Future Agricultures Consortium

The Fall and Rise of Smallholder Agriculture? Reflections and Debates about the Future of Agriculture in Malawi

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June 2007
Outline of Presentation

- Overview of the agricultural sector
- Phases of agricultural development
- Decline of agriculture in perspective
- Responses to food crises/agricultural revitalization
- Debates about future agricultures
- Concluding reflections
Overview of the agricultural sector

- Malawi is a predominantly agro-based economy
  - Contributes about 36% GDP
  - Accounts for about 87% of total employment
  - Supplies more than 65% of raw materials to agro-industry
  - Provides 64% of total income rural people
  - Contributes more than 90% of total export earnings

- Dualistic agricultural sector
  - Smallholder sector
  - Estate sector
  - One way transferability of land (smallholder to estate sector only)

- Major goals of Malawian agriculture have been **food security** (intensification) and **commercialization**
Phases of Agricultural Development

- Growth and prosperity phase (1960s and 1970s).

- Decline and collapse phase (1980s-2005/Structural Adjustment Programme (SAPs) period).

- Recovery phase? (Return to subsidy since the 2005/2006 growing season).
## Agriculture Sector Performance, 1970-2005

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Pre-Reform</th>
<th>Reform Period</th>
<th>Post-Reform</th>
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</thead>
<tbody>
<tr>
<td>Levels (MK 1978 prices)</td>
<td></td>
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<tr>
<td>GDP per capita</td>
<td>122.12</td>
<td>118.44</td>
<td>116.89</td>
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<tr>
<td>Agricultural GDP per capita</td>
<td>48.41</td>
<td>44.10</td>
<td>41.94</td>
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<tr>
<td>Smallholder Agric GDP/capita</td>
<td>34.97</td>
<td>35.59</td>
<td>32.41</td>
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<tr>
<td>Growth Rates (percent)</td>
<td></td>
<td></td>
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<tr>
<td>GDP per capita</td>
<td>2.40</td>
<td>-2.08</td>
<td>-0.20</td>
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<tr>
<td>Agricultural GDP per capita</td>
<td>1.90</td>
<td>-2.70</td>
<td>-1.89</td>
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<tr>
<td>Smallholder Agric GDP/capita</td>
<td>5.80</td>
<td>-4.07</td>
<td>-2.88</td>
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</tbody>
</table>
Decline of Agriculture in Perspective

Agricultural growth declined from an average growth of 6.6% in the 1970s to 2% for most since 1980s

The decline is attributed to:

- Structural sectoral constraints (poor infrastructures, unfavorable weather conditions, reliance on rain fed agriculture, weak intra and inter sectoral linkages)

- Impact of SAP on inputs and credit availability for smallholders (withdrawal of state – eg. ADMARC – leaving a gap)

- Devastating impact of the HIV/AIDS pandemic
Decline of Agriculture? – the policy setting

Decline phase witnessed multiplicity of agricultural sector specific and grand policy initiatives

Agricultural sector specific policy initiatives included:

- Agriculture and Livestock Development Strategy and Action Plan (ALDSAP) 1995
- Malawi Agriculture Sector Investment Process (MASIP) (1999)
- Agricultural Strategic Plan (2003-2008), influenced by NEPAD
Decline of Agriculture? – policy flux

- Grand policy strategies
  - 1995: Poverty Alleviation Programme (PAP)
  - 1998: Vision 2020
  - 2001: Malawi Poverty Reduction Strategy (MPRS)
  - 2003: One Village One Product (OVOP)
  - 2004: Malawi Economic Growth Strategy (MEGS)
  - 2005: Malawi Growth and Development Strategy (MGDS)

- Policies adhoc, inconsistent and overlapping (eg. MEGS vs. MPRS, OVOP vs. MPRS, MPRS or MEGS?)

- Agriculture sector specific policies (eg. food security) not well articulated in grand policy strategies, hence also lack of policy coherence at sector level
Decline of Agriculture? – the political dimension

- Compounded by deterioration of the general policy context since transition to democracy in May 1994

- Neopatrimonialism and corruption became rampant

- Technocratic policymaking entirely overlooked (patronage drove policy)

- Capacity for policy formulation and implementation became thin (strategic policy recommendations not implemented at all, e.g. land reforms worsened by lack of political will).

- Donors and international NGOs took over the policy function?

- Food production dwindled to an all time low and food insecurity became rampant (devastating food crises in 2002 and 2005) – crisis driving change in policy…
Consequence of policy incoherence and politicization of food security issues (maize and fertilizer policies are hot button issues and attract high profile debates)

Proliferation of policies and programmes often disconnected from and contradictory to each other

- Safety net programmes to reduce vulnerability mainly PWPs World Bank/EU
- Promotion of rural productivity through provision of agricultural inputs
  - Targeted Input Programme (TIP) 2001/02-2004/05 (Led by DFID)
  - Agricultural Productivity Investment Programme (APIP) 1999 (EU)
  - Fertilizer subsidy 2005/06 to date (Led by GoM)

Recovery of the agricultural sector? – doubts as to whether this is the outcome of implemented policies (maize surplus for the last two consecutive growing seasons due largely to favourable weather conditions)
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- **Agro-pessimism dominates debates** about the future of agriculture in Malawi – smallholder agriculture is seen as no longer viable because of excessive fragmentation of land.

  - Deemphasize agriculture as a broad based engine for development and poverty reduction (diversification).

  - Intensification of smallholder agriculture on a commercial basis after consolidation of land holdings.

- **But there are still key agricultural issues to be addressed** – these include land reform, food security, irrigation and infrastructure, food and cash crop services and markets, contract farming and fertilizer subsidies.
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Return to Agricultural Subsidies?

- Fertilizer subsidy dominates the government’s policy response (introduction of subsidy since 2005/2006 growing season)

- Impressive results on food security for two consecutive growing seasons

- Are subsidies a permanent feature of the smallholder agriculture in Malawi?
  - Supporters of Subsidies
    - Positive impact self evident!
    - Reasonable option than heavy reliance on imports
    - Subsidies appear non-negotiable from a political standpoint

  - Critics of subsidies
    - Precipitates excessive market distortions
    - Inefficient targeting hence crowding out the private sector
    - Negatively impact diversification efforts
    - Unsustainable in the long run

- Plans for the 2007/2008 subsidy programme are already under way of course promising to take into account the lessons of last two years.
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Food Security

Two options: self sufficiency and reliance on the market (imports)

Challenges:
- Option 1 requires complementary services such as technology transfers, extension services, infrastructure development, credit schemes etc
- Option 2 requires massive foreign exchange earning through promoting export orientated cash crops or export orientated industrialization
- Reorientation of the national food basket (maize is quite dominant)

The main policy challenge is achieving balance between promotion of food crops and cash crops and diversifying away from maize as the main food
Concluding reflections

- Political attention and resources have been absorbed by the fertilizer issue.

- Consequently, other critical agricultural issues (such as food security, irrigation and infrastructure, food and cash crop services and markets, and contract farming) are not being properly addressed.

- Policy consistency across agricultural sub-sectors is difficult to achieve because of the excessive political nature of the food security issue (the legitimacy of the government is closely linked with food availability).
Thank you for your attention.