers (companies) and the implementing agent's staff (NGOs). The main team is supported by subcommittees to handle matters such as registration (beneficiary & seed sellers), security, pricing, seed quality, queries, and monitoring and evaluation.

The paper outlined the positive and negative impacts of seed vouchers and fairs as follows:

- Positive impacts:
 - ✧ Seed fairs promote seed choice diversity;
 - ✧ Fairs provide a forum for information exchange among beneficiaries and seed sellers;

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- ✧ Seed vouchers and fairs reinforce farmer knowledge of seed systems by letting them decide which varieties to use in times of stress;
- ✧ Seed vouchers and fairs provide farmers with continued access to seed through local sellers they know and whose quality they trust.
- Negative impacts:
 - ✧ Seed vouchers and fairs compromise on seed quality;
 - ✧ Many producers, including individuals, do not have adequate capacity to provide the seed;
 - ✧ It is difficult to maintain genetic purity (OPV) due to recycling for the seed being sold locally;
 - ✧ Packaging – some traders sell seed without brand names, which makes follow up difficult;
 - ✧ Firms do not have their own seed stocks but use the first winning tenders to look for more seed later, which creates the problem of selling grain as seed.

For consideration on the way forward for relief seed vouchers and mechanisms, the paper outlined the following:

- Regulatory issues:
 - ✧ The capacity of institutions such as the Seed Services Unit should be strengthened for regulating seed management in Malawi;
 - ✧ There should be a database/directory for reputable (registered and certified) seed suppliers to avoid pilferage and poor quality seed;
 - ✧ There should be an effective monitoring and evaluation component at the seed fairs;
 - ✧ The seed sector regulatory framework needs revising because it has a lot of gaps. (Need to lobby government to speed up the process).
- Voucher management:
 - ✧ Vouchers must have characteristics that are difficult to copy, including different designs for different fairs (e.g., date, colour);
 - ✧ Vouchers must be user-friendly, taking into account the illiteracy of most farmers;
 - ✧ Vouchers should purchase a comprehensive package of the farm inputs required for the normal growing of crops;
 - ✧ Credit systems should be established for agro-dealers and farmers;
 - ✧ Most of the evaluations done have focused on the processes and not on impact. There is a need for empirical evidence through evaluation to assess the impact of the programmes on:
 - status of farmers' food security,
 - diversification,
 - development of formal and informal markets.

Stakeholder Comments on the Paper

- That the study should capture who the key actors are in promoting the voucher system in Malawi, including those that finance the system;
- That the study should analyse the efficacy of the voucher system in Malawi. Is it cost-effective? Based on this analysis, the study must assess whether it can recommend the system in Malawi.
- The study uses seed fairs and seed vouchers interchangeably. The study must therefore clearly separate the two, since seed fairs can be conducted without vouchers and vice versa.
- That the study should comment on the impact of the voucher system on farming systems;
- That study should address the HIV and AIDS pandemic as a natural disaster too;
- That the study should compare the volume of seed moved by the various modes of seed distribution. The reason for preferring each of the modes must be established and reported.

FOOD AID AND COMMERCIAL IMPORTS OF GENETICALLY MODIFIED (GM) COMMODITIES: THE CASE OF MALAWI

C. Mataya⁵

In his presentation, Dr Mataya indicated that, for the past two decades, Malawi has increasingly relied on imports and food aid to compensate for recurrent food production deficits, and to mitigate starvation. It was indicated that the US and South Africa, both of which grow genetically modified (GM) food crops, have been the major suppliers of both commercial imports and food aid. The food aid has been resisted due to the fact that, since the 1990s, a significant proportion of US food aid has included GM maize or GM soy extract. However, the author wondered why the concerns of SADC member states about the risk of consuming GM food only surfaced in late 2001.



In response to the GM concerns, the presenter indicated that the Malawi government position was that developments in the scientific and technological fields elsewhere will affect Malawi and so the country could not afford to remain behind the GM revolution. However, the government recognised that there was a need to build capacity to manage and regulate the use of biotechnology; and it commissioned the drafting of a Biotechnology Policy that should include all aspects of biotechnology, GMO and bio-safety.

The paper indicated that the country already has a biosafety act, however. The Malawi Biosafety Act (MBA) was enacted during the time when there were concerns about the GM maize food aid that was being shipped to Malawi. As a result, stakeholders perceived the act as being about GM, rather than about biosafety. This justifies the need for a comprehensive policy to guide biotech management issues in Malawi. It was indicated that, despite the passing of the MBA, no application for testing, use and application of GMOs has been authorised in Malawi, due to insufficient human and technical capacity to monitor trials and applications.

In his concluding remarks, the presenter outlined the following:

- Importation of GM food will continue to generate fear and public debate unless there is adequate information about the likely effects of transgenic products on human and animal health;
- Government opinion on the importation of GM commodities on commercial terms or food will be guided by provision of the MBA but also opinions and policies in the SADC Region;

⁵ Principal, Malawi Polytechnic, Blantyre, Malawi

- However, this requires capacity building to enable the relevant institutions to monitor and regulate GM importation;
- The ensuing debate on biotechnology policy is likely to allow importation of GM maize in milled form only;
- Testing of GM technologies is likely to be restricted to three crops: maize, cassava and cotton;
- Release of GM seed and production until 2010 is likely to be restricted to a few specialised commercial farmers, who will be isolated from the general farming population to avoid contamination.

Stakeholder Comments on the Presentation

- The study must note that, since GM products were introduced in 1996, the statistical table that shows imports of such foods must start from 1996 rather than from 1992;
- That, in terms of trade, the study must note that there is no EU blanket recommendation on GM products. As a matter of fact, most EU states are already using GMOs;
- That the study should capture the fact that the cause of anxiety regarding genetic modification includes issues to do with intellectual property rights; and that genetic modification is done across species, so that its effects are unknown;
- The study must assess the lessons that Malawi can learn from South Africa in the area of genetic modification.

FERTILISER SCOPING STUDY

C. Mataya

The aim of the study that led to development of this research paper was to identify constraints and policy options for facilitating implementation of the regional fertiliser strategy, based on national experiences. The paper reported that Malawi is amongst the countries in the world that apply the lowest amount of fertiliser at 43 kg/ha, as against the world average of 100 kg/ha, with its national consumption around 200,000 metric tons (MT) of fertiliser. The paper argues that, associated with the aforementioned low consumption of fertiliser, Malawi faces a net loss of 90,000 MT of nutrients. To restore nutrient balance, the annual consumption of fertilisers should be in excess of 600,000 MT. However, the major challenge remains that only about a third of the farming population in Malawi uses fertilisers.

The paper then outlined opportunities that Malawi can harness, as well as constraints the country faces in terms of fertiliser development.

a. Investment opportunities:

- Potential national demand for fertiliser is around 600,000 MT;
- Free trade within SADC-COMESA will drastically reduce trade barriers and improve business profitability;
- The SADC-COMESA Regional Fertilizer Strategy provides an opportunity to cut costs and further reduce fertiliser prices to farmers by block procurement of fertiliser;
- The Nacala spatial development initiative and the Shire-Zambezi waterway will create alternative trade routes to the sea and reduce the cost of transportation.

b. Policy related constraints:

- Absence of a national fertiliser policy and use of outdated legislation and regulations are major obstacles to private sector-led growth and development in Malawi;
- Unpredictability in government safety net programmes creates business risk and deters investors from investing in the fertiliser industry, since government often makes its decisions known to the private sector late, that is, after the budget has been approved by parliament in June. Unfortunately, this period coincides with high world fertiliser prices, making it costly to procure and distribute the product.
- It takes 12 to 14 weeks from the time fertiliser orders are placed to the time the consignment is delivered. The consequences are late arrival and distribution of inputs, and subsequent low yield levels realised by the majority of smallholder farmers.

c. Macroeconomic instability:

- The paper indicated that unstable exchange and inflation rates are some of the major causes of concern among importers of fertilisers in Malawi. Sudden

and unpredictable changes in exchange rates and prices have created uncertainty in planning and have complicated settlement of transactions between traders of different countries. The rate of the Malawi Kwacha against major currencies has sometimes been artificially stabilised, only to be devalued unexpectedly at a time when major inputs such as fertiliser are to be imported. This has led to an unprecedented rise in the cost of fertiliser imports, which translates into unaffordable prices to farmers;

- Further analyses showed that inland transportation, which constitutes approximately 16 percent of the cost of fertiliser, is also the major factor contributing to the input cost after free on board (FOB⁶).

d. Inadequate incentives for private sector development:

- Private sector development has been affected by an unfavourable tax structure, as observed by economic policy think tanks:⁷ Taxpayer relations have deteriorated significantly due to pressures by the MRA⁸ to collect revenue, which has often been done with little regard for rules, precedents, agreed practices or acceptable methods. The other problem is that the private sector in Malawi has not been adequately involved in the development of tax and trade policies;
- The paper reported that only one of the four largest importers of fertilisers has fertiliser import and distribution as a core function. Probably this is because this firm is a subsidiary of an off-shore multinational fertiliser company with direct links to or owning manufacturing plants. The rest are diversified into agro-processing and trading in other products, making it easy for them to pull out of fertiliser trading when the economic environment is not favourable;
- The paper then argued that regional procurement of fertilisers would benefit firms with strong offshore ties with easy access to capital and fertiliser supplies, whereas companies (including agro dealers) without offshore linkages are likely to resist regional associations for bulk procurement, unless they are assured of access to capital at favourable terms. In this regard, a regional procurement strategy is perceived as risky in the event of political instability.

e. Poor road and transport infrastructure:

- The overall road system in Malawi is substandard, even by African standards. It was pointed out that Malawi is a land-locked country and a net importer of goods and commodities; it has one of the highest haulage tariffs in Southern Africa, both inwards and outwards.

f. Inadequate capacity for trade negotiation and implementation:

- The paper also noted that Malawi has a weakness in negotiating terms in trade protocols and agreements with bilateral and multilateral partners. As a result, a number of trade documents are signed without clear appreciation of their implications for trade balance and balance of payments. The paper

⁶ IFDC studies

⁷ Economics Association of Malawi (ECAMA), Society of Accountants in Malawi (SOCAM) and Malawi Confederation of Chambers of Commerce and Industries (MCCCI)

⁸ MRA is the Malawi Revenue Authority.

suggested that Malawi should focus most extensively on its relationship to the Southern Africa Customs Union (SACU) and should find ways in which to represent its interests more effectively vis-à-vis SADC and COMESA.

Stakeholder Comments on the Presentation

- That the study should assess the probability of increasing fertiliser usage in Malawi;
- Yala dominates fertiliser markets in Zimbabwe, South Africa, Zambia and Malawi. When it comes to regional procurement, Yala might already be doing that. The study must therefore assess whether a regional procurement policy would improve Yala's position.

CONCLUDING REMARKS AND NEXT STEPS

The organisers of the workshop (FANRPAN and CISANET) were happy that the discussions were very engaging. However, they were concerned that they did not get comments from farmers and farmer organisations. The next steps after the workshop were outlines as:

- The researchers will prepare the final reports on the four research papers, incorporating comments from the plenary;
- Further critical comments on the papers must be sent to Mr Victor Mhone through cisanet@cisanetmw.org or to the researchers themselves. There is still a month to finalise the papers;
- The recommendations from the studies will be combined with similar studies done in other countries. Dr Kate Longley will collate the papers from all the countries and undertake a comparative analysis, which will culminate in a regional synthesis paper to be discussed at a regional meeting later in the year in South Africa;
- The regional meeting will be held around October 2006. The exact date will be communicated in due course. The recommendations emanating from the regional meeting will be taken to SADC level.

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