

Distribution of Dairy Products in Malawi



Faical Akaichi, Neil Chalmers and Cesar Revoredo-Giha
 Scotland's Rural College
 West Mains Road
 Edinburgh, EH9 3JG, Scotland
 E-mail: faical.akaichi@sruc.ac.uk



www.sruc.ac.uk

Introduction

Malawi has the lowest consumption of milk per capita in Africa estimated at 4 to 6 kg/capita/year, which is well below the African average of 15 kg/capita/year, and significantly lower than the 200 kg/capita/year recommended by the World Health Organisation (Tebug, 2012). This figure, however, reflects an average with a very wide distribution.

Given Malawi's skewed income distribution, to expand the demand for dairy products requires making them affordable to low income population groups. A consumer survey in urban areas, carried out as part of the project, indicated that perceived high prices were one of the main barriers to the expansion of demand.

The objective of this research is to identify to what extent retailers' margins are responsible for those high prices of dairy products.

Methodology

To address the objective, wholesale, recommended and retail prices were collected. Also, recommended margins by the processors (Suncrest Creameries Ltd., Dairiboard Malawi Ltd., Lilongwe Dairy, and Sable Farming) to retailers and actual margins set by retailers were computed.

In June 2013 retail prices for pasteurised milk, ultra-pasteurised milk, powdered milk, Chambiko, yogurt, cheese, butter, margarine, spread and ice cream were collected in nine supermarkets, namely, People's, Sana, Spar, Chipiku, Shoprite, Game, 7eleven, Shopexpress and Foodzone) located in the two main Malawian cities of Lilongwe and Blantyre. Table 1 presents the average price of the dairy products.

Table 1: Retail prices of dairy products in Malawian Kwacha per litre/kg

Dairy products	City		p-value ¹
	Lilongwe	Blantyre	
Powdered milk	4,975	5,523	0.41
Pasteurized milk	476	697	0.07
Ultrapasteurized milk	770	766	0.54
Chambiko	534	597	0.48
Butter	4,608	5,874	0.50
Margarine	2,451	1,782	0.00
Spread	2,095	1,754	0.01
Cheese	8,645	7,112	0.15
Yogurt	1,525	1,533	0.42
Ice cream	1,559	2,364	0.07

Note: 1 Permutation t test of the null hypothesis that both prices are equal.

From the gathered data the recommended, the actual and the extra margins were computed as follows:

$$\text{Recommended Margin} = \frac{\text{Recommended sale price} - \text{Wholesale price}}{\text{Wholesale price}}$$

$$\text{Actual Margin} = \frac{\text{Actual retail price} - \text{Wholesale price}}{\text{Wholesale price}}$$



Milk in rural shop



Milk in supermarket

Results

Table 2 presents the average wholesale, recommended and retail prices as well as the computed margins expressed as percentages.

Table 2: Wholesale, recommended, retail prices and the computed margins

	Wholesale price (MKW)	Recommended sale price (MKW)	Retail price (MKW)	Recommended margin (%) - A	Retail margin (%) - B	Difference (B-A)
Pasteurised milk - 250ml						
Processor 1	83	95	123	14	48	33
Processor 2	83	75	157	19	149	130
Pasteurised milk - 500ml						
Processor 2	120	140	185	17	54	38
Processor 3	145	165	185	14	28	14
Ultra-pasteurised milk - 250ml						
Processor 4	77	90	173	17	124	107
Processor 1	98	115	177	17	80	63
Ultra-pasteurised milk - 500ml						
Processor 4	98	115	198	17	102	84
Processor 1	175	210	198	20	13	-7
Chambiko - 250ml						
Processor 1	130	150	173	15	33	18
Processor 2	100	120	148	20	48	28
Processor 3	134	155	153	16	14	-1
Chambiko - 500ml						
Processor 1	240	276	277	15	15	0
Processor 2	190	230	278	21	46	25
Processor 3	210	255	240	21	14	-7
Yogurt - 250ml						
Processor 1	200	233	285	17	43	26
Processor 2	148	180	220	22	49	27

Conclusions

The results indicate:

- The more processed is the dairy product, the higher the price.
- Processors' recommended margins fluctuate between 12% to 22%.
- The retailers' margins for Processor 2's products are the highest whilst those for Processor 3's products are the lowest observed.
- The highest retailers' margins were found for 250 ml. bags of pasteurised and ultra-pasteurised milk. This is important for food security since these products are targeted at low income consumers.
- In most of the cases, the margins set by the retailers are significantly higher than the recommended and vary between 13% to 149%. Whilst more research on this is needed, the evidence indicates the need for some Government surveillance that ensures prices of selected products destined to low income groups are maintained at affordable levels.



Faical Akaichi collecting prices at the Chipiku supermarket in Lilongwe. (Photo C. Revoredo-Giha)

References

Tebug, S.F., Chikagwa-Malunga, S. and Wiedemann, S. 2012. On-farm evaluation of dairy farming innovations uptake in northern Malawi. *Livestock Research for Rural Development*, 24.

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