

Policy pointers

Support from tea estates, donors and governments would enable smallholders to diversify their production systems — to ensure alternative sources of income and food — and improve crop productivity. As successful small-scale agricultural production relies on secure land tenure, governments and donors must also prioritise enacting new land-tenure laws.

Greater transparency on the base price setting formula for tea would enable smallholders to assess fairness of price. Government and tea sector actors could work together to agree this, including smallholders.

The National Smallholder Tea Growers Association can further its work to unify smallholders and strengthen leadership, to effectively amplify small-scale farmers' voice and impact in the industry.

Tea-buying companies, donors and government-led tea projects should ensure gender policies are meaningfully implemented and monitored. Small-scale farmer groups could benefit from mainstreaming gender equity in their governance and leadership structures, with support from donors and government.

Challenges and opportunities for small-scale tea producers in Malawi

Tea production accounts for 9% of Malawi's foreign exchange earnings and is a major employer, but smallholder farmers are struggling. While those in neighbouring Kenya are adding value to their tea crop for their own benefit, Malawi's smallholder farmers — the majority of whom are women — gain far less than they could from growing tea. Smallholders struggle with quality, land tenure, finance, inputs, pricing and other issues; they end up selling an inferior product, with little or no value added, at very low prices, captive to international buyers. This briefing explores the challenges and opportunities to improving benefits for smallholder tea farmers, and suggests ways forward for smallholder tea associations, civil society organisations, the Tea Association of Malawi, the Malawian government and donors.

As was the case elsewhere in East Africa, tea production came to Malawi to serve British colonial interests: settlers and their farms, and consumers in the UK and elsewhere. Today, tea production contributes almost 9% of foreign exchange earnings in Malawi¹ and is one of the most significant cash crops in the country. The tea sector is one of the country's largest formal employers, with estates providing direct employment, through tea production and processing, to about 50,000 permanent and seasonal workers. The industry also sources tea from an estimated 17,000 smallholder farmers, of whom approximately 65% are women, making it one of the most important livelihoods in Malawi.^{2,3} The tea industry also plays a key role in social development, such as providing funds for schools and health clinics.⁴ At the smallholder

level, the income from growing tea is primarily used to buy food for the family.⁵

Although global tea production has doubled over the past 30 years and per capita consumption has increased, supply has outpaced demand and resulted in low tea prices.⁶ Malawi faces stiff competition from neighbouring countries in East Africa. Meanwhile, input prices have increased, in part due to poor exchange rates. The perceived low quality of Malawian tea means it fetches lower prices than are generally available on international markets, although there is demand for low-price, low-quality tea for blending and global consumption. Even in the market for low-quality tea, Malawi struggles to compete with other countries due to limited infrastructure and access to ports. Malawi's buying market, particularly the auction, has a

There is immense potential for the smallholder sector to maximise the productivity of its existing tea production

few large buyers and many small and largely unorganised sellers who thus have limited bargaining power. Meanwhile, irregular rainfall due to climate change is further challenging tea production, particularly that of small-scale farmers.

While total tea output from small-scale farmers remains low (7% of all tea output in 2017), it is an important source of cash income for many small-scale producers and offers high margins relative to several other crops produced.⁵ There is scope for improvement of quality and yields of smallholder tea, and thereby its contribution to livelihoods, alongside diversifying into other crops to improve income stability. However, small-scale farmers are plagued by several production-related and institutional challenges unique to them. These must be addressed to ensure the tea sector is inclusive and that farmers can maximise tea's contribution to their livelihood.

IIED's Empowering Producers in Commercial Agriculture (EPIC) project has been working to address some of these institutional challenges (see Box 1). This briefing sets out these challenges, what's been done to address them, and what more can be done to ensure a profitable, inclusive small-scale tea sector.

Box 1. Empowering Producers in Commercial Agriculture (EPIC) addresses power imbalances faced by smallholders

Interactions between governments, companies and rural communities in low- and middle-income countries usually involve imbalances within value chains in terms of capacity, resources, influence and negotiating power. This is particularly the case with global commodities. Innovative legal and other empowerment approaches must be developed, applied and upscaled to strengthen the position of rural people — producers, workers and their wider communities — in their supply chain relations.

EPIC responds to this challenge. In Malawi, EPIC worked with the Nsuwodzi smallholder tea growers association to address gender inequalities in grower communities and within the association. This led, for example, to gender parity in the association executive, and to women claiming jobs otherwise considered men's work. The association has strengthened its relationship with, and asserted its autonomy from the local tea estate. It established a separate meeting venue, started looking to source its own fertiliser, and is working with the estate to establish its own tea bush nursery and to increase its management of its own smallholder branded tea. Nsuwodzi is also seeking to diversify its members' livelihoods and hedge against low tea prices through honey production. Importantly, EPIC has also worked with the National Smallholder Tea Growers Association to improve the potential for strengthening representation and voice at the national level.

The challenges: production, land and processing

The price Malawian smallholders receive for their tea is lower than that paid to large estates, for several reasons.

The quality of Malawian smallholder tea is lower than regional averages. This is due to poorer husbandry, difficulties in accessing improved tea varieties and sporadic rainfall patterns linked to climate change.

As well as buying most smallholder tea production, estates⁷ provide them with a variety of services such as leaf collection and transport to the estate factory, technical advice, fertiliser loans and payroll support. Still, small-scale producers suffer from low yields compared to that of private estates (for example, <900 kg/ha/year compared to 2,500 kg/ha/year on estates).² This is attributed to insufficient inputs, primarily fertiliser and quality seedlings, pest spraying and irrigation. With few or no assets to act as collateral against loans, banks are unwilling to finance these on favourable terms. Estates limit the credit they advance to smallholders for fertiliser to a maximum of 33% of the total potential earnings from the green leaf sales (excluding the bonus earned on annual auction sales). This is a deliberate strategy by estates to ensure farmers can repay input loans, but it also limits production.

Land tenure is not secure in Malawi — a severe impediment to farmers' ability to make long-term investments. Increasing population density has exacerbated land insecurity for both smallholders and estates, further reducing investments in land and leading to decreasing land quality and agricultural productivity.

Smallholder growers don't own or operate processing facilities that could add value to their tea. Indeed, they make significantly lower margins than all other actors in the value chain.² Malawi smallholders could add value to their tea by drying, cutting and packaging it at their own facilities rather than depending on the estate-owned factories to do so. Owing to their own processing facilities, Kenya's small-scale tea producers obtain an estimated 75% of 'made' tea prices. This is compared with 25–27% obtained by farmers in neighbouring countries Tanzania, Uganda and Rwanda, who don't have a share in processing, while in Malawi it is just 6–10%.⁸

However, smallholder-oriented processing has reportedly been tried in Malawi in the past, without success. Realising such a project would be extremely challenging due to the significant

investments required in infrastructure, capacity and management skills.⁹

The challenges: pricing

The price-setting process within Malawi, described below, may contribute to low prices for small-scale producers' tea but it is somewhat moot, given the power of international buyers in setting prices globally. They dictate a price to Malawi's large estate producers, who, working on very thin margins, have little flexibility in what they, in turn, offer smallholders from whom they buy tea.

At the country level, the Tea Association of Malawi Limited (TAML) has a nationwide price-setting process. The association, dominated by the large tea estates, sets both a floor price and a bonus price for green-leaf tea (tea before it has been processed). Though the floor price is reviewed frequently, it is rarely adjusted: the last adjustment took place in August 2017. If, as has been reported, TAML uses formulas to calculate the base price, the government could demand the association make these publicly available to improve transparency and fairness for smallholders. As it stands now, the fairness of the process cannot be evaluated.

Smallholders sell their tea to nearby estate factories that then sell some via auction. Smallholders receive a bonus per kilo of green leaf sold in the previous six months via auction, based on the average auction price. But the factories sell most of their inventory, including smallholders' tea, directly to buyers for prices higher than the auction price. Small-scale farmers are therefore not always receiving bonuses proportional to the actual value of tea they supply to estates.¹⁰

Smallholders' relationships with large tea estates do provide an advantageous arrangement for the uptake of green-leaf tea into the value chain. But farmers are entirely reliant on nearby factories to process their tea, as it must reach the factory within 24 hours to retain its freshness. This means farmers generally lack alternative marketing options that would allow them to significantly increase their incomes.² A limited number of smallholders have improved their revenues through tea certification schemes, but limited consumer demand for certified tea has inhibited its reach.

The challenges: smallholders don't have enough clout

Malawi's small tea farmers are not seen or heard much in the halls of power. This has

limited their ability to push for more transparent price setting and fair bonuses.

Associations. The National Smallholder Tea Growers Association (NSTGA) is the main body representing the smallholder tea sector. Its mandate is to be a collective voice for the smallholder community and negotiate on their behalf with government, donors and in pricing and bonus structures.

But it was not fully operational until 2020 and lacks capacity, particularly in management skills and in truly representing its members' interests. EPIC has promoted gender balance in NSTGA leadership roles and supported the formation of its management body. NSTGA members and representatives must further strengthen the association so it is seen as a legitimate, truly representative body and can participate and inform pricing-setting processes with TAML.

Women. Two-thirds (65%) of smallholder tea producers are women¹¹ but they are particularly poorly represented in decision-making structures in the tea sector. This limits the benefits they receive from tea production.

Although the matrilineal inheritance system in tea-producing areas means women have increased landownership opportunities, their decision-making power and control over resources is limited because men typically head the households.

Women are severely underrepresented in leadership roles within smallholder associations. At the local level, association leaders and those of smaller geographic 'block' groups, who are democratically elected by their members, tend to be men. This reflects the broader pattern of gender inequality in Malawi. The country has several policies relating to gender equality and women's rights, but these are both poorly enforced and implemented at estate and small-scale farmer association levels. Addressing gender equality across the tea sector, as in EPIC's project with Nsuwadzi tea growers (see Box 1), is paramount to increasing socio-economic opportunities for all.

Opportunities to support smallholders

Diversify crops. This is particularly relevant considering the volatility of international tea prices, over which Malawi's industry has limited control. As part of Malawi Tea 2020, one estate has promoted diversification, encouraging tea smallholders to produce mint, lemongrass, hibiscus and other crops used in specialty teas. These can be grown easily under agro-ecological conditions similar to those for

regular tea. Other small-scale farmers are producing honey, a low-risk crop offering regular, quick income because there is a ready market for it. Both honey and herbs can be grown in the tea off-season.

Amplify smallholder voices. The NSTGA, in collaboration with supporting partners (civil society organisations and international donors), can further unify smallholders in the country. Investing in strong leadership can support this goal. If this is achieved, the association will be viewed as credible and legitimate by TAML, so it can meaningfully influence price setting and negotiate with estates. Both associations, with support and oversight from government and donors, must focus on gender sensitisation and training to enhance women's leadership. TAML and other sector stakeholders should make space for smallholder representation in national discussions and decision-making processes.

Improve land tenure security. This is key to integrating Malawi's small-scale tea farmers into sustainable global supply chains and improving their productivity. In response, the Malawian government introduced new land tenure laws to increase registration and recognition of customary lands. But implementation of these laws is lacking due to political changes and under-resourcing. Parliamentarians and government administrators must prioritise implementation and resourcing of these laws, with donor support.

Raise productivity, add value. There is immense potential for the smallholder sector to maximise the productivity of its existing tea production. For example, smallholder associations could establish nurseries so their members can access quality seedlings to replace older varieties. Local government,

estates and associations should join together to improve irrigation systems to address tea productivity and exposure to climate-related shocks, and increase the number of maize crops that can be grown for food security. Smallholder-led branding of tea using the facilities offered by estate factories has shown some promise in obtaining greater value capture by small-scale farmers and serving local markets directly, which are currently served by Malawian tea, reimported from South Africa.

In conclusion: tea time for Malawi is now or never

Malawi's place in the global tea value chain has left it with limited influence on international markets. To address this, civil society organisations, the Tea Association of Malawi, the Malawian government and donors need to support smallholder tea associations to address the challenges listed above. They should pay particular attention to the roles and power of women and small-scale producers, and to maximise tea's contributions to poverty alleviation and food security. Diversification will also be a critically important strategy for small-scale farmers and estates to manage risk and to ensure alternative income sources. A failure to re-vamp the smallholder sector could leave Malawi's tea industry vulnerable to external shocks and contribute to its slow demise.

Laura Courbois, Emma Blackmore, Kumvana Mtukule and Brendan Schwartz

Laura Courbois is a consultant at Imani Development. Emma Blackmore is a research associate in IIED's Shaping Sustainable Markets Group. Kumvana Mtukule is legal manager at the Women's Legal Resources Centre (WOLREC). Brendan Schwartz is a senior associate in IIED's Natural Resources Group.



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Women's Legal Resources Centre (WOLREC) is a women's rights NGO in Blantyre, Malawi, which works with people in rural areas to access socio-political, legal and economic justice.

Contact

Emily Polack
emily.polack@iied.org

Third Floor, 235 High Holborn
London, WC1V 7DN
United Kingdom

Tel: +44 (0)20 3463 7399
www.iied.org

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Notes

¹ Katungwe, F, Elepu, G and Dzanja, J (2017) Technical Efficiency of Smallholder Tea Production in South-Eastern Malawi: A Stochastic Frontier Approach. *The Journal of Agricultural Sciences* Vol. 12, No. 3, pp. 85–196. / ² Du Toit, J, Nankhuni F, and Kanyamuka, J (2018) Opportunities to enhance the competitiveness of Malawi's tea industry: evidence from an analysis of the tea value chain. Policy Research Brief 79. Feed the Future Innovation Lab for Food Security Policy. / ³ Ethical Tea Partnership. www.ethicalteapartnership.org/womens-rights-bridging-the-gap-in-malawi / ⁴ Food and Agriculture Organization of the United Nations, FAOSTAT. www.fao.org/faostat/en/#data/QC/visualize / ⁵ Fairtrade (2013) Branching Out: Fairtrade In Malawi. www.fairtrade.org.uk/wp-content/uploads/legacy/Branching-out-in-Malawi.PDF / ⁶ Wollin, J (2015) Tea in Malawi: Market Assessment. Challenges & opportunities for growth, development & trade with Canada. Farmers Union of Malawi. / ⁷ Services provided by factories to small-scale farmers include leaf collection and transport to the factory from the buying centre, technical advice on good farming practices, interest-free fertiliser loans on credit, administration and payroll support, loans for certification and audit costs, marketing support, record keeping and production figures. / ⁸ Knopp and Foster, undated. The economics of sustainability. Presentation given by Gatsby and Wood Family Trust; with authors' calculations based on figures from Du Toit et al. / ⁹ Personal comment, representative from Tea Association of Malawi Limited. / ¹⁰ Food and Agricultural Organization of the United Nations (2014) Technical note: Analysis of price incentives for tea in Malawi 2005–2013. www.fao.org/3/a-i4537e.pdf / ¹¹ Malawi Tea (2020) Revitalisation programme towards living wage. Closing report. www.malawitea2020.com/uploaded/2020/11/Closing-Report-Malawi-Tea-2020.pdf

