



# APRA COUNTRY BROCHURE: GROUNDNUT COMMERCIALISATION IN MALAWI

The Agricultural Policy Research in Africa (APRA) programme of the Future Agricultures Consortium (FAC) is a six-year research initiative (2016-2022) that is working to **identify the most effective and inclusive pathways to agricultural commercialisation** that empower women, reduce rural poverty, and improve food and nutrition security in sub-Saharan Africa.

### **What is agricultural commercialisation?**

We define commercialisation as a process occurring when farmers increasingly engage with the market, either to procure inputs and resources (such as fertiliser, seeds, hired labour, formal credit, and rented land), or to process and sell their produce. Commercialisation may occur through either external investment or market specialisation and farm consolidation, or a combination of the two.

Commercialisation is successful if more people are 'stepping up', 'stepping out', and 'stepping in', and fewer people are 'hanging in' or 'dropping out' of productive agriculture.

### **What will APRA do?**

APRA researchers are examining how African farmers engage with four different types of commercial agriculture (estate/plantation, medium-scale commercial agriculture, contract farming, and smallholder commercialisation) and the effects this has on the livelihoods of rural people, particularly women and young people. The aim is to help inform future policy and investment decisions to promote inclusive forms of agricultural commercialisation in sub-Saharan Africa and the effects this has on the livelihoods of rural people, particularly women and young people. The aim is to help inform future policy and investment decisions to promote inclusive and livelihood-enhancing forms of agricultural commercialisation in sub-Saharan Africa.

### **APRA in Malawi**

APRA is working in Malawi to conduct quantitative and qualitative research to examine the livelihood trajectories of households participating in groundnut commercialisation through medium- to long-term longitudinal studies.

### **Research objective**

This study aims to explore the dynamic impacts of commercialisation on livelihoods over time. It provides insights around the transition of households into different livelihood trajectories – including the drivers, livelihood opportunities, and commercialisation outcomes – for men and women who live in rural areas. The study argues that agricultural development is important for livelihood trajectories, and commercialisation determines the livelihood pathways of 'stepping in',

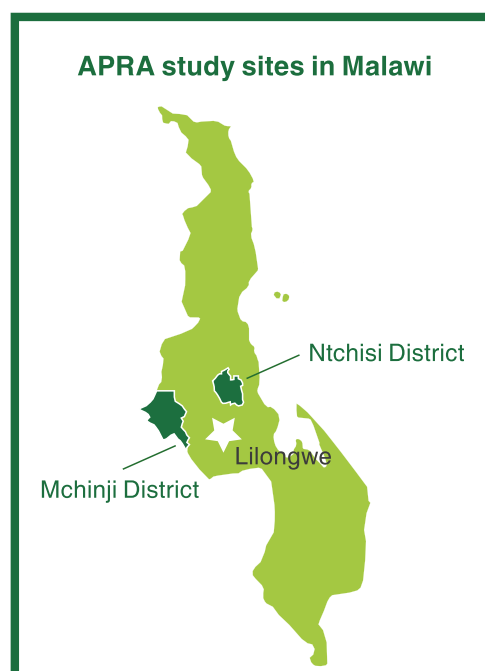
'stepping up', 'stepping out', 'hanging in', or 'dropping out'. It uses mixed research methods and longitudinal data spanning 10 years from the districts of Mchinji and Ntchisi in central Malawi.

### **Study questions**

- What has been the impact of groundnut commercialisation on the livelihood trajectories of rural households and their members?
- What are the incentives and motivations for smallholder farmers to engage in and disengage from commercialisation?
- How does local-level politics – in relation to land ownership, social relations, and patterns of accumulation of productive resources – promote or affect smallholder farmers' engagement in commercialisation?
- How effective are farmer organisations in promoting successful commercialisation for their members?
- How has commercialisation impacted poverty, empowerment, employment, and food security for households and household members?
- Are there gender or social discrepancies in the impact of commercialisation on poverty, food security, and livelihood trajectories?
- Why do livelihood trajectories resulting from commercialisation differ?

### **Research findings**

The findings from APRA Malawi show that agricultural commercialisation is complex, takes multiple pathways (either singularly or in combination), and, due to many factors, can propel household livelihood trajectories forward or backward. The overall finding is that agricultural commercialisation occurs in Malawi, but it



is not robust enough to sustainably lower poverty levels for many smallholder farmers.

live in districts 120 km away from Lilongwe) have been displaced from land.

## Key takeaways

### 1. Livelihood trajectories:

- There will likely be more stepping-up of households, as we see increasing commercialisation and significant asset accumulation. However, they hire significantly few agricultural labourers.
- Stepping-in is constrained by initial land holding sizes, but is more likely to occur if a household has experience cultivating different crops.
- Dropping-out is less likely to occur as crop diversification increases, but this also advances the 'hanging-in' livelihood trajectory. Dropping-out households are driven into destitution over time, especially in instances where there is no paid off-farm employment.
- The households dropping out of agriculture are disproportionately elderly, not economically active, and often comprise single-sex adults.
- Households which are stepping out, stepping up, and stepping in, are predominantly middle-aged.
- Stepping in households outperform the other categories, particularly in terms of irrigated land under cultivation, the proportion of hired labour used, and amount of land which is rented for cultivation.
- Climate change is playing a critical role in shaping and influencing the livelihood trajectories – especially for those that are hanging in and dropping out. This is underlined by limited productivity levels and restricted ability to diversify their livelihood portfolios.

### 2. Differential ownership, access, and control of land:

- There is increasing land commodification in the study districts.
- Outsiders from focal districts rent or buy tracts of land from households which are predominantly 'hanging in' and 'dropping out'.
- Women often lose agricultural land, especially following the death of husbands – driving them in to destitution (they can deplete their assets in reclaiming land entitlement).
- Intergenerational land transfers become difficult with increasing land fragmentation and large household sizes – and, as a result, land per capita continues to diminish. Despite this, a definitive national land legislative framework is not settled.
- The political economy of the groundnut value chains shows that farmers (especially those who

### 3. Social dynamics:

- Female-headed households and female producers are disadvantaged (less commercialised, they rely more on 'ganyu' (short-term rural labour), have limited asset portfolios, have undiversified sources of income, experience a lack of access to markets, and face social expectations that limit their pursuits).
- At household level, men are increasingly displacing women from groundnut farming, thus reducing women's control of associated crop incomes.
- Smallholder tobacco farmers are better placed to commercially engage in groundnut farming, and are changing from tobacco to groundnut farming due to reduced tobacco returns.
- Differential ability to recover from both covariate and idiosyncratic shocks poses a challenge for women, especially in the face of worsening climatic conditions.

### 4. Market access:

- While rural farmer organisations have achieved enhanced access to better extension services and inputs for their members, they have not yet succeeded in cooperative marketing – members still struggle to accumulate the required quantities and to find markets.
- Alternative marketing arrangements, such as warehousing receipts and commodity exchanges, are exclusionary and do not always result in better returns for farmers.
- Vendor exploitation of farmers leads to malpractices, such as farmers selling ungraded produce.
- Groundnut marketing is dominated by a cartel comprised of politicians and traders (both local and foreign), who circumvent the structured markets for their own interests.



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- Production of groundnuts has increased since 1990, but exports have not, due to challenges with aflatoxin (toxins produced by mould) and the informal nature of groundnut markets.
- There is limited public investment in the groundnut value chain. For instance, improvements aimed at enhancing seed availability are driven by donors, despite groundnuts being a key legume in Malawi's Farm Input Subsidy Programme (FISP). In addition, the crop was removed from the Affordable Inputs Programme (AIP) in 2020.
- Smallholder farmers lose land and become employees on their own properties. Medium-scale farmers have connections with private and public spaces, and they invest in either groundnut or maize seed to sell to seed companies.

## Conclusion

- Our findings suggest that agricultural commercialisation is not a significant determinant in shaping and influencing farmers' livelihood trajectories. Nonetheless, through market participation and engagement, agricultural commercialisation is a key driver in improving household welfare, housing conditions, and children's education. However, in rural Malawi, most farmers are not able to participate and engage with lucrative markets on a sustainable basis, as the ad hoc nature in which rural farmers participate in and engage with markets makes it very difficult to guarantee sustainable poverty escapes and

household prosperity. Most small-scale farmers are essentially 'hanging-in', unable to cross production thresholds that would enable them to diversify their livelihood portfolios through agricultural commercialisation and agrarian transformation.

## Policy messages

- The findings suggest a need for an integrated, coherent approach to rural development that considers both on-farm and off-farm opportunities in order to create a diversified livelihood portfolio for households in rural areas.
- Creating structured markets with strong public support (in terms of export mandates, infrastructure, etc) may increase sales.
- Government investment in the groundnut value chain (improving seed, technologies for managing aflatoxin, etc) should be promoted.
- Strengthening mechanisms for fair access, use, and control of resources – for both women and other marginalised groups – would empower smallholder farmers to pursue opportunities for better livelihoods.
- Promoting livelihood diversification among smallholder farmers so as to increase their adaptive capacity to the adverse effects of climate change, and this should be further supported by improvements in the government's budgetary allocations for climate resilience and adaptation.

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## For more information:

**<https://www.future-agricultures.org/apra/>**

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