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Minimum Expenditure Basket in Malawi

A Look at Food Prices and Availability in Times of COVID-19

Round 35: 9–13 August 2021



Key Highlights

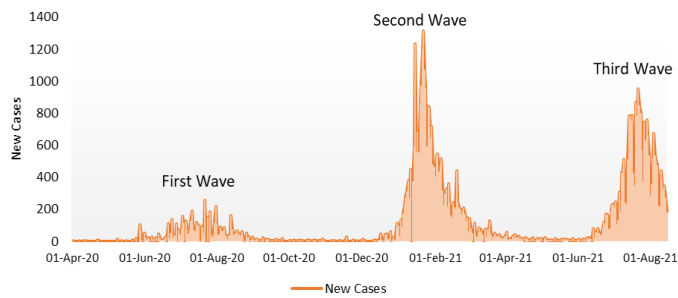
- The Survival Minimum Expenditure Basket (SMEB) has risen across all regions, increasing by 3.2 percent in urban areas, 2.9 percent in the rural Northern Region, 2.9 percent in the rural Central Region, and 2.8 percent in the rural Southern Region. The rise in the SMEB mainly emanates from the rising prices of food commodities including maize, cooking oil, and vegetables.
- The national average price of maize grain increased by 7.7 percent from a monthly average of MK 130 per kg in July 2021 to MK 140 per kg in August 2021. After the harvest, maize stocks gradually deplete due to continued consumption and exportation, resulting in a gradual increase in price. Overall, maize grain prices ranged from MK 95 per to MK 180 per kg in markets across the country.
- The price of beans rose to a national average price of MK 1,001 per kg from MK 987 in the previous month, signifying a 1.4 percent increase.
- Cowpeas and pigeon peas are currently selling at MK 593 per kg and MK 468 per kg, respectively. This represents a 4.2 percent rise in the price of cowpeas and a 0.4 percent increase in price of pigeon peas.



Background

A third wave of the COVID-19 pandemic hit the country in early June, with cases continuing to rise until peaking on July 22nd (*Figure 1*). During this third wave, the highest confirmed number of daily cases were recorded on July 22nd, at 952 cases. By the 13th of August 2021, the daily load of positive cases decreased to 347. However, the number of active COVID-19 cases remains high, with 12,757 active cases as of the 13th of August against 8,983 active cases on July 22nd.

Figure 1: COVID-19 Prevalence in Malawi Since April 2020



Despite the continuous drop in daily positive cases, the additional new COVID-19 preventive measures put in place by the Government on the 9th of July 2021 are still being enforced. Among the measures announced included decongesting offices and workplaces by 50 percent; limiting the number of people by half the total capacity in the hospitality and recreation business; closing indoor nightclubs; restricting bars and restaurants to the capacity of 50 percent patronage; and imposing restrictions on sports, education, markets, and community gatherings.

The decreasing number of positive cases will likely lead to a further restart of economic activities that have been disrupted by the pandemic. In the meantime, however, the pandemic continues to impact all sectors of the economy, disrupting people's livelihoods and economic activities across the country. Restrictions on the movement of goods and people have disrupted the normal production and supply chain of vital goods and services in turn affecting their availability and prices.

Deriving the Minimum Expenditure Basket



The minimum expenditure basket (MEB) looks at the needs that are covered—partially or fully—through the market. It sets a monetary threshold, which is defined as what households require in order to meet their essential needs. The Survival Minimum Expenditure Basket (SMEB) is the minimum amount a household needs to maintain existence and cover lifesaving needs. While the MEB is defined as what a household requires to meet their essential needs, on a regular or seasonal basis, and its average cost, the SMEB is

the absolute minimum amount required to maintain existence and cover lifesaving needs, which could involve the deprivation of certain human rights. However, the concepts of an SMEB and MEB are sometimes used interchangeably.

A SMEB is the absolute minimum amount required to maintain existence and cover lifesaving needs, which could involve the deprivation of certain rights.

There are several ways in which to construct an SMEB. The World Food Programme (WFP) has constructed its SMEB in line with a rights-based approach based on previously assessed needs by collecting households' expenditure data. Data for the construction of both the rural and urban area MEBs was collected using a WFP in-house call centre, reaching over 100 traders in some 70 rural and urban local markets. Contacted traders provided the market prices of available food and non-food items during the period between the 9th and 13th of August 2021 (Round 35). The detailed methodology on the construction of the SMEB as well as the key assumptions employed are depicted in *Annex B*. Once constructed, the MEB itself serves as a key input in the essential needs' assessment set of indicators, as it is used to assess which households have the economic capacity to cover their needs through the market.



What does the Round 35 SMEB show?

As shown in *Table 1*, during the current round, the Survival Minimum Expenditure Basket (SMEB) has risen across all regions. The largest change in households' expenditure was observed in urban areas, where the SMEB rose by 3.2 percent since the 30th of July 2021 (Round 34). In monetary terms, total expenditure in this region rose from MK 62,448 to MK 64,442, meaning that an additional income of MK 1,994 was needed for a typical household to meet its survival requirements. Households in the rural Northern and rural Central Regions also saw their levels of expenditures rising by 2.9 percent (or by MK 961 from MK 34,373 to MK 35,334) and 2.8 percent (or by MK 1,068 from MK 36,396 to MK 37,464), respectively. In the rural Southern Region, a household had to spend 1.5 percent (or MK 644) more as compared to two weeks prior to meet its minimum monthly survival needs. This translates into increased expenditure from MK 42,490 in the last round to MK 43,134 in the current round.

Movements in Food and Non-food Expenditure

It is evident from *Table 1* that increases in the SMEBs emanated mainly from households' disproportionate increased expenditure on food despite significant reductions in non-food expenditure.

Expenditure on food also increased for all regions, rising disproportionately among rural-based households compared to urban dwellers. While food expenditure rose by 1.4 percent in urban areas, rural areas experienced a 4.0 percent increase. This overall rise in food expenditure is a proxy indication of the general uptick in food prices as the 2021/2022 lean season approaches. On the contrary however, expenditure on non-food items significantly fell in rural areas and increased in urban areas.

Table 1: Percentage change in SMEB, Round 34 and Round 35

Area of Coverage	Total SMEB		Food Expenditure		Non-Food Expenditure	
	In MK	% Change	In MK	% Change	In MK	% Change
Urban	64,422	↑+3.2	34,651	↑+1.4	29,771	↑+5.3
Rural North	35,334	↑+2.8	31,173	↑+5.8	4,161	↓-15.5
Rural Centre	37,464	↑+2.9	32,935	↑+4.8	4,528	↓-8.8
Rural South	43,134	↑+1.5	36,592	↑+4.3	6,542	↓-11.5

In urban areas, the rise in the prices of cassava (by 9.8 percent) and fish (by 7.1 percent) greatly contributed to the increase in households' overall expenditure on food. For both the rural North and Centre, noticeable increases in the prices of maize, cassava, vegetables, and cooking oil resulted in an increase in households' food expenditure in these regions. A similar trend was observed in the rural South, where both maize and cassava prices rose by 5.8 percent and vegetables by 10.2 percent. In the current round, maize grain prices have increased across all regions of the country. After the harvest, maize stocks gradually deplete due to continued consumption and exportation. In the process, maize prices tend to gradually rise. In addition, this year the Agricultural Development and Marketing Corporation (ADMARC) continues purchasing maize grain in nearly all its markets at a relatively higher price of MK 150 per kg. This further pushed maize grain prices up. As maize grain prices increase, the prices of substitute goods such as cassava are also expected to rise.

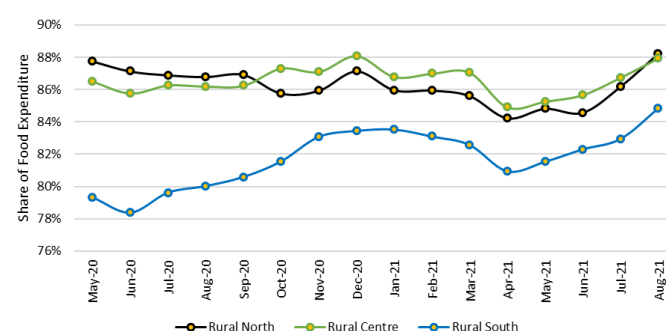
Non-food expenditure dwindled by 15.5 percent (Northern Region), 8.8 percent (Central Region), and 11.5 percent (Southern Region) in rural areas. In urban areas, non-food expenditure rose by 5.3 percent. The price of firewood decreased in rural regions, resulting in decreased expenditure on non-food items. However, the price of charcoal rose in urban areas which increased non-food expenditure there. As the hot and dry season begins, demand for charcoal and firewood as the source of energy falls and thus supply increases. As such, prices for these heating sources are expected to remain relatively low during the coming dry months.

Share of Food to Total Expenditure

Households' expenditure on food is typically high during the lean season as illustrated in *Figure 2*. During the 2020/2021 lean season, the share of food expenditure to total expenditure was generally high between October and March, mainly due to low supplies of food commodities. In turn, prices rise, thus limiting households' access to food as their purchasing power decreases. The trend in *Figure 2* shows that the share of food expenditure increased by 1 percentage point from 87 percent in July 2021 to 88 percent in August 2021 and increased by 2 percentage points for both the rural Centre and rural South during this same period.

Figure 2 also indicates that households in the rural Southern Region spend relatively less of their incomes on food as compared to their counterparts in the Centre and South. This is shown by the relatively low percentage shares of food to total expenditure since May of 2020.

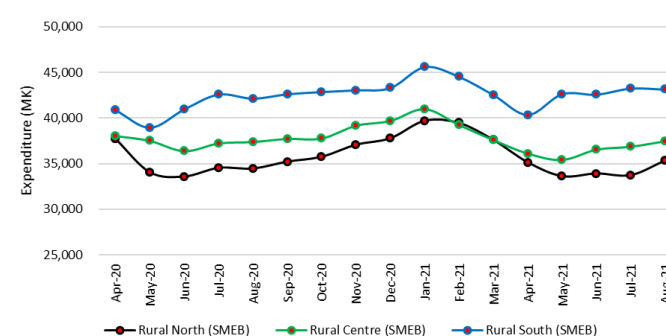
Figure 2. Rural areas trends on share of food to total SMEB



Trends in SMEBs by region

The trends in total expenditure follow similar patterns to those of share of food to total expenditure, increasing during the lean season and falling thereafter. During the lean season, households' total expenditure generally increases, mainly due to increases in the prices of food commodities. Households in the rural Southern Region, however, require relatively higher incomes to meet their minimum survival needs as compared to households in the rural Central and Northern Regions (*Figure 3*). Food prices remain relatively higher in the rural Southern Region mainly due to generally poor agricultural production compared to production in the North and Centre.

Figure 3. Trends in the rural areas SMEBs since May 2020



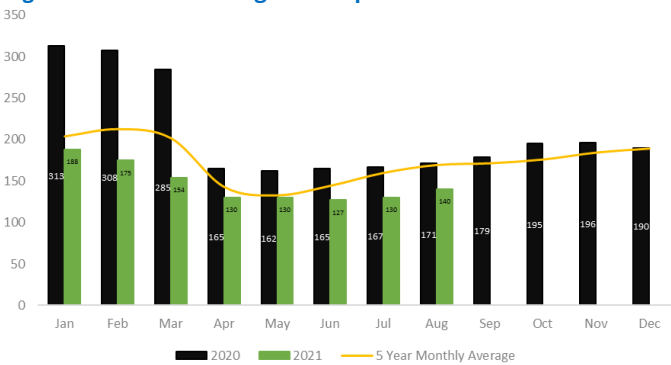


Maize Grain Retail Prices

In the past month, the national average price of maize grain increased by 7.7 percent from a monthly average of MK 130 per kg in July 2021 to MK 140 per kg in August 2021. When compared to the five-year monthly average price for August—which is at MK 169 per kg—the current price of maize grain is significantly lower by more than 20 percent (Figure 4). The suppressed prices of maize grain this year are attributed to good maize production compared to the last five years. That said, the prices of maize are expected to gradually rise in the coming months as stocks get consumed and exported.

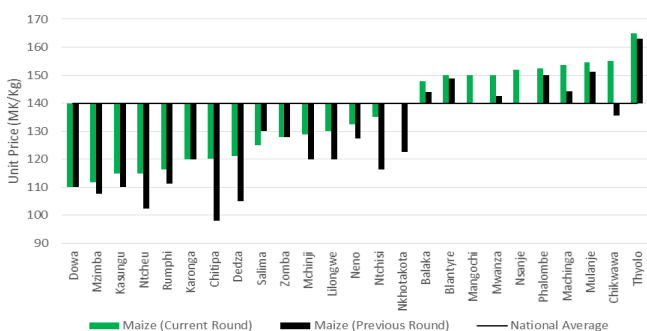
The prices of maize grain continue to exhibit spatial price

Figure 4: Nominal average maize price trends



differentials, increasing from North to South. During the second week of August, the average maize price in the Northern Region was MK 117 per kg, lower than MK 124 per kg price registered in the Central Region and even lower than the MK 149 per kg price recorded in the Southern Region. Figure 5 presents the average price of maize grain in districts across the country with reference to the national average price of MK 140 per kg for Round 35.

Figure 5: Average maize grain prices by district



As per Figure 5, the price of maize increased in nearly all districts this round (except in Salima where it fell and in Dowa and Karonga where it remained unchanged). Significant rises in maize prices were observed in Chitipa, Dedza, Ntchisi, Nkhota-Kota, Nsanje, and Chikwawa Districts. However, grain prices continue to remain the highest overall in the Southern Region, where all districts recorded prices above the national average price. In Round 35, the lowest recorded average district price was MK 110 per kg in Dowa District, with the highest price observed in

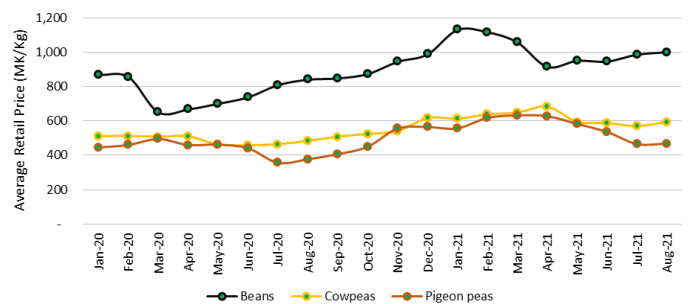
Thyolo District at MK 165 per kg. Overall, maize grain prices ranged from MK 95 per kg at Kameme market in Chitipa District to MK 180 per kg in the Thyolo Boma.



Prices of Pulses

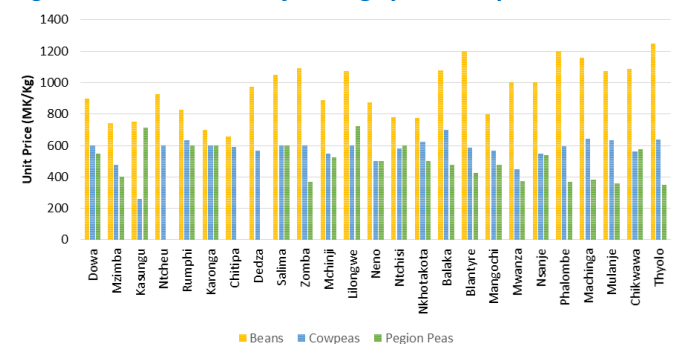
In the month of July 2020, the prices of pulses (beans, cowpeas, and pigeon peas) increased relative to August 2021 prices (see Figure 6). The price of beans rose to a national average price of MK 1,001 per kg from MK 987 in the previous month, signifying a 1.4 percent increase. Cowpeas and pigeon peas are currently selling at MK 593 per kg and MK 468 per kg from MK 569 per kg and MK 466 per kg in July, respectively. This represents a 4.2 percent rise in the price of cowpeas and a 0.4 percent increase in the price of pigeon peas.

Figure 6: Nominal monthly average prices for pulses



In terms of spatial price distribution, beans were selling for the lowest prices in Chitipa District, retailing at MK 658 per kg and were most expensive in Thyolo District, trading at MK 1,250 per kg. These districts continue to register the lowest and highest bean prices for the past four consecutive rounds. Due to its remote location, moving grain out of Chitipa to deficit areas is relatively expensive, resulting in the saturation of grain in the district. Conversely, maize production is among the lowest in Thyolo District, because most of the arable land is utilised by tea estates. The price of cowpeas is currently the lowest in Kasungu District (at MK 260 per kg) and the highest in Balaka District (at MK 700 per kg). In addition, Thyolo District registered the lowest price for pigeon peas, selling at MK 350 per kg, while in Lilongwe District, pigeon peas were selling at MK 725, the highest price recorded in Round 35. Overall, Southern Region districts produce more pigeon peas than districts in the Central and Northern Regions.

Figure 7: Nominal monthly average prices for pulses



Annexes

Annex B: Regional Trends for Survival Minimum Expenditure Basket

Figure 8A. Trends for Survival MEB for the Urban Areas

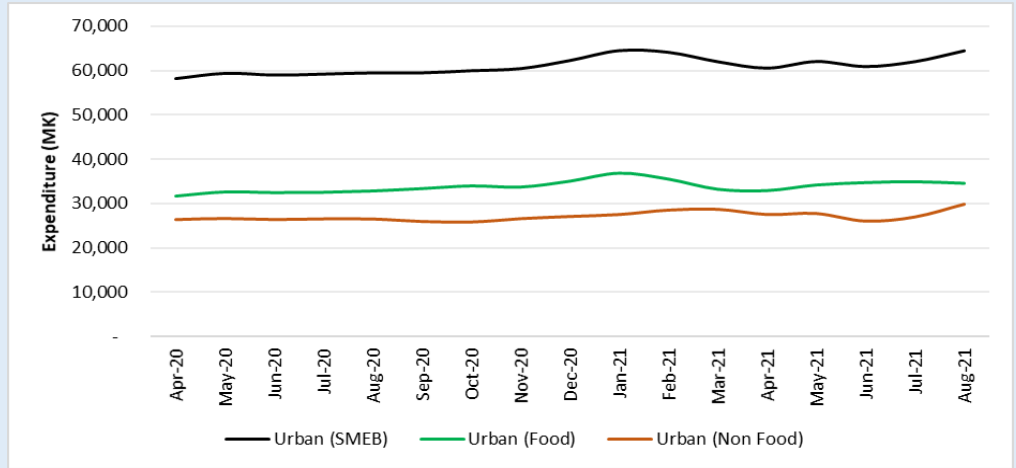


Figure 8B. Trends for Survival MEB for the rural Northern Region

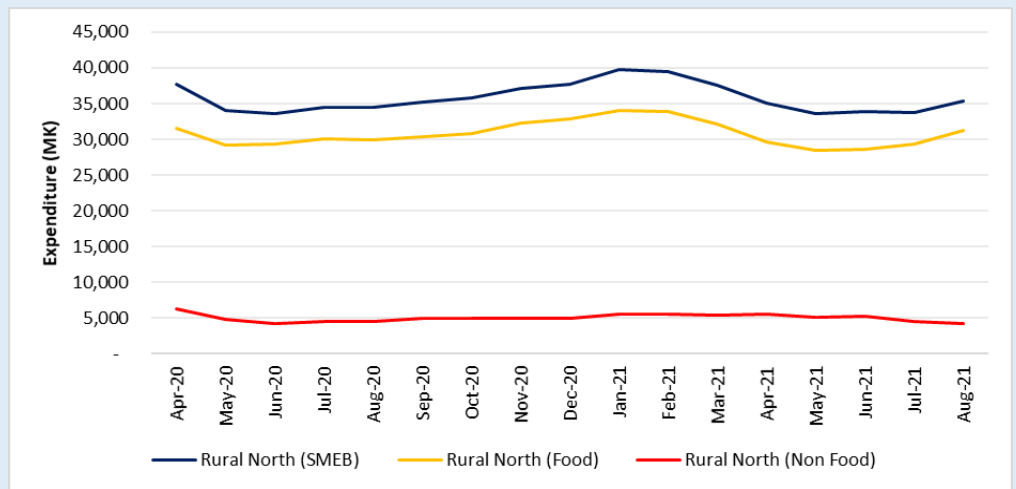


Figure 8C. Trends for Survival MEB for rural Central Region

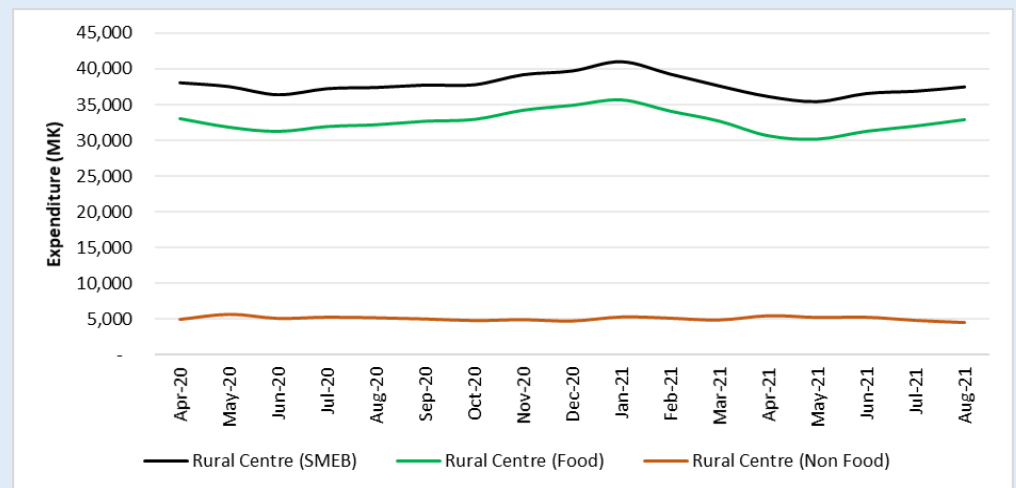
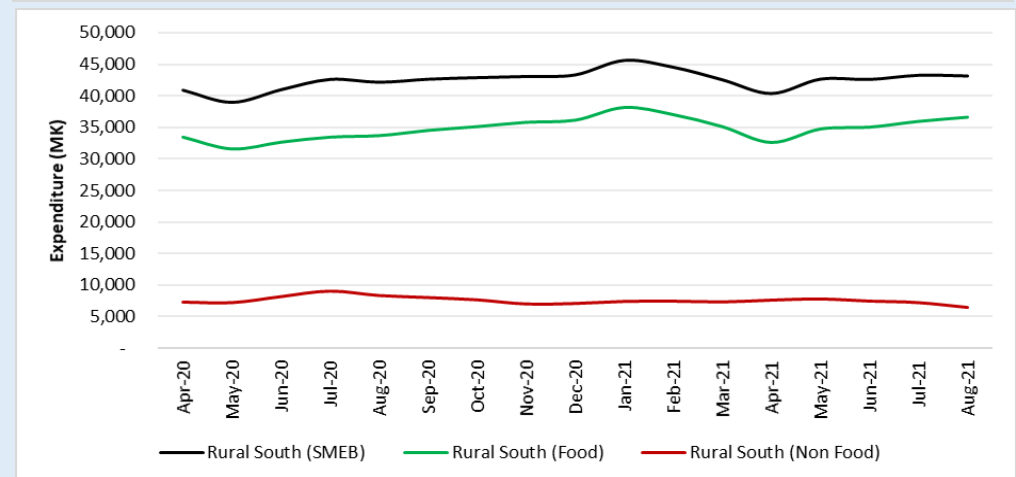


Figure 8D. Trends for Survival MEB for the rural Southern Region



Annex B: Tables for Survival Minimum Expenditure Basket

Table 2A. Survival MEB for the Urban Areas

Commodity	Quantity per person per month	Unit of measure	Unit Price	Cost per person per month	MEB Round (Household Size = 4.5)	
					Current (Round 34)	Previous (Round 33)
Food commodities						
Cereals (Maize)	12.60	Kg	137	1,726	7,766	7,738
Pulses	1.50	Kg	1,100	1,650	7,425	7,425
Cooking Oil	0.75	Kg	1,786	1,339	6,027	6,075
Roots and Tubers	0.60	Kg	293	176	791	720
Salt, Iodized	0.15	Kg	500	75	338	338
Vegetables	3.00	Kg	163	489	2,199	2,175
Eggs (chicken)	0.15	Kg	1,943	291	1,311	1,305
Fish (dried)	0.60	Kg	2,400	1,440	6,480	6,048
Sugar	0.60	Kg	857	514	2,314	2,341
Sub-Total for Food Cost					7,700	34,651
Non-Food Items (NFI's)						
Charcoal	50	Kgs	286	14,286	14,286	12,917
Match Box	4	boxes	50	200	200	200
Electricity charges	10	times	100	1,000	1,000	1,000
Electrical charging	15	times	100	1,500	1,500	1,500
Milling	4	times	443	1,771	1,771	1,867
Soap Laundry	2	Pcs	100	200	200	200
Soap bar bathing	2	Pcs	407	814	814	600
House rent	1	month	10,000	10,000	10,000	10,000
Sub-Total for NFIs Cost					29,771	29,771
TOTAL MEB					64,422	62,448

Table 2B. Survival MEB for the Rural North

Commodity	Quantity per person per month	Unit of measure	Unit Price	Cost per person per month	MEB Round (Household Size = 4.5)	
					Current (Round 34)	Previous (Round 33)
Food commodities						
Cereals (Maize)	12.60	Kg	115	1,454	6,542	5,982
Pulses	1.50	Kg	710	1,065	4,793	4,624
Cooking Oil	0.75	Kg	1,619	1,214	5,463	4,911
Roots and Tubers	0.60	Kg	300	180	810	729
Salt, Iodized	0.15	Kg	300	45	203	203
Vegetables	3.00	Kg	232	695	3,128	2,925
Eggs (chicken)	0.15	Kg	2,000	300	1,350	1,350
Fish (dried)	0.60	Kg	2,400	1,440	6,480	6,372
Sugar	0.60	Kg	891	534	2,405	2,356
Sub-Total for Food Cost					6,927	31,173
Non-Food Items (NFI's)						
Fuel wood	50	Lump-sum	30	1,500	1,500	2,275
Match Box	4	Boxes	50	200	200	200
Milling	4	Times	347	1,388	1,388	1,390
Soap Laundry	2	Pcs	128	255	255	243
Soap bar bathing	2	Pcs	409	819	819	815
Sub-Total for NFIs Cost					4,161	4,161
TOTAL MEB					35,334	34,373

Table 2C. Survival MEB for the Rural Central Region

Commodity	Quantity per person per month	Unit of measure	Unit Price	Cost per person per month	MEB Round (Household Size = 4.5)	
					Current (Round 34)	Previous (Round 33)
Food commodities						
Cereals (Maize)	12.60	Kg	1,567	7,050	6,586	6,264
Pulses	1.50	Kg	1,324	5,959	5,997	6,287
Cooking Oil	0.75	Kg	1,288	5,794	5,357	5,396
Roots and Tubers	0.60	Kg	164	737	643	649
Salt, Iodized	0.15	Kg	45	203	203	203
Vegetables	3.00	Kg	695	3,128	2,744	2,708
Eggs (chicken)	0.15	Kg	294	1,323	1,289	1,381
Fish (dried)	0.60	Kg	1,424	6,408	6,286	6,304
Sugar	0.60	Kg	519	2,336	2,326	2,342
Sub-Total for Food Cost				7,319	32,935	31,431
Non-Food Items (NFI's)						
Fuel wood	50	Lump-sum	1,634	1,634	2,045	2,047
Match Box	4	Boxes	200	200	200	200
Milling	4	Times	1,693	1,693	1,708	1,642
Soap Laundry	2	Pcs	205	205	214	214
Soap bar bathing	2	Pcs	797	797	797	805
Sub-Total for NFIs Cost				4,528	4,528	4,964
TOTAL MEB				37,464	36,396	36,441

Table 2D. Survival MEB for the Rural Southern Region

Commodity	Quantity per person per month	Unit of measure	Unit Price	Cost per person per month	MEB Round (Household Size = 4.5)	
					Current (Round 34)	Previous (Round 33)
Food commodities						
Cereals (Maize)	12.60	Kg	152	1,911	8,600	8,129
Pulses	1.50	Kg	1,093	1,639	7,377	7,069
Cooking Oil	0.75	Kg	1,744	1,308	5,887	5,745
Roots and Tubers	0.60	Kg	274	164	740	740
Salt, Iodized	0.15	Kg	300	45	203	203
Vegetables	3.00	Kg	287	860	3,870	3,511
Eggs (chicken)	0.15	Kg	1,992	299	1,345	1,335
Fish (dried)	0.60	Kg	2,301	1,381	6,213	6,030
Sugar	0.60	Kg	873	524	2,358	2,334
Sub-Total for Food Cost					8,132	36,592
Non-Food Items (NFI's)						
Fuel wood	50	Lump-sum	36	3,609	3,609	4,493
Match Box	4	Boxes	50	200	200	200
Milling	4	Times	421	1,682	1,682	1,663
Soap Laundry	2	Pcs	107	215	215	218
Soap bar bathing	2	Pcs	418	836	836	822
Sub-Total for NFIs Cost					6,542	6,542
TOTAL MEB					43,134	42,490

Annex C: Construction of the Survival MEB (SMEB) and Assumptions

The Survival Minimum Expenditure Basket (SMEB) is the bare minimum amount a household requires to maintain existence and cover lifesaving needs. There are several ways in which to construct an MEB. For this analysis, WFP has elected to construct a Survival Minimum Expenditure Basket (SMEB), which is defined as the bare minimum amount a household requires to maintain existence and cover lifesaving needs. This is done in-line with a rights-based approach based on previously assessed needs.

To do this, WFP began by reviewing existing expenditure data that was collected in late 2019 and 2020 as part of its regular monitoring to better understand the typical expenditure (starting with food), then bringing elements of the household's needs/rights, thus looking at essential non-food items.

The food commodities selected to calculate the SMEB are those that make up a typical rural and urban survival diet and include cereals, roots and tubers (cassava and sweet potatoes), pulses, oil, vegetables, fish, eggs, sugar, and salt. Using the *Nutval*, a spreadsheet application for planning and monitoring the nutrition content of food found on the local market, WFP determined a ration that meets the basic energy requirement of 2,100 kilocalories per person per day. Of the total energy, 12 percent is provided from proteins (requirement range is 10-12 percent) and 20 percent is from fats (requirement is at least 17 percent of energy should come from fats). Approximately 62 percent of the total food basket is attributed to cereals (maize).

While WFP strives to promote enhanced dietary diversity, historical data collected in late 2019 and 2020 on the expenditure of severely food insecure households residing in rural areas indicates that households are still spending the vast majority of their in-come on cereals, specifically maize. Since we are striving to understand how price fluctuations and commodity availability are affecting those most vulnerable, the food portion of the MEB has been constructed with this in mind, reflecting the reality of those most vulnerable.

In addition, WFP included the following essential non-food commodities when constructing its basket:

- ◆ **Firewood:** Assumes that households are purchasing firewood as opposed to collecting it themselves. This practice varies from location to location.
- ◆ **Matches:** Assumes that an average household uses approximately four match boxes per month
- ◆ **Electricity bills:** Assumes that urban-based households are incurring costs for using electricity mainly for lighting and that this amount remains relatively constant over the course of a month regardless of the household size. This may not be the case for all households but is included in the urban SMEB. Thus, if an urban-based household does not have electricity, then said household's SMEB would be reduced. This item is excluded when calculating the rural SMEB.
- ◆ **Soap (Laundry and bathing):** Assumes that over the course of one month the entire household uses two bars of soap for washing and another two bars for bathing.
- ◆ **Electricity Charges (phones, torch):** Assumes that urban-based households are incurring charging costs for either a mobile phone and/or torch, regardless of household size. This may not be the case for all households but is included in the urban SMEB. This item is excluded when calculating the rural SMEB.
- ◆ **Other Exclusions:** The survival basket also excludes education costs (notably because public primary education is free), health service fees and basic medicines, and agricultural input costs. Further information is being collected and is available upon request.

In addition, for the construction of the MEB, it is important to note the following:

- ◆ **Food Basket:** Constructed based on food items that are commonly available across the country and widely consumed by the typical Malawian household.
- ◆ **Meat, Eggs, and Dairy:** The food component of the SMEB excludes both meat and milk, because these products are rarely consumed, especially by those classified as extremely vulnerable. The basket further assumes that the average weight of an egg is approximately 50 grams. This SMEB thus translates into the consumption of approximately 14 eggs per month for a household size of 4.5.

For more information please contact: Maribeth Black (maribeth.black@wfp.org), Head of VAM and M&E