Agro-dealers, Subsidies and Rural Market Development in Malawi: A Political Economy Enquiry

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### Abbreviations

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<th>Acronym</th>
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<tbody>
<tr>
<td>ADMARC</td>
<td>Agricultural Development and Marketing Corporation</td>
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<td>AGRA</td>
<td>Alliance for a Green Revolution in Africa</td>
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<td>AISAM</td>
<td>Agro-inputs Suppliers Association of Malawi</td>
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<td>ATC</td>
<td>Agricultural Trading Centre</td>
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<td>CBO</td>
<td>Community Based Organization</td>
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<td>CFNA</td>
<td>Citizen Network for Foreign Affairs</td>
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<td>DADO</td>
<td>District Agricultural Development Officer</td>
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<td>EPA</td>
<td>Extension Planning Area</td>
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<td>FGD</td>
<td>Focus Group Discussion</td>
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<td>FISP</td>
<td>Farm Input Subsidy Programme</td>
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<td>GIS</td>
<td>Geographical Information Systems</td>
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<td>GM</td>
<td>Genetically Modified</td>
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<td>IFDC</td>
<td>International Fertilizer Development Centre</td>
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<td>MA</td>
<td>Master of Arts</td>
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<tr>
<td>MoAFS</td>
<td>Ministry of Agriculture and Food Security</td>
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<tr>
<td>MOIOD</td>
<td>Malawi Agricultural Input and Output Development Programme</td>
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<tr>
<td>NAC</td>
<td>National Aids Commission</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>NSCM</td>
<td>National Seed Company of Malawi</td>
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<td>OPV</td>
<td>Open Pollinated Variety</td>
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<tr>
<td>PTC</td>
<td>Peoples Trading Centre</td>
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<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
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<td>RUMARK</td>
<td>Rural Market Development Trust</td>
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<td>SAP</td>
<td>Structural Adjustment Programme</td>
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<td>SFFRFM</td>
<td>Smallholder Farmer Fertilizer Revolving Fund of Malawi</td>
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<td>STAM</td>
<td>Seed Traders Association of Malawi</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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Abstract

This paper examines the micro-politics of Malawi’s Farm Input Subsidy Programme (FISP) and the roles of agro-dealers as potential anchors or drivers of a ‘uniquely African Green Revolution’. The drive toward the development of a viable network of agro-dealers is a direct consequence of the failure of the liberalization of the agricultural sector to trigger a vibrant private sector-led market. The agro-dealer initiative was introduced to address the question of missing markets for the rural farmer and deal once and for all with the question of pervasive food insecurity in Malawi.

While agro-dealership has tremendous potential to facilitate private sector-led agricultural growth and development, the implementation of FISP has substantially altered the operative context for agro-dealers. FISP has thrown up considerable challenges that require urgent redress if the agricultural sector is to serve as an engine of sustainable economic growth and poverty reduction. The major finding of this study is that instead of functioning as a ‘smart’ subsidy, with huge potential for kick-starting the development of viable private sector-led agricultural growth, FISP has degenerated into an instrument of patronage at various levels. It has been captured by a network of elites who have appropriated it as a cash cow for rapid wealth accumulation rather than as a medium for broadening farmers’ access to productivity-enhancing inputs and technologies. The elite capture of FISP is primarily due to the institutional arrangements that mean that agro-dealers can only participate in FISP if and only if they have contracts with seed companies.

These challenges can be dealt with by the design and enforcement of a robust policy and institutional framework for agro-dealership. Most of the challenges revealed in this study are linked to the absence or weak enforcement of policy and regulatory frameworks for agro-dealers specifically, and the seed industry in general. There is therefore urgent need to develop and implement a policy and institutional framework for the agro-dealership that outlines legitimate practices and expectations. Such efforts, however, are likely to face resistance as a consequence of the expansive rent-seeking opportunities associated with FISP.
1. Introduction

The claims by some development agencies that fertilizer subsidies are the only way to jump-start African agriculture and deliver food security and income benefits to the poor are increasingly pervasive (Minot and Benson 2009). This argument is underpinned by the idea that African agriculture is in deep crisis as a result of decades of slow growth in the use of modern inputs [which has] resulted in missed opportunities to increase African agricultural productivity and incomes’ (Kelly et al. 2003: 379). For African agriculture to experience a significant turnaround, it is argued that smallholder farmers must dramatically increase their use of productivity-enhancing inputs and technologies. The low uptake of productivity-enhancing inputs and technologies means that food security remains a great challenge in the large parts of sub-Saharan Africa.

There is, however, some enduring debate about the extent to which subsidies can be used to stimulate rural market development for inputs in Africa. The question is not so much whether or not there is need for subsidies in rural Africa but rather how should subsidy programmes be designed so as not to distort or displace emerging rural markets (AGRA 2007; Kelly et al. 2003). Skepticism argues that even the so-called ‘smart’ subsidies cannot avoid the well known evils of subsidies. The form of the subsidies notwithstanding, the argument is that African governments do not have the capacity to administer subsidy programmes in a transparent and accountable manner without creating expansive opportunities for rent-seeking (Minot and Benson 2009; van de Walle 2001).

The distinguishing feature of ‘smart’ subsidies is the use of vouchers as a means for farmers to access inputs from competing private sector suppliers. ‘Smart’ subsidies are defended as mechanisms to provide subsidized goods and services designed both to promote market development and to enhance the welfare of poor. They are thus designed to ‘target the poor and to support, rather than undercut, the development of private sector input distribution markets’ (Minot and Benson 2009: 4). As a strategy for market development, ‘smart’ subsidies have attracted attention following the apparent failure of the liberalization of the agricultural sector. It was anticipated that liberalization of the agriculture sector would ‘create a more economically sound basis for stimulating agricultural productivity and economic development’ (Crawford et al. 2003). The liberalization of the agricultural sector would thus foster an environment that would empower the private sector to take on functions that were previously performed by the state. More importantly, the private sector would provide inputs at lower costs and thereby stimulate input use beyond previous levels (Chivele et al. 1996; Crawford et al. 2003). However, the conclusion from various studies is that the scale of the private sector response and the extent to which it could fully take over the responsibilities of government-supported marketing institutions was overestimated. Many areas, particularly remote rural areas, remained grossly underserved, resulting in a dramatic reduction in farmers’ access to productivity enhancing inputs and technologies with far reaching implications on the food security status of most sub-Saharan countries (Kluste 2006; Dorward et al. 2005).

In Malawi, the debate about the failure of liberalization to bring about efficiency and effectiveness in farmers’ access to improved inputs and technologies can be traced back to the turn of the new millennium. Several years after the liberalization of the agricultural sector, anticipated benefits were hardly apparent (Nthara 2002; Owusu and N’gambi 2002; Chirwa and Chilowa 1997). Instead, liberalization of the agricultural sector culminated in the problem of food insecurity becoming more or less endemic. This was underlined by the country’s progressive shift from being nationally self-sufficient in maize in non-drought years to being dependent on commercial food imports and foreign assistance to meet food needs until the introduction of the Farm Input Subsidy Programme (FISP) during the 2005/06 growing season (Chinsinga 2009; Devereux 2002).

The debate about the limitations of the liberalization of the agricultural sector has become more prominent, assuming an international profile following the successful implementation of FISP. FISP has transformed Malawi from a food deficit to a food surplus country after almost two decades of grappling with chronic food insecurity (AGRA 2009; Dorward and Chirwa 2009; Chinsinga 2007). Since the 2005/06 growing season Malawi has consistently enjoyed substantial maize surplus over and above its annual food requirements, estimated at 2.1 million metric tonnes. For this reason, Malawi’s FISP is touted as a perfect example of a successful ‘smart’ subsidy. The Alliance for a Green Revolution in Africa (AGRA) uses FISP as a point of reference in arguing its case for ‘smart’ subsidies as the only feasible way to jump-start African agriculture in order to transform it into an engine of economic development for sustainable poverty reduction.

The main argument is that ‘smart’ subsidies are indispensable if African agriculture is to take a quantum leap forward to spearhead transformative change. Through ‘smart’ subsidies, AGRA argues that African countries can facilitate the emergence of private sector led sustainable agricultural growth through the promotion of a network of agro-dealers (AGRA, 2007). An agro-dealer is a locally-based entrepreneur who sells seeds, fertilizer and agro-chemicals to poor farmers in remote areas. The overall vision is that a network of small scale, entrepreneurial agro-dealers would transform the currently fragmented input distribution system into an efficient, commercially viable input infrastructure which would in turn enable farmers to have greater access to productivity enhancing inputs and technologies (Adesina 2009). This vision is inspired by the fact that lack of access to basic farm supplies has made it quite challenging for poor rural farmers to increase their yield or income, reinforcing widespread poverty. As reflected in the sentiments below, agro-dealer programmes are
considered a central element in the jigsaw puzzle to power a uniquely African Green Revolution.

The agro-dealer programmes build on great initial success in Malawi which has seen the country transform itself from being a net importer to a net exporter of maize, and even become a donor of food to neighboring countries. If Malawi can do it, it can be done by every country in Africa (AGRA 2009: 1)

This optimism is, however, not borne out in critical reviews of the Malawi’s FISP. For instance, according to Chinsinga (2010), the implementation of FISP has transformed the country’s seed industry in a way that makes it less capable of driving the anticipated Green Revolution on a sustainable basis. The primacy of food security in Malawi’s politics has contributed to the creation of a seed industry dominated by the multinational seed companies, offering farmers a rather limited range of products, mainly hybrid maize seed, through a network of agro-dealers, and in which alternative seed systems are almost at the verge of extinction. The interests of seed companies, donors and government have coincided for different reasons to create a seed industry that has a very narrow product portfolio and distributes benefits to a very small proportion of the population through various schemes of political patronage buoyed by weaknesses in the regulatory framework of the seed industry.

The main motivation of this paper therefore is to critically examine the micro-politics of FISP and the role played by agro-dealers within it. Agro-dealers are touted as the main drivers of the potential sustainable version of the Green Revolution in Malawi. This is of particular interest in view of the fact that Malawi’s FISP is not only widely regarded as a model of success for the rest African countries to emulate but it has also been firmly pushed to the centre of the country’s political economy in several important ways. FISP has been an electoral battleground during the last two general elections in May 2004 and 2009.

The paper uses a political economy conceptual framework to interrogate the micro-political dynamics about agro-dealers as potential anchors or drivers of a uniquely African version of sustainable Green Revolution within the framework of FISP. The political economy approach emphasizes the importance of understanding the political, economic and social processes that promote or block pro-poor change as well as the role of institutions, power and the underlying context for policy processes (Synder 2005). The political economy approach offers an alternative to the technocratic perspective about policy making. It shifts the focus towards the discussions, negotiations, approvals and implementations that are at the core of the ‘messy’ world of politics (Araujo et al. 2004). The implication of this is that policy processes can be adversarial, characterized by the clash of competing interests and viewpoints rather than an impartial, disinterested and objective search for correct technical solutions. Furthermore, the context in which policy processes take place matter a great deal since the chance of success of these policies cannot be judged on their theoretical or technical attributes without considering the institutional, political and cultural context in which they are applied (Chinsinga et al. 2011).

The main argument of this paper is that the introduction of FISP has dramatically changed the operative context of agro-dealers in a manner that is less conducive to the attainment of the sustainable version of the uniquely African Green Revolution. Instead of functioning as a ‘smart’ subsidy with tremendous potential to kick-start robust private sector led agricultural growth, FISP has simply degenerated into an instrument of patronage. FISP has been captured by a network of elites who have appropriated it as a cash cow for rapid wealth accumulation rather than as a medium for broadening farmers’ access to productivity enhancing inputs and technologies as a lever for sustainable rural transformation and prosperity. This elite capture has far reaching implications for the realization of a sustainable version of a uniquely African Green Revolution. Following this introduction, Section 2 outlines the empirical setting of the study with particular focus on how the fieldwork was carried out, data analyzed, and key conclusions drawn. Section 3 critically examines the debates about the overall efficacy of the liberalization of the agricultural sector and how the failure of liberalization to bring about the anticipated benefits has led to the emergence of the agro-dealer concept as a strategy for redefining the role of the private sector in revitalizing African agriculture. Section 4 explores the evolution of the agro-dealer concept in Malawi. Two phases are identified for which successes as well as challenges are highlighted with particular reference to the transformative impact of FISP on the dynamics of agro-dealships in rural Malawi. Section 5 offers concluding remarks and reflections, highlighting some lessons learnt about agro-dealers and subsidies in Malawi.

2. Empirical Setting of the Study

This paper is based on fieldwork carried out in two districts of Malawi between November and December 2010. In the southern region, the fieldwork was carried out in Thyolo district, whilst in the central region, the fieldwork was carried out in Dedza district. These districts were purposefully chosen in order to provide a strategic framework for systematically testing the key hypotheses of the study outlined below. Dedza and Thyolo were chosen because they belong not only to distinct agro-ecological zones but because they also represent high and low agricultural yield potential areas, respectively. Malawi is divided into four agro-ecological zones based on altitude. These include Lower Shire Valley (<200m), Low altitude (200-760m), Middle (760-1300m) and High altitude (>1300m). Dedza and Thyolo fall into the Middle and High altitude zones, respectively (Chinsinga 2007).
As a high agricultural yield potential area, Dedza is touted as one of the breadbasket districts of Malawi. It is one of the leading maize and tobacco growing districts, with a landholding size that is substantially higher than the national average. The average landholding size in the district ranges between 0.7-1 hectare compared to the national average at below 0.5 hectare (Chinsinga 2008; Chirwa 2004). As a low agricultural yield potential district, Thyolo grapples with serious land constraints, is densely populated, and much of the cultivable land is taken up by tea and coffee estates.

The study was carried out at three levels - national, district and local - using mainly semi-structured interviews and focus group discussions (FGDs) as instruments for data collection. The fieldwork was divided into two main phases. The first phase focused at the national level where semi-structured interviews were carried out with the Citizen Network for Foreign Affairs (CFNA)/Rural Market Development Trust (RUMARK) officials, relevant National Government Organisations (NGOs), relevant donor agencies, MoAFS officials, and seed companies. The second phase focused on the district and local levels. At the district level, semi-structured interviews were carried out with MoAFS officials, relevant NGOs, and agro-dealers. The entry point at the local level was the Extension Planning Areas (EPAs). Each district is sub-divided into EPAs which are considered as a planning jurisdiction for agricultural activities below the district level. Dedza and Thyolo have 12 and 10 EPAs, respectively, and in each of the districts, half of the EPAs were randomly sampled. One FGD with a mixed group of farmers was held in each of the sampled EPAs and agro-dealers operating in these EPAs were interviewed. Overall, a total of 50 semi-structured interviews were held at national, district and local levels.

The primary data was further complemented with a review of secondary data sources on agro-dealers, subsidies and rural market development in Malawi. There was, however, a notable gap in the literature, as little work has been done in the past on agro-dealers, subsidies and rural market development. Rather, most studies have focused on the critical evaluation of the overall efficacy of FISP as it relates to a broadly defined private sector.

This study was designed to test the following hypotheses:

- Agro-dealers operate primarily in high potential areas and supply seed commercially only to the relatively well-off farmers.
- Agro-dealers supply mostly hybrid and OPV from large seed companies.
- Most farmers do not rely on agro-dealers to supply seed.
- Agro-dealers service richer male farmers to the exclusion of poorer and female farmers.
- Agro-dealerships are mostly owned by elites who make connections with government-donor/NGO programmes or large scale seed houses.
- The terms of engagement between agro-dealers and seed companies is skewed in favour of seed companies.
- Over time, large agri-businesses (especially multinationals) are dominating the supply of seed into the formal seed system, reducing the proportion of locally bred seed by public systems.
- The variety of seed available to farmers through agro-dealers is declining over time.
- All of the above are accentuated and perpetuated by support programmes funded by the government and external donors.
- Such programmes provide multiple opportunities for rent-seeking and profit-taking by agro-dealers and other elites.

3. Liberalization of the Agricultural Sector: Expectations and Realities

The liberalization of the agricultural sector was an integral part of the structural adjustment programmes (SAPs) that were expected to stimulate agricultural production through market liberalization and improved macro-economic management (Mvula et al. 2003; Mwase 1998). The popular diagnosis was that the agricultural sector in Africa was inefficient because it was dominated by state parastatals in both input and output marketing. This did not lead to the progressive development of a viable marketing framework in the agricultural sector because state parastatals were not guided by the forces of supply and demand. They were primarily concerned with social issues rather than taking on a business focus influenced by values of efficiency and effectiveness (Mwase 1998; Chiwele et al. 1996). This was inevitable because state parastatals in the agricultural sector suffered from enormous political pressures, bureaucratic failure, and lack of financial discipline, all of which resulted in poor performance in terms of output and financial outlay. According to the influential work of Bates (1981), state dominance in the input and output marketing arrangements in the agricultural sector was often more effective in meeting government’s patronage objectives than in raising the poor farmers’ access to inputs and guaranteeing decent returns on their produce.

The track record of state parastatals provided a strong basis for advocating for the liberalization of the agricultural sector. Liberalization was considered a panacea to the sector stagnation. According to Crawford et al. (2003), liberalization would ensure a more economically viable private sector, driven by an agricultural marketing system and by economic development. This was rooted in the belief that well functioning markets underpin important opportunities for welfare improvements at the macro-level which then aggregate into sustainable macro-level growth. Liberalization of the agricultural sector, it was argued, made sense because of the nature of the agricultural sector: while agriculture is public in terms of policy and programme needs, it is private in production, marketing, and consumption decisions (Barret and Matambatsere 2005; Mwase 1998).
When the agricultural sector was finally liberalized, it was widely expected that the vacuum left by the withdrawal of state parastatals would be quickly filled up by private traders (Crawford et al. 2003; Chiwele et al. 1996). The dominance of the private sector would then create an efficient marketing system that would provide inputs at lower costs and thereby stimulate input use beyond previous levels’ (Crawford et al. 2003: 279). According to Kelly et al. (2003), liberalization would incentivize the private sector to expand input distribution networks to zones and farmers who lacked access. In other words, liberalization would create an efficient, effective, and responsive private sector-driven marketing system that would stimulate production, regulate supplies to consumers, and revitalize production and inter- and intra-regional trade.

However, for most countries in sub-Saharan Africa, the projected benefits of the liberalization of the agricultural sector remain a pipe dream (Barret and Mutambatsere 2005; Chinsinga 2004). The network of input and output markets is yet to take shape except in areas that are readily accessible and widely considered as agricultural hotspots that are often dominated by export-orientated agriculture. In Malawi, for instance, the overall assessment was that the withdrawal of the Agricultural Development and Marketing Corporation (ADMARC) from most areas contributed to the widespread food insecurity among smallholder farmers, especially those in remote areas whose holdings are nearly inaccessible to private traders (Chinsinga 2004; Oxfam 2002). This failure is attributed to the partial liberalization of the sector, weak institutions and coordination problems (Doward et al. 2005).

Comparisons with Asian experiences have featured prominently in the critique of agricultural liberalization in Africa. According to Dessai (1988), Asian agricultural success is attributed largely to investments in agricultural research, extension, credit, and fertilizer distribution and supply systems, rather than to marginal changes in the prices of either crops or fertilizer. The failure of the African agricultural sector liberalization can be linked to the lack of strategic focus in the conceptualization and implementation of liberalization reforms (Barret and Mutambatsere 2005; Crawford et al. 2003). Such reform attempts focused on macro-economic reforms designed to improve agricultural price incentives rather than on non-price stimulants that influence macro-economic decision making, such as the investment in public goods. This limited investment in public goods—the ‘undeveloped physical communications, power and transport infrastructure, credit constraints and continued bureaucratic impediments that increase transaction costs for input suppliers’ (Barret and Mutambatsere 2005)—and the simultaneous constrained development of private sector input-led agricultural intensification, failed to fill the void created by the withdrawal of state marketing structures. These sentiments are aptly reechoed by Crawford et al. (2003: 255).

The private sectors’ apparently weak response to input market liberalization may not reflect a failure of the private sector or market per se but may reflect an underinvestment in traditional public goods (infrastructure, appropriate extension messages, R&D investments) that limit profitability of using purchased inputs.

To a large extent, the emergence of agro-dealership is an integral part of the efforts to seek for alternative strategies to foster the progressive development of a private sector-driven input and output marketing system. Typically, agro-dealers are rural shop owners trained by NGOs on general business management and technical knowledge of agricultural inputs to reach farmers in rural areas (AGRA 2007; Kelly et al. 2003). The main goal of agro-dealership is to revive agricultural markets by addressing questions of scarcity and high costs of basic farm input supplies such as fertilizer, seed and agro-chemicals.

As a rural market development intermediation strategy, the agro-dealership works out as follows: NGOs identify rural shop owners who are trained in business skills, product knowledge, safe handling and use of modern technology. More specifically, the owners are trained in areas such as knowledge of seeds, fertilizers and agro-chemicals, book keeping, costing and pricing, managing business relations, sales and marketing, stock management and managing working capital. The idea is that following the training, the agro-dealers should be linked to major input supply companies using a credit guarantee scheme which covers some of the risk-related costs normally borne by firms building rural input supply networks (Kelly et al. 2003). It is envisaged that agro-dealerships would kick-start the development of a sustainable private sector led agricultural marketing system because scaling up is dependent on the ability of agro-dealers to sell their products and repay credit. The expectation is that the agro-dealers would also be providers of basic extension services to farmers, creating an invaluable source of knowledge and advice to farmers (AGRA, 2009).

4. Agro-dealers and Rural Market Development in Malawi

Two distinct phases of agro-dealer development in Malawi can be distinguished since the turn of the new millennium. These are: 1) the phase of ideal agro-dealership (2001-2005); and 2) the phase of FISP agro-dealership (2005-to date).

By the close of the 1990s, the problem of food insecurity in Malawi had become more or less endemic. The swift liberalization of the agricultural sector in the mid 1990s did not produce the anticipated results (Owusu and Ngambi 2002). The removal of the fertilizer and hybrid
maize subsidies against the backdrop of a sharply devalued local currency made farm inputs virtually unaffordable to the majority of the chronically impoverished farmers. The situation was made worse because private traders did not emerge to fill up the vacuum created following the withdrawal of ADMARC from both input and output markets. Overall, the productivity of the agricultural sector plummeted to such an extent that the country became routinely dependent on commercial food imports and foreign assistance to meet food needs (Chinsinga 2005; Devereux 2002).

This predicament forced the government to critically review the key constraints affecting productivity in the agricultural sector. Through the International Fertilizer Development Centre (IFDC), the government commissioned a study to review the status of the entire Malawian agricultural sector. The study established that “there was little private sector penetration into the rural areas despite a fairly flourishing agro-input sector”\(^i\). The private sector traders that emerged concentrated their activities in trading centres, largely serving those areas considered as agricultural hotspots. The study also established that farmers lacked access to productivity enhancing inputs and technologies, and were ‘traveling 50 to 100km to procure inputs which was very costly and prohibitive for them’\(^ii\). Since farmers could not access productivity enhancing inputs and technologies, the country was invariably locked up in a low productivity trap, pushing the country on the precipice of a hunger crisis.

The study culminated in the conception of the Malawi Agricultural Input and Output Development (MAIOD) Programme which was comprised of 15 different components, one of which targeted sustainable input development systems in Malawi. This component then became the basis for the formation of the agro-dealer initiative. Through the Ministry of Agriculture and Food Security (MoAFS), the programme was marketed to potential donors, and eventually resulted in the launch of an agro-dealer development programme with the support of the Citizen Network for Foreign Affairs (CNFA) and IFDC. They received financial support from the Rockefeller Foundation and the United States Agency for International Development (USAID), respectively. Both CNFA and IFDC worked with local organizations to roll out the agro-dealer development programme. CNFA established the Rural Market Development Trust (RUMARK), whereas IFDC worked with the Agro-input Suppliers Association of Malawi (AISAM). RUMARK and AISAM provided training to potential agro-dealers who would in turn expand access to productivity enhancing inputs and technologies among farmers. The overall goal of the programme was “to promote agro-dealership in order to penetrate underserved rural areas”\(^iii\).

### 4.1 Ideal Agro-dealership Phase (2001-2005)

According to the agro-dealer programme concept, an ideal agro-dealer is an existing business person, preferably a rural shop owner, with skills and competence that can be developed to suit agro-input work (dealing with seeds, fertilizer and chemicals) (AGRA 2007; Kelly et al. 2003). In other words, ideal agro-dealers operate small businesses that reach poor farmers in rural areas. This phase of agro-dealership was closely linked to the activities of RUMARK and AISAM. The overall mandate of these organizations was to train potential agro-dealers in business management and technical knowledge of agricultural inputs to help them impart basic knowledge to farmers so as to enable them to maximize returns from the productivity enhancing inputs and technologies.

The difference between the stated numbers of agro-dealers trained and those that are actively applying their newly gained knowledge and skills varies a great deal. Both RUMARK and AISAM claim to have trained more than 3,000 agro-dealers since they rolled out the programme, but estimate that less than 40 percent are active. From the interviews conducted, RUMARK indicated that they have trained 1,500 where AISAM has trained 1,128 agro-dealers. However, they observed that it is difficult to keep accurate accounts of the numbers of agro-dealers because they do not have the capacity to utilize geographical information system (GIS) to generate maps locating active agro-dealers. This manner of GIS application in Kenya has demonstrated its important role in improving market knowledge and relaying more in-depth information to the input supply companies (AGRA 2007). The collapse of the credit guarantee scheme has introduced further difficulties for the RUMARK and AISAM in keeping track of active agro-dealers. Thus, while many are trained, quite few end up venturing into agro-dealership because of serious capital constraints”\(^iv\).

For the majority of this phase, AISAM and RUMARK linked the agro-dealer trainees either to seed companies or financial institutions to enable them to embark on their agro-input work through a credit guarantee facility. In this arrangement, RUMARK and AISAM were guaranteeing 50 percent of the credit facility extended to the agro-dealers. However, the tripartite relationship between seed companies, agro-dealers and the agro-dealer training institutions broke down due to the failure of the training institutions to nurture and properly manage the relationship”\(^v\). In particular, seed companies and financial institutions were concerned with the administrative fees charged by AISAM and RUMARK as intermediaries as ‘their track record in remitting funds to the companies was not satisfactory”\(^vi\). In addition, there were high default rates among the agro-dealers partly because the companies pushed the administrative fee paid to the intermediaries to the agro-dealers’ “.

The breakdown of the tripartite arrangement somewhat transformed the agro-dealership landscape. Two major changes are worth noting. Seed companies embarked on their own agro-dealership programmes, whilst drawing from the pool of agro-dealers trained by AISAM and RUMARK. Remaining agro-dealer trainees were left to find their own ways to link themselves with seed companies in order to get contracts” “. The breakdown of the tripartite arrangement progressively
led to the informalisation of the interface between agro-dealers and seed companies.

According to both seed company officials and agro-dealers, securing an agro-dealer contract depends, to a large extent, on social networks. Most seed company officials indicated that 'the ultimate selection of agro-dealers depends primarily on the knowledge of prospective candidates’

4.1.1 Elitism of Agro-dealerships

There are several issues and challenges that can be raised in relation to Phase 1 of the agro-dealership development programme. These include the elitism of agro-dealer selection, mistargeted training, and a maize bias by seed companies.

4.1.2 Mistargeted Training

There is widespread concern that agro-dealer training is mistargeted. Training is offered to proprietors and not to those who actually sell agro-products to farmers. The underlying assumption is that trained proprietors will in turn pass on their newly acquired knowledge and skills to their shop attendants, which isn’t necessarily the case.

From the fieldwork that was conducted during this study, there is no evidence to support claims that shop attendants are trained on product knowledge either by the proprietors or, indeed, by seed companies. According to both seed company officials and agro-dealers, securing an agro-dealer contract depends, to a large extent, on social networks. Most seed company officials indicated that 'the ultimate selection of agro-dealers depends primarily on the knowledge of prospective candidates’

This suggests that it is not easy for trainee agro-dealers to get linked up with seed companies if they are not part of appropriate social networks. This is perhaps aptly illustrated by the experiences of one of the agro-dealers encountered in Dedza Boma EPA during fieldwork, described below (Box 1).

Box 1. Informality in Contracts with Seed Companies

A wife to an established agro-dealer narrated how her experiences underpin the growing informality in the award of contracts to agro-dealers. She indicated that she went in person to a seed company to seek a contract as a distributor of seed during the 2009/10 FISP season. She was turned down on the account that she was late and she was advised that her application will be filed for consideration during the next FISP season. Her husband followed up with the seed company and it happened that the official in charge of the process was her husband’s old time school friend. Consequently, they were no longer late. She observed that ‘we were not only squeezed in but got a much bigger allocation than what we had initially applied for’

These requirements prevent a large proportion of people from participating in agro-dealership. Secondly, most of the agro-dealers chosen by seed companies are not small rural-based businessmen. During the interviews conducted throughout this study, agro-dealers were generally described as ‘middle class businessmen since often agro-dealers from the lower classes have failed to survive as long, as they are not linked to other lines of businesses because of the seasonal nature of agriculture in Malawi’. It is estimated that up to 90 percent of the agro-dealers are middle class business entrepreneurs or simply an elite group of farmers.

The elitism of agro-dealerships is further reflected in the business model of the permanent agro-dealers. Successful agro-dealers have a diversified business portfolio. They are not entirely dependent on ‘the agro-inputs line of work’ because of the seasonal nature of agriculture. This means that agro-dealers have no choice but to diversify their business portfolio in order to smooth their flow of income, since the demand for agro-inputs is extremely low during the off-peak season. Consequently, agro-dealers have to be people who are already established entrepreneurs. There are very few agro-dealers that focus exclusively on agro-inputs. Agro-dealers are urged to diversify into buying produce and agro-processing as a strategy to ‘prevent them from getting out of business during off season when the demand for agro-inputs is essentially non-existent’

Consequently, the benefits of agro-dealership have been captured by those prosperous entrepreneurs that have been able to produce the required resources upfront. Even so, as pointed out earlier, agro-dealers on the whole have been indiscriminately exploited by seed companies pushing the overhead costs levied by RUMARK and AISAM on to the agro-dealers. Both the intermediary institutions and seed companies have promoted their own interests at the expense of the agro-dealers.
to most agricultural officers interviewed, shop owners tend to train their attendants ‘not specifically [about] agro-inputs but [rather] in general business transactions such as accounting and record keeping’. According to most agricultural officials, agro-dealers have no interest in offering credible advice to farmers because ‘they are essentially vendors whose overriding goal is to dispose of their products regardless of whether they are correct ones or not’ xx. This suggests that agro-dealers are primarily motivated by profit considerations such that ‘cases of agro-dealers providing conflicting instructions to farmers are rampant’ xx1.

This defeats the whole idea of agro-dealers serving to complement the provision of extension services (AGRA 2007; Kelly et al. 2003). It is therefore not surprising that in their current functioning capacity agro-dealers do not contribute a great deal to the goals of the African Green Revolution. None of the agro-dealers encountered in either district demonstrated an understanding of the notion of the African Green Revolution, let alone their role in it. As discussed earlier, this is due to the fixation of agro-dealers on making as much profit as possible and not necessarily on functioning as conduits of the African Green Revolution. In the conceptualization of the agro-dealership development programme, the role of agro-dealers is to serve as a reference point and a supportive figure to the currently lean extension superstructure, aiding Malawian farmers in their progression towards food security and economic prosperity.

4.1.3 Maize Bias

At the peak of the tripartite arrangement between agro-dealers, seed companies and the agro-dealer training institutions, demonstration plots were a regular feature as one of the strategies for extension. Even though the tripartite arrangement has broken down, joint demonstration plots sponsored by seed companies are still carried out, albeit irregularly. The purpose of the demonstration plots is “to witness to farmers about which crop varieties are agronomically suitable for their respective localities” xx0. However, the main concern of these plots is the almost exclusive focus of seed companies on maize due to their ‘concern for food security, [subsequently] marginalizing other crops, as food security is erroneously equated with maize’ xx1. The dominance of maize is inevitable since seed companies involved deal almost exclusively either in hybrid or OPV maize. The seed companies have thus used the agro-dealership initiative to promote their materials at the expense of a wider portfolio of seeds which farmers need in order to exercise choice and crop diversification. However, as long as the diversified provision of seed does not serve the primary interests of the multinational seed companies, this service to farmers, imperative to the sustainability of agriculture, will go unprovided.

4.2 FISP Agro-dealership Phase (2005 to date)

Phase 2 of the agro-dealership development programme is linked to the introduction of FISP during the 2005/06 growing season. Prior to the introduction of FISP, the Malawian government implemented other input programmes. The magnitude of their services, however, was rather limited, having little impact on the commercial market of inputs (Dorward et al. 2007). In the initial phase of FISP, the funding and distribution of agricultural inputs continued to be handled exclusively by government agencies. Furthermore, the package offered to farmers focused solely on maize and tobacco (Chinsinga 2007). Donors interested in supporting FISP, however, lobbied for the involvement of the private sector as a means of kick-starting agricultural growth through the use of vouchers. These donors also lobbied for the use of FISP as a mechanism for diversifying away from maize, by incentivising legume agriculture, as a means of boosting farmers’ incomes, household nutrition, and enhancing and preserving soil health (Harrigan 2005; Potter 2005). Following this lobbying, agro-dealers also gained involvement in the seed component of FISP, as a condition of donor support (Chinsinga 2007). Agricultural inputs that were previously monopolized by government agencies were shifted to FISP, subsequently putting 70 percent of input suppliers out of business (Dorward et al. 2007).

In the 2006/07 growing season, the private sector, through agro-dealers, became involved in the distribution of seed and fertilizer. During the following season, however, this involvement was withdrawn on the back of allegations about ‘the failure to track fake vouchers and unorthodox business practices, which, among others, involved agro-dealers adulterating fertilizer and exchanging vouchers with other commodities such as iron sheets, bicycles etc’ xx0, and has remained withdrawn to date. The distribution of fertilizer is now monopolized by two government agencies: the Agricultural Development and Marketing Corporation (ADMARC) and Smallholder Farmer Fertilizer Revolving Fund of Malawi (SFFRFM). The private sector, however, is involved in the procurement of fertilizer through a competitive tendering process and in the transportation of fertilizers to distribution centres run by ADMARC and SFFRFM.

Whilst concerns over the malpractices of agro-dealers may be justified, in so far as their involvement in the distribution of fertilizer, most stakeholders interviewed during this study argued that their withdrawal serves other purposes than simply promoting and safeguarding the welfare of farmers. It is argued that the ‘desire to promote the interest of farmers is merely an official rhetoric; the underlying interest for government is to exploit the programme for strategic political goals’ xx0. This particular argument is twofold. First, the popular view is that the government would like to control the distribution of fertilizer in line with its strategic political goals. The argument is that ‘government can easily target constituencies that are considered politically significant
in boosting its support base against the backdrop that food security is at the centre of the country’s political economy. Second, the procurement and transportation contracts are exploited as a source of political patronage to reward entrepreneurs, their technical competence notwithstanding, as long as they have demonstrated support to the regime materially and financially.

The recurrent observation among both donor agencies and government officials was that ‘while there is a seemingly transparent tendering process for procurement and transportation of fertilizer, the ultimate list of successful bidders is often different from the one arrived at during the transparent process of scrutinizing bidders’. In some cases, new suppliers are included even though they did not officially bid for the tenders and volumes assigned to various bidders on the basis of technical evaluation of their competencies are altered. Politically favoured bidders often have their allocations increased even though they did not demonstrate capacity to deliver such amounts. Some technically competent and established dealers are excluded altogether which raises a serious concern about the sustainability of the fertilizer industry because some of those involved have not made investments in the industry; they are simply opportunists. They are thus more likely to exit the industry as soon as FISP comes to an end. The design and implementation of FISP are such that they have created strategic opportunities for politicians to exploit the programme for their selfish goals, whilst at the same time appearing to be providing a lasting solution to the chronic and pervasive food security problem in the country.

Agro-dealers participate in the FISP seed component through contracts with seed companies. The arrangement is such that seed companies are guaranteed a market for their products through FISP since they do not have to tender for their participation (Chinsinga 2011). FISP receives supplies from seed companies on the basis of their capacity being bolstered by their marketing strategies and the superiority of their products, amongst other benefits that they supply. However, it is only seed companies belonging to the Seed Traders Association of Malawi (STAM) that can redeem vouchers from the government for seed sold to farmers under FISP. This implies that agro-dealers can participate in FISP only when they secure contracts with seed companies, which has greatly contributed to the degeneration of FISP into an instrument of patronage serving primarily the interests of a few privileged elites. In addition to the elite capture of FISP, it has also led to a string of negative developments that undermine the prospects of developing a viable agro-dealer network, let alone a sustainable version of an African Green Revolution. The seed companies have negotiated their involvement in FISP in a way that safeguards their interests. Each stakeholder is interested in pushing the burden of adjustment elsewhere in order to maximize their own returns (Chinsinga 2007; Scoones 2005).

The introduction of FISP has had tremendous transformative impact on the operative context of Malawian agro-dealers in a manner that threatens the realization of a sustainable version of an African Green Revolution. Instead of functioning as ‘smart’ subsidy with huge potential to kick-start the development of a viable private sector led agricultural growth, FISP has degenerated into an instrument of patronage. Used as a means of personal gain by a network of elites, FISP has been appropriated as a cash cow for rapid wealth accumulation rather than as a medium for broadening farmers’ access to productivity enhancing inputs and technologies.

4.2.1 Growing Patronage in FISP Contracts

The profits associated with FISP have had a significant impact on the dynamics of agro-dealerships. As the purpose and goals of FISP gave way to a deepening abuse of networking relationships, informality in awarding agro-dealer contracts increased, together with the promotion of a culture of insider trading. Seed company officials are reported to have captured a considerable share of agro-dealership contracts.

The traditional ‘agro-dealer’, as advocated by RUMARK and AISAM, has effectively been marginalized as ‘increasingly contracts with seed companies are dependent on informal ties and social networks’. FISP has promoted patronage regarding the expansion of the agro-dealer network that is ‘largely comprised of a network of elites involving mainly former and current seed company officials and retired, as well as serving, white collar employees, such as lawyers and bankers among many others, including those working outside the country’. This means that most of the traditional agro-dealers have subsequently been driven out of business.

Seed companies do not dispute the fact that informal considerations play an important part in their decisions to award contracts to prospective agro-dealers, explaining that their position is determined by simple ‘business logic’. In regards to maximizing returns from FISP, seed companies argue that ‘we have to work with people we can trust, which invariably brings into the mix a great deal of informality’. The following sentiments illustrate the pervasiveness of informality in the award of contracts to agro-dealers: ‘seed companies do not advertize vacancies for agro-dealers but we know where to go, when to go and who to speak to’; ‘big bosses just award each other contracts arguing contracts are dependent on trust which rules out many of us who are not known to the seed company officials’; and what is clear is that the majority of agro-dealer outlets are owned by people who are based in urban areas since they are either acquaintances or simply know the senior company officials.

As mentioned previously, the problem of insider trading also appears to be widespread. This concern was strongly voiced not only by agro-dealers but also agricultural officials. The following sentiments are
illustrative of the magnitude of the concern: ‘agro-dealer outlets are increasingly being opened by seed company officials arguing that we (agro-dealers) are making a lot of money out of the FISP programme’; ‘agro-dealers that are FISP-based are not only agents of seed companies but most of them are either partly or wholly owned by seed company officials’; ‘FISP agro-dealers are just like what we have experienced under the National Aids Commission (NAC) whereby big bosses working there establish community based organizations (CBOs) run by people from the village but primarily as a way of getting the money meant for HIV/AIDS for themselves’.

As argued by van de Walle (2001), FISP has invariably created expansive opportunities for rent-seeking that have been seized disproportionately by a network of elites. The current primary requirement for prospective agro-dealers is simply to demonstrate that they have capacity to store seeds. The only critical hurdle on the part of the agro-dealers is to secure a contract with seed companies. Seed companies deliver seeds directly to the premises of successful agro-dealer candidates free of charge. Agro-dealers may therefore start making money as soon as they start distributing the seeds to farmers. They may then receive a top up of MK 100 for each coupon received and a commission of 10 percent, which is dependent on the total volume of sales. Most agro-dealers interviewed indicated that their involvement in FISP is profitable because ‘they [seed companies] supply us with seeds without capital but this makes securing contracts with seed companies a game of chance’. They also related that ‘we don’t need capital to buy seed from seed companies; seed companies deliver them to us as long as we have contracts with them’. Several agro-dealers observed ‘we survive on [FISP] because all you need is to convince seed companies that you can sell on their behalf’. The expression of such sentiments demonstrates the attraction of agro-dealership roles within the framework of FISP. Additionally, agro-dealers only require modest resources for overheads such as wages for sales personnel or rent for premises used as outlets for subsidized seed, further strengthening them as a profitable tool for seed companies.

4.2.2 Rise of Seasonal Agro-dealers

There are two categories of agro-dealers that have developed over the period of transition brought on during the liberalization of the agricultural sector: permanent and seasonal. Most of the private sector actors that emerged during the transitional period between the withdrawal of the state marketing agencies and the emergence of the private sector were large scale enterprises, such as Peoples Trading Centre (PTC), Agricultural Trading Centre (ATC), Farmers World, Agora, Kulima Gold and Miombo Investments. The gap left by the state agencies, however, was not filled by the private sector in the way that was expected (Chinsinga et al. 2004; Owusu and Ng’ambi 2002; Oxfam 2002). The agro-dealership initiative that was ongoing at this time led to the establishment of input outlets in rural areas; however, this development was derailed following the advent of FISP. Most of the agro-dealers that emerged with support from RUMARK and AISAM prior to FISP were subsequently driven out of business following its introduction. A few of these agro-dealers, however, did remain, ‘but these are mostly based at trading centres for most part of the year and venture out into the remote areas once the FISP season kicks in’, and their ‘business portfolios are widely diversified to smooth their income flows during the off season’. These agro-dealers venture out into remote areas at the peak of FISP and limit their operations to trading centres once FISP season comes to an end. The large scale enterprises concentrate their activities in trading centres or semi-urban areas, justifying their presence in these areas as ‘business logic’. They argue firstly that ‘we cannot go where there are no markets, roads are in a state of disrepair and security of our stocks is not guaranteed’ and secondly that ‘farmers would like to get their inputs from well known trading centres to guarantee reliability of their products’.

The largesse associated with FISP has led to a boom of seasonal agro-dealers. Out of the 21 agro-dealers interviewed in Thyolo and Dedza districts, 15 of these were seasonal agro-dealers. The 15 seasonal agro-dealers rolled out their businesses between 2006 and 2010 following the launch of FISP. Of the remaining six, four were large-scale, permanent agro-dealers and two were agro-dealers with medium-sized enterprises. During an interview held with an MoAFS official, it was observed that ‘most agro-dealers come with FISP when it starts and go with it at its end’, and ‘we just see the so-called agro-dealers only when FISP season starts and they disappear as soon as it is over’. The agro-dealers made no secret that their target is to make profit through FISP, not an eagerness to support farmers. Most of seasonal agro-dealers indicated that they close down their businesses ‘as soon as FISP season comes to an end’. Some even confessed that they were established solely to get involved in FISP, otherwise the capital requirements to operate as a commercially viable agro-dealer are prohibitive.

The seasonality of agro-dealers is further reinforced by the practice of seed companies who venture out to collect excess inventories from their agro-dealers for custody in their warehouses as soon as the government declares the end of FISP season. Consequently, seasonal agro-dealers ‘withdraw from rural areas either when the government declares the end of FISP season or when coupons simply dry up’ since they know ‘they will make losses when they stay in the village; they will not make money by being permanent’. Agro-dealers then close up shop waiting for the return of FISP for the next growing season. As winter cultivation is becoming increasingly important in the face of uncertain climate patterns, the seasonality of agro-dealers makes it extremely difficult for farmers to access productivity enhancing inputs and technologies (Chinsinga et al. 2011). The concern is that for these agro-dealers’ selling seeds is like selling umbrellas; most shops will stock umbrellas during the rainy season and stop once it is dry because there is no longer a market”. This sentiment is further supported by the testimonies
of the agro-dealers, who indicated that their outlets will be closed when FISP season comes to an end and will be reopened next year when FISP is back. The seasonal orientation of agro-dealers is creating a huge service gap to farmers, exposing an urgent need to find a better way of retaining agro-dealers.

The dominance of seasonal agro-dealers defeats the original purpose of FISP to drive the expansion of the input distribution networks to farmers who are located in zones that are chronically underserved (Crawford et al. 2003; Kelly et al. 2003). FISP was meant to ensure that agro-dealers would be entrepreneurs based in their respective localities providing a service to farmers throughout the year. A critically important role for agro-dealers would be to serve as a referral point in case of problems and challenges that would arise for farmers as they put into practice new agricultural methods/technologies or planted new seed varieties. In addition, it was thought that agro-dealers would provide backup extension services to farmers, especially in light of the government’s thin cadre of extension staff.

Whilst the training of the agro-dealers was mistargeted during Phase 1 of the agro-dealership initiative, the emergence of seasonal agro-dealership wrought further damage to the programme. Most of the agro-dealers involved in FISP have not gone through formal training, and thus they do not possess the knowledge base they require to be able to impart sufficient product recommendations and advice to their shop attendant intermediaries. Most attendants indicated that they rely on the leaflets provided with the seed to offer technical advice to farmers about how to maximize returns from inputs. They also use their own personal experiences to advise farmers on how to make productive use of the inputs. The tendency of those agro-dealers that do have direct contact with farmers is to frame their advice in a way ‘that makes farmers buy their products, or the best they can do is simply read out the instructions on the leaflets to farmers’. The advice provided to farmers is more from a marketing point of view than from an agricultural perspective. Some agro-dealers even objected to the idea of providing extension services to farmers, arguing that ‘there is no need to provide extension services to farmers since they are already knowledgeable about farming; we simply handle issues on the marketing side of things’.

The role that agro-dealers play in the provision of FISP extension services is in tune with the latest policy on extension. There were, however, serious concerns on the part of agricultural officers about whether FISP agro-dealers were an appropriate vehicle for providing reliable extension services to farmers. Agricultural officials described agro-dealers as being commanded by a ‘vendor’s mentality’, doubting as to whether these representatives would provide extension advice to farmers on an objective basis. They argued that these agro-dealers simply ‘look at the farmer as somebody with the capacity to make them rich because he or she has a voucher, but not as somebody in need of extension services since that is regarded as the job of extension workers’. The widespread perception among agricultural officials is that as vendors, agro-dealers are determined to push their product at whatever cost, even so far as cheating farmers. The seasonality and unorganized distribution of agro-dealers across districts increases the propensity to cheat, as dealers may or may not operate in the same area from once year to the next, and so denying farmers the opportunity to hold them accountable.

District Agricultural Development Officers (DADOs) are mandated to monitor FISP sales in order to compile data that is used for crop estimates in their respective areas of jurisdiction. DADOs argue that it is extremely difficult to monitor sales of the seasonal agro-dealers because they often do not have stationary marketing points. They tend to follow farmers to the fertilizer distribution centres so that as they [farmers] get fertilizer, they can buy seed as well. The absence of a policy framework and the boom of seasonal agro-dealers makes it difficult to coordinate their activities.

Despite concerns about the current status of agro-dealers, there is consensus across stakeholders about the desirability of agro-dealers’ continued involvement in FISP. The main justification for this is the argument that government agencies alone cannot satisfy farmers’ input requirements. Agro-dealers dramatically reduce the distance that farmers have to travel since ‘they operate right in villages, even though only for a short period of time’. Without agro-dealers, farmers will suffer a great deal because they will have to cover long distances to get seed. Moreover, agro-dealers are not encumbered by bureaucratic red tape that characterizes the state marketing agencies. Whilst not an ideal situation, agro-dealers are driven by the desire to maximize profit, which in turn leads them to ‘serve farmers as long as it is profitable to do so’, unlike the government marketing outlets that have fixed business hours and where sometimes sales are delayed because of lack of stationary.

The dominance of profit-driven agro-dealers within FISP is a cause of real concern. Farmers may enjoy reduced distances to input supply points as long as the government continues with FISP, but this and other such benefits come at great cost and are merely temporary if improvement and enforcement of the role of agro-dealers is not dealt with. Fundamental changes in the operation of agro-dealers must take place if FISP is to lay a strong foundation for private sector led-agricultural growth, and the transformation of rural areas.

4.2.3 Limited Attention to Agro-ecological Appropriateness of Seeds

There is strong incentive for agro-dealers to sell as much as they can since the magnitude of their profit is dependent on the volume of sales. This has invariably led to aggressive marketing techniques that are
undermining the appropriate agro-ecological distribution of seed. This aggressive behavior leaves farmers with little choice but to accept seed that may not be agronomically suitable to their respective areas, subsequently compromising farmers’ harvest potential. The following paragraphs will go into further detail on the aggressive marketing techniques that agro-dealers adopt, as well as the impact that this approach to agricultural extension has on farmers.

Legume seed is greatly desired by farmers, yet it is often in short supply, in both formal and informal seed arenas. One such aggressive technique that agro-dealers have adopted is to exploit the shortage of legume seed in order to force farmers to buy maize seed, regardless of the agronomical suitability of those seeds for the particular area. The reasoning behind this action is that farmers do not pay top-up costs on legume seed, as it is required for maize seed, but rather exchange coupons for the seed. Coupon exchange, however, does not bring in immediate revenue to agro-dealers. Whilst theoretically farmers have the freedom of choice to buy maize and legume seed from different agro-dealers, in practice accessing alternatives is impossible for many farmers living in remote rural areas. The following sentiments are illustrative of the pressures that farmers face: ‘buy everything from here’; ‘go back and get maize seed from where you got the legume seed’; ‘buy our maize seed if you want us to provide you with legume seed as well’; and ‘farmers are forced not to split their coupons by agro-dealers who are intent on maximizing profit yet infringing on farmers’ freedom of choice’.

It is also argued that agro-dealers venture out into villages for the principal reason of catching as many customers as possible in order to maximize their returns. Agro-dealers, including large traders such as Farmers World, Agora, Chipuku and Kulima Gold, market their seeds using mobile markets. They go out into villages on specified voucher distribution dates so that farmers can buy seed directly from them. The official account of this service given by agro-dealers is that ‘we want to serve farmers better, we do not want farmers to travel long distances to get seeds as they lose out time’. The downside of this practice is that agro-dealers often go out independently of other dealers. Farmers are denied the choice of dealer, and therefore also the choice of seed that could be sparked from service provision competition. As it stands, farmers have to buy the seed that is on offer as ‘there is only one agro-dealer at the time of coupon distribution’. In remote areas, agro-dealers use the mobile marketing strategy to further exploit farmers. Most of the agro-dealers that manage to access the hard to reach places demand that farmers pay more than MK 100 on top, justifying the increased price as ‘a means for them to cover transport costs’. Poorer farmers therefore end up paying doubly: more for the ill-suited seed and more for the ‘privilege’ to access FISP seed on their doorsteps. As a strategy to outcompete the small agro-dealers, some medium sized agro-dealers do not require farmers to pay the MK 100 top-up for the maize seed. Instead, they directly exchange the maize seed with the required coupons at the distribution centres. Whilst there are often several agro-dealers at the fertilizer distribution centres, farmers are attracted to the seed for which no top-up is required, ‘even if it may not be agronomically suitable for their respective areas but then it is an opportunity to save their MK 100’.

Seed companies also seek to benefit from the aggressive marketing techniques of agro-dealers, reflecting their underlying interests in maximizing their profits through FISP. Most agro-dealers open up marketing outlets within the proximity of fertilizer distribution centres that are run by ADMARC and SFFRFM. As farmers are buying their fertilizer, they should also be buying seed. While ADMARC and SFFRFM also stock seed, seed companies prefer to channel their seed through agro-dealers because they can push the seed farther and sometimes for higher prices. It is estimated that up 65 percent of the seed for the 2010/11 FISP was channeled through agro-dealers, compared to 45 percent from the previous season.

Aggressive marketing practices have also led to corruption between agro-dealers and chiefs. In an effort to outdo each other, agro-dealers seek favours from chiefs in the form of recommendations for their specific products, as it is known that ‘chiefs wield enormous influence over their subjects’. Consequently, even in cases where farmers have had an opportunity for seed choice, many capitulate to the influence of their chiefs, meaning that again farmers end up not getting the most appropriate seeds for their respective areas or fair seed prices.

### 4.2.4 Promotion of Foreign Germ Plasma

The FISP institutional arrangement for the seed component of its programme is greatly contributing to the promotion of foreign germ plasma (Chinsinga 2011). To reiterate, it is only seed companies that can redeem vouchers from the government which means agro-dealers can only participate in FISP through seed companies. The promotion of foreign germ plasma is inevitable since multinational seed companies, which control 90 percent of the formal seed industry, deal almost exclusively in hybrid and OPV maize. There is evidence from the fieldwork conducted by this study to suggest that the share of OPV maize is rapidly declining. Since the 2007/08 growing season, the share of hybrid maize has been increasing, now constituting almost 85 percent of the total maize sales under FISP (Chirwa and Dorward 2010). This finding is further supported by the observations of agro-dealers: ‘OPV is not commonly planted by farmers hence is not commonly stocked’; ‘we stock what is demanded by farmers; the demand for OPV maize is insignificant’; and ‘seed companies do not prioritize OPV; it constitutes a very small proportion of seeds that they deliver to us under FISP’.

A shift in the seed providers of the Malawian seed industry has also led to genetically modified (GM) crop
promotion. In the past, the National Seed Company of Malawi (NSCM) was the exclusive actor in the formal seed industry. Multinational seed companies now dominate this scene, with enormous consequences for the national breeding system and for the diversity of seed supplies offered to farmers. As touched on previously, although FISP agro-dealers have a limited supply of legume seed to offer, this seed is critical in restoring and preserving soil health, enhancing farmers’ nutrition, and boosting household incomes (Chinsinga et al. 2011; Potter 2005). Most of the multinational seed companies, however, do not deal in legume seed, let alone any other important native seed varieties, such as sorghum and millet. Rather, their strategy is to provide FISP agro-dealers almost exclusively with hybrid and OVP maize seed to sell. The only exception to this is permanent agro-dealers who are able to stock seeds from a broader range of seed companies. A disproportionate share of their inventory, however, is still dominated by FISP seed, which in turn is provided by multinational companies.

Both farmers and agricultural officials described the seed procured through FISP as inadequate. Farmers have to complement the supply with seeds from other sources. Most of the farmers that are not beneficiaries of FISP resort to informal alternative sources to fully meet their seed requirement. For instance, some farmers observed that ‘the 5 kg of seed we get through FISP is not enough; we have to complement it with seed selected from our previous harvests’ lxxv. Farmers require approximately 10 kg of seed for an acre and 25 kg of seed for a hectare. According to agricultural officials, however, the seed that farmers receive from FISP is inadequate for a 0.5 acre plot. The scarcity of seed is further augmented due to the widespread tendency among chiefs to instruct ‘FISP beneficiaries to share seed and fertilizer with those that do not get coupons’ lxxviii.

There are several alternative seed sources for farmers: local informal markets, recycling of seed from previous harvests, and NGO seed schemes. Farmers argue that it is cheaper to purchase seed from local markets than to buy it from agro-dealers. The popular view among farmers and agricultural officials is that farmers are too poor to afford seed at the market price. While a 5 kg pack of maize is sold at MK 1,750 from agro-dealer outlets, farmers can get the same quantity from local market vendors at MK 400. In most FGDs farmers argued vendors do come to our rescue since we often do not have money to buy seed from shops; vendors sell to us in portions we can afford and at far more reasonable prices’ lxxx. Farmers also recycle seed, acquiring the seed from their own storage facilities or from friends and relatives. Interviewees recounted that they ‘target maize cobs that look healthier than the rest to ensure that the seed germinate with vigour’ lxxxii. Additionally, where NGOs are present farmers are reported to benefit from their seed schemes in their respective impact areas. In Dedza, for instance, Save the Children has been distributing seed to farmers in three Group Headmen in Bembeke EPA since 2009. Self Help International distributed seeds to targeted farmers in the same area between 2001 and 2008. The main issues with NGO seed provision, however, are the unchequed distribution of GM seed and the further undermining of the national seed industry.

There is current apprehension over Malawian government plans to revive ADMARC to its state-led pre-liberalization functionality through a new Act of Parliament. While the new Act is yet to be finalized, the main concern is that the ‘reenacted ADMARC will assume monopolistic control over input and output markets which may crowd out agro-dealers altogether’ lxxxv. In other words, a reenacted ADMARC poses serious challenges to private sector development especially since agro-dealers are handling about 65 percent of the seed under FISP lxxxvii. There is contentious debate over the role of ADMARC, as re-instating this role would have particular political significance for FISP and its functionaries. As observed from past applications of ADMARC, the corporation was shown to be easily manipulated to serve political
campaign purposes and social functions given the primacy of maize in the country’s political economy (Harrigan 2005; Sahely et al. 2005). ADMARC has also been brought under direct control of the Office of President and Cabinet (OPC), which leads to further concern over political manipulation and public exploitation. Stakeholders in the current system observe with unease that ADMARC is complaining that agro-dealers are muddling the goals of FISP, suggesting that the scale of agro-dealer involvement should be limited. It is argued by stakeholders, however, that that ADMARC is simply trying to ‘reassert its relevance since it is facing considerable competition from agro-dealers while protecting the strategic political interests of the ruling elite’

At the peak of liberalization, ADMARC outlets had shrunk to as low as 180 units (Mvula et al. 2003). By the 2009/10 FISP season, however, the number of operated markets had grown to 788 in number. This figure rose again to 904 during the 2010/11 FISP season, and although the new ADMARC Act is still being prepared, ADMARC is currently engaging in an expansion drive. This is seen by many FISP stakeholders as a potential threat to agro-dealer involvement in FISP. The speculation is that ‘the expansion of ADMARC outlets will continue as we approach the next general elections in 2014 because of the strategic political importance of FISP’

A coalition of NGOs operating as Civil Society Network on Agriculture (CISANET), on the other hand, support the idea of ADMARC reverting to its pre-liberalization status due to its current state of dysfunctionality and its significant drain on government resources. As an integral part of the liberalization package of the agricultural sector, the status of ADMARC was registered as a limited liability company in order for it to operate on a profit basis since it was a huge fiscal drain. The agreement was that ADMARC would be commercialized on condition that the government would support it to serve social functions. The social functions of ADMARC include making maize available to the vulnerable segments of society during periods of severe food insecurity and propping up prices of farm produce when the prices are very low to shield farmers from undue exploitation from the private traders who are driven by the search for supernormal profits. By virtue of being a limited company, ADMARC was not able to receive direct funding from government, but rather would operate using government-guaranteed loans. Its performance has been less than satisfactory, however, incurring heavy losses due to the dominance of social functions through FISP. This is the case because ADMARC has to make sure that fertilizer is available across the country regardless whether the areas are readily accessible or not. These areas would not be served if the exercise were to be carried out by the private sector. The concern of NGOs is that through the loans guaranteed for ADMARC, the government is spending much more than would have been the case if government supported ADMARC directly from its budget. This would be cost effective for purposes of performing social functions since the government ‘would not have to grapple with bad debts accumulated by ADMARC’.

 Whilst NGOs are concerned with the magnitude of the costs associated with ADMARC’s current institutional arrangement, the government has exploited the situation as an opportunity to reintroduce the pre-liberalization ADMARC status. This is not an adequate solution to the problems facing ADMARC and FISP, however, as the pre-liberalized ADMARC was condemned on the grounds of inefficiencies in both input and output markets (Nthara 2002; Oxfam 2002). Even though there are pertinent concerns with the current trends, developments and sustainability of FISP, the progressive expansion of strategically political ADMARC poses a direct threat to private sector development. Additionally, neither approach is able to engineer and realize the original version of the agro-dealership.

The present contestation over the future of the Malawian seed industry leaves none in doubt over the political nature of the process, twisting programmes intended for the improvement of the livelihoods of resource-poor farmers for elite gain (Leftwich and Hogg 2007). It seems that the underlying goals of policy processes in such situations are to serve selfish motives rather than act in service to those who have true need.

5. Concluding Remarks and Reflections

While there are several competing explanations about the failure of agricultural sector liberalization in Malawi, there seems to be some consensus that its dismal track record can largely be attributed to the lack of complementary investment in public goods that should have supported the implementation of the prescribed set of interventions. The argument is that Asian countries were successful because they focused primarily on the non-price stimulants that influence macro-economic decision making. In other words, Asian countries invested heavily in the requisite public goods, such as agricultural research, extension, credit and fertilizer supply and distribution systems, that made it possible for the recovery of the agricultural sector on a sustainable basis (Crawford et al. 2003; Dessai 1988). At the onset of the liberalization of the Malawian agricultural sector, however, investment in agro-dealers was seen as the solution to revitalizing the involvement of the private sector in agricultural growth and development, with tremendous potential for sustainable poverty reduction. The role of the agro-dealership initiative in delivering ‘smart’ subsidies was believed to act as spring board for an African Green Revolution. The findings of this study, however, have demonstrated that the apparent failure of the liberalization of the agricultural sector can actually be linked to the failure of the agro-dealership initiative to produce anticipated outcomes. Instead of facilitating the recovery of the agricultural sector, the liberalization policy package simply exacerbated existing problems, resulting in further diminishment of farmers’ access to productivity enhancing inputs and technologies (Kelly et al. 2003; Mwase 1998).
This study has demonstrated that while there is tremendous potential for agro-dealership to anchor or drive the African Green Revolution there are still several key issues and challenges that have to be addressed. These challenges have become particularly important following the implementation of FISP since the 2005/06 growing season. FISP has substantially transformed the operative context for agro-dealers in a way that is less supportive to the attainment of the sustainable version of the uniquely African Green Revolution. Instead of functioning as the engine of a private sector-led agricultural recovery, FISP has been captured by a network of elites who have appropriated it as a source for their own security and political enhancement, under the guise of broadening farmers’ access to productivity enhancing inputs and technologies. The following conclusions are drawn with respect to the study’s main observations.

• While agro-dealers operated mainly in high potential areas during Phase 1 of the agro-dealership initiative, following the advent of FISP during the 2005/06 growing season they expanded to operating almost equally in both high and low potential areas. However, rather than seeking to aid farmers in realizing their agricultural potential, instead agro-dealers are chasing coupons and financial profits. Strong evidence supports the argument that the distribution of coupons by agro-dealers is not necessarily determined by the agricultural potential of the districts but rather by strategic political decisions (Chirwa and Dorward 2010).

• Agro-dealers supply mostly hybrid and OPV maize seed from large multinational seed companies, however, there is evidence that the proportion of OPV has substantially diminished in recent years. This has been further bolstered by the advent of FISP whereby most of the agro-dealers are seasonal and only stock seed from companies with which they have contracts. Agro-dealers do not deal in alternative cereals such as sorghum and millet and very few stock legumes because most of the multinational companies do not deal in these products. They deal almost exclusively in hybrid maize.

• Most farmers do not rely on agro-dealers for their seed requirements. The purpose of FISP is to target resource-constrained farmers, but as was revealed above, only manages to reach a fraction of the identified beneficiaries. Moreover, most farmers are unable to procure seeds from agro-dealers on a cash basis, arguing that it is very expensive. Farmers also state that the FISP seed component does not fully meet their needs. Beneficiaries are required to complement FISP-supplied seed with that from other sources, which mainly include recycling, buying from local informal markets, handouts from NGOs and relatives and friends.

• Agro-dealerships are mostly owned by elites who make connections with government-donor/NGO programmes or large scale seed houses. Elite capture of the agro-dealership initiative started with the collapse of the tripartite arrangement in the first phase of agro-dealership but has intensified since the advent of FISP during the 2005/06 growing season. Social networks and informal ties have become extremely important for agro-dealers to secure contracts with seed companies since it is possible to venture into agro-dealership without any substantial capital injection. This corruption within FISP has made it vulnerable to unrestrained opportunities for rent-seeking.

• The terms of engagement between agro-dealers and seed companies is skewed in favour of seed companies. This biased relationship began during the first phase of agro-dealership and has further developed in FISP. Agro-dealership is attainable without an injection of capital, but only so as long as the dealer is able to secure a contract with seed companies, this being done through networking. Seed companies then deliver inputs directly to the agro-dealers. Dealers thus start earning from their stocks immediately, as top-ups and coupons from farmers are exchanged for seed packs.

• Overtime, large agro-dealers (especially multinationals) are dominating the supply of seed in the formal system, reducing the proportion of locally bred seed by national public systems. The institutional arrangement for the seed component of FISP has further reinforced this situation since it is only those companies that belong to the Seed Traders Association of Malawi (STAM) that can redeem coupons from government. The liberalization of the seed industry has resulted in multinational seed companies controlling 90 percent of the seed market. This has substantially marginalized the public breeding system, which is now on the verge of collapse.

• The variety of seed available to farmers through agro-dealers has declined over time. The findings from this study have established that agro-dealers stock almost exclusively hybrid maize, as this is the main seed that multinational companies deal in. The proportion of OPV maize has substantially decreased since the 2005/06 growing season. FISP agro-dealers often stock only seed from companies with which they have contracts, and very few companies provide legume, millet and sorghum seed. Legume seed is particularly scarce, and used by agro-dealers as strategic bait to force farmers to buy maize seed that may not be agronomically suitable for their respective localities.

The operative context for agro-dealers has been substantially transformed following the advent of FISP. As a government and donor supported programme, it has created spaces for stakeholder engagement that were not available prior to its implementation. Whilst providing a means for new and constructive opportunities, the deficiencies of this transformation have also made the programme vulnerable to corruption and exploitation: donors are supporting FISP as long as it provides the platform for the inclusion of agro-dealers as a strategic means of revitalizing the participation of the private
sector in agricultural development; seed companies regard FISP as a guaranteed market for their products; and the government is interested in achieving food security at whatever cost. The widespread use of hybrid maize is seen as a magic bullet to achieving food security but at the expense of narrowing down the product portfolio on offer to farmers, thereby increasing farmer insecurity and decreasing soil health and future productivity through the reduction in diversity. And as illustrated throughout this paper, FISP has simply created expansive opportunities for rent-seeking both in the procurement and distribution of FISP inputs. Given the negative transformative impact of FISP on the operative context of agro-dealers, it is doubtful whether they would act as an anchor to, let alone drive, a sustainable African Green Revolution.

Although the current state of agro-dealership has serious issues that need to be addressed, the potential still exists for the initiative to drive the revival of agriculture in Malawi, as long as efforts would be taken to design and enforce a robust policy and institutional framework. Such efforts, however, are likely to face resistance given the expansive rent-seeking opportunities associated with FISP. Most of the challenges revealed by this study have to do with either the absence or weak enforcement of policy and regulatory frameworks for agro-dealers specifically and the seed industry generally. There is therefore urgent need to develop a policy and institutional framework for the agro-dealership initiative that would outline legitimate practices and expectations that would effectively power a uniquely African version of a Green Revolution. The simple development of such a framework would not be adequate, however, but would necessitate the simultaneous need for full programme enforcement, regardless of the resistance that such an act would likely be met with.

END NOTES

i AGRA is supporting agro-dealer development and strengthening programmes in several African countries as a primary catalyst for the uniquely Africa Green Revolution. In addition to Malawi, AGRA is supporting the agro-dealer initiative in Ghana, Malawi, Tanzania, Mozambique and Kenya among many other countries.

ii The FGDs in Thyolo were held in the following EPAs: Matapwata, Thyolo Central, Masambanjati, Nkhonjeni and Dwale. Whereas in Dedza, the FGDs were held in the following EPAs: Kaphuka, Lithipe, Dedza Boma, Bembeke, Mtakataka and Golomoti.

iii Interview with a RUMARK official, 8th December 2010.

iv Interview with a MoAFS official, 17th November 2010.

v Interview with a former RUMARK official, 14th December 2010.

vi Interview with a RUMARK official, 14th December 2010.

vii Interview with a seed company official, 13th December 2010.

viii Interview with as seed company official, 15th December 2010.

ix Interview with a former CFNA official, 12th December 2010.

x Interview with an AISAM official.

xi Interview with a seed company official 11th December 2010.

xii Interview with a seed company official, 9th December 2010.

xiii Interview with a seed company official, 16th December 2010.

xiv Interview with a seed dealer in Dedza EPA 16th December 2010.

xv Interview with a Farmers Union of Malawi official, 8th December 2010.

xvi Interview with a CNFA official, 17th December 2010.

xvii Ibid.

xviii Interview with an AISAM official, 17th December 2010.

xix Interview with a seed company official, 13th December 2010.

xx Interview with a shop attendant in Matapwata EPA, Thyolo, 29th November 2010.

xxi Interview with an agricultural official in Dedza Boma EPA, 16th December 2010.

xxii Ibid.

xxiii Interview with a former CNFA official, 12th December 2010.

xxiv Interview with a donor agency official, 8th December 2010.

xxv Interview with a donor agency official, 21st December 2010.

xxvi Ibid.

xxvii Interview with an agricultural official, 18th December 2010.

xxviii Interview with a donor agency official, 1st December 2010.

xxix Interview with an MoAFS official, 17th November 2010.

xxx Interview with a donor agency official, 15th December 2010.

xxxi Interview with an agro-dealer in Dwale EPA in Thyolo district, 15th November 2010.

xxi Interview with an MoAFS official in Dedza district, 23rd November, 2010.
Interview with an agro-dealer in Kaphuka EPA in Dedza district, 17th December 2010.

Interview with a seed company official, 5th December 2010.

Interview with an agro-dealer in Kaphuka EPA in Dedza district, 17th December 2010.

Interview with a seed company official, 8th December 2010.

Interview with an MoAFS official in Linthipe EPA in Dedza district, 15th December 2010.

Interview with an MoAFS official in Linthipe EPA in Dedza district, 18th December 2010.

Ibid.

Interview with an MoAFS official in Khonjeni EPA in Thyolo district, 14th November 2010.

FGD in Matapwata EPA in Thyolo district, 15th November 2010.

FGD in Khonjeni EPA in Thyolo district, 18th November 2010.

FGD in Bembeke EPA in Dedza district, 16th November 2010.

Interview with an MoAFS official in Kaphuka EPA, 17th November 2010.

Interview with an agro-dealer in Kaphuka EPA in Dedza district, 19th December 2010.

Interview with an MoAFS official in Golomoti EPA in Dedza district, 16th December 2010.

Ibid.

Interview with an MoAFS official in Bembeke EPA in Dedza district 19th December 2010.

FGD in Golomoti EPA in Dedza district, 17th December 2010.

FGD in Dwale EPA in Thyolo district, 13th November 2010.

FGD in Masambanjati EPA in Thyolo district, 22nd November 2010.


Ibid.

Interview with an MoAFS official in Mtakataka EPA in Dedza district, 22nd December 2010.

Interview with an MoAFS official in Kaphuka EPA in Dedza district, 17th December 2010.

Interview with a seed company official, 8th December 2010.

Ibid.
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