THE CENTRE FOR AGRICULTURAL RESEARCH & DEVELOPMENT (CARD)
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POLICY BRIEF
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LEAVING NO FARMER BEHIND: TOWARDS A MORE INCLUSIVE AND SUSTAINABLE FARM INPUT SUBSIDY PROGRAM (FISP) FOR MALAWI

MAY 2025

Key Messages

- Universal input subsidies are fiscally unsustainable and economically inefficient, often leading to smuggling, leakages, and elite capture by wealthier farmers.
- Climate shocks and the absence of complementary practices, such as organo-mineral fertilizers, undermine the effectiveness of inorganic-fertilizers in improving productivity and food security.
- This paper recommends a Farm Input Subsidy Programme (FISP) or Controlled Universal Subsidy that should combine: (a) Conditional subsidies for 50 – 60% of productive farmers linked to the adoption of complementary practices, and (b) Unconditional subsidies in the form of social protection for vulnerable households during periods of food shortages.
- Long-term sustainability hinges on comprehensive FISP policy reforms, including biometric beneficiary selection, performance-based accountability, adoption of complementary practices, and reduced reliance on government support.

A. Introduction

This abridged report discusses the long-term viability of Agricultural Input Subsidy Programs (AISP) in Malawi by analyzing historical trends, reforms, and lessons from initiatives ranging from the 1998 Starter Park to the current Farm Inputs Subsidy Programme (FISP) (Fig. 1). While these FISP have contributed to increased productivity, food security, and agricultural transformation, their effectiveness has varied. With good weather conditions, AISP have resulted in higher harvests and yields. However, Universal AISP have often underperformed due to poor design, inefficiencies, fiscal burdens, and unintended effects such as cross border leakages. In contrast, targeted AISP incorporating reforms like cost-sharing, private sector involvement, and digital tools have shown greater promise. Drawing on data from government reports, the National Statistical Office, the Reserve Bank of Malawi, and the World Bank, this report recommends that a conditional targeted AISP, integrated with complementary interventions such as organo-mineral fertilizers, legume

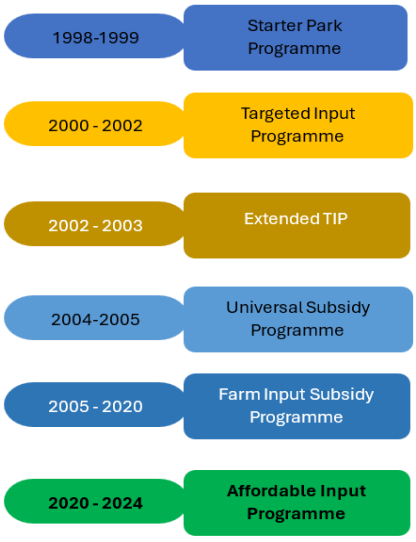


Fig. 1. Implemented Input Subsidy Programmes in Malawi: 1998-2024

intercropping, and other climate-smart practices, offers a more viable and sustainable path forward for Malawi.

B. Future Pathways for Implementing Input Subsidies in Malawi

Agricultural Input Subsidy Programs (AISP) remain critical for realizing Malawi's Vision 2063, particularly under the pillar of enhanced productivity and commercialization. To enhance effectiveness and fiscal sustainability, future input subsidies must shift toward **productivity-focused and context-sensitive implementation models**. Moreover, productive farmers—**smallholder or medium-to-large-scale farmers** who have enough land (0.5-2.5 ha) and assets, who are **able to produce surplus agricultural output** beyond subsistence levels and contribute significantly to **food security, markets, and economic growth**—drive over 40% of the changes in agricultural transformation and job creation as presented inFig. 2. This report, thus, recommend **controlled universal subsidy** with two primary pathways addressing the needs of both productive and vulnerable farming households in the country: **Conditional and Unconditional targeted subsidies**, supported by evidence-based cost-sharing simulations.

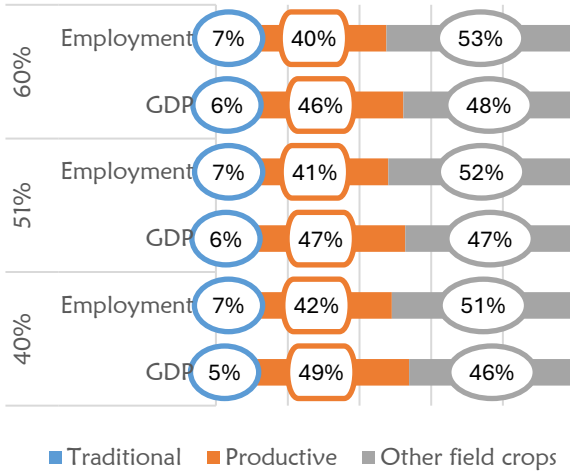


Fig. 2. Contribution to Ag-GDP change by traditional and productive farmers Author

1) **Driving Sustainable Productivity through conditional targeted subsidies: Conditional subsidies** tie access to inputs—such as fertilizers—to the adoption of sustainable and productivity-enhancing practices like Integrated Soil Fertility Management (ISFM), organo-mineral fertilizers, and legume intercropping. Such interventions improve soil health, reduce reliance on synthetic fertilizers, and enhance nutrient use efficiency. Furthermore, conditional subsidies can align with existing national/government (Govt) programs, viz., the **Climate Smart Enhanced Public Works Programme (CS-EPWP)** and the **National Economic Empowerment Fund (NEEF)** to ease fiscal pressure.

2) Supporting Vulnerable Households Unconditional Subsidies: Unconditional subsidies can offer widespread relief during times of food insecurity and market instability and are particularly suited for the most vulnerable farming households and can be integrated with social protection programs. Beneficiaries can be identified using existing national databases such as the **Universal Beneficiary Registry (UBR)** and **National Agricultural Management Information System (NAMIS)**.

C. Cost-Sharing Scenarios and Fiscal Feasibility

The report models three cost-sharing scenarios to guide sustainable and efficient implementation of the proposed subsidy pathways, using data-informed simulations. These simulations consider current FISP budget, fertilizer prices, and farmer contributions as presented in *Table 1*.

Table 1. Cost Implications for each of the targeted options for controlled universal subsidies

A	Govt Support						
Target	Households (Assume, the country has about 3.5 million farm households)	Inorganic Fertilizer (MT)	Yield (MT/Acre), [Calculated based on APES Yield]	Production (MT)	Total Cost (USD)	Govt Share (USD) contributing 30% of the market price	Govt Deficits (USD) (Amount not covered by the current FISP budget)
100%	3,500,000	350,000	1.25	4,375,000	413,000,000	123,900,000	-60,507,653
90%	3,150,000	315,000	1.25	3,937,500	371,700,000	111,510,000	-48,117,653
80%	**2,800,000**	**280,000**	**1.25**	**3,500,000**	**330,400,000**	**99,120,000**	**-35,727,653**
70%	2,450,000	245,000	1.25	3,062,500	289,100,000	86,730,000	-23,337,653
65%	2,275,000	227,500	1.25	2,843,750	268,450,000	80,535,000	-17,142,653
60%	2,100,000	210,000	1.25	2,625,000	247,800,000	74,340,000	-10,947,653
55%	1,925,000	192,500	1.25	2,406,250	227,150,000	68,145,000	-4,752,653
54%	1,890,000	189,000	1.25	2,362,500	223,020,000	66,906,000	-3,513,653
53%	1,855,000	185,500	1.25	2,318,750	218,890,000	65,667,000	-2,274,653
52%	1,820,000	182,000	1.25	2,275,000	214,760,000	64,428,000	-1,035,653
51%	1,785,000	178,500	1.25	2,231,250	210,630,000	63,189,000	203,347
50%	1,750,000	175,000	1.25	2,187,500	206,500,000	61,950,000	1,442,347
45%	1,575,000	157,500	1.25	1,968,750	185,850,000	55,755,000	7,637,347
40%	1,400,000	140,000	1.25	1,750,000	165,200,000	49,560,000	13,832,347
35%	1,225,000	122,500	1.25	1,531,250	144,550,000	43,365,000	20,027,347
30%	1,050,000	105,000	1.25	1,312,500	123,900,000	37,170,000	26,222,347

1) Universal Inorganic Fertilizer Subsidy: Covering 100% of smallholder farmers with inorganic fertilizer is **fiscally unsustainable**, requiring over MWK 600 billion at the current fertilizer prices. It would consume the entire Ministry of Agriculture budget, leaving little room for other investments. Given the current AISP allocation of USD 65 million (1 USD =MWk 1751), Govt incurs a deficit of over USD 60 million and a national deficit of USD 349 million if a Universal AISP is adopted, with high risks of smuggling, leakages, and elite capture by wealthier farmers. Similar pattern is observed when Govt implementing a 90% coverage of farmers with inorganic fertilizers only (Fig. 3 and Annex 1 and 2). Targeting 80% of farmers meets the national food

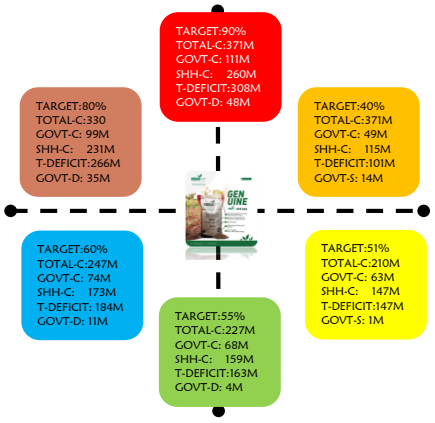


Fig. 3. Cost-sharing (USD) scenarios for Targeted INORGA-F subsidies by Govt-C and SHH-C

basket, however, it comes with a huge cost implication of about USD 330.4 million, which is also above a billion kwacha.

2) Targeted Inorganic Fertilizer Subsidy (Extended FISP): A more viable pathway involves targeting 40% to 60% of productive farmers. Using an assumed cost of USD 842 per metric ton of fertilizer, plus 10% for transport, 10% administration, and 20% profit, the estimated market price is USD 59 per 50kg bag of inorganic fertilizer. The land cost making fertilizers per kg in Malawi more expensive than in Tanzania (see Annexes 1, 2, and 3). Farmers in Malawi would contribute 70% of the price 50kg bag (i.e., USD 41), while Govt covers 30% (i.e., USD 18). Likewise, lessons from Tanzania and Rwanda show that farmers contribute about 65 to 85% of the market price of 50kg bag. Targeting only productive farmers ensures greater return on investment, and the government can sustainably support about **50-60% of smallholders** under current FISP budget constraints (Fig. 3). This approach can be complemented by other national programs like NEEF as presented in Annexes 1 and 2.

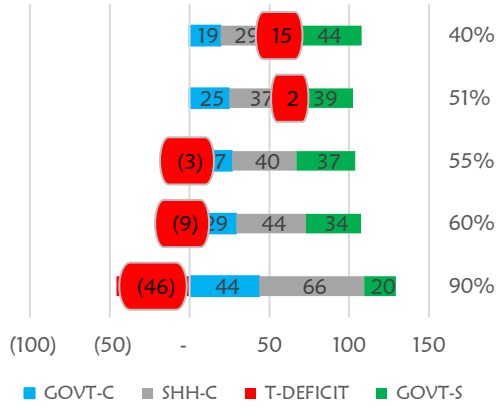


Fig. 4. Cost-sharing for ORGANM-fertilizers between Govt & SHH.

3) Targeted Organo-Mineral (ORGANOM) Fertilizer Subsidy: This ORGANOM-AISP offers the most cost-effective and sustainable pathway. Each 50kg of inorganic fertilizer can produce 3–4 bags of organo-mineral fertilizer, significantly reducing import dependency. With production costs estimated at USD 20 per 50 kg bag of organo-mineral fertilizers (USD 12 by farmers, USD 8 by government), the program allows for **universal coverage** without exceeding the current input subsidy budget. Even with over 90% coverage of smallholder farmers, the government realizes **savings of up to USD 20 million**, with a manageable national deficit of USD 46 million (Fig. 4). ORGANOM also enhance soil quality and long-term productivity.

D. International Lessons

Annex 3 captures lessons learned from the implementation of agricultural input subsidy programs in Tanzania and Rwanda as subsequently summarized:

- **Lessons from Tanzania include** a) that bulk import purchase system through a government such as SFFRFM can reduce artificially inflated prices through collusion of private traders who take advantage of their fertilizer market dominance; and b) fertilizer prices vary with a predetermined and verified cost of transport to the selling point that is depends on the distance from the entry bulking warehouse.
- **Lessons from Rwanda** are that the responsibility and accountability of subsidy is decentralized with the Section being the primary unit for determination and accountability to the stated objectives. Subsequent levels such as the EPA, district

and ADD should be accountable for all inputs and expected outcomes under their jurisdiction, followed with appropriate measures if not adhered to. Productive farmer contributes 65 – 85% of the market price of a 50kg bag.

E. A Way Forward: Extended-FISP Model

A FISP-**Model or a Controlled Universal Subsidy,** combining both conditional and unconditional subsidies, emerges as the most promising strategy for Malawi. A **Controlled Universal Subsidy** is proposed where, building on the on-going efforts; a) those without labour (those living with disabilities, chronically sick, elderly, and orphans) are taken out of the subsidy and covered by the direct cash/food transfers by other programmes; b) able-bodied smallholders that have verified gardens are of at least 0.4 hectares, under their respective accountable AEDO, recruited for FISP to produce a specified maize quantity for the national food basket; c) medium and large scale farmers are recruited under national programs like NEEF with some subsidy for specified quantity of maize for the nation. Specifically, the subsidy should include the following:

- Target 50–60% of productive farmers with verified gardens and implementing climate-smart agricultural practices like approved organo-mineral fertilizers. However, this may face implementation challenges such as production capacity, supply chain readiness and farmer uptake that need to be considered.
- Use biometric systems and existing registries to digitally select 50–60% of farmers.
- Enforce performance-based accountability for input use and outcomes at all levels.
- Implement government-led bulk procurement of inorganic fertilizers as learnt from Tanzania and Rwanda.
- Involve the private sector in the local distribution of fertilizers in line with the National Fertilizer Policy of 2021.
- Ensure timely delivery of inputs with traceable accountability mechanisms.
- Adopt the 30:70 government-to-farmer cost-sharing ratio to reduce fiscal pressure.
- Medium large scale farmers should be targeted under other national programs.
- Provide unconditional subsidies to support vulnerable households.
- In the medium to long term, government should promote a controlled universal subsidy targeting organo-mineral fertilizers.

Annexes

Annex 1. Estimated number of farm households under Government Extended FISP and Other National Programs

	Define Some Parameters	Unit Cost	Contribution
	Market Price of 50kg bag-inorganic fertilizer	USD 59	
	Farmer's Unit Cost with Subsidy of a 50kg bag-inorganic fertilizer	USD 41	70%
	Government Contribution on a 50kg bag-inorganic fertilizer	USD 18	30%
	Market Price of 50kg bag-organo-mineral fertilizer[1]	USD 20	
	Farmer's Unit Cost with Subsidy of a 50kg bag-organo-mineral fertilizer	USD 12	60%
	Government Contribution on a 50kg bag-organo-mineral fertilizer	USD 8	40%

	Govt Extended FISP Support				Other Program Support				
	Households (Assume, the country has about 3.5 million farm households)	Inorganic Fertilizer (MT)	Yield (MT/Acre), [Calculated based on APES Yield]	Production (MT)	Households (Assume, the country has about 3.5 million farm households)	Inorganic Fertilizers (MT)	Yield (MT/Acre), [Calculated based on APES Yield]	Production (MT)	Total National Production (MT)
	A	B	C	D	E	F	G	H	I
100%	3,500,000	350,000	1.25	4,375,000					4,375,000
90%	3,150,000	315,000	1.25	3,937,500					3,937,500
80%	**2,800,000**	**280,000**	**1.25**	**3,500,000**					3,500,000
70%	2,450,000	245,000	1.25	3,062,500	350,000	35,000	1.25	437,500	3,500,000
65%	**2,275,000**	**227,500**	**1.25**	**2,843,750**	**525,000**	**52,500**	**1.25**	**656,250**	**3,500,000**
60%	**2,100,000**	**210,000**	**1.25**	**2,625,000**	**700,000**	**70,000**	**1.25**	**875,000**	**3,500,000**
55%	**1,925,000**	**192,500**	**1.25**	**2,406,250**	**875,000**	**87,500**	**1.25**	**1,093,750**	**3,500,000**
54%	**1,890,000**	**189,000**	**1.25**	**2,362,500**	**910,000**	**91,000**	**1.25**	**1,137,500**	**3,500,000**
53%	**1,855,000**	**185,500**	**1.25**	**2,318,750**	**945,000**	**94,500**	**1.25**	**1,181,250**	**3,500,000**
52%	**1,820,000**	**182,000**	**1.25**	**2,275,000**	**980,000**	**98,000**	**1.25**	**1,225,000**	**3,500,000**
51%	**1,785,000**	**178,500**	**1.25**	**2,231,250**	**1,015,000**	**101,500**	**1.25**	**1,268,750**	**3,500,000**
50%	**1,750,000**	**175,000**	**1.25**	**2,187,500**	**1,050,000**	**105,000**	**1.25**	**1,312,500**	**3,500,000**
45%	1,575,000	157,500	1.25	1,968,750	1,225,000	122,500	1.25	1,531,250	3,500,000
40%	1,400,000	140,000	1.25	1,750,000	1,400,000	140,000	1.25	1,750,000	3,500,000
35%	1,225,000	122,500	1.25	1,531,250	1,575,000	157,500	1.25	1,968,750	3,500,000
30%	1,050,000	105,000	1.25	1,312,500	1,750,000	175,000	1.25	2,187,500	3,500,000

[1] Based on soil scientists' expertise, one 50kg bag of inorganic fertilizer will produce about three (3) 50kg bags of organo-mineral fertilizer

B	Other National Programs						
Target	Households (Assume, the country has about 3.5 million farm households)	Inorganic Fertilizer (MT)	Yield (MT/Acre), [Calculated based on APES Yield]	Production (MT)	Total Cost (USD)	Program Share (USD) contributing 30% of the market price	Farmers' Share (USD) contributing 70% of market price
70%	350,000	35,000	1.25	437,500	41300000	12390000	28,910,000
65%	525,000	52,500	1.25	656,250	61950000	18585000	43,365,000
60%	700,000	70000	1.25	875000	82600000	24780000	57,820,000
55%	875,000	87500	1.25	1093750	103250000	30975000	72,275,000
54%	910,000	91000	1.25	1137500	107380000	32214000	75,166,000
53%	945,000	94500	1.25	1181250	111510000	33453000	78,057,000
52%	980,000	98000	1.25	1225000	115640000	34692000	80,948,000
51%	1,015,000	101500	1.25	1268750	119770000	35931000	83,839,000
50%	1,050,000	105000	1.25	1312500	123900000	37170000	86,730,000
45%	1,225,000	122500	1.25	1531250	144550000	43365000	101,185,000
40%	1,400,000	140000	1.25	1750000	165200000	49560000	115,640,000
35%	1,575,000	157500	1.25	1968750	185850000	55755000	130,095,000
30%	1,750,000	175000	1.25	2187500	206500000	61950000	144,550,000