



Affordable Inputs Program

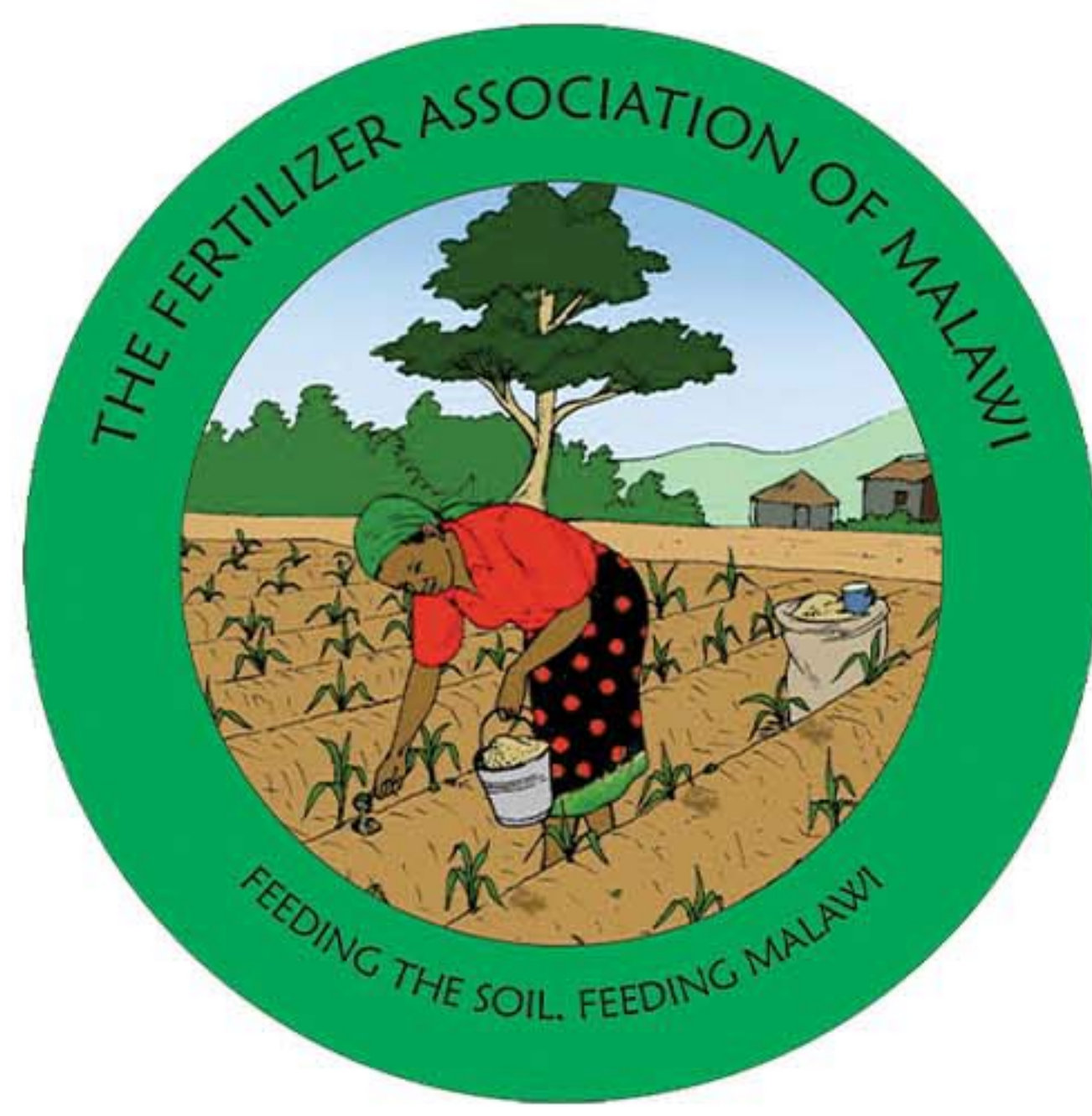
2021-2024

Fertilizer Association of Malawi
Final Report - Executive Summary

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Affordable Inputs Program (2021-22) Executive Summary

The agricultural season of 2021/2022 marked the second implementation of the Affordable Inputs Program (AIP). The Fertilizer Association of Malawi (FAM), with a current membership of 20 companies making up the majority of Malawi's longstanding active private sector fertilizer suppliers, intended to work closely with the Ministry of Agriculture to provide as much information as possible to aid in the smooth implementation of AIP. Unfortunately, this season's AIP faced many challenges, all stemming from changes made in the tender document and implementation of the program which resulted in a massive procurement failure.

The AIP bid invitation was published on the 28th April 2021, and called for both "eligible and qualified" suppliers to bid for the "supply, warehouse and retailing of fertilizer under AIP". Each bidder was required to bid in multiples of 500 MT lots with the minimum bid set at 500 MT while the maximum bid was not stipulated. FAM began engaging the Ministry of Agriculture on the 10th May 2021 by sending a letter regarding the bid document. The issues addressed in the letter included the following:

- The surprise at the proposed AIP Government contribution in the bidding document being reduced from the previous season's amount of MK17,000 to MK15,500 despite the global increase of fertilizer prices (later adjusted to MK19,500).
- The scepticism about the intention of Government to allocate 35% of the awards to suppliers without prior experience which increases the risk of contracting companies that are not able to perform.
- The lack of a requirement of a Performance Bond.
- The lack of a requirement of a Bid Security
- The continued restriction of input types to NPK 23:10:5+6S+1Zn, Urea 46%N and maize seed despite previous recommendations for a broader input selection for other crops beyond just maize.

This year's watered down version of last season's bid document had on one hand increased the number of eligible bidders, however, it simultaneously led to the contracting of suppliers that predictably would not be able to perform or might turn to malpractice in order to seem to perform. Bids were publicly opened the day the bidding period closed on the 27th of May 2021. Contracts were subsequently awarded 4 months

later after much controversy on the 8th of October 2021.

A total of 166 companies were awarded. Out of those awarded, 11 were FAM companies, 153 were SMEs and 2 were parastatals; Agriculture Development and Marketing Corporation (ADMARC) and Smallholder Farmers Fertilizer Revolving Fund of Malawi (SFFRFM). The criteria for the selection of these awardees was unclear as some seasoned suppliers were excluded while suppliers who had failed to perform last year were awarded again. The highest tonnage awarded to a private company was 15,000 MT while the lowest awarded was 500 MT for many of the first time participants. The tonnage awards had to be kept minimal given the large number of awardees which was appropriate for some suppliers, however, there were obvious exceptions that were not based on any understandable reasons.

As was the case in the previous season, supplier's contracts were again unnecessarily restricted to specific Extension Planning Areas (EPAs). If a supplier wished to operate in any other EPAs, they were obliged to apply to the Ministry of Agriculture for permission. ADMARC and SFFRFM were awarded 100,000 MT and 27,000 MT respectively representing 34% of the program.

The implementation details of AIP were officially announced by the Minister of Agriculture, Honourable Lobin Lowe, as late as the 16th September 2021 almost 4 months after the bid invitation was published. Details of the program were shared as follows:

1. AIP would aim to supply 3,714,105 million farming households with fertilizer (NPK & Urea) and maize seed. The Ministry would also supply an additional 30,000 farming households with 2 goats equating to 60,000 goats.
2. Each beneficiary would receive one 50kg bag of NPK 23:10:5 + 6s + 1Zn, one 50kg bag of Urea 46%N translating to 371,411 MT of fertilizer, and one pack of 5kg hybrid maize seed translating to 18,570 MT of maize seed. The AIP program was seeking the supply of 250,000 MT of fertilizer, indicating that the Government would supply 127,000 MT bringing the total to 377,000 MT.
3. Redemption of the inputs would be facilitated through a mobile application developed by the Ministry of Agriculture as was the case in the previous year.
4. Each beneficiary would pay a fixed amount of MK7,500 per 50kg bag of NPK and Urea, with the Government contribution set at MK19,500 per 50kg bag of fertilizer. The farmer top up for seed would vary at the discretion of the supplier depending on the type of seed, and the Government would contribute only MK3,365 per pack of seed which was a reduction of 46% from the previous year's contribution of MK6,000.

As per the details above, the total AIP price of fertilizer would be MK27,000 per 50kg bag regardless of the type or geographical region. However, at this point in the season, commercial market prices of fertilizer ranged between MK35,000 and MK38,000. All

commercial market prices of fertilizer ranged between MK35,000 and MK38,000. All awarded companies received their contracts only as late as the 31st October 2021 and 108 non-FAM companies had signed. FAM companies had individually communicated to the Ministry of Agriculture that they had concerns about the AIP price of MK27,000 that members felt needed to be addressed prior to signing the contracts. FAM members had expressed that the AIP price would make it practically impossible for companies to supply genuine fertilizer commercially to the program given the increase in cost and the weakening of the Malawi Kwacha.

In letters sent on 4th June 2021, 30th June 2021, 30th August 2021, 23rd September 2021, and 29th November 2021, FAM communicated the following concerns;

1. The shortage of forex and the inability of suppliers to remit US\$ for the purchase of fertilizer.
2. The recent increase of international fertilizer prices and logistics costs leading to the market price of fertilizer increasing by 60-80%
3. The projected price of fertilizer during the 2021/22 season which was between MK35,000 and MK38,000 per 50kg bag of fertilizer.
4. The pressure on the exchange rate due to the scarcity of foreign exchange and the expected depreciation, making the proposed government contribution of MK19,500, coupled with the fixed farmer contribution of MK7,500, insufficient to cover the cost of genuine fertilizer that met the tender specification required.
5. The questionable ability of SMEs to supply fertilizer at MK27,000 and the strong possibility of incidences of fraud that would inevitably result.

These issues, and a number of others affecting the program as a whole, were also brought up for discussion in a series of AIP Technical Task Force meetings, the first of which was held on 2nd November 2021. However, there were no resolutions put forward to address these issues. AIP price discussions with the Ministry of Agriculture were not a possibility as the Minister of Agriculture, Hon. Lobin Lowe, explicitly stated that fertilizer suppliers should “take it or leave it” during a Ministerial statement he gave in Parliament on the 18th of November 2021.

As was the case in the previous year, the Technical Task force was convened by the Office of the President and Cabinet. Task force members comprised of all the Principal Secretaries of each Ministry that had a role to play in the program as well as non-Governmental participants of the program. The weekly meetings were chaired by the Secretary to the President and the Cabinet (SPC), Mr Zangazanga D. Chikhosi or the Deputy SPC, Dr Janet L. Banda. The Task Force reported to a Ministerial task force on the same. The following AIP stakeholders were expected to be represented at the Technical Task Force meetings:

1. Ministry of Agriculture
2. Ministry of Finance

3. Ministry of Local Government
4. Ministry of Transport
5. Ministry of Information
6. Ministry of Homeland security
7. Ministry of Civic Education & National Unity
8. The Fertilizer Association of Malawi (FAM)
9. Seed Traders Association of Malawi (STAM)
10. National Registration Bureau
11. SFFRFM
12. Department of E-Government
13. Reserve Bank of Malawi
14. Malawi Police Service
15. Malawi Bureau of Standards

Unfortunately, there seemed to be a significantly lower level of interest and commitment of some members in the Task force meetings, which were instrumental to the success of the program in 2020/21. The majority of the different task force members were often absent unlike in the previous year. Nonetheless, FAM still provided weekly fertilizer stock reports to the Task force detailing FAM's stocks available for AIP in country, in the ports of Beira and Nacala, and on water. FAM also created a AIP supply report that was updated weekly to show the total overall stock available in country specifically allocated to the program. This information was used to keep track of stock levels and determine if there were sufficient stocks to achieve the program target in the time available.

As only 5 FAM companies were finally able to supply limited amounts of old season stock through the AIP contract, there was a considerable amount of fertilizer (approximately 17% of the program requirement) still available from 15 FAM members that the Government could purchase for retail through the parastatals to meet the shortfall in January 2022. Although a stock verification tour of non-contracted FAM warehouses was done on 8th February 2022, it was too late in the program for any procurement to be effected and for the stocks to be acquired.

It must also be emphasized that the reluctance of the Ministry of Agriculture to engage in AIP price discussions, as publically expressed by Honourable Lobin Lowe, was incredibly discouraging to FAM companies who as a whole, import the majority of Malawi's annual fertilizer requirement. As a result, companies ceased to make additional orders for Urea which would normally arrive later in the season and instead, consignments of Urea were diverted to other countries in the region. Due to the lack of engagement by the Ministry of Agriculture, most of the discourse surrounding AIP took place in the media which has a tendency to sensationalize, politicize and misinterpret facts. This public discourse was further inflamed by the often sensational and misleading commentary by the Chair and Vice chair of the Parliamentary Committee on Agriculture and Irrigation who seemed grossly misinformed of the facts and attempted to brand the Association of 20 leading fertilizer companies a "cartel".

On the 16th of October 2021, AIP was officially launched in Chiradzulu by His Excellency the President of the Republic of Malawi Dr. Lazarus Chakwera. In his speech, the President expressed Government's interest in devising a plausible exit strategy for AIP which has since become the key topic of discussion amongst AIP stakeholders.

Following the launch of the program, the first sales of the program were recorded on 2nd November 2021. However, majority of the sales recorded were by the parastatals using stocks acquired in the previous season as suppliers were still finding difficulty in obtaining financing to procure fertilizer, or failing to procure fertilizer at a price that would enable them to sell at the AIP price of MK27,000. Most FAM companies had been able to import fertilizer, however, there was a significant shortage of Urea due to the cessation of Urea imports because the cost of Urea had risen well beyond the AIP price. During a meeting held by the Ministry of Agriculture with awarded suppliers on 4th November 2021 at The Golden Peacock Hotel Conference Room, the new SME awardees expressed that the majority of them had no stock because of difficulty accessing financing and requested the Ministry's support in securing assistance from banks in order to enable them to procure stock. Later in the season, the parastatals had to fill the supply gap by procuring directly from local importers at prices higher than the subsidy price which required the Government to finance a double subsidy. This procurement was done very late in the program to cover an alarming impending shortage and the process was fraught with logistical delays.

On a positive note, this season the performance of the electronic redemption system had greatly improved from the previous season. Improvements made were as follows:

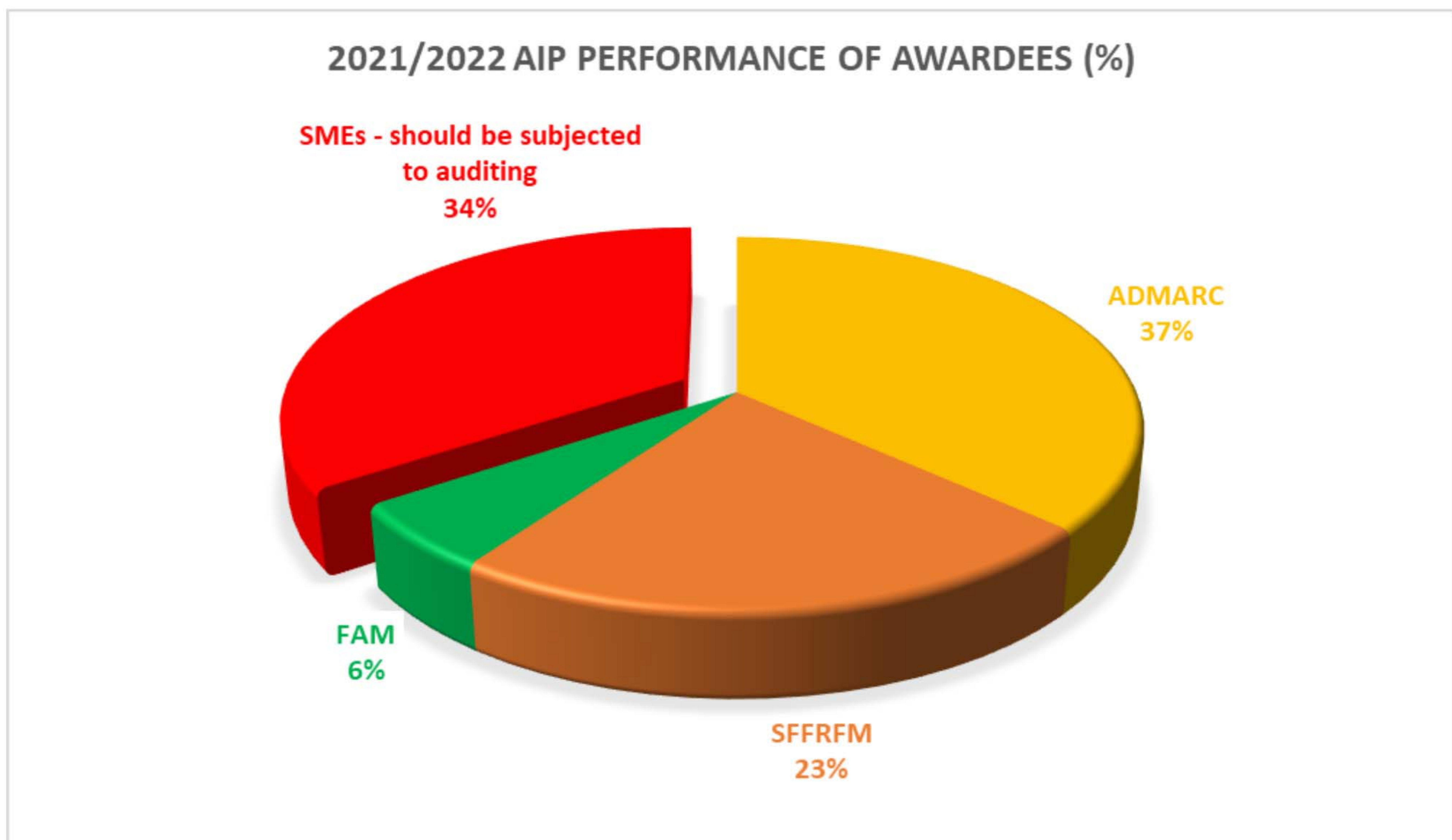
- Added GSM so that the system could operate without the internet.
- Introduced PostgreSQL Database which is used as the primary data store or data warehouse for many web, mobile, geospatial, and analytics applications. This Database accommodates large amount of data at once which helps to speed up transaction processes.
- The 2021/22 AIP system was operated on a domain that belongs to the AIP electronic system exclusively.
- The application was given a dedicated server.

On the whole, retailing this season was plagued by:

- false sales (swiping for cash instead of inputs)
- the sale of adulterated fertilizer
- the lack of fertilizer stocks

All the above can directly be attributed to the poor awarding of inexperienced suppliers many of whom had no fertilizer and no retail outlets, and the price pressure put on private companies by the AIP price that was pegged below the market price of fertilizer. The large number of suppliers on the market also made monitoring a monumental task for the

Ministry of Agriculture and the police. The prevalence of the fraudulent activities put in question the redemption figures recorded by the AIP application as it is speculated that as much as 50% of the fertilizer redeemed represented either adulterated fertilizer or false redemptions. The Ministry of Agriculture carried out an auditing exercise as per recommendation by the AIP task force from the 21st of January to the 10th of March to determine how many companies actually possessed stock and made legitimate sales. If companies failed to provide documentation proving they had legitimately purchased fertilizer, they would either have their future payments cancelled or asked to resupply according to their contracts. The AIP 2020/2021 program officially ended on 14th March 2022, after a period of 5 months. The program claimed to achieve 87% of the program target having recorded sales totalling of 322,856 MT of fertilizer, and reaching 3,228,560 beneficiaries.



Graph 1: *(See Appendix 1 Table 1: FAM AIP awards and sales summary, Table 2: Non-FAM AIP awards and sales summary).*

Looking ahead to the coming season, FAM has noted that the current messaging from Ministry of Agriculture regarding the private sector participation in AIP continues to be hostile and negative. Further excluding the private sector and displacing it with Parastatals is likely to shrink the sector causing a reduction of jobs in the industry and a reduction in tax contributions gained by Government from these companies. The fertilizer industry is likely to continue to experience price pressure in the next few seasons regardless, so it is imperative that the Ministry of Agriculture is open and transparent about how it implements the program in the future as it is a public program that uses public funds where the objective is to:

- assist farmers to purchase inputs

- build the capacity of the fertilizer industry
- create jobs
- generate taxes
- encourage economic growth

FAM aspires to once again play a pivotal role in the program in the following years to come, however, it will be crucial that the Ministry of Agriculture makes a substantial effort to improve the current program implementation design as well as build a positive working relationship with the private sector.

Recommendations

This was AIP's second year of implementation and there was an obvious disparity between the program implementation last year and this year. Given the increase in cases of fraud being reported and numerous complaints of stock outs or late delivery leaving beneficiaries unable to access the required fertilizer, it is clear the program had significant shortfalls this year. FAM has some recommendations based on the past 2 years' experience that would significantly turn the tide for the 2022/2023 season.

a. Ideal timeline

This year, once again, the AIP program had a very short time frame in which to import, distribute and retail fertilizer. A longer retailing window, ideally from September 1st to February 29th the following year, would immediately reduce:

- Congestion
- Fraud
- Swiping for cash
- Fertilizer adulteration

A longer retailing window would also give farmers a sufficient time period to access these inputs from a supplier of their choice. This longer window combined with the availability of multiple suppliers at the various redemption points will force suppliers to compete on:

- Quality of the product
- Brand reputation
- Good service
- Competitive pricing

In order to achieve this however and to allow for a less frantic preparation period for suppliers, tendering and awards should be conducted between April and May. Suppliers would have longer time frames to plan their logistics and to obtain financing tools (LC's, loans, etc) that allow a longer period for importation and remittances to be made.

This season, although the tender process began in April, awards were only published on the 8th of October 2022, leaving a period of 6 months in which suppliers were left to speculate about their participation and what quantities of fertilizer should be ordered. Therefore, an early start would increase the program efficiency at all levels as well as increase the impact of the program on farmers.

b. Pricing of fertilizer

As with fertilizer subsidy programs in the past there was and will continue to be a debate on whether the farmer contribution should be a fixed or variable top up. There are benefits to both approaches.

A fixed top up as applied in the 2020/2021 AIP program ensures all farmers are treated equally across the country, however this approach can become complicated in the context of a floating exchange rate and at times can be so affected that either the Government must increase its contribution leading to an over spending of the national budget or risk a disruption in supply. In a year of exchange rate volatility, the fixed top up approach can lead to critical supply disruptions to the AIP program as demonstrated this season.

The flexible farmer contribution introduces an element of flexibility that works well when coping with a free-floating exchange rate and also serves farmers well as it forces suppliers to compete not only on services but also on price. Under the flexible farmer top up system the Government is certain of its expenditure as it is limited in a fixed amount of Malawi Kwacha per beneficiary. Suppliers also prefer this system as it allows them to adjust prices up or down during the supply period to follow the international cost of fertilizer and the prevailing exchange rate. The system therefore reduces risk for the Government, and the suppliers and ensures farmers receive competitive pricing from suppliers.

Therefore, a flexible top up is good for two reasons; it shields both suppliers and the Government from price volatility and exchange rate risk.

It is a well-known fact that globally fertilizer prices are volatile, and this past year has proven this to be true. The current trend shows that the international prices of fertilizer are to continue to increase. If the government contribution remains fixed and the farmer top up value also remains fixed, the total cost of a 50kg bag of fertilizer could exceed the price a supplier is receiving through the two fixed contributions. This is what happened in the 2021/2022 program and it required the government to increase its contribution however this was not done. A fixed subsidy value (Government contribution) and a variable top up value (farmer's contribution) would allow the top up amount to rise in tandem with the increase in fertilizer prices or increases in rates of exchange. This approach is also the best at enabling a competitive sales environment that benefits farmers.

It would be a valuable practice for the Government to conduct comprehensive price discovery discussions early on in the program with fertilizer importers in the private sector. This process would take into consideration global fertilizer prices, the exchange rate, and the resulting detailed fertilizer cost breakdowns to determine what the price of fertilizer will be during the subsidy season. This process would be essential in the event of the Government opting for a fixed top up as a variable top up would more easily compensate for any possible changes in the fertilizer prices.

c. Fertilizer types covered under AIP

It would be incredibly beneficial to farmers for the government to broaden the crops it targets with AIP seed and fertilizer. AIP should also target tradable and exportable cash crops such coffee, tea, bananas, rice and legumes (ground nuts, soya beans, dry beans, cowpeas etc.)

Traditionally farmers in Malawi have been led to believe that fertilization of legumes and tubers is not necessary. Research has demonstrated that that these crops respond well to the right fertilizer formulations and that it is necessary to fertilize these crops if smallholder farmers are to have a chance at becoming efficient producers that can export their crop competitively into international markets. If smallholder farmers were given the encouragement and opportunity to fertilize these crops FAM believes that Malawi would be exporting a far larger quantity of legumes.

d. Bid Requirements

It was disappointing to note that bidders and potential suppliers were not strictly required to submit Bid Bond this year. A Bid Bond is an irrevocable bank issued payment instrument provided by the bidder to support the seriousness of his bid and to demonstrate the bidder's commitment to supply against an award. In the 2021/2022 AIP bidding process the suppliers were asked to submit a "Bid Security Declaration" that only needs the signature of a bidder's representative. The disadvantage of this is it allows submissions from bidders that may not have the financial capacity needed to carry out the contract as required. This results in the Ministry being inundated with numerous bids that pose a serious challenge during bid assessment and adjudication.

The lack of financial capacity on the bidder's part increases the likelihood of non-performance and contract defaulting. Bidders that renege on the contract after being awarded could cause the supply and distribution process to be disrupted or delayed, and cause the wasting of Government time and effort.

In addition to the requirement of a "Bid Security", good contracting practice requires a "Performance Bond", the performance bond can be the same instrument as the bid bond of an awardee or a new bond issued by a bank in favour of the Government as a guarantee of the awardee's performance. In the event of non-performance under the contract the Government has the right to encash the Performance Bond as compensation and as a punishment to the failed supplier. The use of "Bid Bonds" and "Performance Bonds" are critical tools to aid the Government in awarding credible and capable suppliers in the first instance as the process weeds out potential defaulters before they are awarded.

Awarding non performing suppliers and speculative suppliers undermines the AIP program and introduces a significant element of risk at many levels in the supply process. The trading of awarded contracts or even of parts of contracts should be guarded against at the awarding and implementation monitoring of AIP.

e. Contract Awarding

It is important that bidders are meticulously evaluated and the bidders financial and infrastructure capacity to carry out the contract is verifiable. Contracts should only be awarded to those companies with:

- The experience of carrying out similar contracts
- The financial capacity
- The required infrastructure
- The capability to provide accurate stock movement and sales information
- Adherence to a supplier's code of conduct

There is a Government policy to promote new entrants in the last mile of the supply chain in imports, retail and distribution which is well understood and appreciated by FAM. The process however of identifying and supporting these new entrants with capacity building and financial support/credit is lacking and needed. A coherent strategy and process is necessary if the Ministry of Agriculture would like to succeed in developing a group of new entrants that will go on to grow and become a part of the retail and distribution supply chain on a long term and sustainable basis. The new entrants may begin with smaller contracts, that can be increased as they build their performance and experience. Competent and able companies with a good track record should have no restrictions on tonnages and should be allowed to supply to their maximum capability. Ultimately, awards should only be given to companies with the proven capacity to perform.

Awardees should be allowed to operate in all in all EPAs and districts permitting companies to be able to use the whole of their distribution network and not have some of their shops sitting idle because they are in areas outside the award contract. This approach also negates the temptation of some awardees "selling" EPAs to other awardees.

The awarding process needs to include strong transparent procurement practices accompanied by a well-constructed bid document outlining clear evaluation criteria that take into account the minimum bidder qualifications. The first step in the selection of suppliers is key to ensuring the smooth.

f. I.T system

It is vital to include security features to the system to protect against attempts of corruption by the beneficiaries. This could be done through emphasizing the need for personal representation of the ID card holder. Sales personnel should be directed to only allow people who can be identified by the image on the ID card to redeem inputs. Additionally, the system could employ the use of biometric features such as a finger print scan to ensure only the ID card holders could redeem the inputs.

g. Forex Management

In the past years of the subsidy program, forex has always presented as a challenge and knowing this, the Government should make the effort to provide concrete plans to manage this challenge by making use of financial tools to manage the exchange rate and prevent losses by suppliers due to any depreciation of the Malawi Kwacha. Forex availability would be easier to plan for if the program is allocated a longer time period. There would be less pressure on commercial banks and the RBM to provide forex during a period which is traditionally the lean period in terms of forex availability.

Easier access to financial tools such as Letters of Credit and Forward Exchange Rate Contracts that help fertilizer suppliers obtain funding and US\$ availability to support their contracts would enable many more suppliers to perform well, especially suppliers that are relatively new to the industry and lack the support that bigger suppliers have secured over time. These financial tools also introduce predictability, efficiency and place less pressure on the exchange rate at critical times of the year. They therefore also assist in improving supplier performance lowering the overall Malawi Kwacha cost of the AIP for the farmer and farmer and Government significantly.

h. Monitoring capacity and Farmer Sensitization

Field monitoring of the AIP supplier operations need to be more systematic and consistent so that where they exist, corrupt practices can be verified at a more technical level by official parties as opposed acting on rumours and conjecture generated by outside parties with a mixture of objectives. This approach will reduce misunderstandings by suppliers and beneficiaries and enable the Ministry of Agriculture to resolve problems on the ground efficiently.

Sensitization is key for ensuring beneficiaries understand how the program operates in this regard. They need to be sensitized on unacceptable conduct such as:

- Buying fertilizer with another person's ID card
- Double redemption
- Asking for a sales receipt
- Reporting any malpractice on the toll-free hotline provided

Farmers also need to be sensitized about how they can check and discover if they are or are not a beneficiary, what their redeemable stocks are at any point in time and the various avenues of assistance available to them when they encounter corruption.

It is essential that farmers are issued an official receipt once they redeemed one or more of the items that they have been given access to under AIP. It is also essential that retailers keep good records that can be audited at any time.

All suppliers should be encouraged to adhere to a code of conduct as all FAM companies do. The ministry could use this code of conduct to evaluate suppliers bidding for AIP contracts, this would ensure that only quality suppliers are contracted.

i. Smart Subsidy

Calls for the program to be reformed have been expressed often over the years and FAM is of the opinion that there is need to take a critical look at the variables in the program that define the program design and scope, and subsequently transform it to a “smart subsidy” program. Balancing the number of beneficiaries against the quantity and type of inputs supplied and the Government contribution determines the cost of the program and the potential return on investment in:

- Food security: the program has to determine how much it needs to support food security outside the commercial maize market so as to not oversupply the country with maize and subsequently miss the opportunity to support cash crops.
- The National GDP, exports and the economy: Cash crops that can be added to the subsidy program include soya, groundnuts, beans, sweet potato, cassava and pigeon peas. The exportation of these crops is less restricted in comparison to maize which is often restricted because it is a staple crop. Exports of these cash crops would contribute to our forex earnings. Aside from encouraging the production of cash crops, at the same time there needs to be recognition of the key crops that smallholder farmers grow and how they differ from district to district.

Through some careful targeting, the program can be designed to support both. Targeting is a critical function carried out by the Ministry of Agriculture. When the fertilizer beneficiaries are not correctly targeted, vendors step in buy fertilizer from poorly targeted beneficiaries and proceed to sell and resell the inputs on the local market, or export it to surrounding fertilizer markets in Mozambique, Zambia and Zimbabwe. It is important to determine the goal of the program at this stage as this guides who is targeted. Beneficiaries could be divided into 4 categories: FAM believes that it would be beneficial to use the National I.D. database to further segment beneficiaries into:

1. **Vulnerable:** Those that cannot cultivate or produce crops even when given subsidy assistance in order to purchase fertilizer. These beneficiaries would be more suited to support in the form of a cash pay-out or a food package.
2. **Subsistence:** These households have the capacity to cultivate and produce and require assistance to eventually achieve self-subsistence. These households would benefit from 100% subsidy support.
3. **Semi-subsistence:** Semi-subsistence households play a considerable role in production and consumption in developing countries with a great part of consumption by these households is contributed by home production for home consumption. For example, they can be given 50% subsidy support, therefore, their top up for inputs would be higher than the categories above.
4. **Commercial:** These are households that require small intervention or none as they already have the ability to produce enough to be self-subsistent. In this case, partial

subsidy support would enable them to become net sellers. For example, they could get 25% subsidy support on inputs for cash crops.

FAM intends to produce a paper shortly detailing the different options available for the redesign of the subsidy program to a smart subsidy. This would prove useful to the Government as it continues to deliberate the value and return on investment the program provides to the country.

Conclusion

The scale of this program to support Malawi smallholder farmers is unprecedented especially under the strained economic circumstance of the past year. This is the second time in the history of the subsidy program that the Government of Malawi has provided such a huge amount of fertilizer and seed to smallholder farming households. Over the years that the subsidy program has been in existence, the calls for reform have gotten more persistent and more so this year as the fertilizer price increases forced the Government to make tough decisions regarding the implementation design of the program. Going forward, it is imperative that whatever changes are made the program does not lose its transparency and the collaborative spirit between the public and private sector that has been the driving force behind the program's success in the past.

Appendix

Appendix 1

Table 1: FAM AIP awards and sales summary

AIP OVERALL NATIONAL SALES SUMMARY

AIP program target (MT)	371,411	Total Fertilizer supplied by FAM members (MT)	17,476	Percentage of AIP supplied by FAM	6%
Total national sales (MT)	322,856	Total Fertilizer supplied by Non-FAM members (MT)	109,778	Percentage of AIP supplied by Non-FAM	34%
Percentage of AIP program target achieved	87%	Total Fertilizer supplied by Parastatals (MT)	195,602	Percentage of AIP supplied by Parastatals	60%

2021-22 AIP FAM FERTILIZER SUPPLIERS SALES SUMMARY

No.	NAME OF SUPPLIER	ALLOCATION (MT)			TOTAL REDEMPTION (MT)			PERCENTAGE REDEMPTION		
		NPK	UREA	TOTAL	NPK	UREA	TOTAL	NPK	UREA	TOTAL
1	Afriventure BT Ltd	7,500	7,500	15,000	3,359	1,547	4,906	45%	21%	33%
2	Chipiku Stores	1,500	1,500	3,000	3,150	1,500	4,650	210%	100%	155%
3	Worldwide Wholesalers Ltd	3,750	3,750	7,500	1,550	2,074	3,625	41%	55%	48%
4	Paramount Holdings	3,500	3,500	7,000	2,107	46	2,153	60%	1%	31%
5	Paramount Commodities Ltd	5,000	5,000	10,000	1,832	310	2,142	37%	6%	21%
6	Agora Ltd	750	750	1,500	-	-	-	-	-	-
7	Agricultural Trading Co.	500	500	1,000	-	-	-	-	-	-
8	ETG Inputs	5,000	5,000	10,000	-	-	-	-	-	-
9	Farmers World	2,000	2,000	4,000	-	-	-	-	-	-
10	Kulima Gold	3,750	3,750	7,500	-	-	-	-	-	-
11	Rab Processors Ltd	3,750	3,750	7,500	-	-	-	-	-	-
TOTAL		37,000	37,000	74,000	11,998	5,478	17,476	32%	15%	24%

FAM SALES SUMMARY

Total National Sales	322,856	Total Fertilizer supplied by FAM	17,476	Percentage of national sales supplied by FAM	6%
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Table 2: Non-FAM AIP awards and sales summary

No.	NAME OF SUPPLIER	ALLOCATION (MT)			TOTAL REDEMPTION (MT)			PERCENTAGE REDEMPTION		
		NPK	UREA	TOTAL	NPK	UREA	TOTAL	NPK	UREA	TOTAL
1	ADMARC	50,000	50,000	100,000	68,287	52,259	120,546	137%	105%	121%
2	SFFRFM	13,500	13,500	27,000	39,861	35,195	75,056	295%	261%	278%
TOTAL		63,500	63,500	127,000	108,148	87,454	195,602	170%	138%	154%

PARASTATALS SALES SUMMARY

Total National Sales	322,856	Total Fertilizer supplied by Parastatals	195,602	Percentage of national sales supplied by Parastatals	61%
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No.	NAME OF SUPPLIER	ALLOCATION (MT)			TOTAL REDEMPTION (MT)			PERCENTAGE REDEMPTION		
		NPK	UREA	TOTAL	NPK	UREA	TOTAL	NPK	UREA	TOTAL
3	Zathu Trading	7,500	7,500	15,000	11,329	12,019	23,348	151%	160%	156%
4	Eneka Trading	4,000	4,000	8,000	4,863	8,000	12,863	122%	200%	161%
5	Chipala Investments	3,500	3,500	7,000	3,155	4,251	7,406	90%	121%	106%
6	Saeed Investments	1,250	1,250	2,500	1,954	4,000	5,954	156%	320%	238%
7	Mwaladzi Logistics	750	750	1,500	1,560	3,500	5,060	208%	467%	337%
8	S&E Agro Import & Export Commodities	750	750	1,500	1,500	3,287	4,787	200%	438%	319%
9	Shaneel & Shanayah Agro Seed Trading	750	750	1,500	1,352	2,715	4,067	180%	362%	271%
10	Yosa Computer Systems	2,750	2,750	5,500	1,160	2,292	3,453	42%	83%	63%
11	EIG Trading	500	500	1,000	2,069	1,078	3,147	414%	216%	315%
12	Pindulani Seed Investments	500	500	1,000	1,152	1,670	2,822	230%	334%	282%
13	FAWWY Agro Dealers	250	250	500	1,100	1,577	2,677	440%	631%	535%
14	SBOF Africa Ltd	1,000	1,000	2,000	1,074	1,325	2,398	107%	132%	120%
15	Benitos Investments	250	250	500	451	1,879	2,329	180%	752%	466%
16	Keets Gen. Dealers	250	250	500	865	1,301	2,167	346%	521%	433%
17	Creck Hardware & General Dealers	2,750	2,750	5,500	1,477	636	2,113	54%	23%	38%
18	Zani Enterprises	250	250	500	840	885	1,725	336%	354%	345%

No.	NAME OF SUPPLIER	ALLOCATION (MT)			TOTAL REDEMPTION (MT)			PERCENTAGE REDEMPTION		
		NPK	UREA	TOTAL	NPK	UREA	TOTAL	NPK	UREA	TOTAL
19	Pejo Farm Produce	2,750	2,750	5,500	836	780	1,616	30%	28%	29%
20	Itsanana Consortium	750	750	1,500	498	1,037	1,535	66%	138%	102%
21	Midima Holdings	1,000	1,000	2,000	502	657	1,158	50%	66%	58%
22	Elvis Supplies & General Dealers Ltd	1,000	1,000	2,000	480	546	1,027	48%	55%	51%
23	Fabzy Investments	250	250	500	548	467	1,015	219%	187%	203%
24	FAME Distributors	250	250	500	548	467	1,015	219%	187%	203%
25	Agriculture Direct	250	250	500	380	588	967	152%	235%	193%
26	MCH Investments Ltd	500	500	1,000	500	459	959	100%	92%	96%
27	Debs Agro Dealers	500	500	1,000	423	523	946	85%	105%	95%
28	Orbit Investment	1,000	1,000	2,000	450	489	939	45%	49%	47%
29	Mass International	250	250	500	196	411	607	79%	164%	121%
30	Minolta Digital Centre	250	250	500	282	313	595	113%	125%	119%
31	Lato Wholesale & General Suppliers	250	250	500	182	364	546	73%	146%	109%
32	Agri Inputs & Commodity Suppliers	1,250	1,250	2,500	258	265	523	21%	21%	21%
33	Multi-General Dealers	250	250	500	253	257	510	101%	103%	102%
34	Allied Engineering	1,000	1,000	2,000	144	361	505	14%	36%	25%
35	Fort Rapid Works	250	250	500	170	332	502	68%	133%	100%
36	Platnum Hardware & Electricals	250	250	500	236	265	501	94%	106%	100%
37	Sawati Stationers	250	250	500	250	250	500	100%	100%	100%
38	Uni General Dealers	250	250	500	250	250	500	100%	100%	100%
39	Bearings World	250	250	500	197	303	500	79%	121%	100%
40	Private Stock Affiliates Co. Ltd	250	250	500	227	250	477	91%	100%	95%
41	Nantchengwa Investments	250	250	500	177	250	427	71%	100%	85%
42	Hudson Holdings General Suppliers	250	250	500	149	250	399	60%	100%	80%
43	Savannah Rush Investments	250	250	500	168	214	382	67%	85%	76%
44	Malipa Interprises	250	250	500	99	269	368	40%	108%	74%
45	Tikhalenawo General Dealers	250	250	500	182	177	359	73%	71%	72%
46	Thengani Enterprise	250	250	500	245	8	254	98%	3%	51%
47	Kachere Investments Fund	250	250	500	250	-	250	100%	0%	50%
48	E Soko Stationery & Gen. Dealers	250	250	500	133	113	245	53%	45%	49%
49	MC Chris & Gen. Dealers	250	250	500	113	126	238	45%	50%	48%
50	AM Alexander Coomercials	250	250	500	146	90	236	58%	36%	47%
51	Paragon M25 and Weddingtons Group	250	250	500	86	134	220	34%	54%	44%
52	G&S Investments	250	250	500	97	115	212	39%	46%	42%
53	Globalnet Projects & Technical Services	250	250	500	60	148	208	24%	59%	42%
54	Cleolive International	250	250	500	90	84	174	36%	34%	35%
55	CB Holdings Co. Ltd	1,000	1,000	2,000	73	94	168	7%	9%	8%
56	M1 Distributors	250	250	500	68	88	156	27%	35%	31%
57	Pakesa Gen. Suppliers	250	250	500	71	69	139	28%	28%	28%
58	Pitros International	1,000	1,000	2,000	52	87	139	5%	9%	7%
59	Satigo General Dealers	250	250	500	60	60	120	24%	24%	24%
60	Tamie Investments	250	250	500	45	67	111	18%	27%	22%
61	Cealam Investments	3,750	3,750	7,500	39	62	101	1%	2%	1%
62	Hardware & General World	250	250	500	25	72	96	10%	29%	19%
63	Baks Trading	1,500	1,500	3,000	50	40	90	3%	3%	3%
64	Masina Investments	500	500	1,000	42	41	82	8%	8%	8%
65	Sheba Enterprise	250	250	500	79	0	79	32%	0%	16%
66	Lee Hort	750	750	1,500	60	15	75	8%	2%	5%
67	Lamsy General Dealers	250	250	500	21	53	74	8%	21%	15%
68	Countrywide Trading	250	250	500	30	36	66	12%	14%	13%
69	Fumbati General Dealers	250	250	500	48	11	58	19%	4%	12%
70	Lonjami Investments	250	250	500	15	40	55	6%	16%	11%
71	Hosmate	250	250	500	16	37	52	6%	15%	10%
72	Panganani Trading	1,500	1,500	3,000	24	25	50	2%	2%	2%
73	Agro Input Suppliers Ltd	250	250	500	22	25	48	9%	10%	10%
74	Chatangwa Enterprise	250	250	500	19	26	45	8%	10%	9%
75	LNS Trading	250	250	500	34	10	44	14%	4%	9%
76	Gitech International	250	250	500	25	18	44	10%	7%	9%
77	Premier Trading & General Suppliers	250	250	500	21	22	42	8%	9%	8%
78	HA2 General Dealers	250	250	500	30	0	30	12%	0%	6%
79	Artish Investments	500	500	1,000	19	-	19	4%	0%	2%
80	Kurgan Investments	750	750	1,500	15	0	15	2%	0%	1%
81	Thirdstone Trading	250	250	500	7	5	12	3%	2%	2%
82	SSM Gen. Enterprises	250	250	500	3	7	10	1%	3%	2%
83	Tamara Investments	250	250	500	3	7	10	1%	3%	2%
84	Mighty Women Investments	250	250	500	1	4	5	0%	2%	1%
85	Chemical Plus	250	250	500	1	3	4	0%	1%	1%
86	Rose Harris Investments	250	250	500	1	1	3	1%	1%	1%
87	O Seas	250	250	500	2	1	2	1%	0%	0%
88	EFG Global Ltd	250	250	500	1	2	2	0%	1%	0%
89	Shire Valley Commodities Ltd	250	250	500	0	2	2	0%	1%	0%
90	3D'S Trading	250	250	500	-	-	-	-	-	-
91	AH Investments	500	500	1,000	-	-	-	-	-	-
92	Anna Investments	250	250	500	-	-	-	-	-	-
93	AWW Ltd & Serenity Acres Farm	250	250	500	-	-	-	-	-	-
94	Bakwena Investments	250	250	500	-	-	-	-	-	-
95	Berna Investments	250	250	500	-	-	-	-	-	-
96	Bosa Logistics Ltd	250	250	500	-	-	-	-	-	-
97	Byke Investments	500	500	1,000	-	-	-	-	-	-
98	C Thomas Logistics	250	250	500	-	-	-	-	-	-
99	Chamachete General Dealers	250	250	500	-	-	-	-	-	-
100	Chikuli Trading	250	250	500	-	-	-	-	-	-

No.	NAME OF SUPPLIER	ALLOCATION (MT)			TOTAL REDEMPTION (MT)			PERCENTAGE REDEMPTION		
		NPK	UREA	TOTAL	NPK	UREA	TOTAL	NPK	UREA	TOTAL
101	Chipembere Holdings Ltd	250	250	500	-	-	-	-	-	-
102	Cindy Promotional Supplies	250	250	500	-	-	-	-	-	-
103	Clevic Gen. Suppliers	250	250	500	-	-	-	-	-	-
104	DA Investments	500	500	1,000	-	-	-	-	-	-
105	Demam Investments	250	250	500	-	-	-	-	-	-
106	Desire General Dealers	500	500	1,000	-	-	-	-	-	-
107	Dynamic Florist	250	250	500	-	-	-	-	-	-
108	Elite Engineering Supplies Ltd	250	250	500	-	-	-	-	-	-
109	Emirald Hardware & General Dealers	250	250	500	-	-	-	-	-	-
110	Etihad Investment	250	250	500	-	-	-	-	-	-
111	Exceeding Grace Investments	2,000	2,000	4,000	-	-	-	-	-	-
112	Felicidade Enterprise	1,000	1,000	2,000	-	-	-	-	-	-
113	Fox Engineering	1,500	1,500	3,000	-	-	-	-	-	-
114	General Products Solutions	250	250	500	-	-	-	-	-	-
115	GR&C Investments	250	250	500	-	-	-	-	-	-
116	Group in X-llence	250	250	500	-	-	-	-	-	-
117	GY Imports & Exports	250	250	500	-	-	-	-	-	-
118	Highrise Investments Ltd	250	250	500	-	-	-	-	-	-
119	I Investments	250	250	500	-	-	-	-	-	-
120	Innovation Business Solutions	250	250	500	-	-	-	-	-	-
121	Invest Pack Solutions	250	250	500	-	-	-	-	-	-
122	J&F Investments	250	250	500	-	-	-	-	-	-
123	JK Investments	250	250	500	-	-	-	-	-	-
124	Judah Investments	250	250	500	-	-	-	-	-	-
125	Kasamba Investments	250	250	500	-	-	-	-	-	-
126	Kelvam Enterprises	250	250	500	-	-	-	-	-	-
127	KK Unique Suppliers	250	250	500	-	-	-	-	-	-
128	Kumakoka Trading Co	250	250	500	-	-	-	-	-	-
129	Le Tre Sor Investments	250	250	500	-	-	-	-	-	-
130	Mabreen Investments	250	250	500	-	-	-	-	-	-
131	Mackson Evans & Associates	250	250	500	-	-	-	-	-	-
132	Market Link & Support	250	250	500	-	-	-	-	-	-
133	Milanzi Holdings	250	250	500	-	-	-	-	-	-
134	Mizu Innovation	250	250	500	-	-	-	-	-	-
135	Mubanga Investments	250	250	500	-	-	-	-	-	-
136	MV Continental Ltd	500	500	1,000	-	-	-	-	-	-
137	Nellie Technologies	250	250	500	-	-	-	-	-	-
138	O-Light Investments	250	250	500	-	-	-	-	-	-
139	Reforms Interprise Agro Dealer	250	250	500	-	-	-	-	-	-
140	Richie Investments	250	250	500	-	-	-	-	-	-
141	RIS Associates & General Trading	250	250	500	-	-	-	-	-	-
142	S11 Industries	250	250	500	-	-	-	-	-	-
143	Sagar Distributors	250	250	500	-	-	-	-	-	-
144	Samsai Multimedia & Linde Motel	500	500	1,000	-	-	-	-	-	-
145	SGR Holdings Co Ltd	250	250	500	-	-	-	-	-	-
146	Sinam Enterprise Ltd	250	250	500	-	-	-	-	-	-
147	Southern Commodity Processors	250	250	500	-	-	-	-	-	-
148	TI & TI Investments	250	250	500	-	-	-	-	-	-
149	Tiachi Gen. Suppliers	250	250	500	-	-	-	-	-	-
150	Tiwale Investments & Gen. Trading	250	250	500	-	-	-	-	-	-
151	Tsogolani Investments	250	250	500	-	-	-	-	-	-
152	Waymore Designer & General Supplies	250	250	500	-	-	-	-	-	-
153	West One	250	250	500	-	-	-	-	-	-
154	Whitechurch General Dealers	250	250	500	-	-	-	-	-	-
155	Willz General Dealers	250	250	500	-	-	-	-	-	-

No.	NAME OF SUPPLIER	ALLOCATION (MT)			TOTAL REDEMPTION (MT)			PERCENTAGE REDEMPTION		
		NPK	UREA	TOTAL	NPK	UREA	TOTAL	NPK	UREA	TOTAL
	Totals	83,000	83,000	166,000	46,727	63,052	109,778	56%	76%	66%

NOM-FAM SALES SUMMARY

Total National Sales	322,856	Total Fertilizer supplied by Non-FAM	109,778	Percentage of national sales supplied by Non-FAM	34%
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Note: Allocations not updated after the addendum

The Fertilizer Association of Malawi

Feeding the soil, feeding Malawi

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