



**Seed Trade Association of Malawi (STAM) Position on 2016/17 FISP
Government of Malawi Implementation Plan: Seed Component**

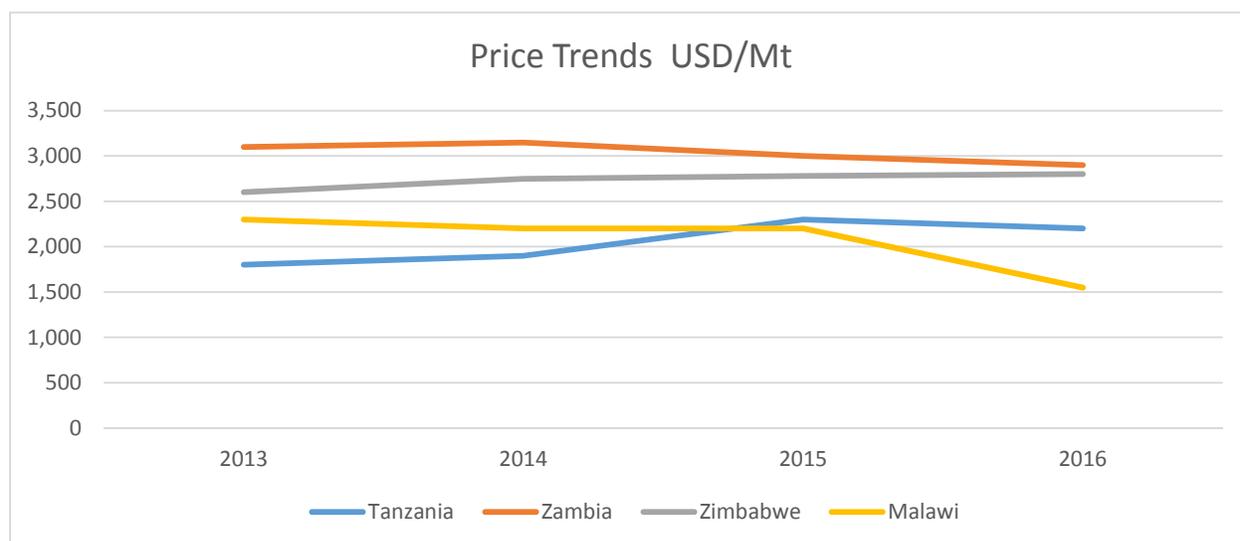
Introduction

The government of Malawi intend to implement Farm Input Subsidy Program for eleventh year since 2005. The results of the program are well documented; food and income security improvement of most targeted smallholder farmers, development of the seed industry and its implementation uniqueness is a model in Africa. FISP is a huge program with multiple variables and the fact that is implemented with private sector participation is success story. Like any other programs, challenges in the implementation of FISP continue to building up with time slowly affecting private sector participants melting away the associated benefits of the program to government, private seed companies and farmers.

In 2016/17 FISP, the Government as communicated to Seed Industry will make a contribution to the cost of Maize Pack 5kgs Hybrid; 5000MK and legumes 2kgs pack; 2500MK and each supplier charge the top up to a level that makes economic sense.

Background Price History

Over the time, the *agreed* price has been declining in *real* terms. Whereas in 2005, the price for seed offered to the program was retailing at US\$2,700 per ton, that offered in 2015/16 season was much lower at US\$1,550 per ton. Cost for producing the same seed has not at all been going down, in real terms. The graph below shows Maize prices offered elsewhere in similar programs and open market for comparison. Malawi shows decline trends

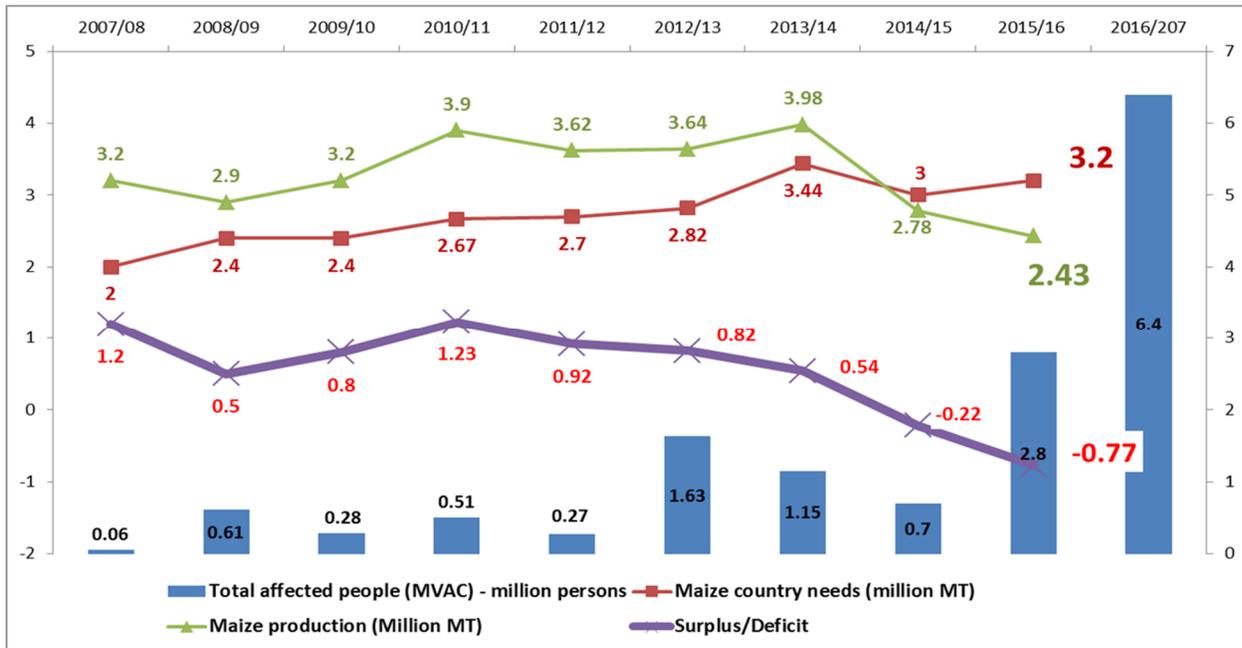


On average, maize certified seed is offered at not less than 2,200USD/Mt and based on government contribution of 2016/17 it means that government is contributing 1,370 USD/mt at current exchange rate. It follows that each farmer has to contribute not less than 3,030MK on maize pack on average. This may be very high contribution considering that few farmers are aware of the value of using certified seed.

Other Variables for Consideration

1. Food Insecure Population

The graph below show historic food insecure population and maize deficit as provides by Malawi Vulnerability Assessment committee. Most people are in food need. This shrinks expenditure on other items and some are still recovering from previous year's shocks



Largely, the program target resource poor farmers. These are the same farmers that are expected to top up on both Maize and Fertilizer under the program. Likely very few will afford the top up that make economic sense on the set pack sizes.

2. Huge top up and Seed Availability

To improve access to seed, the industry engages seed outlets and some operate in rural areas close to targeted farmers. The general characteristic of most agrodealers is that they default payment. Now, the top up to seed suppliers is through agrodealers. The risk is very high that agrodealers will not remit the funds to companies. This likely remove great number of outlets making farmers move long distances in search for seed. Seed may be limited to reputable chain stores. Likely to affect seed availability in most areas defeating the general purpose of the program.

3. Time Value of Money

It has been a general challenge for the government to timely pay suppliers despite submission of all required invoices and supporting documents. The contribution of 5000MK by government will be paid at net present value of about 4200MK.

In summary, the proposition for 2016/17 implementation of FISP by government has great potential to crash the seed industry and once the country start struggling to make seed available, the nation will be

in perpetual hunger situation. It is also important for programs like these, decisions be made earlier enough and engage so that each party adjust accordingly

STAM Position on 2016/17 FISP

- ***The government increase contribution to 6,000MK on Maize and to 3,000MK on legume and Seed Companies present to the farming community all pack sizes and provide freedom to farmers to buy any pack size, make top up contribution to amount needed on the pack as and when required. Government should just empower the farmer with the voucher value and let the farmer decide the pack size.***