

EXECUTIVE SUMMARY

The Southern Africa region will continue to face critical food shortages during the 2004/05 consumption period. This is the conclusion of a series of food crop and vulnerability assessments conducted in most member states, particularly those that have been hard hit by adverse crop growing conditions. An overall cereal production shortfall of 1.468 million MT (without stock replenishment) is currently assessed for the region. FAO/WFP Crop and Food Supply Assessment Missions (CFSAM) have been conducted in Angola, Lesotho, Malawi, Mozambique, and Swaziland - five of the most affected countries. The results of these assessments are still being finalized, however preliminary results show that while Mozambique appears to have fared better this year, Lesotho, Malawi and Swaziland will experience higher production deficits than those faced last year. Preliminary indications from Angola suggest a reduced food deficit this year, while Zimbabwe (which has not had a CFSAM) is projected to face an overall cereal deficit of 612,000 MT (or 362,000 MT if the SGR is not replenished). Numbers of vulnerable households requiring emergency assistance are yet to be finalized.

Overall, and contrary to indications at the start of the season, the production estimates indicate a marked recovery in yield prospects for many countries in the region. Production shortfalls will not be as severe as earlier assessed, due to an improvement in the distribution and amount of rainfall in the second half of the cropping season.

Cereal harvest now projected at similar levels as last year...

Table 1: SADC 2003/04 Cereal production forecasts as of 22 June 22, 2004 ('000 MT)

	2002/03			2003/04			All cereals 2003/04 forecast compared to:		
	Maize	All cereals	percent Maize	Maize	All cereals	percent Maize	2002/03	10year average	5 year average
Angola	619	713	87	531	653	81	-8	30	11
Botswana	2	32	6	6	27	23	-15	-13	26
Lesotho	75	94	80	38	51	74	-46	-68	-64
Malawi	1,983	2,112	94	1,773	1,904	93	-10	0	-12
Mauritius	2	2	100	2	2	100	0	0	0
Mozambique	1,250	1,735	72	1,375	1,873	73	8	29	15
Namibia	33	101	33	43	135	32	34	36	36
RSA	9,714	11,474	85	8,140	10,631	77	-7	-5	-6
Swaziland	69	69	100	78	78	100	12	-15	-2
Tanzania	2,526	3837	66	2,652	4,036	66	5	4	4
Zambia	1,207	1406	86	1,328	1,552	86	10	37	36
Zimbabwe*	945	1185	80	1,400	1,811	77	53	-7	10
	18,425	22,760	81	17,364	22,751	76	0	1	0

Source: SADC Food Security Early Warning Unit; National Early Warning Units and FEWS NET

* Zimbabwe estimates derived by SADC RRSU/ USGS/ FEWS NET using a Water Requirements Satisfaction Index model.

While estimates in February had indicated an overall 12 percent drop in maize production from last year's level of 18.43 million MT, the June estimates now show maize production at 17.36 million MT, or 6 percent less than last year's level. The total cereal harvest estimate of 22.75 million MT now projected is slightly less than last year's level of 22.76 million MT. This current level of production is the same as the past 5-year average, and just a percentage point above the past 10 year average. This increase is largely because of the new estimates released June 21 by the Crop Estimates Committee of South Africa. Accordingly, total maize production is now estimated at 8.140 million MT against April estimates of 7.81 million MT. Yields for winter wheat are expected to be almost normal (2.5 MT/ha) because of favorable growing conditions in the wheat growing areas and increased intentions to plant (885,500 ha against 748,000 ha last year).

Countries indicating lower levels of total cereal production this year, compared to last year include South Africa (7 percent), Lesotho (46 percent), Malawi (10 percent), Botswana (15 percent), and Angola (8 percent). The region's largest production increases from last year are in Zimbabwe (53 percent) and Namibia (34 percent).

Maize production shows general decline over the past 10 years...

Despite a better regional harvest than originally expected, maize production levels remain below levels achieved last year. Table 2 below shows the trend in maize production in the SADC region over the past 10 years. In general, most countries have had better maize crops in the last five years (1999/2000 – 2002/03) than they did in the earlier part of the last decade when multiple droughts were experienced, following the severe regional drought of 1991/92. Notable exceptions are Zimbabwe, Lesotho and Swaziland, which have had better crops in the mid-nineties than they have had in the years since 1999/2000. Average maize production in Zimbabwe fell from 1.88 million MT in the years 1994/95 to 1998/99 to an average of 1.30 million MT in the years 1999/2000 to 2002/03. Apart from poor crop growing conditions over some of these years (notably 2001/02 and 2002/03), the downward trend has been exacerbated by the land resettlement program which has seen a drastic decline in the commercial farming sector. For the past four rainy seasons, Lesotho and Swaziland have endured consecutive years of drought conditions which have adversely affected agricultural production (food and cash crops) and hence on the livelihoods of the affected communities. Extended periods of food insecurity and the impact of HIV/AIDS have weakened the resiliency of households, as well as setting back agricultural recovery.

**Table 2: MAIZE PRODUCTION TRENDS
2004 FORECAST COMPARED TO 2002/03 AND PREVIOUS 5 YEAR AVERAGES ('000 MT)**

	Average 1994/95 - 1998/99	Average 1999/2000 - 2002/03	Trend	2002/03	2004 forecast	Percent change from last year
Angola	341	469	↑	619	531	-14
Botswana	10	4	↓	2	6	239
Lesotho	126	98	↓	75	38	-50
Malawi	1,558	2,026	↑	1,983	1,773	-11
Mozambique	875	1,169	↑	1,250	1,375	10
Namibia	28	32	↑	33	43	31
S. Africa	8,642	8,958	↑	9,714	8,140	-16
Swaziland	103	80	↓	69	78	12
Tanzania	2,360	2,544	↑	2,526	2,652	5
Zambia	955	957	↑	1,207	1,328	10
Zimbabwe*	1,881	1,298	↓	945	1,400	48
SADC	15,322	17,634		18,426	17,364	-6

Source: SADC Food Security Early Warning System, National Early Warning Units and FEWS NET

* Zimbabwe estimate - derived using WRSI model

Regional Maize Balance still reflects an overall deficit...

According to recent crop production estimates and more accurate estimates of opening stocks in April and May, regional maize availability is expected to improve over earlier estimates, now amounting to 20.34 million MT (from 19.63 million MT in April). This assessment suggests that, without stock replenishment, the region will have a surplus of 584,000 MT of maize, while a full replenishment of stocks would result in an overall deficit of some 947,000 MT.

TABLE 3: 2004/05 PROJECTED REGIONAL MAIZE BALANCE ('000 MT)

	South Africa			Other	All
	White	Yellow	Total	SADC*	SADC
Opening stocks	2,016	385	2,401	575	2,976
Gross Production	4,992	3,148	8,140	9,224	17,428
Total Availability	7,008	3,533	10,541	9,799	20,340
Gross requirements	5,078	3,462	8,540	11,216	19,756
Desired stock requirements	594	386	980	551	1,531
Total Demand	5,672	3,848	9,520	11,767	21,287
Deficit/Surplus (no SGR)	1,181	-315	1,021	-1,968	-947
Deficit/Surplus (with SGR)**	1,775	71	2,001	-1,417	584

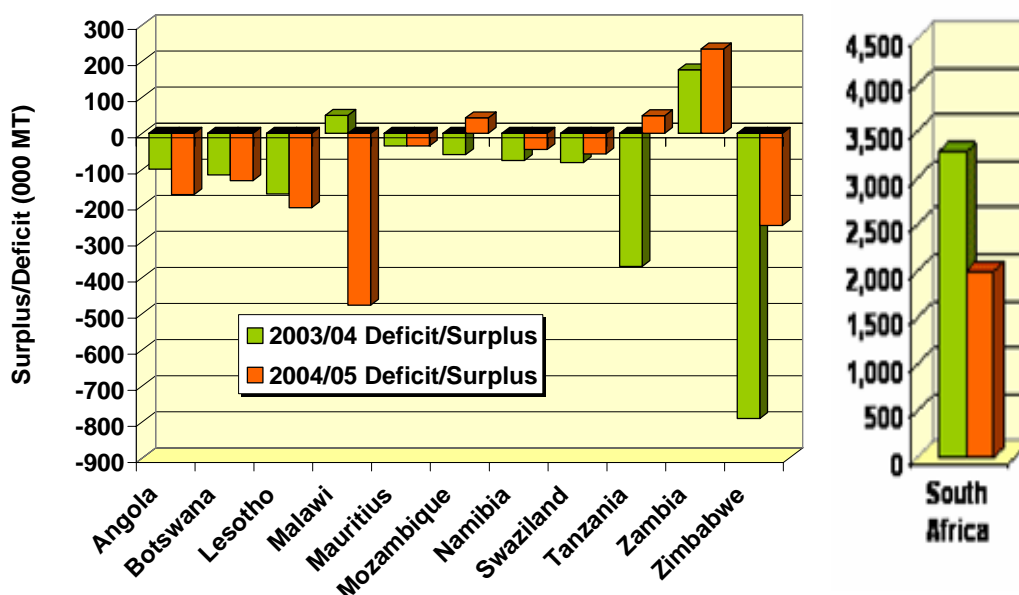
Source: SADC FANR, National Early Warning Units, Grain SA, FEWS NET

*Other SADC countries excluding South Africa

** Deficit/Surplus without desired stock replenishment

Domestic availability has improved considerably in South Africa, Zambia and Mozambique, all projecting exportable maize surpluses. The exportable surplus from South Africa, however, remains at 2 million MT due to an upward revision of gross requirements estimates provided by the Statistics Directorate of the National Department of Agriculture (NDA). Nonetheless, this exportable surplus will be sufficient to cover the import requirements of Botswana, Lesotho, Namibia and Swaziland (BLNS) estimated at some 520,000 MT as well as cater for the needs of other neighboring states such as Zimbabwe and Mozambique. Last year, of the

FIGURE 1: MAIZE DOMESTIC DEFICIT/SURPLUS: 2003/04 COMPARED TO 2004/05 PROJECTIONS



Source: SADC Food Security Early Warning Unit; National Early Warning Units and FEWS NET. Gap deficit/surplus calculated without stock replenishment

Figure 1

total maize exports of 1.184 million MT estimated by the South African Grain Information Service (SAGIS); 449,000 MT went to the BLNS countries while those to Zimbabwe alone were as high as 413,000 MT. GrainSA estimates that some 300,000 MT will be exported to Zimbabwe over the 2004/05 season with the remainder going to neighboring states as well as other African countries. If the planned imports of 250,000 MT (mostly yellow maize) are delivered, South Africa will be able to export around a million MT of maize, while still maintaining its pipeline stock levels.

Figure 1 indicates domestic maize surplus/deficit positions (without stock replenishment) of individual member States this year compared to last year. Countries facing worse shortfalls this year include Angola, Botswana, Lesotho and Malawi. The remaining countries project improvements with Mozambique and Tanzania having reversed their deficit positions of last season into small surpluses.

TABLE 4: 2004/05 PROJECTED REGIONAL CEREAL BALANCE ('000 MT)

	Sorghum/				Total
	Maize	Wheat	Rice	Millet	Cereals
Opening stocks	2,976	738	71	148	3,933
Gross Production	17,364	2,565	827	1,996	22,752
Total Availability	20,340	3,303	898	2,144	26,685
Gross requirements	19,756	4,389	1,425	2,583	28,153
Desired stock requirements	1,531	624	12	56	2,223
Cross Substitution*	-378	0	-38	-481	-897
Total Demand	20,909	5,013	1,399	2,158	30,376
Deficit/Surplus (no SGR)	-569	-1,710	-501	-14	-2,794
Deficit/Surplus (with SGR)**	584	-1,086	-527	-439	-1,468

Source: SADC FANR, National Early Warning Units, Grain SA, FEWS NET

*Cross substitution with non-cereal crops

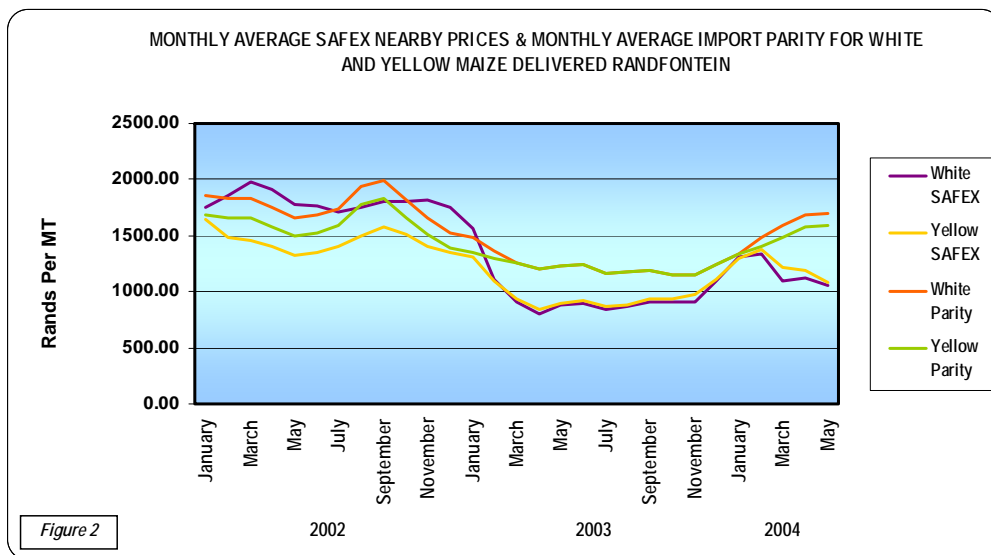
** Deficit/Surplus without desired stock replenishment

Table 4 provides an indicative assessment of cereal supply/demand in the region. An overall shortfall of 1.47 million MT is currently assessed for the 2004/05 marketing year.

South African Futures Exchange (SAFEX) Prices ...

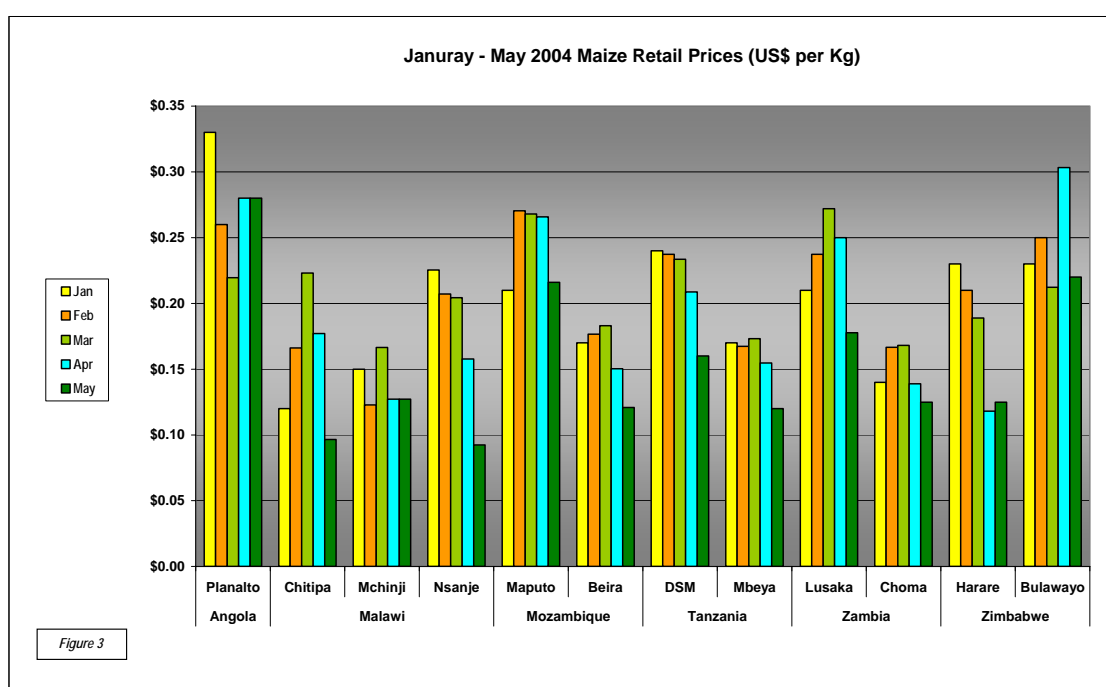
Nearby prices of both white and yellow maize on SAFEX have been declining steadily since they peaked in February, when traders were speculating on poor harvests as the dry conditions persisted in the main maize growing areas of South Africa (see Figure 2). However since March, when prospects began to improve, white maize prices have dropped from a monthly average of R1334/MT (February) to an average of R1056/MT (May). Yellow maize prices averaged R1082/MT for the month of May compared to a steep R1378/MT in February. Import parity prices on the other hand have been rising steadily since January (when SAFEX prices tended towards import parity) rising from R1332/MT to R1695/MT in May for white maize.

Because of the fluctuations in the US Dollar/Rand exchange rate, Rand prices show a steady increase in the import parity prices, while in US Dollar terms, the prices fell between April and May. Since January, the Rand has been steadily gaining strength against the US dollar, moving from R6.95 in January, to R6.55 in April, but weakened slightly in May to average R6.77. The stronger Rand means that maize imports from South Africa will be less competitive when compared to USA or Argentine exports. SAGIS reports that export quotations for Argentine Maize on 2004/05/28 were US\$121/MT FOB, while US No3Y was quoted at US\$132/MT FOB.



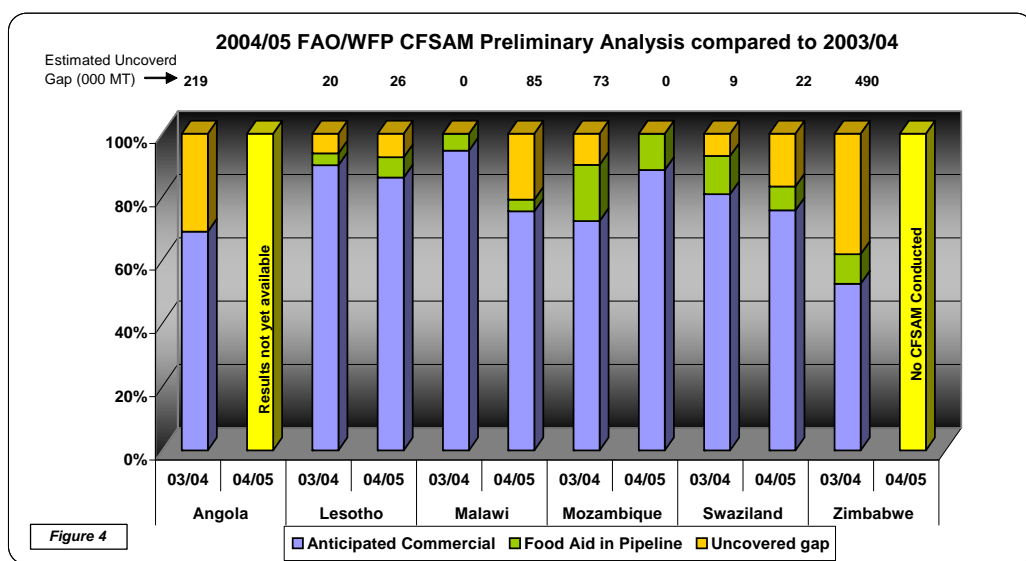
Regional price movements and trade flows....

The maize harvest season begins in earnest around May/June in most countries of the SADC region. This period is marked by sharp decreases in retail maize prices as supplies become plentiful both at the household level and in the retail markets. Available data from selected countries demonstrates this trend: in most markets, prices appear to have peaked in March, and started declining from April into May (see Figure 3). In May, prices from all three markets monitored in Malawi were lower than those from markets in neighboring Mozambique and Zambia. Such price differentials are useful in determining the direction of cross border trade flows during the trading period that extends from harvest till October (depending on production levels). FEWS NET and partners will be monitoring the volumes and direction of flow of staple food commodities among selected neighboring states through a monitoring system that is being set up in conjunction with WFP. The system will track cross border trade in maize, beans and rice at selected border points between Malawi, Mozambique, Zambia, DRC, Tanzania and Zimbabwe, over the trading period but will also include the “lean” season. This activity commenced in mid-June with the hiring and training of border monitors at selected border crossing points. This data will be sent through to a central processing center where it will be analyzed and availed for further national and regional analysis and dissemination.



CFSAM conducted in Lesotho, Malawi, Mozambique and Swaziland...

The preliminary results of the April/May 2004 FAO/WFP Crop and Food Supply Assessments presented at the June 11, 2004 dissemination forum in Johannesburg indicate that food supplies remain critical in Lesotho and Swaziland, while in Malawi, food shortages this year will be confined mainly to the southern province which experienced adverse crop growing conditions. Mozambique is assessed to have fared much better this year; national production is sufficient to meet requirements including estimated exports of 170,000 MT and current food aid pledges were assessed to be sufficient to cover any food aid requirement. Figure 4 depicts the import requirement/ food deficits in the affected countries as assessed by FAO/WFP compared to 2003/04. The FAO/WFP analysis provides an indication of each country's commercial import capability and assesses emergency food aid requirements. The total of assessed food aid requirements for the four countries (for which data is now available), amounts to 271,300 MT (137,300 MT WFP pipeline stocks and 134,000MT yet to be pledged).



CFSAM results in Angola...

Although Angola has also had a CFSAM, preliminary results were not discussed at the dissemination forum, as Angola has not been part of the six crisis countries included in the WFP regional Emergency Operation. However, indications are that food crop production has increased this year, despite the flooding that washed away many crops, especially in Huambo province. An indicative estimate is that maize production is higher than last year's level by over 15 percent, largely because of the good harvest in Huila province. This information contrasts with earlier forecasts that suggested a decrease in maize production of up to 14 percent. Cassava production is also assessed to have increased by 16 percent from last year's levels. This level of production should greatly reduce the domestic food gap assessed for Angola.

CFSAM findings provide no basis for consolidated regional appeal...

Based on the CFSAM results presented on June 11, the UN Regional Interagency Coordination and Support Office (RIACSO), which organized the meeting, concluded that the 2004/05 food security situation does not present itself as a regional crisis, and that therefore, there would be no consolidated regional appeal. Although the assessments do reveal that there are multi-sectoral needs in each of the countries concerned, these would be addressed at country level through the UN country teams which are already geared up to tackle the so called "triple threat" of food insecurity, HIV/AIDS and weakened capacity for governance. Food aid needs will be addressed in Lesotho, parts of Malawi and Swaziland where the

CFSAMs have indicated high levels of food shortages. Assessments also indicate that there still remain pockets of food insecurity in Zambia despite the good harvest projected at national level. WFP will address these needs through the current Emergency Operation, which has been extended to December 2004, and through the Regional Protracted Relief and Recovery Operation that is scheduled to start in January 2005.

Zimbabwe on the other hand poses a serious challenge as the Government has indicated that it expects a bumper harvest this year, and would therefore not be requiring emergency food aid assistance. WFP has since scaled down its operations there and will target food assistance to vulnerable groups with special needs. Without the CFSAM estimates, it is difficult to quantify food aid needs but these could be considerable given access difficulties (due to erosion of purchasing power) of many poor urban and rural households who remain at risk. Perhaps once the VAC results are made official they will provide a basis for response and contingency planning. However, recent government actions to arrange for maize imports using barter arrangements indicate they also are expecting a supply gap.

Final results of National VAC assessments expected soon...

Each of the four countries requesting for FAO/WFP CFSAMs, and including Zimbabwe (which cancelled its CFSAM) have undertaken vulnerability assessments that are aimed at providing more in depth understanding of household level vulnerability to food insecurity. The VAC assessments were coordinated by the SADC Regional VAC, which through DFID funding has been able to support the conduct of such assessments in affected countries since 2002. Unlike the assessments carried out during the rolling assessment process in 2002/03; 2004 assessments have moved away from focusing analysis on the food gap, but are looking at overall food insecurity in a holistic manner by adopting livelihoods based approaches and methodologies. The assessments also attempt to study the linkages between food insecurity and other factors such as HIV/AIDS, which has been recognized as one of the major factors adversely affecting food security in the region.

These assessments were meant to link into the FAO/WFP CFSAM, with the results being integrated into the final CFSAM reports. Preliminary results were therefore also presented at the June 11 dissemination forum. In summary, indicative national projections suggest that in **Lesotho**, some 948,310 people will face income/food deficits of varying amounts; an estimated 27,470 MT of cereal would be required to cover 100 percent of the gap amongst the households classified as poor in all the livelihood zones. In **Malawi**, approximately 1.3 million rural people (12 percent of the rural population) will require assistance, and depending on prevailing maize prices, some 49,970 MT of cereals will be required to meet their food aid needs up to March 2005. In **Zimbabwe**, up to 2.3 million rural households (30 percent) will require an estimated 177,681 MT of cereal food assistance up to March 2005. **Swaziland** estimates that 600,400 people will face income/food deficits of varying proportions, but in total, the cereal shortage is estimated at 28,335 MT. Data analysis continues in **Mozambique**, but early indications are that some 219,000 rural people in the districts covered by the assessment will require emergency assistance. The **Zambia** assessment, which focused only on the six flood affected districts, estimates that 39,277 households were adversely affected by flooding, and will require food aid totaling 9,547 MT for between July and October. The Zambia Disaster Management and Mitigation Unit has sufficient stocks to cover the estimated needs, and airlifting of food to victims started on June 17.

A detailed analysis of the VAC results will be provided once national reports are finalized and made public.