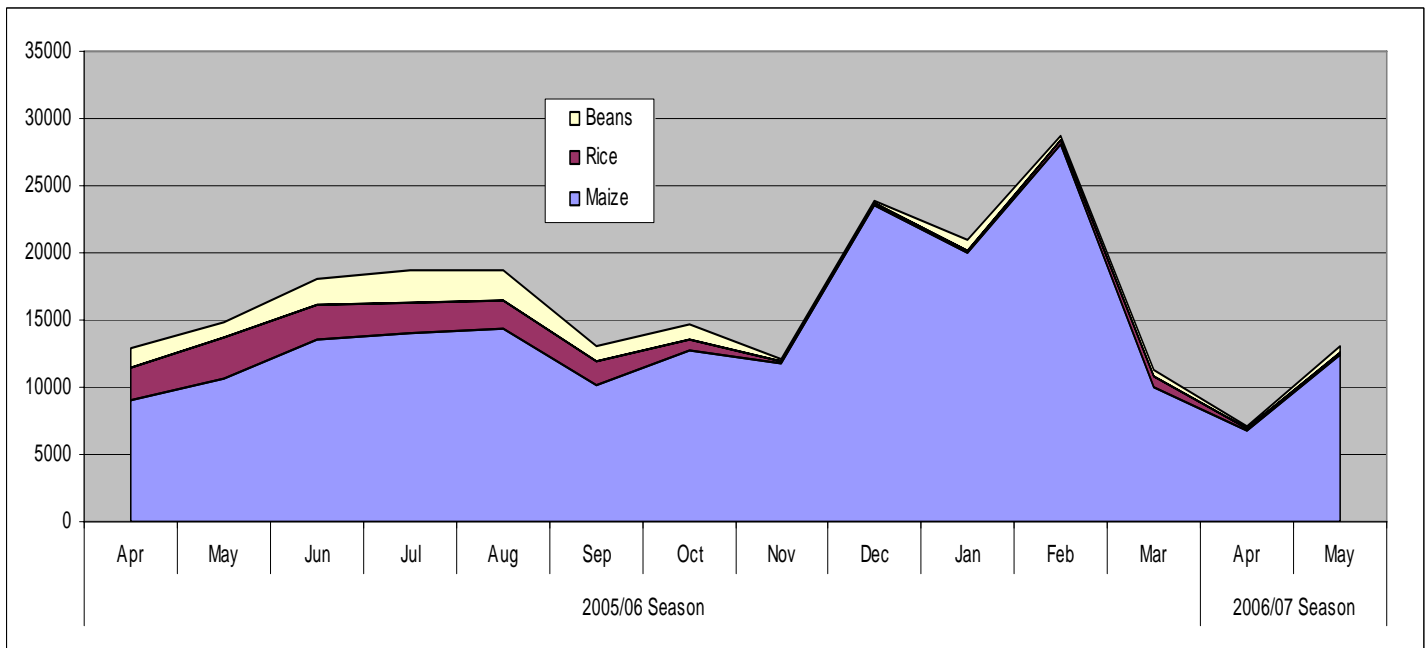


HIGHLIGHTS

- Volume of maize trade doubles between April and May but rice and beans fall far below 2005 levels.
- Maize prices continue to fall as supply of the commodity on the market increases.
- Formal imports from South Africa by Malawi and Zambia decline to almost zero while Zimbabwe's imports increase from 28,000 MT to 30,000 MT between April and May.

OVERALL SUMMARY OF TRADE FLOWS

Fig 1: Recorded Informal Cross Border Trade in DRC, Malawi, Mozambique, South Africa, Tanzania, Zambia & Zimbabwe



Source: FEWS NET and WFP Malawi and Regional Technical Steering Committee (TSC)

At the end of May, nearly 13,000 MT of informal cross-border trade in maize, rice and beans had been recorded by the Informal Cross-border Food Trade Monitoring system in Southern Africa. As shown in Figure 1, the volume of maize traded in May, at 12,426 MT was 17% higher than that traded in May last year. On the other hand, trade in both rice and beans declined compared to last year at the same time. The volume of rice captured in May stood at only 174 MT compared to about 3,000 MT last year. Bean trade was at 505 MT this May compared to 1,200 MT last year at the same time. It is typical for trade in maize to increase immediately following harvests in April and May due to producers releasing stocks on the market so as to realize money for their other needs. Although trade in rice and beans has started at lower levels than last year, it is expected to pick up over the next few months. However, the dynamics of trade in rice remains difficult to predict as some of it is imported from outside the region, and monitoring at the DRC/Zambia Kasumbalesa border (the most important crossing point for rice trade) has been disrupted through a change of border monitors.

SUMMARY OF MAIZE TRADE FLOWS

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

Source	Destination	2005/06 Season	April 06	May 06	May 05
Tanzania	Zambia	13,556	168	72	123
Zambia	Zimbabwe	182	1	1	0
Zambia	Malawi	419	0	25	9
Zambia	Tanzania	0	0	0	0
Malawi	Zambia	81	20	20	3
Zambia	DRC	4,682	7	914	329
Mozambique	Malawi	71,218	5,173	10,536	9,576
Malawi	Tanzania	944	1,351	847	0
Tanzania	Malawi	84,862	0	0	256
Mozambique	Zimbabwe	5	0	0	0
Mozambique	Zambia	49	0	5	2
Malawi	Mozambique	133	0	0	0
Zambia	Mozambique	55	0	1	0
Zimbabwe	Mozambique	85	9	0	0
South Africa	Zimbabwe	1,688	6	8	352
Total Traded (MT)		177,959	6,735	12,429	10,650

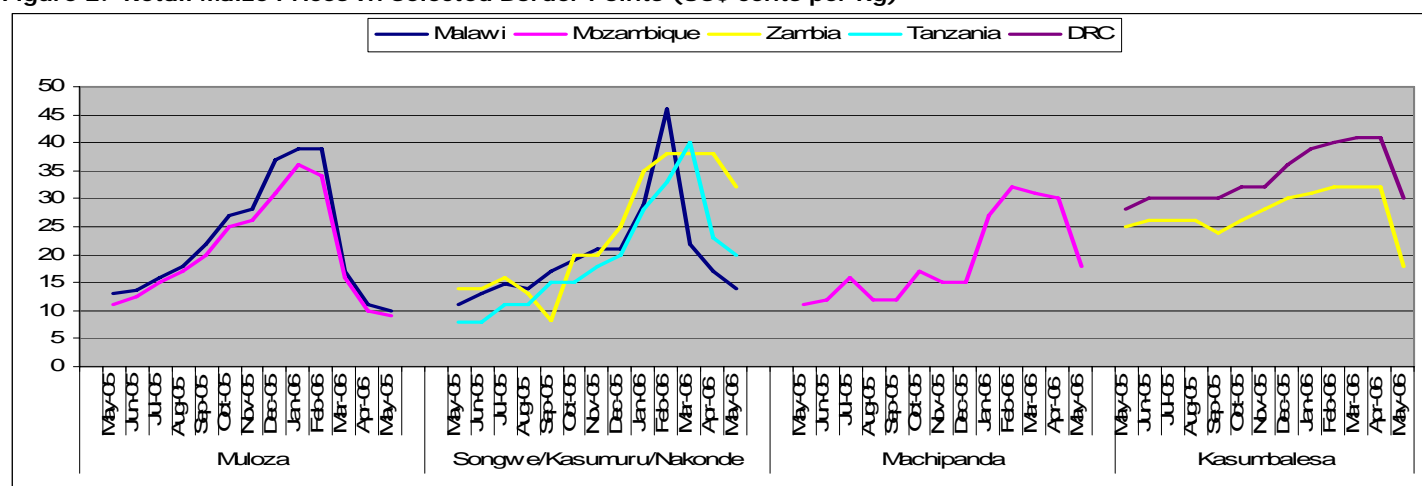
Source: FEWS NET and WFP Malawi; TSC

Table 1 summarizes and compares the volumes of maize trade for May 2006 and 2005. Exports by Mozambique to Malawi continue to dominate, and account for over 85% of the trade. The majority of the exports by Zambia (914 MT) were destined for DRC whereas Malawi's 847 MT were destined for Tanzania. Between April and May, Malawi has exported nearly 2,200 MT of maize to Tanzania; almost twice the amount the country exported the whole of last season. Both Malawi and Zambia are officially maintaining maize export bans. Overall, the maize trade recorded this May is

17% higher than observed at the same time last year. The trade in May is almost double the amount captured in April (6,700 MT). The higher volume of maize trade recorded could be attributed to better harvests in most of the monitored countries this season compared to 2005. With regards to the pattern of trade, maize flows through the Muloza (Malawi) and Milanje (Mozambique) border accounted for 53% of the overall trade in May. The trade barriers effected by the Mozambican authorities at Milanje (see Text box) are, therefore, likely to negatively affect the volumes of maize trade in general but specifically overall exports by northern Mozambique this year.

MAIZE PRICE TRENDS AT SELECTED BORDER POINTS

Figure 2: Retail Maize Prices In Selected Border Points (US\$ cents per Kg)



Source: FEWS NET and WFP Malawi; TSC

As shown in Figure 2, maize retail prices continued to fall across all border crossing points due to improved food supplies resulting from the new harvest. However, comparison of prices across the countries should be interpreted cautiously. The prices presented in this analysis have been converted to United States Dollars to enable cross country comparison, but such conversions sometimes misrepresent local price movements as exchange rates vary according to prevailing macro economic fundamentals. For instance,

New Trade Policy on the Milanje/Muloza Border Excludes Small Scale Cross Border Traders from Market...

A new trading regime has been instituted at the Milanje/ Muloza border point by Milanje district authorities, northern Mozambique effective from 1 June 2006. Under this regime, any trader wishing to engage in cross border trade in maize is required to register with the district department of commerce and obtain trading and export permits from the district and provincial authorities. In addition, the traders are required to move maize across the border using only vehicle/ trucks. The main justification is to keep track of the quantity of maize exported to Malawi. Previously, trading was open to all traders without any requirements such as license or export permit. To minimize the cost of transport, traders hired bicycle transporters to move the maize across the border.

The new regime has already had some negative effects. This includes the total exclusion of small-scale traders in cross-border marketing, reduction in the prices that farmers receive for deliveries, and higher consumer prices on the Malawian side of the border. In addition, the prohibition of bicycles as a means of transport has disrupted the livelihoods of many households whose members used to participate in this activity as their main source of income, earning as much as MWK300/day (US\$2/day).

The cost of registration and for obtaining the necessary trading documents is very high - up to MWK300,000 or approximately US\$2,000. Consequently, the number of traders transacting business across the border has plummeted from over 50 to just two and this has created a monopsonic market structure. The outcome is that the two traders now more or less dictate the price of maize at the point of delivery by farmers on the Mozambican side and of consumer prices on the Malawi. It should be noted that movement of small quantities of maize across the border purely for consumption has also been affected through the banning of bicycle transport. Consumer prices are poised to rise further on the Malawian side to reflect the new higher transportation cost. The cost of moving one bag of maize by lorry now stands at MWK70 (US\$ 0.50) compared with MWK33 (US\$0.23) using bicycles.

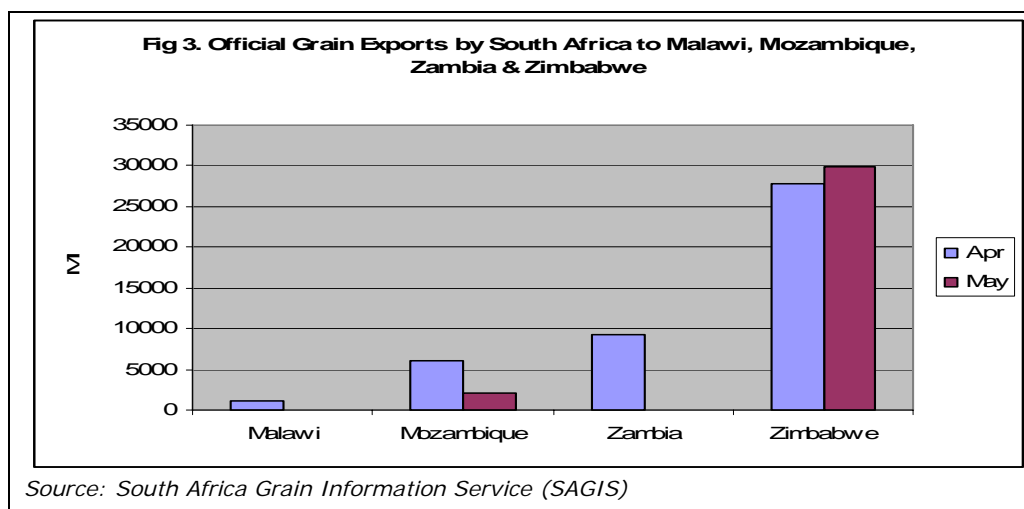
The quantity of maize exported to Malawi through the Milanje/ Muloza border was 30,000MT in 2005/06 and over 32,000 MT in the previous year. Although reports suggested that a third trader had almost completed the licensing process, it is unlikely that these two or three traders with maize trading and export permits will have sufficient financial and logistical capacity to handle trade of this magnitude. This is likely to entrench the low producer prices on the Mozambican side and perpetuate above normal consumer prices on the Malawian side. However, these effects will become more apparent over the next one to two months when further analysis will be carried out.

did not import anything. With regards to Zimbabwe, its imports increased from 27,800 MT in April to 29,900 MT in May. Information on the planned level of formal maize imports in 2006/07 is not yet available. Last year the country imported just over a million MT of maize from South Africa. Malawi's imports from South Africa amounted to about 66,000 MT, whereas Zambia imported some 80,000 MT and Mozambique - about 140,000 MT.

Zambia border prices tend to be higher due to a stronger Zambian kwacha in relation to the US dollar, the opposite holds true for Malawi prices because the Malawi kwacha is much weaker against the US dollar. That notwithstanding, between April and May the sharpest price decline (44%) has been registered at the Kasumbalesa border between Zambia and DRC and in Machipanda (between Mozambique and Zimbabwe). Retail maize prices at Kasumbalesa are expected to remain at relatively low levels because of a much better harvest in Zambia. But, as already pointed out, Zambia officially still has a maize export ban in place which if strictly enforced may trigger upward price swings at Kasumbalesa. Meanwhile, prices at Milanje (Mozambique) have dropped by 23% from \$0.13 per kilogram in April to US\$0.10 per kilogram in May. Prices at Muloza (Malawi) remained unchanged at US\$0.09 per kilogram during the same period. Prices at this border crossing point are likely to be affected by the new trading regime instituted by the Milanje district officials (see Text box). Producer prices at Milanje are likely to drop due to reduced competition as there are now only two maize buyers at the border. On the other hand, prices in Malawi are likely to be influenced by the government announced maize producer floor price of US\$0.20 per kilogram, it is likely that border prices currently below this price will increase towards it and vice-versa for those retail prices above this floor price.

FORMAL EXPORTS FROM SOUTH AFRICA TO MALAWI, MOZAMBIQUE, ZAMBIA & ZIMBABWE

According to the South Africa Grain Information Service (SAGIS), South Africa was still exporting maize to Zimbabwe, Mozambique and Malawi despite the new harvest and onset of the new marketing season in those countries. **NOTE:** The maize marketing season in South Africa begins in May. As suggested last month, exports by South Africa to Malawi and Zambia, were last consignments of running contracts. During the month, Malawi only imported 30 MT while Zambia



SUMMARY OF RICE AND BEAN TRADE

Table 2 Informal Cross Border trade in Rice (MT)

Source	Destination	2005/06 Season	April 06	May 06	May 05
Tanzania	Zambia	641	28	6	53
Malawi	Tanzania	135	0	56	53
Tanzania	Malawi	912	4	0	0
Zambia	DRC	12,629	13	15	1,865
Zambia	Malawi	0	0	0	0
Malawi	Zambia	31	0	0	0
Zambia	Zimbabwe	106	12	25	4
Mozambique	Malawi	1,691	48	29	1000
Malawi	Mozambique	12	0	0	0
Mozambique	Zimbabwe	399	26	40	25
South Africa	Zimbabwe	64	2	3	17
Total Traded (MT)		16,620	133	174	2,997

Source: FEWS NET and WFP Malawi; TSC

Table 3 Informal Cross Border trade in Beans (MT)

Source	Destination	2005/06 Season	April 06	May 06	May 05
Tanzania	Zambia	472	42	72	57
Zambia	Tanzania	0	0	0	0
Zambia	DRC	8,231	12	295	844
Malawi	Mozambique	76	11	4	5
Zambia	Zimbabwe	16	5	7	0
Mozambique	Malawi	2,741	29	112	144
Malawi	Tanzania	0	0	0	0
Mozambique	Zimbabwe	4	0	1	1
Malawi	Zambia	19	138	13	1
Tanzania	Malawi	2,459	0	0	0
South Africa	Zimbabwe	325	1	1	162
Total Traded (MT)		14,343	238	505	1,214

Source: FEWS NET and WFP Malawi; TSC

Kasumbalesa border. Mozambique exported all its beans through the Kalanje border which is the main entry point for beans into Malawi.

The trade in **rice** is summarized in Table 2. Unlike last year at the same time, trade in rice has started at very low volumes across all the monitored borders. During the month of May, Mozambique exported the most rice (29 MT to Malawi and 40 MT to Zimbabwe). Malawi came in second, with 56 MT exported to Tanzania - the traditional export destination for Malawi rice. Overall, the trade in rice this May (174 MT) is a fraction of what was traded last year (2,997 MT) at the same time when Zambia was the largest exporter followed by Mozambique. As already stated, the low volumes of rice captured can in part be attributed to the change of monitors at the DRC/Zambia Kasumbalesa border.

The summary of trade in **beans** is presented in Table 3. During the month of May, Zambia was the largest exporter of beans followed by Mozambique. Zambia exported most of its beans to DRC through the

ANNEXES

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

Source	Destination	2004/05								2005/06														
		Jul-Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Season	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Season	Apr-06	May-06
Tanzania	Zambia	796	714	225	982	441	454	87	3,699	15	123	259	1,779	2,807	3,099	1,767	1,556	878	734	369	170	13,556	168	72
Zambia	Zimbabwe	2662	2,242	1,400	1,986	1,624	1,764	1,428	13,106	84	0	2	3	2	8	12	6	3.3	60	1	1	182	1	1
Zambia	Malawi	484	144	114	655	691	43	26	2,157	8	9	17	6	7	23	16	331	1.5	0	0	419	0	25	
Zambia	Tanzania	71	4	10	6	1	0	1	93	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Malawi	Zambia	0	1	13	5	8	3	4	34	2	3	3	2	0	3	0	12	39	0	17	81	20	20	
Zambia	DRC	256	495	1,333	1,226	1,596	1,345	2,067	8,318	1,893	329	255	185	741	715	371	80	80	6.9	11	15	4,682	7	914
Mozambique	Malawi	33358	6,046	6,115	8,272	6,613	5,056	5,769	71,229	6,829	9,576	12,659	11,515	10,353	4,998	2,673	2,136	4,172	304	1,886	4,117	71,218	5,173	10536
Malawi	Tanzania	315	108	55	63	40	34	22	637	33	0	70	104	42	28	322	13	23	7.2	302	0	944	1351	847
Tanzania	Malawi	22	21	72	146	293	900	1,202	2,656	108	256	107	0	5	1,206	7,600	7,663	18,338	18,530	25,350	5,699	84,862	0	0
Mozambique	Zimbabwe	0	-	-	-	-	2	0	2	0	0	2	2	1	0	0	0	0	0	0	5	0	0	
Mozambique	Zambia	0	-	-	-	-	-	-	0	0	2	3	1	20	3	3	1	16	0	0	49	0	5	
Malawi	Mozambique	0	-	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	62	63	8	133	0	0
Zambia	Mozambique	0	-	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	24	21	10	55	0	1
Zimbabwe	Mozambique	0	-	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	28	40	17	85	9	0
South Africa	Zimbabwe	0	-	-	-	-	-	-	0	0	352	134	390	409	122	39	14	2	193	17	16	1,688	6	8
Total Traded (MT)		37965	9,774	9,337	13,341	11,306	9,600	10,606	101,929	8,972	10,650	13,511	13,987	14,387	10,205	12,803	11,812	23,553	19,949	28,077	10,053	177,959	6,735	12,429

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

Source	Destination	2004/05								2005/06														
		Jul-Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Season	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Season	Apr-06	May-06
Tanzania	Zambia	360	69	58	24	8	7	21	547	3	53	51	64	60	60	45	49	78	65	67	46	641	28	6
Malawi	Tanzania	367	36	30	17	0	0	0	450	0	33	41	41	20	0	0	0	0	0	0	0	135	0	56
Tanzania	Malawi	0	0	0	0	0	58	12	70	1	0	2	4	0	0	0	0	108	135	57	605	912	4	0
Zambia	DRC	2786	724	1,524	1,909	2,449	1,369	1,883	12,644	1,975	1,865	2,324	2,064	2,014	1,583	690	0	0	46	35	33	12,629	13	15
Zambia	Malawi	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Malawi	Zambia	0	0	0	0	0	1	0	1	30	0	0	1	0	0	0	0	0	0	0	31	0	0	
Zambia	Zimbabwe	16	3	4	9	7	0	11	50	5	4	6	6	4	6	13	5	16	10	14	17	106	12	25
Mozambique	Malawi	153	14	407	1,432	149	226	151	2,532	453	1,000	3	0	0	0	2	0	150	0	51	32	1,691	48	29
Malawi	Mozambique	1	0	0	0	0	0	0	1	0	0	4	2	0	0	0	0	0	0	6	0	12	0	0
Mozambique	Zimbabwe	0	0	0	0	0	0	58	58	34	25	129	72	0	25	29	16	0	14	18	37	399	26	40
South Africa	Zimbabwe	0	0	0	0	0	0	0	0	0	17	4	8	6	5	4	3	2	8	4	3	64	2	3
Total Traded (MT)		3683	846	2,023	3,391	2,613	1,663	2,136	16,355	2,501	2,997	2,564	2,262	2,104	1,679	783	73	354	278	252	773	16,620	133	174

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

Source	Destination	Jul-Sep-							2004/05							2005/06								
		04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Season	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Season	Apr-06	May-06
Tanzania	Zambia	262	164	14	1	1	61	6	509	0	57	42	28	64	131	33	54	0	27	28	8	472	42	72
Zambia	Tanzania	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Zambia	DRC	3215	1,211	1,440	1,124	1,942	1,545	1,542	12,019	1,320	844	1,429	1550	1,431	759	843	0	0	24	16	15	8,231	12	295
Malawi	Mozambique	391	0	0	1	1	2	22	417	0	5	9	16	7	6	0	5	0	0	0	28	76	11	4
Zambia	Zimbabwe	0	0	364	0	0	8	0	372	0	0	1	2	1	3	1	1	1	2.3	3	1	16	5	7
Mozambique	Malawi	1852	315	0	256	183	177	214	2,997	131	144	408	663	576	291	201	181	81	42	23	0	2,741	29	112
Malawi	Tanzania	2	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mozambique	Zimbabwe	0	0	0	1	0	65	1	67	0	1	0	0	0	1	1	1	0	0	0	0	4	0	1
Malawi	Zambia	3	9	4	8	3	0	3	30	0	1	2	5	0	2	4	2	0	0	3	0	19	138	13
Tanzania	Malawi	67	129	68	49	52	25	13	403	0	0	18	14	33	21	0	30	1,104	573	274	392	2,459	0	0
South Africa	Zimbabwe	0	0	0	0	0	0	0	0	0	162	3	120	29	3	3	1	0	0	2	2	325	1	1
Total Traded (MT)		5792	1,828	1,890	1,440	2,182	1,883	1,801	16,816	1,451	1,214	1,912	2,398	2,141	1,217	1,086	275	1,186	668	349	446	14,343	238	505

A Technical Steering Committee (TSC) of the Cross Border Food Trade Monitoring Initiative, with funding from USAID and WFP, 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 29 borders, with new borders being added as necessary. Data from borders surrounding Malawi are collected and managed by FEWS NET and WFP Malawi, while the rest of the borders are managed by the TSC. Requests for detailed data by border point can be addressed to duncansamikwa@yahoo.ie and schimwaza@few.net