Informal Cross Border Food Trade In Southern Africa

Issue 5

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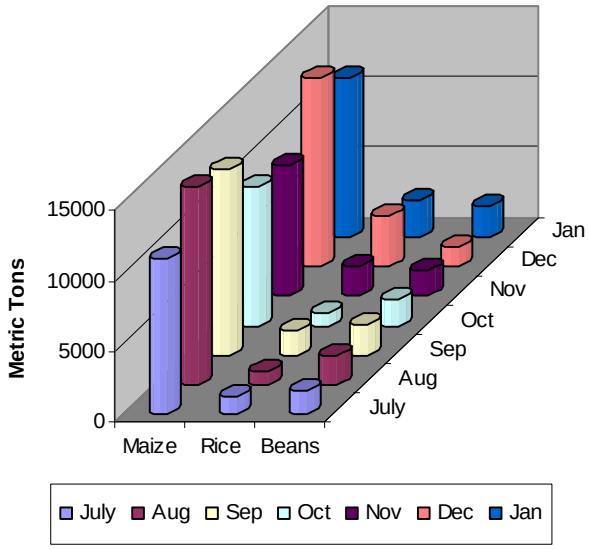
Highlights

- *Nearly 82,000 MT of maize, 13,000 MT each of rice and bean trade captured during the first seven months of informal cross border food trade monitoring in Southern Africa.*
- *Malawi continues to dominate informal maize imports while the DRC remains the major importer of informal rice and beans.*
- *Global oversupply of maize could reduce informal cross border trade in maize.*

Informal Cross Border Trade Flow Overview

The volume of informal maize trade captured among the six countries of Malawi, Mozambique, Tanzania, Zambia, Zimbabwe and the DRC went back on the decline in January, reversing the sudden increase in December. The total amount traded in January was nearly 11,000 MT, representing a 15% drop from the previous month. However, the amount traded in January was still 21% higher than the amount recorded in November which at close to 9,300 MT is the lowest since the monitoring began in July 2004. So far, nearly 82,000 MT of maize trade has been captured among the six countries. The resurgence of trade in December and January is attributed to farmers releasing some stocks in readiness for the new crop. The amount of maize traded is expected to continue declining until around April when the new harvest will begin in most of the countries monitored. However, the maize oversupply globally and low international prices could encourage some traders to source maize beyond their immediate borders and therefore, break the expected trade flows trends. The monitoring system will maintain a close watch on these developments.

Fig 1. Recorded Informal Cross-Border Trade in DRC, Malawi, Mozambique, Tanzania, Zambia & Zimbabwe



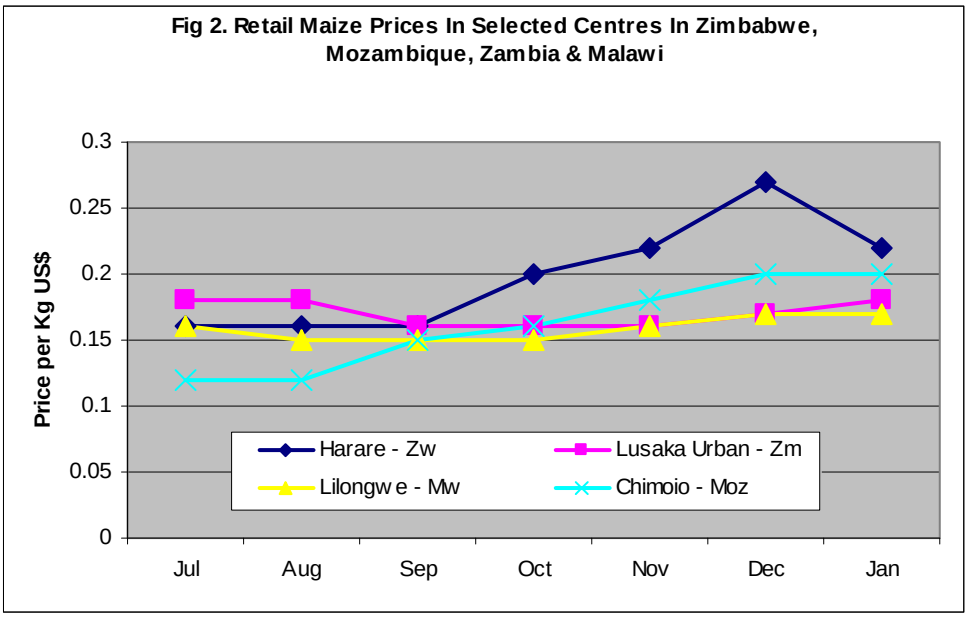
Source: FEWS NET/Malawi and IMCS/Zambia

Rice trade also declined in January compared with December. The amount of rice trade captured in January was close to 2,700 MT compared with 3,500 MT in December. As with maize, the amount traded in January was still higher than the trade in November (close to 2,000 MT). Volumes of rice traded fluctuate significantly from month to month. Most of the rice traded among the six countries is imported from Asia via Dar es Salaam in Tanzania or Durban in South Africa. Monthly fluctuations in rice trade can be attributable to the difficult logistics involved in importing rice from Asia and transporting it across one or more land borders to reach its final destination.

There was an unexpected surge in the volume of bean trade in January, up by 52% on the December volumes and 16% higher than November volumes. The sudden increase was caused by a particularly high export of the commodity by Zambia to the DRC through Kasumbalesa. At this time of the year, over nine months after the last harvest, the amount of on-farm stocks for beans is expected to be low; the sudden rise in bean trade therefore needs to be examined further, especially if it is sustained in the next few months.

Maize Retail Price Movements

Fig 2 presents retail maize prices from selected cities in the monitored countries. The figure shows a small rise in retail prices in Lusaka, no change in Lilongwe or Chimoio, and a 19% decline in Harare from January (US$0.22/kg) to December (US $0.27/kg). Despite the retail price decrease in January, Harare maize prices remain consistently higher than the rest of the cities, reflecting the level of food shortages in that country compared with the neighbouring countries. Despite registering a food deficit, prices in Malawi (Lilongwe) remained the lowest in the region. The high informal maize imports by Malawi (63,000 MT since July 2004), mostly from Mozambique, are the major source of retail price stability in Malawi. Prices in Mozambique (Chimoio), despite showing an increasing trend are among the lowest the country has experienced in four years, reflecting a good harvest over the past year. Retail prices in Zambia (Lusaka) also continued to reflect the stability of a good harvest. Lusaka prices have generally fluctuated between US$0.16 and US$0.18/kg. In general, retail prices are expected to peak in March or April, just before the new harvest comes on stream for most of the monitored countries.



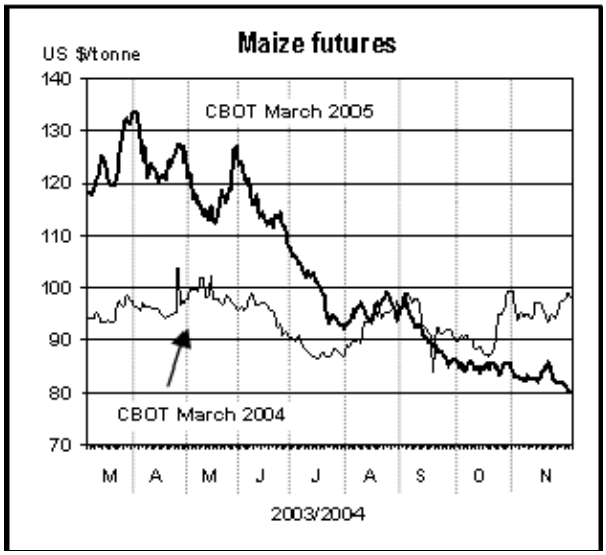
Source: FEWS NET/Malawi/Zambia/Zimbabwe & Mozambique

International Maize Trade Outlook And Informal Cross Border Trade Prospects

A record maize crop in the United States and better than expected yields in China, several European countries, Mexico, Zambia and Tanzania and good harvests in South Africa and Mozambique have significantly increased the supply of maize on the world and regional market for the 2004/2005 marketing season. On the other hand, the global demand for maize has gone down among major importing countries in Africa, Asia and Europe due to the better harvests of both maize and wheat, and reduced demand for feed maize in Asian countries due to avian flu. Consequently, the world grain stocks have risen. FAO forecasts that stocks for world coarse grains (maize and sorghum/millet) in 2005 will be 181 million MT at the end of the cropping year, which is up by 23% on the opening stocks of the cropping season. For the region's biggest maize exporter, South Africa, April 2005 maize stocks are forecast at 3 million MT compared with April 2004 stocks of 2.4 million MT.

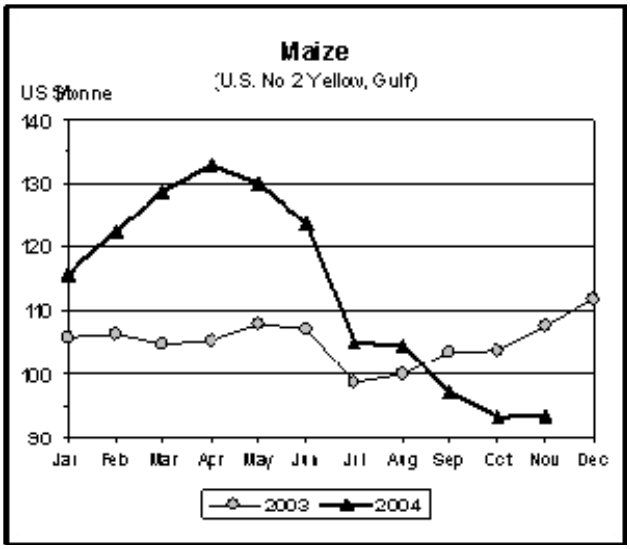
The oversupply of maize on the world markets has significantly depressed its international prices as illustrated in figures 3 and 4 below. The low international maize prices are likely to benefit consumers in food deficit countries such as Malawi and Zimbabwe but might negatively affect maize trade in exporting countries such as South Africa.

Figure 3: Maize Futures



Source: FAO Food Outlook No. 4, 2004

Figure 4: Maize Export Prices



Source: FAO Food Outlook No. 4, 2004

The volume of informal cross border trade in maize in the region could be affected by low international prices. In maize deficit countries, cheaper formal imports could lower domestic prices and make informal cross border trade less attractive. In surplus countries such as South Africa, efforts to support domestic prices against cheap maize imports could result in governments imposing trade barriers including import levies. Trade barriers could add to transaction costs of cross border trade and act as a disincentive to the trade. The magnitude of cross border trade ultimately depends on price differentials between the producing and consuming regions, transportation costs, trade barriers and the capacity of the countries to mobilise formal imports.

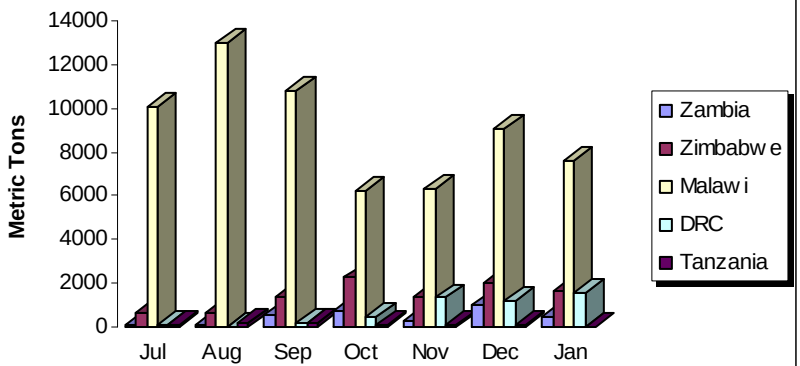
Commodity Specific Highlights: January 2005

A summary of commodity specific informal trade in maize, rice and beans from July to January is presented below. Close to 82,000 MT of maize trade, 13,000 MT of rice trade and 13,000 MT of bean trade have been captured by the informal cross border food trade monitoring initiative in Southern Africa (Malawi, Zambia, Zimbabwe, DRC, Mozambique and Tanzania).

Maize Trade Flows

Malawi continued to dominate the maize trade with its total imports since July amounting to nearly 63,000 MT, representing 77% of the maize trade captured. By the same token, Mozambique which has supplied 95% of the informal maize imports by Malawi, is the biggest exporter of the informal maize market, with a market share of 74%. Zimbabwe remained the second largest informal maize importer with close to 10,000 MT, entirely from Zambia over the past seven months. In the same vein, Zambia is the second largest exporter of informal maize, at 17,000 MT of exports. It accounts for about 21% of the trade. Both Malawi and Zimbabwe had poor harvests during the 2003/2004 season while Zambia and Mozambique had good harvests. Zambia also played a crucial role of supplying her neighbours, Malawi and Zimbabwe with formal exports. As most of the countries being monitored are going through their respective lean seasons, it

Fig 5. Monthly Informal Maize Imports

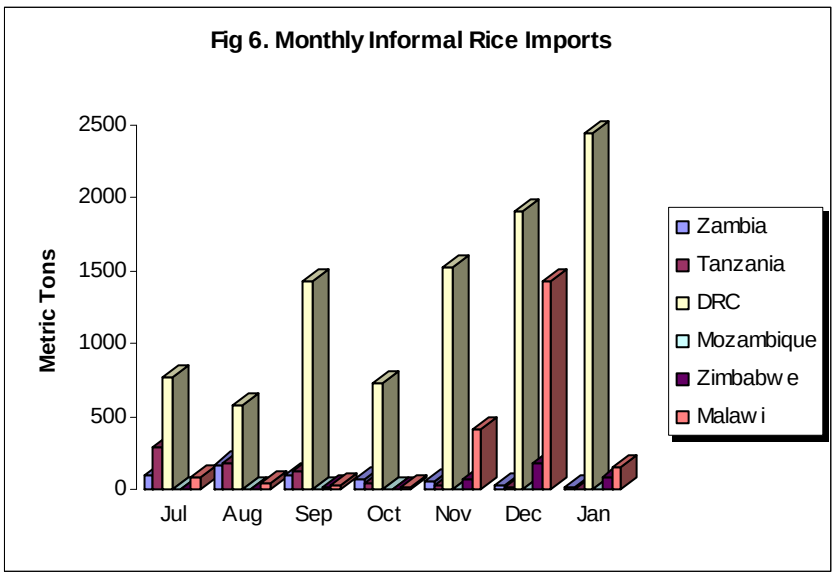


Source: FEWS NET/Malawi and IMCS/Zambia

is likely that the major players on the informal cross border trade now are larger/commercial farmers and traders, with capacity to store grains and wait for better prices.

Rice Trade Flows

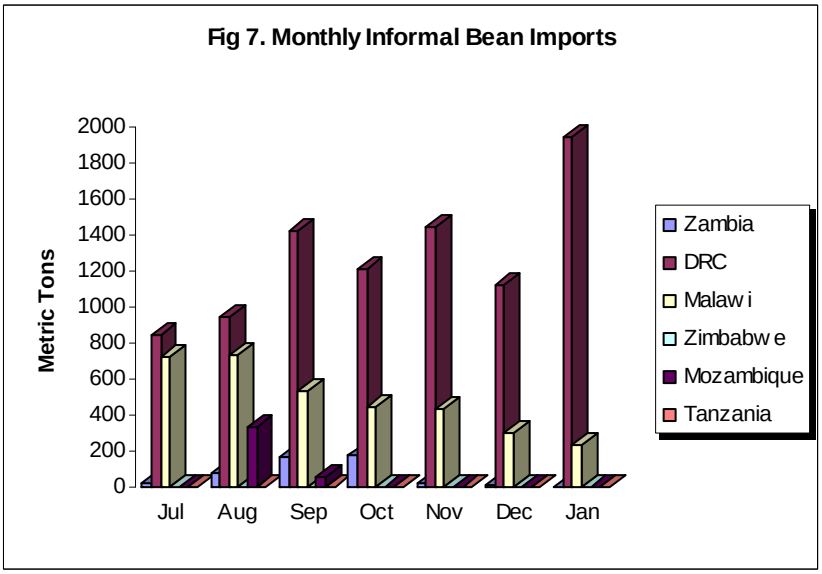
The volume of informal cross border rice trade dropped 24% in January from nearly 3,500 MT in December to close to 2,700 MT. The DRC has dominated the rice trade since the monitoring started. Since August 2004 and save for a drop in October, the DRC has been importing more and more rice from and through Zambia. During December, the DRC imported close to 2,500 MT, representing 90% of the rice trade. Overall, since July, the imports by the DRC account for 71% the total trade. 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. Malawi comes second to the DRC with regards to rice imports. So far, the country has imported nearly 2,000 MT, representing 16% of the total trade. All the rice imports by Malawi come from Mozambique.



Source: FEWS NET/Malawi and IMCS/Zambia

Bean Trade Flows

There was an unexpected increase in bean trade in the region in January. The bean trade which had been going through a season induced decline saw total trade for January soar to close to 2,200 MT from close to 1,400 MT in December. The volume traded in January is similar to what was thought to be the peak of the bean marketing in September at 2,200 MT. The increase in January largely stems from the 1,900 MT exported by Zambia to the DRC. The DRC and Malawi are the major importers of beans with the former largely sourcing its beans from Zambia and the latter from Mozambique.



Source: FEWS NET/Malawi and IMCS/Zambia

Since beans are mostly grown by small-scale farmers who do not normally store significant volumes, the bean trade was expected to decline steadily after the harvest, following trends exhibited by Mozambican exports to Malawi. The underlying cause of the sudden surge in exports from Zambia will be examined further, if it continues.

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

Source	Destination	July	Aug	Sept	Oct	Nov	Dec	Jan	Total
Tanzania	Zambia	91.3	115.1	589.8	713.7	225.1	981.8	441.1	3,157.9
Zambia	Zimbabwe	616.8	636.0	1,409.0	2,242	1,400.0	1,986.0	1,624.0	9,913.8
Zambia	Malawi	146.0	185.0	153.0	144.0	113.9	655.0	690.6	2,087.5
Zambia	Tanzania	-	54.4	17.0	3.7	9.9	6.3	0.5	91.8
Malawi	Zambia	-	-	0.4	0.7	12.9	5.0	7.5	26.5
Zambia	DRC	96.2	-	160.0	495.0	1,333.0	1,226.1	1,596.1	4,906.4
Mozambique	Malawi	9,918.0	12,818.0	10,622.0	6,045.5	6,115.1	8,272.0	6,613.1	60,403.7
Malawi	Tanzania	59.0	121.3	135.0	108.1	55.1	63.0	40.0	581.5
Tanzania	Malawi	-	-	21.6	21.2	71.6	146.0	292.8	553.2
Total Traded (MT)		**10,927.3**	**13,929.8**	**13,107.8**	**9,773.9**	**9,336.6**	**13,341.2**	**11,305.7**	**81,722.3**

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

Source	Destination	July	Aug	Sept	Oct	Nov	Dec	Jan	Total
Tanzania	Zambia	94.3	172.6	93.2	68.5	58.3	23.6	7.9	518.4
Zambia	Tanzania	0.1	0.8	2.4	0	1.4	0.6	0	5.3
Zambia	DRC	775.0	582.5	1,428.0	724.0	1,524.6	1,909.1	2,449.0	9,392.2
Malawi	Mozambique	0.4	0.6	-	0	0	0	0.2	1.2
Zambia	Zimbabwe	2.8	1.6	10.7	3.3	4.4	8.9	6.7	38.4
Mozambique	Malawi	80.0	46.1	27.3	14.4	407.3	1,432.0	149.0	2,156.1
Malawi	Tanzania	291.0	174.4	118.0	35.8	30.3	17.0	1.0	667.5
Mozambique	Zimbabwe	-	-	-	-	58.2	169.2	82.9	310.3
Total Traded (MT)		**1243.6**	**979.2**	**1,679.1**	**846.0**	**2,084.5**	**3,560.4**	**2,696.7**	**13,089.4**

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

Source	Destination	July	Aug	Sept	Oct	Nov	Dec	Jan	Total
Tanzania	Zambia	19.8	75.8	165.5	163.9	13.7	0.8	0.5	440.0
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	52.0	365.0
Zambia	DRC	844.0	946.0	1,425.0	1,210.5	1,440	1,123.9	1,942.2	8,931.6
Zambia	Malawi	0	63.4	0	-	-	0	0.5	63.9
Malawi	Zambia	-	1.1	2.0	9.2	4.0	8.0	3.4	27.7
Zambia	Zimbabwe	0.1	0.3	0.4	0.4	0.0	0.0	0.3	1.5
Mozambique	Malawi	714.0	633.0	505.1	315.0	363.8	256.0	182.6	2,969.5
Malawi	Mozambique	0.7	330.0	60.0	-	0.1	1.0	0	391.8
Mozambique	Zimbabwe	-	-	-	-	0.4	0.8	0	1.2
Total Traded (MT)		**1,583.1**	**2,084.8**	**2,187.1**	**1,828.1**	**1,890.3**	**1,439.5**	**2,181.5**	**13,194.4**

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 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.