



The Impact of Russia's Invasion of Ukraine in Malawi

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Panel Discussion on Emerging Issues Affecting Sustainable Food Systems

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**Agricultural
Transformation
Initiative**

The stage was set (e.g., end of 2021)

Economic
troubled
waters

Several years of fairly “calm waters”

- World urea prices \approx \$250/ton from Jan 2017-Dec 2020
- Malawian fertilizer prices averaged MK21,000/50kg bag



The stage was set (e.g., end of 2021)

Economic
troubled
waters

Rising global oil prices

- Brent Crude up 3.2x (Apr-Dec 2021)
- December 2021 10% higher than 2018-19 avg.



The stage was set (e.g., end of 2021)

Economic
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Rising global food prices

- Demand rising during COVID recovery in major economies
- Low production in South America



The stage was set (e.g., end of 2021)

Economic
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Rising global fertilizer prices

- Increased demand following food prices
- Raw material shortages
- Natural gas prices rising



The stage was set (e.g., end of 2021)

Economic
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🌅 **2022 Began at “high tide” of economic concerns**

- Food, fuel, and fertilizer prices near all-time highs
- Already likely to surpass highs before calming

🌅 **Russia, with Belarusian help, invades Ukraine**

- Ukraine is a war zone
- Russia and Belarus under strict and growing sanctions



The invasion's impact on Malawi

Economic
troubled
waters

Energy & transport costs will rise

- Russia produces 10% of global oil
- Russia is 2nd largest producer (17%) of liquid natural gas (LNG)

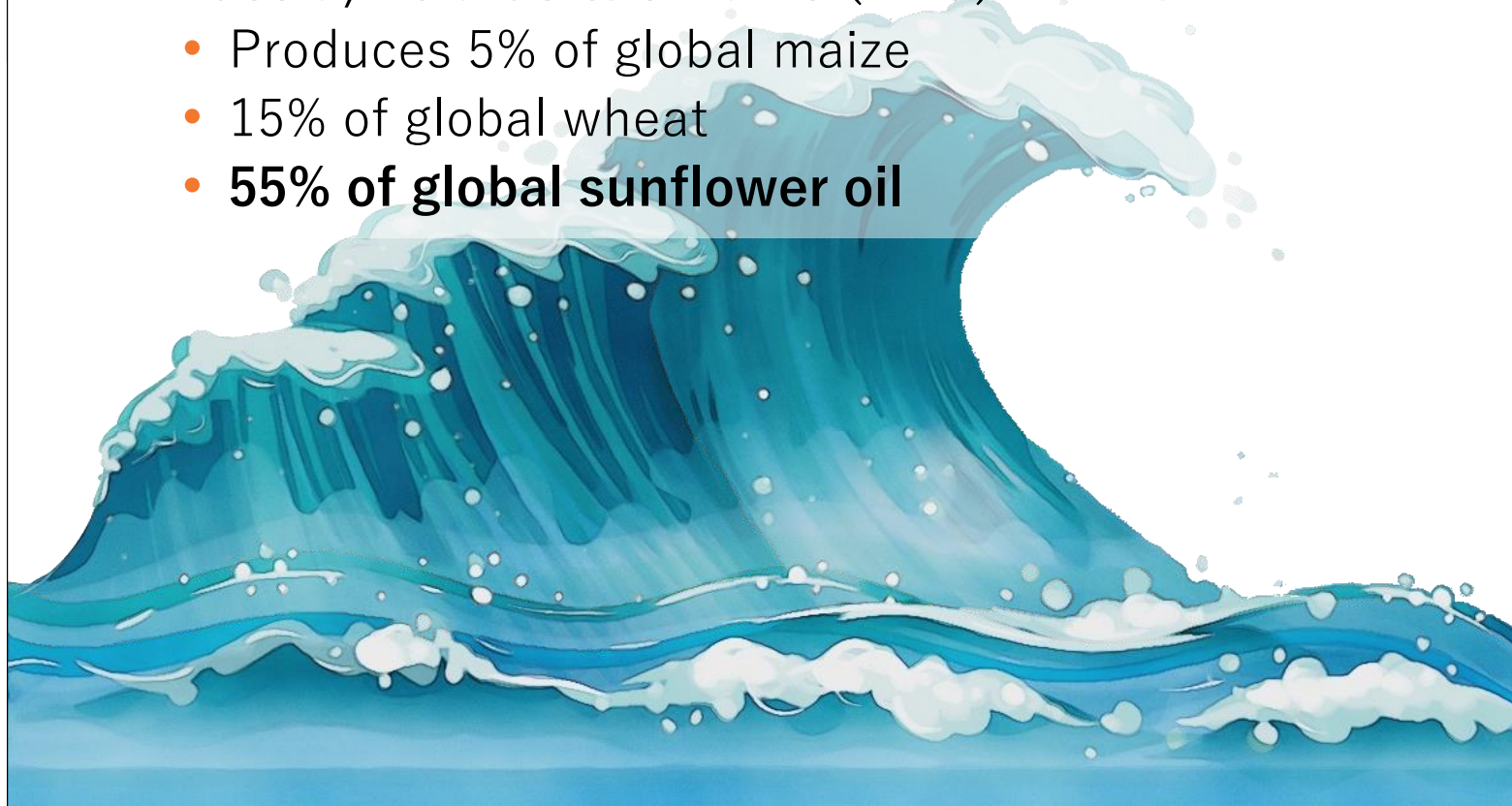


The invasion's impact on Malawi

Economic
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Food costs will rise Russia, Belarus & Ukraine (RBU):

- Produces 5% of global maize
- 15% of global wheat
- **55% of global sunflower oil**



The invasion's impact on Malawi

Economic
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Fertilizer prices will rise RBU produces:

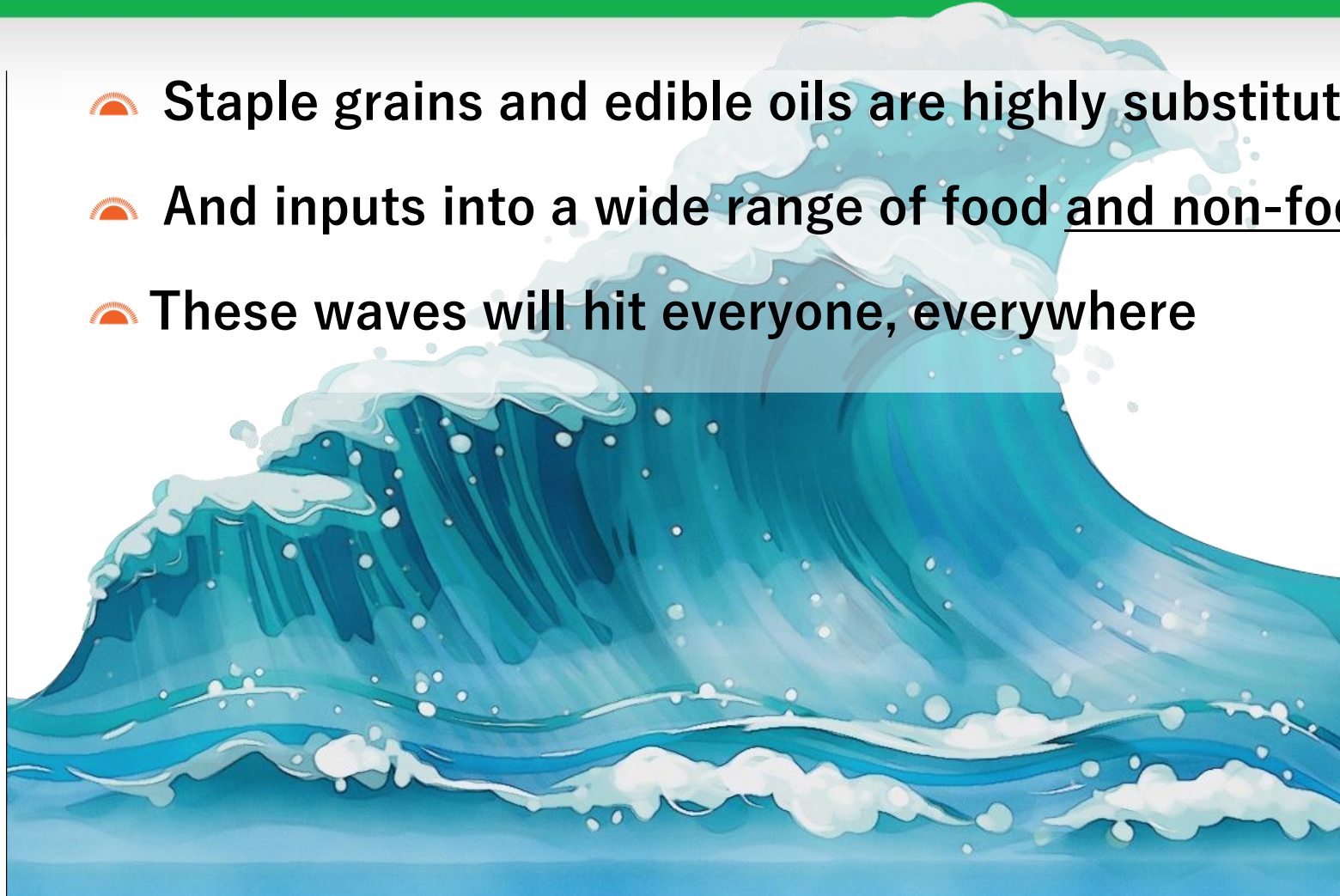
- 10% of global N fertilizer
- 10% of global P fertilizer
- **35% of global K fertilizer**



Important considerations

Economic
troubled
waters

- ☀️ **Staple grains and edible oils are highly substitutable**
- ☀️ **And inputs into a wide range of food and non-food products**
- ☀️ **These waves will hit everyone, everywhere**



Important considerations

Economic
troubled
waters

🌅 **Indonesian/Argentinian export bans a harbinger?**

🌅 **Other factors driving up edible oil prices:**

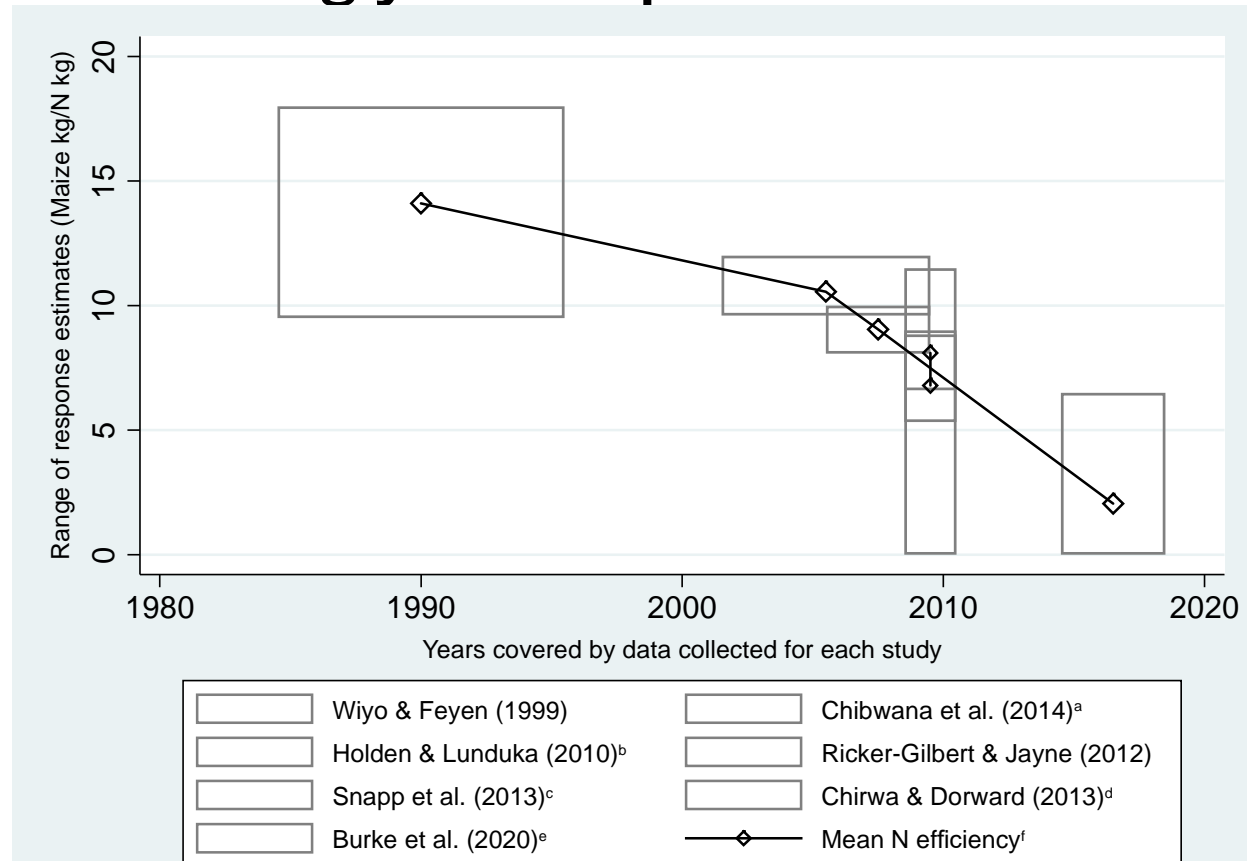
- Malaysian labor shortages (2nd largest raw palm oil producer)
- Drought in Canada (rapeseed) & South America (soy)



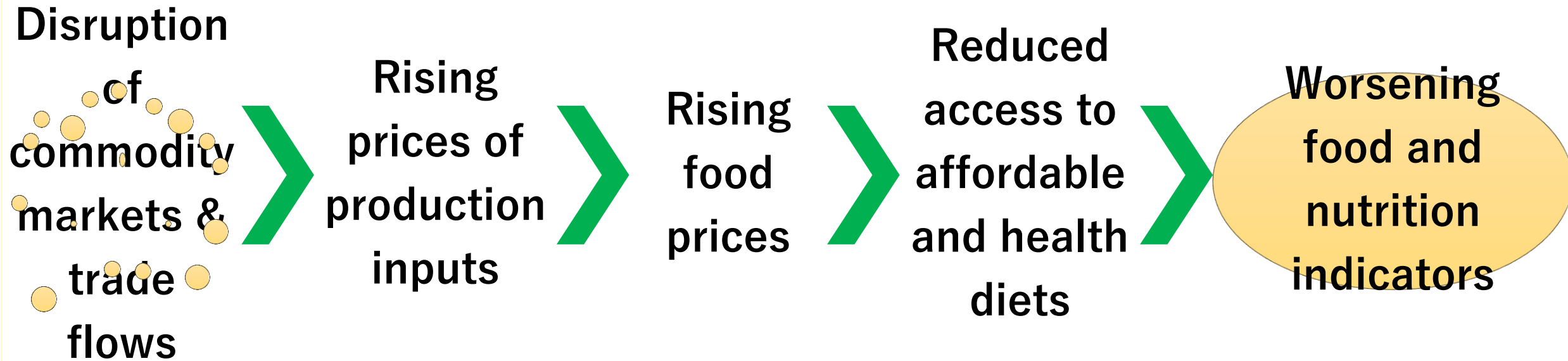
Further considerations

☀ Declining soil fertility

☀ Declining yield response to fertilizers



Effect of Russia-Ukraine War On Malawi's Food Systems

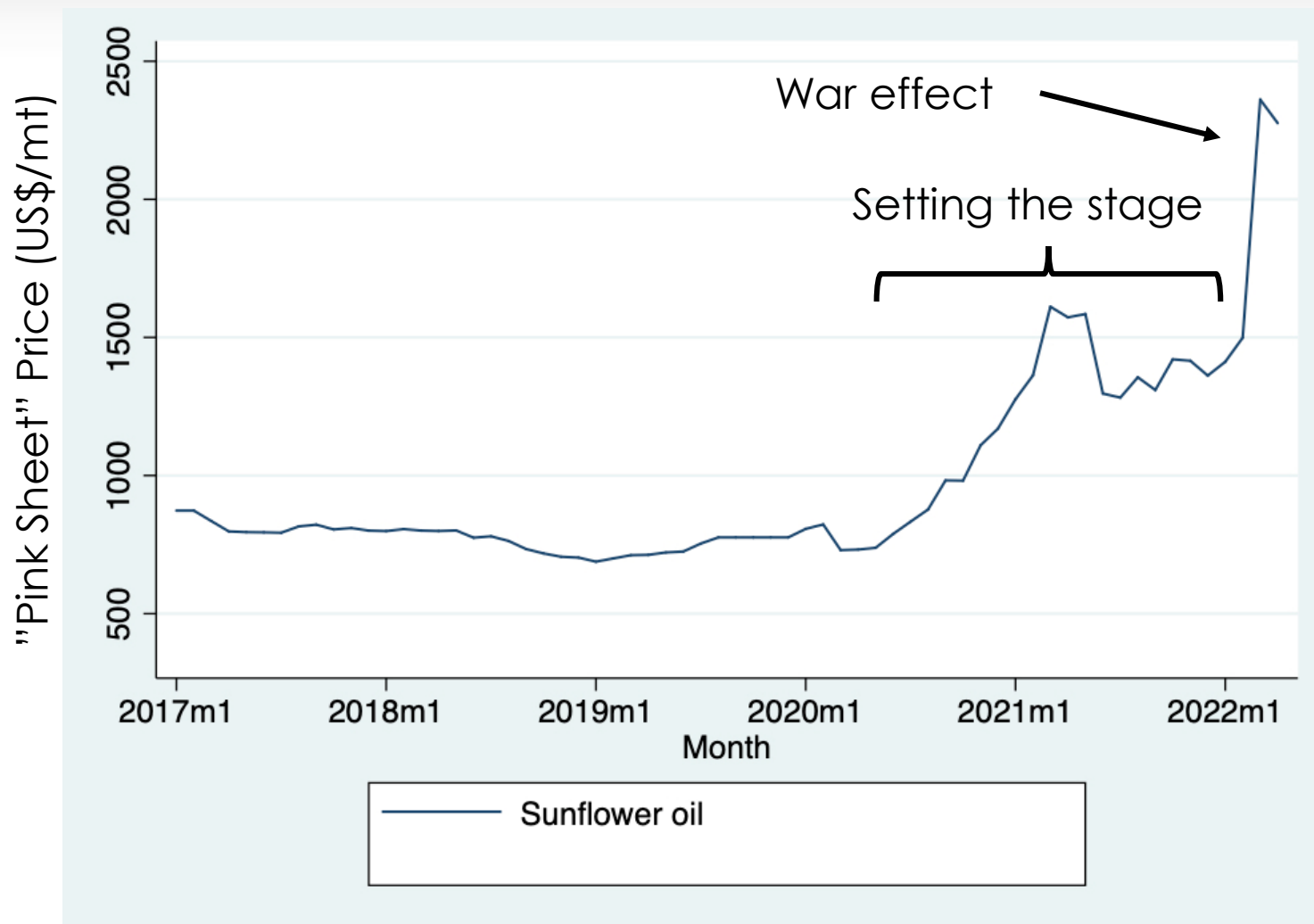


How Can Malawi Ride the Wave?

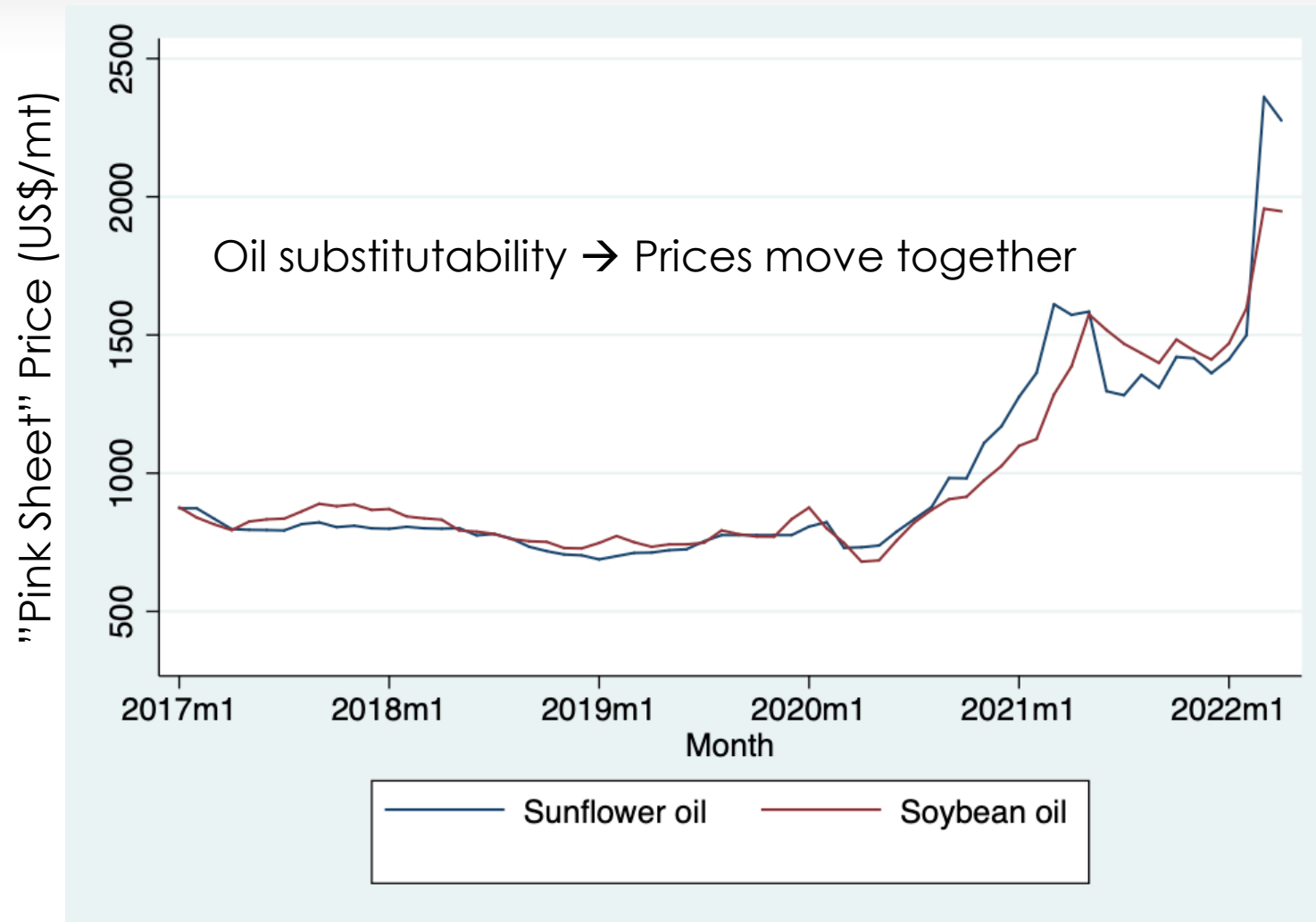
Immediate options

- Promote/incentivize dimba season planting (possible benefit of Cyclone Ana)
- Contract irrigated farmers to contribute to strategic reserve
- Reduce import taxes and fees, especially for food and fertilizers
- Discuss with grain millers – barriers to blending wheat and local grains (e.g., sorghum)
- Promote public awareness of need to diversify (starch component of) diets (cassava, sorghum, rice, potatoes)
- Avoid delays in procurement and delivery of fertilizers for the 2022/2023 season
- **Strongly encourage oilseed production (e.g., sunflower and soya)**

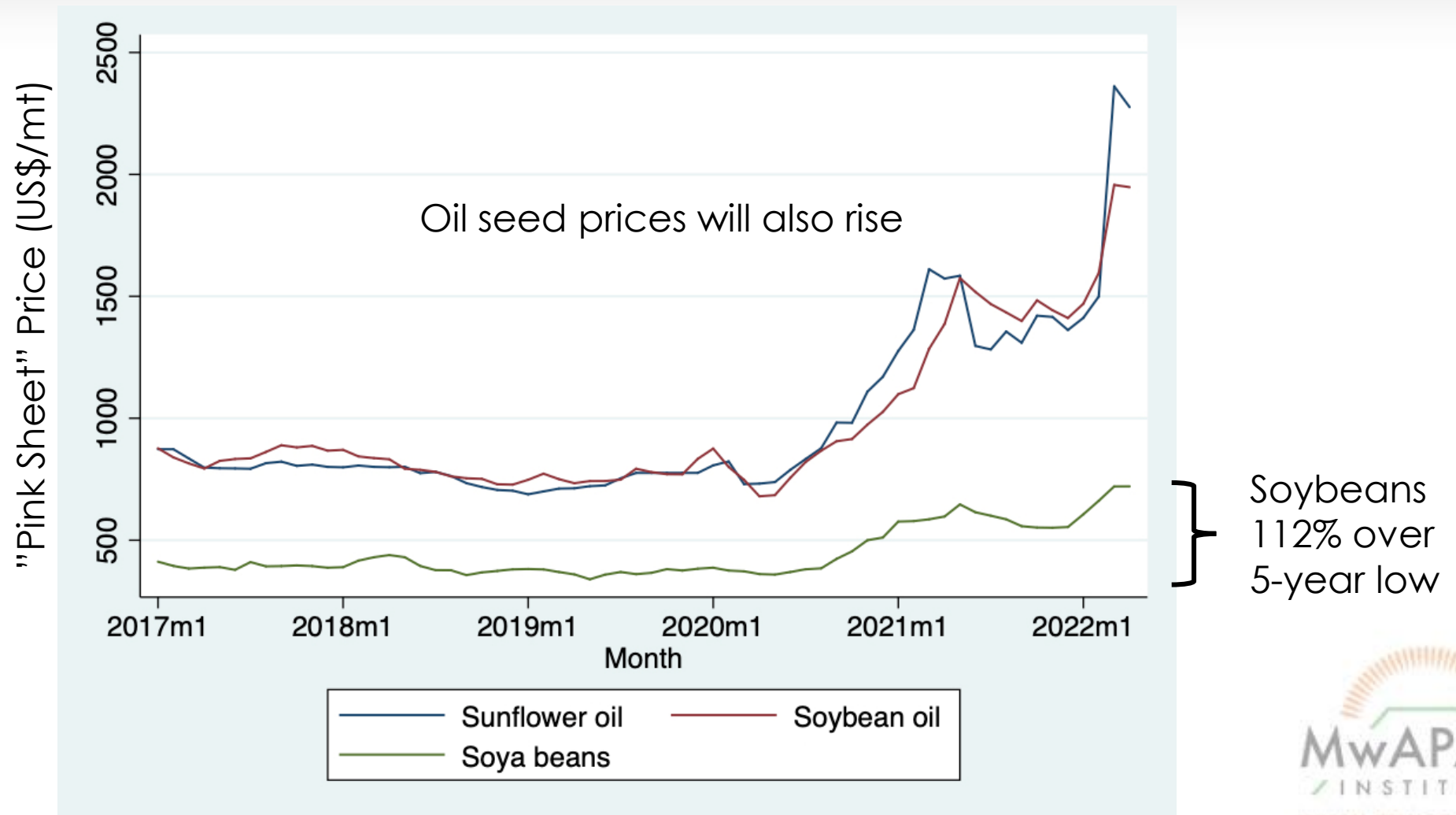
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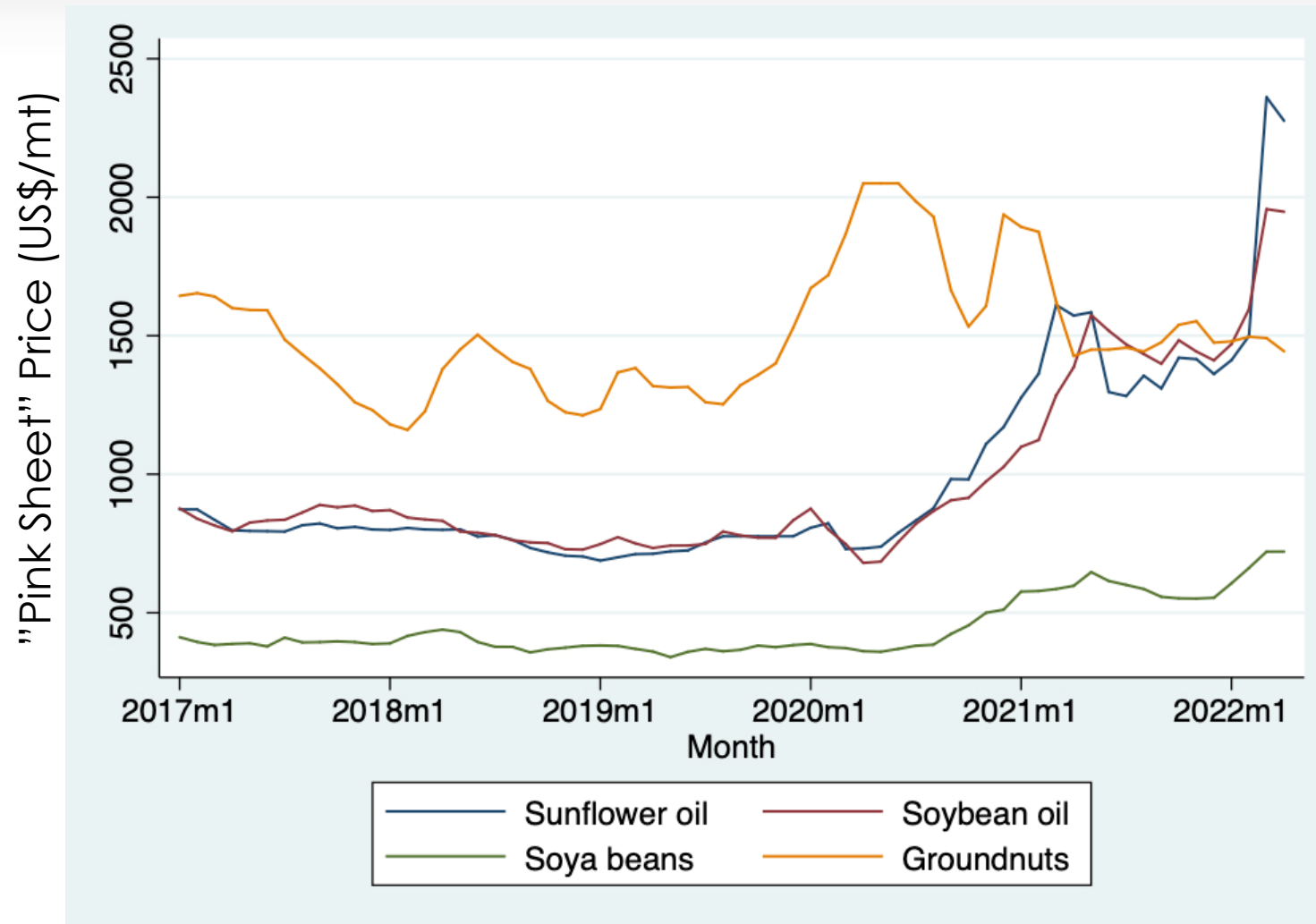
How Can Malawi Ride the Wave?



How Can Malawi Ride the Wave?



How Can Malawi Ride the Wave?



Groundnut prices
less affected
so far

How Can Malawi Ride the Wave?

Medium-term

- Gain understanding of domestic small mill sunflower oil capacity
 - If low - examine border options with Eastern Zambia
 - Incentivize growth in domestic sunflower oil milling
 - Encourage alternative fertilizers and/or compliments to chemical fertilizers
 - Organic fertilizers
 - Manure/compost
 - Maize-legume intercropping/rotation
 - Timely weeding
 - Raise investments in extension, R&D
 - Help farmers improve fertilizer efficiency
 - Relatively affordable
- } Increase yields *and* yield response to fertilizer (soil health)

How Can Malawi Ride the Wave?

Longer-term

- Improve domestic transport infrastructure
 - Lowers input costs at farm gate
 - Allows farmers to retain more of the value of production
- Investments in electrification
 - Major factor in domestic small mill oil production in Zambia
- Sound macroeconomic policy
 - Loss of value in Malawi Kwacha accounts for 10-15% of (pre-war) year-on-year increase in fertilizer prices



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