

MALAWI COUNTRY OVERVIEW

FOUNDATION FOR A SMOKE-FREE WORLD

Updated February 2019ⁱ

The country profile below provides a high-level overview of the tobacco sector in Malawi. It opens with a brief description of large-scale changes within the global tobacco industry and their implications for Malawi, a key focus for the Foundation for a Smoke-Free World's (herein referred to as "the Foundation" or "FSFW") Agricultural Transformation Initiative (hereafter referred to as "the ATI"). The profile then examines the lived experiences of smallholder tobacco farmers with an emphasis on their economic well-being, health, and environment. It then pivots to summarizing the in-country landscape in which a transition to alternative crops must potentially take place. In doing so, the profile simultaneously seeks to make a case for change while providing a multifaceted contextual window into the country's economic, regulatory, and political profile with a focus on the tobacco sector at large.

CHANGES IN THE GLOBAL TOBACCO INDUSTRY AND THEIR IMPACT ON MALAWI

In recent decades, global tobacco production has been characterized by significant year-to-year variations (Figure 1). Despite these variations, the long-term trend in global tobacco production during that time appears to be flat. After removing the nearly 9 million tons produced in 1997 as a one-in-two-decade outlier (not plotted below), global tobacco production remained between 6 and 7.5 million tons over the past two decades, with no discernible or statistically significant linear trend over this time period.^{1,ii}

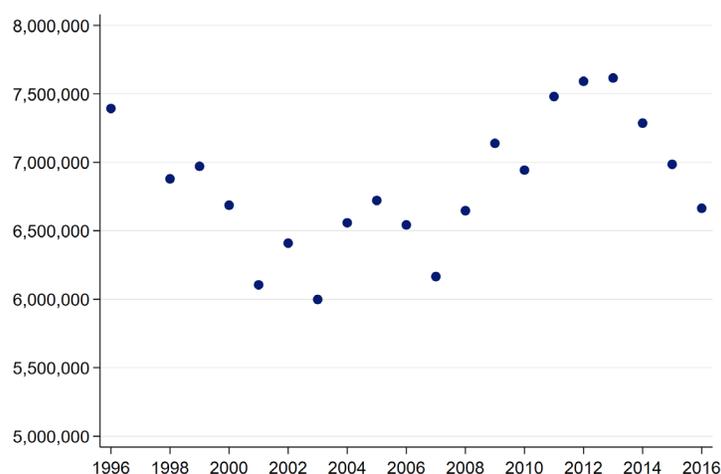
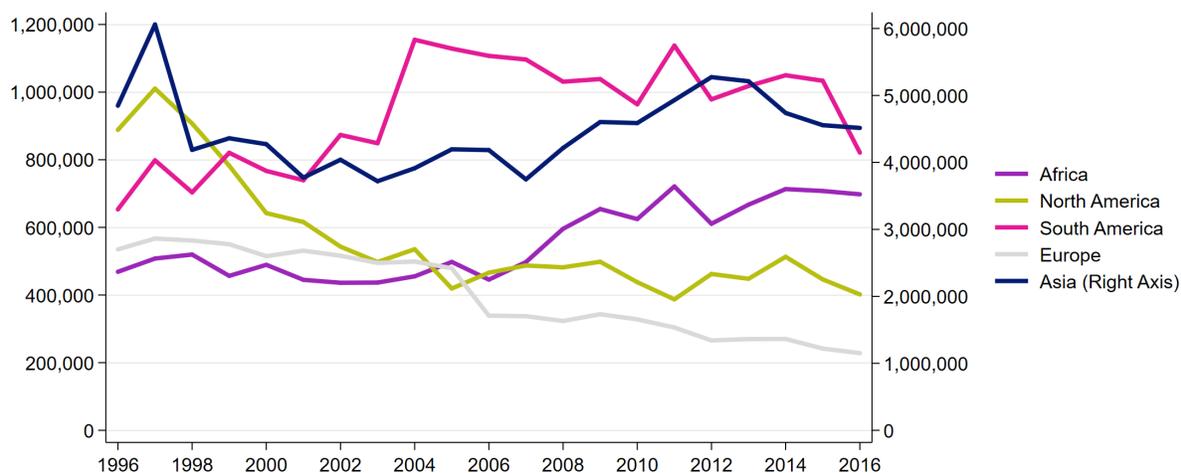


Figure 1: Global tobacco production in tons from 1996 to 2016. Despite significant year-to-year variation, there is no discernible or statistically significant linear trend observed in global tobacco production. Of note, the graph above excludes the nearly 9 million tons produced in 1997 as an outlier. Source: The graph was created by the author using data from FAOSTAT.¹

ⁱ The country profile is a snapshot in time and will be updated regularly as the economic, political, regulatory or sectoral situation evolves. It is a very high-level contextual piece on Malawi, a key focus for the Foundation's ATI, and is by no means considered to be exhaustive.

ⁱⁱ All tobacco production, harvest, and yield data by country and region used in this report refer to crop production data obtained from FAOSTAT, the statistical database of the Food and Agriculture Organization (FAO) of the United Nations. FAOSTAT obtains its data from FAO member countries through questionnaires, national publications, or country websites.

Analyzing global tobacco production at the level of regions, however, reveals a clear shift from high-income countries in Europe and North America to low- and middle-income countries in Africa, Asiaⁱⁱⁱ, and South America in recent decades (Figure 2).



Source: BACI trade database, accessed March 2018

Figure 2: Trends in tobacco production in tons by region from 1996 to 2016. Tobacco production shifted from high-income countries in Europe and North America (including the Caribbean and Central America) to low- and middle-income countries in parts of Africa, Asia^{iv}, and South America. Source: The graph was created by the author using data from FAOSTAT.¹

Between 1996 and 2016, tobacco production dropped from 535,060 tons to 228,250 tons in Europe and from 888,360 tons to 402,000 tons in North America. This reflects more than a 50% decline in tobacco production in both regions.¹ During the same period, tobacco production increased from 469,000 tons to 698,000 tons in Africa and from 653,300 tons to 821,000 tons in South America, representing approximately 49% and 26% rises, respectively.¹ Tobacco production marginally decreased from 4.84m tons to 4.51m tons in Asia over the same time period. These shifts are best illustrated by the shrinking share of tobacco production in Europe and North America and the growing share of tobacco production in parts of Africa, Asia, and South America (Figure 3).¹

ⁱⁱⁱ Asia includes Oceania. Tobacco production in Oceania is negligible relative to all other regions. Oceania includes Micronesia, Fiji, and all of Polynesia except for New Zealand.

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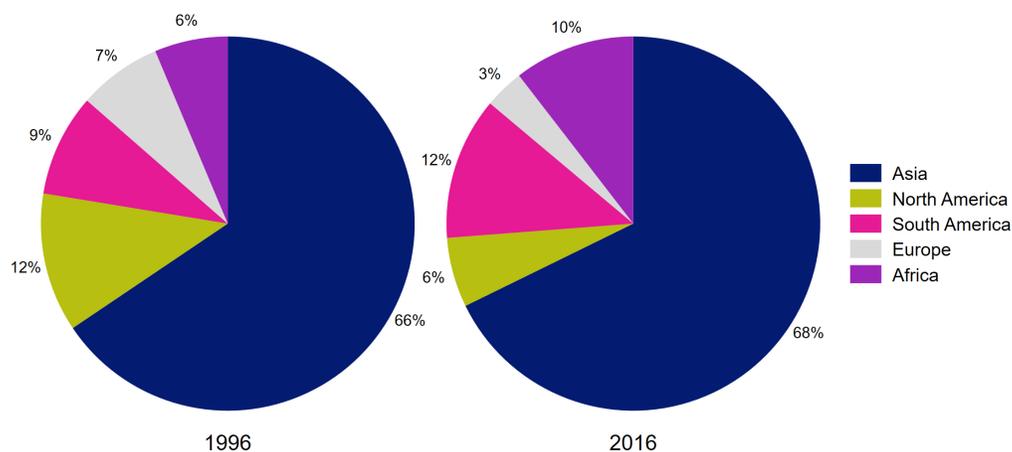


Figure 3: The percentage of global tobacco production by region in 1996 (left) and 2016 (right). In recent decades, the percentage of global tobacco production in Europe and North America (including the Caribbean and Central America) has shrunk, while that of Africa, Asia^v, and South America has grown. Source: The graph was created by the author using data from FAOSTAT.¹

These increases in tobacco production have been largely driven by China, Brazil, and sub-Saharan Africa (the contribution of the United States has fallen over time, although still ranked as the fourth largest global producer). In 2016, sub-Saharan Africa was home to five of the top tobacco-producing countries in the world, including Zimbabwe (6th), Zambia (7th), Tanzania (9th), Mozambique (11th), and Malawi (13th).¹ The impact of these shifts is particularly pronounced in these countries, with tobacco constituting a major cash crop and ostensibly providing much-needed fuel for their economies.

In 2016, tobacco exports accounted for nearly 59% of total merchandise export earnings in Malawi, rendering it one of the most – if not the most – economically tobacco-dependent countries in the world.^{vi,vii,2} Based on the Foundation’s internal analyses, Malawi’s tobacco sector is best characterized as a “grower-exporter”—meaning that it exports the vast majority of the unmanufactured tobacco it produces (Figure 4) and does so well in excess of any tobacco imports. In 2016, Malawi exported approximately 125,789 tons (5.4% of the world’s tobacco), primarily to countries in Europe (such as Belgium-Luxembourg, Germany, Poland), Russia and the United States.²

^v Asia includes Oceania. Tobacco production in Oceania is negligible relative to all other regions. Oceania includes Micronesia, Fiji, and all of Polynesia except for New Zealand.

^{vi} All tobacco trade data were obtained from the Base Pour L’Analyse du Commerce International (BACI), a world trade database developed by the Centre d’Études Prospectives et d’Informations Internationales (CEPII), the leading French institute for international economics. BACI applies an original methodology to reconcile discrepancies between declarations of exporter and importer countries in UN Comtrade data. Both UN Comtrade and BACI define tobacco in accordance with the Harmonized System (HS) commodity classification scheme. The data on imports and exports of various commodities by quantity and value are available for download.

^{vii} The data were calculated by the author using data from BACI.

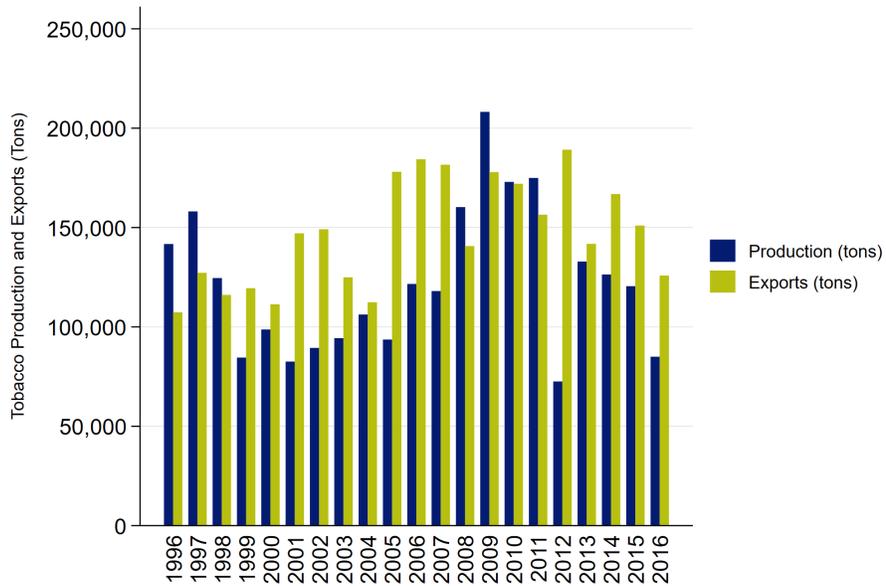


Figure 4: Tobacco production (blue) versus exports (green) in tons in Malawi from 1996 and 2016. Source: The graph was created by the author using data from BACI and FAOSTAT.^{1,2}

Increases in tobacco production over a period of time in Malawi have been driven by the expansion of cultivated area and improvements in yield, peaking in 2009^{viii} with the production of 208,155 tons of tobacco. Although production in any given year has fluctuated, likely because of external forces such as changes in market conditions and weather patterns, the overall trends in cultivated area and yield have been upward (Figure 5). Between 1961 and 2016, the total amount of land used for tobacco production grew nearly two-and-a-half-fold from 41,763 to 112,734 hectares (ha), and yield similarly increased from 2,922 to 7,536 hectograms per hectare (hg/ha).¹ We do not anticipate production increasing in the near term given the quotas imposed by the Tobacco Control Commission (TCC) putatively designed to control prices and other issues associated with overproduction.³

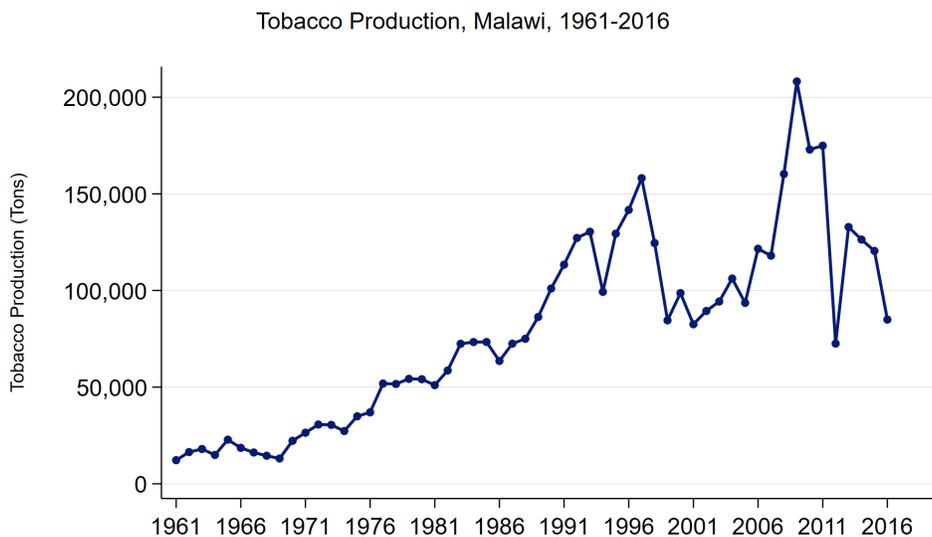


Figure 5: Tobacco production in Malawi from 1961 to 2016. Source: The graph was created by the author using data from FAOSTAT.¹

^{viii} It is worth noting that tobacco production, area harvested, and yield have fallen by nearly 59% from 2009 to 2016, 38% between 2009 and 2016, and by 45% between 1997 and 2016, respectively.

THE TOBACCO SECTOR IN MALAWI

Malawi has a long history of tobacco production for commercial purposes, traceable to the early 1890s.⁴ Six varieties of tobacco are grown in Malawi with burley tobacco being the most common and constituting nearly 95% of the total tobacco produced.^{4,5} Commercialization of the crop took a prominent role in the colonial economy and became even more central after independence in 1964 as a primary source of wealth, patronage, employment, and foreign exchange.⁶

Early on, production was carried out by large estates, often restricted to an elite cadre of growers.⁶ These farmers were permitted to sell their tobacco to international buyers at officially recognized local auctions.⁶ Smallholder farmers, in contrast, were restricted in the varieties they could grow, and their sales were often limited to government agencies at far below market prices.⁶ Such laws and regulations codified a system in which smallholder tobacco farmers were structurally disadvantaged from the very beginning of the development of the tobacco industry in the country. Accordingly, most of the opportunities for smallholders to participate in the sector at that time were tenant, laborer, or other subordinate positions on an estate.⁶

It was only in the early 1990s^{ix}, when key donors required the government to make structural reforms which resulted in the repealing of the Special Crops Act, that smallholder farmers were able to engage the tobacco sector more earnestly.⁷ Since then, tobacco production in Malawi has become dominated by smallholder farmers, who supply most of the country's tobacco.^{6,7}

It is worth noting that smallholder farmers, however, represent simply the first link in the contemporary tobacco value chain in Malawi. They are concentrated primarily in central and southern Malawi.⁵ The majority of them grow tobacco under contract with leaf-buying firms.⁵ To help ensure quality, market coordination, and aggregation at harvest, the firms typically encourage farmers to join clubs of 10 to 30 farmers. These clubs allow for institutional access, collective action, economies of scale, and supporting networks such as tobacco auction and extension services.⁸

The resulting leaf is often marketed through the auction system, and sales is regulated by the TCC.^{x,4} Tobacco leaf is now sold through the Integrated Production System (IPS), which was approved by the government in 2012.⁹ IPS involves contractual arrangements between growers and leaf buyers whereby farmers sell exclusively to these companies and in return receive inputs, credit, extension services, and an assured market at the end of the growing season (however, there are no guarantees on the price).⁹ Many farmers have opted into the contractual arrangements because it is difficult to access banking and credit facilities, among other reasons.⁹

The market can be best described as one with high seller concentration and low buyer concentration, resulting in a monopsonistic dynamic.⁹ Farmers, therefore, likely have less bargaining power in setting prices at auctions. The involvement of private companies became possible only following liberalization in the 1990s.⁹ Buyers of tobacco leaf include companies such as Limbe Leaf, Alliance One, Japan Tobacco International, Premium TAMA, Associated Tobacco Company, and Malawi Leaf Company.⁴

^{ix} When the government opened the tobacco sector in 1989, smallholder farmers with rented land remained excluded from substantive participation in the sector.

^x The TCC is a semi-autonomous branch of the Ministry of Agriculture and Food Security and regulates the tobacco value chain in the country.

Tobacco export value was approximately 10.1% of Malawi's gross domestic product (GDP) in 2016.^{xi,2,10} Tobacco export value was approximately 72% of agricultural GDP in 2016.^{xii,2,10} According to our internal estimate, there are upwards of 1,226,940 registered growers in the 2018/2019 season.^{xiii,11} Such figures are often cited as one of the reasons why Malawi has been a prominent opponent of tobacco control globally and has not acceded to or ratified the World Health Organization's Framework Convention on Tobacco Control (FCTC).^{xiv,12}

Malawi is ready to diversify its crops, and a 2016 study showed that only 25% of Malawian farmers were satisfied with the prices they received in 2014, and 41.3% have considered switching to alternative crops.⁵ Tobacco farmers are struggling, with producer pricing becoming hard to predict and recently hitting new lows (Figure 6). In light of these dynamics, the government appears keen to reduce its overreliance on tobacco, as evidenced by its explicit focus on diversification and sustainable agricultural transformation in Malawi's key policy frameworks including the National Export Strategy (NES), among others.¹³

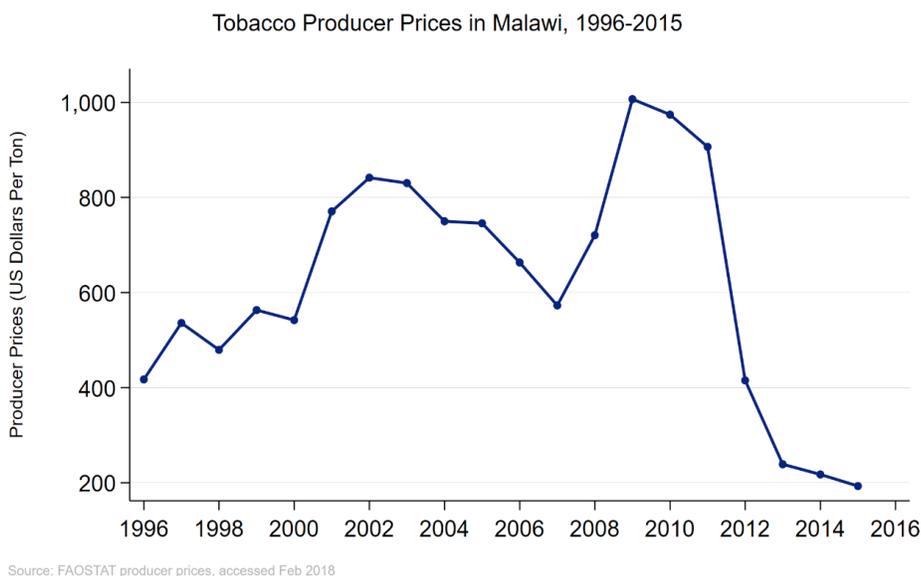


Figure 6: Unmanufactured Tobacco Producer Prices (USD) in Malawi, 1996-2015. Source: The graph was created by authors using data from FAOSTAT. Source: The graph was created by the author using data from FAOSTAT.¹

THE LIVED EXPERIENCE OF TOBACCO FARMERS

Given the shifts in global tobacco production and the pronounced effects that they have had on the tobacco value chain in Malawi, it is important to understand the lived experiences of smallholder tobacco farmers in the country. A closer look reveals that they are arguably often the least compensated and most disadvantaged link in the tobacco value chain, with existing practices oftentimes taking a toll on their economic well-being, health, and environment.

^{xi} This was calculated using export data from BACI and GDP data from the World Bank.

^{xii} This was calculated using data from BACI and the Reserve Bank of Malawi (RBM).

^{xiii} According to the TCC, there are 122,694 registered growers in the 2018/2019 season. Registered growers refer to clubs and estates, with a minimum of 10-15 members each.

^{xiv} The FCTC is the first global public health treaty to curb the demand and supply of tobacco.

Economic well-being

Despite industry claims that tobacco farming provides a ladder out of poverty for individuals, the empirical evidence suggests otherwise.^{5,14,15} The challenges these farmers face negatively affect their economic well-being, health, and environment.

Specifically, many smallholder farmers operate under contracts in which tobacco buyers provide necessary inputs of tobacco farming (e.g., fertilizer, pesticide, seed) in exchange for the right to purchase their harvest.⁵ Such arrangements allow buyers to circumvent the risks of land ownership – along with its associated disputes and supervision – while exerting substantial control over the inputs, access to credit, and purchase price of the resulting leaf.^{5,16} As a result, farmers themselves are often forced to reside on thin margins.^{5,15,17} For many, once the costs of their labor and loans are factored into the equation, their income becomes ultimately negative⁵ and they become trapped in a cycle of perpetual debt to the buyer, whereby they have no reasonable economic choice other than to continue contract tobacco farming to ensure some cash flow and subsistence.^{16,17,18} Indeed, even though the economy of Malawi is arguably predicated on tobacco farming as illustrated above, the overall poverty rate is 50% and the poverty rate in rural areas, where the majority of Malawians reside, is even higher at 57%.¹⁹

It is also important to note that the effects of tobacco farming are not limited to the heads of the household. Producing tobacco is labor intensive. Significant manual work is required to prepare the land, plant the seeds, water the plants, and apply fertilizers and pesticides as well as harvest, cure, transport, and pack the resulting leaves.¹⁴ As a result, children are often called upon to work on smallholder tobacco farms. Malawi, for instance, in 2000, reportedly had the highest incidence of child labor in southern Africa, and although there have been moderate improvements in efforts to eliminate the worst forms of child labor, children continue to engage as part of family labor in the harvesting of tobacco.^{20,21} During the growing season, generally, few of these children can participate in school, further compromising their future economic well-being.¹⁴

Health

Further, a disproportionate number of countries that grow tobacco have high levels of malnutrition and undernourishment. This correlation has become all the easier to discern in recent years as production has shifted to low- and middle-income countries.¹⁴ In sub-Saharan Africa, for instance, several countries – including Malawi, Mozambique, Tanzania, Zambia, and Zimbabwe – are global leaders in tobacco production.¹⁴ All of them except for Zimbabwe have a high prevalence of growth stunting, thought to be secondary to malnutrition and undernourishment.²² In Malawi, specifically, more than one of every three children under age five is stunted according to the country's Demographic and Health Survey.²³

Environment

The environmental risks associated with tobacco farming are particularly pronounced in low-income countries like Malawi. A review of the literature revealed that tobacco farming contributes to deforestation and soil degradation.²⁴ These are the results of both suboptimal land-clearing practices as well as runoff of fertilizers and pesticides. Between 1990 and 2007, for instance, Malawi lost 13,400 ha of land to tobacco farming.²⁵ Deforestation has a severe impact on food security and livelihoods, especially in developing countries where arable land is diverted away from growing food.

Key takeaways

Smallholder farmers occupy the lowest-valued component of the tobacco value chain. As the most vulnerable link in the value chain, farmers are frequently forced to grow tobacco at their own expense, literally and figuratively. Contract farming arrangements with major tobacco buyers often leave many smallholder farmers in poverty and some in perpetual debt. Their surrounding environment suffers as a result of deforestation and soil degradation. The collective impact of growing tobacco on the lived experiences of smallholder farmers and their families thus underscores the need to find alternative crops or livelihoods.

THE BROADER MACROECONOMIC, OPERATIONAL, AND POLITICAL LANDSCAPE IN MALAWI

Catalyzing a shift toward alternative livelihoods depends on farmers' viability for generating stable incomes relative to the perceived certainty of tobacco earnings. This means having in place a conducive economic, regulatory, and political environment that enables the profitability and adoption of new and alternative technologies, livelihoods, and overall more vibrant and growing local economies.

The remainder of this profile provides a brief and high-level overview of the economic, regulatory, and political environment in Malawi. It concludes by highlighting salient elements of each and their implications for the country's outlook at the time of writing.

Economic Overview

Population (millions, 2016)	18 ²⁶
Urban Population Growth Rate (% per annum, 2017)	4.1 ²⁷
Rural Population Growth Rate (% per annum, 2017)	2.6 ²⁸
Life Expectancy (years, 2018)	64.2 ²⁶
Rural population (% of total population) (2017)	83.2 ²⁹
HDI rank of 189 countries/territories (2017)	171 ³⁰
Gender Inequality Index (GII) of 189	148 ³¹
Maternal Mortality Ratio (death per thousand births) (2015)	634 ³²
GDP per capita (2017)	338.5 ³³
Net Official Development Assistance (ODA) received per capita (\$USD) (2017)	81.3 ³⁴

GDP, Gross Domestic Product; HDI, Human Development Index; UN, United Nations.

Source: World Bank's World Development Indicators; United Nations Development Program Human Development Report

Malawi is land-locked and one of the most densely populated countries in sub-Saharan Africa.³⁵ Malawi remains one of the poorest countries in the world.³⁵ According to the United Nations' 2017 Human Development Index (HDI), it ranks 171st out of 189 countries, with a score of 0.48,^{xv} placing the country in the low human development category (see Table 1).³⁰ Levels of undernutrition and malnutrition are high, as elaborated in the section titled "Lived Experience of Tobacco Farmers," and life expectancy stands at a modest 64.2 (see Table).²⁶ These constraints, among others, have placed an intrinsic limit on the country's labor productivity and economic growth to date.

The country's political woes – primarily in the form of corruption, institutional weakness, and lack of consistent policies – have constrained its economic performance (the political environment in the country is detailed later in this brief; see section on "Political Environment"). Coupled with its relatively poor infrastructure and sensitivity to external shocks, its economy has experienced significant volatility in recent years, underscoring the need for structural reforms to achieve diverse and sustainable economic growth.

A closer examination of the country's economic trajectory brings two key themes into stark relief.

First, Malawi is highly dependent on the agricultural sector.^{36,37} About 80% of Malawi's population depends primarily on agriculture for its livelihood, which in turn has a significant impact on poverty reduction and macroeconomic growth.^{7,19} Given the sector's size and contributions, the country has appropriately prioritized the review and development of agriculture through numerous policy frameworks. The National Agriculture Policy (NAP), which is aligned to Vision 2020 and the Malawi Growth and Development Strategy, for instance, emphasizes policies to transition from small-scale subsistence farming to market-oriented farming in order improve production, food security and nutrition, and household incomes.³⁸

Maize is the staple food in Malawi, so food security is often interlinked with or defined by the availability and accessibility of maize.³⁶ It is grown by virtually all smallholder farmers and ranks first in terms of total area of crop harvested, and second in terms of amount of crop produced.³⁶ To address the country's current maize deficit, the government has subsidized seed varieties and fertilizers and is actively looking into additional policy solutions.³⁶ This emphasis also broadly hints at an ironic conundrum for the country – despite the size of its agriculture sector as illustrated above, the country is still plagued by food deficits, including of maize, which is a staple food for the country.

Malawi's dependence on agriculture for income growth and food security, however, leaves it particularly vulnerable to forces beyond its control, such as adverse weather conditions, droughts, pests, and fluctuations in global commodities prices.³⁶

Second, Malawi is highly dependent on inflows of economic assistance from international institutions such as the IMF, the World Bank, and donor nations.³⁹ Coupled with its political woes, its reliance on external financing represents another source of external shocks. The revelation of a high-level corruption scandal in September 2013 reportedly resulted in an abrupt halt of such financing between 2013 and 2016.^{xvi,39,40} The economy was markedly affected as a result, and the country has only recently re-secured international budgetary assistance, with the World Bank resuming its support in May 2017.⁴¹

^{xv} The HDI was created to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone. Every year the United Nations ranks countries and the resulting composite statistic index is a measure of average achievement in key dimensions of human development.

^{xvi} Malawi has not fully recovered from the \$32m cashgate scandal. The scandal as well as general concerns over fiscal laxity prompted an initial halt in budget support from key donors including the IMF and World Bank. Integrity for businesses/ donors are considered to be high in Malawi.

Amid these troubles, the country's economic growth has been predictably modest. Real GDP growth picked up to 4% in 2017 but is estimated to moderate to 3.5% in 2018, likely because of agricultural challenges including a ban on maize exports, drought, erratic rains, and pest infestations.²⁶ Inflation continued to decline, aided by stability of the currency.²⁶ Growth in industry and service sectors has remained weak, largely as a result of structural constraints.²⁶ The country's fiscal deficit widened from 4.8% of GDP to 7.3% because of a wide range of factors including lower than anticipated grants and revenues.²⁶ Moving forward, Malawi's economy will likely continue to face challenges, with a combination of adverse weather events, environmental degradation, high population growth, poor infrastructure, institutional weakness, and limited penetration of technology all working to constrain growth.²⁶

Operating Environment

Despite its political and economic constraints, Malawi outperformed its regional neighbors in terms of ease of doing business. It was ranked 111th of 189 in terms of ease of doing business in 2018, notably better than other sub-Saharan African countries such as Mozambique (135th), Tanzania (144th), and Zimbabwe (155th).⁴²

The relative strength of its ranking reflects significant improvements in the business environment in recent years. Specifically, and among other drivers, the country has successfully strengthened its access to credit by adopting a World Bank-supported law on secured transactions that establishes a centralized, notice-based, and online collateral registry (the high cost of loans, limiting access to finance, is a major problem in Malawi).⁴³ However, substantial challenges to improving the business environment remain.

First and foremost, corruption continues to complicate investment in the country. Transparency International's Corruption Perceptions Index ranked Malawi 120th of 175 countries in 2018, reflecting the fact that corruption likely remains endemic.^{43,45} Second, red tape and bureaucratic delay characterize several sectors.³⁹ Third, and of concern for those involved in the agricultural sector, there are several regulatory and transactional hurdles particularly associated with owning land.³⁹ Fourth, even after an investment has been implemented, obtaining skilled and semi-skilled labor remains a challenge given that the vast majority of the country's labor pool is unskilled or low-skilled.³⁹ To mitigate these challenges and attract investment, Malawi has introduced a raft of initiatives to help investors navigate regulations and procedures, but it is too early to discern the impact of these initiatives.³⁹

Political Environment

Malawi secured independence in 1964, and its political landscape, while rife with fault-lines and shortcomings, has maintained a relative degree of stability.⁴⁶ The end of the cold war brought systematic change in Malawi. Its greatest upheaval came in the early 1990s when, under intense pressure from local activists and international donors, one-party rule under the reportedly notably corrupt and repressive regime of then-President Kamuzu Banda gave way to multiparty democracy.⁴⁷ Since then, the country has held five multiparty presidential and parliamentary elections. Elections have typically been free, with an established electoral process, but not all observers consider them to be fair or fully credible.⁴⁷ The elections are often characterized by ethnic-identity politics and patrimonialism as opposed to robust debate over governing philosophy, ideology, and policy.⁴⁷ The result has been a lackluster democracy built upon relatively weak institutions.

The Economist Intelligence Unit's 2018 Democracy Index ranks Malawi 90th of 167 countries.⁴⁸ Malawi's low ranking likely reflects recurrent allegations of corruption, failure of government to protect citizens' living standards from economic shocks, and low levels of confidence in government. Malawi's struggles with democracy are likely to continue as long as power remains concentrated in the office of the president and the country's legislature remains relatively weak, resulting in a dynamic that effectively undercuts any legitimate system of checks and balances.

Upcoming Elections

The country will vote in its sixth tripartite election on May 21, 2019.⁴⁹ The president, members of parliament, and councilors will be on the ballot.⁴⁹ The election results will likely hinge on the economy (among other issues), which has increasingly been front and center of political debates as the current administration has been forced to navigate particularly perilous economic straits following the abrupt discontinuation of international budgetary assistance from 2013 to 2016, which left the country reeling. Although such assistance has been restored, maintaining the continued confidence of donors providing assistance to institutions will be key. The public largely remains weary of the government's ability to do so in light of recurring allegations of corruption, lack of jobs, and energy shortages.

The opposition to the ruling party remains divided and given their inability to forge a united front, the Democratic Progressive Party (DPP) appears to have stronger chances of winning.⁵⁰ The DPP is likely to face internecine challenges precipitated by the recent breakaway of former vice president Saulos Chilima. The DPP will likely be unsuccessful in its efforts to form a majority government and will instead rely on support from smaller parties.⁵⁰ The resulting fragmentation of parliament will likely hinder the rollout of new policies, and the resulting near-term agenda will be difficult to predict. Despite this uneven trajectory, most parties in Malawi are predicated on similar ideologies and will likely remain focused on economic recovery, maintaining budgetary assistance, market liberalization, and public capital investment.

CONCLUSIONS

In recent decades, global tobacco production has undergone significant changes. Chief among these has been a shift in tobacco production from high-income countries in Europe and North America to low- and middle-income countries in Africa, Asia, and South America. The effects of this shift have been particularly pronounced in sub-Saharan Africa in countries like Malawi, which is arguably home to the most tobacco-dependent economy in the world and therefore is a focus of the Foundation's Agricultural Transformation Initiative.

A closer look at the tobacco value chain within Malawi reveals that smallholder tobacco farmers are often the most disadvantaged and vulnerable link in the chain, with tobacco production often coming at their expense, literally and figuratively. Moreover, day-to-day work and exposures associated with tobacco farming are harmful to the health of those who carry it out as well as to the surrounding environment. Collectively, such observations underscore the extent to which the existing value chain harms the economic well-being, health, and environment of smallholder tobacco farmers and helps make the case for shifting away from tobacco dependence, particularly as the demand for tobacco declines.

Bringing about such a shift, however, requires a detailed understanding of the macroeconomic, policy, and political landscapes in Malawi, given that risks in these spheres can hinder the adoption of even the most technically efficient, economically sound, and farmer-friendly alternatives.

At present, it appears that the seeds of political will to shift away from tobacco dependence exist but will need significant nurturing. Moreover, the existence of a simple alternative or single catalyst for such a shift is unlikely. It is difficult to envision that the solution may, for instance, be found in substituting one crop, such as maize or soya, for another. Instead, an array of alternative, sustainable, and investment-friendly livelihoods will be needed, and change is likely to be gradual and incremental.

Ultimately, the success of these livelihoods will depend on addressing the many structural obstacles currently facing the economy in general and the agricultural sector in particular, including limited access to inputs, barriers to reliable financing, deficits in infrastructure, creation of markets for high-value crops that are often smaller and more difficult to penetrate than the market for tobacco,⁵¹ and gaps in knowledge, policy, and institutional capacity.

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