

Informal Cross Border Food Trade In Southern Africa

Issue 2

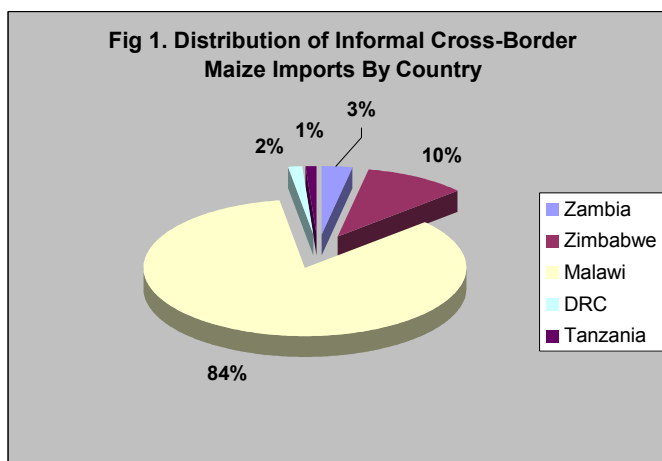
October 2004

Highlights

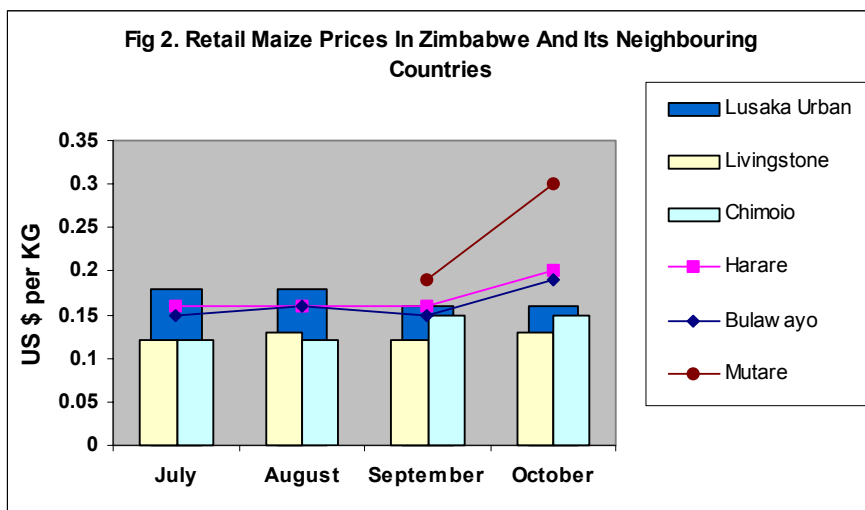
- Trade barriers impede informal cross border trade flows to Zimbabwe as food retail prices rise in that country.
- Informal cross border trade in maize declining as marketing season nearing end.
- DRC biggest importer of cross border rice and beans trade.

Trade Barriers Block Informal Cross Border Maize Imports Into Zimbabwe

Between July and October 2004, the informal cross border food trade monitoring initiative in Southern Africa has captured close to 48,000 MT of unrecorded maize trade. Nearly all this trade (84%) has been maize exports to the food deficit (21% of national consumption) Malawi, mostly from surplus areas of northern Mozambique. However, only 10% of the observed maize trade were exports to Zimbabwe, which has a cereal deficit estimated by the FAO/WFP Crop and Food Supply Assessment Mission at 1.29 million MT. Additional border monitors, have been placed along Zimbabwe's borders with South Africa, Botswana, Mozambique and Zambia in order to expand the informal trade monitoring.



Source: FEWS NET Malawi and IMCS Zambia



Source: FEWS NET Mozambique, Zambia and Zimbabwe.

As shown in Fig 2., retail maize prices in Zimbabwe (Harare, Bulawayo and Mutare) have been generally higher than those in neighbouring Zambia (Livingstone) and central Mozambique (Chimoio) except for Lusaka Urban (July to August). As a reflection of declining supplies, retail maize prices have increased sharply in Zimbabwe between September and October 2004. The retail prices have risen by 25% in Harare, by 26% in Bulawayo and a significant 37% in Mutare. Grain prices in a normal

year start to rise during the December to January period in Zimbabwe. Despite the price differentials, availability of surplus maize in both Zambia and Mozambique, and the increasing food deficit in Zimbabwe favouring both formal and informal cross border trade, very little maize (about 5,000 MT) has been captured as flowing informally into Zimbabwe so far.

An assessment carried out in October 2004 revealed that trade barriers between Zimbabwe and her neighbours were the major constraint to informal food trade. Zimbabwe appears to be relying on an official maize import programme (executed through the Grain Marketing Board (GMB) – which has the monopoly on grain trade) to cover its deficit. Import levies have been imposed for individuals or traders importing more than a single bag of food including rice and maize unless they have an import permit from the GMB. 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. Considering that most cross border traders deal in very small quantities, the restrictions and levies make the trade unviable. Indications from private traders are that some 100,000 MT of maize imports have been supplied to GMB through formal channels since the start of the marketing year. Commercial wheat imports mostly from Argentina, USA and South Africa have also been reported. The South African Grain Information Service (SAGIS) reports that up to 155,000 MT of wheat has been imported into Zimbabwe since April 2004.

With regard to Zambia, the trade barriers have a significant impact on trade. Despite the fact that Zambia has no restrictions on grain exports, lower prices (compare the Livingstone prices against Zimbabwe's) and a significant maize surplus, trade volumes remain low although an increase was seen in October. The rising retail maize prices in Zimbabwe could imply that the official import programme is rather slower than anticipated. Informal cross border trade has been shown to mitigate such supply gaps, as is the case in Malawi. If restrictions were relaxed, Zimbabwe could tap some of the surplus maize in Zambia through informal cross border trade. Already, all the informal maize exports to Zimbabwe captured so far have come from Zambia.

Along the borders with Mozambique, the Mozambican authorities charge ZIM\$15,000 (about US\$2.67) per entry or passage into/through Mozambique (for all travellers, not just cross border traders). In addition, from the Mozambican perspective, the availability of an internal, restriction-free market for the surplus maize makes cross border trade less attractive. Most of the surplus maize produced in central Mozambique has a steady market in the southern parts of that country. During the assessment mission, anecdotal information indicated that small amounts of informal cross border trade in food does take place between Zimbabwe and Mozambique but that this was confined to unofficial crossing points that were also difficult for vehicular access. Border monitors are being placed at two locations along the border, although the smuggling away from crossing points will be difficult to quantify.

The cross border monitoring team also visited the Zimbabwe/ Botswana border (Plumtree/Ramokwebana) and found very little informal cross border trade in food taking place. The team found that Botswana has a very strict regime for agricultural products entering that country. Key informant interviews revealed that there was very little informal maize trade at the border but that there was some beans and rice trade taking place. In most cases, beans flowed into Botswana from Zimbabwe and the opposite was the case for rice. A monitor has been placed at this border.

At the South Africa/Zimbabwe border (Messina/Beitbridge), large volumes of both formal and informal trade were observed. However, with regard to informal food trade, it was observed that the trade was mostly in sugar, cooking oil and wheat flour but not maize. There are few or no restrictions on informal trade on the South African side but traders are subjected to import levies on the Zimbabwe side. Maize and maize flour trade seemed to face the same constraints as the trade between Zimbabwe and other countries. A new monitor has been placed at Zimbabwe's borders with South Africa to try to capture the scale of the trade between South Africa and Zimbabwe.

Food Trade Flows Highlights: October 2004

A summary of informal trade flows covering maize, rice and beans captured during the period July to October is presented below. (After the first quarterly bulletin was released, data from some border monitors was recalculated. This resulted in some minor changes in the data below the July-September period).

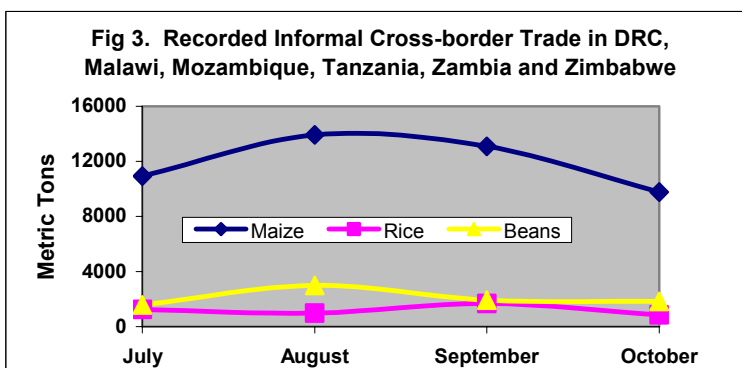
Nearly 48,000MT of maize trade, 4,750 MT of rice trade and 7,700 MT of beans trade has been captured by the informal cross border food trade monitoring initiative in Southern Africa (Malawi, Zambia, Zimbabwe, DRC, Mozambique and Tanzania) during the period July to October 2004. The trade flows for maize are showing a declining trend as the marketing season is coming to an end in most of the monitored countries.

Rice and bean trade is fairly constant so far but is also expected to decline in the next few months as farmers deplete their surplus production and hold on to stocks to take them through the lean periods, which range from December to February but vary according to individual countries.

Maize Trade Flows

As expected, the food deficit countries of Malawi and Zimbabwe continue to dominate the informal maize imports.

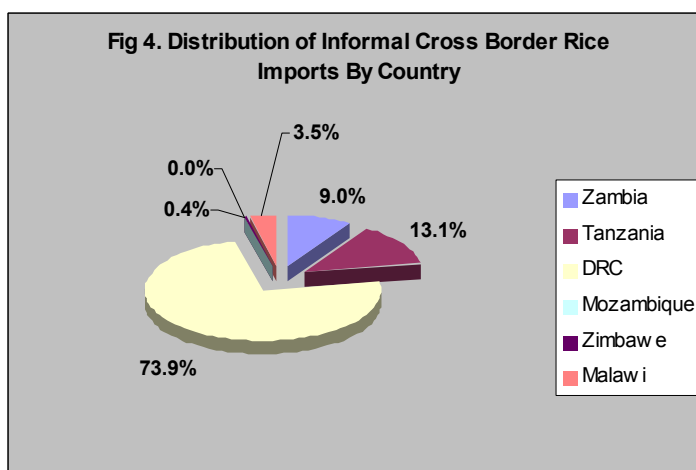
During the month of October, close to 9,800 MT of informal maize imports were captured a drop of 25% over the previous month. Out of this amount, 63.6% were maize exports to Malawi largely coming from Mozambique. Informal maize exports to Zimbabwe accounted for 23% of the total monitored. It is significant to note that consistent with the deteriorating food situation in Zimbabwe as reflected in sharp increases in food prices, within a period of one month, informal maize exports from Zambia to Zimbabwe have increased from 1,409 MT in September to 2,242 MT in October. Given the maize surplus in Zambia and barring further import restrictions by Zimbabwe, it is likely that the volume of informal maize imports by Zimbabwe from Zambia is going to increase in the next few months. This is a probable scenario because as earlier indicated, the surplus maize in central Mozambique, which borders Zimbabwe, has a steady internal market, where as some of the Zambian surplus maize remains unsold.



Source: FEWS NET Malawi and IMCS Zambia

Rice Trade Flows

Close to 850 MT of rice were traded between the countries during October 2004. The main destination for the rice is the DRC (supplied from Zambia), accounting for about 86% of the total, followed by Zambia, accounting for about 8%, mainly supplied from Tanzania. Informal trade in rice remains fluid with the countries cross exporting and importing from each other. On the one hand, some of the rice destined for the DRC is re-exports of East Asian rice from Zambia that comes from South Africa and Tanzania through the ports of Durban and Dar-EI-Salaam.

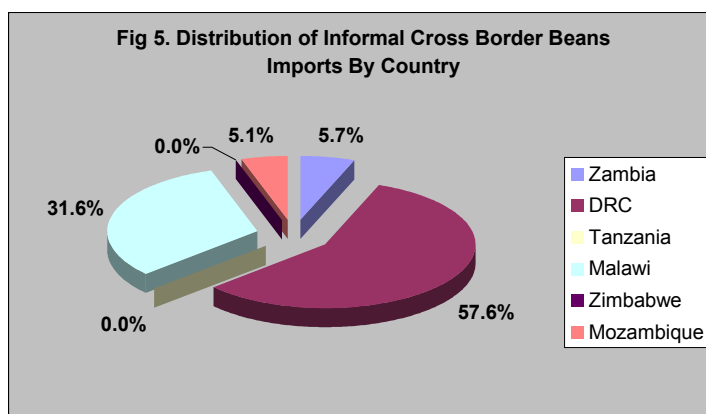


Source: FEWS NET Malawi and IMCS Zambia

The distribution of rice imports over the monitored period, July to October 2004 is presented in Fig 4 and Table 2. The DRC, with 74% of the trade is the major importer, followed by Tanzania and Zambia with 13% and 9% of the captured trade respectively.

Beans Trade Flows

The amount of informal beans trade captured during October at close to 1,800 MT was 16% lower than that recorded in September 2004. The DRC (66% of total) followed by Malawi (24% of the total) and Zambia (9% of the total) was the biggest importer of beans. Zambia is the major exporter of beans (some traced from Tanzania) to the DRC while Mozambique followed by Tanzania is the major exporter for beans to Malawi. Tanzania followed by Malawi is the major exporter of beans to Tanzania.



Source: FEWS NET Malawi and IMCS Zambia

Fig 5 and Table 3 presents the overall (since the monitoring initiative began in July 2004) informal trade in beans. The DRC remains the major importer of beans in the cross border beans trade accounting for 58% of the trade followed by Malawi at 32% and Zambia at 6 %.

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

Source	Destination	July	Aug	Sept	Oct	Total
Tanzania	Zambia	91.3	115.1	589.8	713.7	1,509.9
Zambia	Zimbabwe	616.8	636.0	1,409.0	2,242	4903.8
Zambia	Malawi	146.0	185.0	153.0	144.0	628.0
Zambia	Tanzania	-	54.4	17.0	3.7	75.1
Malawi	Zambia	-	-	0.4	0.7	1.1
Zambia	DRC	96.2	-	160.0	495.0	751.2
Mozambique	Malawi	9,918.0	12,818.0	10,622.0	6,045.5	39,403.5
Malawi	Tanzania	59.0	121.3	135.0	108.1	423.4
Tanzania	Malawi	-	-	21.6	21.2	42.8
Total Traded (MT)		10,927.3	13,929.8	13,107.8	9,773.9	47,738.8

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

Source	Destination	July	Aug	Sept	Oct	Total
Tanzania	Zambia	94.3	172.6	93.2	68.5	428.6
Zambia	Tanzania	0.1	0.8	2.4	0	3.3
Zambia	DRC	775.0	582.5	1,428.0	724.0	3,509.0
Malawi	Mozambique	0.4	0.6	-	0	1.0
Zambia	Zimbabwe	2.8	1.6	10.7	3.3	18.4
Mozambique	Malawi	80.0	46.1	27.3	14.4	167.8
Malawi	Tanzania	291.0	174.4	118.0	35.8	619.8
Total Traded (MT)		1243.6	979.2	1,679.1	846.0	4,747.9

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

Source	Destination	July	Aug	Sept	Oct	Total
Tanzania	Zambia	19.8	75.8	165.5	163.9	425.0
Malawi	Tanzania	-	2.0	0.2	-	2.2
Tanzania	Malawi	4.5	33.2	28.9	129.1	195.7
Zambia	DRC	844.0	946.0	1,425.0	1,210.5	4,425.5
Zambia	Malawi	0	63.4	0	-	63.4
Malawi	Zambia	-	1.1	2.0	9.2	12.3
Zambia	Zimbabwe	0.1	0.3	0.4	0.4	1.2
Mozambique	Malawi	714.0	633.0	505.1	315.0	2,167.1
Malawi	Mozambique	0.7	330.0	60.0	-	390.7
Total Traded (MT)		1,583.1	2,084.8	2,187.1	1,828.1	7,683.1

Source: FEWS NET Malawi and IMCS Zambia

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@few.net; pmdlada@few.net, and stein.vikan@wfp.org.