APRA
Agricultural Policy Research in Africa

Future Agricultures

APRA Brief

Issue No. 13 January 2019

The Political Economy of Agricultural Commercialisation in Malawi

Key messages

- Agriculture in Malawi is integral to any concerted effort aimed at achieving inclusive growth
- Since independence, agricultural commercialisation processes have largely been shaped by the prevailing configurations of political elites and their underlying interests – including the influence of donors.
- Discussion around agricultural commercialisation in Malawi is heavily influenced by the land question, and competing notions of how food security can be achieved at national and household levels.
- Malawi's political settlement remains a key determinant for the success or failure of agricultural commercialisation.
- Agriculture – especially achieving food security for all – is crucial to electoral victory.

Cover photo: © Credit Neil Palmer and CIAT

Introduction

Malawi is a predominantly agrarian economy. With around 85 percent of the country's population relying on agriculture for their livelihoods, it is estimated that the sector makes up as much as 35 percent of GDP, 80 percent of export earnings, and 70 percent of total rural income. Underpinning both Malawi's industrial and manufacturing sectors, agriculture is integral to any concerted effort aimed at achieving inclusive growth, and therefore lies at the heart of Malawi's political economy.

This brief, which is based on a longer paper[1], examines the evolution and political economy of agricultural commercialisation in Malawi since the 1960s, from both a historical and a contemporary perspective.

After Independence: Malawi under MCP

The Malawi Congress Party (MCP) governed Malawi between July 1964 and May 1994 under the leadership of Dr Kamuzu Banda. After independence, Malawi was one of the poorest countries on the continent, without a viable productive base to spearhead its socio-economic development aspirations.

Without any viable alternative to drive its development agenda, the political elite turned to agriculture. In fact, one of the key priorities was to reform the colonial land tenure, in order to create an environment that would facilitate equitable agricultural development among Malawians. But instead of addressing the inequities and injustices of the colonial era, the postcolonial land policies and practices anchored by the 1967 Land Act simply reinforced them. And, while the land remained substantively customary, the 1967 land reforms facilitated the creation of a land market that allowed for only one-way transferability of land – from the customary to the estate sector, usually with only token compensation.

Furthermore, the 1965–1969 Development Plan designated estate export-oriented agriculture as the surest strategy for achieving rapid and sustainable socio-

1 Chinsinga, B. (2018) The Political Economy of Agricultural Commercialisation in Malawi, APRA Working Paper 17, Future Agricultures Consortium

© Credit Swathi Sridharan and ICRISAT

economic transformation. The commercialisation of smallholder agriculture, which had been prioritised in the previous Development Plan, was abandoned. Access to estate agriculture provided a legitimate means of accumulation among the elites supported by a carefully worked out policy milieu. For instance, while those engaged in estate farming were at liberty to cultivate a variety of crops without limit, those within the smallholder sector were legally prohibited from producing such cash crops as burley tobacco, tea and sugar as a result of the 1972 Special Crops Act.

Smallholder agricultural commercialisation was condemned as unable to generate economic growth, provide for food security, and provide sufficient revenues for essential development investment. President Banda argued that smallholder farmers could not make serious investment in commercial agriculture because of the dominance of the customary land ownership pattern. Furthermore, smallholder farmers lacked the expertise and skills to manage commercial agriculture on a scale sufficient to facilitate the country's socio-economic transformation.

The emphasis on an estate export-oriented agricultural strategy was further reinforced in the 1971–1980 and 1986–1996 Statement of Development Policies. Government policy facilitated the rapid expansion of estate agriculture through: acquisition of customary land; implicit taxation of smallholder agriculture through the smallholder pricing policy; and control of the commercial banks and Agricultural Development and Marketing Corporation (ADMARC). Through this institutional framework, President Banda's one-party regime developed policies that could be used to buy off potential opposition elements, and prop up and consolidate his political power.

Multi-party democracy

Following relentless donor and domestic political pressure, in response to the MCP's repressive regime, multi-party democracy was reinstated in May 1994 with the United Democratic Front (UDF) government. This democratic transition was associated with a dramatic change in the configuration of the political elite. While the one-party political elites were predominantly agriculture-oriented, the elites that replaced them in 1994 were primarily interested in business as their primary source of accumulation. These changes led to a decline in estate agriculture and the rise of subsidies to deal with food insecurity, caused by a combination of natural causes and the devastating impacts of structural adjustment programmes (SAPs).

The transition to a democracy opened considerable space for civil society organisations (CSOs) and independent media – this in addition to the state-controlled broadcasters, who were the only source of information during the one-party era. The political liberalisation further created space for donor influence in the policymaking processes. However, the opening up of the political space to CSOs has not greatly altered the key underlying features of the country's political settlement. CSOs that are determined to engage the government in constructive policy dialogue and debate are frustrated by the enduring culture of bureaucratic secrecy. This is further exacerbated by the fact that the government has developed the reputation of dealing almost exclusively with friendly, predictable civil society groups.

The absence of functioning local governments in Malawi also meant that political decisions could not be meaningfully made by the majority, thereby limiting the participation of ordinary Malawians in the democratic governance and development processes. When the tenure of local governments constituted in November 2000 expired in May 2005, the local government elections were continuously postponed until the May 2014 tripartite elections, which meant that, for nine consecutive years, the country was governed without democratically elected local governments.

However, the apparent failure to institutionalise local government has not greatly affected the implementation of the agricultural commercialisation agenda. Neither is this failure driven by any agricultural considerations or indeed land issues, which lie at the heart of the country's agricultural political economy.

Different phases of agricultural commercialisation

Since independence, three phases of agricultural commercialisation can be identified: (1) the estate–smallholder agriculture phase (1964–1994); (2) the failed smallholder commercialisation phase (1994–2009); and (3) the large-scale agriculture promotion phase (2009–present). These phases are not entirely distinct, but are distinguishable from each other through the relative significance of politics in implementing a set of distinctive ideas about commercialisation. (Note: estate and large-scale agriculture are essentially the same in structure and functioning; the difference lies in a change in usage over time, with 'large-scale' generally being the accepted contemporary usage.)

Estate agriculture (1964-1994)

As already stated, government policy under MCP facilitated the rapid expansion of estate agriculture. The dominance of Malawian ownership of estates within the 5–100 ha category can be attributed to the developments that took place in the 1980s and early 1990s, when the government simplified the processes of leasing land and lowered the threshold for the size of an estate.

The implementation of the estate export-oriented agricultural development strategy produced clear winners and losers. While President Banda and his elites were winners, as the strategy allowed him to accumulate massive wealth and consolidate his political power, and allowed loyal elites to accumulate wealth, the smallholder farmers were big losers even though support was directed to them, to guarantee self-reliance in the context of a growing population and urbanisation. Major investments were actually made in marketing and storage infrastructure in customary land, but these efforts were undermined by the high maize prices that heavily damaged the welfare of people living in poverty. They could not enjoy the benefits of their investment in agriculture, nor the full extent of the support provided, as they were not allowed to grow certain crops and could only sell their produce through ADMARC at predatory prices. National self-sufficiency in maize was very much a political strategy to ensure that smallholders continued producing low revenue-generating crops, while elites continued dominating the high revenue-generating export sector, largely through burley tobacco.

Estate agriculture continued to be an important driver of agricultural commercialisation but was somewhat tempered by the IMF and World Bank's demand for the Malawi government to embrace SAPs as a means to revitalise the agricultural sector and kick-start smallholder-driven agricultural commercialisation. However, Dr Banda resisted the liberalisation of the agricultural sector, particularly in relation to maize marketing, given its salient position in Malawi's overall commitment to the national food self-sufficiency position. But, as a result, the country suffered tremendous productivity losses.

Failed smallholder commercialisation phase (1994-2009)

As an integral part of the World Bank's effort to promote smallholder-driven agricultural commercialisation as a viable rural development strategy, the 1990 Agricultural Sector Credit included a policy proposal to open up the cultivation of burley tobacco to smallholder farmers.

The World Bank's position was rooted in the theory that the liberalisation of high-value cash crops among smallholder farmers accelerates agricultural commercialisation and fosters rural development. Cash crop liberalisation thus allows households to increase their incomes by producing that which provides the highest return to their productive resources, and they use the cash to buy consumption goods.

However, the liberalisation of tobacco cultivation, coupled with the removal of fertiliser and seed subsidies, promoted the displacement of maize by tobacco, which culminated in chronic food insecurity. Tobacco liberalisation further failed to live up to its promise as the engine of growth for the rural economy because of worsening land ownership patterns. The annexation of land from the customary to the estate sector under the auspices of the 1967 Land Act left the majority of smallholder farmers with very small landholdings, which limited the adoption of burley cultivation, and was exacerbated by rapid population increase.

Excessive land fragmentation also had significant implications for the adoption of new agricultural technology. So while smallholder farmers now produce more than three-quarters of Malawi's burley tobacco, the income from burley tobacco did not allow smallholder farmers to invest in seed and fertiliser technology to boost food security, and because of the collapse of tobacco prices, the anticipated multiplier effects from the liberalisation of the cultivation of burley tobacco (such as increased demand for farm labour, rural goods and services) were realised only to a very limited extent.

Falling tobacco prices, displacement of maize by tobacco, inefficient combination of maize and tobacco and the removal of input subsidies combined to create and entrench structural food insecurity. This led the government to reinstate subsidies, initially through the Starter Pack (SP) and Targeted Input Programme (TIP).

© Credit Ollivier Girard and EIFs

The SP provided small packs of maize seed and fertilizer: a 2.5 kg bag of hybrid seed and bags of the recommended quantity and type of fertiliser, as well as a 1–2 kg bag of complementary nitrogen-fixing legume. It was estimated that this input package given to all 1.8 million smallholder farmers would generate an extra 10 kg of maize on a 0.1 ha of fertilised hybrid maize.

Donor engagement with the government on the cost-effectiveness of the SP led to its graduation into the Targeted Input Programme (TIP) from the 2001/02 growing season with the substitution of hybrid with Open Pollinated Variety (OPV) maize. The justification was that farmers would be able to recycle OPV seed for three consecutive growing seasons without losing the yield vigour. The government's position, articulated in the Malawi Poverty Reduction Strategy Paper, resonated very well with the Green Revolution route to progressively achieve smallholder agricultural commercialisation, as growth in smallholder farmer incomes would be achieved by increasing maize productivity. However, the political elites strategically resisted the liberalisation of the marketing of maize and, through the subsidies, the government was able to appease the masses by guaranteeing the availability and affordability of maize.

Large-scale agriculture promotion phase (2009-present)

Fertiliser Input Subsidy Programme (FISP)

Since 2005, there has been a progressive increase in the financial allocation to the agricultural sector following the implementation of the FISP. This is line with the Comprehensive Africa Agriculture Development Programme (CAADP) of allocating at least 10 percent of the annual budget to the agricultural sector in order to achieve the minimum annual growth rate of 6 percent so as to positively impact poverty reduction efforts). The FISP is essentially the same as the SP, but provides farmers with a larger quantity of inputs: two 50 kg portions of fertiliser, 5 kg of hybrid maize seed and 2 kg of legume seed.

However, while the FISP has been quite critical in dealing with Malawi's food security crisis, it has been at the centre of rent-seeking and patronage activities, which has been manifested through the award of contracts for the procurement and transportation of inputs. Political elites have also exploited donor approaches that are often characterised by short-termism, competitiveness, and personality politics.

© Credit Ollivier Girard and EIF

Malawi Economic Growth Strategy (MEGs)

The initial design of the FISP mirrored the underlying intent of the MEGS, which espoused the return to large-scale agriculture as the only feasible way to spearhead sustainable agricultural commercialisation.

The emphasis on large-scale agriculture in the MEGS led to a detailed analysis of the performance constraints and strategies of the tobacco, tea and sugar sectors as a first step towards revitalising agricultural productivity in the country. It also proposed venturing into export production beyond the traditional crops to include cotton, cassava, pigeon peas, groundnuts, beans, rice, dairy products and soya.

All of Malawi's major policy documents since the MEGS have consistently emphasised large-scale agriculture as a practical, viable pathway for agricultural commercialisation through contract farming or out-grower schemes, targeting both traditional and non-traditional export commodities. This included the Green Belt Initiative (GBI) (2010), which emphasised the promotion and enhancement of agricultural commercialisation through contract farming and out-grower schemes and improved cooperation between value chain stakeholders. However, the success of the GBI to increase wealth creation through increased agricultural production and productivity, enterprise development and increased exports is dependent on the availability of land and water.
Rhetoric versus implementation

However, there has been a considerable mismatch between the government's articulation of its vision of large-scale agriculture as a primary driver of agricultural commercialisation and development, and its actual implementation. This can be attributed to two main factors: (1) the preoccupation with the struggle to achieve national and household food security through the implementation of the FISP; and, (2) resistance to land deals that would have facilitated the acquisition of land for large-scale agricultural investments under the GBI and the G8 New Alliance for Food Security and Nutrition. Despite government policy documents consistently projecting large-scale agriculture as the primary lever for agricultural commercialisation since the launch of the MEGS, the main focus has remained on ensuring that the country has enough food to feed itself, through the FISP. This has been reinforced by the recent unfavourable climatic patterns that have undermined the robustness of the FISP as a food security-enhancement tool. In fact, there has been considerable debate about whether to continue with the programme, with many describing it as a fiscal drain given the host of rent-seeking activities that surround it.

During this phase with the government's emphasis on large-scale agriculture, which requires that land be made available for investment by private sector actors, smallholder farmers have been the main losers. Land reforms since the 1967 Land Act, which have been completed to facilitate the acquisition of land within a legitimate legislative and institutional framework, have further marginalised smallholder farmers in terms of land ownership since they principally target farm land.

The smallholder farmers are also losers because they are being subjected to 'land grabs' by their own urban-based compatriots, who are turning these tracts of land into medium-sized commercial farms. Since these 'weekend farmers' are invading rural areas at a rapid rate, the next generation of smallholder farmers, whose land has been grabbed, is being consigned to a livelihood of poverty since land remains the only worthwhile asset for the majority of people in rural areas.

Land and food security in agricultural commercialisation

Whilst land reforms have been implemented with the idea of promoting and facilitating agricultural commercialisation, they have not been very successful. The latest land reforms under the new Customary Land Act make provision for customary land owners to register their land and own it as private property. The underlying intention of the land reforms is to transform the entire country into a planning area, but the adoption of this new legislative framework is illustrative of the contestations that make it difficult for the country to implement agricultural commercialisation.

All major strategies – such as the MGDS I and II, the GBI, the National Export Strategy (NES) and the Malawi Economic Recovery Plan (MERP) – tout large-scale agriculture as the surest way for Malawi to achieve agricultural commercialisation, but these have been ineffectively implemented due to the unending contestations about land.

Conclusions

- Agriculture remains central to the country's political economy since Malawi is a predominantly agrarian economy
- Although there have been changes in the configuration of political elites with respect to direct stakes in the sector, agriculture remains the centre of corruption and rent-seeking activities that shape the country's political settlement.
- Achieving food security – either by making maize available at affordable prices through the market or subsidising production – remains the top priority for successive governments.
- Electoral considerations play a critical role in shaping the debates about agricultural commercialisation in Malawi, particularly in terms of actions that are actually taken at practical level.
- These actions are taken in the context of the unresolved land question, which makes it challenging to implement initiatives directed at spearheading agricultural commercialisation.

Image captions:

Cover – Woman maize farmer in Malawi

Page 2 – Groundnut harvesting at Chitedze Agricultural Research Station, Malawi

Page 3 – Bester Glandson was lent land and taught to grow groundnuts through the National Smallholder Farmers' Association of Malawi

Page 4 – Malawian farmer Bester Glandson displays her produce

Chinsinga, B. (2019) *The Political Economy of Agricultural Commercialisation in Malawi,* APRA Brief 13, Future Agricultures Consortium

ISBN: 78-1-78118-503-2

The Agricultural Policy Research in Africa (APRA) programme is a five-year research consortium. APRA is funded with UK aid from the UK government and will run from 2016-2021.

The programme is based at the Institute of Development Studies (IDS), UK (www.ids.ac.uk), with regional hubs at the Centre for African Bio-Entrepreneurship (CABE), Kenya, the Institute for Poverty, Land and Agrarian Studies (PLAAS), South Africa, and the University of Ghana, Legon. It builds on more than a decade of research and policy engagement work by the Future Agricultures Consortium (www.future-agricultures.org) and involves new partners at Lund University, Sweden, and Michigan State University and Tufts University, USA.

Funded by

UKaid
from the British people