

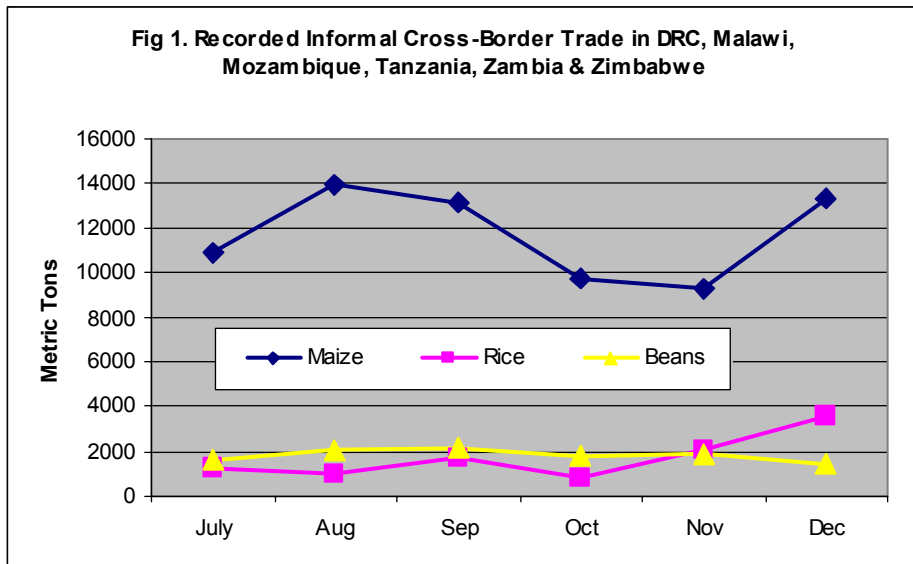
Informal Cross Border Food Trade In Southern Africa

Highlights

- Informal cross border maize and rice trade volumes resurge in December.
- Retail maize prices continue to rise with most of the monitored countries going through the lean season.
- Additional monitoring of Zimbabwe borders still shows insignificant cross border trade in maize with her neighbours.

Informal Cross Border Maize and Rice Trade Flow Volumes Surge In December

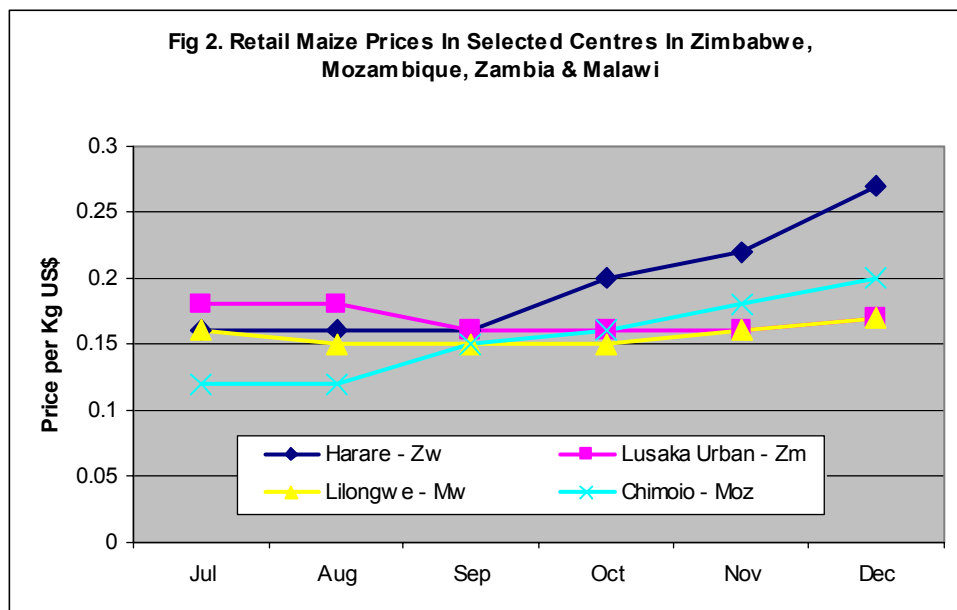
There was resurgence in the volume of informal cross border trade in maize and rice in December 2004. After a steady decline from August to November, the volume of informal maize trade captured among the six countries of Malawi, Mozambique, Tanzania, Zambia, Zimbabwe and the DRC rose sharply in December to nearly 13,000 MT from 9,000 MT in November. The captured volume of rice trade rose by 70% to 3,500 MT between November and December. The volume of beans traded declined marginally from 1,800 MT in November to 1,400 MT in December.



Source: FEWS NET/Malawi and IMCS/Zambia

Several factors including lean season demand and performance of the current growing season could explain the increase in volumes of maize and rice traded in December. With regards to maize, most of the increase in volumes traded stems from imports by Malawi from Mozambique. In Mozambique, farmers may be releasing additional stocks from the last harvest now that indications are positive for the current growing season and upcoming harvest (in April/May). In Malawi, December lies in the middle of the lean season where most food deficit families increasingly rely on the market for food. This is also the period when most opportunities for casual labour (mainly in other people's farms) arise thereby giving more households the purchasing power to enter the food market. There has also been a rise in informal maize exports from Zambia to Zimbabwe and Malawi. This could be due to increasing participation on the market by commercial farmers in Zambia. While it is expected that most small scale farmers have depleted their stocks, commercial farmers are better able to store their produce and enter the market at a period like this one when prices are high and demand rising.

As shown in Fig 2, retail maize prices continued to rise in December reflecting the overall decline in maize supplies in the region, as most of the monitored countries are in the middle of their lean seasons. Retail maize prices in food deficit Zimbabwe (Harare prices) are the highest while prices in Zambia and Malawi have remained fairly constant. Prices in Chimoio, central Mozambique, have increased steadily



Source: FEWS NET/Malawi/Zambia/Zimbabwe & Mozambique

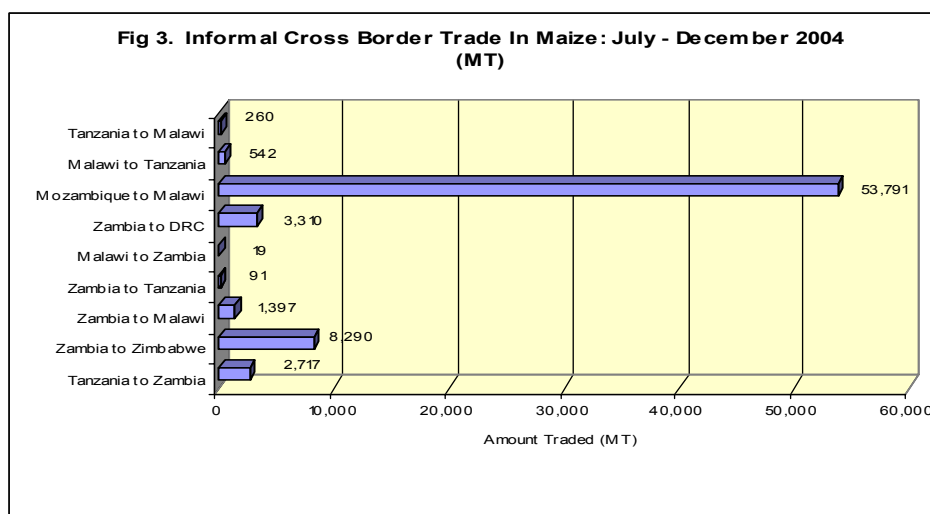
since September due to rising demand from southern Mozambique, including Maputo. Fig 2 also helps illustrate the important role unhindered trade (including informal food trade) can play in enhancing food security in a given country. Both Malawi and Zambia experienced maize production deficits, but Malawi opened up her borders and has benefited from over 50,000 MT of informal maize imports during the past six months which have also contributed to fairly stable retail prices (see graph). On the other hand, Zimbabwe has imposed restrictive trade barriers (described in October bulletin) that make both formal and informal food trade unattractive to most traders. The Grain Marketing Board (GMB), which has the monopoly to both import and distribute maize in Zimbabwe is often faced with logistical problems and is unable to adequately supply the country with maize grain. As a result, the GMB has had to ration supplies, leading to widespread scarcities, a booming black market in maize and high retail prices that are beyond the reach of some Zimbabweans.

Food Trade Flows Highlights: December 2004

A summary of informal trade flows covering maize, rice and beans captured during the period July to December is presented below. Close to 70,000MT of maize trade, 10,000 MT of rice trade and 11,000 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).

Maize Trade Flows

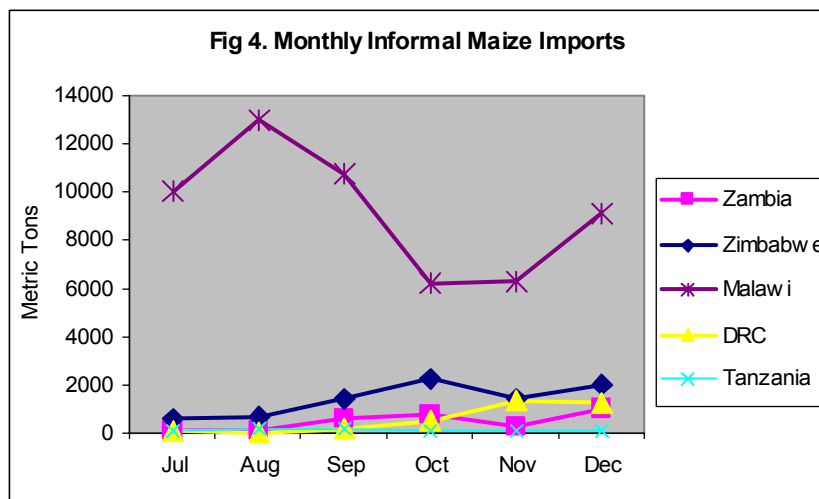
After 6 months of monitoring (July-December 2004) the pattern of informal cross border maize trade remains unchanged. Since July 2004, food deficit Malawi (55,448 MT) and Zimbabwe (8,290 MT) are the largest importers of informal cross border maize trade. The two are followed by the DRC (3,310 MT) and Zambia (2,717). On the export side, Mozambique is the largest exporter (exporting entirely to Malawi at



Source: FEWS NET/Malawi and IMCS/Zambia

53,791 MT) followed by Zambia (13,088 MT). Zambia exports to most countries including Zimbabwe, Malawi, Tanzania and the DRC.

December saw a break from the declining trend in maize trade mostly due to a 43% and 42% rise in imports by Malawi and Zimbabwe respectively. About 91% of the informal maize imports by Malawi during the month came from Mozambique while all the maize imports by Zimbabwe came from Zambia. As already explained, the sudden increase in the volume of maize traded in December could be due the positive outlook for the current season in Mozambique, increased sales by Zambian commercial farmers including the Food Reserve Agency and rising demand in both Malawi and Zimbabwe as the lean season peaks.

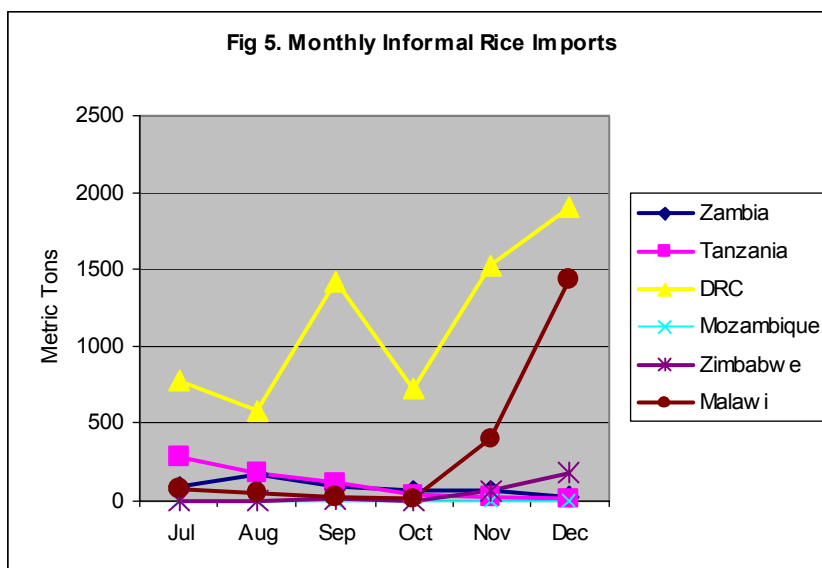


Source: FEWS NET/Malawi and IMCS/Zambia

Between December and January, the Informal Cross Border Food Trade Monitoring Initiative in Southern African made a supervisory visit of the borders between Zambia and Zimbabwe (Livingstone and Chirundu) and Zimbabwe and South Africa (Beitbridge). The visit showed that apart from the Chirundu border, there is very little maize going into Zimbabwe through informal cross border trade via the other borders. During the visit, at both Livingstone and Beitbridge borders, existing trade barriers put up by the Zimbabwe authorities effectively curtail large scale informal trade and the price differentials immediately across the border were not sufficient to spur small scale informal maize trade. Meanwhile, the monitoring at the Machipanda (Mozambique)/Forbes (Zimbabwe) border continues to show insignificant amounts of maize trade between Mozambique and Zimbabwe.

Rice Trade Flows

The volume of informal cross border rice trade rose sharply, by 70%, in December to nearly 3,500 MT from 2,000 MT in November. The increase in the rice trade is due to significantly higher imports by Malawi (up by 250%) and Zimbabwe (up by 190%) during the month. The DRC, the largest importer so far also increased its imports to close to 1,900 MT in December from nearly 1,500 MT in November. Most of the rice being traded is from Asia with Mozambique and Tanzania acting as the major transit routes. It is estimated that about half of the informal rice exports by Zambia to the DRC are re-exports of rice ordered by the Congolese but transiting through Zambia. The Zambian borders (with Tanzania) of Nakonde and Mpulungu are the major entry points for rice destined for the DRC that transits through Zambia while Kasumbalesa is the main port of exit from Zambia and entry into in the DRC. The increase in demand for rice could be due to its substitutability with maize. As maize supply continues to dwindle across the region and the lean season reaches its peak, it is likely that some people switch to the often more readily available rice.

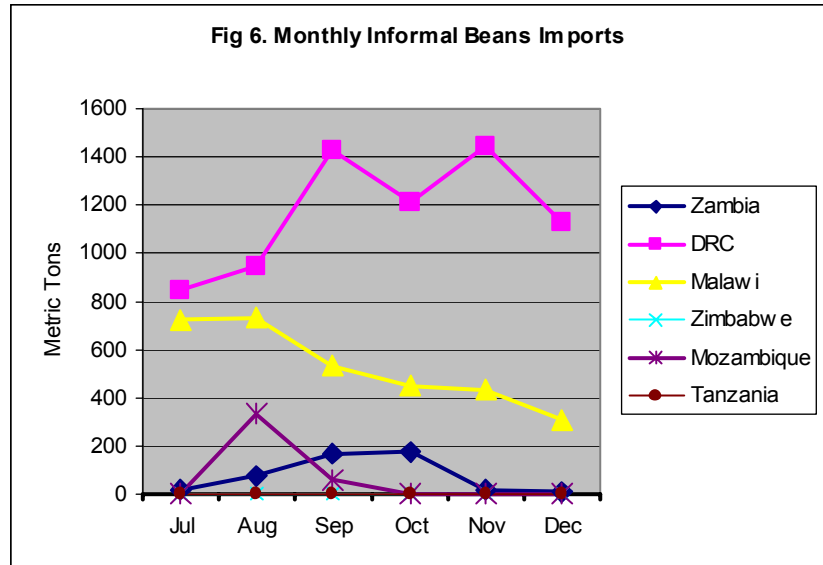


Source: FEWS NET/Malawi and IMCS/Zambia

Bean Trade Flows

The amount of informal bean trade captured during December was close to 1,400 MT, a 24% decrease over the 1,800 MT recorded during the previous month. The DRC (78% of the total) and Malawi (21% of the total) were the major bean importers.

Overall, nearly 11,000 MT of bean trade has been captured between July and December 2004. The bean trade has averaged around 1,800 MT per month. In the monitored countries, beans are grown mostly by small scale farmers. As the last harvest was 4 to 6 months ago depending on country, supplies are likely to continue dwindling for the next few months. Mozambique (close to 7,000 MT) and Zambia (3,000 MT) are the major exporters of beans so far.



Source: FEWS NET/Malawi and IMCS/Zambia

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

Source	Destination	July	Aug	Sept	Oct	Nov	Dec	Total
Tanzania	Zambia	91.3	115.1	589.8	713.7	225.1	981.8	2,716.8
Zambia	Zimbabwe	616.8	636.0	1,409.0	2,242	1,400.0	1,986.0	8,289.8
Zambia	Malawi	146.0	185.0	153.0	144.0	113.9	655.0	1,396.9
Zambia	Tanzania	-	54.4	17.0	3.7	9.9	6.3	91.3
Malawi	Zambia	-	-	0.4	0.7	12.9	5.0	19.0
Zambia	DRC	96.2	-	160.0	495.0	1,333.0	1,226.1	3,310.3
Mozambique	Malawi	9,918.0	12,818.0	10,622.0	6,045.5	6,115.1	8,272.0	53,790.6
Malawi	Tanzania	59.0	121.3	135.0	108.1	55.1	63.0	541.5
Tanzania	Malawi	-	-	21.6	21.2	71.6	146.0	260.4
Total Traded (MT)		10,927.3	13,929.8	13,107.8	9,773.9	9,336.6	13,341.2	70,416.6

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

Source	Destination	July	Aug	Sept	Oct	Nov	Dec	Total
Tanzania	Zambia	94.3	172.6	93.2	68.5	58.3	23.6	510.5
Zambia	Tanzania	0.1	0.8	2.4	0	1.4	0.6	5.3
Zambia	DRC	775.0	582.5	1,428.0	724.0	1,524.6	1,909.1	6,943.2
Malawi	Mozambique	0.4	0.6	-	0	0	0	1.0
Zambia	Zimbabwe	2.8	1.6	10.7	3.3	4.4	8.9	31.7
Mozambique	Malawi	80.0	46.1	27.3	14.4	407.3	1,432.0	2007.1
Malawi	Tanzania	291.0	174.4	118.0	35.8	30.3	17.0	666.5
Mozambique	Zimbabwe	Na	na	na	Na	58.2	169.2	227.4
Total Traded (MT)		1243.6	979.2	1,679.1	846.0	2,084.5	3,560.4	10,392.7

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

Source	Destination	July	Aug	Sept	Oct	Nov	Dec	Total
Tanzania	Zambia	19.8	75.8	165.5	163.9	13.7	0.8	439.5
Malawi	Tanzania	-	2.0	0.2	-	0	0.0	2.2
Tanzania	Malawi	4.5	33.2	28.9	129.1	68.3	49.0	313.0
Zambia	DRC	844.0	946.0	1,425.0	1,210.5	1,440	1,123.9	6,989.4
Zambia	Malawi	0	63.4	0	-	-	0.0	63.4
Malawi	Zambia	-	1.1	2.0	9.2	4.0	8.0	24.3
Zambia	Zimbabwe	0.1	0.3	0.4	0.4	0.0	0.0	1.2
Mozambique	Malawi	714.0	633.0	505.1	315.0	363.8	256.0	2,786.9
Malawi	Mozambique	0.7	330.0	60.0	-	0.1	1.0	391.8
Mozambique	Zimbabwe	na	na	na	na	0.4	0.8	1.2
Total Traded (MT)		1,583.1	2,084.8	2,187.1	1,828.1	1,890.3	1,439.5	11,012.9

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 a network of border monitors based at selected border points. Borders throughout the region have been surveyed and the most active and important borders have been selected for monitoring. The border monitors record data on a daily basis, and transmit it to a central location every week for collation and analysis. Currently, the informal cross border trade monitoring system includes 24 borders, with new borders being added as necessary. Data from borders surrounding Malawi are collected and managed by FEWS NET Malawi, while the rest of the borders are managed by IMCS Zambia on behalf of the TSC.. Address comments/suggestions to the following e-mail addresses: joyce.luma@wfp.org; mmcnabb@fews.net; pmdladla@fews.net; and stein.vikan@wfp.org.