

# 1. Introduction

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| シリーズタイトル(英<br>)                 | Occasional Papers Series   |
| シリーズ番号                          | 42   |
| journal or<br>publication title | African Rural Livelihoods under Stress :<br>Economic Liberalization and Smallholder<br>Farmers in Malawi   |
| page range                      | 1-20   |
| year                            | 2008   |
| URL                             | <a href="http://hdl.handle.net/2344/00010583">http://hdl.handle.net/2344/00010583</a>  |

# 1

## Introduction

### 1.1 Study Objectives

Malawi is one of the poorest countries in the world. Its gross domestic income per capita in 2005 was only US\$160, ranking it at 202nd among the 206 countries where statistics were available (World Bank 2007). Eighty-three percent of its population lived in rural areas in 2005 (World Bank 2007), and 65 percent lived below the poverty line in 1998 (Government of Malawi 2000). The country's economy is largely dependent on agriculture, but agricultural production has suffered periodically from unfavorable weather. In the famine of 2001–2, for example, famine-related mortality reached at least 46,000 (Devereux and Tiba 2007). In another event of crop failure during the 2004/05 season,<sup>1</sup> approximately four million Malawians experienced severe food shortages (FEWSNET 2005).

This book is about the livelihood strategies adopted by the Malawian rural population to cope with its difficult conditions. The analysis adopts a micro-level perspective by focusing on each rural household as an analytical unit. Information is drawn from detailed case studies of six villages in various parts of rural Malawi. The detailed micro-level case studies are also linked to wider macro-level factors such as increasing population pressure on the land, historical evolution of government policies, and the formal and informal institutions that mediate the rural population's access to productive resources and markets.

The analytical approach adopted in this study is based on the framework of sustainable rural livelihoods (Carney 1998; Ellis 2000; Ellis and Freeman 2005; Scoones 1998; Scoones and Wolmer 2002). The following three points are features of the approach. First, the framework of the livelihoods approach is holistic and dynamic. The approach regards a livelihood as comprising the assets (such as land, labor, and other capital), activities (own-farm and off-farm<sup>2</sup> economic activities), and access to these that are mediated by institutions and social relations (Ellis 2000). Each of these livelihood components is interrelated and constantly changing in response to the changes in the natural and socioeconomic environment. The analysis of rural livelihoods in Malawi in this study follows this holistic and dynamic approach by examining each component in detail and by focusing on interrelations and changes among them.

Second, the framework makes an historical approach central to the analysis of rural livelihoods. The livelihoods of rural populations today are the outcome of unique histories of particular regions or countries. Both macro events (such as government policy changes) and micro events (such as village histories and individual life histories) influence the livelihoods of rural households. Understanding present-day rural Malawi as the outcome of the complex interplays of the historical changes at the macro and micro levels helps us to delineate the directions of change in rural livelihoods. Such directions of change in livelihoods are often nonlinear, path dependent, and historically contingent in nature (Scoones and Wolmer 2002).

Third, the framework emphasizes the importance of institutions in constructing livelihoods. An institution is defined here as a set of rules and constraints which governs the behavioral relations among individuals or groups (Nabli and Nugent 1989). Institutions include both formal and informal ones. In the context of rural Malawi, formal institutions that influence the livelihoods of smallholders include, among others, rural credit systems and the government's regulations on the price and marketing of agricultural produce. Informal institutions, on the other hand, include labor contracts, customary land tenure systems, kinship, and inheritance rules. These institutions mediate access to key resources for production, economic activities, and marketing channels of produce that are essential for constructing livelihoods. An important point here is that these institutions should be regarded not as fixed sets of rules and constraints but as dynamic ones, changing over time as individual and groups alter their behavior in response to new socioeconomic circumstances (Leach, Mearns, and Scoones 1999; Kikuchi and Hayami 1999). In addition, institutions are not free from power relations and social networks, and are often subject to manipulations by powerful segments of the popula-

tion (Scoones and Wolmer 2002). Therefore, we cannot assume that the effects of institutions and institutional change itself always result in economic efficiency or bring about socially beneficial outcomes.

Using this framework of livelihood approach, the purpose of this study is threefold. The first is to clarify the effects of government policies on the livelihoods of smallholder producers. For this purpose, the evolutions of government policies on the smallholder sector from the colonial era to present-day Malawi are reviewed. The study then examines, based on the detailed information derived from fieldwork research, the effects of recent policy changes of economic liberalization on smallholder production. The aim here is to put the current situation of livelihoods in rural Malawi into historical context.

The second purpose is to examine the diversity in livelihood strategies and the disparities among smallholders. Smallholder households in Malawi construct their livelihoods under similar situations such as the lack of mechanization in agriculture, the increasing problem of land shortage, the limited opportunity for nonfarm income, and the dependence on and high risks of rain-fed agriculture. On the other hand, smallholder households are not a homogenous social group. Their wealth status, access to resources, and available livelihood options markedly differ from household to household, depending on many factors such as age, gender, ethnicity, social networks, and power structures. By adopting differentiated analysis across socioeconomic groups and the case study profiles of farmers and households, this study aims to highlight the factors behind the social differentiation among the smallholder households.

The third purpose is to find some common features in the livelihoods of smallholder households across different locations in Malawi. As the next section describes in detail, the present study is based on the information derived from six villages in various part of Malawi. The villages were purposefully selected to reflect the socioeconomic diversities of rural areas in Malawi. Despite the diverse socioeconomic background of each village, we find some important similarities among them. One such similarity is the villagers' strategy to obtain land rights under the increasing problem of land scarcity (Chapter 2). Another is the risk management and coping strategies that are found in labor contracts (Chapter 3) and in income portfolios (Chapter 6). Still another similarity is the effects of policy changes after the 1990s on smallholder production and socioeconomic differentiation (Chapters 4 and 5). Overall, the study aims to depict both the diversities and similarities in the livelihoods of rural households by examining location- and context-specific interactions of macro and micro events in historical perspectives.

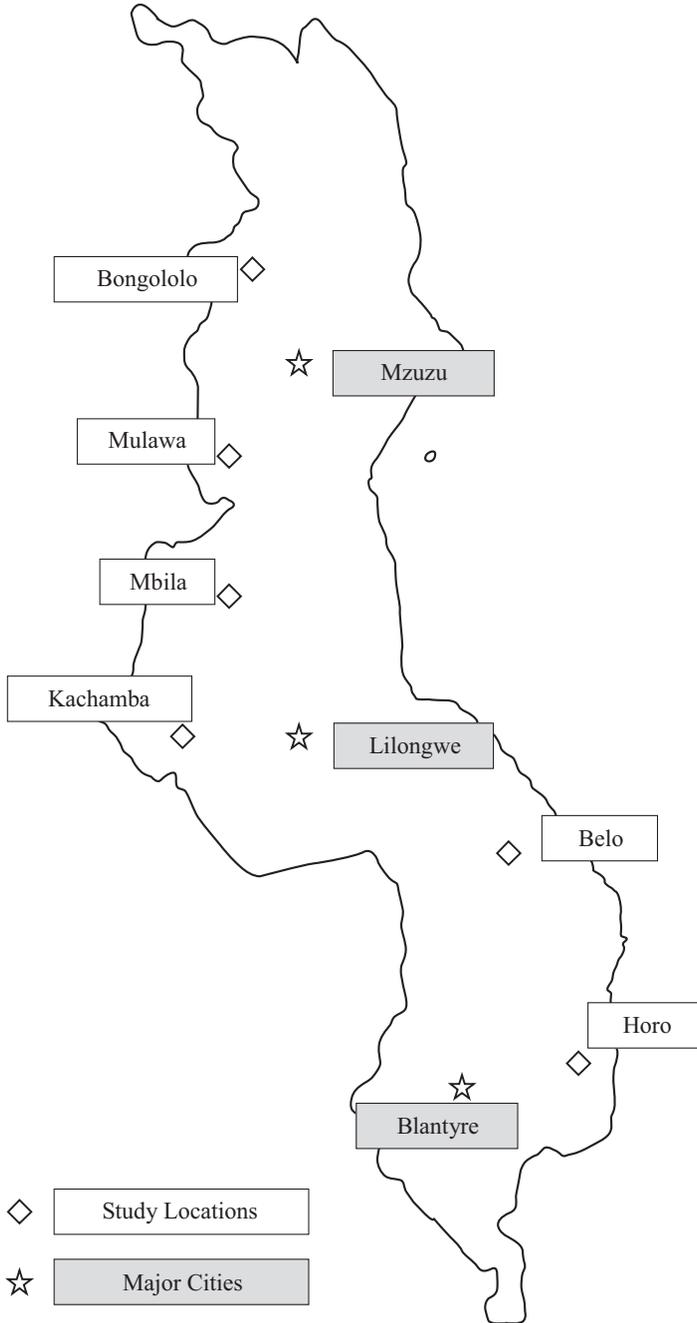
The book is organized as follows. The remainder of this chapter describes the characteristics of the six study villages where fieldwork was conducted. This is followed by an historical review of the smallholder sector from the colonial era to the present. The two sections form the basis for the discussion in the rest of the book. Chapters 2 and 3 examine two basic assets, land and labor, that constitute the basis of the livelihoods of rural households. Chapter 2 explores the interrelationship among the indigenous land tenure systems, customary inheritance rules, increasing land scarcity, and the people's strategies to obtain land rights. Chapter 3 discusses the types of labor used in agricultural production, highlighting the influence of risks and uncertainties in agriculture on labor use and labor contracts. Chapters 4 and 5 examine two major crops grown in rural Malawi, maize and tobacco. By analyzing the level of self-sufficiency and the production cost structure of maize, Chapter 4 highlights some reasons behind the low production levels and food insecurities faced by the smallholder households. Chapter 5 concentrates on tobacco production and marketing, and reveals entry barriers into tobacco production and disparities between tobacco-growing and non-growing households. The first part of Chapter 6 provides information on off-farm economic activities. This and the information from the previous two chapters enable us to grasp the overall income portfolio of own-farm and off-farm sources, which is the focus of the second half of Chapter 6. The chapter also examines the degree and the causes of income disparities among rural households. Chapter 7 depicts some features of female-headed households by examining the acquisition methods of basic assets (land and labor) and the economic activities of the female-headed households. The last chapter presents this study's conclusions.

## **1.2 Study Locations and Fieldwork Methods**

### **1.2.1. Fieldwork Methods**

Fieldwork for this study was carried out in six villages in various parts of Malawi (Figure 1.1).<sup>3</sup> They were Kachamba (Mchinji District), Belo (Mangochi District), Horo (Phalombe District), Bongololo (Rumphu District), Mulawa (Mzimba District), and Mbila (Kasungu District). The selection of study locations was made through consultations with the District Agricultural Development Offices (DADO) and Extension Planning Areas (EPA). A criterion for selection was that smallholder tobacco production was taking place. This was because one of the research questions for this study was to assess the role of

Fig. 1.1 Study Locations



tobacco production in overall livelihood strategies of smallholder farmers. In addition, care was taken to choose villages that represent several socioeconomic characteristics, such as location, the predominant ethnic group, the degree of population pressure on the land, variations in access to off-farm activities, and proximity or remoteness from trading centers and tobacco auction floors. The aim of this selection procedure was both to include various socioeconomic situations in which smallholder production is taking place, and to provide a location- and context-specific understanding of livelihood circumstances in various areas of rural Malawi. No claim is made, therefore, that the results of this study represent national patterns in a statistical sense.

Fieldwork in Kachamba and Belo was undertaken between August and October 2004, and data was obtained for the 2003/04 agricultural season. In the remaining four study villages, data for the 2004/05 agricultural season were collected between May and September 2005. The sampling procedures for the present study were as follows. During the first week of the survey in each study site, a census of the village was conducted. Based on the census, the sampling frame consisted of all the households in each study village. Next, households were divided into two categories: those that grew tobacco in the previous season and those that did not. Equal numbers of households were then randomly selected from each category in each village. In Kachamba, however, all 31 households were interviewed because the sample frame was small. For the same reason, all but one household in Mulawa were interviewed.<sup>4</sup> In Bongololo, the number of sample households that grew tobacco exceeded those that did not, because there were only six households that did not. In Horo, there were more than 600 households scattered over a wide area. For the purpose of this study, we selected a segment of the village whose number of households was 78 and drew samples from them. The final sample size for all of the study villages totaled 186 households, which comprised 116 tobacco-growing and 70 non-tobacco-growing households (Table 1.1).

Interviews with farmers<sup>5</sup> in the six villages were conducted with the assistance of a village resident and a graduate research assistant who was fluent in

**TABLE 1.1** Summary of Study Villages and Samples

|                          | Kachamba | Belo | Horo | Bongololo | Mulawa | Mbila | Total |
|--------------------------|----------|------|------|-----------|--------|-------|-------|
| Population               | 109      | 513  | 262  | 360       | 151    | 348   | 1,743 |
| Total no. of households  | 31       | 115  | 78   | 69        | 29     | 76    | 398   |
| No. of sample households | 31       | 30   | 32   | 33        | 28     | 32    | 186   |
| Tobacco-growing          | 23       | 15   | 16   | 27        | 19     | 16    | 116   |
| Non-tobacco-growing      | 8        | 15   | 16   | 6         | 9      | 16    | 70    |

Chichewa (a major language spoken in Kachamba, Belo, Horo, and Mbila) and Chitumbuka (spoken in Bongololo and Mulawa). This writer attended, recorded, and reviewed all interviews. A structured questionnaire was used during the interviews, and free discussion was encouraged to elaborate important issues such as family history, land disputes, and livelihood strategies adopted by household members. In addition, farms operated by sample households were measured using global positioning systems to obtain accurate data on the size of the plots. Key informant interviews were also conducted to obtain information such as village history, kin relations, and land tenure systems.

Agricultural production in the 2003/04 season on which the surveys in Kachamba and Belo focused was normal, but the market conditions for tobacco in 2004 were not favorable to smallholder producers. The price of burley tobacco remained low, and the continuing low prices of tobacco after 2000 have been associated with the high price of fertilizer, resulting in a disincentive to smallholder tobacco production. The condition was worsened in 2004 by the slow process of purchasing on the auction floors and the resultant late payments to farmers. The delays were said to have been caused by the existence of materials unrelated to tobacco, such as strands of polypropylene in tobacco bales.<sup>6</sup> As a result of the delays, some farmers had to wait until October or November (two to five months after sending their tobacco bales) to receive their payments.

The 2004/05 agricultural season on which the survey in the remaining four villages focused was a difficult one for most smallholders in Malawi. The season started with good rains in December and January. Starting in early February, however, most of the country experienced dry spells. The dry spells persisted into March, resulting in an abrupt end of the rainy season. The prolonged dry spells seriously affected the production of most crops. The dry spells occurred when maize, the staple food of the country, was at the critical stage during which it tassels and forms cobs. The dry spells, therefore, severely reduced production levels. The low yield of maize was evident from our survey, as most of the households interviewed experienced a sharp drop in their maize harvest compared to the previous season. Worst hit by the dry spells were some districts in the Central and Southern regions, and our villages of Horo (in Phalombe District) and Mbila (in Kasungu District) were no exception. In fact, many households in Horo had a very meager, if any, harvest of maize, and their stock had been depleted by May (just after the harvest), when the survey was conducted. The dry spells also affected tobacco production in most parts of the country, resulting both in low yields and inferior quality of the leaves. Production of burley tobacco dropped from 151,453

tons in 2004 to 119,520 tons in 2005. The average price of burley was 99 US cents in 2005, the lowest since 1994. The low quality of the leaves had much to do with the low price.<sup>7</sup>

### 1.2.2 Outline of Study Villages

The first study location, Kachamba, is a matrilineal Chewa village under the Traditional Authority (TA) Mavwere in the Mchinji District of the Central Region. Kachamba occupies an area about 6 km from the Lilongwe-Mchinji road. The distance from the village to the auction floor in Lilongwe is 82 km. A dirt road links the study village to the main road and to the Nathyola Railway Station, a collection point for tobacco bales. Because no regular transport is operating between the village and the station, villagers use ox carts to transport tobacco bales to the collection point. Although there are small-scale weekly markets that take place along the main road, farmers have to travel to Namitete (about 38 km from the village) to purchase fertilizer, using bicycles or hiring cars to transport them. About 3 km from the village is an estate producing flue-cured tobacco. Some villagers work on the estate as laborers.

There were 31 households in Kachamba at the time of the survey,<sup>8</sup> and the village population was 109. Nine households were headed by women; the ratio of female-headed households (FHH) in Kachamba, at 29 percent, was lower than the 38 percent for the Mchinji District (Government of Malawi 2002, p. 36). Population density in the Mchinji District in 1998 was 97 persons per square kilometer, slightly lower than the national average of 105 (Government of Malawi 2000). The main crops cultivated in Kachamba were maize, groundnuts, and tobacco. Maize is a staple food in Malawi and by far the most important crop; every household in Kachamba (and in the other study villages) cultivated it. Both hybrid and local varieties were grown, but the degree of fertilizer application and the yield per hectare varied considerably among households. Most farmers cultivated groundnuts both for sale and consumption. Tobacco was cultivated by 23 households (74 percent), among which only one was female-headed. Due to land scarcity in the area, land was not allowed to lie fallow but was used every year. A typical crop rotation practiced by farmers was maize after tobacco (if grown), followed by groundnuts. Among the livestock kept by villagers were chickens, goats, and cattle. Cattle were kept by five households (16 percent); these households also owned ox carts. Ownership of cattle and of ox carts generated multiple advantages, such as income from ox-cart rental, production of good manure, income from cattle sales, and production cost reduction in input and produce transport.

The second village studied, Belo, is located in the TA Mponda in the Mangochi District of the Southern Region. The distance from the village to the auction floor in Limbe is 235 km. Tobacco bales are transported to the depot in the district capital, Mangochi (42 km from Belo), and sent to auction from there. The depot in Mangochi is managed by the Tobacco Association of Malawi (TAMA), and the cost of storage and transport of bales to the auction floor is deducted when payments are made to tobacco clubs. Fertilizers are available in Mangochi. Farmers use bicycles to carry them or walk along a dirt road to Katema, a trading center 14 km from Belo, to obtain transport.

There were at the time of the survey 115 households and a population of 513 in Belo. The ratio of FHH was 18 percent (21 households). Among the main crops produced in the village were maize, tobacco, chilies, groundnuts, and cassava. Tobacco was cultivated by 39 households (34 percent). The community was made up of indigenous Yao residents and migrants from various parts of southern Malawi. Most of the migrants began arriving in the area during the 1980s, opening new farms on previously uncultivated land. Upon their arrival in Belo, migrants had been given pieces of land for farming by the village headman. At the time of survey, many of the allocated plots had not yet been opened. The relative abundance of land in Belo was in sharp contrast to the situation in Kachamba.

The third study location, Horo, is a matrilineal Lomwe village in the TA Mkhumba in the Phalombe District of the Southern Region. Horo lies about 20 kilometers from Mozambique. A dirt road, often impassable by an ordinary car, links Horo to the auction floors in Limbe, 70 km away. Tobacco farmers themselves arrange for transport to send tobacco bales to the auction floor through tobacco clubs. The distance to the district capital, Phalombe, where farmers purchase fertilizer, is 15 km. A small-scale weekly market, where food crops and tobacco are traded, takes place twice a week in a nearby village. Tobacco traded in the weekly market is either produced in or purchased from the surrounding villages and Mozambique. Although this private trading of tobacco is officially prohibited in Malawi, it is fairly widespread and tolerated by the authorities.

The ratio of FHH in Horo was 46 percent (36 households), which was the highest among the study villages. Maize was cultivated by all farmers, but many also intercropped with minor crops such as pigeon peas, sorghum, millet, and sunflowers. This type of intercropping was common in many areas of southern Malawi, but was less common in other study locations in central and northern Malawi. Out of 78 households, tobacco was cultivated by 53 (74 percent), among which 16 were female-headed. Due to the scarcity of land in the area, fields were not allowed to lie fallow.

The fourth village studied, Bongololo, is in the TA Chikulamayembe in the Rumphi District of the Northern Region. The distance from the village to the auction floor in Mzuzu is 78 km. Fertilizers are available in the adjacent town of Bolero, but some farmers travel to the district capital, Rumphi (16 km from the village), where the prices are lower than those in Bolero. Tobacco bales are transported to the two depots in Bolero and then sent to auction. One depot in Bolero is managed by the Tobacco Association of Malawi (TAMA) and the other by the National Smallholder Farmers' Association of Malawi (NAS-FAM). The cost of storage and transport of bales to the auction floor are deducted when payments are made to the tobacco clubs.

There were 69 households and a population of 360 in Bongololo when the survey was taken. Almost all of the inhabitants were patrilineal Tumbuka. The ratio of FHH was 26 percent (18 households). The crops produced in Bongololo were maize, tobacco, groundnuts, cassava, soybeans, sweet potato, and millet. Tobacco was cultivated by 63 households (91 percent), among which 15 households were headed by women. The ratio of tobacco farmers in Bongololo was the highest among the six study villages. Another notable feature of the village was the availability of nonfarm income opportunities.<sup>9</sup> Because of the proximity of Bolero (where there were shops, a permanent market, and government offices), there was a wide range of nonfarm income opportunities such as trading, carpentry, and waged employment. A very popular nonfarm economic activity in the village was the brewing and sale of traditional beer (mostly done by women), in which 18 households (26 percent) were engaged.<sup>10</sup>

The fifth study location, Mulawa, is a patrilineal Ngoni village under the TA Mzukuzuku in the Mzimba District of the Northern Region. Mulawa lies 20 km away from the major road that links the capital, Lilongwe, to the northern regional capital of Mzuzu. A dirt road links the village to the nearest town, Jenda, 20 km away. Fertilizers are available in Jenda. The distance to the district capital, Mzimba, is 62 km; the auction floor lies 163 km away. As the village is very close (12 km) to the Zambian border, traders from Zambia come to buy tobacco from the areas around Mulawa. At the time of the survey, however, most tobacco farmers in Mulawa did not sell their tobacco to these traders because the price they offered was lower than the price that the farmers could get on the auction floor in Malawi.

The number of households in Mulawa at survey time was 29; the population was 151. The ratio of FHH was 34 percent (10 households). Tobacco was grown by 20 households (69 percent), among them four FHH. An important feature of the farming system in Mulawa was that many households (69 percent) owned wetland gardens (*dimba*).<sup>11</sup> Among the crops grown on *dimba*

land were maize, Irish potatoes, tomatoes, onions, and local vegetables. *Dimba*-grown maize was harvested a few months earlier than the maize on ordinary farms. This eased food shortages experienced by households during the “hunger season” of January and February. Other crops on *dimba* land were harvested mainly between July and September, generating cash income and improving the diet of the households. Widely practiced *dimba* cultivation in Mulawa thus led both to higher income and better food security for many households.

The sixth study location was Mbila, 5 km north of the district capital, Kasungu, in the Central Region. The distance from the village to the tobacco auction in Mzuzu is 240 km. As in Mulawa, private traders (said to be from Zambia) purchase tobacco produced in the village and pay cash on the spot. Unlike in Mulawa, however, at survey time many farmers in Mbila chose to sell their tobacco to these private traders, even though the prices they offered were lower than the prices the tobacco could have fetched on the auction floors. Among the reasons the farmers gave were the high costs of transportation to, and other services associated with, the auction; the delay of transport to, and payment by, the auction; and the need for instant cash after harvesting the tobacco.

In Mbila at the time of the survey there were 76 households (14 of which were FHH) and a population of 348. The majority of residents were matrilineal Chewa, but patrilineal Ngoni and Tumbuka also lived in the village. Villagers cultivated maize, groundnuts, soybeans, cassava, sweet potato, and tobacco. Tobacco was grown by 36 households (47 percent), among which five were FHH. As in Bongololo, the proximity of Mbila to a major town enabled villagers to engage in a wide range of nonfarm economic activities. Such activities included trading, beer brewing, the making of bricks and stones (used as construction materials), and employment for wages in companies and government offices.

In all the study villages, farmers gave priority to the production of the staple food, maize. As can be seen in Table 1.2, an estimated 52 to 73 percent of total farmed area was allocated to maize production. The next important crop in terms of allocated area was tobacco, which was estimated at about 19 percent of total farmed area. The overall percentage of tobacco-growing households in the six villages was 59 percent.<sup>12</sup> The two crops (maize and tobacco) together account for 83 percent of the total farmed area in all villages. Chapters 4 and 5 will examine the production of maize and tobacco in detail.

The average farm size operated by sample households in the six villages varied greatly (Table 1.3). Households in Belo on average farmed 1.76 ha of land, while those in Horo farmed only 0.58 ha. The average farm size of all

**TABLE 1.2** Estimated Ratio of Crops as a Percentage of Total Village Farmland (all households)

|                         | Kachamba | Belo | Horo | Bongololo | Mulawa | Mbila | Total |
|-------------------------|----------|------|------|-----------|--------|-------|-------|
| Total no. of households | 31       | 115  | 78   | 69        | 29     | 76    | 398   |
| Tobacco (%)             | 22       | 11   | 21   | 38        | 21     | 22    | 19    |
| Maize (%)               | 61       | 67   | 73   | 59        | 52     | 60    | 64    |
| Groundnuts (%)          | 16       | 5    | 4    | 1         | 14     | 12    | 7     |
| Other (%)               | 1        | 18   | 2    | 1         | 13     | 5     | 10    |
| Total (%)               | 100      | 100  | 100  | 100       | 100    | 100   | 100   |

**TABLE 1.3** Average Farm Size of Sample Households by Crop and Study Village (average of growers, including rent-in land)

|                | Tobacco | Maize | Groundnuts | Other Crops | Total |
|----------------|---------|-------|------------|-------------|-------|
| Kachamba:      |         |       |            |             |       |
| No. of growers | 23      | 31    | 19         | 3           | 31    |
| Farm size (ha) | 0.289   | 0.599 | 0.255      | 0.105       | 0.980 |
| Belo:          |         |       |            |             |       |
| No. of growers | 15      | 30    | 13         | 23          | 30    |
| Farm size (ha) | 0.506   | 1.114 | 0.243      | 0.377       | 1.762 |
| Horo:          |         |       |            |             |       |
| No. of growers | 16      | 32    | 3          | 2           | 32    |
| Farm size (ha) | 0.189   | 0.444 | 0.279      | 0.243       | 0.580 |
| Bongololo:     |         |       |            |             |       |
| No. of growers | 27      | 33    | 5          | 3           | 33    |
| Farm size (ha) | 0.347   | 0.489 | 0.084      | 0.150       | 0.798 |
| Mulawa:        |         |       |            |             |       |
| No. of growers | 19      | 28    | 15         | 14          | 28    |
| Farm size (ha) | 0.365   | 0.611 | 0.311      | 0.308       | 1.179 |
| Mbila:         |         |       |            |             |       |
| No. of growers | 16      | 32    | 23         | 6           | 32    |
| Farm size (ha) | 0.439   | 0.563 | 0.158      | 0.234       | 0.939 |
| Total:         |         |       |            |             |       |
| No. of growers | 116     | 186   | 78         | 51          | 186   |
| Farm size (ha) | 0.350   | 0.631 | 0.225      | 0.307       | 1.028 |

sample households was 1.03 ha. The differences of farm size among the study villages stem from the unique history of each village and the resultant degree of population pressure on the land, as will be discussed in the next chapter.

Ownership of other household assets such as human capital and farm equipment shows similar diverse patterns across the study villages (Table 1.4). Two facts are worthy of notice here. First is the relatively high value of livestock owned by households in Bongololo and Mulawa. The difference stems from the socioeconomic importance of livestock in patrilineal societies in Malawi. In the patrilineal societies of Tumbuka and Ngoni (to which residents of Bongololo and Mulawa respectively belong), payments of bridewealth (called *lobola*) at marriage in the form of cattle or cash equivalents are com-

**TABLE 1.4** Weighted Average of Household Assets in the Study Villages

|  | Kachamba<br>(n = 31) | Belo<br>(n = 30) | Horo<br>(n = 32) | Bongololo<br>(n = 33) | Mulawa<br>(n = 28) | Mbila<br>(n = 32) | Total<br>(n = 186) |
|--|----------------------|------------------|------------------|-----------------------|--------------------|-------------------|--------------------|
| No. of household members of 15 years old or over | 2.0                  | 2.0              | 1.9              | 2.7                   | 2.4                | 2.7               | 2.3                |
| Years of education of household head             | 3.8                  | 3.6              | 4.3              | 7.9                   | 5.3                | 5.0               | 4.9                |
| No. of ox carts                                  | 0.16                 | 0.00             | 0.00             | 0.17                  | 0.15               | 0.03              | 0.08               |
| No. of bicycles                                  | 0.61                 | 0.56             | 0.71             | 0.41                  | 0.52               | 0.78              | 0.59               |
| No. of farming tools                             | 6.29                 | 8.38             | 5.85             | 9.11                  | 8.72               | 8.16              | 7.52               |
| Estimated value of live-stock (MK)*              | 3,770                | 3,968            | 3,978            | 31,668                | 23,939             | 7,776             | 12,180             |

Note: Exchange rate in 2005 fluctuated between 115 and 121 Malawi kwacha (MK) per US dollar.

\* The value of the Malawi kwacha is adjusted to 2005 prices using the rural consumer price index (CPI).

mon. Ownership of cattle in these societies, therefore, has both economic and social significance.

Second is the lack of farm mechanization in smallholder production. No sample household owned mechanized farm equipment. Only a few had draft animals mainly for drawing ox carts, and animal-drawn ploughs were rarely used. As a result, virtually all farm work was done manually using simple farm tools such as hoes and sickles. Infrastructural assets such as irrigation, piped water supply, or electricity were not available in the study villages, and agriculture was totally rain-fed. The resultant high risk of crop failure in times of unfavorable weather has several important implications for labor contracts (discussed in Chapter 3), production cost structure (Chapters 4 and 5), and livelihood diversification (Chapter 6).

### 1.3 Historical Overview of the Smallholder Sector in Malawi

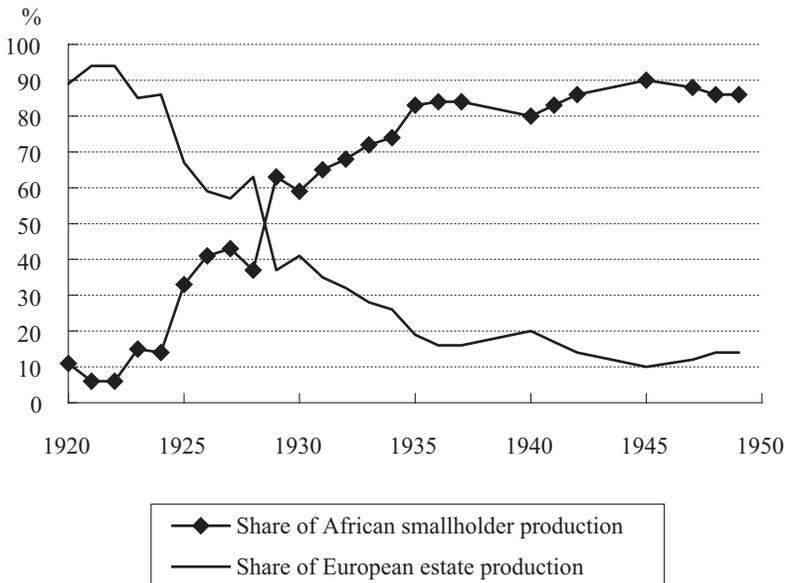
The following section provides a historical overview of the smallholder sector in Malawi. The aim here is to clarify how colonial and post-colonial state policies contributed to the decline of the smallholder sector by imposing institutional arrangements that restricted the economic activities of the rural population. Special attention will be paid to the policies regarding the two important crops, tobacco and maize. The section also highlights some characteristics of recent policy reforms that aimed to liberalize the agricultural sector in general and the smallholder sector in particular. The purpose of this review is to put the present-day conditions in rural Malawi into the historical context.

### 1.3.1 Colonial Policies toward the Smallholder Sector

Tobacco became the most important export crop in Nyasaland and continues to be so in today's Malawi. Until 1920 tobacco was grown mostly on large estates in southern Malawi (then the Southern Province of Nyasaland) by European farmers. The production area expanded into the Central Province in the 1920s when settler A. F. Barron launched his tenant schemes of fire-cured tobacco (later known as northern division dark-fired tobacco, or NDDF) with African tenants on the Lilongwe plain (McCracken 1983; Woods 1993). Barron distributed seedlings and gave instructions to the tenants on condition that they sell tobacco to him at a price determined by him. As other settlers followed Barron's example, the number of African growers in the Central Province rapidly increased. As a result, the share of tobacco production by African growers steadily increased after the 1920s (Figure 1.2), and by 1935, 70 percent of all tobacco in Malawi was produced in this area (McCracken 1985, p. 38).

In response to the rapidly expanding number of African growers, the colonial government founded the Native Tobacco Board (NTB) in 1926 to take responsibility for the production and marketing of tobacco. The spread of tobacco production by African growers was associated with the increasing

Fig. 1.2 Share of African and European Tobacco Production, 1920–49



Source: Pachai (1978, p. 204).

number of independent smallholder producers. This came into conflict with the interests of estate owners because smallholders were able to produce tobacco at lower costs than the estates. The NTB played an important role in restricting smallholder tobacco production. It registered African growers and limited their size of holdings in order to discourage tobacco production by independent Africans on their own land, forcing them to become tenants or to provide labor on estates. It also limited the number of buyers and markets to prevent smallholders from selling their tobacco, and to reduce the opportunities of tenants to sell tobacco to somebody other than the estate owners. In 1938 the NTB became the monopoly buyer of tobacco grown by Africans. The difference between the price paid to the African growers and the world market was absorbed by the NTB for use in stabilizing the price of tobacco and the administration of the NTB. Smallholders responded to the low price paid by the NTB by abandoning tobacco production and in some cases by rioting, forcing the colonial administration to reconsider the role of the NTB (McCracken 1983).

The types of tobacco grown in Nyasaland in the early years included flue-cured (produced mainly on large estates), dark-fired, and sun-cured.<sup>13</sup> Most Africans produced dark-fired and sun-cured varieties because the curing processes of these two types were less capital intensive than the process for flue-cured tobacco. In addition to these types, the production of burley tobacco, the major type grown in Malawi today, started in the late 1940s and steadily increased over the years. As burley is air-cured and requires little capital in the curing process, it was suitable for both African smallholders and the tenant arrangement on the estates. In 1952, however, smallholders were excluded from producing burley tobacco when both burley and flue-cured tobacco production was legally restricted to estates by Tobacco Ordinance No. 39. Again, government intervention had discouraged independent smallholder tobacco production.

The colonial government also intervened in the marketing of maize through the establishment of the Maize Control Board in 1946. It announced that from 1947 all maize in excess of personal requirements should be sold to the Board at a fixed (low) price. The intention was to purchase surplus maize from relatively land-abundant central and northern Nyasaland and resell it to the densely populated southern Nyasaland. Feeding the rural population in southern Nyasaland was important for the colonial government because most European settler estates producing export crops on a large scale were located there, and a sufficient food supply for a large number of African farm laborers was a prerequisite for the development of settler agriculture. Despite its intention, however, the Board was unable to purchase sufficient maize in the first

two years of operation, and its operation did little to prevent the famine caused by insufficient rains in 1949 (Vaughan 1987, Ng'ong'ola 1986).

In the course of the 1950s, the colonial government gradually withdrew from direct market intervention, and the Maize Control Board adopted a geographically selective strategy in purchasing maize. The Board ceased its purchasing operations in the areas where surplus maize production was seen as undesirable. In particular, it discouraged surplus maize production in the areas with major European estates or with a high potential for export-crop production. This was because maize production by Africans in these areas was considered to deter the production of export crops (Vaughan 1987). Thus one important role assigned to the Maize Control Board was to protect European settler agriculture producing crops for export by supplying enough food to Africans and, later, by discouraging surplus maize production by Africans to ensure a sufficient supply of labor to the large estates.

### **1.3.2 Post-Independent Era and Recent Policy Changes**

After Malawi's independence in 1964, many of the expatriate-owned estates became the property of Malawians. In 1955 the Native Tobacco Board and other boards merged to form the Agricultural Production and Marketing Board (APMB), renamed the Farmers Marketing Board (FMB) in 1962. The FMB bought farms (mainly in the Southern Region) that some Europeans were selling as they left the country, reselling them to individual Malawians through an arrangement by which the FMB insured loans to buyers (Calinga and Crosby 2001). In the Central Region, several large European-owned estates were purchased by Press (Holdings) Ltd., owned by Malawi's "Life President," Dr. Banda. Estates were also purchased by loyal members of the ruling Malawi Congress Party (MCP) and by the Malawi Young Pioneers, the youth wing of the MCP (Orr 2000; Van Donge 2002).

In contrast to the dramatic transformation in the estate sector, political independence did not result in changes in the government's discriminatory policies against smallholders. The Special Crops Act (1968) forbade the cultivation of major cash crops on any holding of less than 12 ha (Cross 2002). The act also introduced a tobacco licensing system under which the estates, but not smallholders, gained access to the auction floors. In 1971 the FMB changed its name to the Agricultural Development and Marketing Corporation (ADMARC). ADMARC exclusively purchased crops from smallholders at predetermined prices, while the estate sector was allowed to deal directly with international buyers. Under this system, smallholders were required to sell their dark-fired tobacco (the type smallholders were allowed to produce)

only to ADMARC, and were still excluded from burley and flue-cured tobacco production. The price paid to smallholders was held far below that received by ADMARC on the auction floors. Moreover, ADMARC failed to transfer to smallholders the surplus realized from the increasing world price of tobacco in the 1970s. The bulk of ADMARC surplus was instead used for investment in estate production (Kydd and Christiansen 1982). These governmental policies resulted, on the one hand, in the expansion of large-scale commercial agriculture, and on the other, in a stagnant and underdeveloped smallholder sector that provided a large supply of cheap labor to the estate sector.

Following Malawi's adoption of structural adjustment programs in 1981, a series of policy reforms were implemented in the agricultural sector. These included deregulation of marketing activities, reconstruction of input and output price regimes, and restructuring of state marketing agencies (Chilowa 1998). In the food crop sector, ADMARC ceased to be the sole marketing agent for smallholder agricultural produce when licensed private traders were allowed to enter the market in 1987. Although this liberalization merely formalized the informal activities of small-scale traders that existed before 1987, it also brought about entry of large-scale private companies into the market. By the mid-1990s, licensing was no longer required to handle smallholder-produced crops, and the maize price band was abandoned in 2000 (Mvula et al. 2003; Devereux and Tiba 2007).

The liberalization of produce marketing was followed by another deregulation of agricultural inputs in the 1990s. In 1993 the marketing of hybrid maize seeds was liberalized and the subsidy on them was removed in the next year. Similarly, private companies were allowed to market fertilizers after 1994, and the fertilizer subsidy was removed in 1995 (Smale and Phiri 1998). These subsidy removals together with the depreciation of the Malawi kwacha in the 1990s resulted in a sharp increase in the price of seeds and fertilizer<sup>14</sup> which adversely affected smallholders' access to agricultural inputs.

Credit institutions for smallholder maize production were also changed. Until the early 1990s, most farmers received improved seeds and fertilizer on credit at a subsidized price with a low interest rate from the Smallholder Agricultural Credit Administration (SACA), a governmental institution. Farmers received the inputs through ADMARC and repayments of the credit were made when they delivered their outputs through ADMARC. After the collapse of SACA credit institutions in 1994 due to a low rate of credit repayment, SACA was converted into the Malawi Rural Finance Company (MRFC), a limited liability finance company. The MRFC used market-determined interest rates and shifted its loan target to tobacco farmers. As a result, most

smallholders ran into difficulties in obtaining credit for maize production.

In the tobacco sector, major reform occurred in the early 1990s when the Special Crops Act of 1972 was amended to allow smallholders to grow burley tobacco under a quota system.<sup>15</sup> In 1990/91, 7,600 smallholders were registered to grow burley tobacco on a pilot basis (Zeller et al. 1998). Initially farmers were required to sell their tobacco to ADMARC, but later they were organized into clubs and given direct access to auction floors. As of 1993/94, more than 30,000 smallholders were organized in 1,318 clubs (Van Donge 2002). Thereafter the number of smallholder tobacco producers increased, and as a consequence, production of smallholder tobacco increased dramatically in the 1990s. From 1992 through 1995, smallholders produced, on average, only 23 percent of the total tobacco crop in Malawi. The share reached 72 percent on average in the years 2001–4 (Table 1.5). According to one estimate (Jaffee 2003, pp. 14–15), some 315,000 to 330,000 smallholders produced tobacco in the early 2000s.

Another major reform in the smallholder tobacco sector was the introduction of the intermediate buyer (IB) system in 1993.<sup>16</sup> Licensed IBs were to buy tobacco from smallholders and transport it to auction floors for selling. The rationale for introducing the IB system was to ease the logistical problems smallholders faced. The number of licensed IBs was initially restricted, but later was liberalized, peaking in 1997 at about 4,000, although the overall share of tobacco purchased by IBs was insignificant (Jaffee 2003). The government later abolished the IB system after accusations that it had weakened

**TABLE 1.5** Smallholder Tobacco Production in Malawi, 1992–2004

|                                     | 1992  | 1993  | 1994  | 1995  | 1996  | 1997  | 1998  | 1999  |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total production (1,000 t)          | 136.1 | 133.4 | 97.6  | 130.2 | 141.7 | 158.1 | 129.2 | 134.4 |
| Smallholder production (1,000 t)    | 52.5  | 16.5  | 28.5  | 15.5  | 35.5  | 69.0  | 83.6  | 94.1  |
| Share of smallholder production (%) | 38.6  | 12.4  | 29.2  | 11.9  | 25.0  | 43.6  | 64.7  | 70.0  |
|                                     | 2000  | 2001  | 2002  | 2003  | 2004  |       |       |       |
| Total production (1,000 t)          | 159.8 | 124.7 | 136.6 | 116.6 | 180.3 |       |       |       |
| Smallholder production (1,000 t)    | 84.6  | 98.6  | 82.5  | 94.3  | 106.2 |       |       |       |
| Share of smallholder production (%) | 52.9  | 79.1  | 69.0  | 80.9  | 58.9  |       |       |       |

Sources: Government of Malawi (various issues c) for total tobacco production and Government of Malawi (various issues b) for smallholder tobacco production.

the overall quality of tobacco. The poor quality of tobacco was considered a factor leading to low tobacco prices in 2000–1, and the intermediate buyers, who had little experience in the industry, were blamed for the deterioration in the situation.<sup>17</sup> Despite their abolishment, some IBs continued buying tobacco from smallholders.

## Notes

- 1 The agricultural season in Malawi is from October to September.
- 2 In this book, “own-farm income” refers to income generated from own-account farming (crops and livestock), while “off-farm income” refers to income from all non-own-account farming sources including agricultural wage income, nonagricultural wage or salary employment, nonfarm self-employment income, rental income, and transfers and remittances.
- 3 The author would like to thank the Centre for Social Research, University of Malawi, for providing him with an excellent research environment during his stay in Malawi.
- 4 One household was not available for interview at the time of the survey.
- 5 Most interviews were conducted with household heads. When household heads were not available, or when the household heads were not the ones managing farms, other household members who were knowledgeable about farming and household economic activities were interviewed.
- 6 The strands of polypropylene remaining in the tobacco bales were used for tying tobacco leaves during the curing process. The contaminated tobacco bales were rejected on the auction floors and sent for polypropylene removal and re-grading.
- 7 These data on production and price were obtained from the Tobacco Control Commission.
- 8 A household is defined here as a unit of co-residence and agricultural production. In most cases it is also a unit of consumption. However, members of poor households that exhausted their maize stocks during the hungry season ate at relatives’ households. Vaughan (1983, 1987) provides useful discussions on the problem of the unit of analysis in the context of rural Malawi.
- 9 “Nonfarm income” is defined here to include nonagricultural wage or salary employment, nonfarm self-employment income, rental income, and transfers and remittances. Unlike “off-farm income” defined earlier, “nonfarm income” does not include agricultural wage income.
- 10 It is noteworthy that out of 18 female-headed households in Bongololo, 10 were engaged in the brewing and sale of beer.
- 11 *Dimba* refers to the dry-season gardens established in wetlands (called *dambo*) or in streambeds where water is available throughout the year. *Dimba* cultivation

was also practiced in other villages studied, but on a much smaller scale both in number and acreage.

- 12 Readers are reminded that tobacco-producing villages were purposefully selected for this study. Therefore, the prominence of tobacco-production in the study villages should not be taken as equally applicable to other rural areas in Malawi.
- 13 Flue-cured tobacco is cured in brick barns where pipes transmit the heat, while dark-fired tobacco is cured by open fires. Sun-cured tobacco (also called oriental) dries uncovered in the sun, and burley tobacco is cured in the open air under the cover of sheds.
- 14 In Malawi all chemical fertilizers are imported.
- 15 The quota system was later abandoned in favor of full liberalization in 1996/97.
- 16 The IB system became operational on a sizable scale from 1994 (Zeller et al. 1998).
- 17 Koester et al. (2004) point out that the arguments against IBs were not always based on evidence and were raised mainly by those who lost out because of their existence (such as estate growers and the competitors in the marketing chain).