

Seeds and Subsidies: The Political Economy of Input Support Programmes in Malawi

Introduction

This FAC Policy Brief examines the political economy of input programmes and identifies maize and input subsidies as central to agricultural political debates. Subsidy programmes that are centred on the supply of seed and fertiliser to support maize production to boost national food security have created a strong actor network including key government players, major donor aid agencies and Non Governmental Organisations (NGOs). In recent years, this has created a unique and highly contested political economy of seeds in Malawi. Notwithstanding the strong narratives about national food security or public food aid, the benefits of both national and donor-led subsidy interventions are unevenly distributed, most to the benefit of elites. Moreover, international commercial seed sector players, pushing their patented genetic material, have won out in agricultural policy over local producers and varieties, again to the profit of local elites.

Maize production plays a prominent role in Malawi's political economy owing to its centrality to the country's food security. Since the beginning of the 1990s, however, chronic food insecurity has plagued the country due to the following factors, including regular bouts

of flash floods and droughts; the removal of fertiliser and hybrid maize seed subsidies; and sharp devaluation of the local currency, making farm inputs unaffordable to the majority of the chronically impoverished smallholder farmers. These factors have eventually seen the country shift from being nationally self-sufficient in maize production to being dependent on food aid and commercial imports during even non-drought years (Devereux 2002; Chinsinga 2004).

Since the late 1990s, the precarious national food security situation prompted concerted responses from government with support from donors, focusing on three major initiatives: (1) the Starter Pack (SP) programme (1998–2000); (2) the Targeted Input Programme (TIP) (2001–2005); and (3) the Agricultural Input Subsidy Programme (AISP) (2005 to date) (Levy 2005; Chinsinga 2007; Dorward et al. 2007). The AISP in particular has gained high profile coverage in the international press making Malawi the darling of global 'Green Revolution' advocates. For four consecutive growing seasons, 2006–2010, Malawi consistently enjoyed substantial maize surplus exceeding its annual national requirement, estimated at 2.1 million metric tonnes. The *New York Times* applauded Malawi for overcoming famine (Dugger 2007), whilst the UK Guardian stated that 'Africa's Green

Revolution may be several steps nearer after a pioneering experiment in seed and fertiliser subsidies to smallholders in Malawi' (Perkins 2009). Moreover, Alliance for a Green Revolution in Africa (AGRA) touted Malawi as 'a model of success showing the rest of the African governments the way towards a sustainable version of the African Green Revolution' (2009:2).

Privatisation and profits: the reconfiguration of the Malawian seed system

The Malawian seed industry, upon its liberalisation at the insistence of international donors, has since become dominated by multinational companies, whilst locally-based companies have been relegated to playing a very minor role in the industry. Almost all of the large companies focus almost exclusively on the production of hybrid maize seeds, and control an estimated 90 percent of the market (GRAIN 2010). Of these, Monsanto is the most dominant multinational seed company, commanding more than 50 percent of the market share of improved maize varieties. The major local player in the seed industry is Association of Smallholder Seed Multiplication Action Group (ASSMAG), which deals in various crops, although its main seed product is Open Pollinated Variety (OPV) maize. ASSMAG works closely with the national breeding programme, which is the sole source of the foundation seeds used in its multiplication programmes.

Malawi's national seed industry actors have formed the Seed Traders Association of Malawi (STAM), a self-regulatory organisation whose goal it is to help ensure that farmers receive quality seed. STAM-accredited seed suppliers alone are involved in the government input (seed) support programmes in order to guarantee seed quality and certification. Seed companies then distribute their products

through an agro-dealer network, the development of which is being supported by the Citizen Network for Foreign Affairs (CNFA), a USAID-sponsored NGO (Adesina 2009). A viable agro-dealer network is described as 'a way of improving agricultural input and output markets while providing support to resource poor farmers' (Mangisoni 2007:1).

Whilst the state-run input supply system is condemned as inefficient and highly susceptible to rent-seeking (Bates 1981; van de Walle 2001), the promotion of the private sector is seen by many as essential for the development of a robust agricultural sector.

Government liberalisation of agricultural policies, together with internationally-led structural adjustment policies, has had a significant impact on Malawi's national breeding programme. Input support programmes receive the lion's share of the budget, with the Ministry of Agriculture and Food Security (MoAFS) spending almost all its time on AISP at the expense of the normal agricultural development programmes, particularly research and extension. Thus, the liberalisation of the seed industry has resulted in almost total neglect of public sector breeding efforts.

With multinational company market dominance, such companies have had the power to insert themselves into the input subsidy programmes as their preferred source of seed. The agro-dealer network is also strategically linked to multinational seed companies, leading to capture of the seed industry by a select group of private sector actors, ultimately supported by both government and donors. These private sector actors tend to offer only a narrow range of mainly proprietary technologies to farmers. Consequently, some critics argue that Malawi has turned into a marketplace for externally-bred seed materials, to the crippling exclusion of the national breeding programme.

Some argue that such international seed companies neither develop seeds locally nor do they import their best materials. This leaves farmers with inferior seeds, lacking the latest improvements in drought and pest resistance and nutritional quality. The crumbling of the public sector breeding programmes has meant that the country has become almost entirely dependent on the multinational seed companies for the bulk of improved seed supply, although not necessarily of the ideal quality for the local agronomic conditions. This has been reinforced by the shrewd business strategies of multinational companies that have succeeded in marginalising the national breeding programme, further reinforced by the interests of donors and government in finding quick fixes to the enduring problem of food insecurity.

The politics of input subsidies: the case of the AISP

The Agricultural Input Subsidy Programme (AISP), launched during the 2005/06 growing season, is the most recent of Malawi's major input subsidy programmes. The chronicles of which have been highly successful, ushering in the much-acclaimed 'Green Revolution'. What have been the political-economic processes involved in this saga? Who has gained, and who has lost? What lessons can be learned about policy and implementation from an unpacking of the politics of these input subsidies?

There remain intense debates about key elements of the programme, three of which are highlighted below: (1) technology choices; (2) modes of delivery; and (3) regulatory capacity.

Technology choices

There are competing views on what can be classified as the most appropriate seed for Malawian farmers. Multinational seed companies have seized on the apparent success of AISP to justify the use of hybrid seed. The widespread

popularity of hybrid maize challenges the perception of some donors and NGOs that hybrid maize (and especially GM varieties) is inappropriate for small-scale farmers. The primary justification for NGOs promoting local maize seed varieties is that the local maize seed system is sustainable:

- local seeds can be recycled continuously
- are pest and disease resistant
- are familiar to farmers, 'taste better' and are easy to store
- are amenable to traditional methods of processing
- can withstand prolonged periods of dry spells

Some NGOs argue that promoting the hybrid maize seed system would be tantamount to divesting local farmers of their right since they have been custodians of seed from time immemorial; it will be unfair to take this responsibility away from them and give it to foreigners who are only interested in making profit out of local people.

On the other hand, the Malawian Government's official political stance on improved maize varieties, both hybrids and OPVs, is to promote their use. The apparent preference for hybrids is linked to the primacy of maize in the country's political economy (cf. Sahely et al. 2005; Harrigan 2005; Chinsinga 2007). Food security, equated to more or less the availability of maize to the masses at affordable prices, remains a key issue in electoral battleground. The legitimacy of any government is almost entirely dependent on its ability to fulfil this extremely vital element of the social contract. Politicians are therefore interested in hybrids as they can hold up high yield statistics as trophies during electoral campaigns, guaranteeing votes from their supporters.

Modes of delivery

The modalities of delivering inputs to farmers are also a subject of ongoing debate. The government implemented AISP without donor support, distributing both fertilisers and maize seed to farmers through two state parastatals: the Agricultural Development and Marketing Corporation (ADMARC) and the Smallholder Farmers Fertiliser Revolving Fund Malawi (SFFRFM) (Chinsinga 2007; Dorward and Chirwa 2009). Despite the absence of direct support in AISP, donors have been involved in the programme in other ways, particularly in their insistence that the private sector be involved in 'both the procurement and the distribution of subsidised fertiliser and other farm inputs on equal terms with ADMARC and SFFRFM' (Chinsinga 2007: 26). Donors voiced concern that the exclusion of the private sector in the subsidy programme would slow down, if not reverse, gains from economic liberalisation.

Although the benefits of the subsidy programme are offset by significant transaction costs and labour requirements incurred through voucher redemption, there is evidence to show that seed sales have dramatically improved because of the programme. However, local seed companies have not fully exploited the commercial benefits arising out of AISP due to their reliance on multinational seed companies to process their seeds.

Regulatory capacity

Appropriate regulation within the liberalised seed industry is another contentious issue facing the Government of Malawi; the initial liberalisation process substantially undermined the state's regulatory capacity of the industry. The lax enforcement of MoAFS standards is due to both limited capacity and political opportunism resulting in the exposure of the seed industry to exploitation. Farmers argue that for the benefits of the private sector's

involvement (through agro-dealers) to be fully realised, the regulatory framework of AISP must be tightened. This was deemed essential by farmers because they identified that the primary motivation of agro-dealers was making a profit, resulting in their victimisation.

The capacity for seed inspection also remains limited despite efforts to bolster regulatory practices through training in seed technology. Seed certification agencies face significant challenges in carrying out genuine certification due to the dispersed locations of seed multiplication sites; their efforts are further undermined by rampant corruption in seed inspection exercises. Inadequacy in the training and support of seed inspectors has been identified as the root cause of the breakdown in seed inspection and certification, inclining many to malpractice and corruption, with severe consequences for the quality of seed dispersed to farmers.

The politics of Malawi's new Green Revolution alliance

For most donors a private sector-led formal seed system, supported by a permissive, liberalised policy environment, is the surest strategy to kick-starting an African Green Revolution. Consequently, major donors are promoting the establishment of an extensive agro-dealer network as a viable alternative to the state-run system of input supply to farmers, which is seen as being inefficient and ineffective (van de Walle 2001; Crawford et al. 2003). Large seed companies, targeted as primary suppliers of 'quality' seed, are buoyed up by donors and government alike through various input support programmes.

This situation, however, has created opportunities for patronage in the government, with government supporters and private companies, giving rise to a new layer of elites

profiting from the industry. Core to these middle-level elites are agro-dealers and multinational seed company contract seed growers as both ventures require large capital outlays and political connections.

Multinational seed companies have a guaranteed market because seed procurement for AISP is not conducted through a competitive tendering process. These companies are therefore the major beneficiaries of the subsidy programmes. The Government buys a substantial amount of seed from the companies for the subsidy programmes, negotiating lower prices than the market. Local seed companies, however, are not able to take advantage of this situation as they rely almost entirely on the multinational seed companies to process their seed.

There have been winners and losers from the implementation of the AISP at two levels. Beneficiary farmers have gained in terms of improved yields due to access to fertiliser and improved seed which they can hardly afford at the market rate. There is a huge price difference between subsidised and unsubsidised fertiliser. The other major groups of beneficiaries are those that have emerged as agro-dealers and contract seed growers. They are mostly male and fairly rich members of the farming community. The majority of the farmers are, however, losers because the AISP has either been captured by local elites or exploited as a source of political patronage, which excludes many. Farmers benefit but the magnitude of their benefit is undercut by the rent-seeking tendencies of various stakeholders.

Conclusion

Politics matter in the initiation, uptake and implementation of all agricultural policy interventions, and particularly those surrounding Malawi's subsidy programmes. Appropriate technical recommendations do not see political implementation unless there is real support

from powerful actors in government. The primary weakness of the country's smallholder farmers is their inability to influence agricultural policy due to a lack of self-organisation that exposes policy procedures to further exploitation. Subsidy programmes geared to a 'Green Revolution' were readily embraced by the government because of a strong political drive to find solutions to the rapidly deteriorating food security situation and declining soil fertility. The implementation of the AISP, and the subsequent dominance of hybrid maize, is a result of political maneuvering and a coalition of interests including those of the government (with an eye to political success), multinational seed companies (keen on market dominance) and political elites (able to cash in on the business generated, or patronage spread).

This study has revealed how gaining access to high-quality and improved seed at affordable prices is a problem for many smallholder farmers, especially in a weak policy environment. It has also shown how multinationals have come to dominate the domestic commercial seed sector. This has been propped up by the convergence of donor and government interests with those of seed companies, albeit for different goals.

Malawi's experience illustrates that foreign direct investments, through ownership of production and sales outlets in the seed industry, can impact on poor and smallholder farmers in such detrimental ways that they are rendered powerless within this system or to operate outside of it effectively. This becomes heavily entrenched if the local elites capture part of the benefits, especially when these serve the political interests of the governing elite as has happened in Malawi.

Concerted efforts are required to reform the country's seed industry for it to serve the interests of the ordinary Malawian farmer better. The major challenge is the weak policy environment following liberalisation, which various actors have, in different ways, exploited

to advance their own selfish interests. There is thus urgent need to improve the efficiency and implementation of regulatory frameworks, revitalise the national breeding system and support the capacity and competitiveness of the local seed industry if Malawi's Green Revolution is genuinely to benefit smallholder farmers in the long term.

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