A century of growth? A history of tobacco production and marketing in Malawi, 1890-2005

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2011

WORKING PAPER / 2011.10

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This paper has been vetted by Danny Cassimon, convenor of
the Thematic Group Impact of Globalisation.

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November 2011

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ABSTRACT

During the past century tobacco production and marketing in Nyasaland/Malawi has undergone periods of dynamism similar to changes since the early 1990s. This article highlights four recurrent patterns. First, estate owners have either fostered or constrained peasant/smallholder production dependent on complementarities or competition with their estates. Second, rapid expansion of peasant/smallholder production has led to three recurrent outcomes: a large multiplier effect in tobacco-rich districts; re-regulation of the marketing of peasant/smallholder tobacco by the (colonial) state; and, lastly, concerns over the supply of food crops. The article concludes by arguing that whilst the reform of burley tobacco production and marketing in the 1990s engaged with the first two issues, it may have benefitted from paying greater attention to the latter two issues as well.

ACKNOWLEDGEMENTS

The author wishes to thank Colin Murray, Phil Woodhouse, Jane Harrigan and Admos Chimhowu for comments on previous versions of this paper. Any inaccuracies or misinterpretations are solely his responsibility.

1. INTRODUCTION

Tobacco has been the major foreign exchange earner in Nyasaland/Malawi for most of the last century, and the country remains the most tobacco-reliant economy in the world. Exports currently constitute over sixty per cent of annual export earnings. However, for most of the last century peasants/smallholders have been excluded from growing the most lucrative types of tobacco in Nyasaland/Malawi. For example, they were prohibited from growing flue-cured Virginia tobacco (a key constituent for blended cigarettes) from 1908. Moreover, they were banned from growing burley tobacco (a light, filler tobacco) since this emerged as a promising variety in the 1950s.

Since 1990 Malawian smallholders have grown an increasing proportion of Malawi's main export, burley tobacco, growing at least sixty per cent of the national crop (often exceeding 100,000 metric tonnes) in recent years. Through synthesising key historical and contemporary sources (in particular, the work of McCracken, Ng'ong'ola and White), this article foregrounds certain historical precedents for the rapid increase in smallholder tobacco production experienced since 1990. It highlights one feature of the relationship between estate and peasant/smallholder production during the last century: that estate owners have always attempted to foster or constrain smallholder production dependent on the complementarities or competition with estate production. The article also highlights three outcomes that have followed the rapid expansion of peasant/smallholder tobacco production in the 1920s, 1940s and 1990s: a large multiplier effect in tobacco-rich districts; the re-regulation of the marketing of smallholder produce by the (colonial) state; and concerns over the supply of food crops.

Although scholars have made tentative connections between the burley reform process in the 1990s and changes in production and marketing in prior decades (for example, see Van Donge 2002, and Tobin and Knausenberger 1998), none have synthesised historical sources in a systematic manner. Through discussing the historical record, this article suggests that although historical precedents existed for the expansion of smallholder production of burley tobacco in the 1990s, they did not inform the reform process sufficiently. Whilst policy documents show that reforming burley reform in the 1990s encountered resistance from existing estate owners, and generated large multiplier effects in key districts, the reform process largely overlooked the two further recurrent outcomes. This is not to say, of course, that history can offer accurate predictions of future trends and scenarios. Changes in technology, infrastructure, trade, population, education and institutions, amongst other factors, militate against reading directly from the historical record and transposing regularities into the future. In other words, whilst history helps to constitute the present, it does not determine it (not least as our grasp of history constantly evolves – see Woolcock *et al* 2011, 86). With this in mind, however, the article does support the contention that policy reform has a greater chance of success when it works with, and not against, historical momentum (ibid, 87).

The article has five sections. First, it shows how changing global demand for tobacco has influenced the fortunes of four different styles of tobacco production in Nyasaland/Malawi configured around contrasting labour relations and access to land. The historical analysis then covers four discrete time periods, separated for heuristic purposes: 1880-1927 – Early Colonialism up to the Great Depression; 1928-1961 – From the Depression to Independence; 1961-1989 – The Postcolonial Malawian State; and 1990-2005 –

Liberalisation of Smallholder Production and Marketing. The article concludes by discussing the extent to which the burley reform process engaged with these historical trends.

2. GLOBAL DEMAND AND STYLES OF PRODUCTION IN NYASALAND/MALAWI

The history of tobacco production in Malawi broadly reflects shifts in global demand, where changes in taste and consumer preferences have altered the type of tobacco supplied. The relatively recent dominance of the American-blended cigarette as the preferred vector for nicotine has led to the production of light tobaccos – such as burley and flue-cured tobacco – instead of dark tobaccos such as fire-cured tobacco (used to produce pipe tobacco, snuff and strong cigarettes) (Goodman 1993). Importantly, changes in demand and production have reconfigured curing practices and labour relations. For example, different types of leaf require different curing techniques to enhance specific characteristics (which are also influenced by the environment and agronomic practices – see Akehurst 1968). Burley is air cured in thatched barns (with the spacing of sticks on which tobacco is hung influencing the curing speed), flue-cured tobacco, as the name suggests, is cured in heated barns (where the flue imparts heat and not smoke), and fire-cured tobacco is cured in smoke-filled thatched barns. More importantly, though, specific types of tobacco are grown using specific labour regimes. For example, flue-cured tobacco in Nyasaland/Malawi has mainly been grown on estates using direct labour and not annual tenants (due to high labour and capital requirements). So, increased flue production on estates has always changed the terms on which labour is engaged. Burley and fire-cured tobaccos, on the other hand, have been grown using many different labour regimes, including estate tenants, estate outgrowers and peasant/smallholder production. Thus, the four main labour regimes for tobacco production in Nyasaland/Malawi can be characterised in the following manner: [1]

- Estate production with 'direct' wage labour - *estate labour production*;
- Estate production with tenants - *estate tenant production*;
- Communal land production of tobacco where seedlings are provided by, and the crop is marketed through, an estate - *estate outgrower production*;
- Communal land production – *peasant/smallholder production*.

The changes between these 'styles' of tobacco production must be understood in relation to the colonial influence on Malawi's economy (McCracken 1982a, 21). The colonial economy in Malawi had a tripartite structure: first, a large-scale European-owned estate sector producing cotton, tea, tobacco and coffee in accordance with local conditions and global demand; second, peasant production of cash crops such as cotton, tobacco and groundnuts when conditions and constraints allowed; and third, national and regional migrant labour of a formal and informal nature (see Vail 1983, Vaughan 1987, McCracken 1982a, McCracken 1983, Andersson 2006). These three elements were often in conflict. For example, McCracken (1983) argues that by the start of the 20th century such antagonism led to "a lengthy and confused struggle between the proponents of three different types of export production, a struggle which resulted in the emergence within the protectorate of a number of distinctively different rural economies" (McCracken 1982a, 22).

Whilst migration from the 'dead' Northern Region is often cited as one example of a specific rural economy (see Andersson, 2006), tobacco production has also played a major role

[1] In colonial times communal land was referred to as crown land or trust land. In postcolonial Malawi communal land is widely referred to as customary land. I use the term communal land for both periods. I do not distinguish between the terms 'smallholder' and 'peasant' which I use interchangeably.

in creating these distinctive regions. For example, and as the following narrative describes, tobacco production in the Southern Region has been dominated by large-scale estates and thus contributed to limited availability of communal land. In the Central Region widespread large-scale estate production only emerged from the 1970s onwards, with earlier attempts superseded by successful peasant production.

In addition to outlining four 'styles' of tobacco production, and how the export of crops and labour in Nyasaland created distinctive rural economies, before we begin the narrative through the last century or so, we need some understanding of the crop itself. Three generic characteristics of tobacco are particularly important. First, tobacco does not benefit from economies of scale: production occurs on both small- and large-scale units, often leading to the co-existence of both. Second, that during the last two centuries "the social and economic history of tobacco cultivation has been characterised by a distinct dualism, between the [often] small scale of growing operations and the giant scale of manufacturing and marketing" (Goodman 1993, 193). And third, that due to the particular nature of tobacco, including its voracious demand for labour (and, possibly, the manner in which nicotine is absorbed through the skin of workers), a 'tobacco culture' is created in societies deeply involved in production. In other words, there is a distinct culture to tobacco agriculture because "the tobacco grower has to tend his tobacco not by fields, not even by plants, but leaf by leaf….Everything having to do with tobacco is hand work – its cultivation, harvesting, manufacture, sale, even its consumption" (Ortiz quoted in Goodman 1993, 166). We now turn to the early decades of large-scale tobacco export in the British Central African Protectorate/Nyasaland.

3. 1880 – 1927: EARLY COLONIALISM TO THE GREAT DEPRESSION

Popular accounts of the history of tobacco production in what was to become the British Central Africa Protectorate in 1891 and Nyasaland in 1907 (Pike 1968, 90), suggest that tobacco exportation was initiated by two Scottish brothers called Buchanan (Anthill 1946, Wilshaw 1994).[2] These colonial settlers introduced *Nicotiana tabacum* and successful grew and exported this species. However, tobacco had been exported from this region for centuries. Prior to 1889, the tobacco grown in Southern Africa was *Nicotiana rustica*, known as *labu*, a shorter and bushier species than *tabacum* (Goodman 1993).[3] *Rustica* was hung from hut rafters to cure, or was sun cured, and was consumed through pipes and as snuff (Davies 1958, White 1987). Surplus was traded and entered European markets (Rangeley 1957). The export of *tabacum* in the following decades was at a much larger scale.

During the 1890s two colonial 'planters' – Hynde and Stark – initiated large-scale export of *tabacum* adjacent to what is now Zomba (Rangeley 1957).[4] Hynde noticed the practice of curing *rustica* in hut roofs, and distributed *tabacum* seedlings to tenants and adjacent peasants on communal land (Rangeley 1957, Wilshaw 1994). This fire-cured venture was taken over by a Scottish-based company – the Blantyre and East Africa Company (BEAC) – in 1901 and *estate tenant* and *estate outgrower production* enjoyed some success on and around the company's estates (Rangeley 1957, 69).[5]

Tobacco's significance in the colonial economy increased considerably in the first years of the 20th century. As coffee prices plummeted, and the viability of rubber and cotton exports became uncertain, tobacco became increasingly attractive, and the BEAC turned towards flue-cured production (Rangeley 1957, 71; Baker 1962). However, as early attempts failed, in 1903 the company hired two Americans from Virginia who successfully initiated flue-cured production on the three and a half million acres of land alienated to four hundred Europeans in 1891 (Rangeley 1957, Krishnamurthy in Pachai 1972, Palmer in Pachai 1972).

3.1 Arrival of the Imperial Tobacco Company

[2] The Buchanan brothers claimed upwards of 150,000 acres of land in the Southern Province in the period between 1876-1884. Acting as both a broker between European settlers and Yao chiefs, and as British Consul, John Buchanan was involved in the further alienation of over half a million acres to four interested parties (Sharrer, the African Lakes Company, Waller, and David Livingstone's son-in-law Alexander Bruce). This was before Harry Johnson, as the first British commissioner, investigated and formalised land claims from 1890 (White 1987).

[3] The introduction of tobacco into Africa from its Amerindian source stems from 16th century interactions between European traders and African societies, particularly the French in West Africa, the English in North Africa, and the Portuguese in East Africa (Goodman 1993, Laufer *et al* 1930).

[4] Palmer (1985, 213) shows how European settlers "beguiled by the Raj or by indifferent novels, preferred to style themselves as planters". Albeit to a much smaller scale, this reflects the 'planter' culture of the Chesapeake, Virginia, US, where figures such as Thomas Jefferson were members of a landowning class obsessed with tobacco production (Palmer 1985, Goodman 1993).

[5] Early fire-cured and flue-cured tobacco was sold in domestic and regional markets, especially in South Africa. There was a significant switch to the British market between 1905 (when 99 per cent of tobacco exports went to South Africa) and 1908 (when 94 per cent of tobacco exports went to the UK) (Baker 1962, 15). Baker (1962) argues this shift was due to the imposition of import tariffs by South Africa to protect her own infant tobacco industry, although the timing seems to suggest that the location of the Imperial Tobacco Company in Limbe in 1908 also had some influence.

Attracted by the incipient flue-cured production, and railway construction linking nearby Blantyre to the Shire River, the Imperial Tobacco Company soon became an important player in the industry (Davies 1958). The ITC consisted of an agglomeration of the leading UK tobacco firms formed in 1902 as a response to the American Tobacco Company's (ATC) aggressive interest in the British tobacco market (Goodman 1993). The British Central Africa Protectorate offered the ITC the opportunity of diversifying supplies away from the United States, and the company built a factory close to Blantyre to process and handle tobacco for the UK market (Davies 1958).[6] ITC operations began in 1908 with the company buying almost half the national crop (Rangeley 1957). By 1913 the flue-cured tobacco crop was described as "the largest growth of Virginian tobacco which has ever been produced outside of America" (quoted in Rangeley 1957, 76).

The ITC's impact on the industry was substantial. Not only did it provide a guaranteed local market for estates, but it created divisions within the settler community by favouring certain growers (Palmer 1985). In addition, the ITC also demanded that flue-cured tobacco was only grown only by Europeans. As noted above, flue-cured production is very capital- and labour-intensive and is predominantly grown using direct labour. There are also two further historical reasons for the use of this specific labour regime, both rooted in the colonial discourse of paternalism and racism (see Ng'ong'ola 1986). First, the ITC stated that flue-cured tobacco was "too technical for native growers and required great handling" (quoted in Wilshaw 1994, 25).[7] The second additional explanation is based on the racialised separation of 'light' tobaccos for whites, and 'dark' tobaccos, such as fire-cured, for black Africans, reflecting how race was a structuring principle in the organisation of colonial economic and consumer practices (see Mintz 1985, Fanon 1986, Kothari 2006).

3.2 *Alomwe* Migrants and *Thangata* Labour

Between 1914 and 1919 flue-cured production on estates in the Southern Region continued to increase. To support this industry, the supply of labour to estates for flue-cured tobacco production was encouraged through taxation: an annual hut tax which initially corresponded to 1-2 months' wages (Palmer in Pachai 1972, Illiffe 1995). But this proved insufficient in providing sufficient labour at the right time (White 1987, Chirwa 1994). From the planters' perspective, "salvation came from an unexpected source in the immigration of many thousands of people from Mozambique" (White 1987, 87). *Alomwe* migrants, anxious to avoid the harsh colonial state in neighbouring Portuguese East Africa, settled on estates in the Southern Region. Migrants' residence rights were based on the provision of labour: one month's *thangata* labour for estate rent, and one month's labour for the Protectorate's hut tax

[6] In 1902 both the ATC and ITC agreed to withdraw from each other's domestic markets. Significantly, the two companies agreed that "tobacco demand in the rest of the world was to be supplied by a new company, two-thirds owned by American tobacco, and the other third by Imperial. It was registered in Britain and took its name as the British American Tobacco Company Ltd" (Goodman 1993, 234). British American Tobacco (BAT) subsequently dominated cigarette sales in China, India, and later Africa, and by 1980 was the largest tobacco company in the world. The American Tobacco Company was dissolved into a number of smaller concerns in 1911 as a result of a lack of competition in the American tobacco market (Goodman 1993, 233).

[7] Decades later this reason was also used to reserve both burley and flue-cured tobacco exclusively for estate production.

(Krishnamurthy in Pachai 1972). Estate owners stretched the length of each 'month' as the recently arrived *Alomwe* in a weak position.[8]

The arrival of a vulnerable population in need of land "overcame the contradiction in the economy: how to pay three shillings per month when people could make £2 or £3 elsewhere in the regional economy" (Vail in Rotberg 1983, 51). Whilst the exploitative nature of *thangata* was recognised by the colonial administration, attempts to curb the worst practices were amended or delayed by the political leverage of estate owners. A case in point is that of A.L Bruce, the owner of the Magomero Estate (about which White, 1987, writes so engagingly), who successfully argued the Ordinance for Compulsory Written Contracts of 1914 between employers and African residents would "retard development and the extension of lands for plantations", thus delaying the implementation of this bill (A.L Bruce cited in Krishnamurthy 1972, 395).[9]

In addition to an ample supply of cheap labour, the tobacco industry received a further boost late in this decade: the introduction of Imperial Preference on Nyasaland tobacco in 1919. Increased demand thus allowed estate producers to compete more effectively with US flue-cured production, increasing the area under flue to over 21,000 acres in 1921 (Vail in Rotberg 1983).[10]

Whilst the increase in tobacco acreage was good news for the finances of the struggling estates, it was not for tenants and their families engaged in *thangata* labour: [11]

> Tobacco expanded the estates' working year to a full ten months, from October when tobacco nurseries were prepared, to early August when the grading and packing were finally completed. With new plantations being opened every year, with fresh land for the old plantations being cleared every other year, and with all estate labour still being done entirely by hand, there was no shortage of work. In practice, all hut-owners continued to spend six months of each year performing their combined hut tax and *thangata* obligations (White 1987, 152).[12]

[8] As eloquently described by White (1987, 89-90): "Labour was supervised by the planters themselves or by their *capitaos*. A month's hut-tax labour could be stretched to six or eight weeks by withholding the necessary signature from the tax certificate. *Thangata* agreements were verbal and informal, so that most planters had little difficulty in extending the requirements to four or five months. Unlike hut tax labour, *thangata* labour could be levied in the rainy season. The immigrants were in no position to bargain. If they refused to work, or if they attempted, like other Africans, to seek work in South Africa or Southern Rhodesia, they lost the right to reside in British Central Africa".

[9] The irony of this 'success' could not be sharper as the following year the manager of A.L. Bruce's main estate 'Magomero', W.J. Livingstone, was killed in the Chilembwe uprising of 1915, the roots of which stemmed from Livingstone's harsh and brutal application of verbal *thangata* agreements with African tenants (White 1987).

[10] The expansion of flue-cured tobacco production on estates led to increased opportunities for food crops grown on trust land, sold to workers on estates (Vaughan 1982). These on-farm income opportunities reduced the necessity for communal land dwellers to sell labour in order to meet tax obligations (Vail 1983).

[11] The *thangata* system was justified in the colonial discourse by claiming the practice had indigenous precedents (Kandawire 1975, 42). In Chichewa the verb *kuthangata* means 'to assist' (Kandawire 1975, 46) as it does in the Mang'anja language from which the planters appropriated the term (White 1987, 89). Kandawire (1975, 42) explains that it refers to "a process of give and take, or to a free flow of services of kinsmen, affines and neighbours". The practice of *thangata* on estates instead took the form of what Ng'ong'ola (1986, 240) describes as "a servile status under inhuman labour tenancies".

[12] Magamero is a good example of flue-cured expansion at this time as it switched to flue-cured production in 1919 and by 1925 had 8,000 acres under production (White 1987, 150).

The exploitation of *thangata* became increasingly apparent through comparisons with peasant producers earning many times tenants' annual pay from fire-cured production on communal land (White 1987, 153). The profitability of communal land production was such that not only did the rural elite start engaging labour, but Zomba district became "overrun with European buyers prepared to pay one shilling per pound for fire-cured tobacco and offering advances to individual growers to build brick barns for curing" (White 1957, 153).[13] The increase in *peasant/smallholder production*, and the scramble to market the crop, was an early indication of rapid expansion during the 1920s.

3.3 Peasant Production and the Native Tobacco Board

The 1920s heralded the arrival of peasants as a major force in the tobacco industry in Nyasaland. The story of how two British settlers, A.F. Barron and R. Wallace, initiated tobacco production in the Central Region has been recounted clearly and concisely by numerous authors and scholars (Anthill 1945, Rangeley 1957, Davies 1958, McCracken 1982a, 1983, Wilshaw 1994). The key point to note is that tobacco production in the Central Region (known then as the Central Province) was fundamentally different from the south: only 30,000 acres were alienated to European settlers. This second phase of tobacco expansion in Nyasaland was not based on *estate labour production* or *estate tenant production*, but on *estate outgrower production* initially, and subsequently *peasant/smallholder production* on communal land.

In May 1920 Barron and Wallace obtained 2,000 acres of leasehold land close to a small settlement called Lilongwe. After dabbling in flue-cured production, Barron and Wallace initiated fire-cured production after the ITC guaranteed to purchase the crop (Wilshaw, 1994). This proved so successful that in 1923 Barron started *estate outgrower production* by distributing seedlings to peasants on adjacent communal land. The supply response was prolific: 25 tons in 1924, 192 tons in 1925 and 880 tons in 1926 (McCracken 1983). Moreover, the 'new' crop had a remarkable impact on the local economy:

> All this [tobacco] brought an affluence hitherto unknown for the newly independent African grower. Trading stores reeled under the clamour for consumer goods. Bicycles, the prized possession of teachers or Government clerks and object of desire for most Africans were now bought outright for ten pounds. One grower even bought himself a new motor car and trailer (Wilshaw 1994, 47).

Whilst peasants were enjoying their newly found wealth, Barron and Wallace encountered two problems: first, transport to the ITC factory in Limbe, and second, purchasing the crop. Initially Barron and Wallace had a *de facto* monopsony over communal land production, but their success attracted traders who, without overhead costs, flocked to the Central Region eager to cash in:

> They set up in opposition to the established buying centres; along roads and paths, and tucked away in the bush, thus forcing those who had done the spade work to

[13] Here we can see an early form of contract farming, where peasants were lent credit in exchange for exclusive purchase rights over the resultant crop.

follow them if they wished to buy an adequate proportion of the tobacco which they had so enterprisingly inspired (Anthill 1945, 56).

To defend their interests, Barron and Wallace requested the colonial government grant a *de jure* monopsony. Unfortunately for the two entrepreneurs the request was turned down on the grounds it would have been “against everything that was British” (Wilshaw 1994, 47).

This is not to say that the boom in peasant production did not concern the colonial administration. In particular, they noted the lack of regulation, poor quality leaf, over production, and the inflationary effect of the marketing frenzy. For example, the incumbent governor stated that “if the native tobacco industry is to be placed on a sound and lasting footing…it is most undesirable that prices should be unduly inflated by the speculation of irresponsible buyers” (Governor Bowring quoted in Ng’ong’ola 1986, 248). In addition, the expansion of the 1920s also precipitated concerns about the neglect of food crops, and the amount of timber used for curing (Wilshaw 1994, 48).[14] Such concerns partly contributed to the creation of the Native Tobacco Board (NTB) in the 1926 Tobacco Ordinance.[15] However, this is only part of the story behind the creation of this important parastatal.

Although “charged with the duties of supervising and assisting native tobacco growers” (Blunt 1939, 21), the controls imposed by the NTB on communal land production in the coming years were also due to planters’ self-interest in curbing peasant production which was undermining their estates (see McCracken 1982a, McCracken 1983, Palmer 1985, Ng’ong’ola 1986). The challenge peasant production gave ‘planters’ is clearly shown when one considers that in 1917 estates constituted ninety six per cent of total production (and peasant production four per cent). By 1929 peasants were producing sixty three per cent of Nyasaland’s tobacco (with estates providing the remaining thirty seven per cent, see Rangeley 1957). The link between estate owners’ interests and the NTB’s actions in constraining peasant production can be seen in the composition of the NTB executive at this time: W.T. Bowie, manager of the BEAC estates, Barron, and an influential Italian estate owner – Conforzi – were all members (McCracken 1983, 177).[16]

One important reason for peasants’ supply response was the ability to pay the hut tax without recourse to labour migration (Vail 1983). Although *peasant/smallholder production* did not affect Central Region estate owners to a great extent (who relied on *estate tenant* and *estate outgrower production*), estate owners in the Southern Region (reliant on direct labour to

[14] Whilst the use of timber for fire-curing tobacco concerned the colonial government, it also brought unexpected benefits. The efforts of the colonial state in combating tsetse fly in the Central Region had, until this point, been pretty ineffective. Peasants in the 1920s had a much greater degree of success as the enlargement of agricultural acreage for tobacco, and need for firewood, reduced the amount of game in the Central Region, and the prevalence of tsetse (McCracken, 1982b).
[15] As Van Donge (2002) notes, the NTB did play a role in ensuring the quality of peasant fire-cured tobacco as the “condition in which some of the tobacco was presented for sale had to be seen to be believed; some baskets were mouldy, some wringing wet, others green, pole-burned, water-stained, and indeed exhibiting every possible defect” (Anthill 1945, 59). See also Wilshaw (1994). However, Van Donge (2002) appears too generous towards the role of the Native Tobacco Board in the late 1920s and 1930s, preferring to highlight their regulatory role in protecting prices and quality, as opposed to the manner in which the NTB constrained *peasant/smallholder production* of fire-cured to facilitate the expansion of *estate tenant production* (McCracken 1983, 1984; Ng’ong’ola 1986).
[16] There are numerous instances of when the settler community amended legislation for personal benefit (see McCracken 1982, 1983; Palmer 1985; Ng’ong’ola 1986).

produce flue) resented communal land production, as it reduced the supply of labour. For example, Captain Kincaid-Smith, manager of the Magomero estate, felt that “with the native remaining his own master, and working when he felt inclined to do so, and with a ready army of eager buyers ready to buy his production on the spot, the rot was bound to set in” (quoted in White 1987, 171).[17] From this perspective, communal land production would lead to “the eventual ruination of the European planter”, and estate owners in the Southern Region looked towards the Southern Rhodesian model where massive land alienation had produced a captive proletarian labour force (White 1987, 171).[18]

The success of Barron and Wallace in stimulating communal land production thus precipitated a split within the settler tobacco community: an estate-based European flue-cured community dependent on direct labour (mainly in the south), and a fire-cured community where production was by peasants, outgrowers or tenants but where marketing was controlled by Europeans (mainly in the centre) (Rangeley 1957, 77). The creation of the Native Tobacco Board in 1926 reinforced the control of the latter of these groups over the marketing of peasant production, and, importantly, protected *estate tenant production* of fire-cured tobacco.[19]

From 1926 the NTB used numerous methods to constrain communal land fire-cured production: all communal land growers to register with the district commissioner, and a tax was placed on buyers of communal land tobacco (which was passed onto producers) (see McCracken 1984, Ng’ong’ola 1986). Moreover, estate owners were able to fine tune the legislation in the 1926 Tobacco Ordinance through further ordinances in 1928, 1930 and 1931 that further stymied communal land production. For example, the NTB closed a number of markets between 1929 and 1934 leaving only three markets open, all concentrated around Lilongwe (Rangeley 1957, McCracken 1983). Communal land production stagnated between 1929 to 1939, and declined in areas no longer serviced by district-level markets (Anthill 1945, McCracken 1983). Thus, as described by Kenyon-Slaney, Lilongwe District Commissioner in 1934, the political leverage of estate owners, along with the ineptitude of the colonial administration, ensured the curtailment of the most prolific style of tobacco production ever seen in Nyasaland:

> The Native tobacco grower already finances the Tobacco Board and half the Planters in the country and has provided several men with small fortunes, in addition to the material assistance which he has given to every class in the Protectorate for the last nine years. If the Government cannot save him, in these times of depression from the machinations of the middlemen – who know too well

[17] Many estate owners in the Southern Region believed that peasant production of cash crops would lead to “a situation ‘where wealth accumulates and men decay’” as “there was a strong underlying feeling which viewed the African production of cash crops as a withdrawal from ‘civilisation’ and ‘progress’” (quoted in Chanock 1975, 125). This view was shared by some members of the colonial government. For example, a memorandum issued to Governor Bowring in 1925 from the Colonial Secretary stated that “all able-bodied men should be engaged in active work….By active work is meant something more than breaking the ground for women to till” (quoted in Vail 1983, 62).

[18] The hostility felt towards the communal land production by estates owners in the Southern Region was matched by amazement at the scale of tobacco production in the Central Region. When colonising Nyasaland, the British found in the Yao an ethnic group to favour as they fitted the preferred model of the “noble savage” (Chanock 1972, 117). In contrast, the Chewa, settled agriculturalists of the Central Region, were thought of as lazy, indolent and backward (Chanock, 1972, 117). The ability of the Chewa to produce high-quality tobacco challenged these deep-seated prejudices.

[19] The timing of the closure of mini-markets appears significant in this regard. It corresponds to the switch by estates in the central region away from *estate labour production* of flue-cured towards fire-cured *estate tenant production*, following the collapse of flue prices in 1927 (Ng’ong’ola 1986).

the shortage of other means of earning money – then we shall be failing in our duty to the most essential man in any state – the primary producer (quoted in McCracken 1983, 178)

The early decades of *Nicotiana tabacum* production in the British Central African Protectorate/Nyasaland highlight the influence the Imperial Tobacco Company on the shape of the industry in Nyasaland, the exploitative *thangata* labour relations estates in the Southern Region, and the rapid expansion of peasant production of fire-cured tobacco in the Central Region. Moreover, they illustrate the interconnected nature of estate and peasant tobacco production – how estates promoted peasant production to a point and then constrained it. In addition, these early decades highlight how rapid expansion of smallholder tobacco production in the 1920s in the Central Region contributed to three outcomes: a large multiplier effect in rural districts; the re-imposition of control by the state over the marketing of smallholder tobacco through the creation of the NTB, and, to a lesser extent, concerns over the impact of tobacco production on food crop production.

4. 1928 – 1961: FROM THE DEPRESSION TO INDEPENDENCE

If the early years of the century brought the promise of prosperity for estate owners in the Southern Region, the late 1920s and 1930s brought despair. The fall in flue-cured tobacco prices in 1927 and the subsequent depression meant that “the European industry received a shock from which it never recovered” (Anthill 1945, 57).[20] These decades saw the disappearance of European family-run farms in the south, and the aggregation of these farms into large-scale company estates (Palmer 1985, 214).[21] As many estates and businesses became insolvent, estate owners asked the administration for assistance, citing Southern Rhodesia as a precedent (Power 1993). Whilst a scheme of loan payments to floundering estates was initiated, it was not sufficient and “the thin trickle of government loans was unable to prevent many white farmers from going to the wall” (Palmer 1985, 240). [22] During this time some estates were insulated from the widespread depression by guaranteed purchase arrangements with the ITC.

The decline of estates was accompanied by a change in the style of tobacco production away from *estate labour production* and towards *estate tenant production*, due to a shift towards fire-cured production (Blunt 1939). For example, Figure 1 shows how *estate tenant production* increased from one million pounds in 1929 to over five million pounds in 1939. Moreover, in the south there was a tripling of the number of tenants on estates between 1927 and 1931 (Chirwa 1997). Such a shift to *estate tenant production* offered benefits to estate owners during uncertain times: it transferred some production risk onto tenants, and provided a sedentary labour force (including women and children) (Chirwa 1993).

Importantly, after 1928 there were substantial differences in how estate tenancy was implemented in the Southern and Central Regions. The Nyasaland Planters Association (NPA), representing the interests of many smaller estate owners in the Central Region, managed to restrict the applicability of the 1928 Tobacco Ordinance (which provided some protection to tenants), to units over 10,000 acres (found mainly in the south). From this point southern tenants, whilst still heavily constrained, were able to straddle estate tenancy and communal land tobacco production (Chirwa 1997).[23] In contrast, as they were outside the scope of the 1928 Ordinance, estate owners in the Central Region “were able to demand a much higher level of commitment than could be exacted from tenants in the south” (McCracken 1984, 40). Annual verbal agreements meant unproductive tenants were easily evicted. Despite the lack of protection, the number of tenants in the centre still grew rapidly, from 500 in 1927 to over 7,500 in 1938, clustered mainly around Lilongwe (with tenancies mainly filled from areas of

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[20] Price falls were due to overproduction in Southern Rhodesia and Canada, a bumper harvest in Nyasaland, a drop in demand in the UK, and the start of the slow-down in demand associated with the on-coming depression (Davies 1957, Chanock 1972, Anthill 1945, Rangeley 1957).

[21] The decline of Nyasaland’s estate sector in the 1920s and 1930s was also influenced by declining yields, poor crop husbandry, and crop diseases (Chirwa 1997).

[22] The scheme set-up in 1928 was initially capped by the Colonial Office. It was then stopped in 1931 only to be restarted, after pressure from ‘planters’, in 1935. The vacillation of the administration contrasts with the examples of Southern Rhodesia and Kenya where large loans were paid to keep white farmers solvent (Palmer 1985, 240).

[23] Chirwa (1997, 279-280) highlights that in the Southern Region “the movement of Africans on and off the private estates…demonstrates that their ingenuity, and resistance to eviction and violence, meant that they were not simple victims of exploitation and coercion”. One reason was that the NTB was not active in this region until 1938 and therefore, unlike the Central Region, communal land producers benefited from competition between traders (Chirwa 1997, Anthill 1945).

the Central Region not serviced by the NTB, and from the Shire Highlands and Mozambique – McCracken 1984).[24]

The growth of *estate tenant production* in both the south and centre meant owners converted "their estates into concessions within which they held monopoly rights of purchase of the produce" (White 1987, 175). In the words of a visiting Indian Army Officer:

> The European tends to become a middleman, buying, grading or ginning... transporting, and ultimately shipping, the natives' produce. There is an increasing tendency for the European planter to reduce his own direct production and increase his tenant farmers. In most cases the land owner provides the seed, supervises the operations of his tenants and buys their produce at rates which, whilst they give satisfactory return to the native, are much below the average cost of direct production by Europeans (quoted in Palmer 1985, 237-238).

To support *estate tenant production*, the NTB intensified the constriction of communal land production in the centre: for example, in 1932 the size of communal land tobacco plots were limited (Vail in Rotberg 1983, McCracken 1983, Ng'ong'ola 1986).[25] Despite such attempts to reduce competition with estate owners, communal land production still constituted the majority of Nyasaland tobacco production at this time.

4.1 Arrival of the Auction Floor

The NTB's policies led to growing unrest amongst peasants in the Central Region. Discontent simmered throughout the 1930s, and came to a head in 1937 when very low producer prices led to riots at the remaining NTB markets (McCracken 1983, Rangeley 1957, 40-41). The NTB's response was to ban all traders and claim a monopsony over all communal land tobacco. Through purchasing the entire crop, and transporting it from NTB markets to a new auction floor in Limbe, the NTB was able to regulate competition between exporters, maintain quality, and also generate substantial rents through the difference between producer prices and those paid by exporters on the auction floor (McCracken 1983).[26] The NTB now opened markets in the south for the first time, curtailing the ability of estates to act as a marketing channel for smallholders in this region (Rangeley 1957).[27]

4.2 World War II and the Expansion of Smallholder Fire-Cured Production

World War II had a profound influence on the tobacco industry in Nyasaland. Due to greater UK demand and limited access to supplies from the USA, production increased

[24] Visiting tenancy was initiated by Conforzi, an Italian tobacco entrepreneur, who transported tenants from the Southern Region to his estates around Lilongwe (Rangeley 1957, Wilshaw 1994). For a fascinating account of Conforzi's impact on the tobacco industry in Nyasaland see McCracken (1991).

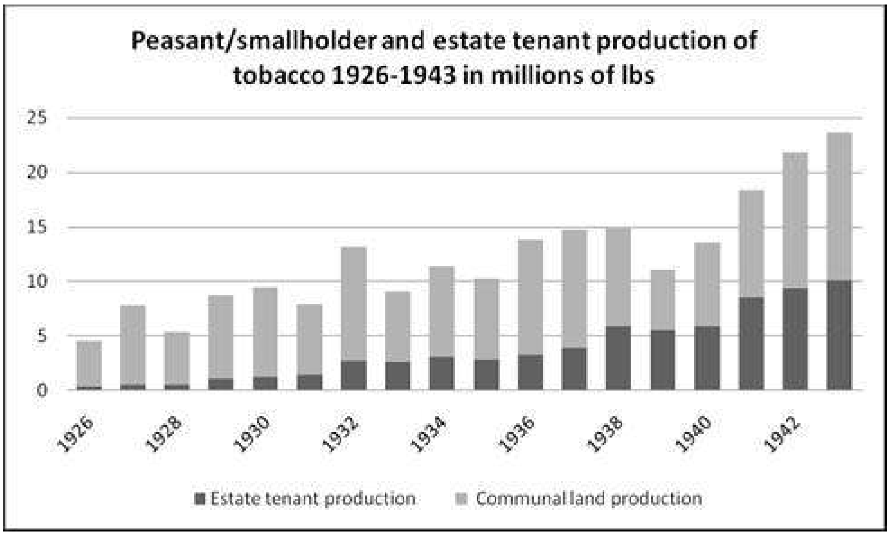
[25] Further measures to squeeze communal land production included extending leasehold estates from 21 to 99 years in 1931 (Palmer 1985), granting new land leases to European 'planters' in the Central Region in 1932 (including many NTB members) (McCracken 1983), and amending the Native Authority Ordinance of 1933 so that it did not apply to estate land (Kandawire 1975).

[26] This approach was continued for many decades by consecutive state marketing boards such as the Farmers Marketing Board, and later ADMARC (Kydd and Christiansen 1982, Kydd 1984).

[27] A similar set of policies were enacted at this time in Southern Rhodesia where auction floors and the Tobacco Marketing Board were created in 1936 (Woelk et al 1991, Rubert 1997).

rapidly (Gately 2001, McCracken 1983). To accommodate increased demand, the NTB relinquished its monopsony and actively promoted the expansion of tobacco on communal land (McCracken 1983).[28] For example, during the war the NTB did not have sufficient capacity to buy all communal land tobacco and peasants turned to estates to market their crops (McCracken 1984).[29] McCracken (1983) characterises the period from 1940-1947 as being one of 'uncontrolled expansion' with very high prices paid to peasants. Figure 1 shows how communal land production increased from five to over thirteen million pounds between 1939 and 1943, with *estate tenant production* doubling during this time period.

Figure 1 – Peasant/smallholder and *estate tenant production* of tobacco 1926-1943 in millions of pounds



Source: Anthill, 1945

For communal land growers higher prices meant a return to the boom times:

> With so much money around to spend inflation again hit the local produce markets. Prices rose quickly as chickens, goats and oxen doubled or trebled. Trading stores, unable to cope with the demand for goods, soon exhausted their supplies leaving the African tobacco grower-consumers, with their fists full of pounds, resorting to cash bartering for goods from fellow growers and others (Wilshaw 1994, 70).

But just as with the smallholder boom of the 1920s, rapid communal land production led to concerns. For example, the Acting Director of Agriculture noted a "rapid decline in soil fertility in the heavily settled tobacco areas" (quoted in McCracken 1983, 187). These concerns led the Governor of Nyasaland to state that "the high prices paid to producers

[28] The 1946 Tobacco Ordinance relaxed restrictions on tobacco production and also allowed onto the board of the NTB "a minority of successful Africans who were to act as token representatives of the peasant growers" (Ng'ong'ola 1986, 250, McCracken 1984).
[29] This practice, illegal under the 1926 Tobacco Ordinance, was widespread and was legalised in the 1946 Tobacco Ordinance.

have had the effect of unbalancing the whole of our agricultural production. Indeed, if some remedial action is not taken, a serious shortage of food will result in a very short time" (Governor Colby quoted in McCracken 1983, 187).

The colonial administration's fears about the declining supply of food crops were realised 1949 when Nyasaland, and the Southern Region in particular, suffered a famine. In her account, Vaughan (1987) highlights a possible hectarage trade off between of tobacco and maize as a contributory factor to the crisis. But when doing so she inserts an important caveat:

> The argument for substitution is one which might possibly be applied at the level of a survey of the colonial economy as a whole, when related to the discussion of pricing policy. However, it can be totally misleading when applied at the level of individual households and communities in the famine area, and in this respect it does not help us to understand why people starved in 1949 (Vaughan 1987, 78).

Instead, Vaughan (1987) highlights the importance of gender, age and employment opportunities in explaining entitlement failure. In response to the crisis, the colonial government and NTB re-imposed strict controls on communal land production: the 1948 Tobacco Ordinance re-established the NTB's monopsony; some estate owners who continued to purchase communal land tobacco were prosecuted (McCracken 1983, 1984); tobacco prices were fixed by the NTB (with a substantial premium for quality leaf) (McCracken 1983); and from 1950 all tobacco growers were subject to compulsory registration (Rangeley 1957). Unsurprisingly, the numbers of communal land growers dropped: by over fifty percent in the south, and by over fifteen percent in the centre (McCracken 1983).

4.3 The Beginnings of Burley

But despite greater regulation, tobacco exports increased by almost fifty per cent between 1947 and 1953 (Vail 1983, 72), particularly from communal land in the Central Region. Here, McCracken (1983) highlights the role of "a distinct group of 'progressive' farmers who employed wage labour, both permanent and casual and cultivated up to 20 acres" (McCracken 1983, 191). In contrast, the 1950s saw estates' share of tobacco exports decline. In the Central Region, estates started to focus on a new, lucrative type of tobacco leaf – burley tobacco – leaving fire-cured tobacco to smallholder growers (McCracken 1983, 191).[30] As we have seen, along with flue-cured tobacco, burley was reserved exclusively for estates (a prohibition that lasted until 1990). Estate owners were quick to grasp this new opportunity. For example, Barron's estates switched from fire-cured to burley in 1953, and by 1960 most of the 5,900 tenants in the Central Region were producing burley (McCracken 1984).[31]

There were also significant changes in marketing during this period. In 1955 the NTB merged with the cotton and maize marketing boards to create the Agricultural Production

[30] Burley tobacco is an air-cured tobacco which is popular due to its high nicotine content and its "very light, fluffy nature with an ability to drink well (i.e. to absorb added flavouring)" (Akehurst 1968, 206). It does not require the levels of capital of flue-cured production, nor the amount of firewood required for flue- or fire-cured production (Goodman 1993).

[31] The growing worldwide popularity of the cigarette was dented in 1954 with the American Cancer Society's claim that cigarettes cause cancer. The drop in demand (the first recorded in the 20th century) reinforced the shift to lighter tobaccos, such as burley.

and Marketing Board (which later became the Farmers Marketing Board – FMB) (Ng'ong'ola 1986). This new centralised body became a focal point for nationalist criticism, as did political union with Northern and Southern Rhodesia, and labour conditions on tobacco estates (see McCracken 1983, Ng'ong'ola 1986, Orr 2000): [32]

> Whether you call it *thangata* in the Southern Province or visiting tenants in the Central Province, it is the same thing and I was not going to be deceived and confine this bill to the Southern Province. I mean to extend it to Lilongwe, Fort Manning, Kasungu, Dowa, Kota Kota, right up to Karonga…and if that means I am driving anyone away from this country, then I say he can pack up and go (Dr Kamuzu Banda, Minister of Agriculture, quoted in McCracken 1984, 55).

But Dr Banda's political rhetoric was not matched by action, and through lobbying and appeals to the UK government, Central Region estate owners received a temporary exemption from a 1962 Ordinance supporting tenants' rights (McCracken 1984). The reprieve was extended in following years, and the estate tenant system of tobacco production survived the political transition of decolonisation to later expand from the late 1960s onwards with the support and participation of the African political elite.

Significant changes took place in the tobacco industry between the depression and when a majority African government took office in 1961. These include: first, the collapse of flue-cured production on estates; second, the NTB's policy of constraining peasant production; third, the creation of the auction floor system; fourth, the rapid increase in communal land production in the 1940s; fifth, the emergence and reservation of burley tobacco for estates; and sixth, how labour relations on estates became a key focus of nationalist criticism.

Moreover, the period from 1927 to 1961 again highlights the close relationship between estate and smallholder production whereby the NTB's policy of constraining *peasant/smallholder production* from 1927 to 1939 was to accommodate *estate tenant production*. The period also suggests the uncontrolled expansion of smallholder tobacco production during the 1940s led not only to a boom-time economy, but also to the NTB re-imposing control over smallholder marketing. It also raised serious concerns about the supply of food crops – concerns that materialised in the 1949 famine.

[32] Whilst southern estate owners were vocal in calling for a union with Southern Rhodesia, estate owners in the centre preferred forging links with the eastern part of Northern Rhodesia. The reasons for this split are quite apparent: southern estate owners supported the high levels of land alienation prevalent in Southern Rhodesia and felt that closer ties would support their interests; on the other hand, the Central Region's continued reliance on communal land production meant that the "native [tobacco industry] would stand a poor chance of surviving if [we] went in with the territories of the south" (Anthill quoted in Palmer 1985, 221).

5. 1961 – 1989: THE POSTCOLONIAL MALAWIAN STATE

From 1961 until 1968 (with political independence in 1964) the Malawian government promoted smallholder production on communal land (Kydd 1984, Mkandawire 1999). In addition to being a pay-off to rural supporters of the MCP, the promotion of smallholder production supported 'progressive' cash crop farmers of the 1950s (Kydd 1984). An element of this development strategy, along with improving infrastructure, was the reform of agricultural extension services provided by the FMB (which became the Agricultural Development Marketing Corporation, ADMARC, in 1971, see Vail in Rotberg, 1983). Ng'ong'ola (1986) suggests there was a great increase in control over every aspect of agricultural production at this time, with harsh penalties levied if regulations were contravened. Moreover, Ng'ong'ola (1986, 255) argues this was so "settler or African intermediaries should not be allowed to compete with the FMB in the marketing of all African food or cash crops". A further element of this strategy was the reformulation of the colonial Master Farmer scheme, such that a class of 'progressive' *achikumbe* smallholders received specific specialist advice.[33] With most government expenditure and support for agriculture aimed at communal land producers, the productivity of tobacco estates in the Central Region contracted sharply.

Despite promoting smallholder production, there was no attempt at large-scale land reform at independence. For example, whilst government did institute the compulsory purchase of a limited number of estates at this time (Akehurst 1968; Kydd 1984), the transfer of land from Europeans to state and African Malawian ownership occurred to a much greater extent in the 1970s when the state used the Land Act of 1967 to alienate communal land (Sahn and Arulpragasam 1991).

Whilst the pro-peasant policies of the 1960s elicited growth in communal land production, they were confronted with a lack of a sustained supply response (Mkandawire 1999). The first indications of a shift towards supporting estate agriculture production can be seen with the three-year extension to burley estate licences in 1965, and the cancellation of reforms to allow smallholder production of burley (McCracken 1984).[34] In addition, the move away from supporting smallholder production was precipitated by a financial crisis. Despite British balance of payments support, in 1968 Malawi faced a severe current account deficit (Baker 1962, Thomas 1975). As nationalist hostility to the estate sub sector, so vehement in the early 1960s, began to wane (McCracken 1984), the estate sub sector began to be seen a future source of growth.[35]

Thus, in the late 1960s the Malawian political elite started to become heavily involved in estate tobacco production (McCracken 1984, 58). Through the 1960s the FMB bought abandoned ex-European estates (Kydd 1984), and around 1966 starting selling these assets to members of the MCP political elite through issuing loans and providing management services (Kydd 1984). The attractiveness of estate production increased as Rhodesia's

[33] From independence a dual strategy was implemented to raise smallholder productivity: general extension to all smallholders, and specialist technical assistance was offered to 'progressive' farmers, known as the *achikumbe* (Vail in Rotberg 1983, Mkandawire 1999).

[34] The estate sector's exclusive rights over burley and flue-cured tobacco created in the 1952 Tobacco Ordinance (Orr 2000; Ng'ong'ola 1986), were reinforced by the 1962 Africans on Private Estates Ordinance, and later by the 1972 Special Crops Act (Harrigan 2001, Ng'ong'ola 1986).

[35] This is clearly articulated in the Government's 1971 *DevPol* planning document (Pryor and Chipeta 1990).

Unilateral Declaration of Independence in 1965, and the imposition of sanctions on Rhodesia in 1966, increased demand for Malawian tobaccos, especially as international leaf companies – such as Universal Leaf – began to look towards Malawi as a location to increase supply (Kydd, 1984).[36] Such interest in estate tobacco production was augmented by high prices in 1968 (McCracken 1984). These factors set the scene for the rapid expansion of estate production in the 1970s.

5.1 Large-Scale Estate Expansion in the 1970s

The 1970s saw the creation of numerous new estates and the redistribution of estate land from old European families to government-affiliated organisations and the political elite. Kydd (1984) splits the growth of the estate sector through the 1970s into two periods of growth prior to a 'crisis of viability'.

The first period of growth is from 1969-1972 when General Farming (jointly owned by President Banda and the FMB), and Press Farming, as well as the MCP political elite, created new estates mainly from communal land (Kydd 1984). President Banda was at the forefront indigenising estate ownership, asserting that "every Minister must have an estate…I am right up to neck in debt but I will pay the debt one day" (quoted in Pryor 1990, 81). The expansion of tobacco estates from 1969 was also based on the compulsory purchase of European-owned estates and their redistribution to the African elite, the Malawi Young Pioneers, General Farming, and Press Holdings (McCracken 1984, Van Donge 2002). Europeans in the Central Region had some licences revoked in 1970, whilst Asian tobacco farmers' licenses were cancelled in 1974 (Thomas 1975).[37] In many cases, European estate owners were allowed to keep hold of one estate, with others redistributed (McCracken 1984).[38] This was the time when the structure of the post-colonial economy was set. Banda and his political allies' control of the core of the Malawian economy (Press Holdings, Malawian Development Corporation, ADMARC), as well as over the financial sector (National Bank of Malawi, Commercial Bank of Malawi) continued for at least two decades (Conroy 1993).[39]

The second period of estate growth is from 1973 until 1977, supported, in part, by the Lome convention of 1973 which gave duty free access to EC markets (Kydd 1984, Conroy 1993). This period saw the broadening of estate ownership with further leasehold estates created from communal land. President Banda and the MCP, unable to secure foreign finance, ensured the supply of capital for estate expansion in the Central Region from the Commercial Bank and Reserve Bank (Kydd 1984), with the provision of loans, along with licenses for burley production, a key form of patronage (Mkandawire 1999). Investment in estates occurred through an intricate set of financial arrangements between state bodies, parastatals and private companies (Harrigan 2001, 35), with some finance for leasehold estate expansion generated from ADMARC's 'implicit taxation' of smallholders (see Kydd and Christianson 1982, Kydd

[36] A similar dynamic has occurred recently with leaf companies investing in flue-cured production in Malawi to replace shortfalls caused by recent political upheavals in Zimbabwe.
[37] In 1970 Asian traders were restricted to operating businesses in towns and away from rural areas (Thomas 1975).
[38] This policy meant that Barron's holding were reduced from 12 to 3 estates, Wallace only got to keep one estate, whilst Conforzi lost all of his 12,000 acres in the Central Province (McCracken 1984).
[39] Pryor and Chipeta (1990) estimate that by the late 1970s the public sector, broadly defined to include Press Corporation, owned 25-30 percent of estate lands in the country.

1984) (which also cross-subsidised consumer maize prices – see Harrigan 2001). In many cases, *estate tenant production* was based on annual tenants from the land-constrained south.

The end of the 1970s led to 'crisis of viability' for the estate sub sector (Kydd 1984). In addition to the excessive lending practices of Malawian Banks, and the lack of expertise of some estate managers and owners, the end of the 1970s saw the Malawian economy suffering a number of exogenous shocks which exposed the limitations of a dualistic agricultural development strategy (Ng'ong'ola 1986, Kydd and Christianson 1982, Harrigan 2001).[40] The complex relationships between key economic institutions (ADMARC, Malawi Development Corporation, Press Holdings) were no longer financially viable, leading Malawi to open negotiations with the international financial institutions (see Harrigan 2001).

Structural adjustment loans in the 1980s reflected the pricism and state minimalism prevalent at this time (Moseley and Toye 1988), and aimed to tackle the anti-smallholder bias of previous decades (such as the annexation of communal land and ADMARC's monopsony over cash crops – see Harrigan 2001). The first three structural adjustment loans aimed to remove price distortions (such as subsidies on fertilisers), reduce the role of ADMARC in marketing smallholder produce, and increase production of smallholder export crops (such as groundnuts and cotton) by increasing producer prices relative to food crop production (such that they were closer to export parity). One rapid consequence of this sequence of policy reforms was an expansion of fire-cured tobacco. Despite the relatively modest increase (especially when compared to the 1920s and 1940s), this expansion still managed to precipitate some concerns over the supply of food crops.[41] For example, at the national level, Harrigan (2001) argues that aggregate effect of increasing producer prices for export crops, whilst holding ADMARC maize prices stable, was production switching away from food crops towards export crops (see also Lele 1990). This reduction in maize hectarage was exacerbated by the fertiliser subsidy removal programme which reduced maize yields, especially of high-yielding varieties. Along with the financial collapse of ADMARC, Harrigan (2001) argues these factors reduced maize production and may have contributed to the national food crisis in 1987, which led government to import large quantities of maize, reintroduce fertiliser subsidies, and increase maize producer prices.

5.2 Small-Scale Estate Expansion in the 1980s

Just as the smallholder sub sector underwent considerable changes in the 1980s, the estate sub sector also changed radically in this decade. The large-scale estate expansion of the 1970s was replaced by small-scale estate expansion driven by mid-level civil servants, previous estate managers, ex-employees of estates, and the conversion of communal land into leasehold land by 'graduating' smallholders or extended families (Conroy 1993). This led to a

[40] Harrigan (2001, 40-41) outlines these exogenous shocks as being, first, a decline in the terms of trade by thirty five per cent between 1977-1980, second, interest rate hikes, third, a drought in 1980-81, and fourth, the disruption of export routes through Mozambique and Zimbabwe.

[41] For example, Engberg *et al* (1987), in a study close to Lilongwe, suggested that non-tobacco households had on average a better nutritional status than tobacco households, that food stocks were greater in non-tobacco households, and tobacco households ate fewer meals per day. Moreover, Peters and Herera (1989) suggested that amongst land-constrained households around Zomba, tobacco producers produced less maize, and depended more on grain purchases compared to non-tobacco producers. In addition, tobacco production also engendered a considerable shift of control over expenditures away from women.

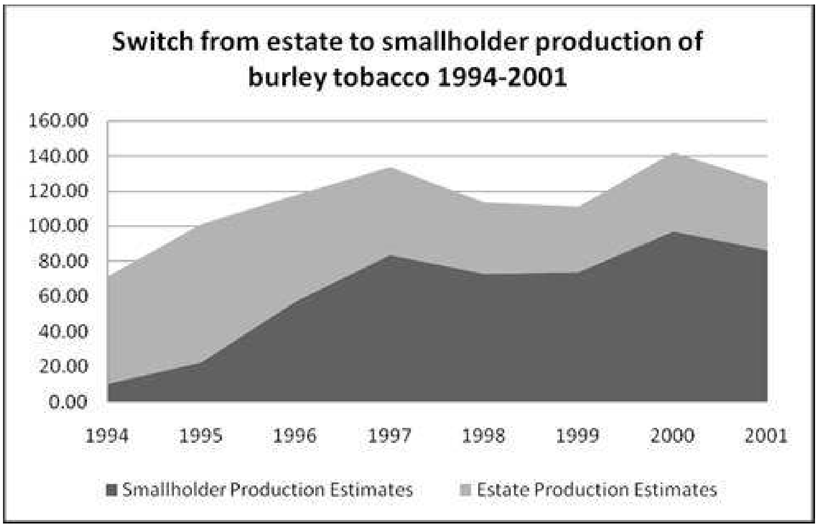
rapid increase in the number and area of estates, and sizeable reduction in their average size. Estate expansion in the 1980s was fastest in the Central Region (Sahn and Arulpragasam 1991, 15), and almost entirely based on *estate tenant production* of burley (Kydd and Hewitt 1986). Prices paid to tenants by estate owners were set nationally by the Tobacco Association of Malawi (TAMA) which were only nineteen to forty per cent of average prices received on the floors (Mkandawire 1999).

In summary, despite initial attempts at a smallholder-led growth strategy, from the late 1960s the government of Malawi ossified the colonial structure of the economy and relied on an estate-led growth path. During the 1970s and 1980s the number of estates expanded rapidly, with average size decreasing, and ownership broadening to include members of the rural elite. Importantly, this period also illustrates how the MCP political elite (who were also large-scale estate owners) constrained *peasant/smallholder production* through continuing to reserve the two most lucrative types of tobacco – burley and flue cured – for the estate sub sector. Burley remained an estate only crop until the 1990s as the MCP political elite partly replicated the paternalistic arguments used by the Imperial Tobacco Company eighty years previously: that peasants/smallholder did not have the technical ability to grow quality tobacco leaf.

6. LIBERALISATION OF SMALLHOLDER PRODUCTION AND MARKETING 1990 – 2005

The reform of burley tobacco production and marketing in the 1990s was the first major attempt to change the colonial structure of Malawi's economy (Harrigan 2001). It was broadly supported by two donors – the World Bank and USAID (see World Bank 1990, USAID 1991a). Whilst burley reform is often seen as being initiated with the Bank's Agricultural Sector Adjustment Credit (ASAC) of 1990 (Orr 2000, Tobin and Knausenberger 1998), it is more accurate to see the shift in government policy emerging from the collapse of the World Bank's third structural adjustment loan in 1987. This led to the abandonment of the planned fourth adjustment loan, and a re-evaluation of the experience of structural adjustment lending in the country (Government of Malawi 1987).[42] These early indications were formalised in the World Bank's Agricultural Sector Adjustment Credit (ASAC), which led to the granting of smallholder burley production quotas, and facilitated smallholder access to the auction floors. Once restrictions had been rescinded, smallholder burley production expanded rapidly. The number of smallholder clubs increased from less 500 in 1991 to around 30,000 in 2000, and then declined to around 20,000 between 2001-03.[43] The rapid increase in smallholder burley production from around 10,000 metric tons in 1994 to over 80,000 tons in 1997, when smallholder production broadly levelled off is illustrated in Figure 2.[44] This rapid increase was accompanied by a decline in estate burley production.

Figure 2 - Switch from estate to smallholder production of burley tobacco 1995-2001



[42] Harrigan (2001) argues that the first signs of a softer line in World Bank lending are visible in 1987 with the ADMARC supplement to SAL III that recognised the structural constraints to smallholder production and marketing, current food security concerns, and the need for social support mechanisms (Harrigan 2001).

[43] Author's estimates based on Tobacco Control Commission datasets. Each of these clubs consisted of around 12-20 smallholder farmers.

[44] To estimate smallholder production we must account for smallholder-grown burley marketed through an intermediate buyer (IB) or an estate, as well as direct smallholder sales on the auction floors. Figure 2 uses Auction Holdings datasets to estimate the amount of smallholder burley funnelled through estate and IB licences from1994 to 2001, and adds these to smallholder sales data. When we compare these proxy figures to Jaffee's (2003) estimates, we find a high degree of similarity, partly because Jaffee's assumptions regarding the proportion of IB and estate tobacco that was smallholder grown were used.

Source: Author's estimates from Tobacco Control Commission and Auction Holdings datasets

Two main arguments help to explain why smallholder burley production undermined estate production (World Bank 1997, Jaffee 1997, Keyser and Lungu 1997, Van Donge 2002). First, estates found it increasingly difficult to recruit tenants, as higher incomes on communal land increased rural wages, forcing up the prices paid to tenants. Second, the marketing structure for smallholder burley was liberalised (as part of USAID's Agricultural Sector Adjustment Programme of 1994), which led to the introduction of intermediate buyers (IBs). With echoes of the 1920s, Van Donge (2002) highlights how these traders created an anonymous marketing channel that, first, encouraged the theft of estate tobacco, second, encouraged estates and smallholders to default on loans (as loans are repaid through the auction floors), and third, lowered the quality of tobacco brought to the auction floors (as many traders did not have a good knowledge of tobacco), thus lowering the reputation of Malawian burley on international markets.

The extent to which smallholder production undermined *estate tenant production* of burley is illustrated through leaf merchants starting to finance large-scale estates to produce flue-cured tobacco in the early 2000s. For example, in the 2001/02 season one leaf merchant – Stancom –financed production on Press Agriculture estates which had stopped growing tobacco in 2000. In 2002/03 the dominant leaf merchant – Limbe Leaf – signed a five-year deal with Press Agriculture to produce flue on 65 Press Agriculture estates (and received Presidential authority to bypass the auction floors and take the flue-cured leaf straight to processing factories).[45] In essence, and on a very different scale to the traders in Zomba in the 1920s, this signalled the emergence of a new 'style' of tobacco production in Malawi: that of *contract production*. In contrast to *estate outgrower production* where seedlings and inputs are provided by an established grower, with *contract production* the lending of seed, fertiliser, credit and extension to a farmer in exchange for exclusive purchasing rights is by a non-growing firm (in this case, large-scale traders). *Contract production* was also initiated with smallholders at this time, first through Limbe Leaf's purchase of Kasungu Flue-cured Tobacco Authority (KFCTA) in 2000, and slightly later with Dimon contracting 2,500 smallholders in Kasungu, Lilongwe, south Mzimba and Rumphi.

The rapid increase in smallholder burley production from 1990 led to what are now quite familiar outcomes. First, an economic boom in districts where smallholder production was concentrated. For example, the World Bank claimed that "smallholder profits from burley sales have provided the largest ever cash injection of income in rural Malawi" (World Bank 1997, iv). In the crop marketing season, rural towns and trading centres in tobacco districts (such as Kasungu) attract smallholder growers whose burley incomes percolate through town and district economies, pulling in itinerant traders and seasonal migrants from other parts of the country (see Prowse 2009).

Second, the rapid increase in smallholder burley production also led to government re-regulation of the marketing of the smallholder crop. In the late 1990s, intermediate buyers (IBs) were seen by many stakeholders in the tobacco industry to be detrimental their long-term

[45] It is claimed leaf companies under-declared tobacco production and smuggled 'surplus' leaf out of the country (to avoid liabilities). Thus, from 2003/04 all 'financed' leaf was was marketed through a 'silent auction' system on the auction floors (where prices are fixed according to pre-determined grades.

interests. Government attempted to ban IBs in 2000, only for this decision to be reversed by pressure from donors (Van Donge 2002). But in the 2002/2003 season, government did ban IBs and once again only producers could market tobacco on the auction floors.

The third recurrent outcome from the rapid expansion of peasant/smallholder tobacco production in the 1920s and 1940s was concerns about the supply of food crops. However, so far, there has been very little academic debate on the extent to which smallholder burley production might have contributed to the Malawi famine of 2001/02. In other words, the possible detrimental effect of smallholder tobacco production leading to a reduced supply of maize onto local markets has not been investigated sufficiently. What is very clear is that variable rainfall patterns across Southern Africa triggered a regional shortage of maize in 2001/02. Malawi was particularly badly affected, and suffered its worst famine since either 1949 (see Vaughan, 1987) or 1861-1863 (see Illiffe, 1984).[46] Considering the historical precedents discussed in this article, the extent to which smallholder burley production may have been a contributory factor to the maize price shocks that precipitated the famine of 2001/2002 should be key area for further research.

[46] See Tiba (2010) for a village case study on the famine in the Southern Region.

7. CONCLUSION

This article has tried to highlight how the history of tobacco production in Malawi reveals four recurrent patterns. Namely, that estate owners have either fostered or constrained *peasant/smallholder production* dependent on the complementarities or competition with estate production. Second, that the rapid expansion of *peasant/smallholder production* of tobacco appears to have led to large multiplier effects in rural districts, the re-regulation of smallholder marketing by the (colonial) state, and concerns over the supply of food crops. The article now concludes by assessing the extent to which the reform of burley tobacco production and marketing in the 1990s engaged with these historical precedents.

First, the reform process in the 1990s was very aware of the likelihood that estate owners would attempt to constrain smallholder production. Donors highlighted how three main groups opposed smallholder burley production (USAID 1991a). Firstly, the MCP leadership was seen to be resistant to the reforms because the distribution of estate licences was a key form of political patronage. Secondly, senior civil servants – the expected recipients of burley licenses – were also opposed to the reform measures. The third interest group to resist burley reform was TAMA, representing small- and medium-sized estate owners. TAMA resistance to burley reform stemmed from smallholder burley production withdrawing tenant labour from estates. The reform process was, however, supported within government by mid-level civil servants and bureaucrats who keeping “no tobacco growing licences themselves ….. had genuine concern for seeing improvements in the lives of the smallholders” (Mkandawire 1999, 57).

The government’s acceptance of the burley reform agenda was not straightforward. In December 1990 government baulked at increasing smallholder burley quotas and reducing ADMARC’s monopsony on the marketing of smallholder tobacco (Candler 1997). As the release of the second tranche of ASAC funds was contingent on these conditions, this led to a deadlock of 10 months. Surprisingly, it was the World Bank who backed down and softened its conditions (Candler 1997, World Bank 1998). This reinvigorated dialogue between donors and government at a critical juncture: when bilateral donors were suspending aid to encourage democratisation and reduce human rights abuses (World Bank 1998).

Second, the reform process was also very aware of the likelihood of large multiplier effects in rural economies. In addition to the optimistic expectations that smallholder burley production would not only increase incomes, but also hybrid maize production and crop diversification (as land was released from extensive local maize production to intensive hybrid production), it was also expected to boost the non-farm rural economy (see World Bank 1990, 1994, USAID 1991a, 1991b).

On the other hand, third, the reform process showed very little awareness of the historical precedents regarding the re-imposition of control over the marketing of smallholder tobacco. Instead, donors insisted that the marketing of smallholder burley was liberalised. For example, the second phase of ASAP in 1994 ensured the introduction of intermediate buyers into the marketing chain (see Van Donge 2002). As we’ve seen above, it took government considerable time to persuade donors of the need to re-regulate.

And fourth, to what extent did the reform process engage with the possibility of a reduced supply of food crops? A close reading of policy documents reveals that donors’ thinking on this issue evolved over time. For example, the first phase of USAID's ASAP of 1991 funded a number of institutions to assess whether smallholder burley production harmed smallholders' food security or the environment (such as the Agricultural Policy Research Unit at Bunda College of Agriculture, the Malawi Environmental Monitoring Programme and the Food Security and Nutrition Unit in the government's Department of Economic Planning and Development). Moreover, policy documents themselves highlight discordant voices which questioned whether 'a smallholder shift from food to tobacco would decrease *food availability* harming the poor?' (USAID 1991a, Annex E). However, from the second phase of ASAP onwards, such a cautious approach to burley liberalisation was cast aside. Instead, through institutional support the reform process created the Smallholder Agricultural Development Project (SADP), which subsequently became the National Smallholder Farmers' Association of Malawi (NASFAM), to enable even land-constrained smallholders to commercialise through burley production. From this stage on, concerns over reduced supply of food crops was replaced with the expectation of the virtuous circle depicted above.

Overall, the reform process did engage with the first two recurrent patterns that emerge from the historical record (estate owners' attempts to limit smallholder production, and the creation of multiplier effects in rural economies), but didn't engage meaningfully with the latter two (the re-regulation of the marketing of smallholder production, and concerns over the supply of food crops). As outlined at the start of the article, much has changed in Malawi since the 1920s and 1940s: independence, improved technology, better infrastructure, more trade, more people, better education, and accountable, ostensibly democratic institutions. However, as Reinhart and Rogoff (2008) highlight for financial crises, it is easy to fall prey to euphoric sentiments that 'this time is different' when history might suggest otherwise. It appears that the rapid growth of smallholder burley in the 1990s was not different than earlier episodes in terms of estate owner interference, multiplier effects in rural economies and the re-regulation of the marketing of smallholder produce. Whilst the jury is still out on the possible effect of smallholder burley adoption on the supply of food crops, it is a question which merits much greater attention.

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