

8

Conclusion

Based on the detailed information derived from the six sample villages, this study has examined the livelihoods of smallholder farmers in rural Malawi. The study adopted the framework of sustainable rural livelihoods as its analytical approach, emphasizing the historical and holistic understanding of contemporary rural Malawi with particular focus on the role of institutions and social relations in constructing people's livelihoods.

As stated in Chapter 1, the study had three objectives. First was to situate the current rural livelihood situations in historical contexts by reviewing the colonial and post-colonial policies and their effects on smallholders. Second was to highlight the economic disparities, the diversity in livelihood strategies, and the factors behind such differentiation among rural households. Third was to depict common features of smallholder livelihoods across different locations and diverse socioeconomic situations. These three points will be summarized in this concluding chapter.

8.1 Government Policies and Smallholders

Throughout the colonial and post-colonial periods until the 1980s, government policies were mainly to support large-scale estate agriculture at the cost of the smallholder sector. For example, in response to the rapid growth of smallholder tobacco production in the 1920s, the colonial government founded the Native Tobacco Board (NTB). The NTB restricted smallholder

production by registering African growers, limiting the size of their holdings, monopolizing the purchase of tobacco grown by Africans, and excluding smallholders from burley tobacco production. These restrictions discouraged smallholder tobacco production and in turn protected the vested interests of the European estates. In addition, the establishment of the Maize Control Board in 1946 played a role in protecting European settler agriculture that produced export crops. This was done by supplying enough food to Africans who worked in the large estates and discouraging surplus maize production by Africans to ensure a sufficient supply of labor to the estates.

The end of colonial occupation in 1964 did not change the government's discriminatory policies against the smallholder sector. The post-colonial national government continued to support the production of large estates owned by politically connected Malawians. Meanwhile, the smallholder sector faced various restrictions imposed by the government. The two major institutional arrangements deterring the development of smallholder production were the Special Crops Act that forbade the cultivation of major cash crops by smallholders and the establishment of ADMARC that monopolized the inputs and produce marketing of the smallholder sector. These restrictions resulted in the stagnation of smallholder production, forcing a large number of the rural population to become a cheap source of labor for the estate sector.

After the introduction of structural adjustment programs in the 1980s, a series of policy reforms that brought about major changes in the smallholder sector were implemented. The reforms included the liberalization of smallholder tobacco production, the introduction of new marketing institutions that allowed smallholders to sell their tobacco directly to the auction floors through clubs, and the removal of subsidies for agricultural inputs. The effects of these reforms on smallholder production are summarized below.

The amendment of the Special Crops Act in the early 1990s opened to smallholders the new economic opportunity of burley tobacco production. As the net crop income per hectare of burley tobacco is high, engagement in burley production can increase the household income of smallholders. However, tobacco production has three entry barriers for smallholders. First, tobacco growers tend to be relatively large landholders. This is because villagers give priority to maize production to secure food for home consumption, and the households with small landholdings do not have enough land to include tobacco production. Second, tobacco production requires a lot of labor. Households with less family labor, such as female-headed households, may not be able to engage in tobacco production unless they can afford the cost of hired labor. Third, the cost of tobacco production is higher than that of other crops. Tobacco production is beyond the reach of a household unless enough

cash to cover the cost is available or access to credit is guaranteed. Thus tobacco production is more likely to be taken up by wealthier households with enough labor, land, and capital. In addition, tobacco growers face the risk of negative crop income that can result from a fall in price or production failure. As the result, the new economic opportunities of burley tobacco production brought about the two types of disparities—between the households that were able to engage in tobacco production and those that were not, and between the tobacco growers who earned high income from tobacco and those who suffered large income loss from tobacco.

Introduction of the new marketing institution of smallholder tobacco and a new credit institution that was linked with the marketing institution had the following implications for smallholders. First, the new institutions benefited the smallholder tobacco growers by offering better prices for tobacco at the auction floors than those offered by ADMARC. This benefit, however, was somewhat counterbalanced by the problem of delayed payments in some cases. The new institutions also allowed members of tobacco clubs to have access to credit. On the other hand, those who were not able to join the clubs (due, for example, to their small-scale production) were excluded from access to credit. The shortcomings of the formal institution for tobacco marketing were compensated by the existence of informal tobacco marketing by private traders. Despite the lower prices offered, the informal market provided several incentives to smallholders that the formal marketing institution failed to provide. The incentives included purchasing tobacco irrespective of the amount and providing immediate cash payments. Thus the formal and informal tobacco-marketing institutions coexisted by offering different benefits to different types of farmers.

The increased price of agricultural inputs (especially fertilizer) caused by the removal of subsidies and by the depreciation of the local currency adversely affected maize production. The cost of hybrid seeds and the recommended amount of fertilizer was equivalent to half of the average annual income of the sample households. Due to the high cost of fertilizer, 47 percent of the sample households did not use fertilizer on maize. On average the amount of fertilizer applied for maize production was only one-third of the recommended amount. This, together with the unreliable weather, had a negative effect on household food security. It also widened the disparities between those who could afford to buy fertilizer and achieved maize self-sufficiency on the one hand, and those who could not apply any fertilizer and became net buyers of maize. The high cost of fertilizer also decreased the profitability of tobacco, making tobacco production a highly risky business that could end in a large deficit due to the high input costs.

8.2 Livelihood Diversities and Disparities

The observed pattern of income sources, income levels, and household livelihood strategies markedly varied between the study villages and between the households within a village. Factors behind such diversities and disparities were location and context specific. Depicting a simplified picture of “average rural households” conceals some important differences among them. This study has revealed the following diversities in livelihood strategies and disparities among rural households.

The importance of own-farm production in overall household livelihood strategies varied between study villages. Although every sample household had his or her own farm to cultivate, the levels of income from own-farm production differed considerably among villages, depending on many factors such as weather condition, the existence of *dimba* cultivation, availability of farm inputs and credit, and the degree of population pressure on the land. In addition, own-farm income varied markedly among the households within a village. Factors that caused the disparities included the difference in access to land, availability of family labor, and the disparities in farm productivity caused mainly by the different levels of fertilizer application.

The level and role of off-farm income also varied between households and villages. Proximity to towns increased both levels and opportunities of off-farm income. In the drought-hit sample villages, the off-farm income played an important role in providing ex-post coping strategies for households to survive. However, marked disparities existed in income levels between full-time well-remunerating jobs and poorly paid casual labor. Regular salaried jobs in Malawi are few in number and characterized by entry barriers such as the need for a high level of education. Off-farm economic activities with low entry barriers, on the other hand, are often characterized by low wages on an ad hoc basis, such as agricultural wage labor. Some off-farm self-employment activities carried on by sample households generated high income, but such opportunities were available only in the areas in proximity to towns. In a few cases, off-farm income increased overall household income. In most cases, however, off-farm economic activities did not provide opportunities of upward economic mobility to escape from poverty, but offered a temporary survival strategy.

Households with high income could be classified into three types. One was those that achieved high income through concentration on own-farm production. Households of this type had large-sized farms, were endowed with enough family labor or capital to employ casual labor, and achieved high

agricultural productivity through the use of inputs. The second type was the households that combined regular salaried work and own-farm production. The major part of their income came from off-farm sources, and the education levels of these households were high. The third type of households adopted the strategy of combining own-farm production and high-return nonfarm self-employment activities. Most of the households of this third type resided in villages that were in proximity to towns, thereby enjoying high demand for nonfarm activities throughout a year. These three types of wealthy households were few in number, and the majority of households with low resource endowments and few opportunities for high-return off-farm activities had no choice but to combine low-productivity own-farming and poorly remunerating off-farm activities.

Female-headed households in the study villages had less income and were less likely to engage in tobacco production than their male counterparts. This was mainly because they were in a disadvantageous position in terms of labor endowments, farm size, and agricultural productivity. In addition, they tended to engage in low-return and low-entry-barrier off-farm activities. On the other hand, not all female-headed households were poor, and there were marked disparities within the category of female-headed households. Factors that enabled some female-headed households to achieve high income included the availability of high-return off-farm income opportunities, use of social networks to obtain labor and income opportunities, land acquisition through flexible applications of inheritance rules, and the existence of informal tobacco marketing.

8.3 Common Features of Rural Livelihoods

Despite the existence of the diverse livelihoods and income disparities, we also found some common features in the livelihoods of rural households across Malawi. These were related to the indigenous land tenure systems, risks in agriculture, and the effects of economic liberalization policies on smallholders.

8.3.1 Land Tenure and Livelihoods

Access to land in rural Malawi is regulated by the customary land tenure systems and inheritance rules of particular ethnic groups. The means for obtaining land rights in patrilineal and matrilineal societies differ markedly. The differences notwithstanding, two similarities in land transactions stand out in

the study. First, some cases of deviation from the basic rules in actual land transactions were found in all the study villages. Such deviations included non-matrilineal land transfers in matrilineal societies, land transfers to females in patrilineal societies, and the gifting and sale of land to non-kin members. Two factors can explain the deviation. One is that the indigenous rules are flexibly applied to incorporate the unique individual circumstances of villagers. Another is that villagers employ various strategies to obtain land from any source by any means.

The observed deviations from the basic rules in land transactions is closely associated with the second common feature related to land in Malawi—the increasing problem of land scarcity. Because land is divided into pieces upon inheritance and gifting, the landholding of each household becomes smaller as the generations proceed. This, on the one hand, forces many households to resort to other means of land acquisition that are not in accordance with the customary rules. On the other, the same land scarcity problem induces villagers to countercheck the practice of flexible land transfers to prevent their lineage land from being alienated to non-kin members. Thus the shortage of land in many parts of Malawi contributes to the increasing cases of both the flexible transfer of land rights by individuals and conflicts caused by the counterclaims of lineages against the alienation of land.

8.3.2 Risk and Livelihoods

Agriculture of the smallholder sector in Malawi is rain-fed, and rural households face the high risk of crop failure caused by unfavorable weather. The risks in agricultural production are embedded in the livelihoods of smallholders in the following two ways. First, risk-sharing arrangements are incorporated into the labor contracts in agriculture. Labor contracts in rural Malawi are fixed-wage contracts in which a predetermined wage is paid upon completion of a farm task. However, in seasonal labor contracts, the amount of wages in cash paid at the end of the contract can be reduced after a bad harvest or determined according to the production level. This arrangement is similar to that of a share contract in the sense that an employer and a laborer share the risk of production. On the other hand, the seasonal contract guarantees food to the laborer during the lean period through the payment of wages in kind. The seasonal labor contract thus provides the employer with a means of risk sharing and the laborer with a means of income smoothing in the highly uncertain conditions of agricultural production.

Second, in response to the high risk in agricultural production, many households diversify their activities to secure multiple sources of income. The di-

versification of income sources can contribute to increasing total household income. It can also reduce the household's vulnerability to shocks caused by crop failure by providing alternative sources of income. In the six study villages, a minority of households did actually achieve a high income from off-farm activities and also increased their agricultural productivity by reinvesting the off-farm income into own-farm production. On the other hand, due to various entry barriers to high-return off-farm activities, available off-farm activities to the majority of households were mainly low-return activities such as agricultural wage labor on a casual basis. The income from low-return off-farm activities only marginally improved household economic status and was inadequate to compensate for low (sometimes negative) agricultural income. Overall, the strategy of livelihood diversification employed in response to the high risk of agriculture in Malawi has been only partially successful.

8.3.3 Effects of Liberalization

The government's liberalization policies begun in the 1980s dramatically reduced state control over the price and marketing of agricultural produce and inputs. For the farmers with enough land, labor, and capital, liberalization opened up new opportunities for producing high-return agricultural produce such as tobacco. In the study villages, some villagers in the top income quartile achieved high household income by investing in high-return crops and in productivity-enhancing inputs (fertilizer). On the other hand, the high risk of production failure and of price changes as well as the high cost of inputs made agriculture a risky business. As a result, large disparities existed in the study villages between those who achieved high income from crop production and those who did not. For the farmers with little resource endowment, such "gambling" in agriculture with the use of expensive inputs was something beyond their reach. The resource-poor smallholders under liberalization had no choice but to resort to low-input agriculture on their small landholdings and to compensate for the resultant low own-farm income with income from poorly remunerating off-farm activities.

