



Can Alternatives to Tobacco Reduce the Food Import Gap in Malawi?

Presented at Foundation For A Smoke-Free World All-Staff Meeting

May 4, 2021



A call for viable alternatives to tobacco

THE NATION **BUSINESS NEWS**
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Prepare for life without tobacco—Chakwera

GROWERS PROTEST LOW TOBACCO PRICES
STEVE CHILUNDU
STAFF REPORTER
Rejection rate hits 95%

THE NATION COMMENT
Let's start thinking of tobacco alternative

The Daily Times
ESTABLISHED IN 1895
www.times.mw
TUESDAY, APRIL 20, 2021
K600

Chakwera admits tobacco industry crisis
By Taonga Sabola
"What must be said and accepted is that our tobacco industry..."

Times Business
Tuesday, April 27, 2021

Auction market shun irks minister

The Daily Times
ESTABLISHED IN 1895
www.times.mw
MONDAY, MAY 3, 2021
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EXIT TOBACCO, ENTER MINING

THE NATION **BUSINESS NEWS**
WEDNESDAY, 14 APRIL 2021

Groundnuts can replace tobacco—research paper

Nyasa Times
Malawi breaking online news source

Chakwera wants Malawi weaned from Tobacco

Nyasa Times
Malawi breaking online news source

Malawi kwacha threats loom after tobacco revenue slump: Forex shortage hits

Nyasa Times
Malawi breaking online news source

Farmers switch from tobacco growing to potatoes, tout it is 'more profitable'

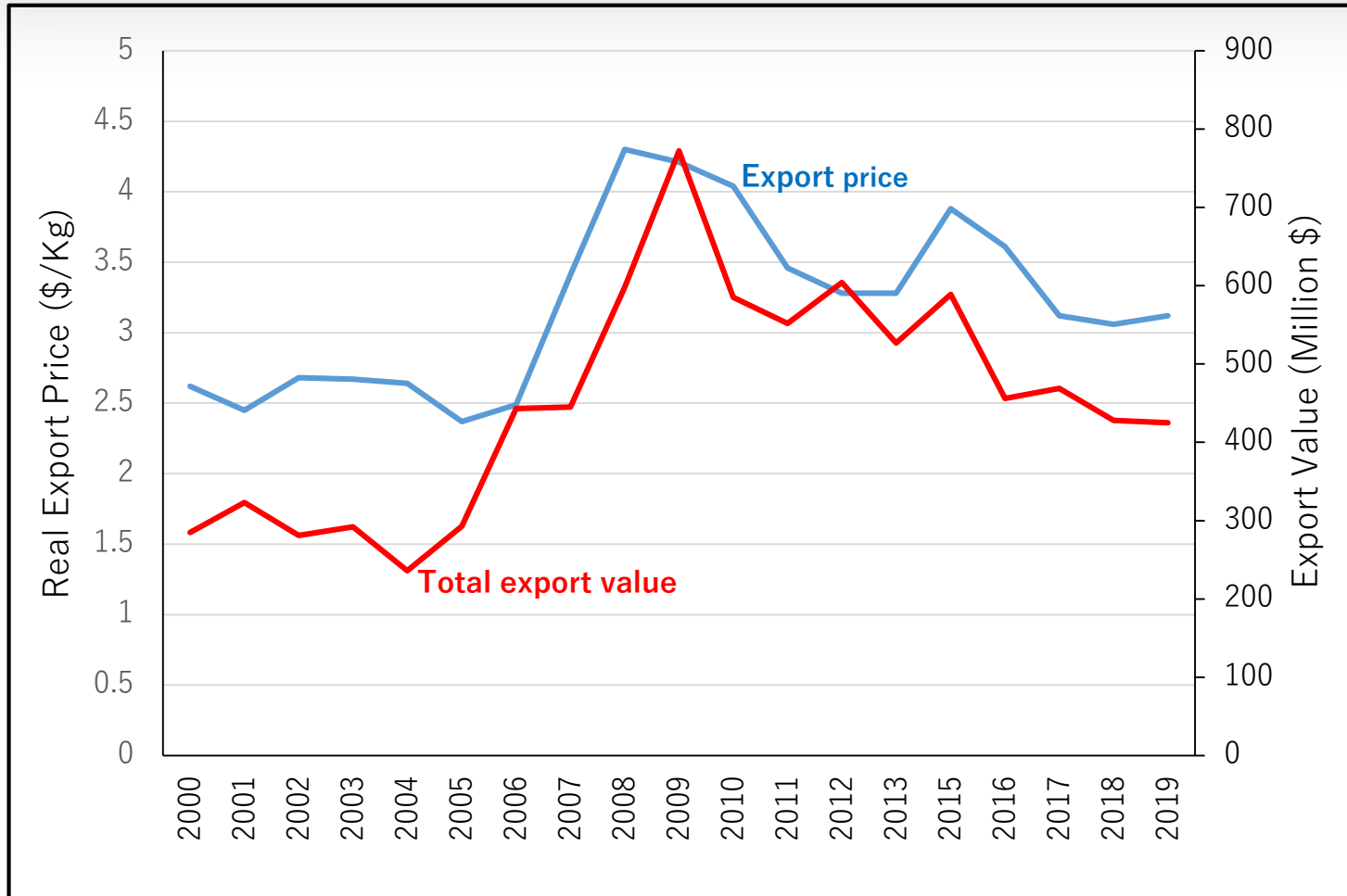
Why do we need viable alternatives to tobacco?

- 🌅 Tobacco sales account for 50% 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
- 🌅 Malawi need to find viable alternative commodities to tobacco **now**

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

- 🌅 We estimate the profitability of tobacco and alternative cash crops
 - Using nationally representative datasets collected in 2009/10, 2012/13, 2015/16, and 2018/19
 1. Examine trends in export prices and the value of tobacco in Malawi
 2. Analyze the practice of switching in and out of tobacco cultivation
 3. Estimate profitability of tobacco and its potential alternative crops

Tobacco export price has declined since 2008



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

The future of USA market is uncertain

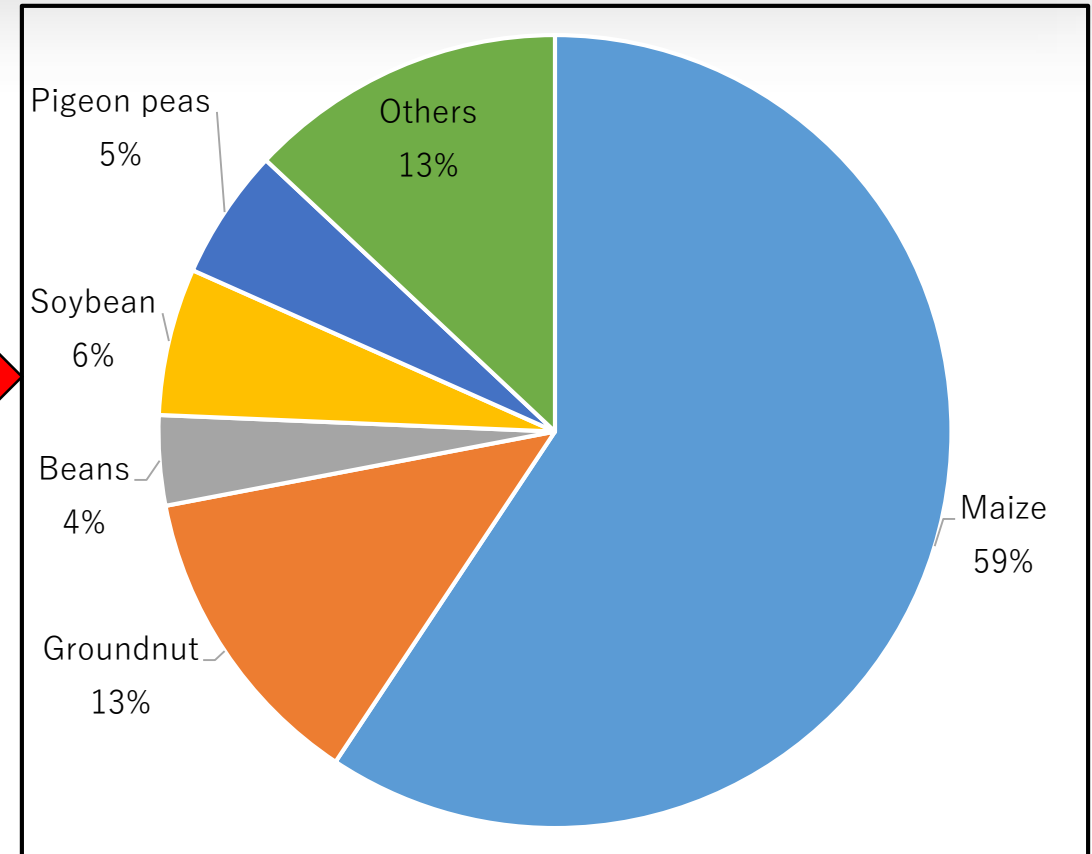
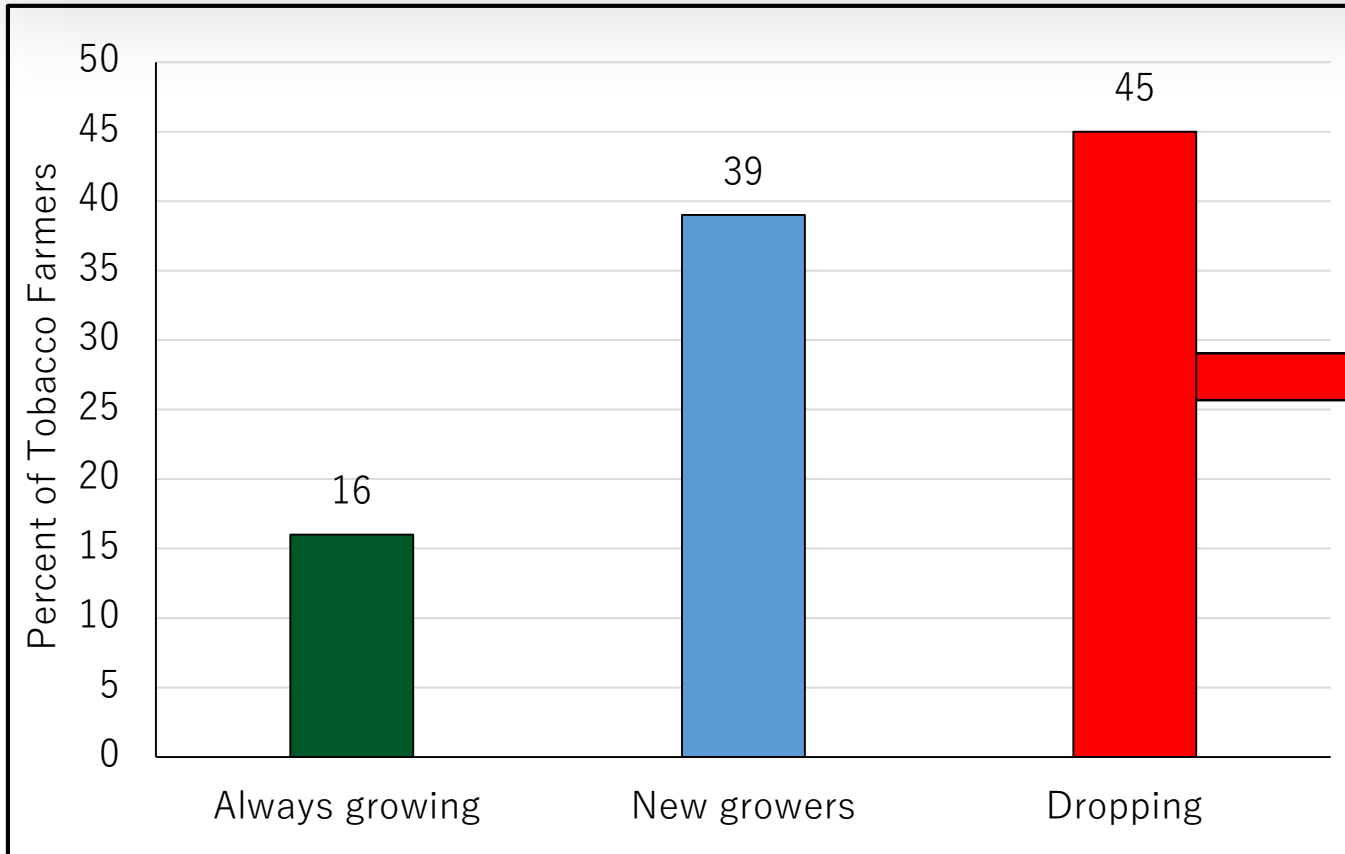


US suspends Malawi tobacco imports after child labour allegations

The New York Times

Biden Administration Plans to Propose Banning Menthol Cigarettes

Switching in and out of tobacco cultivation



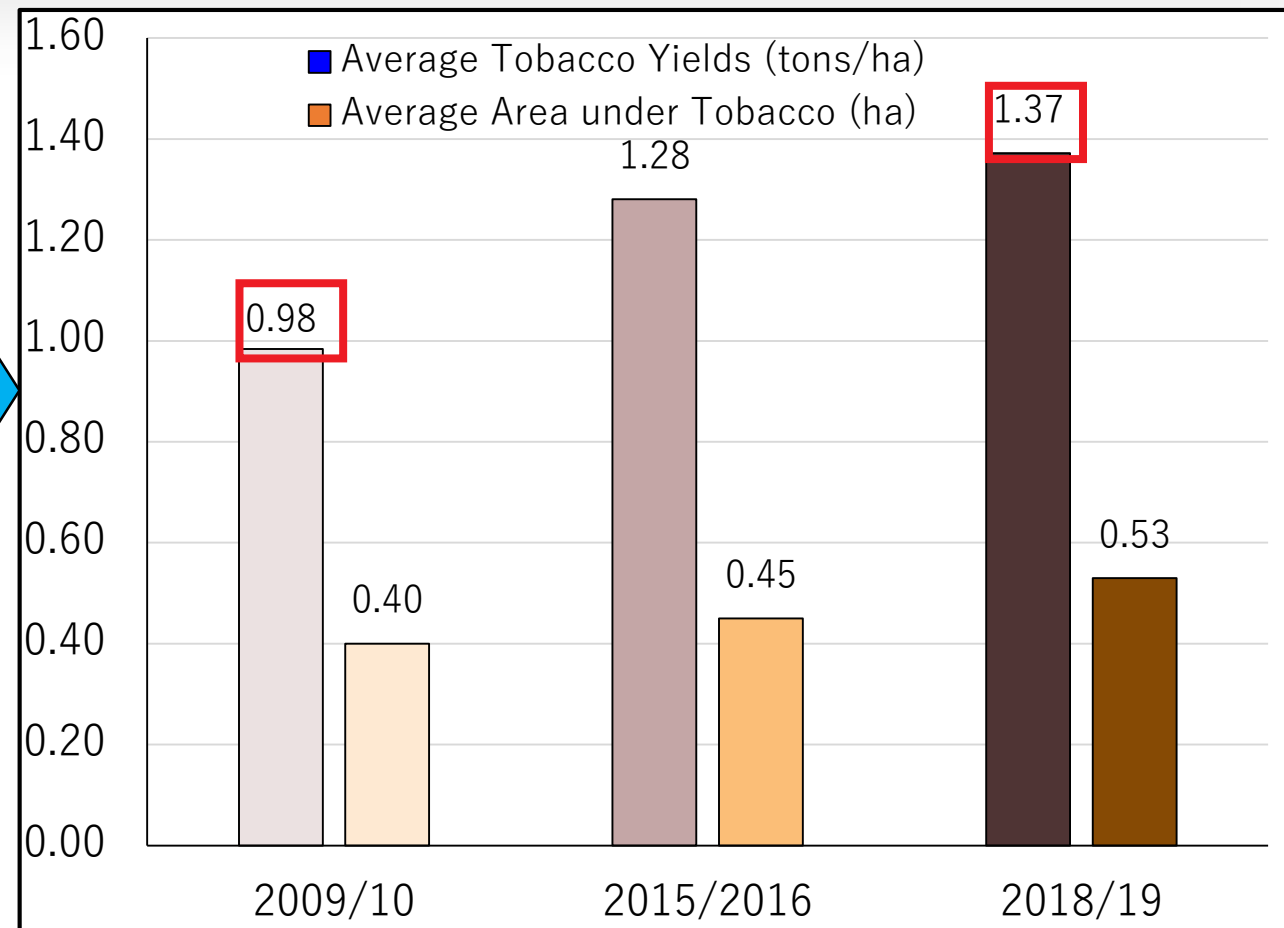
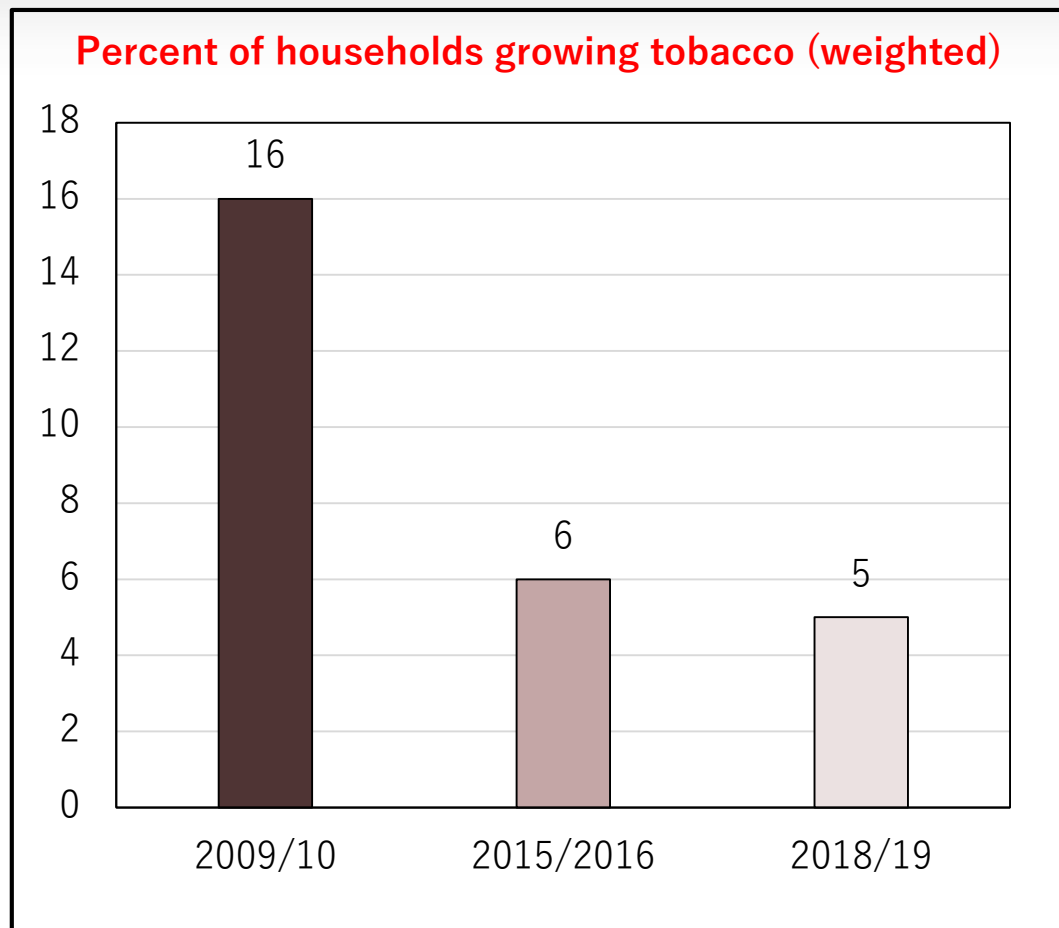
Always growing = Households grew tobacco in all four seasons (2009/10, 2012/13, 2015/16, 2018/19);

New growers = Households started growing tobacco after 2009/10;

Dropping = Households stopped growing tobacco after 2009/10

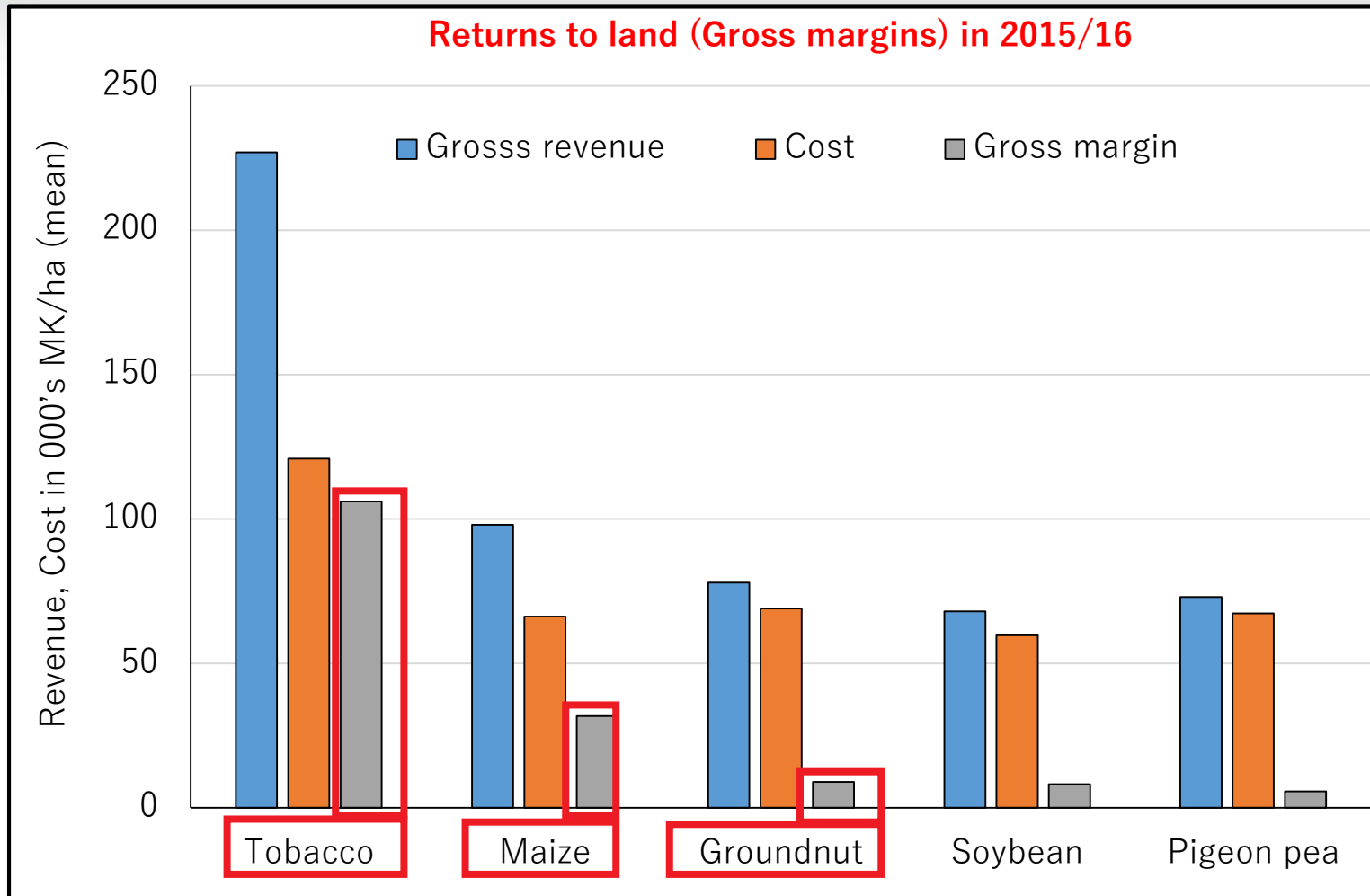
Source: World Bank Integrated Household Panel Survey (IHPS)

Average tobacco yields have increased since 2010



Source: World Bank Integrated Household Panel Survey (IHPS)

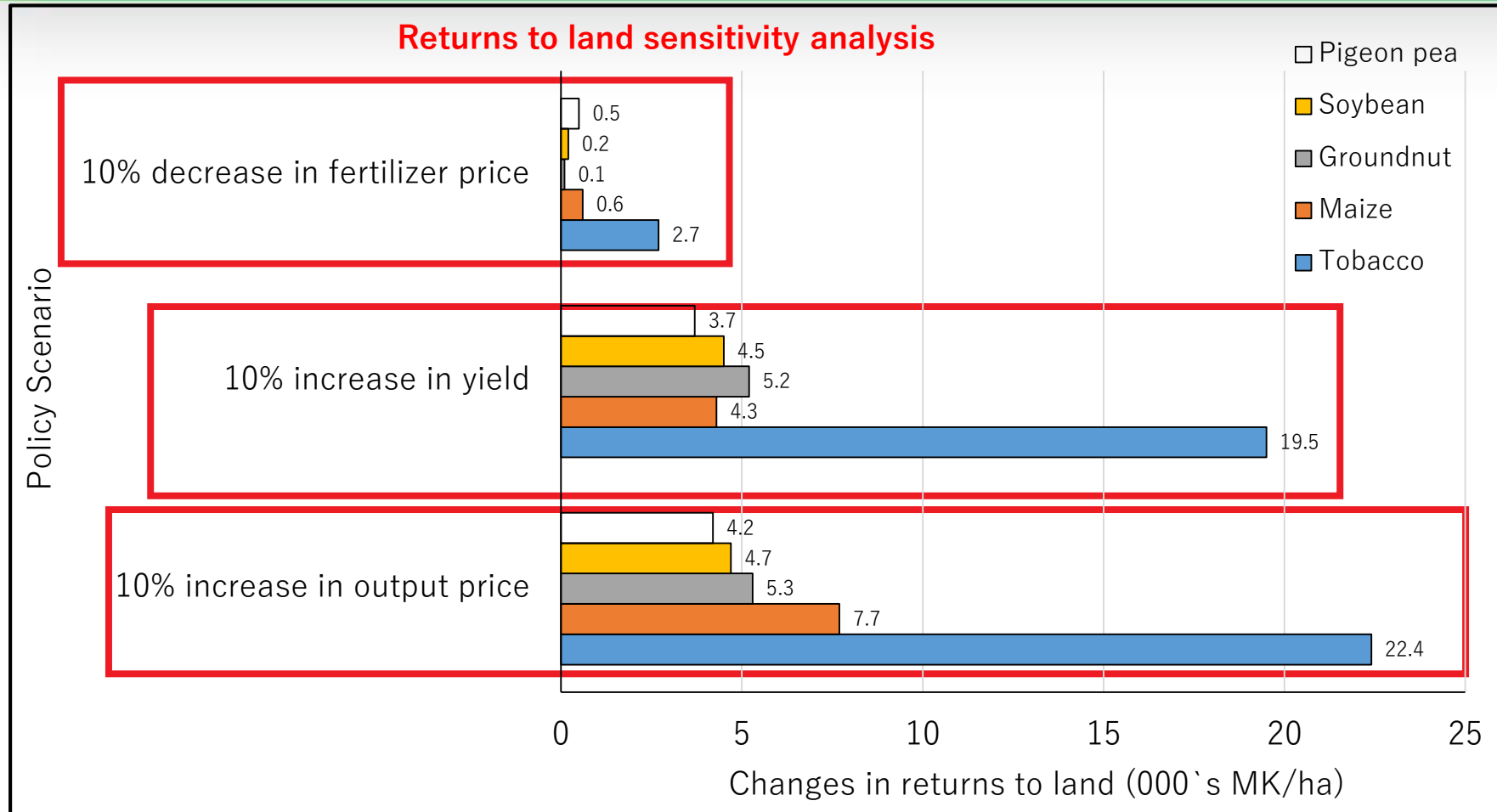
Tobacco is more profitable than alternative crops



Note: All calculations in 2010 MK. Gross margin=Gross revenue-cost of production



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



☀ All crops are less responsive to input price

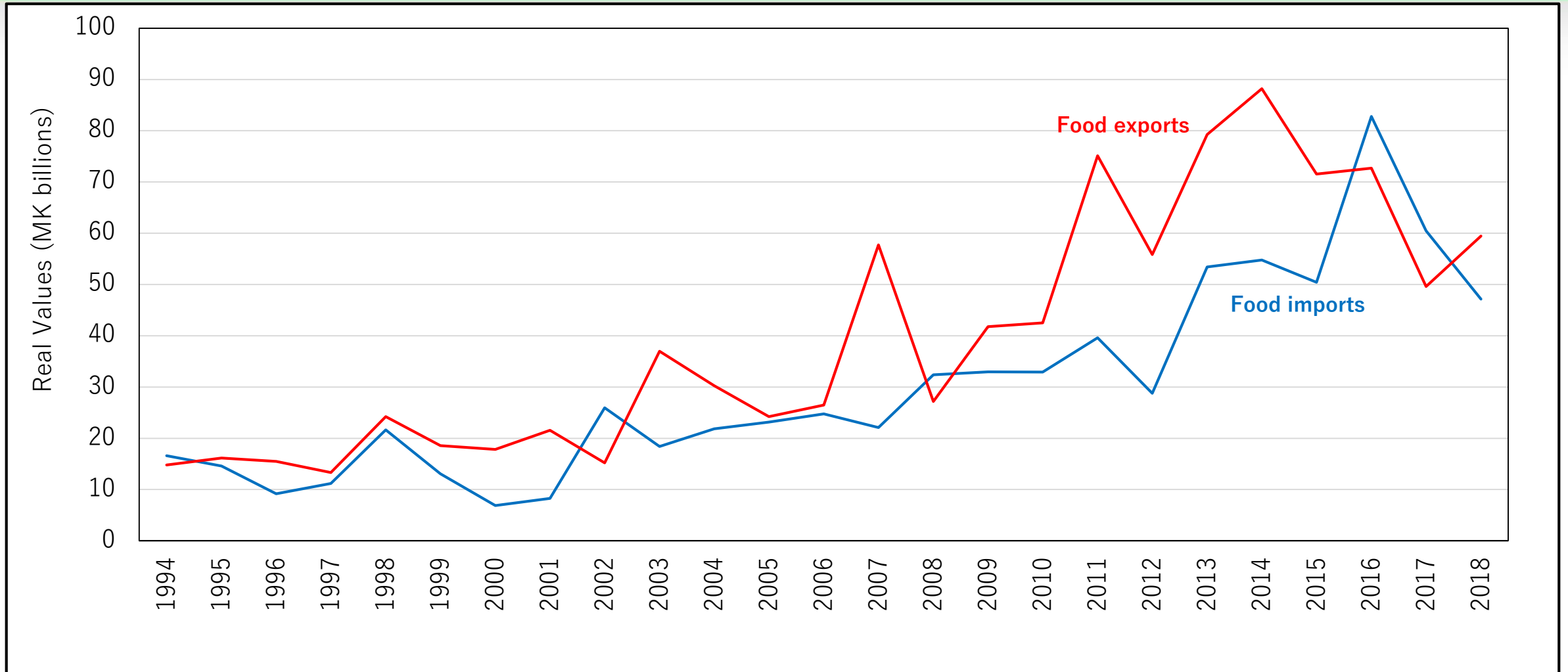
☀ All crops are more responsive to output price and yield

☀ **Can tobacco alternatives reduce food import gaps?**

Note: All calculations in 2010 MK

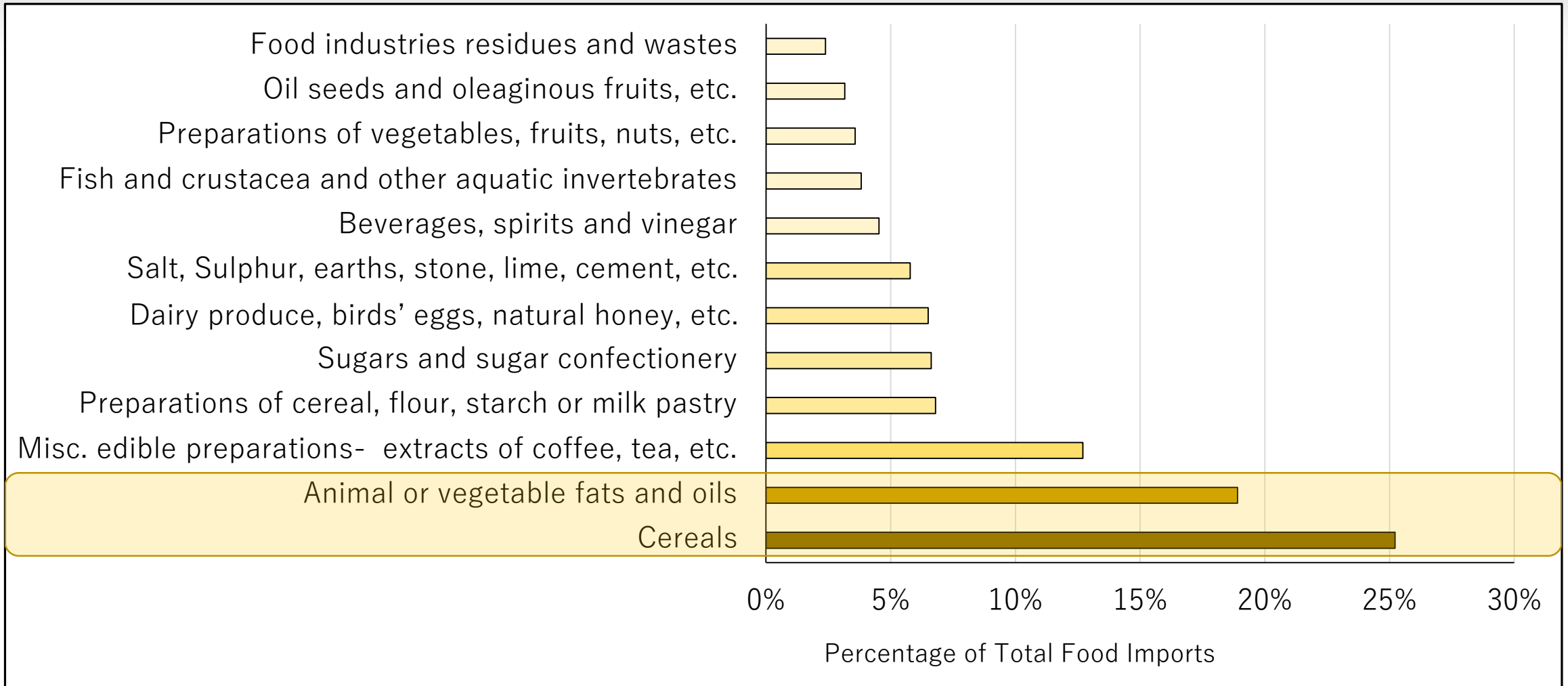
Source: World Bank Integrated Household Panel Survey (IHPS)

Trends in total value of food imports



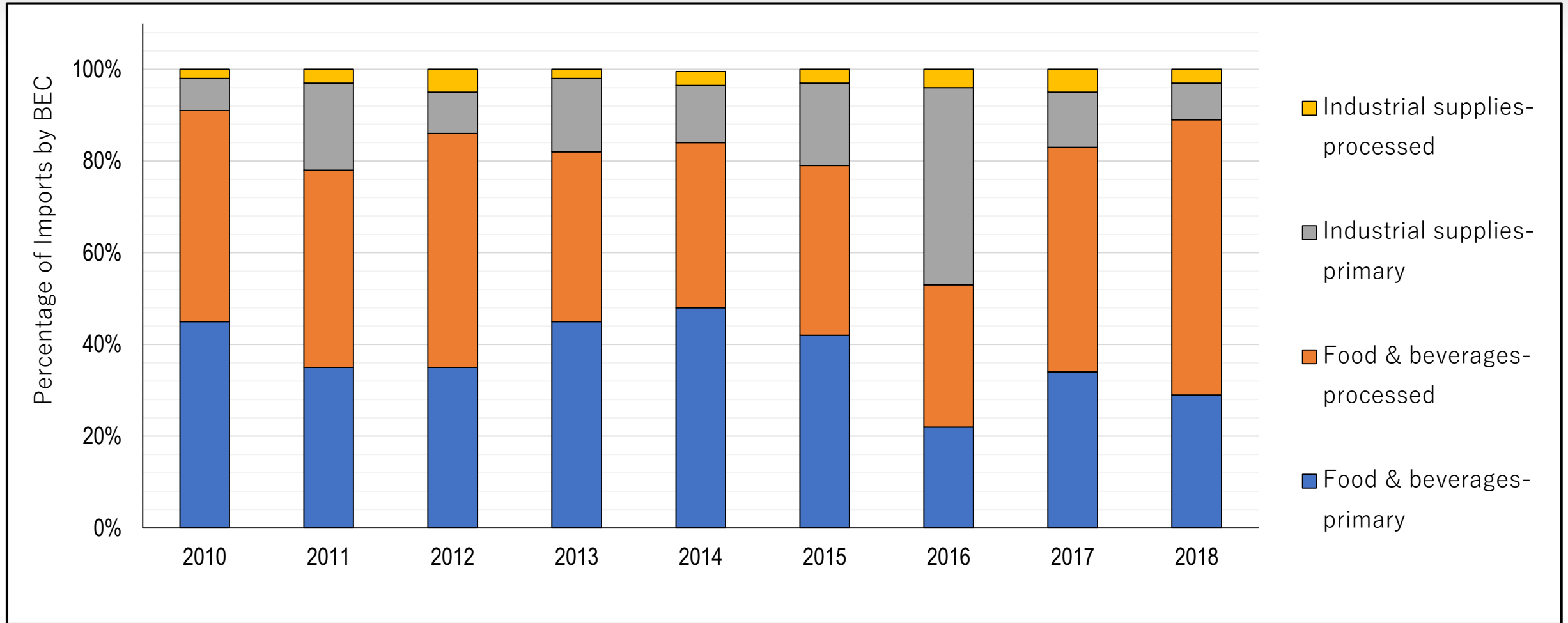
Source: NSO External Trade

Major food imports



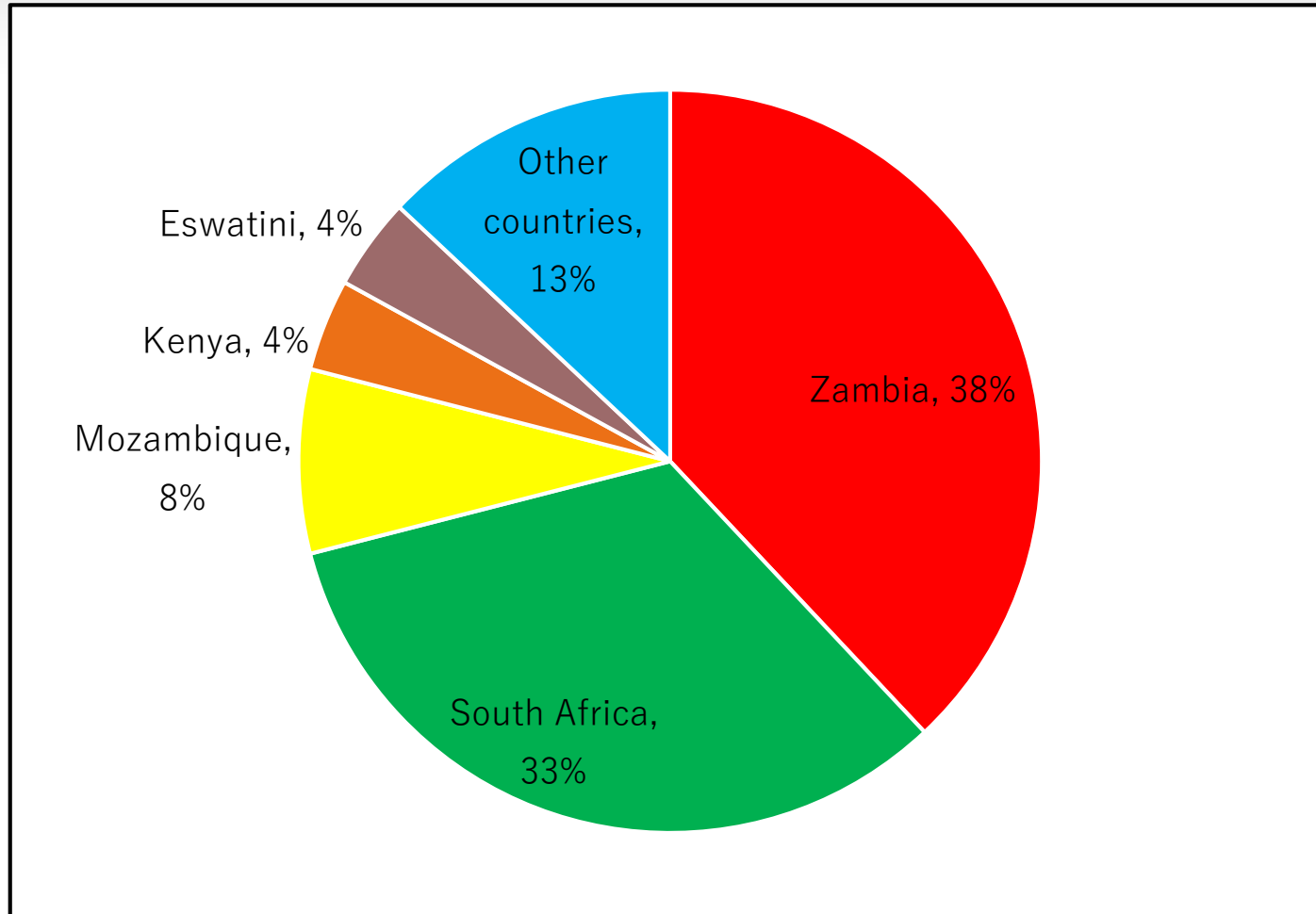
Source: NSO External Trade

Food imports by end-user broad economic categorization (BEC)



Source: NSO, External Trade

Sources of food imports in Malawi (2017)



☀️ Malawi imports maize from the region

☀️ Wheat from Europe (mainly from the Russian Federation)

Drivers of food imports

- 🌅 Low agricultural productivity and production
- 🌅 Rising demand for processed foods due to changing diets
- 🌅 Low domestic industrial sector manufacturing competitiveness
- 🌅 Increased climate variability and natural disasters
- 🌅 Non-compliance with rules of origin in COMESA
- 🌅 Informal food imports from neighboring countries

Possible policy interventions

- 🌅 Explore alternative commodities for export diversification
- 🌅 Invest in agro-processing for high value crops for export markets
- 🌅 Improve the competitiveness of local agri-food industries
- 🌅 Remove export restrictions on selected commodities (e.g., maize)
- 🌅 Enhance agricultural productivity
- 🌅 Promote locally produced products (e.g., Buy Malawi Strategy)
- 🌅 Enforce compliance with rules of origin to curb possible “food fraud”
- 🌅 Curb unregulated food imports



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