



# What Are Alternatives to Tobacco Farming for Smallholders in Malawi?

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2021 Malawi Annual Agricultural Policy Conference  
Bingu International Convention Centre, Lilongwe

June 1, 2021

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# A call for viable alternatives to tobacco



# Why do we need viable alternatives to tobacco **now**?

- ☀ Historically, tobacco sales account for a big share of Malawi's total export value
- ☀ Production is mainly done by smallholder farmers with < 0.5 hectares of farmland
- ☀ While tobacco is vital to the Malawian economy, its market is threatened by:
  - Health hazards on both production and consumption sides
  - Child labor and anti-smoking campaigns
  - Production shocks

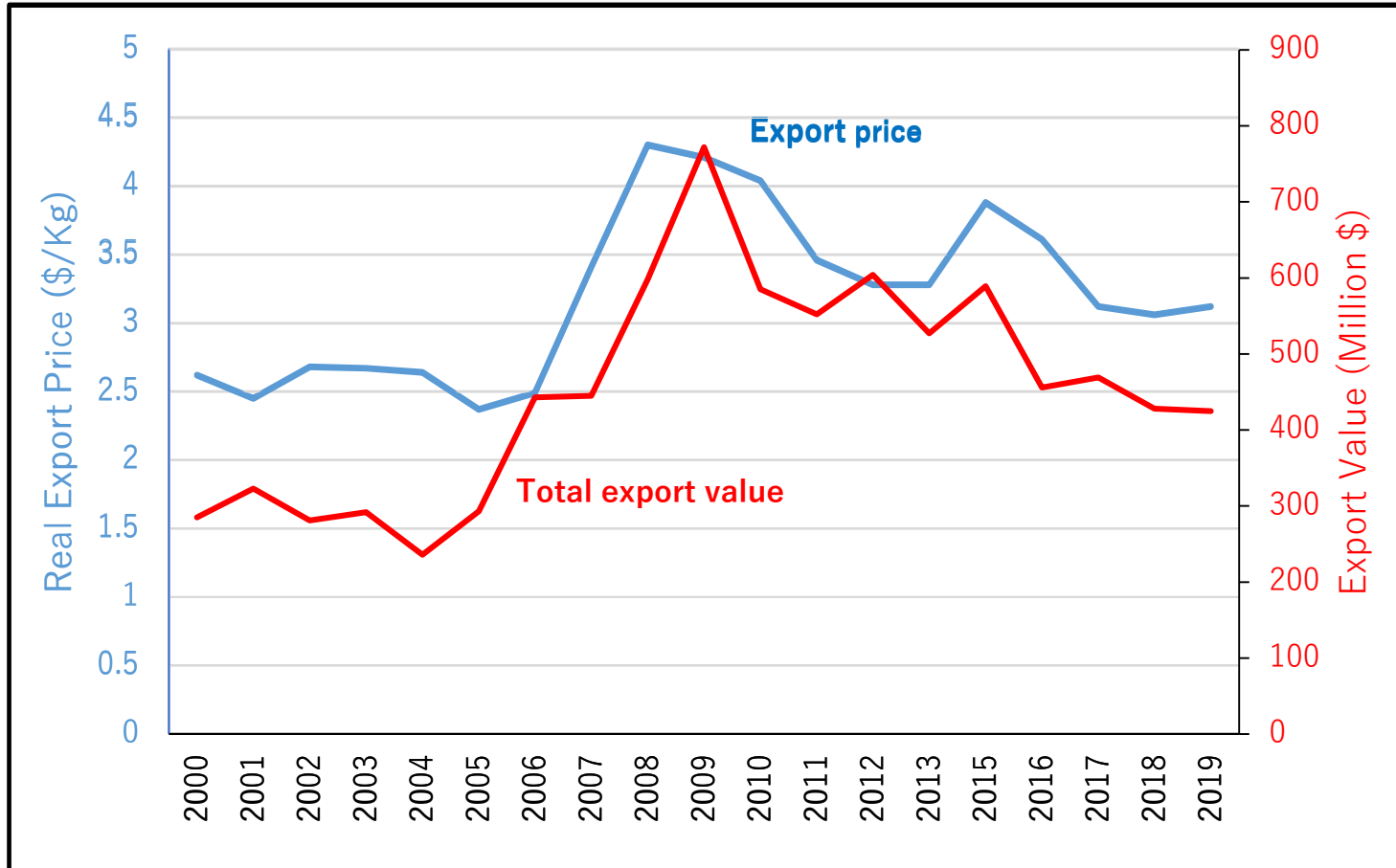


# Tobacco is still vital to the Malawian economy. But what about alternatives?

- ☀️ Examine trends in tobacco export prices and value
- ☀️ Analyze the switching in and out of tobacco cultivation
- ☀️ Estimate the profitability of tobacco and its alternatives
  - Using nationally representative datasets collected between 2009 and 2019



# Tobacco export price has declined since 2008



Source: World Bank - World Integrated Trade Solutions (WITS) Data

The future of USA market is uncertain

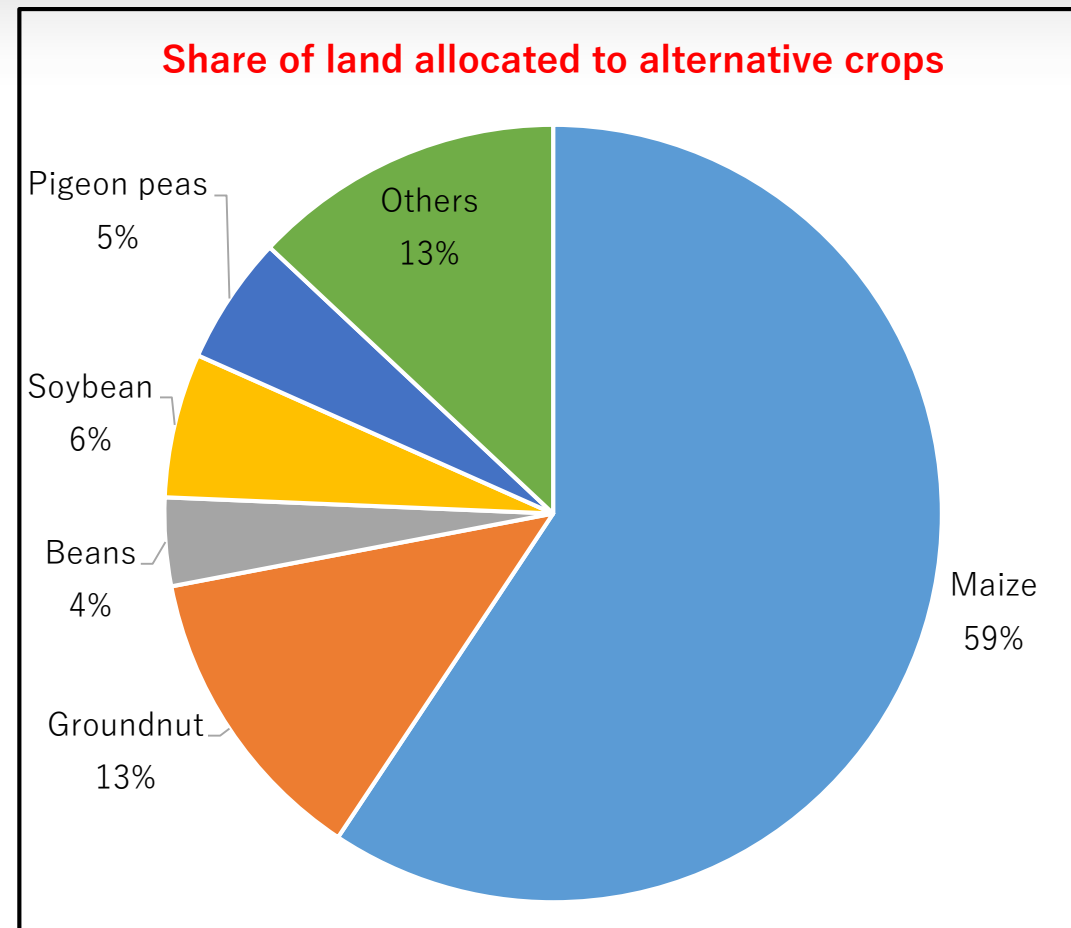
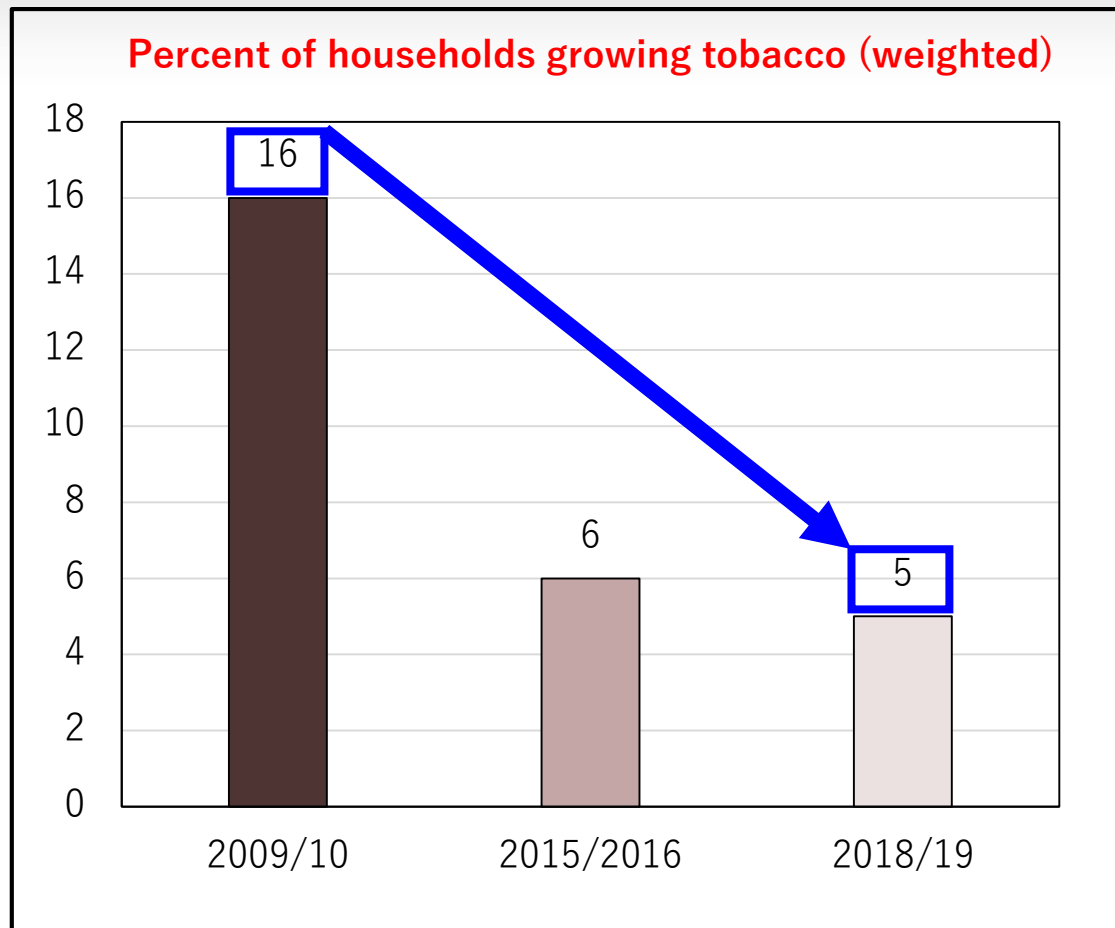


**US suspends Malawi tobacco imports after child labour allegations**

*The New York Times*

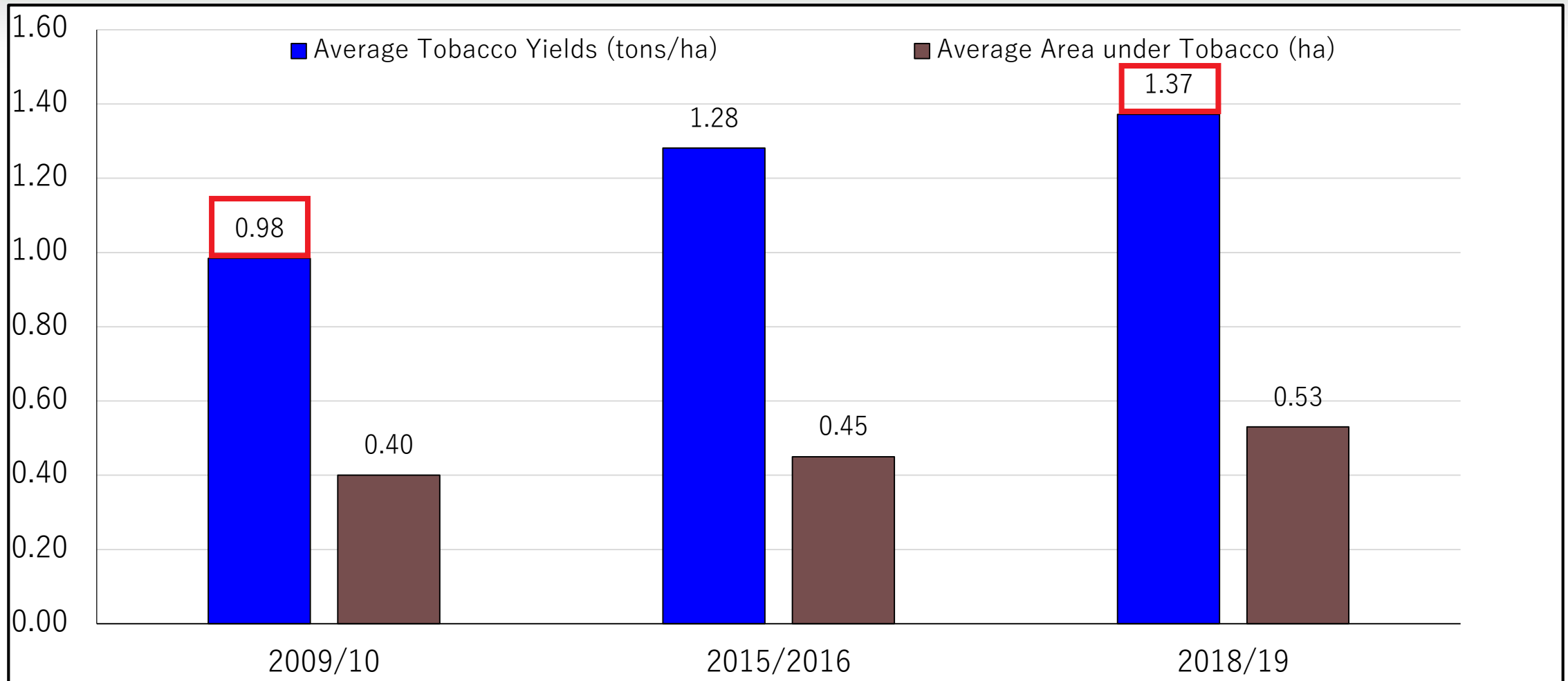
***Biden Administration Plans to Propose Banning Menthol Cigarettes***

# Malawi is already switching out of tobacco



Source: World Bank Integrated Household Panel Survey (IHPS)

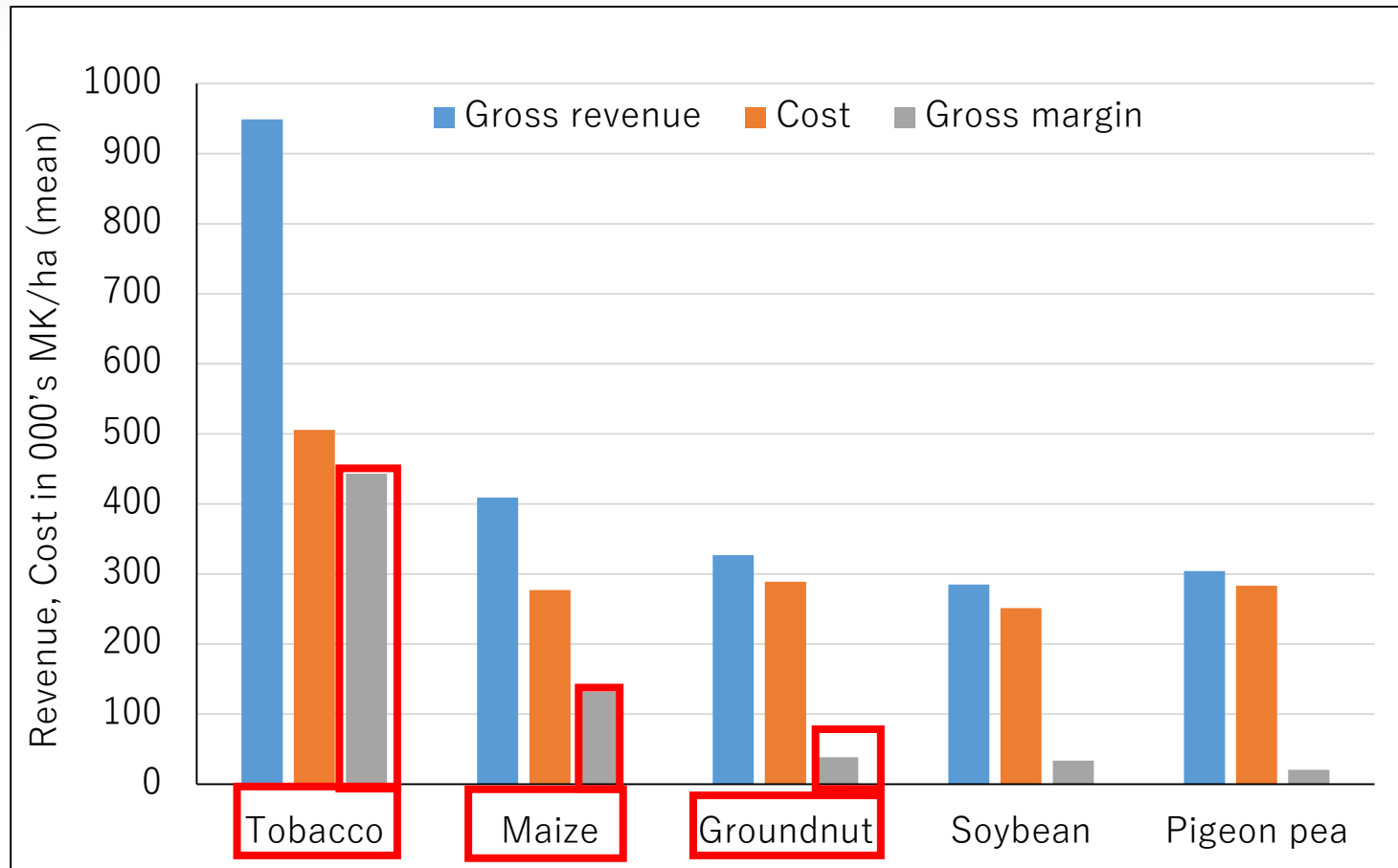
# Average tobacco yields have increased since 2010



Source: World Bank Integrated Household Panel Survey (IHPS)

# Tobacco is more profitable than alternative crops

Returns to land (Gross margins, GM) in 2015/16



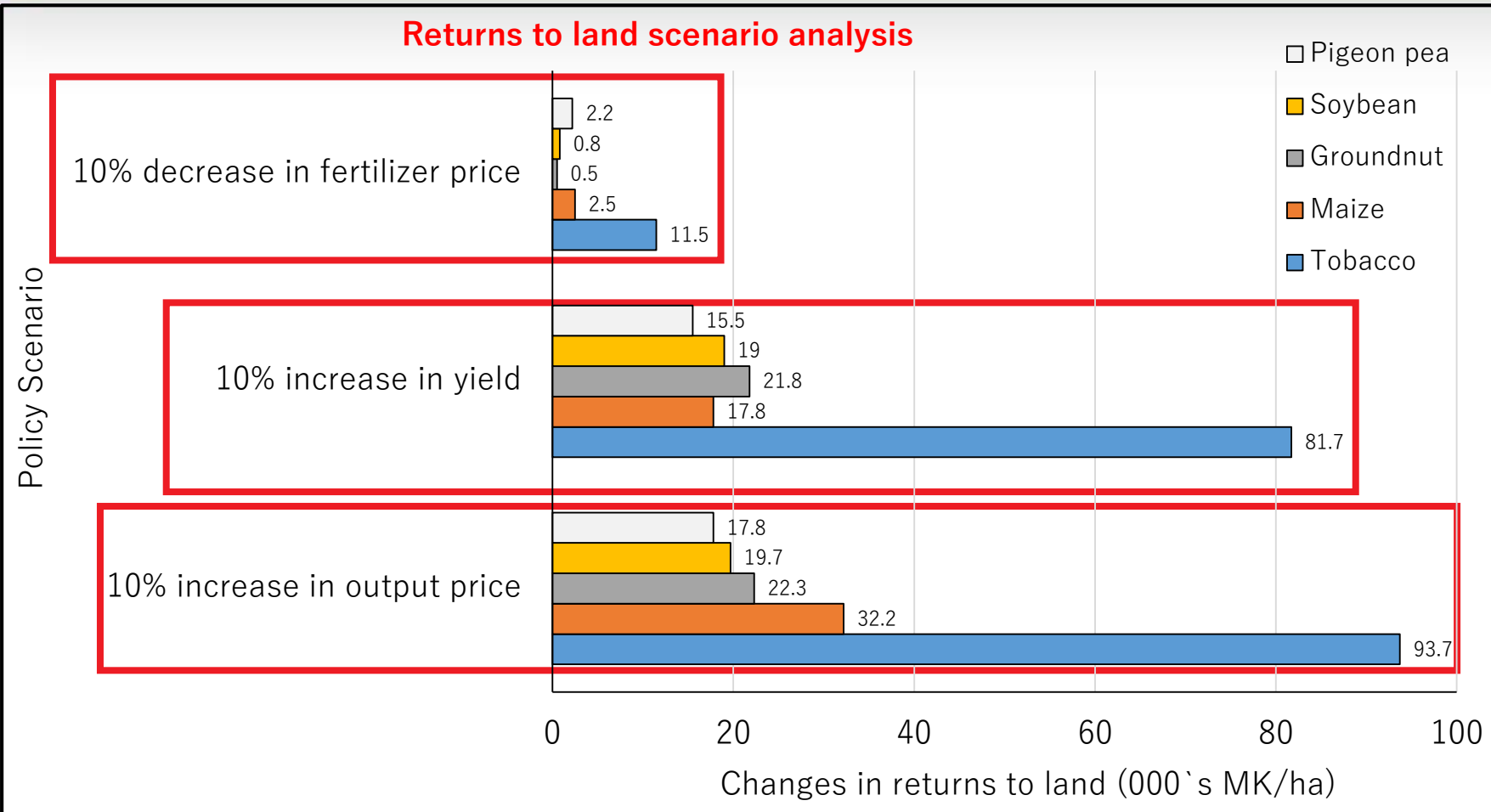
Note: All calculations in 2019 MK. **Gross margin=Gross revenue-cost of production**





# Returns to land are more responsive to changes in output price and yield

Returns to land scenario analysis



☀️ GMs are less responsive to input price for all crops

☀️ GMs are more responsive to output price and yield for all crops

☀️ **Do we have viable alternative commodities to tobacco?**

Note: All calculations in 2019 MK

Source: World Bank Integrated Household Panel Survey (IHPS)

# Yes, if not tobacco, then what?

## Viable commodities

- Cereals (e.g., Maize)
- Legume crops
- Horticultural crops
- Coffee, Tea, Cotton
- Assorted (e.g., Cannabis, Minerals, Wheat, etc)

## Key constraints (general)

- Low funding to public R&D
- Poor infrastructure (e.g., road, markets, warehousing)
- Low investment in public extension system
- No input subsidies for other alternatives (e.g., legumes)
- Limited technical knowledge on production



# Take home message

- 🌅 Tobacco prices and export value declined over the past decade
- 🌅 Malawi is already diversifying away from tobacco production
- 🌅 For efficient growers, tobacco remains more profitable than most alternatives
- 🌅 Do we have alternatives? **Yes**, but we need strategies to improve their profitability

# Possible policy interventions

- 🌅 Enhance agricultural productivity through more investments in R&D
- 🌅 Explore or develop alternative commodities for export diversification
- 🌅 Invest in agro-processing for high value crops for export markets
- 🌅 Make agri-policies more consistent and predictable (e.g., maize export ban)





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