

Informal Cross Border Food Trade in Southern Africa

Issue 1

July-September 2004

Foreword

Informal cross border trade played a significant role in averting widespread food insecurity in Southern Africa during the major regional drought of 2002 and 2003. However, information on informal trade has been mainly anecdotal and its contribution toward redressing supply/demand imbalances has not been adequately quantified in Southern Africa. In the absence of this data, decision making by governments, aid agencies and traders about appropriate levels of commercial imports and food aid is difficult.

Since the volume and direction of trade can change from year to year, monitoring systems are necessary, rather than one-off studies which provide background information or snap shot views of the trade at a given period. In order to address this information gap, WFP and FEWSNET, in collaboration with other partners, have established a monitoring system for capturing informal cross border trade. The monitoring system began operations in June 2004, and currently covers 24 borders shared by six countries: Democratic Republic of the Congo (DRC), Malawi, Mozambique, Tanzania, Zambia and Zimbabwe. Zimbabwe's borders with South Africa, Mozambique and Botswana and additional borders between Zambia and the DRC are being assessed for inclusion in the system.

This is the first report on informal cross border trade on food among the selected countries in southern Africa. As the monitoring system is still in its initial stages, we welcome comments and suggestions from our partners and readers so that we can further improve it.

Malawi Largest Recipient of Informal Cross Border Maize Imports from July-Sept

In its initial three months of operation, the informal cross border food trade monitoring initiative in Southern Africa has captured over 36,000 MT of maize trade; close to 3,700 MT of rice trade and approximately 6,100 MT of beans trade through its 24 monitored borders. The bulk of the trade has been maize exports into Malawi, which have amounted to 34,000 MT, or 94% of the total maize trade captured. Since July 2004, informal traders have been bringing an average of 11,000 MT of maize per month into Malawi from her neighbouring countries. Malawi is facing a major maize deficit estimated at nearly 280,000 MT.



Stacks of maize bags on the Mozambican side (Milange) being loaded on bicycles for ferrying across the border

Nearly all of the 34,000 MT of maize that Malawi has imported through informal cross-border food trade has come from Mozambique, with

the majority passing through the Milange-Muloza border. Southern Malawi, which is virtually surrounded by Mozambique, is the most affected by the food deficit and trade links with northern Mozambique are well-established. In addition, most of northern Mozambique had a good harvest and trade linkages with the major consumption centres in central and southern Mozambique are weak.

A key feature of the Malawi/Mozambique informal trade is the relative ease with which the maize crosses the Mozambican border. The process starts from the Mozambican side where stacks of maize are brought in bulk at the border using trucks from such areas as Liciro, Derre and Mocuba in Zambezia province of Mozambique. The stacks of maize are heaped on the Mozambican side of the border for sale to Malawian traders.

Most of the maize is carried across the border to the Malawi side by cyclists. During the peak marketing season for maize, July to September, the frequency and number of cyclists crossing the border increases. Currently, at the Milange-Muloza border, it is estimated that up to 100 cyclists carrying three to four 50kg bags ferry the maize across the border every 30 minutes. The Mozambican authorities normally charge a fee of MK7.00, equivalent to US\$0.06 per 50kg bag of maize. Once on the Malawi side, the maize is then consolidated into truckloads for onward shipment to inland urban markets of Malawi, such as Blantyre and Lilongwe for sale to traders and millers, including the state owned grain-marketing agency, ADMARC.

Meanwhile, the Malawi government is in the process of importing about 60,000 MT to replenish its strategic grain reserves and importing 70,000 MT for commercial sale. As the government is yet to receive these imports, it can be assumed that the informal cross-border maize imports are playing a significant role in redressing the supply/demand imbalances in that country.

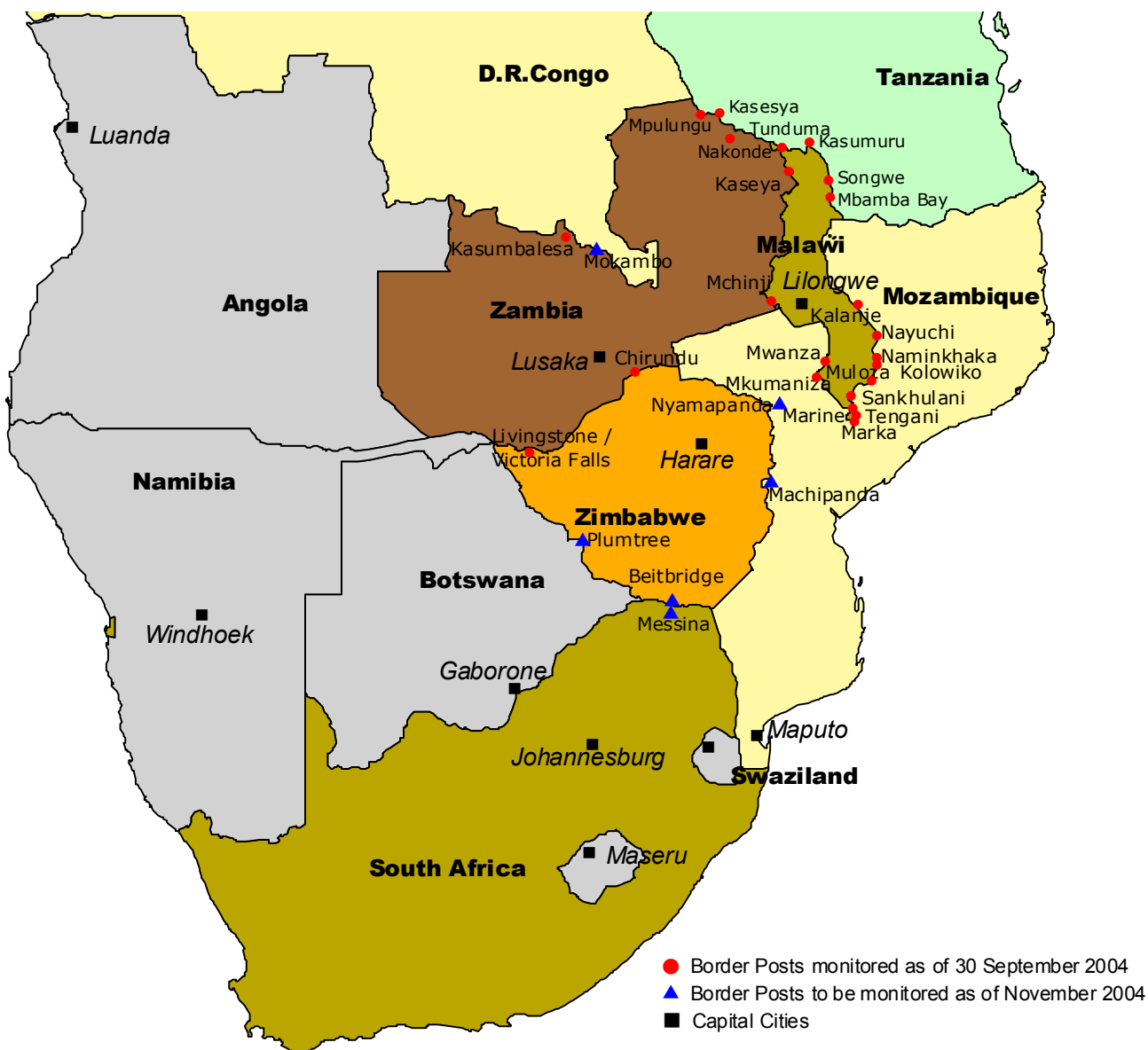
Efforts will be made to monitor and assess the effects of the Government of Malawi's import programme and the planned expansion of the World Food Programme's (WFP) food distribution programme to poor households on the informal cross border trade between Malawi and other countries in the coming months. The cross border trade will be boosted if those participating in the import tenders source the maize from Malawi's neighbours. On the other hand, cross-border trade could be negatively affected if maize is imported from other regions or sold at lower than market prices.



Left: Cyclists ferrying maize from Milange, on the Mozambican side, to Muloza on the Malawian side.

Right: Inside Malawi, the maize is consolidated and packed onto lorries.

INFORMAL CROSS BORDER FOOD TRADE MONITORING SYSTEM



Food Trade Flows Highlights: July – September 2004

A summary of informal cross-border trade flows covering maize, rice and beans captured during the July – September 2004 quarter, is presented in the sections below.

Maize

During the quarter ending in September 2004, informal trade in maize between the six Southern African countries through the 24 monitored borders amounted close to 36,000 MT as shown in Table 1.

Table 1: Informal Cross-Border Trade in Maize (MT)

Source	Destination	July	Aug	Sept	Total
Tanzania	Zambia	141	256	487.3	884.3
Zambia	Zimbabwe	104	674	14.1	792.1
Zambia	Malawi	146	185	175	506.0
Malawi	Zambia	-	-	0.4	0.4
Zambia	DRC	96.2	-	220.0	316.2
Mozambique	Malawi	9,918	12,818	10,622	33,358.0
Malawi	Tanzania	33	121.3	27	181.3
Tanzania	Malawi	-	-	21.6	21.6
Total Traded (MT)		10,438	14,054	11,567	36,059.3

Source: FEWS NET Malawi and IMCS

Of this total, exports to Malawi accounted for about 94%, with the bulk of the maize sourced from Mozambique. Maize exports into Zambia, largely from Tanzania, accounted for about 2.5% of the total while about 2.2% was exported to Zimbabwe from Zambia. Tanzania and the Democratic Republic of Congo received the least informal cross-border maize imports at 181.3 MT and 316.2 MT respectively.

During the month of September, a resurgence of maize flows from Zambia to the DRC that had ceased in July was noted with about 220 MT exported. Two major factors accounted for this development. Firstly, from September the marketing of locally produced maize in the DRC tends to end. Since DRC is not a self-sufficient producer of maize, demand is met through imports, thus, providing opportunities for Zambian traders. Secondly, the Zambian authorities recently relaxed restrictions on informal exports of maize and are to establish trading points at the common borders with the DRC and Malawi. These developments have given impetus to renewed informal cross border traders from Zambia to the DRC.

The Government of Malawi has officially suspended maize exports to neighbouring countries as a 21% deficit is projected for the year against national consumption. Despite Malawi facing the maize deficit and an official ban on exports, some small quantities of maize have been exported into Southern Tanzania. This trend is largely attributed to price differentials and the fact that northern Malawi is not as affected by the food deficit as the southern part. As the Malawian authorities implement stiffer border control procedures, it can be anticipated that some maize might still find its way into Tanzania albeit at relatively lower rates and through unofficial routes.

Very little informal cross border food trade has been recorded between Zimbabwe and her neighbours. Zimbabwe has imposed restrictive import levies for any trader that crosses into its borders with more than a single bag of rice and/or maize including maize flour. Rice and maize attract import levies of ZIM\$20,000, equivalent to US\$3.56 per 50kg bag, where the trader has more than one bag of either commodity that they wish to import into Zimbabwe.

The Zimbabwean authorities also ensure that only official imports of maize by the Grain Marketing Board (GMB) or its appointed agents are permitted into Zimbabwe. As such, there is very little incentive for informal traders to deal in these commodities. Preliminary assessments of the Mozambique-Zimbabwe borders showed an absence of significant trade but border monitors will be hired by November to verify this trend. However, it is probable that maize and rice may still be finding their way into Zimbabwe from Mozambique through smuggling, as there are few natural geographical barriers between the two countries.

Rice

Close to 3,600 MT of rice were traded between the countries during the quarter. The main destination for the rice is the DRC (supplied from Tanzania and Zambia), accounting for about 79% of the total, followed by Tanzania, accounting for about 10%, mainly supplied from Malawi. Table 2 shows the quantities traded during the quarter by month.

Informal trade in rice is quite fluid with the countries exporting and importing from each other. On the one hand, some of the rice destined for the DRC are re-exports of East Asian rice from Zambia that comes from South Africa and Tanzania through the ports of Durban and Dar-es-Salaam.

Table 2: Informal Cross-Border Trade in Rice (MT)

Source	Destination	July	Aug	Sept	Total
Tanzania	Zambia	81.2	65	87.9	234.2
Zambia	Tanzania	0.1	0	0	0.1
Tanzania	DRC	315	270	1,159	1,744
Zambia	DRC	590.6	368	182.5	1,140.6
Malawi	Mozambique	0.4	0.6	0	1.0
Zambia	Zimbabwe	3	2	24.2	29.2
Mozambique	Malawi	80.0	46.1	27.3	153.4
Malawi	Tanzania	58.8	174.4	134.8	368
Total Traded (MT)		1129.1	926.1	1,615.7	3,670.9

Source: FEWS NET Malawi and IMCS

On the other hand, imports of rice into Malawi from Mozambique are mainly re-exports of East Asian rice that enters Mozambique through the port of Beira. These trends are largely attributed to price differentials as well as demand in destination areas especially the DRC. Informal cross-border trade in rice trade tends to increase between the months of November and December after the peak of the maize marketing season. Malawi and Zimbabwe authorities impose import levies on rice of about US \$0.50 and US \$3.56 per 50kg bag, respectively.

Beans

Approximately 6,100 MT of beans were traded during the quarter as shown in Table 3 below. The DRC was the biggest importer of beans, accounting for 54% of the monitored informal cross border beans trade. Most of the beans to the DRC were supplied by Zambia. Malawi was the second biggest importer of beans with most of the beans coming from Mozambique. The beans trade is as fluid as that of rice with countries cross importing and exporting.

Table 3: Informal Cross-Border Trade in Beans (MT)

Source	Destination	July	Aug	Sept	Total
Tanzania	Zambia	59.4	89	274.2	422.6
Tanzania	DRC	57.5	17	688.2	762.7
Malawi	Tanzania	-	0.5	0.2	0.7
Tanzania	Malawi	4.5	33.2	28.9	66.6
Zambia	DRC	899.4	931	742	2,572.4
Zambia	Malawi	0	63.4	0	63.4
Malawi	Zambia	-	1.1	2.0	3.1
Zambia	Zimbabwe	0.1	0.3	1	1.4
Mozambique	Malawi	714	633	505.1	1,852
Malawi	Mozambique	0.7	330	60	390.7
Total Traded (MT)		1735.6	2,098.5	2,301.6	6,135.7

Source: FEWS NET Malawi and IMCS

A Technical Steering Committee (TSC) of the Cross-Border Food Trade Monitoring Initiative, with funding from WFP and USAID, has prepared this report based on data collected by FEWS NET/Malawi and IMCS/Zambia. Address comments/suggestions to the following e-mail addresses: joyce.luma@wfp.org; mmcnabb@fews.net; pmdlada@fews.net and stein.vikan@wfp.org.