

CASH CROPS CASE STUDIES

Does the World Bank inhibit Smallholder Cash Cropping? The Case of Malawi

Jonathan Kydd

1. Introduction

This article rehearses and then re-assesses arguments about Malawi's agricultural export boom, which gathered momentum at the end of the 1960s and lasted up to 1979. Its defining characteristics were:

- (i) that it was based on the expansion of large farms (estates), in a country where there was already heavy pressure of population on the land;
- (ii) that it involved rapid transfer of labour from small peasant farms to wage employment on estates;
- (iii) that the major commodities involved were two fairly similar crops, flue cured and burley tobacco;
- (iv) that during the course of the boom, the contribution of the smallholder sector to agricultural export earnings fell from about two-thirds to about one-third. (And a continuation of these trends would have implied that, in the medium run, marketed production by smallholders would be limited mainly to food and fibres for the domestic market.)

In early 1970s, this author and Robert Christiansen brought out a number of papers on aspects of the structural transformation which had occurred in Malawi [Kydd and Christiansen 1981a, 1981b, 1982]. These studies were not unsympathetic to some aspects of the government's policies which had encouraged exports (a liberal trade and payments regime and a flexible and competitive real exchange rate), but were critical of a policy syndrome which was biased strongly in favour of large farms. Thus what these papers offered was not a critique of cash crop production *per se*, but of the particular strategy. It was argued that a more benign approach could have been followed, and that the consequences would have been both more efficient and more equitable (although not very equitable). This hypothetical set of policies would, in a number of respects, have been more liberal than those which the government actually pursued, because the government would have abstained from intervention in favour of estates and against smallholder producers of export crops.

2. The Organisation of Agricultural Production

At Independence, Malawi had a strongly bimodal agricultural structure¹ which, while it has undergone some evolution, has retained its basic features to the present. One mode is often referred to as the 'estate' or 'large farm' or 'plantation' sector. The other mode is referred to variously as the 'peasant', 'smallholder' or 'customary land' sector. There are a number of dimensions to the distinction: important among these are the size of holding, land tenure arrangement, degree of commercialisation, ownership and control of resources, crops grown, technology employed and access to markets.

Within the smallholder sector the distribution of land is fairly inequitable, as can be seen from findings of the National Sample Survey of Agriculture (NSSA) for 1980/81, summarised in Table 1. Table 1 shows that average holding sizes were just 1.16 ha (2.9 acres), with a mean population per holding of 4.5 persons.

There is very little government data available about the estate sector in the 1970s. (The only published government statistic on estate land holding is misleading, and often misinterpreted²). An indication of the size was provided by the results of air photo surveys carried out in the mid-1970s, which produced the finding that about 14 per cent of cultivated land was in the estate sector [World Bank 1980:7], but this figure is probably less than the estate sector's share of arable land, because land use on most tobacco estates is much less intensive than in the smallholder sector.³

Some insight into the size of estate units can be gained from the Tobacco Control Commission's 1979 figures

¹ An account of the development of the legal framework governing land holding in Malawi is given in Pachai (1978) especially ch 9, pp174-97, which deals with African Trust Lands.

² The Malawi Statistical Yearbook series contains a table (Table 1.1) which shows the division of land between four categories: leasehold, freehold, public and customary. The former two categories are described as 'private' land and, in the 1979 Yearbook, 'private' land represented just 2.5 per cent of total land, a figure unchanged since Independence. What is not indicated in this table is that private individuals, partnerships and companies can own leases granted on customary land, as is discussed below.

³ In the author's 1980 fieldwork on the new estates, it was observed that as little as 10 per cent of the area leased was planted to crops.

Table 1

The Distribution of Land in the Peasant Sector by Regions, 1980/81

	Percentage of Holdings by Size of Holding (hectares)					
	under 0.5	0.5- 0.99	1.0- 1.49	1.5- 1.99	2.0- 2.99	over 3
All Malawi:	23.5	31.4	19.0	10.7	10.4	5.0
percentage of resident population in each holding category	19.3%	29.3%	19.4%	11.7%	12.7%	7.6%
mean area per resident on holding	0.08	0.21	0.32	0.43	0.56	0.71

Notes:

1. Residents on holdings includes all individuals, irrespective of age, living in the household operating the holding. This excludes most labourers on peasant farms.
2. This survey sampled households *operating* agricultural holdings; thus landless households were excluded from the sample.

Source: Assembled and calculated from *National Sample Survey of Agriculture 1980/81*, Volume I, Tables 1.11 and 1.22. NSO, Zomba 1984.

Table 2

The Structure of the Estate Tobacco Industry: 1979

Number of estates	Acreage of tobacco
209	up to 10
410	11 to 50
180	51 to 100
202	101 to 200
70	201 to 500
6	501 to 1000
3	over 1000
Total number of estates: 1080	

for the area of tobacco for which estates had registered:

3. Intervention and Agricultural Incentives in the 1970s

Government action determined the opportunities available to agricultural producers in various ways. The producer prices of certain crops were taxed or subsidised as were the prices of certain current material inputs and much of the capital investment. Government policies had a major impact on the availability and cost of labour for agriculture, and spending on physical infrastructure and agricultural research, and actions to develop external marketing

links, have also been important in shaping production opportunities. Then there are the well-known general policy measures which may have 'by-products effects' on the internal terms of trade for agricultural producers, e.g. the exchange rate and industrialisation policy. However, perhaps the most fundamental government intervention in agriculture was direct control of aspects of agricultural production and marketing, exercised through 'special crops' legislation and powers granted to the marketing boards. This array of controls, inherited from colonial ordinances, allowed the Ministry of Agriculture to determine who should be allowed to grow certain crops and the discretion to grant marketing monopolies in specified crops to state organisations or to private bodies.

Controls on Tobacco Production

Discrimination between types of producer was manifested in the enforcement of a division of labour between estates and peasants. Within the tobacco industry, the two varieties for which world market conditions were propitious for expansion, flue cured and burley, have long been reserved for estates. Another feature was the reservation of cotton, at an earlier stage of Malawi's history an estate crop, as a peasant crop. The geographical structuring of opportunities for peasants was enforced by positive steps to inhibit production outside specified areas by preventing ADMARC from purchasing the crop, and ensuring that alternative marketing channels were not available.

A number of pressures led to the introduction and continued enforcement of these controls. A paper by McCracken [1983] on the early years of the peasant 'dark fired' tobacco industry shows that legislation was introduced in the 1920s, in response to representation by estate companies, seeking protection against competition from peasant producers, which was not only for production resources but also for access to a small and controlled export market. (As remains the case today, demand was inelastic, as Nyasaland was a major producer and thus increased production by peasant farmers reduced the price received by estates.) The government did not meet the demands of the estates fully, as it had wider concerns. The compromise which was adopted ensured that, in times of weak export demand, the contraction in production necessary to stabilise export prices would be mainly at the expense of peasant growers.

With the regrowth of estates in the 1970s, they were able to exercise an influence on government at least as powerful as that wrought by the European planters at the heyday of their influence on the colonial government. As early as 1952, as burley tobacco began to become a significant export crop, customary land growers were excluded from cultivating it except as 'visiting tenants' on privately owned estates. At times during the 1960s and 1970s there was some discussion within the Ministry of Agriculture as to whether burley could be reintroduced to customary land growers. The Ministry's senior agriculturalists were always opposed to this on technical grounds, as were the representatives of the estates.

Social scientists encounter difficulties in assessing the validity of 'technical' arguments made by agriculturalists when the arguments have important economic implications. In this case, the difficulty is compounded by the lack of accessible research by government experts to verify the alleged incompetence of peasants in the cultivation of the crops reserved for estates. While not discounting technical problems faced by peasant producers,⁴ the economic interests of estate companies are grounds for suspecting that the technical problems may have been exaggerated or presented in a partial manner (i.e. ignoring similar problems in estate production).⁵ The parallels with the Kenyan tea industry, which exhibited remarkable growth after restrictions on peasant production (which had been partly justified in technical terms) were lifted, also contribute to this suspicion [Smith, Heyer and Waweru in Heyer, Maitha and Senga (eds) 1976].

⁴ E.g. communication of rapidly changing market requirements in tobacco, observance of hygiene regulations, and maintenance of soil quality while using high levels of fertiliser.

⁵ In the author's fieldwork on estate tobacco, it was found that estate tobacco growers were notably less careful than peasant growers in the observation of hygiene regulations.

Controls on Other Export Crops

Because of the dominance of tobacco in the economy (during the 1970s tobacco's share of total export earnings fluctuated around an average of about 42 per cent), the larger part of the story of government control of export crops has already been told. Tea falls outside the analysis of control of peasant crops: at Independence there was no smallholder tea production. Options for the development of smallholder tea production were constrained by the limited extent of suitable high rainfall land, and by the fact that much of it was already occupied by tea estates. If smallholders were to be introduced to tea production, it would either have to be through a takeover and sub-division of estates, or through development of tea gardens in 'customary land' zones contiguous to the estate zones. The latter option was chosen, and the Smallholder Tea Authority (STA), which was created to organise extension, credit and the collection and processing of leaf had very limited success. This can be partially attributed to weaknesses in the STA management model (analysed by Spooner in this *Bulletin*), but also to the problem that much of the land which it was hoped that smallholders would plant to tea was fairly marginal for the crop.

After Independence, the rural development and industrialisation strategy involved investments in distribution, processing and manufacturing capacity of agricultural commodities. This created a further set of interests which, at times, sought protection through direct controls on peasant production. An example of this is the attempts by ADMARC and David Whitehead Ltd (the government/Lonrho owned local textile manufacturer) to limit opportunities for cotton growers in the drier and lower altitude areas of the country to switch out of cotton in favour of guar.

Guar was introduced in the later 1970s after an approach to the government by a multinational company, which was dominant in world trade in guar, a commodity in increasing demand. The government agreed to the introduction of guar to Nsanje, the most arid and, probably, the poorest district. Drought resistance, ease of cultivation and an attractive price for guar made it appear as something of a breakthrough in Nsanje. Subsequently the purchaser requested expansion of the area designated for guar, indicating continuing strong demand and offering to wholly finance processing factories. The government declined and in 1981 it reduced the producer price of guar, despite firm export prices. Nevertheless, in 1981, large numbers of peasants flouted the regulations by growing guar up to 40 miles outside the designated area, despite marketing difficulties and the possibility of prosecution.

The issue for ADMARC/David Whitehead was that

prices for cotton had become so unattractive that Malawi was moving into the position of being a net importer of raw cotton. ADMARC management found it difficult to correct this development by increasing real producer prices. Not only was ADMARC under pressure to generate high surpluses on export crop trading, but also David Whitehead lobbied to continue to be allowed to purchase cotton at well below export parity prices. Cheap raw materials probably had been a factor in Whitehead's excellent output growth, based initially on sales in the domestic market and, in recent years, on textile exports to the EEC (amounting by the early 1980s to three to four per cent of total exports).

In summary, the geographical and 'social' distribution of the production of export crops has been subject to direct bureaucratic control for the past five decades. Although the machinery of control was developed largely to protect estate agriculture, in the 1970s it also became responsive to the interests of state owned agricultural marketing and processing organisations. Direct controls have been the source of a major distortion (in the terminology of welfare economics) and have inhibited peasant farmers from responding adequately to world price relativities.

In comparison to peasant export production, the rest of the agricultural economy was subject to distinctly less government intervention. Estates were free to make whatever marketing arrangements they wished, subject only to the conditions that all tobacco must be sold at local auctions (at which foreign and locally based buying companies are present). The government intervened in the market for staple foods, but ADMARC did not seek to establish an absolute monopoly.

4. Taxation and Subsidisation of Peasant Production

Figure 1 presents a summary financial analysis of ADMARC's export crop operations over the nine seasons 1971/72 to 1979/80. It graphs three indicators of export crop operations; first, nominal sales value (NSV); second, marketing costs as a proportion of nominal sales value (MC/NSV); third, producer prices as a proportion of producer export parity prices (PP/PEPP).⁶ The graph of PP/PEPP shows that

⁶ The calculation of (PP/PEPP) is explained in the notes to Figure 1. It is a rough indicator of the relationship between the price actually paid to purchasers and the price which ADMARC would have paid to producers if it had the sole objective of recovering its marketing costs (i.e. of realising a zero surplus/deficit) and had therefore paid peasant producers the full value of their export receipts less only marketing costs. It is an approximate indicator because it is based on partial equilibrium assumptions, in particular that unit marketing costs are invariate with volume. The PP/PEPP concept employed here ignores the fact that changes in PP will affect the volume sold to ADMARC, which will in turn affect marketing costs per unit. Marketing costs are a term in the calculation of PEPP.

producer prices relative to export parity prices followed a declining trend from the early 1970s through to 1977/78. In the early 1970s peasant export crop producers were receiving about 60 per cent of export parity prices but, by 1977/78, the share of value left to producers decreased, with producers receiving as low as 40 per cent of export parity prices in 1977/78. Poor export prices for peasant tobacco varieties in 1978/79 meant that, in this season, farmers received about 95 per cent of export parity prices, but, by the following season, this had fallen to under 70 per cent.

Examination of ADMARC's accounts over 1971 to 1980 show that, since 1974/75, there were cross-subsidies from export crop trading to maize trading. But, reckoned at 1980 prices, these subsidies amounted to only 11 per cent of the total implicit tax on peasant produced tobacco, cotton and groundnuts over the same period.

5. Production Changes

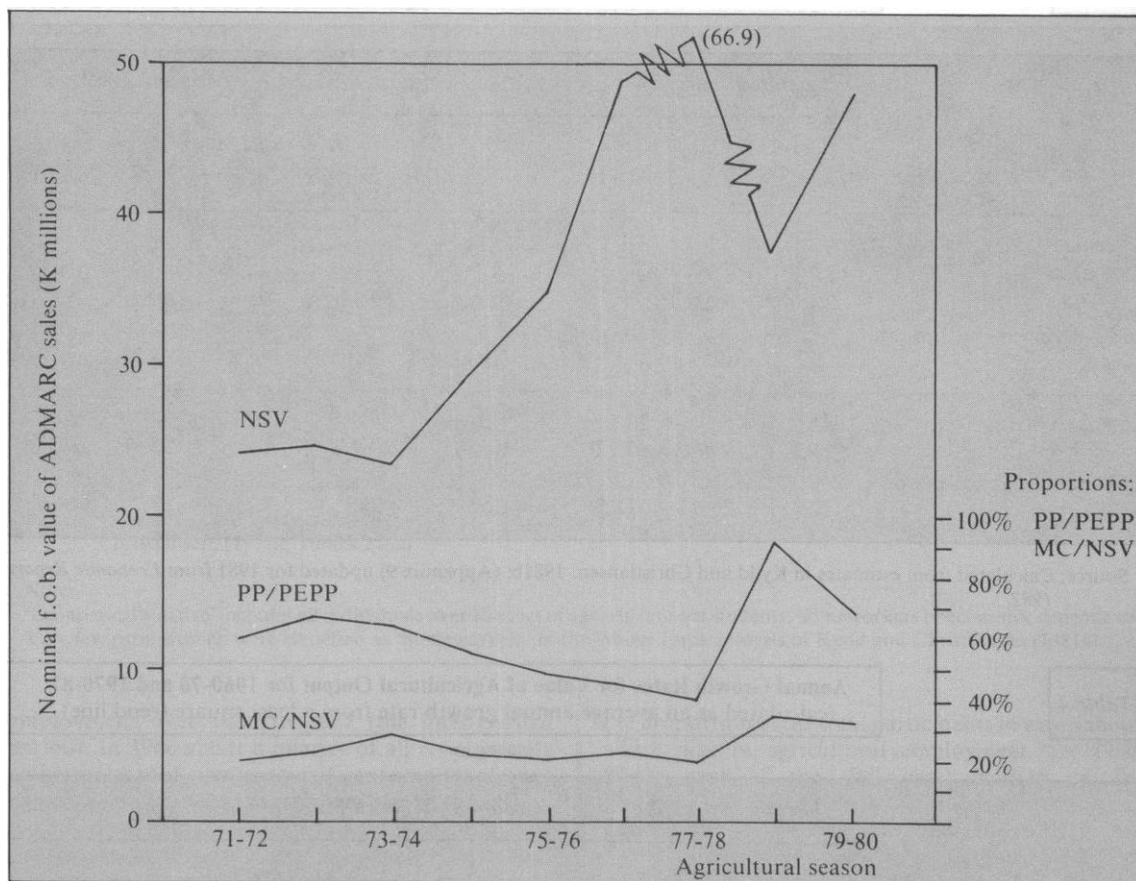
The outstanding feature of Malawian agriculture in the 1970s was the extraordinary boom in estate tobacco. This was backed up by the successful development of an export based sugar industry and steady, if slower, growth in estate tea output. In contrast, in aggregate, peasant agriculture presents a picture of near stagnation in the 1970s. Within the peasant sector, the main change was an alteration of the production mix away from export cash crops towards the production of maize for domestic consumption. This latter development was manifested in strong growth in the volume of maize purchased by ADMARC, although privately marketed production probably grew less rapidly.

Table 3 and 4 show growth rates for the volume and value of production of the three major estate crops, tobacco, tea and sugar. They also show ADMARC purchases of the four major peasant export crops plus maize. ADMARC purchases of tobacco and cotton can be treated as equivalent to production. The same cannot be said of groundnuts, rice and maize, for which much production was disposed of in subsistence consumption or through private marketing channels. Remarkable increases in both tobacco volume and value can be seen. For example, estate tobacco volume grew at 16 per cent per annum over the 12 years 1970 to 1981 to become Malawi's single largest export crop.

Turning to peasant crops handled by ADMARC, the figures are less impressive. The volume of tobacco production declined over the 1960s, as a result of government intervention to reduce production in what was a mature industry facing inelastic international demand. It recovered slowly in the 1970s, the average production level for 1970 to 1981 being 28 per cent above that for 1960 to 1969. Cotton volume grew satisfactorily in the 1960s, at near four per cent, but

Figure 1

Financial Analysis of ADMARC's Export Crop Operations, 1971-72 to 1979-80



Notes:

1. Export crops are tobacco, cotton, groundnuts and rice. Some minor ADMARC exports (e.g. coffee, chillies) are excluded.
2. *Marketing costs* (MC) are ADMARC estimates of its buying and selling costs plus allocated administrative overheads.
3. *Producer export parity prices* (PEPP) are calculated as *Nominal sales value* (NSV) less marketing costs. As long as *Producer prices* (PP) as a proportion of *Producer export parity prices* (PP/PEPP) is less than 100%, then ADMARC is realising a net profit on export crop operations.

Source: Calculated from ADMARC Crop Accounts, 1971-72 to 1979-80.

then grew very slowly in the 1970s. ADMARC purchases of groundnuts grew strongly in the 1960s, but volumes declined seriously in the 1970s. Although there were other channels for the disposal of groundnuts, these trends for ADMARC purchases probably reflect fairly closely trends in production of the higher value export grades of groundnuts.

The growth rate of ADMARC maize purchases was

very high, and there is strong evidence to suggest that these trends do not correspond to trends in total production or in total marketed volume.

6. Changes in the Structure of Employment

Table 5 summarises Kydd and Christiansen's findings for changes in labour force participation in wage

Table 3

Annual Growth Rates for Volume of Agricultural Output for 1960-70 and 1970-81
 (calculated as an average annual growth rate from a least squares trend line)

Period	Estate Production			Marketing Board Purchases of Peasant Production				
	Growth rates for:			Growth rates for:				
	Tobacco	Tea	Sugar	Tobacco	Groundnuts	Cotton	Rice	Maize
1960-69 (<i>r</i> ²)	11.2% (0.86)	3.7% (0.63)	..	-3.3% (0.10)	6.5% (0.27)	3.6% (0.15)	-4.0% (0.07)	21.1% (0.67)
Mean volume for period (M.kg)	3.9	14.1	..	12.4	28.6	4.3	5.2	37.6
1970-81 (<i>r</i> ²)	16.3% (0.93)	5.6% (0.89)	23.5% (0.92)	1.6% (0.04)	-4.6% (0.32)	0.7% (0.05)	2.5% (0.09)	15.3% (0.71)
Mean volume for period (M.kg)	23.5	26.0	71.5	15.9	28.5	7.0	19.7	64.7

Source: Calculated from estimates in Kydd and Christiansen, 1981b, (Appendix 9) updated for 1981 from *Economic Report 1982*.

Table 4

Annual Growth Rates for Value of Agricultural Output for 1960-70 and 1970-81
 (calculated as an average annual growth rate from a least square trend line)

Period	Estate Production			Marketing Board Purchases of Peasant Production				
	Growth rates for:			Growth rates for:				
	Tobacco	Tea	Sugar	Tobacco	Groundnuts	Cotton	Rice	Maize
1960-69 (<i>r</i> ²)	20.5% (0.69)	2.1% (0.24)	..	-0.5% (0.00)	10.2% (0.46)	3.1% (0.11)	7.2% (0.10)	..
Mean value for period (K million)	2.1	8.3	..	4.3	4.1	2.0	0.5	..
1970-81 (<i>r</i> ²)	37.6% (0.93)	11.7% (0.67)	18.0% (0.77)	12.4% (0.35)	10.5% (0.62)	18.0% (0.90)	9.8% (0.55)	33.8% (0.82)
Mean value for period (M million)	29.2	22.8	22.2	16.9	9.9	8.9	4.8	4.2

Source: Calculated from production estimates in Kydd and Christiansen 1981b, (Appendix 9) updated for 1981 from *Economic Report 1982*.

Table 5

Wage and Salaried Employment by Sex and Duration of Employment, 1966 and 1977

Wage employment status	1966			1977			Percentage annual growth rates for wage and salaried employment		
	Percentage of total economically active			Percentage of total economically active			Males	Females	Both sexes
	Males	Females	Both sexes	Males	Females	Both sexes			
Full-year (10-12 months)	13.0	0.9	6.2	31.1	2.5	14.5	10.5	12.5	10.7
Part-year (1-9 months)	11.0	0.8	5.3	21.5	5.5	12.5	9.0	22.2	10.8
Total full- and part-year	24.0	1.7	11.5	50.1	7.9	27.0	9.8	17.8	10.8

Source: Calculated from *Malawi Population Census 1966, Final Report* (Tables 21 and 22) and estimates by Kydd and Christiansen, (1971a, Tables 2 and 3).

Note:

'Economically active' includes all individuals over 10 years of age who are not students, homeworkers or economic dependents. Very few rural women were classified as 'homeworkers' in the labour force analysis of Kydd and Christiansen (1981a).

employment over 1966 to 1977 (the inter-censal period). In 1966 about a quarter of all economically active males took part in a significant amount of wage employment, i.e. over a month per year. Of this group, slightly over half (13 per cent of total economically active) were in full year wage employment. Only about two per cent of economically active women were in wage employment. By 1977, the proportion of economically active males in full year employment had risen to 31 per cent, and adding part-year employment, it was estimated that about half of all economically active males participated in wage employment. Female wage employment grew faster than male wage employment, but this was from a very small base and, by 1977, about eight per cent of economically active women participated in some full year or part year wage employment.

It is not possible to provide a precise sectoral breakdown of the new wage employment, because the available evidence (NSO employment surveys) has been shown to have inadequate coverage and a bias towards larger scale establishments.⁷ However, the figures based on these surveys, reported in Kydd and Christiansen (1983), suggest that over 1968 to 1980, the numbers taking up agricultural wage employment were sufficient to bring about a continuing increase in

the proportion of the total participants in wage labour which was in agricultural employment. By 1980, 51 per cent of the 'full year' workers in the government's employment sample survey were in agriculture. It is likely that a substantially higher proportion of the 'part year' labour force was employed in agriculture. These findings make it possible to think of the transformation which occurred in the structure of employment as primarily a movement out of self employment in peasant agriculture to wage employment on estates.

The Reduction in International Migration

The available evidence on the return of migrants from abroad and about the response of the labour market within Malawi, has been considered elsewhere [Christiansen and Kydd 1983] the conclusion was that the reduction in international migration was important in assisting the rapidly expanding estate sector to obtain labour, at real wage levels which exhibited a sharply declining trend over the 1970s. Further, evidence suggests strongly that the Malawi government's main intervention in international migration, the banning in 1974 of recruitment of miners, was specifically aimed at improving the supply of labour to the estate sector.

⁷ See the comparison of Census and NSO wage employment data cited in Kydd and Christiansen (1981b, Ch 2).

7. The Transfer of Labour from Peasant Agriculture to the Estates: Reappraising the Arguments

Kydd and Christiansen (1982) offered an explanation of the rapid loss of labour from the peasant sector to the estates. A number of factors were noted as having determined the changes which occurred in the structure of employment: increasing land pressure in the peasant sector, the failure of the 'integrated rural development' programme to make much headway, the exceptionally rapid growth in the labour force brought about by the reduction in international migration, the government's general policy bias towards estates (in land, credit and crop licensing policy) and finally, the pricing and investment policy of ADMARC. The argument focused on two aspects of ADMARC's operations, crop pricing and investments. These were closely linked, because ADMARC's ability to make investments depended mainly on its ability to generate financial surpluses from crop trading.

Also central to the case was the argument that, in the 1970s, peasant agriculture was generally in a depressed state, for which three types of evidence were adduced. First was the fact that such large numbers of workers had left the peasant sector for estate work, in the face of a pronounced erosion in real wage levels in the receiving sector. Second was the evidence (independent of marketing data), of slow output growth in the peasant sector. Third was a calculation of the real value of ADMARC purchases per worker in the peasant sector from 1964 to 1980, which showed a small negative growth rate of 0.2 per cent per annum over the 17 agricultural seasons [Kydd and Christiansen 1982:370].⁸

Could a More Benign Export Boom have been Possible?

ADMARC's taxation of peasant produced export crops was identified as the major avoidable determinant of this depression in peasant agriculture. It was argued that higher prices for peasant producers would have sustained their agriculture in a number of

ways. Higher profitability in export crop production would have attracted more labour into this activity, as self employment and as wage employment. Enhanced profitability would also have stimulated technical progress and capital investment in export crop production. (A number of inputs were available from ADMARC and the extension service, e.g. fertiliser and pesticides, which would have been taken up in much larger quantities once higher prices had raised peasant farmers's confidence and their ability to bear risk.) Higher export crop prices would have brought about technical progress in food crop production, mainly because higher earnings from export crops would have eased the most immediate constraint on technical change, which was the inability of the majority of peasant households to purchase adequate quantities of fertiliser. The higher volume of produce sold to ADMARC, brought about by improved prices, could have allowed the realisation of economies of scale in the ADMARC distribution system.

8. Recasting the Argument

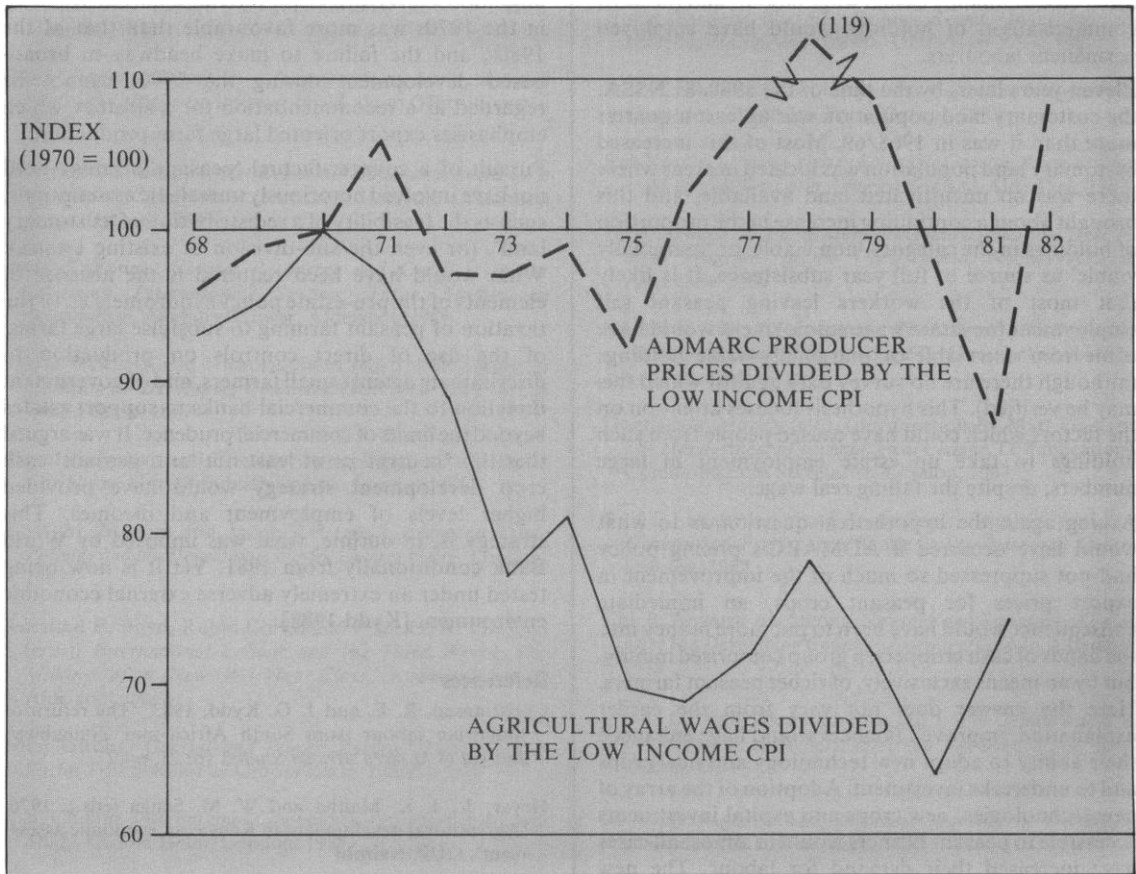
The original argument placed excessive emphasis on ADMARC's role in financing the estates, downplaying the role of the banking system. As a rough gauge of the relative importance of ADMARC's contribution, it is possible to compare estimates of the value of ADMARC funds invested in estates with those of the commercial banks. It can be calculated from Kydd and Christiansen [1982:368], that, in 1978, the nominal value of ADMARC's cumulative direct investment in estates was 36 mn kwacha at current prices. In the same year, the cumulative value of advances by the commercial banks of capital and seasonal funds to estates was 54 mn kwacha, amounting to 50 mn increase in advances to estates since 1972. When ADMARC's indirect contribution to estate development (i.e. ADMARC's investment in the financial sector) is brought into the picture, then it emerges that, up to 1978, it made a contribution to the financing of estate development not much smaller than that of the commercial banks.

A second weakness in the original argument is shown by data in Figure 2, which offers evidence which was not examined explicitly in Kydd and Christiansen (1982), i.e. of indices of agricultural wages and of ADMARC producer prices, expressed in real terms. The impression conveyed is that, over the period, the real producer prices facing peasant farmers fluctuated considerably, but showed no long term downward or upward trend. In contrast, the real value of estate wages deteriorated considerably, and, at the end of the 1970s, those were about a third lower than at the beginning of the decade. This evidence presents a challenge to an explanation of labour transfer which specifies poor producer prices as the prime cause of the rapid loss of labour from peasant agriculture to the estates. Such an

⁸ This calculation probably conveys an excessively rosy picture, for two reasons. First, ADMARC had been able to capture an increasingly higher proportion of the maize surplus over the 1970s. Thus, for maize, the increase in the value of ADMARC payouts to farmers, reflected in the overall calculation, was to some extent offset by a decline, relative or absolute, in payouts to farmers for maize by the private marketing system. Second, it did not take into account trends in the price of purchased material inputs (e.g. fertiliser and pesticides), because the use of these had only become important in the latter 10 years of the period (1964-80). From 1974 onwards, prices of fertiliser and pesticides had risen noticeably faster than ADMARC output prices. If it had been possible to incorporate input prices in the calculation of the real value of ADMARC purchases per worker, the effect would have been to reduce estimated real income for the latter half of the period.

Figure 2

Indices of Agricultural Wages and of ADMARC Producer Prices in Real Terms (1970 = 100)



Notes and Sources

1. *Agricultural wages.* This index has been calculated from figures for average monthly earnings in *Economic Report 1972*, Table 8.2; *Economic Reports 1975, 1976 and 1977*, Table 9.2; *Economic Report 1982*.
2. *Consumer prices.* In the absence of a rural consumer price index the Blantyre low income index has been used. From: *Statistical Yearbook, 1976* and *Monthly Statistical Bulletin, December 1982*.
3. *ADMARC Producer Prices.* This index was calculated by the author as a current value weighted index of actual prices paid by ADMARC for the five major crops of maize, tobacco, cotton, groundnuts and rice.

explanation implies that the incentives for peasant cash croppers would have deteriorated faster than estate wages. What requires to be incorporated in the explanation is further consideration of the effects of increasing land scarcity which, because of unequal land distribution, will have had a differential impact on peasant households. The 1968/70 NSSA found that about a quarter of the 'customary land' population were living on holdings of under two acres, and such households had an average of about one-third of an acre per person. Given the yields generally experienced, (the NSSA found a mean yield for the entire smallholder sector of 910lbs/acre or 1020 kgs/ha,

these holdings cannot have been able to furnish households with much more than half of their annual food requirements. The next category of holdings in the 1968/69 NSSA, the two to four acre group, contained about one-third of the peasant population, with an average of about two-thirds of an acre per person. In terms of their ability to provide families with their staple food needs, these holdings would have been near the margin of viability, and would have been unlikely to have been the source of much cash crop production. It is the 45 per cent of the peasant population who were living in holdings larger than four acres who would have tended to be in a position

to allocate substantial resources to the production of crops for sale. Some of these holdings would have hired labour, mainly casual wage labour, and the most commercialised of holdings would have employed permanent labourers.

Eleven years later, by the time of the 1980/81 NSSA, the customary land population was at least a quarter more than it was in 1968/69. Most of this increased customary land population was located in areas where there was no uncultivated land available, and this brought about a continuing increase in the proportion of holdings in the category 'non viable' or 'marginally viable' as source of full year subsistence. It is likely that most of the workers leaving peasant self employment for estate wage employment would have come from 'non viable' or 'marginally viable' holdings (although there are no survey data against which this may be verified). This hypothesis focuses attention on the factors which could have caused people from such holdings to take up estate employment in large numbers, despite the falling real wage.

Asking again the hypothetical question as to what would have occurred if ADMARC's pricing policy had not suppressed so much of the improvement in export prices for peasant crops, an immediate consequence would have been to put more money into the hands of cash croppers, a group comprised mainly, but by no means exclusively, of richer peasant farmers. Here the answer does not vary from the earlier explanation, improved finances would have enhanced their ability to adopt new technology and new crops and to undertake investment. Adoption of the array of new technologies, new crops and capital investments accessible to peasant farmers would in almost all cases have increased their demand for labour. The new crops which their improved incomes would have permitted peasants to take on would, generally, have been more labour intensive than those they replaced, e.g. tobacco instead of maize, modern varieties of maize with higher fertiliser inputs versus local maize and low fertiliser use. The resulting increase in demand for labour (both wage and self employment) in customary land areas would have acted as a brake on the exodus of labour from peasant agriculture. The reduced availability of labour to estates would have caused estate wages to be higher.

9. Conclusions

This article compared what actually happened with arguments about what might have happened, and thus there must be a degree of caution in drawing conclusions. It has been shown that over the 1970s Malawi exhibited rapid GNP growth, led by cash crop production on large farms. Yet, the agriculturally-derived incomes of most rural Malawians either stagnated or declined. To some extent, this depressing picture can be explained in terms of adverse

underlying circumstances, i.e. falling land-person ratios and the sharp decline in international migration. Nevertheless, the international environment in the 1970s was more favourable than that of the 1980s, and the failure to make headway in broad-based development during the 1970s cannot be regarded as a recommendation for a strategy which emphasises export oriented large farm production.

Pursuit of a counter-factual 'peasant' strategy need not have involved notoriously unrealistic assumptions, such as the feasibility of a redistribution of 'customary land', (or even the sub-division of existing estates). What would have been required is the absence of elements of the pro-estate policy syndrome: i.e., of the taxation of peasant farming to subsidise large farms, of the use of direct controls on production to discriminate against small farmers, and of government direction to the commercial banks to support estates beyond the limits of commercial prudence. It was argued that this 'neutral' or at least not 'anti-peasant' cash crop development strategy would have provided higher levels of employment and incomes. This strategy is, in outline, what was imposed by World Bank conditionally from 1981. Yet it is now being tested under an extremely adverse external economic environment [Kydd 1988].

References

- Christiansen, R. E. and J. G. Kydd, 1983, 'The return of Malawian labour from South Africa and Zimbabwe', *Journal of Modern African Studies* vol 21, no 2
- Heyer, J., J. K. Maitha and W. M. Senga (eds.), 1976, 'Agricultural development in Kenya: an economic assessment', OUP, Nairobi
- Kydd, J. G., 1988, 'Policy reform and adjustment in an economy under siege: Malawi 1980-86' *IDS Bulletin* vol 19 no 1 pp 31-41
- and R. E. Christiansen, 1981a, 'The distribution of income in Malawi in 1977', *Working Paper* No 1, Centre for Social Research, Income Distribution Project, University of Malawi
- 1981b, 'Structural change and trends in equity in the Malawian economy, 1964-80' *Working Paper* No 2, Centre for Social Research, Income Distribution Project, University of Malawi
- 1982, 'Structural change in Malawi since Independence: consequences of a development strategy based on large scale agriculture' *World Development*, vol 10 no 5
- McCracken, K. J., 1983, 'Planters, peasants and the colonial state: the impact of the Native Tobacco Board in the Central Province of Malawi' *Journal of Southern African Studies*, vol 9 no 2
- Pachai, B., 1978, *Land and politics in Malawi, 1875-1975*, The Limestone Press, Halifax (Canada)
- World Bank, 1980, 'Malawi; basic economic report: appendix on Key Issues in Agricultural Development'

Books Received

- World Labour Report 1-2*, International Labour Office, Geneva, 1987
- World Labour Report 3 – Incomes from work: between equity and efficiency*, International Labour Office, Geneva, 1987
- Quintin V. S. Bach, *Soviet Economic Assistance to the Less Developed Countries: A Statistical Analysis*, Clarendon Press, Oxford, 1987
- Jyrki Kakonen, *Natural Resources and Conflicts in the Changing International System: Three Studies on Imperialism*, Avebury/Gower, Aldershot, 1988
- David Newbery and Nicholas Stern (eds.), *The Theory of Taxation for Developing Countries*, OUP New York for the World Bank, 1987
- David Dabydeen and Brinsley Samaroo (eds.), *India in the Caribbean*, Hansib Publishing Ltd., London, 1987
- L. B. M. Mennes and Jacob Kol (eds.), *European Trade Policies and the Developing World*, Croom Helm, London, 1987
- Rosalind E. Boyd, Robin Cohen and Peter C. W. Gutkind (eds.), *International Labour and the Third World: The Making of a New Working Class*, Avebury/Gower, Aldershot, 1987
- John Girling, *Capital and Power: Political Economy and Social Transformation*, Croom Helm, London, 1987
- B. S. Chimni, *International Commodity Agreements: A Legal Study*, Croom Helm, London, 1987
- Simon Commander, *The State and Agricultural Development in Egypt since 1973*, Ithaca Press, London, 1987
- Hollis Chenery, Sherman Robinson and Moshe Syrquin, *Industrialization and Growth*, OUP, New York, 1987
- D. J. Casley and D. A. Lury, *Data Collection in Developing Countries*, Clarendon Press, Oxford, 1987
- Rob Vos (ed.), *From Crisis to Equitable Growth: A new development agenda for Latin America*, Gower, Aldershot, 1987
- Peter Bowden, *National Monitoring and Evaluation: Development Programs in the Third World*, Avebury/Gower, Aldershot, 1988
- Miguel A. Altieri, *Agroecology: The Scientific Basis of Alternative Agriculture*, Intermediate Technology Publications, London, 1987
- Donnacadh Hurley (ed.), (introduction by Matt Gamsler), *The Management of Technological Change*, IT Publications/Commonwealth Secretariat, London, 1987
- Rolf J. Langhammer and Andre Sapir, *Economic Impact of Generalized Preferences*, Trade Policy Research Centre, London, 1987
- Chi. B. Anyansi-Archibong, *Strategy and Structure of Enterprise in a Developing Country*, Avebury/Gower, Aldershot, 1988
- C. A. O. Van Nieuwenhuijze (ed.), *The Many Faces of Development: A Debate in Seven Lectures*, E. J. Brill, Leiden, 1987
- N. Vijay Jagannathan, *Informal Markets in Developing Countries*, OUP, New York, 1987