



Strategy and Responses to the Impacts of the Russia-Ukraine Conflict: Harnessing the Opportunities

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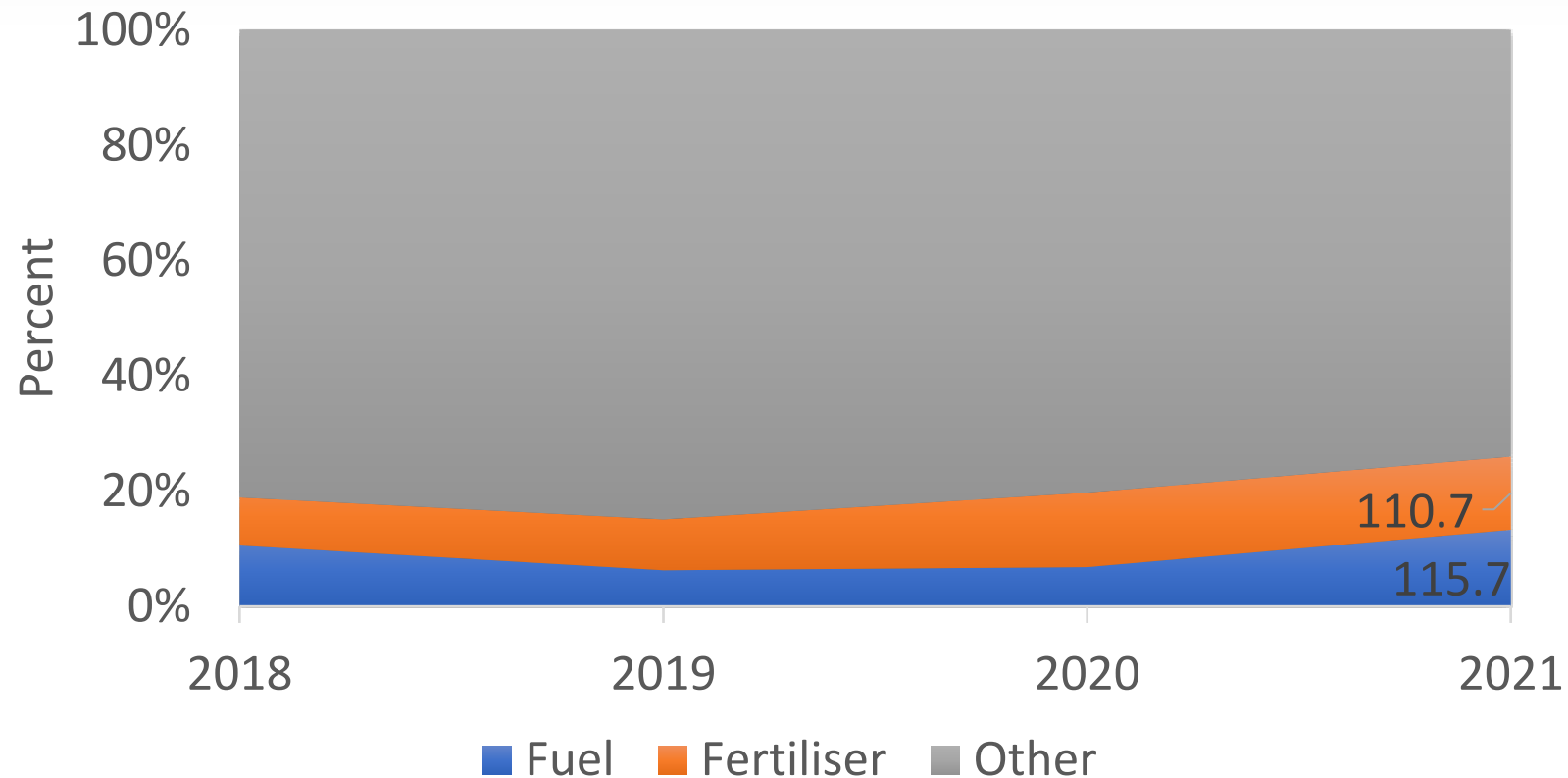
**Agricultural
Transformation
Initiative**

Some statistics

- 🌅 **Merchandise trade balance worsening**
 - -\$473m in 2019 to -\$610.3m 2021
- 🌅 **Foreign exchange reserves not growing**
 - \$789.4m (3.2 months of imports) as at end May 2022
- 🌅 **Export revenue still undiversified**
 - In 2021, Tobacco (\$161m), Tea (15.9m) and Sugar (\$18.2m), accounted for over 60% of total merchandise exports (\$260m)
- 🌅 **In 2021, fuel & fertilizer accounted for 35% of imports (\$871m)**
- 🌅 **Untapped export potential of \$292m (ITC)**

Importance of fuel and fertilizer

Figure 1: Share of fuel and fertilizer out of total imports



Source: Reserve Bank of Malawi data

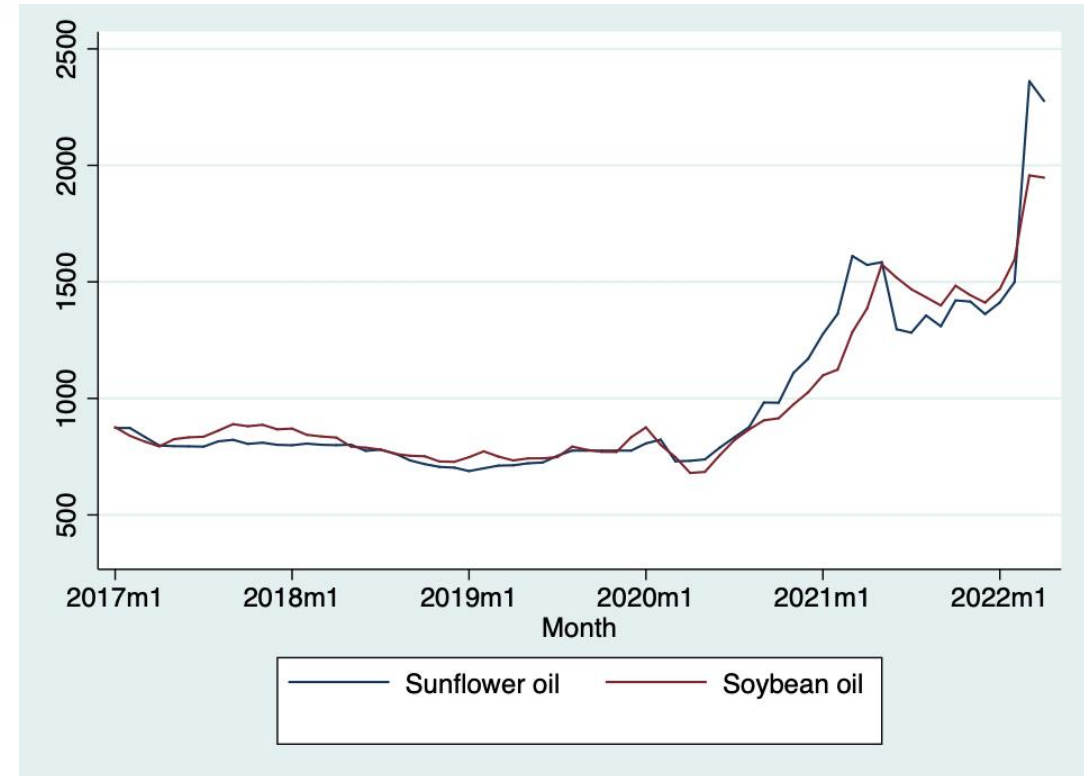
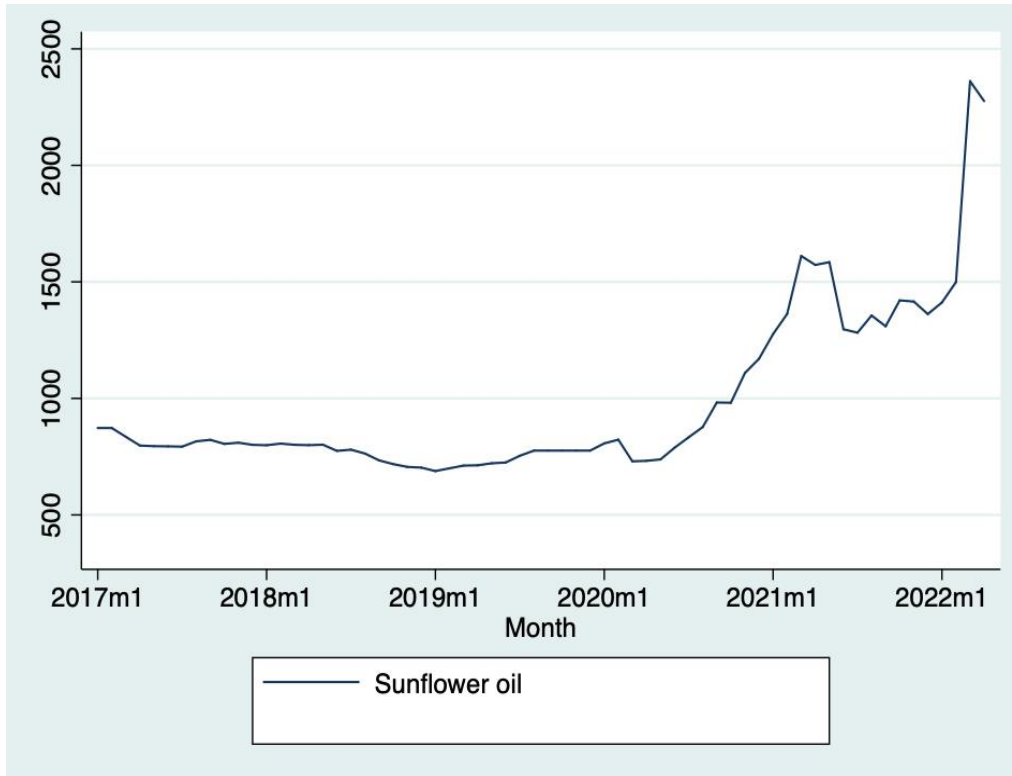
Selected opportunities

- 🌅 Oilseeds (sunflower, soya, groundnuts, etc.)
- 🌅 Wheat and substitutes
- 🌅 Domestic production of inorganic and organic fertilizers
- 🌅 Investments in fuel storage and transport

Scale up production of oilseeds

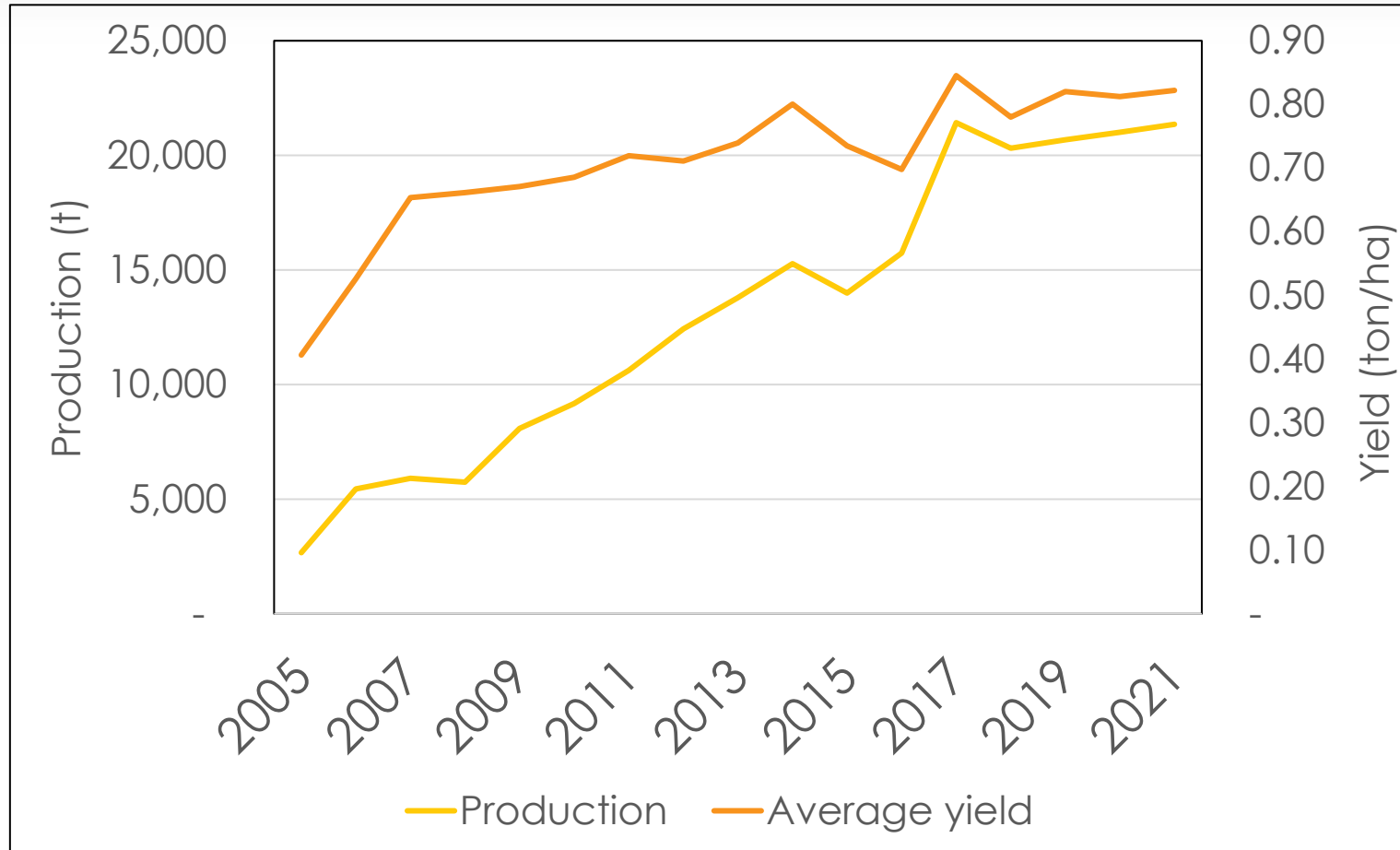
Figure 2: Global increase in sunflower and soybean oil prices

"Pink Sheet" Price (US\$/mt)



Scale up production of oilseeds

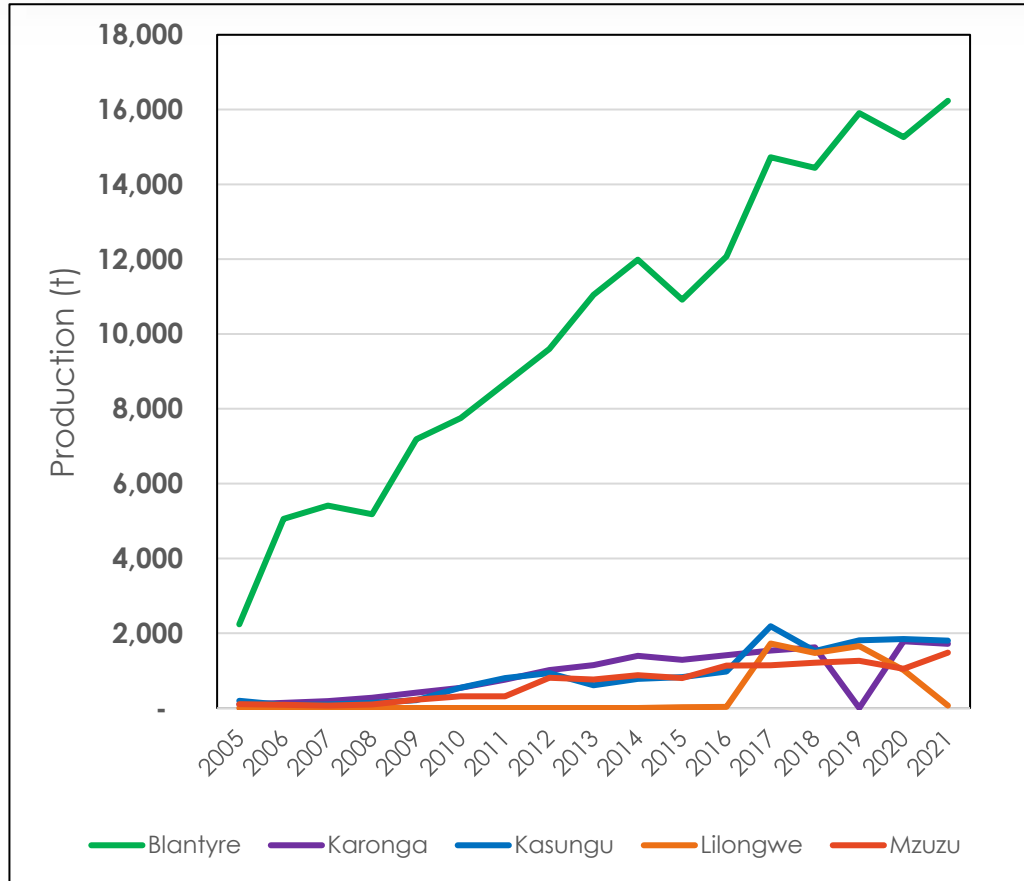
Figure 3: Annual sunflower production and yield



Source: APES data

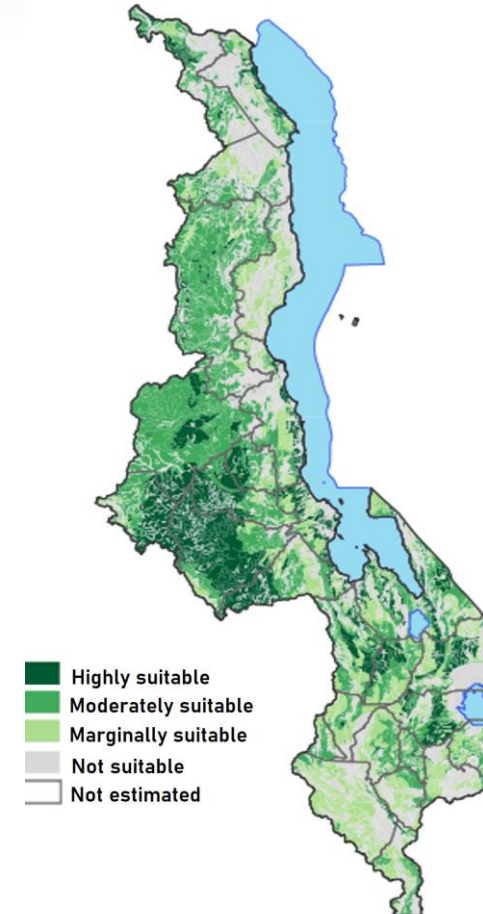
Scale up production of oilseeds

Figure 4: Annual sunflower production by ADD



Source: APES data

Figure 5: Sunflower suitability map



Source: Benson et al. (2016)

Wheat & substitutes

Russia, Belarus & Ukraine produce 15% of global wheat

- In 2020, Malawi imported USD21.3m of wheat flour from Russia and Ukraine

The supply market has been disrupted in general

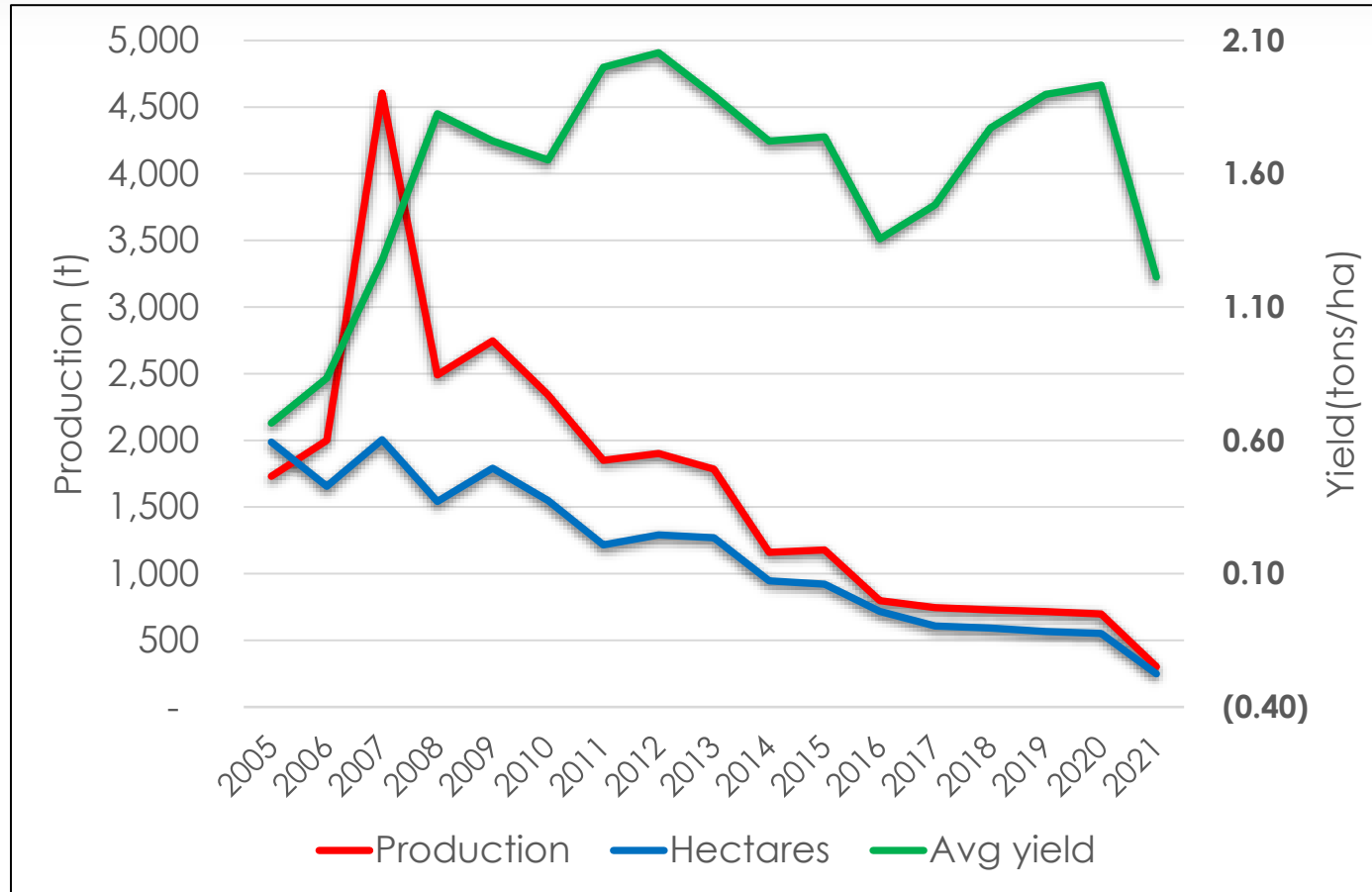
- Price of bread has increased (shortages and supply disruptions)

Options include

- Promoting substitutes such as cassava, sweet potato, banana, rice, etc.
- Wheat production and blending wheat and local grains (e.g., sorghum)

Wheat

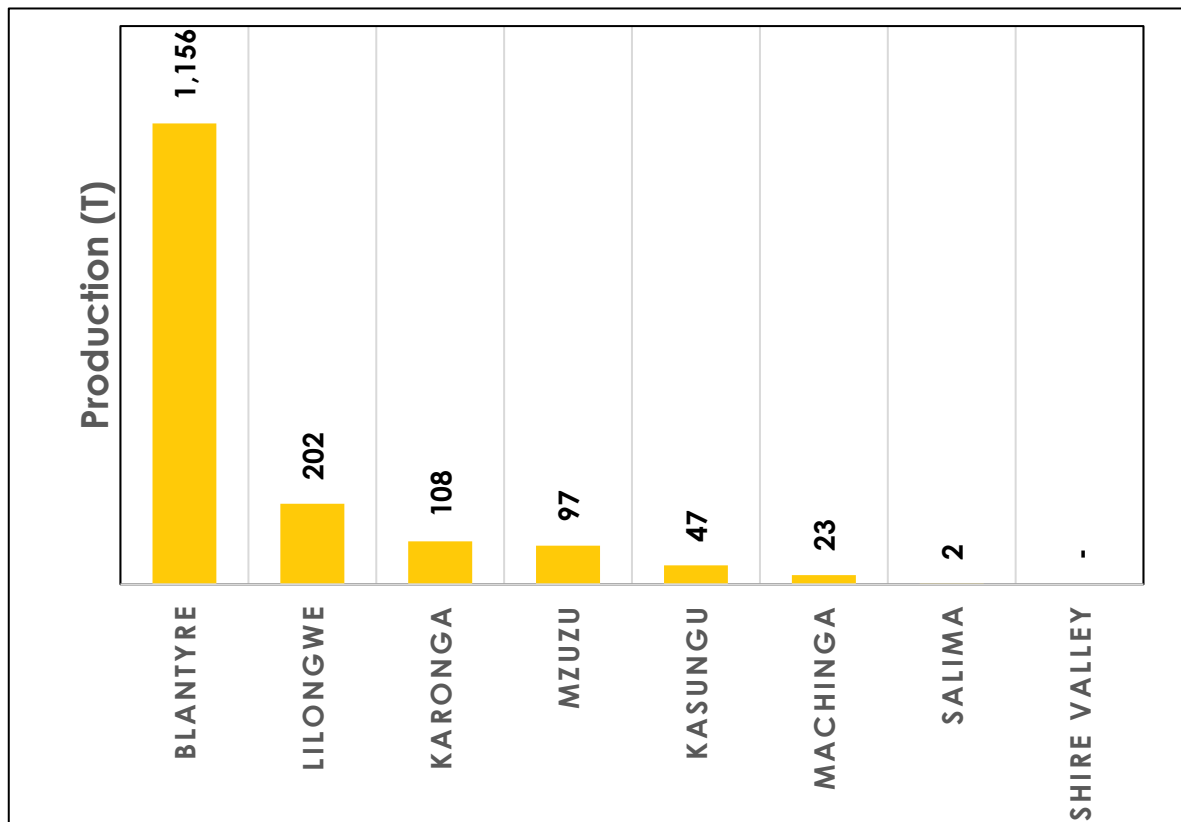
Figure 6: Annual wheat production and yield



Source: APES data

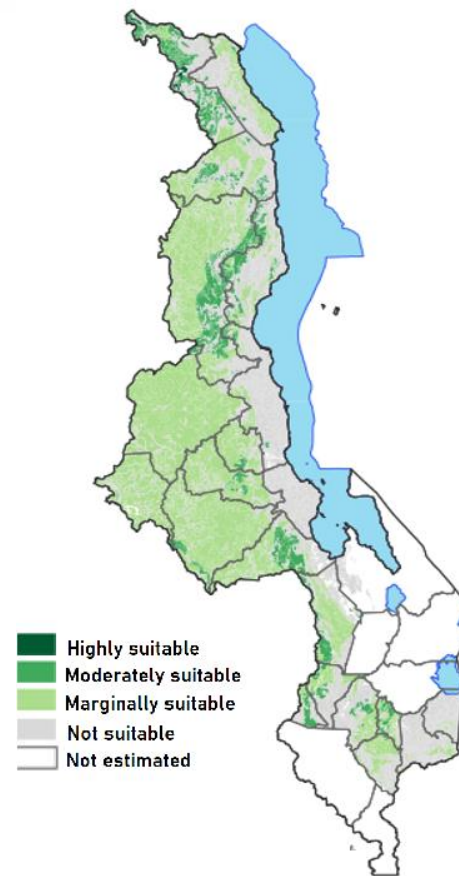
Wheat

Figure 7: Average annual wheat production (by ADD, 2005-2021)



Source: APES data

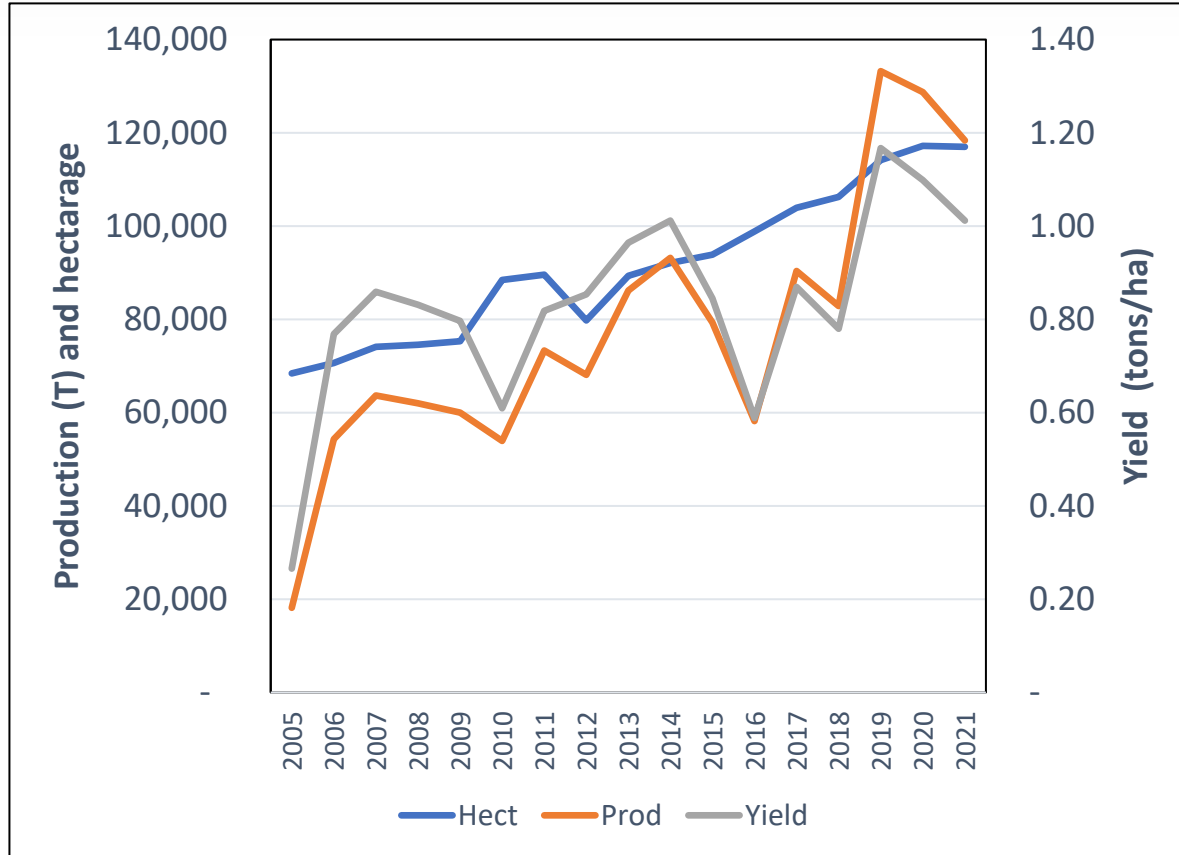
Figure 8: Wheat suitability mapping



Source: Benson et al. (2016)

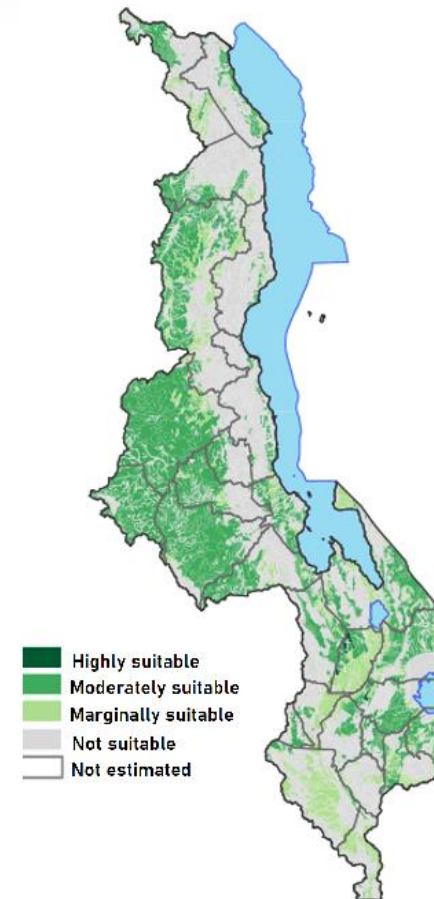
Sorghum

Figure 9: Sorghum production and yield



Source: APES data

Figure 10: Sorghum suitability mapping



Source: Benson et al. (2016)

Fertilizer

- 🌅 **Russia & Belarus are amongst the largest producers of fertilizers**
 - 10% of global N fertilizer
 - 10% of global P fertilizer
 - **35% of global K fertilizer**
- 🌅 **Stage was already set (end of 2021)**
 - Rising global food prices
 - Increased demand for fertilizer following food prices
 - Increase in natural gas prices
- 🌅 **Global shortage due to sanctions**
- 🌅 **Supply chains have also been disrupted**

Fertilizer (implications)

High fertilizer prices

- Global shortage has pushed prices up
- The conflict has increased costs
- Ranging from K62,700 to K73,000

Lower production

- Lower production for 2022/23 season from lower fertilizer use
- Food insecurity concerns (food shortages and hunger)

Fiscal pressures

- Subsidized input budget made up 24% of total agriculture budget (2021/22)
- Likely to be higher due to increase in prices

Fertilizer policy options

- 🌅 **Timely procurement & delivery of subsidized inputs for 2022/23**
- 🌅 **Encourage alternatives and complements to chemical fertilizers**
 - Organic fertilizers, manure/compost, maize-legume intercropping/rotation
- 🌅 **Rationalize targeting of beneficiaries**
- 🌅 **Conduct feasibility study for fertilizer production factories**
 - Malawi National Fertilizer Policy (2021) promotes domestic production of both inorganic and organic fertilizers

Investments in fuel storage and transportation

- 🌅 Russia is the 2nd largest producer of natural gas
- 🌅 Russian is the 3rd largest producer of petroleum
- 🌅 Due to shortages, fuel prices have increased and will continue to
- 🌅 This has implications on food cost and inflation
- 🌅 **Expansion of storage reserves**
 - Shortage of storage capacity of 16.5m litres (45 days cover)
 - Recommended SADC cover of 90 days
- 🌅 **Rehabilitation of rail (Salima-Lilongwe-Mchinji)**
 - Diversify means of transport
 - Lower cost of fuel

Conclusion

Immediate options

- Sunflower and other oilseeds
- Promote substitutes to imports
- Timely procurement of fertilizers
- Promote sustainable soil management practices

Medium-term options

- Investments in infrastructure (storage, transport, etc.)
- Gain understanding of some crops (wheat, sorghum, etc.)

Long-term options

- Sound macroeconomic policy
- Investments in fertilizer production



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