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Pathways to inclusive smallholder agricultural commercialisation: which way now?

Key findings:

- Smallholder farmer commercialisation is viable, but its long-term sustainability is contingent on the existence of very favourable policy and institutional support that pay particular attention to gender differentials.
- Smallholder farmer productivity in rural Malawi is constrained by a triple crisis of land scarcity, limited productivity and a lack of profitable marketing outlets.
- Gender disparities, especially in terms of access to, and control over, land as a key productive resource, greatly disadvantages women, resulting in low productivity.
- Bridging social capital is far more important than bonding social capital in promoting smallholder commercialisation, since it facilitates enjoyment of linkages and benefits arising from, for instance, membership to clubs, access to extension services, credit facilities, knowledge and skills etc.
- Both covariate and idiosyncratic shocks undermine smallholder farmers' efforts to commercialise agriculture on a sustainable basis, especially in the context of worsening climatic conditions.

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Introduction

Agricultural commercialisation is understood to occur when agricultural enterprises and/or the agriculture sector as a whole rely increasingly on the market for the sale of produce and for the acquisition of inputs, including labour (Poulton, 2017). It is therefore an integral part of the process of structural transformation, through which a growing economy transitions over a period of several decades or more. During this process, smallholder farmers are expected to increase their productivity by producing more per unit of land and labour, and produce a greater surplus which can be sold in the market, leading to beneficial outcomes of higher incomes and living standards. According to Kiliman, Buyinya and Gutoba (2020), for this to happen, agricultural commercialisation has to be inclusive and broad-based so as to link a large proportion of smallholder farmers in rural areas to commercial, highly profitable value chains.

In Malawi, agricultural commercialisation is imperative. Smallholder farmers contribute about 80 per cent to total food production and 20 per cent to total agricultural export earnings (Chirwa and Chinsinga, 2015). While several activities have been undertaken to promote smallholder agricultural commercialisation over the past three decades, progress has not been satisfactory. Most smallholder farmers do not engage with markets on a consistent or sustainable basis. The main goal of the study on which this briefing paper is based was, therefore, to understand and track the underlying dynamics of smallholder agricultural commercialisation over time. The operative assumption of the study was that there is no one ideal type of agricultural commercialisation that can be realised through investment and policy interventions. Smallholder farmers engage with processes of agricultural commercialisation along value chains from production to processing to marketing in a variety of ways (Chinsinga et al., 2021).

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We assessed the underlying dynamics of smallholder agricultural commercialisation in Malawi both in a historical and contemporary context through a tracking study that employed a mixed methods approach, targeting a sub-data set of 240 households drawn from a SOAS et al. (2008) evaluation of the Farm Input Subsidy Programme, for the 2006/07 growing season. The sub-data set covered the districts of Mchinji and Ntchisi in central Malawi, chosen on the basis of their dominance in groundnut production, which is increasingly emerging as an alternative cash crop to tobacco. Pathways to agricultural commercialisation were analysed using a framework initially developed by Dorward (2009), but modified over time. This framework distinguishes five livelihood trajectories vis-à-vis smallholder agricultural commercialisation. These trajectories include 'stepping out' (farmers diversifying away from agriculture), 'stepping up' (farmers intensifying agricultural production), 'hanging in' (farmers producing barely enough for subsistence), 'dropping out' (farmers being pushed out of agriculture), and 'stepping in' (new people moving into agriculture).

Key findings

Complexity of agricultural commercialisation in rural Malawi

The results show that agricultural commercialisation is a complex process marked by a wide range of cyclic continuities and discontinuities over time. The pattern and rhythm of these continuities and discontinuities are shaped by the overall operative context including political, economic, social and cultural dimensions. Examples include policies such as subsidies, import and export controls, land reforms, and models of agricultural commercialisation which are shaped by both endogenous and exogenous forces (Chinsinga and Naess, 2022). Consequently, smallholder agricultural commercialisation cannot be reduced to a predictable universal blueprint since there are multiple pathways to commercialisation, even for households that seemingly fall into the same livelihood trajectories. Generally, credible agricultural commercialisation happens when farmers are pulled out of the farm into viable non-farm activities and are not pushed off the farm into low-paying desperation jobs due to the inability of local agriculture to provide a reasonable standard of living (Jayne et al., 2011).

State of agricultural commercialisation in rural Malawi

While there are some stories of positive progress among smallholder farmers, the majority of rural households are *hanging in*: struggling as their efforts to commercialise are not taking them beyond their ability to meet subsistence needs. Although not a large proportion, those households in the *dropping out* category are desperately poor and barely depend on agriculture for their survival, instead rely on social safety nets or their extended family system.

Households in the *stepping up* and *stepping in* categories demonstrate some progress toward sustainable agricultural commercialisation, as measured by the household commercialisation index (HCI), which represents the level to which households are engaging with markets. HCI scores fall between a continuum of 0 and 1, with a score of 0.5 and above representing a household's engagement with markets that can potentially culminate in sustainable agricultural commercialisation. It is not simply engagement with markets that matters, however, but also the quality of engagement itself, as well as the nature of markets. The HCI for these *stepping up* and *stepping in* households improved from 0.59 and 0.63 in 2007 to 0.77 and 0.67 in 2018, respectively. The differences between these two groups were due to the fact that *stepping up* farmers are more established than *stepping in* ones. *Stepping up* farmers were able to leverage more bridging social capital than *stepping in* ones, hence commercialising at a relatively faster rate. The results further show that female-headed households (FHHs) had a lower HCI at 0.50 compared to male-headed households (MHHs) at 0.58 in 2018. At the baseline, the HCI for FHHs and MHHs were 0.13 and 0.22 respectively.

The impressive improvements have not, however, consistently translated into sustainable agricultural commercialisation. Most smallholder farmers are unable to maximise production on their pieces of land, which average 0.5ha. On average most smallholder farmers, for instance, harvest less than 3t/ha of maize instead of 5t/ha which would be possible if their productive potential was fully realised. Limited productive capacity means that most farmers are unable to engage with markets on a regular basis. Most engage with markets intermittently, mainly due to limited volumes of produce,



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which rarely allow for a sustainable route out of poverty and towards household prosperity. In other words, even those households that engage with markets remain unable to cross production thresholds that would enable them to enjoy an adequate and secure livelihood. For those *hanging in*, agriculture by itself is no longer reliable as a means of subsistence and must be supplemented with other livelihood strategies, especially given the rapidly diminishing land per capita, and worsening climatic conditions.

Gender disparities in smallholder agricultural commercialisation in rural Malawi

There are considerable gender disparities with regard to smallholder agricultural commercialisation in rural Malawi. Most of households that belong to the *stepping out*, *stepping up* and *stepping in* livelihood trajectories are predominantly MHHs with both spouses available. In comparison, FHHs are more likely to be in the *hanging in* or *dropping out* livelihood trajectories.

These disparities are underlined by estimated HCI scores of 0.58 and 0.50 for MHHs and FHHs, respectively. This is attributed largely to the multiple deprivations and disadvantages that FHHs are subjected to, compared to MHHs. These, among others, include having only one adult member available for agricultural and household tasks, differential ownership of access to and control over land as a key productive resource; differential ownership of assets and opportunities for accumulation, including opportunities for off-farm employment; differential opportunities arising out of linkages with, and benefits from, bridging social networks such as membership to clubs, access to extension services, credit facilities and skills etc.; differential ability to recover from both covariate and idiosyncratic shocks, especially in the context of worsening climatic conditions; and differential access for women to some profitable markets due to cultural expectations of appropriate behaviour. Women are not expected to venture out of the homestead for extended periods of time on their own without being sanctioned by the husbands or appropriate gatekeepers. If they do, they are labelled as wayward and out of tune with the accepted behavioural standards or norms. These issues make it very difficult for FHHs to effectively participate in agricultural commercialisation activities.

While these challenges underpin women's disadvantaged position in agricultural commercialisation, insights from our study caution against the tendency of projecting women as undifferentiated victims of gender inequalities or as heroic survivors against the odds. The insights demonstrate that women are not merely passive victims of structures of inequality underpinning gender and intergenerational relations; they also actively defend their interests in which case disputes over resources do not always end up favouring men. Moreover, the stress on conflicts among household members downplay the substantial levels of cooperation and shared interests between husbands and wives and household members, and between them and their kin (Tsikata, 2015). Recognition of these possibilities should lead to more textured and nuanced analysis that could be very useful for both policy and practice.

Effects of the triple crisis on smallholder agricultural commercialisation in rural Malawi

The dynamics of agricultural commercialisation have been negatively affected by the triple crisis of land, productivity and marketing. These crises have made it very challenging for smallholder farmers in rural Malawi to engage in meaningful and sustainable agricultural commercialisation.

The question of land tenure and security remains unresolved due to a protracted legislative impasse. While land per capita has progressively diminished due to rapid population growth, uncertainties in the enabling legislative framework, since the onset of the contemporary wave of land reforms in March 1996, are forcing many poor smallholder farmers to sell off their land. Regulating these sales is very difficult in the absence of a definitive legislative framework (Chinsinga, 2018).

Farmers' ability to realise the full productive potential of their land is rather limited. The cost of productivity-enhancing inputs, especially seeds and fertiliser, has progressively risen beyond the reach of most smallholder farmers since the removal of the general subsidies in June 1996 (Chirwa and Zakeyo, 2004). As a result, most smallholder farmers cannot afford these inputs. The situation is further exacerbated by the increasingly fragile climatic conditions in rural Malawi, which undermines the productivity of smallholder farmers.

Farmers also have limited access to profitable markets that would allow them to commercialise on a sustainable basis. Structured, reliable and dependable markets no longer exist, and efforts to address this issue have been generally unsuccessful. In place of regulated markets, farmers rely almost exclusively on vendors, which is problematic because they often indulge in unscrupulous business practices, such as manipulating scales, and often offer farmers very low prices. In the pre-structural adjustment programme era, the state grain marketing board, Agricultural Development and Marketing Corporation (ADMARC), provided a predictable, reliable, and profitable market for farmers' produce by offering smallholder farmers a guaranteed market for their produce. An equivalent to ADMARC is yet to be established (Chinsinga et al., 2021).

Conclusion and policy recommendations

Changes in the overall smallholder context have had a significant impact on land access and ownership, patterns of accumulation and investment, gender, and social differentiation. The results of our study suggest that agricultural commercialisation is not a significant determinant in shaping and influencing farmers' livelihood trajectories, but it is nonetheless a key driver in improving household welfare, housing conditions, and children's education through market participation and engagement on a sustainable basis and with large enough volumes. However, the unreliable nature in which smallholder farmers participate in and engage with markets makes it very difficult to guarantee sustainable ways out of poverty, and into household prosperity. Further research should therefore explore how farmers' engagement with markets can be a sustainable driver for poverty reduction, beyond just creating a favourable policy milieu supportive of agricultural commercialisation. A related question would be whether agricultural commercialisation in rural Malawi is sustainable or not. On the basis of the findings of this study, we make the following recommendations:

- The triple crisis calls for policy refocusing, reviews and implementation to ensure that these are no longer insurmountable barriers for smallholder farmers to engage in sustainable commercialisation.
- Ensure that policy interventions are systematically tailored to the needs of different categories of smallholder farmers, given that they are not a homogenous group.
- Advance policy interventions that are gender sensitive and are specifically designed to promote the empowerment of women in the agricultural sector so that they can equally be engaged in agricultural commercialisation.
- Promote livelihood diversification among smallholder farmers so as to increase their productive capacity, in spite of the adverse effects of climate change.



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