Malawi is situated in the southeast of Africa. Its economy is agro-based with the agricultural sector contributing about 39% of the GDP and over 80% of foreign exchange earnings. The major cash crop is tobacco, it accounts for 60% of total exports, contributes about 13% of the GDP and 23% of the country’s tax base. However, the performance of the tobacco industry in the country is dwindling and this is mainly attributed to the anti-smoking lobby propelled by the World Health Organization (WHO). As one way of addressing this challenge, Malawi is implementing a crop diversification strategy in order to come up with alternative crops to replace tobacco. One of the potential crops is coffee which is the fourth largest export crop in Malawi. Increasing production of coffee geared for export markets is thus a good development to take advantage of the global market for coffee which is continuously increasing.

In addition, consumers are becoming more sensitive with the type of coffee they consume. They are mostly mindful with the taste characteristics, label of origin and other no observation credence attributes i.e. organically and fair trade coffee. The demand for organic products is continuously growing. In 2005, the global retail sales of organic products increased to US$ 33 billion against US$ 23 billion in 2002 but still the world market remains undersupplied. Based on this, organic coffee may be a good substitute for tobacco as a cash crop in Malawi. This study therefore aims at assessing the potential market for organic coffee in Malawi and to determine important factors that influence consumers’ preference and WTP for organic coffee.

**Methods**

Data was collected through a face to face household survey. The survey was conducted in three major cities of Malawi i.e. Blantyre, Lilongwe and Mzuzu. A total of 129 participants were targeted. The study used two different methodologies of data collection i.e. Contingent Valuation Method (CVM) and Choice Experiment (CE). CVM and CE are both hypothetical methodologies of estimating WTP. The former is recommended for studies in developing countries. The CE are however recommended amongst all hypothetical methodologies. The multiple valuation technique was employed for convergent validity of the estimates from the two methodologies. CVM data was analyzed using OLS model while that from CE used Multinomial Logit Model/Conditional Logit Model.

**Results**

Based on the CVM, about 41% of the sample were willing to pay high price premiums for organic coffee of about MK164.75 per 250g of the coffee. The major significant variables influencing the WTP being actual price paid on coffee in general, age, income and denomination of the consumer.

On the other hand, the CE estimated a smaller potential market for organic coffee and undervalued the organic coffee too. The market is about 33% of the sample and the consumers were WTP an average of MK 651.19 per 250 g of organic coffee. This represents only 0.12% premium lower than the price for conventional coffee. The major factors that significantly affected the choice for organic coffee was the type of production and to a lesser extent price.

Since the CE is a better methodology, the study adopted the results for the CE.

**Conclusions**

In conclusion, based on our sample, there is a potential niche market for Malawi organic coffee. This is about 33% of the population and the consumers are WTP about MK 651.19 per 250 g of the coffee. The major determining factors for the WTP are: price of coffee, age, income and denomination. The preference for organic coffee was mainly attributed to the ‘no observable credence’ attribute of type of production.

**Bibliography**