

## **Pushing the Boundaries of State Intervention: A Comparative Value Chain Analysis of Smallholder Burley Tobacco Production in Malawi**

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This paper conducts a value chain analysis of smallholder burley tobacco production in Malawi for the 2003/04 and 2009/10 agricultural seasons. The comparison suggests that in 2003/04 smallholder profits from growing burley were limited by two main factors: first, the practices of transnational leaf merchant companies on the auction floors who operated as a cartel (and governed the burley supply thread); and secondly, by inefficiencies in the national-level marketing arrangements. By the 2009/10 season the rents, governance and systemic efficiency within the supply thread had changed considerably: there was greater competition on the auction floors largely due to direct state intervention (increasing growers' net margins), improvements in marketing arrangements, greater state governance (through the introduction of minimum prices for different grades of burley) and increased systemic efficiency (through a rapid expansion of contract farming). The paper concludes by discussing the opportunities and threats that contract farming, mainly by transnational corporations, poses the various stakeholders in the tobacco sector, and the forms of innovation within these arrangements.