

## **Stakeholder Consultation Workshops on the Agriculture Sector in Malawi**

**Report of a series of workshops**

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by

Ephraim Chirwa, Andrew Dorward, Jonathan Kydd, Ian MacAuslan,  
and Chris Penrose Buckley

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## **1. Introduction**

Three consultative workshops were organized between 7<sup>th</sup> March 2006 and 10<sup>th</sup> March 2006. The first consultative workshop was held on 7<sup>th</sup> March 2006 at Mount Soche Hotel in Blantyre with stakeholders in the tea sector and government officials. The second meeting was held on 8<sup>th</sup> March 2006 at Mount Soche Hotel in Blantyre with stakeholders in the cotton sector and government officials. The third meeting was held on 10<sup>th</sup> March 2006 at Capital Hotel in Lilongwe with stakeholders in the agriculture sector including academics, researchers, government officials and the donor community. The meetings were facilitated by researchers from the University of Malawi, Imperial College London and the Institute of Development Studies (IDS). The meetings started with a briefing on the activities of the Future Agricultures Consortium by Professor Jonathan Kydd. This was followed by sector-specific presentation of research results in the case of tea and cotton, and the presentation of issues on the agriculture sector for the Lilongwe meeting. The sector presentations were followed by a general discussion and identification of policies, issues and research priorities by the stakeholders.

This report presents a summary of the presentations and discussions from the three workshops. The next section summarizes presentations and discussions from the tea sector meeting. Section 3 presents a summary of discussions from the cotton sector meeting and section 4 presents a summary of presentations and discussions of the agriculture sector meeting.

## **2. Tea Sector Stakeholder Meeting**

The meeting drew participants from the smallholder and the commercial estates sub-sectors, the government and the Tea Association of Malawi (see List of Participants in Annex A). The meeting was chaired by Professor Lewis Mughogho who is the Desk Officer for the National Smallholder Tea Development Committee (NSTDC) in the Tea Association of Malawi. Professor Kydd briefed the stakeholders on the objective of the Future Agricultures Consortium and the purpose of the consultation meetings.

### **2.1 Summary of Presentations**

Dr Ephraim Chirwa presented a paper which was based on research on smallholder tea carried out in the course of 2004/05 agricultural season on farmer organisations for market access. It was observed that tea is one of the sectors in the agriculture sector that has been singled out as having growth potential in recent government policy documents. It was, however, noted that events in the sector are moving fast, and some developments observed during the research have already been outdated.

The core issues from the presentation include:

- (i) The fact that smallholders already have substantial area, all of which is planted to good quality clonal tea. This is a key asset which all stakeholders in tea sector wish to fully exploit. However, there is also ample land that is used

sub-optimally for other crops that do not do well in the area by smallholder farmers.

- (ii) The services offered by state institutions to the smallholder sector – provision of credit, extension advice, access to seedlings etc - have been in question in recent years. The Smallholder Tea Company (STECO), a state-owned processing company, has run into severe management and financial difficulties particularly since 1994. It has been rescued and restructured under the privatisation process, but very recently it has been forced to close operations again. The consequence has been declining farmer investment in maintenance (one example being gaps in tea gardens), inadequate fertiliser application and periods in which farmers have experienced delayed payments and prices which are probably lower than should be indicated by export prices.
- (iii) Commercial estates have filled the gap created by the problems with STECO, buying green leaf from neighbouring smallholders, organising collection, and also some assistance to farmers in terms of extension and seedlings.
- (iv) Farmer organisations have emerged from a crisis in state services but these growers' organisations have tended to fracture. A group has remained loyal to STECO, but have not been rewarded by good service from the company, and presently have no option but to sell green leaf to the estates.
- (v) In the short term the situation is manageable. But there are real questions about whether it will address the long-run challenges of the smallholder sector because:
  - a. There is currently excess capacity in tea processing, which makes it attractive for estates to buy leaf to maximise capacity utilisation.
  - b. The capacity constraints in processing look likely to appear fairly soon, as the estates are presently undertaking a replanting programme with high yielding (and higher value) clonal tea. As the clonal tea comes into bearing, some estates may not be able to take smallholder leaf unless there is further investment in processing facilities.
  - c. There is scope for substantial expansion of the smallholder tea area, through existing smallholders planting more of their land to tea which they are currently sub-optimally using for other crops that do not do well in the area, active infilling on existing tea plots and also recruitment of new growers. From the point of view of national economic development and poverty reduction it is important that this expansion in smallholder planted area takes place (unless tea prices were to collapse). If there are processing capacity constraints, then there will be less impetus towards expansion.

- d. Thus, the future operation of the existing STECO factory, located at Mulanje, is a key issue. As this factory is remote from Thyolo smallholders, it may eventually be desirable to construct a further factory at Thyolo but all will depend on achieving critical threshold production levels to support the efficient operations of a processing factory.
- (vi) With respect to processing, on present projections, it is essential for the STECO factory to be brought back into operation in the next two or three years, although there is no immediate crisis due to the existing excess capacity in commercial estates.
- (vii) It appears that the smallholder tea sector needs the commitment of:
  - a. A development finance institution willing to work long term to help: expand smallholder planted area, revive extension, and provide working capital to the existing MATECO factory. In the longer term, financing will be required for a possible Thyolo factory.
  - b. Commercial management, and possibly commercial equity participation, to ensure efficient operation and expansion.

## 2.2 Issues Raised by Stakeholders

Stakeholder observed that there have been several changes in the sector since the research was conducted. These changes include the non-operation of STECO due to financial problems that government is trying to address in order to put STECO back into operation by injecting more funds, the self-liquidation of a grower-leased and managed tea factor, and the formation of the National Smallholder Tea Development Committee. The following issues were discussed in the meeting:

- (i) The highest priority should be given to expanding volumes of smallholder tea. Increased capacity by smallholders to supply green leaf will “drive the solution” for the processing side. This is because if there is a strong supply capacity from the smallholder side then the economics of a factory dedicated to smallholders will look attractive. Presently the smallholder factory (when it is in operation) is handicapped by low capacity utilisation.
- (ii) There has been no consistent government policy for the tea sector since 1994. The reform processes that have taken place in the smallholder sector have been less satisfactory and have disempowered smallholder farmers in the running of STECO. The reforms have addressed short-term problems without looking at the necessity of holistic restructuring in the medium and long-term. Smallholder farmers are still not certain about the intentions of government on the future development of the smallholder sector.

- (iii) Nevertheless, most participants wanted self-regulation for the sector or, at most, light-touch government regulation. Most participants wanted the sector to guide its own evolution.
- (iv) Regarding the smallholder tea sector specifically, most participants felt that there was a continuing need for an institution to coordinate its development. Smallholder farmers have proposed to government to establish the Smallholder Tea Development Authority to coordinate activities in the smallholder tea sector.
- (v) Some smallholder representatives feel that STECO should be closed and other operators should be introduced who are able to raise volumes to make STECO to operate efficiently – and provide attractive returns to private sector partners.
- (vi) Concerns were voiced about the role of the Tea Research Foundation (TRF). It is an important organisation, but its budget is very limited (financed by commercial estates) and it is longer able to train farmers. It was felt that smallholders need training in both agronomy and business.
- (vii) A related issue is that there is lack of knowledge about the production economics of smallholder tea, and also about costs of processing and transportation. This handicaps investors, policy makers and those charged with discussions on prices paid to smallholders for leaf in informed discussions about the sector. Furthermore, there is inadequate knowledge on the extent to which smallholder yields and incomes could be increased. A related question is what is the minimum efficient scale for smallholder tea production in Malawi? In Kenya it is thought to be 1 hectare – but, smallholder tea survey showed mean size for Malawian smallholders to be 0.6 hectares.
- (viii) There was concern about environmental degradation in the highlands surrounding tea estates, with damage including siltation of rivers and dams. Thyolo mountain has been very badly damaged, and there is concern to preserve Mulanje mountain.
- (ix) Smallholder representative stated that over the years there had been discussion about transferring their land from customary to leasehold status (i.e., to obtain title). They wanted progress on this issue as they felt this was essential to encourage investment and inhibit fragmentation.
- (x) Finally, it was noted that reforms in the smallholder tea sector had been less effective than in smallholder coffee. Are there lessons to learn or is this simply to do with the techno-economic characteristics of the product? Probably it is the case that capital intensive activities cannot be best run by farmer organisations, and that the capital intensive parts of the tea supply chain need to be managed by the private sector.

### 2.3 Possible Areas for Research

Three possible research themes were suggested:

- (i) An input into designing a policy and institutional framework for the tea sector to get volumes and investments up, drawing on the experiences elsewhere.
- (ii) Economics of production – this could be an area for a productive long-term collaboration with the University of Malawi.
- (iii) In support of the earlier two themes, a review of the experiences in smallholder tea in other areas outside Malawi?

### **3. Cotton Sector Stakeholder Meeting**

The meeting drew participants from the smallholder farmers, farmer organisations and input suppliers in the cotton sector and the government (see List of Participants in Annex A). Unfortunately, all the cotton buyers invited to the meeting were not able to attend. The meeting was chaired by Mr. Patrick Zimpita who is the Deputy Director of Monitoring and Evaluation in the Ministry of Economic Planning and Development. Professor Kydd briefed the stakeholders on the objective of the Future Agricultures Consortium and the purpose of the consultation meetings.

#### **3.1 Summary of Presentations**

The research team made two presentations: one by Colin Poulton on the experiences of the cotton industry in East and Central Africa and another by Ephraim Chirwa on farmer organisations for market access in the cotton industry.

Colin Poulton reviewed post-liberalisation experience in Tanzania, Zimbabwe, Zambia and Mozambique. Distinctly different models have evolved in each country, each representing different strengths and weaknesses in responding to the challenges of the sector. It was observed that concentrated sectors (i.e. those dominated by 2 or 3 main ginning companies) such as Zimbabwe and Zambia have been better at providing inputs and extension advice to producers and maintaining quality. They have therefore achieved the highest yields. On the other hand, competitive sector such as Tanzania have delivered higher seed cotton prices to producers but have been unable to achieve higher yields.

Capacity utilisation appears to be a strong influence on firms' pricing policy. However, whilst moderate capacity utilisation could provide firms with the incentives to invest in and expand their supply base, the very low levels of capacity utilisation current achieved in Malawi (20-25%) could act as a drag on profitability thereby impede ability to pay high seed cotton price to producers. Poulton estimated that in 2003/4 Malawi cotton farmers received 60% of the fob export price as payment for their seed cotton. Of the countries mentioned above, this was the joint lowest with Mozambique.

Overall – in land abundant economies it is hard to say which is a better system for farmers. However, Malawi's concentrated system is probably appropriate for a land scarce economy where achieving high yields is a top priority. But the price offered by these players should be monitored to check that it is competitive with those offered in neighbouring countries.

Ephraim Chirwa presented the results of recent research on the roles of farmer organisations in the cotton sector in Malawi. This was an overview of the sector with special attention paid to the role played by the farmers' organisation BASFA in Balaka. It was observed that the cotton industry is highly concentrated on the buyer side with two major companies with ginning facilities Clark Cotton and Great Lakes, and two smaller buyers that are also investing in their own ginning facilities. Key issues which came out of the presentation included the role of the Cotton Development Association (CDA), which is dominated by the two major buying companies. Set up with support from DFID, it coordinated a programme of subsidised treated seeds and chemical supply to producers and also provided a forum for negotiation of seed cotton prices between buyers and National Smallholder Farmers' Association of Malawi (NASFAM).

However, it was noted that the CDA has not been very cohesive. With ending of the phase of DFID funding in 2005, there are major question marks over its future. There were important questions about the CDA's role in pricing. Implicitly, at least, the CDA has been trying to limit price competition by standardising prices for seed cotton, but allowing companies to compete on the basis of the quality of services offered. The aim of the CDA was to have all seed cotton buyers participate in the provision of subsidised inputs to producers and the agreed output price was designed to recover the costs of the input subsidy. However, this common approach was not achieved with the two smaller buyers providing neither subsidised inputs nor observing the agreed output price. The smaller buyers were offering higher prices than the CDA agreed price.

There have been two types of farmer organisation involved in the cotton sector in recent years. Some old ADD groups have been involved in credit supply from buyers, although it is estimated that only 10% of farmers have had access to credit in Balaka (figures for Lower Shire Valley are not known at this stage). Most of the farmers purchase their inputs on cash basis and this has adversely affected the intensity of input use and hence productivity among cotton farmers.

Secondly, in Balaka BASFA has played an active role in extension provision to cotton producers and has also bought seed cotton on behalf of either Great Lakes or Clark Cotton.

Farmers' views of BASFA are mixed: they appreciate extension, ethical weighing and less aggressive grading (although the latter is very probably not in their longer-run interests). However, farmers felt that BASFA had not done enough to achieve better prices for them and did not communicate sufficiently with them particularly with respect to the timing of price information prior to production or marketing.

### 3.2 Issues Raised by Stakeholders

Several views emerged from stakeholder consultations:

- (i) It was pointed out that cotton has been singled out as a priority development sector by the President and recent development strategy document. This led on to questions about the role of the government: should it be involved in monitoring and setting



prices? However, there was little support for government involvement in price setting, but there is a perception that the price has been too low, and this raises questions as to what, if anything the government should be doing.

- (ii) Another key issue related to industry structure – there are only four buyers two of which are dominant players. Should the government seek to influence industry structure, including zoning cotton concession zones?
- (iii) There has been a substantial increase in area planted to cotton in 2004/5, attributed particularly to availability of subsidised inputs. This has fallen back in the current season, albeit still above 2003/4 levels due to the ending of the CDA inputs subsidy and the poor seed cotton prices paid in 2005.
- (iv) There was substantial discussion about the potential of a new cotton technology package being promoted by Farmers' Organisation Ltd. This has ambitions for Malawian farmers to achieve yields very much higher than those being achieved elsewhere in the region. The key new elements in the package are: (i) a much higher application rate of seed treatment than practised by CDA; (ii) application of herbicide immediately after planting; (iii) use of foliar fertiliser (which is cheaper than granulated fertiliser); (iv) soluble tablet-based pesticides. There have been demonstration plots on 24 farms over 3 seasons and average yields have been around 2 tons per hectare, compared with a sector average of 600 to 800 kg per hectare.

### 3.3 Possible Areas for Research

Several interconnected issues emerged as areas of further research in the cotton sector.

- (i) What output market should Malawi aim for? There are two broad choices: Either Malawi should seek to expand lint volumes and quality to a level at which they are of interest to international lint traders. In our view this is challenging but possible, and would need at least a doubling of area, substantial increased in yields (given Malawi's land constraints) and major efforts on quality.

Or, aim to process locally most of what is produced – either for domestic textiles (raising issues of protection against imports) or for international export markets, probably through AGOA.

(A well informed cotton sector consultant is needed to examine these options).

- (ii) A second key issue is how to achieve support package to producers for high yields for cotton in Malawi. Possible routes to this are: (i) strong reliance on farmers organisations; (ii) service provision provided by ginning companies – this would only happen in a concentrated market structure that is coordinated.

So, the dilemma is: should Malawi go for: (i) local/regional companies which may have a stronger interest in local processing but may lack the technical and financial capacity for support services for producers to achieve very high yields; or, (ii)



international companies which may have expertise and capital but whose incentive to invest in Malawi would be entirely concerned with export of commodities (no interest in selling at lower prices to local processors).

If there were farmer organisations strong enough to organise farmers for credit and provide technical advice, then these could interface with an output market which is more local and more competitive. Is NASFAM able and willing to perform this role? It was noted that presently NASFAM is unwilling to guarantee credit – but some organisation may have to do this.

- (iii) The third area of research relates the economics of cotton and the optimal farm size required for cotton to have effective poverty reducing effects. There is therefore need to study the cost structure of cotton and returns from cotton production in order to gauge its poverty reduction potential.

#### **4. Agriculture Sector Stakeholder Meeting**

The meeting drew stakeholders from farmer organisations, research institutes, government and the donor community. The meeting was opened and chaired by Dr Winford Masanjala of Chancellor College, University of Malawi. This was followed by a briefing by Jonathan Kydd on the work of the Future Agricultures Consortium and the purpose of the workshop, which was to identify critical and researchable policy issues in agricultural growth and social protection in Malawi.

##### **4.1 Initial Presentations**

Ephraim Chirwa and Andrew Dorward presented a team paper setting out some initial suggestions regarding critical issues in agricultural growth and social protection in Malawi. This started from a summary of the challenging current rural and agricultural position facing Malawi (with continuing high poverty rates, increasing land pressure and fragmentation, chronic and presently acute household food insecurity, variable and insecure national food security, widely changeable food prices, thin rural and agricultural markets, and largely stagnant smallholder and commercial agriculture). Malawi has developed a number of policy statements with a strong emphasis on pro-poor agricultural development, but with the exception of the recent fertiliser subsidy to boost maize production and improve food security, has found it difficult to develop and implement policies which are consistent and coherent over time.

##### *Issues in Agricultural Growth*

Agricultural growth is important as a significant contributor to peoples' incomes, in providing a financial base for services and investment, and (as a producer of food and tradables) in driving economic growth. There are a number of long standing policy issues in the promotion of agricultural growth. A core problem inhibiting smallholder agricultural growth in poor rural areas is the need for complementary coordination in the provision of input supply, finance and produce marketing services, together with insurance and extension

services. Possible solutions to this problem will vary between food crops and different cash crops, and often involve trade-offs between the benefits from competition and coordination among service providers.

Farmer organisations have potential in assisting with this, but have had mixed success and face a number of challenges. There are a number of important questions about appropriate roles for private sector activity, and means for developing this. Particular problems are faced in development of produce markets to meet national and international demand, with, for example, the need for achievement or maintenance of sufficient scales of national production to make the Malawian industry viable in export crops such as cotton. High levels of price variability pose different problems in food and cash crop production, with conflicting producer and consumer interests in food crops. There is an ongoing debate about the benefits and problems involved in input subsidies.

Further challenges to agricultural growth which require policy action concern land policy (to address fragmentation and tenure), the relations between smallholder and estate agriculture, poor and high cost transport services, agricultural research, the role and promotion of irrigation, and improvement of soil fertility. Opportunities and policy options may be affected by changes in international trade regimes. Agriculture policy also needs to encourage people to exit agriculture on favourable terms, and support rather than undermine processes for social protection and for development of the non-agricultural sector. Agriculture growth requires good macro-economic management, institutional development and, to address the issues raised here, strengthened processes for increased policy coherence (this is particularly important in government / donor relations).

### *Issues in Social Protection*

‘Social protection’ encompasses a range purposes and instruments but may be summarised as ‘encompassing measures to manage risk and reduce vulnerability to shocks to maintain peoples’ welfare and enhance their ability to participate in society and in the economy’. A number of issues arise in social protection policy. These include difficulties in defining the objectives of different instruments; in identifying multiple impacts (both positive and negative); the sensitivity of these impacts, and of cost effectiveness of instruments, to the way that they are implemented (in terms of targeting, timing and triggers); difficulties posed by dispersed and/or remote populations with very high rates of poverty incidence and vulnerability; policy coherence; fiscal sustainability; choice of different types of instrument, and the roles of market and non-market instruments; and scale and threshold effects.

### *Links between Social Protection and Agricultural Growth*

There are close links between social protection and agricultural growth and hence between policies promoting them. Synergies arise through social protection’s contributions to asset maintenance and building, to infrastructural development (in public works programmes), to potential contributions to market thickening and development, and through reduced vulnerability and risk aversion. Conversely agricultural growth can strengthen capacity for informal social protection within rural communities, reduce vulnerability through increased

asset holdings, provide fiscal resources for social protection expenditure, and in some low potential areas the promotion of agricultural growth may itself be a cost effective form of social protection. However there are often thresholds in these relationships, and social protection is seldom a sufficient condition for growth – it is only effective in promoting growth in association with other policies directly promoting growth. There are also potential conflicts between social protection interventions and agricultural growth: some social protection interventions may, if poorly implemented, distort incentives and discourage investment in agriculture; there may be competition for scarce fiscal resources between social protection and agricultural programmes; different land policies may have ambiguous impacts on growth and livelihood security; and the promotion of agricultural growth as a form of social protection may lock people and national policies into inefficient agricultural activities.

## 4.2 Issues Raised by Stakeholders

### *Identification of Issues by Stakeholders*

Participants were asked to identify 3 key problems in agriculture and 3 key problems in social protection. The results are presented in the table below. The central issues for agriculture are centred around factor and product markets and inputs, specifically access to and provision of inputs, credit, labour, and land; production and sales problems such as market access and low and volatile prices; and rain-dependence. However, incoherent policy and weak implementation were also critical issues. Social protection issues also included problems of policy design and implementation, most importantly around political economy, targeting and sustainability but also problems of policy coherence. Participants also expressed worries about negative effects of policy, such as dependency. The key issues underlying social protection needs concerned basic social services; high and volatile food prices (in interesting contrast to agricultural producer concerns); inequality (particularly between genders); resilience to shocks; and an over-reliance on agriculture, for example due to a lack of wage labour opportunities, in the context of agricultural market and service failure.

<b>Problems in Agriculture</b>	<b>Number of responses</b>
Poor access to inputs	7
Poor climate/dependence on rainfed agriculture	5
Market access problems/infrastructural problems	5
Land pressure/small land size	5
Low production/productivity	4
Poor/inconsistent/mis-targeted policies	4
Poor access to credit/finance	3
Food price instability/too low	2
Land tenure system	2
Sickness and death contributing to low production	1
Lack of food reserves	1
Commodity pricing	1
Land and environmental management for sustainable agriculture	1
Improved technologies unaffordable to smallholders	1

Divided research communities	1
Weakness in export	1
Too much reliance on smallholders	1

<b>Problems in Social Protection</b>	Number of responses
Targeting/political economy	6
Basic social services (especially health and HIV/AIDS)	6
Food price instability/too high	5
Sustainability/financing of programmes	4
Gender based inequality	3
Resilience to shocks	3
Choosing intervention type	3
Dependency risk	2
Lack of policy coherence/framework	2
Over-reliance on agriculture	2
Agricultural service/market failure	2
Negative effects of food aid	1
Lack of paid work	1
Early warning systems not area specific	1

### *Smallholder Production for Growth*

Discussion started with the question of whether, given increasing land pressure and fragmentation and changing technologies, smallholder farming can be the engine of growth in Malawi. Smallholders represent  $\frac{3}{4}$  of the population in Malawi and their future is crucial. On the one hand, a set of arguments was put forward about the limitations of smallholder production. To meet increasing quality demands and scale for export and investment, large farms are likely to be most appropriate for some crop types. In addition, many smallholders are not able to be food self-sufficient, and their lack of purchasing power seriously compromises their ability to meet this shortfall through buying from profit-making estate farmers. This pressure is increasing as land progressively fragments, especially because everyone in Malawi (including urban workers) owns some land. Alternatives to unsustainable smallholder production, therefore, are critically needed. What are the exits for smallholder farmers? Education is likely to be crucial to this. On the other hand, education policies must be linked to employment opportunities to avoid creating a large pool of educated unemployed. More positively for smallholder agriculture, this year's fertiliser subsidies (and previous inputs programmes) have demonstrated that with sufficient inputs, smallholder production can be substantially increased. Furthermore, Malawi's only world-leading crop, burley tobacco, is grown principally by smallholders.

Two important issues are bound up with this debate: the design, implementation, and impact policy; and diversity in the agricultural sector. These issues are pertinent in both agriculture and social protection.

### *Policy Issues*

Various problems emerge in both the formulation and analysis of policy. First, there is a need for a detailed understanding of the (direct and indirect, or multiplier) effects of and interactions between policies (in outcomes and in terms of political economy). For instance, estate policies have arguably increased Gini coefficients in land ownership. Fertiliser subsidies have contributed to national production but have not guaranteed household food security, and it is not clear that they currently effectively target smallholders through the current system of village chiefs' choice. Given their social protection (but also growth) objectives, this is a significant concern. However, it may be difficult to draw clear conclusions from the Malawi experience because very few policies have been implemented as designed. This in itself might be a lesson for policymakers. These considerations raise political economy questions. Whilst it may be relatively easy to target groups who cannot work (the elderly, infirm, etc.), targeting groups to 'graduate' out of poverty is much more difficult. If social protection measures are to be designed to be both ameliorative and developmental, this problem must be addressed.

Second, agriculture (and social protection) in Malawi has suffered from a lack of policy coherence in terms of policy coordination, clarity, and sequencing. Indeed, unstable government policy may have acted as a significant constraint to agricultural growth. Whilst there may be a role for the government in influencing prices and stimulating (or providing) demand, policymakers must understand that it is not clear, in general, that government policies have contributed to agricultural growth, given their potential for blocking the development of and crowding out the private sector (similar issues arise in social protection). The spending on subsidising inputs suggests that resources are available; it is vital to use them appropriately. There are strong political considerations driving government interventions in food and input markets.

Third and especially given that point, there must be an examination of whether policies are sustainable. Fertiliser subsidies, for instance, may raise production for 1 or 2 years, but without any effective credit markets, will there be a sustainable impact on growth rates? There is concern that no one is actually graduating from safety nets; are they in fact merely 'death nets'? Issues in combining social protection and growth need to be revisited to resolve this. Finally, since the magnitude of vulnerability seems to be increasing (through price volatility, drought, and so on), the magnitude of social protection measures needs to be considered.

### *Diversity in Agriculture*

Debates about moving agriculture forward and moving out of agriculture must take account of the diversity of both rural producers and potential crops that they can produce. First, arguments about the 'crisis of smallholder agriculture' must be contextualised by an appreciation of the diversity of smallholders. Whilst some smallholders undoubtedly are in chronic food shortage, others are not. Why is this and what are the salient differences between these groups? Some groups already derive substantial non-farm incomes, but it is not yet clear as to who these groups are and what they do. Furthermore, providing inputs such as fertiliser assists smallholders for whom a lack of agricultural inputs is the principal constraint, but how far does it help the many smallholders who are land or labour constrained. Second, a key perceived challenge is to find alternatives that reduce reliance on

maize. However, it may be more appropriate to diversify into a range of products that reflect the diversity of producers. It is not yet clear as to what these products may be.

#### 4.3 Agriculture & Social Protection Research Priorities

Participants were asked to identify the three main research priorities in agriculture and in social protection. The following tables summarises the issues identified in descending order by the number of responses received.

<b>Research Priorities in Agriculture</b>	<b>Number of responses</b>
Increasing smallholder productivity with interventions targeted at different categories of smallholder	6
Labour markets	4
Comparative advantages of different agricultural crops	4
Constraints for irrigation	3
Commercial management to overcome credit market failures	3
Robust policy frameworks	2
Maize price management	2
Macroeconomic management and institutional development	2
Good exits from agriculture - what activities offer best returns	2
Smallholder capacity	1
Returns to investment of different organisations in achieving agricultural policy	1
Private sector involvement in maize production	1
Possible impact of contract farming - more products and capable smallholders	1
Political engagement in critical agricultural markets	1
Policy reversal on agricultural market liberalisation	1
Land availability	1
Lack of repayment of credit	1
Intensification vs diversification	1
Infrastructure development	1
Implementation of policies since 95	1
Food production in large farms	1
Environmental management	1
Complementarity and substitutability between growth and social protection	1
Access to market	1

<b>Research Priorities in Social protection</b>	<b>Number of Responses</b>
Do we really need social protection measures?	3
Politics and policy processes of social protection and how to develop coherent policy	3
Social protection and growth linkages especially in relation to exit strategies	3
Smallholder heterogeneity	2



Long-term financing issues	2
Targeting challenges	2
Cost-effectiveness of different social protection measures	1
Researching indirect effects of social protection measures (e.g. on labour markets)	1
Understanding the real impact and effects of social protection programmes in the past	1
Explore affordable exit strategies from input subsidy programmes	1

Some of the research priorities identified by participants and summarised in the tables above were selectively discussed in a plenary session and the main points of this discussion are summarised below.

### *Labour Markets*

We need to understand better how labour markets work in all their diversity and their interactions with food security, entitlement and growth. There is little basic knowledge on wage rates, wage uses, supply and demand and how important wage labour is for food security and growth. It is also important to explore wage differentials within the agricultural sector and between different sectors, particularly in relation to different types and levels of skill and education. Research also needs to explore the intra-household dimensions of the labour market including distributional outcomes and should be integrated with research on land markets and how these are changing over time. Questions in land and labour markets are closely connected, for instance how are new contractual forms in the labour market (e.g. interlocked labour and input markets in sharecropping) connected to developments in the land market?

### *Comparative Advantage*

To assist production diversification in the agricultural sector and to avoid over-dependence on maize and tobacco, there needs to be better understanding of which crops are best suited to different parts of the country and where Malawi is likely to have a comparative advantage. Bunda College conducted substantial research in these areas in the 90s which the Ministry of Agriculture has recently updated and which any further research should build on.

### *Institutional Challenges*

Public policy is insufficiently informed by accurate, up-to-date data due to weak institutional linkages. These involve for example linkages (a) between research/extension and actual agricultural practice and (b) between research outcomes and policy processes.

### *HIV/AIDS*

More research is needed to understand the effects of HIV/AIDS and its implications for social protection and agricultural growth. This would represent a fundamental dimension of any study of land and labour markets in Malawi.



### *Negative Effects of Food Aid*

There has been growing concern, in particular among NGOs in recent years, about the negative effects of food aid on food markets and national food security and its potential contribution to dependency at the household level.

### *Policy Processes*

To be meaningful and add real value, any research on agriculture must consider policy processes, including how policies evolve and are implemented. This is critical to ensure that research outcomes and recommendations are relevant and adapted to the reality of the policy formulation and implementation process, and are not hi-jacked by short-term political interests or donor agendas.

### *Traditional Social Protection measures*

More research is required to understand the interactions and relationships between formal and informal/traditional social protection measures, and how the latter have evolved over time and why. In particular, we need to explore the interactions between traditional measures of social protection and state/NGO interventions, including when and how formal transfers displace private protection measures. What implications does this have for growth and development? Further work should build on DFID-funded research into coping strategies in Malawi in the late 1990s.

### *Practicality and Relevance*

Any research should lead to concrete and practical policy recommendations which can be implemented in the real world of challenging policy processes and weak implementation capacity. How can the Consortium ensure the research outcomes do not contribute to yet another chapter of incoherent policy processes?

## ANNEX A: List of Participants

### A. Tea Sector Meeting Participants (Blantyre)

1. **Mr. Armstrong E. Khoza**  
Smallholder Farmer and Chairman  
National Smallholder Tea  
Development Committee  
PO Box 112, Chisitu, Mulanje  
Tel: +265 1467041  
Cell: +265 92900058  
Email: [khoza@malawi.net](mailto:khoza@malawi.net)
2. **Mr. Clement Nyirongo**  
Deputy Chief Economist  
Ministry of Economic Planning and  
Development  
P. O. Box 30136, Lilongwe 3  
Tel: +265 1788888  
Cell: +265 8378244  
Email: [nyirongo@mepdgov.org](mailto:nyirongo@mepdgov.org)
3. **Mr. Wilfred Kasitomu**  
Smallholder Farmer and Board  
Member  
National Smallholder Tea  
Development Committee  
PO Box 203, Bvumbwe, Thyolo  
  
Cell: +265 9634614
4. **Mrs. Jessie Mvula**  
Economist  
Ministry of Agriculture and Food  
Security  
P. O. Box 30134, Lilongwe 3.  
Tel: +265 1789033  
Cell: +265 9552273
5. **Dr Winford H. Masanjala**  
Lecturer in Economics  
University of Malawi - Chancellor  
College  
PO Box 280, Zomba  
Tel: +265 1524526  
Cell: +265 9425100  
Email: [wmasanjala@lsu.edu](mailto:wmasanjala@lsu.edu)
6. **Professor Lewis K. Mughogho**  
Desk Officer
7. **Mr. Salim Kholowa**  
Smallholder Farmer and Trustee  
  
Smallholder Tea Growers Trust  
PO Box 135, Mulanje  
Fax: +265 1466239  
Tel: +265 1466244  
Cell: +265 8504644
8. **Mr. Michael Gundaphiri**  
Smallholder Farmer and Trustee  
  
Smallholder Tea Growers Trust  
PO Box 135, Mulanje  
Fax: +265 1466239  
Tel: +265 1466244
9. **Mr J. A. Melrose**  
Managing Director  
Lujeri Tea Estates Limited  
PO Box 133, Mulanje  
Fax: +265 1460281  
Tel: +265 1460250  
Cell: +265 9962062  
Email: [jim224@africa-online.net](mailto:jim224@africa-online.net)
10. **Mr Aubrey Tungama**  
Smallholder Farmer  
c/o Lujeri Tea Estates Limited  
PO Box 133, Mulanje  
Cell: +265 9465022
11. **Mr Rick J. Tilley**  
Managing Director  
Eastern Produce Malawi Limited  
PO Box 53, Mulanje

Fax: +265 1466420  
Tel: +265 1466346  
Cell: +265 9962600  
Email: [r.tilleykwacibi@africa-online.net](mailto:r.tilleykwacibi@africa-online.net)

PO Box 6, Thyolo  
Fax: +265 1473368  
Tel: +265 1473500  
Cell: +265 9961114  
Email:  
[100667.1740@compuserve.com](mailto:100667.1740@compuserve.com)

**12. Mr. Laurence R. G. Lawrence**

General Manager  
Makandi Tea Estates Limited  
PO Box 5598, Limbe  
Fax: +265 1471078  
Tel: +265 1471048  
Cell: +265 9960131  
Email:  
[l.lawrence@makanditea.com](mailto:l.lawrence@makanditea.com)

**14. Mr. Patrick Zimpita**

Deputy Director, Monitoring and  
Evaluation  
Ministry of Economic Planning and  
Development  
P. O. Box 30136, Lilongwe 3  
Tel: +265 1788888 Cell: +265  
9411969  
Email: [patrickzimpita@yahoo.com](mailto:patrickzimpita@yahoo.com)

**13. Mr. R. G Cathcart Kay**

Chairman  
Satemwa Tea Enterprises

**B. Cotton Sector Meeting Participants (Blantyre)**

**1. Mr. Clement Nyirongo**

Deputy Chief Economist  
Ministry of Economic Planning and  
Development  
P. O. Box 30136, Lilongwe 3  
Tel: +265 1788888  
Cell: +265 8378244  
Email: [nyirongo@mepd.gov.org](mailto:nyirongo@mepd.gov.org)

**4. Mr. Watson B. Chipeta**

Development Manager  
Farmers Organisation Limited  
PO Box 1916, Blantyre  
Fax: +2651873452  
Tel: +265 1873088  
Cell: +265 9951596  
Email: [farmorg@africa-online.net](mailto:farmorg@africa-online.net)

**2. Mr. Patrick Zimpita**

Deputy Director, Monitoring and  
Evaluation  
Ministry of Economic Planning and  
Development  
P. O. Box 30136, Lilongwe 3  
Tel: +265 1788888  
Cell: +265 9411969  
Email: [patrickzimpita@yahoo.com](mailto:patrickzimpita@yahoo.com)

**5. Mr. Henderson Chikanaulanga**

Association Business Manager  
Balaka NASFAM  
Private Bag 34, Balaka  
Tel: +265 1545238  
Cell: +265 8381223

**3. Mr. Chikondi Sakala**

Crop Production and Marketing  
Manager  
Balaka NASFAM  
Private Bag 34, Balaka  
Tel: +265 1545238  
Cell: +265 8383655

**6. Dr Winford H. Masanjala**

Lecturer in Economics  
University of Malawi - Chancellor  
College  
PO Box 280, Zomba  
Tel: +265 1524526  
Cell: +265 9425100  
Email: [wmasanjala@lsu.edu](mailto:wmasanjala@lsu.edu)

## C. Agriculture Sector Meeting Participants (Lilongwe)

1. **Mr. Ben A. Botolo**  
Director, Monitoring and Evaluation  
Ministry of Economic Planning and Development  
P. O. Box 30136, Lilongwe 3  
Tel: +265 1788888  
Cell: +265 8842582  
Email: [bbotolo2000@yahoo.com](mailto:bbotolo2000@yahoo.com)  
Cell: +265 8841285  
Email: [lk-stubblefield@dfid.gov.uk](mailto:lk-stubblefield@dfid.gov.uk)
2. **Dr Winford H. Masanjala**  
Lecturer in Economics  
University of Malawi - Chancellor College  
PO Box 280, Zomba  
Tel: +265 1524526  
Cell: +265 9425100  
Email: [wmasanjala@su.edu](mailto:wmasanjala@su.edu)
3. **Dr. Blessings Chinsinga**  
Senior Lecturer  
Department of Political Studies  
Chancellor College  
PO Box 280, Zomba  
Tel: +265 152422 /1525900  
Cell: +265 8 577842  
Email: [kchinsinga@yahoo.co.uk](mailto:kchinsinga@yahoo.co.uk)
4. **Mr. Maxton G. Tsoka**  
Research Fellow  
Centre for Social Research  
PO Box 278, Zomba  
Tel: +265 1524916/800  
Cell: +265 8838508  
Email: [mghtsoka@yahoo.com](mailto:mghtsoka@yahoo.com)
5. **Mr. George H. Thindwa**  
Operations Director  
Economics Association of Malawi (ECAMA)  
P. O. Box 621, Lilongwe  
Fax: +265 1 775227  
Tel: +265 1 775745/746  
Email: [ecama@malawi.net](mailto:ecama@malawi.net)
6. **Mrs. Leigh Stubblefield**  
Livelihoods Advisor  
Department for International Development  
PO Box 30042, Lilongwe 3  
Tel: +265 1 772400 ext 2315
7. **Mr. Lloyd P. Longwe**  
Deputy Commissioner for Physical Planning  
Ministry of Lands, Housing and Physical Planning  
Private Bag 311  
Lilongwe 3  
Fax: 01772 523  
Tel: +265 1772324 / 1774766  
Cell: +265 9953252  
Email: [loydongwe@yahoo.co.uk](mailto:loydongwe@yahoo.co.uk)
8. **Professor Chinyamata Chipeta**  
Professor of Economics  
Department of Economics  
Chancellor College  
PO Box 280, Zomba  
Tel: +265 1 525205  
Cell: +265 9 311166  
Email: [chipetac@sdp.org.mw](mailto:chipetac@sdp.org.mw)
9. **Mr. Lyson Nkhukuzalira**  
General Manager  
Paprika Association of Malawi  
Private Bag 365, Lilongwe 3  
Fax: +265 1770103  
Tel: +265 1 770146  
Cell: +265 9 958257  
Email: [ldnkukuzalirah@yahoo.com](mailto:ldnkukuzalirah@yahoo.com)
10. **Mr. Michiel Kokken**  
Technical Advisor  
Paprika Association of Malawi  
Private Bag 365, Lilongwe 3  
Fax: +265 1770103  
Tel: +265 1 770708  
Cell: +265 9 511914  
Email: [Michiel\\_Pama@yahoo.co.uk](mailto:Michiel_Pama@yahoo.co.uk)
11. **Mr. Oystein Bottillen**  
First Secretary  
Norwegian Embassy  
Lilongwe  
Email: [oybo@mfa.no](mailto:oybo@mfa.no)

- 12. Mr. Daniel Njiwa**  
Economist  
Malawi Agricultural Sector  
Investment Programme  
Lilongwe  
Tel: +265 1 752186  
Cell: +265 9 510498  
Email: [danielnjiwa@yahoo.co.uk](mailto:danielnjiwa@yahoo.co.uk)
- 13. Mr. Ian Kumwenda**  
Coordinator  
Malawi Agricultural Sector  
Investment Programme  
Lilongwe  
Tel: +265 1 755202  
Cell: +265 8 824861  
Email: [inkumwenda@malawi.net](mailto:inkumwenda@malawi.net)
- 14. Mr. Mathews Madola**  
Researcher  
Centre for Agricultural Research  
and Development  
Bunda College of Agriculture  
P. O. Box 219, Lilongwe.  
Fax: +265 1 277364  
Tel: +265 1 277433/438  
Cell: +265 9 307393  
Email: [mathews@malawi.net](mailto:mathews@malawi.net)
- 15. Mr. Innocent Thindwa**  
Economist  
Ministry of Agriculture and Food  
Security  
P. O. Box 30134, Lilongwe 3.  
Tel: +265 1789033  
Cell: +265 8 366263  
Email: [lwaad@yahoo.co.uk](mailto:lwaad@yahoo.co.uk)