MALAWI
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STRATEGY SUPPORT PROGRAM | POLICY NOTE 62 NOVEMBER 2026

# Lessons from the history of estate farming in Malawi

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While smallholder farming remains at the center of agricultural transformation efforts in Malawi, there is renewed interest in the potential role of larger-scale farming. Larger-scale farms are often assumed to be more productive, better able to acquire and profitably use improved technologies, and better connected to higher-value markets. As policymakers consider strategies to accelerate agricultural and rural development, questions have re-emerged on what larger farms can contribute to these objectives.

Yet large farms are not a new feature of Malawi's agricultural landscape. Estates have been a significant component of agriculture for over 140 years, providing a long historical record from which valuable lessons can be drawn. Drawing on a review of the evolution of estate agriculture in Malawi and of how estates and smallholders have interacted economically (Benson and Cockx 2026), this note examines two questions that are central to current discussions on larger-scale farming. Are large farms inherently more productive than small ones? And do smallholder farmers and neighboring communities benefit from the presence of large farms?

## *A long history of estate farming*

Malawi's estate sector has evolved considerably since its emergence 140 years ago. Throughout much of this history, estates benefited from some form of preferential access to land, labor, credit, and agricultural markets. Changes in the scale and performance of the sector therefore reflected not only economic conditions and commercial opportunities but also shifts in government policy.

As described in more detail in Box 1, the first estates were established by European settlers in the 1880s in the Shire Highlands. Although some became major producers of export crops, especially tea, many of these very large estates struggled to use their land due to persistent labor shortages. Using the "visiting tenant" system, a form of sharecropping on estate land, smaller tobacco estates established in the Central region from 1922 onwards were more successful. The center of estate agriculture shifted, and tobacco came to dominate estate production and exports. The number of estates, however, fluctuated and remained low.

This changed after independence, when the Banda government started promoting the expansion of Malawian-owned estates, initially through the transfer of formerly European-owned estates and later through the conversion of customary land to leasehold. Estate development was supported through financing from ADMARC surpluses and directed credit, first benefiting the political elite and later a

broader group of officials and professionals. The most rapid expansion, however, occurred during the 1980s, when rights to market burley tobacco were reserved for registered estates of at least 12 hectares. In combination with tobacco price increases, this resulted in an enormous expansion of the estate sector, although the overwhelming majority of newly created estates were relatively small and set up primarily to gain access to tobacco markets.

Market liberalization in the 1990s fundamentally altered the sector. As restrictions on smallholder participation in tobacco production were removed, the incentives driving estate expansion largely disappeared and the boom in estate creation came to an end.

### **Box 1:** Historical evolution of the estate sector in Malawi

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|---|---|
| 1880s | European settlers obtained rights to large tracts of land in the Shire Highlands from Yao chiefs. By the mid-1890s, over 325,000 hectares had been alienated. |
| 1892 to 1894 | The colonial government of the British Central Africa Protectorate, established in 1891, certified land claims for 59 European settlers as freehold landholdings. |
| Colonial period (to 1964) | About 150 additional European-owned leasehold estates were created early in the colonial period, averaging around 120 hectares. Tea production was established on estates in Mulanje and Thyolo.<br>The number of estate owners fluctuated: 399 in 1921, 290 in 1931, and 171 in 1945. By 1957, estates covered 320,000 hectares of freehold and 80,000 hectares of leasehold land.<br>Tobacco became the dominant estate crop, with the center of production shifting from the Shire Highlands to the Central region in the 1930s. |
| 1964 to late 1970s | Around 1970, the government of Malawi began providing support to the estate sector. Many political leaders and other elites obtained leaseholds on existing estates. Most tobacco estates came to be operated by Malawians.<br>Two large sugar plantations were established in 1965 and 1976. |
| Late 1970s to mid-1980s | Between 1981 and 1983, many midsize tobacco estates (30–100 ha) were created primarily from customary land. The government facilitated local political leaders, civil servants, and professionals to develop their own estates. Estates expanded beyond the Shire Highlands and the core tobacco zone of the Central region. |
| Mid-1980s to early 1990s | Mainly in the late 1980s, up to 50,000 small estates (12–30 ha) were created primarily to enable their operators to obtain quotas to sell burley tobacco. These quotas were only issued to registered leasehold estates with a minimum of 12 hectares. |
| Early 1990s to 2000 | A moratorium was set on estate creation in 1993. This lasted for several years as a land policy reform process got underway.<br>Most restrictions on who could sell tobacco were lifted in the mid-1990s. Smallholders came to dominate burley tobacco production. |
| Since 2000 | Leasehold land records were digitized in 2016. Estate land was estimated at 1.4 million hectares. Over 70 percent of leaseholds on record had expired.<br>With the liberalization of tobacco marketing, most incentives for farming land under leasehold tenure are gone. By 2014/15, smallholders produced about 89 percent of the tobacco, up from 13 percent in 1999/2000.<br>A third sugar plantation started operations in Salima district in 2017. |

Source: Benson and Cockx (2026), based primarily on Bolt and Green (2014), Pryor and Chipeta (1990), Mkandawire, Jaffee, and Bertoli (1990), and Deininger and Xia (2017).

The size and structure of Malawi's estate sector remain difficult to establish, both historically and today, reflecting incomplete records, expired leases, and uncertainty over land tenure. While many estate leases appear to have expired, some of the largest estates continue to operate under valid leasehold arrangements. As a result, the extent of land currently held and operated as estates remains uncertain.

### *Size alone does not guarantee productivity*

Despite the historical importance of the estate sector to Malawi's international trade and broader economic performance, its record has been mixed at best. While some estates have been highly productive and commercially successful, many others struggled even when markets were structured in their favor. Estate failure has been a recurring feature of Malawi's agricultural history, indicating that scale alone does not guarantee success.

At the same time, smallholders have repeatedly demonstrated their capacity to compete effectively with estates when given access to profitable markets. The rapid expansion of smallholder burley tobacco production following market liberalization provides a clear example. Once restrictions were removed, smallholders quickly came to dominate burley production, with estates accounting for only 11 percent of tobacco produced nationally by 2014/15 (Benson 2021). Estates, however, maintained a competitive edge over smallholders for the more capital-intensive production of flue-cured tobacco.

While there are good reasons why economies of scale could arise in agriculture, such as lumpy investments in mechanization, irrigation, processing equipment, or storage facilities, Malawi's experience highlights that not all larger-scale farms are able to exploit these effectively. Moreover, when estates thrived, it was rarely because they were more productive or efficient than smallholders, but rather because the government instituted regulations or took other actions that hamstrung the productive potential of smallholders in some way.

### *The path to scale matters*

Collier and Dercon (2014) caution that large farms established through discretionary government land allocation, where political considerations and patronage take precedence over competition and transparency, are unlikely to deliver the required transformation of agriculture. Many of Malawi's larger estates historically emerged under precisely these conditions, rather than through the demonstrated ability of operators to farm commercially at scale.

Support reserved for farms above a certain size also risks attracting farms that change their status to qualify, rather than how they farm. The overwhelming majority of Malawi's leasehold estates were created in the 1980s to obtain quotas to sell burley tobacco, which were reserved for estates of at least 12 hectares. Many of these were large in name only, as smallholders pooled their land with relatives and neighbors or registered land they did not farm to reach that size.

Support for larger farms is more likely to foster productivity gains if it is tied to how farms perform, rather than to their size alone. Productive larger farms can also emerge where entrepreneurial commercial farmers are able to succeed and expand. This requires well-functioning land markets, secure land rights, and off-farm opportunities that allow others to leave agriculture. Creating those conditions is another avenue through which public support can contribute to the emergence of productive larger-scale farms.

### *Sustainable partnerships between large farms and smallholders are rare*

Estates have partnered with smallholders in various ways, and some of these arrangements have endured. The visiting tenant system, for example, in effect evolved into an outgrower scheme, with estates providing inputs on credit to smallholder tobacco producers, supervising production, and handling the sale of the harvested tobacco. The Integrated Production System that now organizes most of Malawi's tobacco production has a similar architecture, albeit with different actors. Other outgrower schemes, notably for tea and sugarcane, emerged, at least in part, because of heavy government involvement, making it less clear whether estates would otherwise have had sufficient commercial incentive to partner with smallholders.

Where partnerships did endure, it was largely because of the nature of the crop at their center. Tea and sugarcane must be processed rapidly using specialized, capital-intensive equipment to realize their economic value. In both cases, the estates operate processing facilities and contract smallholders to supplement their supply of raw materials. Beyond these few crops, partnerships appear to have been rare.

The historical record therefore suggests that large farms often have no commercial reason to function as an anchor enterprise, and schemes established without a credible economic rationale for a mutually beneficial partnership are unlikely to be sustained (Benson, Cockx, and De Weerdt 2025).

### *Local demand matters more than technology spillovers*

Beyond these partnerships, the evidence that estates affect the smallholders around them, whether positively or negatively, is thin. While, in principle, the presence of estates could foster the spread of knowledge and technologies and improve access to input and output markets, historically, many Malawian estates have been too undercapitalized, poorly managed, and unprofitable to provide neighboring smallholders with economic benefits. A growing literature on the spillovers between large and small farms in other countries suggests that while the presence of larger-scale farms can indirectly affect smallholder operations, particularly technology adoption and input use, the benefits are often modest.

Where benefits from proximity to estates did materialize, they appear to derive from increased demand for labor and locally produced goods and services rather than technology transfers. Already in the colonial period, developing food markets on and around the estates provided smallholders with opportunities to expand their crop production and sales. In addition to market development, proximity to estates has also been linked to higher levels of employment and wage incomes. Recent evidence from communities around two large estate farms illustrates that where such farms generate income for many people through employment or crop purchases from other farmers, the indirect effects on the local economy through increased demand for labor and locally produced goods and services can be considerable (Cockx and De Weerdt 2026).

### *Conclusion*

Malawi's history of estate farming offers important lessons for current debates on the role of larger-scale farming in agricultural transformation. The historical record provides little evidence that large farms are inherently more productive or efficient than smallholders. This likely reflects the conditions in which they emerged. Large farms created through discretionary land allocation have rarely delivered the expected gains in productivity and efficiency.

Policies targeting farms solely on the basis of size also risk creating unintended incentives, attracting farms that change their status to qualify for support, rather than farms whose greater size translates into higher productivity or profitability. Support should instead focus on commercially viable

farming enterprises, based on their performance rather than scale alone. Productive larger-scale farms are more likely to emerge where entrepreneurial farmers can succeed and expand, supported by well-functioning land markets, secure land rights, and off-farm opportunities that allow others to leave agriculture.

The experience of Malawi's estates also demonstrates that the presence of large farms does not necessarily generate benefits for surrounding smallholders or local communities. Most large farms have little commercial incentive to partner with smallholders. Only in specific contexts and for specific products – those that are more specialized, more complex to produce or process, or highly perishable – will such partnerships be mutually beneficial and hence sustainable. Similarly, wider development benefits are more likely to arise through employment creation and local economic linkages than through the diffusion of knowledge, technologies, and farming practices to neighboring farmers.

These findings do not imply that large farms have no role in Malawi's development. For some crops and production systems, larger-scale production may offer advantages deriving from mechanization or irrigation. Estates and other large-scale agrifood enterprises are also often better positioned than smallholders to engage in processing and to access higher-value markets. Commercial farms of any size, however, require an enabling environment to operate in. This includes macroeconomic stability, an investment climate that encourages private investment in agribusiness sectors, and trade and exchange rate policies that facilitate formal exports.

Where large farms are more productive and profitable, it should not be assumed that they require government support. As resources are scarce, the question is not only whether larger-scale farming can contribute to the development of commercial agriculture in Malawi, but whether its contribution is large enough to justify diverting public resources away from smallholder-oriented and other programs for agrifood system development.

Answering this question requires a better understanding of Malawi's contemporary larger-scale farms. Little is known about how many such farms operate in Malawi, where they are located, how they perform, or how they interact with surrounding smallholders. Such information would help determine whether and how larger farms can be supported so that they can contribute most effectively to agricultural and rural development.

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This work was made possible through financial support from the Embassy of Ireland, Coefficient Giving, FCDO and the CGIAR Science Program on Policy Innovations. It has not been independently peer reviewed. Any opinions expressed here belong to the authors and are not necessarily representative of or endorsed by IFPRI or its funders.













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