

Food Imports in Malawi: Trends, Drivers and Policy Implications

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Key Messages

- The total value of food imports in Malawi has more than doubled over the last two decades.
- Cereals, animal and vegetable fats, and oils dominate Malawi's food imports.
- Much of the food import portfolio is for direct consumption as opposed to producing value-added products.
- The increase in food imports is driven by low agricultural productivity, rising demand for processed foods, and low domestic industrial sector competitiveness.
- Unregulated food imports from the neighboring countries present unfair competition to formally imported food products and negatively impact growth of domestic food industries.
- Policy reforms to minimize reliance on food imports could focus on increasing agricultural productivity; improving competitiveness of local agri-food industries; investing in agri-food processing; promoting locally produced products; and curbing unregulated food importation.

Introduction

Despite its large agricultural potential, Malawi, exhibits inconsistencies between its food production and demand. Food production has not kept pace with the population. The United Nations predicts that the Malawian population will grow from 19 million in 2020 to 26 million by 2030, and 44. million by 2050¹. The mounting population implies a greater number of people to feed, diminished farmland per person for food production, and could lead to degraded soils. A continued and unrestrained reliance on food imports exposes the country to global price variability vulnerabilities. Effects of uncontrolled food imports usually have disastrous effects on land-locked countries like Malawi.

It is reasonable to expect Malawi's dependence on food imports not only rendering the country vulnerable to volatile prices and increased national debt but also exposing the country to food insecurity in the case of an abrupt increase in world

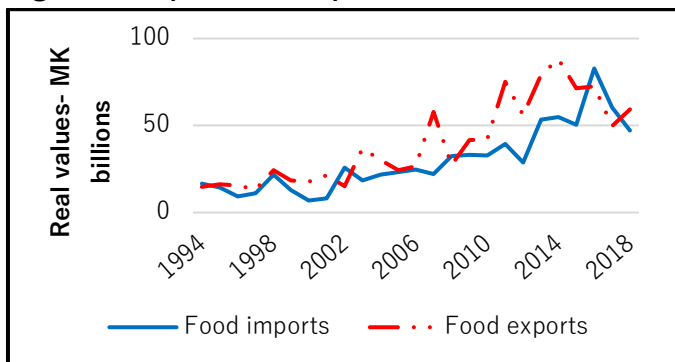
food prices². In most cases, reliance on food imports adversely affect the agricultural sector and overall economic growth, especially when the financial resources meant for agricultural productivity and human capital-enhancing expenditures (e.g., education and health) are diverted to meet increasing food import bills³.

Consequently, it is prerequisite for a country to implement reform policies aimed at increasing food production to eliminate the continued dependence on food imports. This paper provides an in-depth analysis of food imports in Malawi and suggests policy strategies to address the food import upsurge.

Overview of Food Import Origins and Trends

Despite the government's intention to promote domestic food production, Malawi over time has become a heavy-net food importer. The country's food trade reveals a general upward trend in both

Figure 1: Imports and Exports of food (1994 to 2018)



Data source: NSO, External Trade

food imports and exports in the last two decades. The total value of food imports in the country has more than doubled between 1998 and 2018. (Figure 1). There was an upsurge in imports of about 64 percent between 2015 and 2016, resulting in a food trade deficit of MK10.13 billion (US\$13.59 million) in 2016 and MK10.86 billion (US\$14.58 million) in 2017.

Cereals, and animal/vegetable fats and oils accounts for almost 50% of the total food imports in 2018 (Figure 2). The composition of cereals in the total food imports increased substantially from 24 percent to 59 percent in 2012 and 2016 respectively. Cereal imports have increased at a faster rate than any other food commodities over the last decade.

When the imported commodities are grouped by end-user broad economic categorization (BEC), food and beverages, both primary and processed, constitute about 80 percent of food imports between 2010 and 2018. In other words, much of the food imports in Malawi are for direct consumption as opposed to intermediary commodities to be used for the production of other food products.

The majority of food imports are source from South Africa, with 10-20% also coming from each of The

Russian Federation, Malaysia, Zambia and Canada. With respect to cereals, the majority of wheat imports come from outside Africa particularly Europe (The Russian Federation, Switzerland and Germany), the Americas and Oceania (Canada, the United States, Argentina and Antigua Barbuda). Unlike in the case of wheat, most maize imports are typically from the South Africa, Mozambique, and Zambia.

Drivers of Food imports

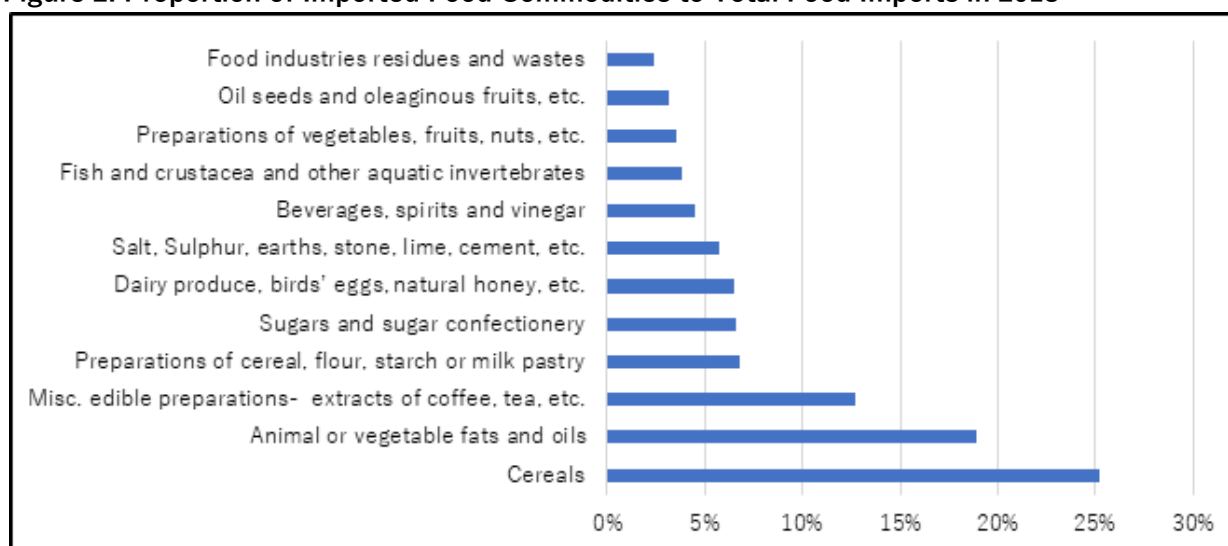
The increase in the importation of food products in the country is driven by:

Low agricultural production and productivity: The agriculture sector in Malawi is characterized by low yields for most crops, despite the country's desire to and policy efforts to increase agricultural production and productivity.

Changing diets and rising demand for processed foods: Malawi, like other SSA countries, is facing unprecedented changes in household food consumption patterns driven by modernization, urbanization, and the rapid rise of the middle class. The shift is causing an upsurge in the consumption of processed food products not produced locally.

Low manufacturing value addition and industrial sector competitiveness: The high proportion of processed products in the total food imports is an indicator of the country's inability to competitively manufacture commodities locally. Malawi has poor scores on industrial competitiveness indicators as per the United Nations Industrial Development Organization (UNIDO). This is as a result of poor infrastructure, macroeconomic environment, technological readiness, small market size, low levels of higher education and training.

Figure 2: Proportion of Imported Food Commodities to Total Food Imports in 2018



Source: NSO, External Trade

Increased climate variability and natural disasters: The increasing effects of climate change are not only making agricultural production more difficult but also exposing the country's agricultural production systems to climatic vulnerabilities.

Membership to trading blocs: Malawi is a member of SADC and COMESA free trade area agreements. Membership to free trade agreements coupled with the country's low industrial competitiveness increased the flow of imported processed food commodities from more competitive trading partners to the country.

Informal/unregulated food imports: Besides the officially recorded food imports, Malawi suffers from unregulated food imports from the neighbouring countries of Zambia, Mozambique, and Tanzania. Informal imports present unfair competition to formally imported food products and negatively impact the growth of the domestic food industries.

Non-compliance to COMESA Rules of Origin: Malawi is a member of COMESA. Poor enforcement

of the COMESA Rules of Origin has led to imported food products from COMESA countries that in fact originate from non-COMESA countries to flood the Malawian market.

Policy implications of food imports

We propose the following policy strategies that the government, private sector, civil societies, and development partners may consider for increasing domestic food production and reducing dependence on food imports:

- i. *Increased agricultural productivity.* Invest in increased agricultural productivity through research and development, farmer education, infrastructure (especially roads and electricity), and shoring up land rights and tenure laws to incentivize long-term investments in soil health.
- ii. *Improve the competitiveness of agri-food industries.* Support the private sector to invest in competitiveness enhancing technologies to improve the efficiency of locally processed food products.

- iii. *Harness changing diets and nutritional transition.* Support investments in farming systems and agri-food processing initiatives that respond to changing food demands.
- iv. *Promote the consumption of locally produced products.* The Best Buy Malawi Strategy (BBMS) initiative that was introduced in 2016 is a step in this direction.
- v. *Curb unregulated food products importation.* Measures to curb informal and unregulated food imports could include (a) enforcing strict food import regulations; (b) reducing import tax for food products that are not produced locally to increase compliance with existing trade regulations; (c) sensitizing people on policies regarding informal trade; and (d) redesigning the trade regimes to simplify import formalities.
- vi. *Reform food aid to reduce market distortions.* The Malawi Vulnerability Assessment Committee (MVAC) could be tasked with the coordination of authorities overseeing food relief to ensure food aid neither depresses food prices nor transmits price signals that discourage cereal production in areas where aid is supplied.
- vii. *Harness regional trade in the interim to address food instabilities.* Engage regional and

international trade to improve food security by supplying areas with shortfalls in food production.

- viii. *Enforce compliance to rules of origin to curb possible "food fraud."* Intensify monitoring imported food product sources to ensure compliance with the COMESA Rules of Origin to guard against food dumping by the country's trading partners.

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