Introduction

The Malawi Rice Outlook is a periodic publication by African Institute of Corporate Citizenship (AICC) aimed at informing Rice stakeholders on the current, medium term and long term prospects in the sector. It draws its contents from the domestic, Africa and global prospective to provide up to date information about the rice sector.

Understanding Malawi's Rice Sub Sector

In Malawi rice is largely produced by subsistence farmers. It is mostly grown as a secondary cereal crop to maize and is purposed to serve as a food as well as cash crop. In cases where farmers come together to work as a group, a club, an association or a cooperative, rice is grown for commercial purposes. Although rice grows in most parts in Malawi, it is mostly concentrated along the western shore of Lake Malawi, around Lake Chiwawa and along Lower Shire River in the south. To a lesser extent, upland rice is grown along the smaller rivers flowing eastwards into Lake Malawi. About 85% of the rice fields are either rain fed upland or rain fed lowland. Only 15% are irrigated. On the basis of the average land size of 0.2 hectares per farmer, it is estimated that there are 300,000 farmers currently engaged in the production of rice covering a total of 60,000 hectares of land against the potential of 70,000 hectares.

Twenty years before 2013/2014 growing season, rice production in Malawi had doubled from 60,000 tons to nearly 120,000 tons (FAOSTAT, 2014). The increase was primarily due to expansion of area under rice cultivation from 30,000 ha to 60,000 ha. During the same time, the average yield had increased by less than 20%, from 1.6 tons/ha to 1.9 tons/ha. With better agronomic practices and inputs, production is projected to easily double (from the 120,000), bringing the total production to well over 200,000 tons per year.

The current production does not meet the demand of the domestic market. The average potential yield for Kilombero and Faya are between 4000 and 5000 kilograms per hectare respectively but farmers in the schemes only achieve between 1500 and 2000 kilograms per hectare. It is argued that production and productivity in the country can easily be increased. Rice cultivation in dambos is considered to give low yields compared to that in irrigated fields due to short and irregular rain seasons. Grain yields in rain-fed upland are below 1 ton/ha against an average of 4.5 tons/ha of irrigated rice. Through rain-fed, 1000-1500kg/ha is being produced against the potential of 3500-4000Kg/ha. Under irrigation, 4000kg/ha is produced against the potential of 6000kg/ha.

The main players in the rice value chain are input suppliers especially fertilizers, middlemen/vendors, processors/packagers and government. Agricultural Development and Marketing Corporation (ADMARC), Agora Ltd and Smallholder Farmers Fertilizer Revolving Fund of Malawi (SFFRFM), Farmers World are some of the major Input suppliers that have established themselves among Rice farmers. Middlemen/vendors receive rice orders from different buyers and use the total aggregate to determine how much to buy from the farmers. Sometimes they sell the rice individually at various market points. They do not have specific buying points as they only settle in locations where rice is available and prices are good at that time. They buy larger quantities of rice and sell either immediately or in most cases, they hold the rice awaiting better prices. Some middlemen also sell to intermediate buyers who sell the rice finally to processors who mill and package the rice. These processors are located mostly in urban centers with national electricity grid connection. There are mainly two types of processors: small-scale who are normally situated along the main roads with one or two rice mills. The large scale processors located in urban centers mainly Blantyre and Lilongwe and these include Mulli Brothers, Rab Processors, Agora Ltd and TransGlobe. These processors have a dual buying process: buys directly from producers and/or buys from middlemen. Malawi Government is a key stakeholder in the rice value chain as it is responsible for policy development, review and implementation; research and extension services.
Malawi’s Rice Production and Marketing Performance

The Rice Market in Malawi is dominated by Middleman/vendors as there is a no structured market for the commodity. Further compounding this problem is inadequate storage and milling facilities which forces smallholder farmers who are the major producers sell their rice when it is un-milled hence fail to negotiate for better prices as there is no degree of value- addition to their rice. In addition, there is no price controlling mechanism in place to enforce marketing activities. Vendors therefore are at liberty to set buying prices at their liking.

Production of rice followed an increasing linear trend from 2011/2012 to 2013/2014 growing season. During the 2015/2016 growing season, rice production especially in the southern part of Malawi was negatively affected by inadequate rains. Even though area under cultivation increased, farmers experienced lower yields. On average farmers got 1450Kgs/ha compared to 1800Kg/ha last year. On average milled kilombero rice was selling at K877/kg in August 2016 compared to K750/kg offered this same time last year.

Figure 1: Rice Production and Area Trends (2011-2015); Source AICC

Rice exports and imports fluctuate considerably from year to year. Overall, Malawi experienced a declining trend between 2006 and 2011. Exports of rice declined sharply in 2008 but then picked substantially in 2009, reaching a peak of around 8,000 tons and earning approximately US$11 million. Since then, exports have declined drastically to less than 1,000 metric tons in 2011. This was despite 97,000MT estimated production during that season. Malawi imported approximately 330 tons of rice in 2011 at a cost of around US$312,000.

This is a considerable decline from other previous years. The quantity of rice imports peaked in 2008 at around 7,000 tons but the highest value of imports reached its peak in 2009 at almost US$4 million. Rice imports rose by 6% in 2015 registering US$ 4.2 million. Imports are mainly from the Unites States of America, India and South Africa.

Figure 2: Rice Production Trends from 2011-2015 by Variety
Smallholder rice productivity and consumption is extremely low in Malawi compared to its neighboring countries. Rain-fed yields in Malawi are around 1500-2000kg/ha, compared to 2,300 kg/ha in Zimbabwe and 4,900 kg/ha in Kenya. This means that smallholder incomes are reduced because they produce and sell less rice than the potential.

Over the past two decades, most countries in Sub-Saharan Africa (SSA), Malawi included, have become net importers of rice from the Far East. According to the World Bank the region imports about 40 percent of its rice supplies, accounting for a third of the rice traded in global markets. Despite the crop having been traditionally cultivated on the continent of Africa for centuries, in 2006, African countries spent an estimated US$2 billion on rice imports.

According to FAO Rice Market Monitor for July 2016, paddy output in Africa is seen expanding by 3 percent in 2016 and approaching the 30.0 million tonne mark. Much of the region’s growth is expected to rest on larger crops in Egypt and West Africa, sustained in Egypt by good price prospects and in the sub-region by sustained assistance from governments. Modest gains are anticipated in Eastern Africa, where crops benefited from abundant rains. In Southern Africa, various countries that were negatively impacted by belated and weak rainfall early in the season are likely to face a decline in output.

**World/Global Performance**

For the past four decades, the global rice market has been dominated by a few exporters, namely, Thailand, Vietnam, the United States of America and Pakistan, accounting for 60–70% of the total exports. During this period, Thailand has remained the top rice exporter in the world. Unlike the export side, the import side looks quite fragmented, with many countries each importing a small amount of rice. The top six importers account for only 20-30% of the market share.
Global rice utilization is forecast to expand by 1.5 percent in 2016/17 to 502.9 million tonnes from 495.36 tonnes. Growing food intake would account for much of this growth, rising 5.2 million tonnes over the year to 403.9 million tonnes. This level would be sufficient to support a 0.1 kilo advance in world per capita food consumption to 54.3 kilos. Volumes destined to feed and other uses (including seeds, non-food industrial and post-harvest losses) are similarly expected to rise to 18.2 million and 80.9 million tonnes, respectively. Official initiatives to dispose of surplus produce in the Far East, especially Japan, the Republic of Korea and Thailand, would sustain much of the increase in feed and industrial uses foreseen for 2016/17.

With global rice utilization forecast to outpace production for the second consecutive year, world rice inventories at the close of 2016/17 are anticipated to fall 4.0 million tonnes below their opening level to 165.5 million tonnes. This would result in the world stocks-to-use ratio passing from 33.7 percent in 2015/16 to 32.3 percent in 2016/17. Draw downs are expected to be most pronounced in the major rice exporters, in particular India and Thailand, given sustained efforts to trim government reserves.

Out of the five major exporters, only the United States of America is anticipated to face a build-up, resulting in the groups’ stock-to-disappearance ratio falling to its lowest level since 2007/2008. Among importers, Bangladesh, Indonesia, Japan and Nigeria may also close the season with smaller inventories, but part of these falls would be compensated by accumulations in China (Mainland), Colombia, Cuba, the European Union, the Republic of Korea and the Philippines.

The weak sentiment that dominated the international rice market since late 2014 came to abrupt halt in May 2016, when international rice quotations reacted to prospects of short export availabilities in the major origins. The FAO All Rice Price Index (2002-2004=100) rose by 3 points that month and has hovered around 199-200 points since then. The strengthening mostly resulted from a firming of Indian rice quotations, as reflected in a 7 percent increase in the Higher Quality Indica Index to 193 points and a 9 percent rise in the Lower Quality Indica Index to 199 points. This contrasted with developments in the medium grain market, where a combination of sufficient availabilities and indifferent buying interest drove the Japanese Index 19 points below its March level, to 223 points.

Going forward; Outlook for the Next Six Months

Stakeholders in the Rice Value Chain have over the years agreed on this one sentiment that contrary to popular view that market failure is a major challenge in the sector, the main challenge is low production and productivity among the major producers of the commodity i.e. Smallholder farmers. It is this low production that even if buyers are paying more, take home cash by the farmer will still be low. It is against this background that energies of the stakeholders are therefore being directed towards increasing smallholder farmers’ production and productivity.

The encouragement of use of improved high-yielding rice varieties will be at the centre of activities prior to 2016/2017 growing season as this has the potential of increasing rice yield by 15-20%. This will go along with the dissemination of Good Agricultural Practices (GAPs).

Another major activity expected to be embarked on by the rice stakeholders in the next 3 or so months is the establishment of Rice Hubs in the country. This follows Government commitment to be a member of AfricaRice whose mission is to contribute to poverty alleviation and food security in Africa, through research, development and partnership activities aimed at increasing the productivity and profitability of the rice sector in ways that ensure the sustainability of the farming environment.

AfricaRice and its partners have adopted the rice sector development hubs that represent key rice growing environments and market opportunities across African countries. The rice hubs are made to work for resource poor smallholder using multi-stakeholder Innovation Platforms (IPs) and Task Teams. The IPs in the hub are linked to major national and regional rice development efforts to facilitate broader uptake of rice knowledge and technologies. Support for the establishment and operation of the hubs will be provided jointly by AfricaRice, private institutions and the government.

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