

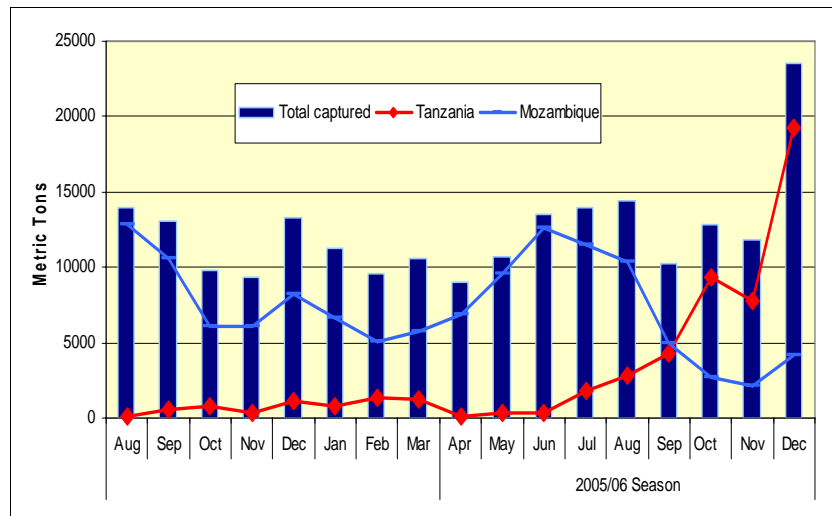
HIGHLIGHTS

- Tanzania exports a record volume of maize through informal trade as fears of trade ban loom.
- Retail maize prices continue to rise, signifying dwindling stocks in most parts of the region.
- Rice and bean trade resurge but overall trade still significantly lower than last season

RECORD EXPORT OF MAIZE BY TANZANIA

As indicated in figure 1, in December, Tanzania informally exported close to 19,200 MT of maize to Malawi (18,300) and Zambia (900 MT). This represents the highest volume of informal maize export by one country in a single month since the Southern Africa informal cross border food trade monitoring system was established in July 2004. The amount also represents the largest trade flow captured from a single border post. The previous large export was 12,600 MT from Mozambique to Malawi in June 2004.

Figure 1: Total Informal Cross Border Maize Trade Captured and Informal Maize Trade from Tanzania and Mozambique



The main sources of the exports are

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



Informal cross border trade between Tanzania and Malawi: On the left, maize market at Kasumuru/Tanzania. On the right, maize being transported to Malawi

Mbeya and Iringa, which are main production areas in Tanzania. Maize is trucked from these areas (see picture) to a market place at Kasumuru on the border with Malawi. The Kasumuru maize market is 5 kilometers from Songwe, the Malawi side of the border. Traders from Malawi converge at the market place to buy the maize for sale in Malawi, and this has become a major source of supply to urban and rural markets in Malawi. The main forms of transportation across the border are lorries/trucks, which contrast with the situation at most other borders. The maize is moved down the length of Malawi to areas including Blantyre and surrounding districts in the south. The Kasumuru maize market is dominated by Malawian buyers, and as a result the Malawian Kwacha is the main currency used. The main charges paid by the traders are the usual customs charges applicable to all motorists crossing the borders. The Malawian authorities do not levy import charges. Similarly, the Tanzanian authorities do not levy export charges, although they have until recently maintained import levy; this has been temporarily suspended to encourage imports so as to boost local supplies as will be alluded to below.

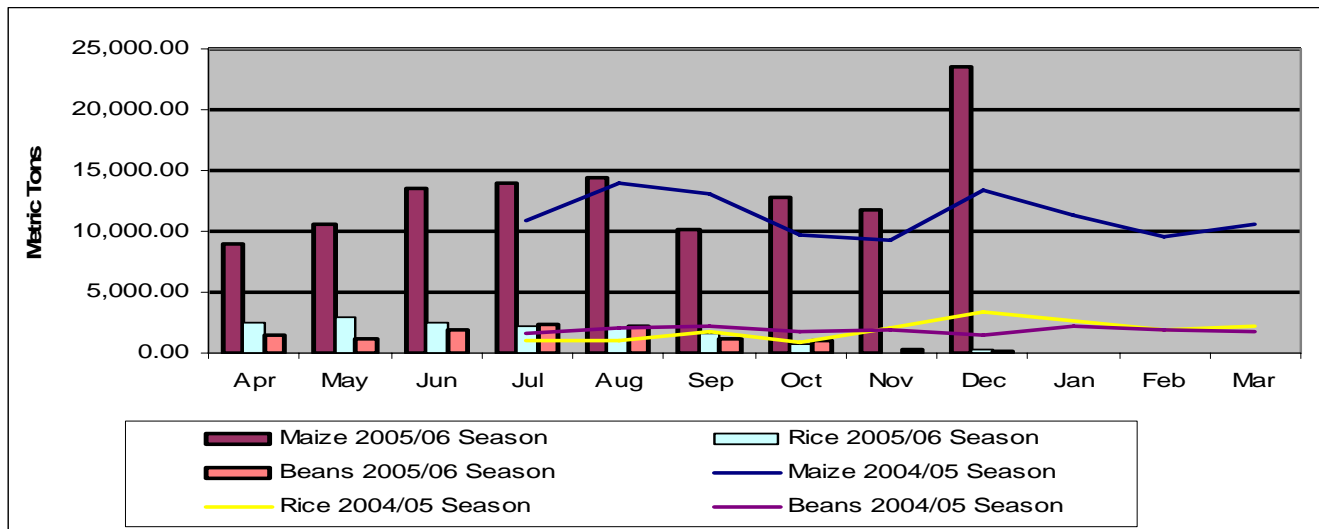
Despite Mbeya and Iringa being close to Zambia which also experienced poor harvest last season due to prolonged dry spells, only 5% of the informal maize exports from Tanzania in December went to Zambia (through Nakonde). Among other factors, the appreciation of the Zambian kwacha is believed to have made cross border trade unattractive for Tanzanians because the Tanzanian shilling is now worth much less in Zambia.

Meanwhile there is anecdotal evidence of deteriorating food security in parts of Tanzania due to the very bad vuli (short rains) season, and the generally poor rainfall received so far this season over most parts of the country, including the unimodal rainfall areas. There are fears that the Tanzanian authorities are contemplating a ban on informal maize exports. A recent Southern Africa cross border monitoring system supervisory mission interviewed some of the traders and confirmed these reports. There were indications that some of the increase in volumes in December could be a result of panic selling and buying before the “ban” is effected.

OVERALL SUMMARY OF TRADE

By the end of December 2005, approximately 150,000 MT of trade in maize, rice and beans had been

Fig 2: Recorded Informal Cross Border Trade in DRC, Malawi, Mozambique, South Africa, Tanzania, Zambia & Zimbabwe

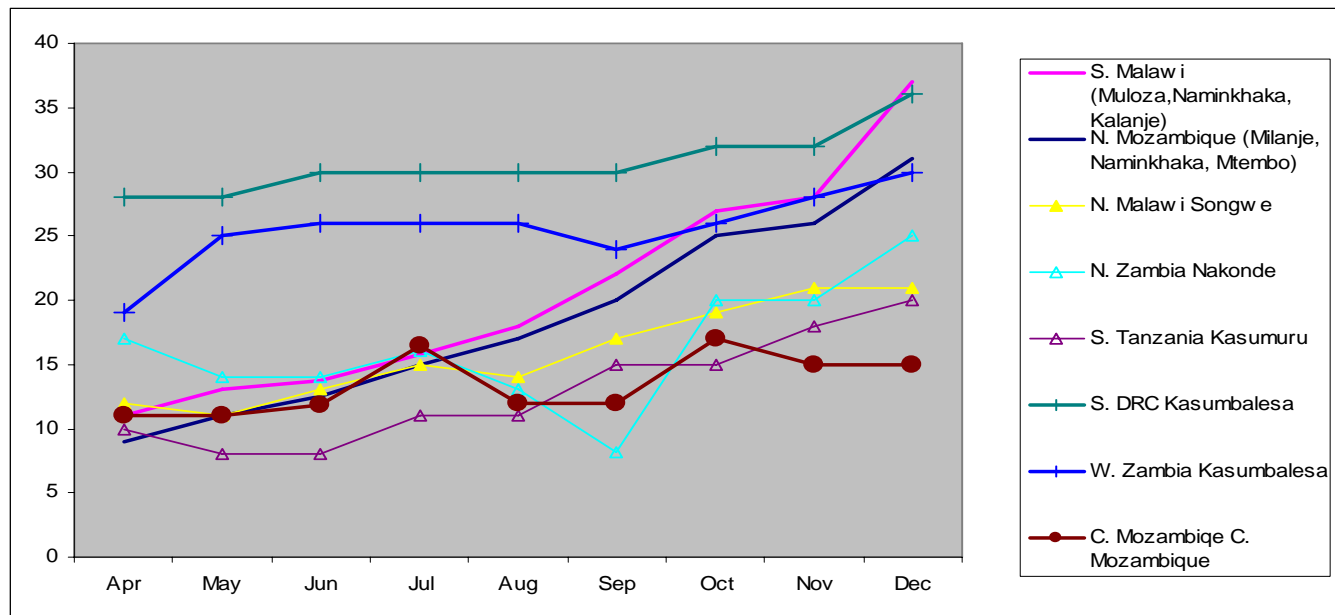


Source: FEWS NET and WFP Malawi; TSC

captured by the Southern Africa informal cross border food trade monitoring system since the start of the marketing season in April. Maize holds the largest share of the trade at 80% followed by rice at 10.2% and beans at 9.8%. As shown in figure 2, the volume of maize trade has generally been higher this marketing season than the last, mostly due to greater demand for cereals this season as a result of national cereal deficits in many of the monitored countries including Malawi, Zambia, Zimbabwe and parts of Mozambique. In what is appearing to be a seasonal pattern, trade in maize and rice resurged this December as it did last December after a steady decline (between August and September and between October and November). During December, trade in maize rose by 50% over the previous month and was 43% higher than at the same time last season. Trade in rice increased five fold over last month but dropped from about 3,300 MT in December last year to 354 this year. Bean trade increased by over 76% between November and December but the current volume at 1,200 represents a decline of 22% compared to last year at the same time.

The factors that explain the resurging trade in December include lean season demand and current growing season production prospects. Since December is the middle of the lean season, many consumers run out of own stock and increasingly rely more on the market than at any other time. On the other hand, producers appear to have assessed favourable production prospects for the 2005/06 growing season. This appears to have led to the release onto market some of the stocks they have been holding. While the trend of trade seems to be similar between this year and last year, the direction of flow has changed. During the last season maize largely flowed from Mozambique and Zambia into Malawi and Zimbabwe. This year, the flow is largely from Mozambique and Tanzania to Malawi and Zambia. Although this pattern is expected to remain unchanged, it is expected that there will be a steady reduction in volumes of trade until the next harvest in April 2006.

Figure 3: Average Retail Prices Around Selected Border Points



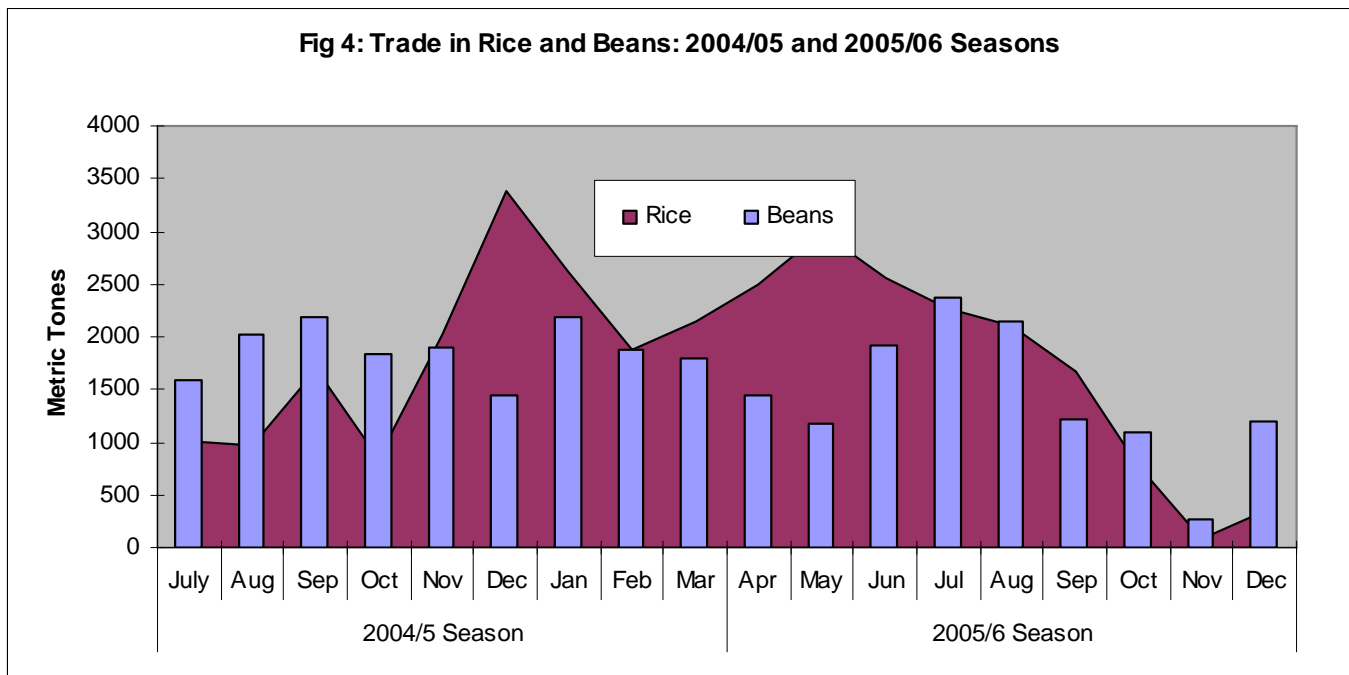
Source: FEWS NET and WFP Malawi; TSC

With few exceptions, the retail prices for maize increased between November and December in many borders areas in line with lean season trends (see Figure 3). The highest increase of 24% was registered in southern Malawi where grain prices rose from US \$0.28 per kilogram in November to US\$0.37 per kilogram in December. This increase reflects the dwindling supplies of maize from northern Mozambique.

Exports of maize from northern Mozambican have declined from an average of 10,000 MT per month between April and August to an average of 3,500 MT per month between September and December. This also explains why Malawian traders have switched to southern Tanzania for maize supplies. The border areas of southern DRC (US \$0.36 per kilogram) and western Zambia (US \$0.30 per kilogram) have remained as the areas with the highest retail prices. This partly reflects the scarcity of maize supplies in the area. The high prices could also be due to appreciation of the Zambian Kwacha over the last few months. The retail prices are expected to continue rising until the next harvest that will start from end of April in some of the countries. As cross border supplies are unlikely to significantly cushion the markets from steep increases in retail prices, many consumers will be unable to access adequate amounts of food. Governments should therefore, scale up official imports to supply local markets as well as to supply relief pipelines. Meanwhile, erratic availability of grain at markets in Malawi has contributed to food insecurity in that country. Food availability in local markets in parts of Zambia, Zimbabwe, Mozambique and Tanzania remains a cause for concern.

SUMMARY OF RICE AND BEAN TRADE

Fig 4: Trade in Rice and Beans: 2004/05 and 2005/06 Seasons



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

The trade in rice and beans is summarized in Figure 4. Trade in both commodities resurged in December but is still at significantly lower levels compared to last year at the same time. Trade in rice increased from 78 MT in November to 354 MT in December. While in general, trade in rice has been declining, the huge drop in December should be regarded cautiously. The Kasumbalesa border post is one of the main entry/exit points for rice trade and due to unforeseen circumstances, the monitoring system was unable to capture data at this border post during the month of December. There was very limited trade in beans across most borders. The main exception was one large entry of 1,100 MT from Tanzania into Malawi and another smaller entry of 80 MT from Mozambique to Malawi. Unless there are other one-off large trade, trade in beans is expected to remain insignificant until the next harvest.

ANNEX 1: TRADE TABLES

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

Source	Destination	2004/05 Season									2005/06 Season									
		Jul-Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Tanzania	Zambia	206	590	714	225	982	441	454	87	3,699	15	123	259	1,779	2,807	3,099	1,767	1,556	878	12,283
Zambia	Zimbabwe	1253	1,409	2,242	1,400	1,986	1,624	1,764	1,428	13,106	84	0	2	3	2	8	12	6	3.3	120
Zambia	Malawi	331	153	144	114	655	691	43	26	2,157	8	9	17	6	7	23	16	331	1.5	419
Zambia	Tanzania	54	17	4	10	6	1	0	1	93	0	0	0	0	0	0	0	0	0	0
Malawi	Zambia	0	0	1	13	5	8	3	4	34	2	3	3	2	0	3	0	12	39	64
Zambia	DRC	96	160	495	1,333	1,226	1,596	1,345	2,067	8,318	1,893	329	255	185	741	715	371	80	80	4,649
Mozambique	Malawi	22736	10,622	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	64,911
Malawi	Tanzania	180	135	108	55	63	40	34	22	637	33	0	70	104	42	28	322	13	23	635
Tanzania	Malawi	0	22	21	72	146	293	900	1,202	2,656	108	256	107	0	5	1,206	7,600	7,663	18,338	27,628
Mozambique	Zimbabwe	0	-	-	-	-	-	2	0	2	0	0	2	2	1	0	0	0	0	5
Mozambique	Zambia	0	-	-	-	-	-	-	-	0	-	2	3	1	20	3	3	1	16	49
South Africa	Zimbabwe	0	-	-	-	-	-	-	-	0	-	352	134	390	409	122	39	14	2	1,462
Total Traded (MT)		24857	13,108	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	119,880

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

Source	Destination	2004/05 Season										2005/06 Season									
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Tanzania	Zambia	94	173	93	69	58	24	8	7	21	468	3	53	51	64	60	60	45	49	78	463
Malawi	Tanzania	59	174	134	36	30	17	0	0	0	451	0	33	41	41	20	0	0	0	0	135
Tanzania	Malawi	0	0	0	0	0	0	0	58	12	435	1	0	2	4	0	0	0	108	115	
Zambia	DRC	775	583	1,428	724	1,524	1,909	2,449	1,369	1,883	12,183	1,975	1,865	2,324	2,064	2,014	1,583	690	0	0	12,515
Zambia	Malawi	0	0	0	0	0	0	0	0	0	64	0	0	0	0	0	0	0	0	0	0
Malawi	Zambia	0	0	0	0	0	0	0	1	0	29	30	0	0	1	0	0	0	0	0	31
Zambia	Zimbabwe	3	2	11	3	4	9	7	0	11	12	5	4	6	6	4	6	13	5	16	65
Mozambique	Malawi	80	46	27	14	407	1,432	149	226	151	3,347	453	1,000	3	0	0	0	2	0	150	1,608
Malawi	Mozambique	0	1	0	0	0	0	0	0	0	392	0	0	4	2	0	0	0	0	0	6
Mozambique	Zimbabwe	-	-	-	-	-	-	-	2	58	61	34	25	129	72	0	25	29	16	0	330
South Africa	Zimbabwe	-	-	-	-	-	-	-	-	-	-	-	17	4	8	6	5	4	3	2	49
Total Traded (MT)		1,011	979	1,693	846	2,023	3,391	2,613	1,663	2,136	16,356	2,501	2,997	2,564	2,262	2,104	1,679	783	73	354	15,317

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

		2004/05 Season										2005/06 Season									
Source	Destination	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Tanzania	Zambia	20	76	166	164	14	1	1	61	6	509	0	57	42	28	64	131	33	54	0	442
Zambia	Tanzania	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Zambia	DRC	844	946	1,425	1,211	1,440	1,124	1,942	1,545	1,542	12,019	1,320	844	1,429	1,550	1,431	759	843	0	0	9,019
Malawi	Mozambique	1	330	60	0	0	1	1	2	22	417	0	5	9	16	7	6	0	5	0	48
Zambia	Zimbabwe	0	0	0	0	364	0	0	8	0	372	0	0	1	2	1	3	1	1	1	11
Mozambique	Malawi	714	633	505	315	0	256	183	177	214	2,997	131	144	408	663	576	291	201	181	81	2,877
Malawi	Tanzania	0	2	0	0	0	0		0	0	2	0	0	0	0	0	0	0	0	0	0
Mozambique	Zimbabwe	-	-	-	-	-	1	0	65	1	67	0	1	0	0	0	1	1	1	0	1
Malawi	Zambia	0	1	2	9	4	8	3	-	3	30	0	1	2	5	0	2	4	2	0	20
Tanzania	Malawi	5	33	29	129	68	49	52	25	13	403	0	0	18	14	33	21	0	30	1,104	1,220
South Africa	Zimbabwe	-	-	-	-	-	-	-	-	-	0	-	162	3	120	29	3	3	1	0	324
Total Traded (MT)		1,584	2,021	2,187	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	13,963

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. Address comments/suggestions to the following e-mail addresses: pmdlada@few.net, simon.dradi@wfp.org, eric.kenefick@wfp.org;