Informal Cross Border Food Trade in Southern Africa

Issue 30 March 2007

Monthly Highlights:

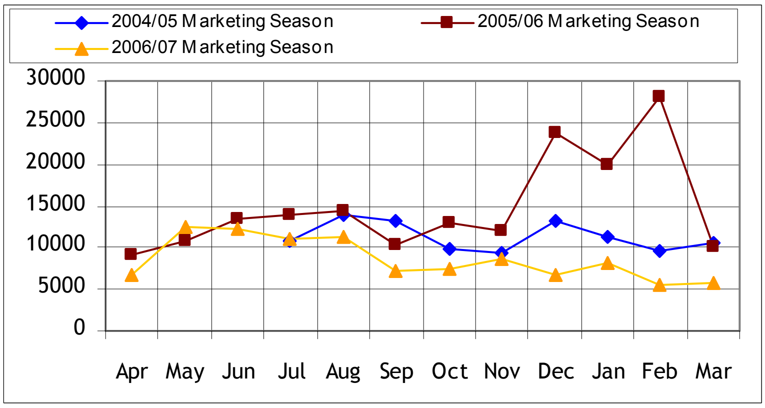
- ***The 120,300 MT, of informal cross border trade in maize, rice and beans captured in the 2006/07 marketing season is below the volumes recorded in each of the past two seasons.***
- ***Mozambique is the largest source of informal trade in maize and rice while Tanzania is the major source of trade beans this marketing season.***
- ***Retail prices for maize are generally lower this season compared to last season due to satisfactory food supply situations in Malawi, Zambia and parts of Mozambique.***
- ***The Malawi Government has removed the ban on maize exports and announced a 400,000 MT official maize export to Zimbabwe.***

Inside this issue:

Overall summary of trade flows

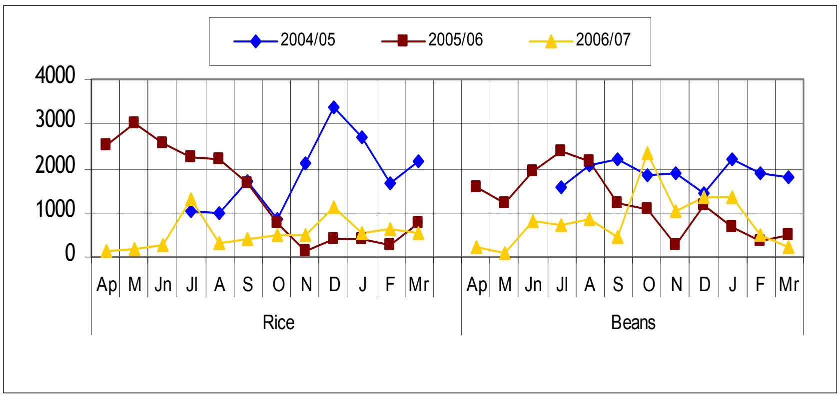
By the end of the 2006/07 marketing season in March, the Southern Africa informal cross border food trade monitoring system had captured a total amount close to 120,300 MT of trade in maize (103,100 MT), rice (7,000 MT) and beans (10,200 MT). The volume of trade captured during this season is below the levels recorded in each of the past two seasons. Compared with last year, informal cross border food trade has declined by 42 percent. Although the monitoring system began in the month of July during the 2004/05 marketing season, the volume of trade captured by the end of that season (in March 2005), at nearly 135,100 MT was 11% higher than the volume captured during the current season. On commodity by commodity basis, almost a similar volume of maize was traded during this season (103,100 MT) as it was in the 2004/05 season (102,000 MT). But, significantly more maize was traded last season at nearly 178,000 MT. With regards to rice, similar volumes were traded in the 2004/05 (16,400 MT) and the 2005/06 (16,600 MT) marketing seasons while the volume of rice trade this season declined to less than half (7,000 MT) of the levels recorded in each of past two seasons.

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



In general, trade in beans has been declining over the past three years. Nearly 16,800 MT of bean trade was captured in the 2004/05 marketing year, and declined to 14,300 MT and to 10,200 MT in subsequent years.

Figure 2: Recorded Informal Cross Border Food Trade in Rice & Beans DRC, Malawi, Mozambique, South Africa Tanzania, Zambia & Zimbabwe



A Technical Steering Committee (TSC) of the Cross Border Food Trade Monitoring Initiative, with funding from USAID and WFP, has prepared this report based o 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 an WFP Malawi, while the rest of the borders are managed by the TSC. Address comments/suggestions to the following e-mail addresses: pmdladla@fews.net, simon.dradri@wfp.org; eric.kenefick@wfp.org orandrzej.golebiowski@wfp.org

Summary of maize trade flows

Figures 3 and 4 summarize informal maize export and import flows during the past three years. As indicated in Figure 3, Tanzania was the biggest informal exporter of maize last marketing season, while Mozambique was the largest exporter during the 2004/05 and 2006/07 seasons. In each of the three marketing seasons, Malawi has been the largest informal importer of maize as depicted in Figure 3. At the close of the marketing season this March, exports by Mozambique accounted for 78% of the trade in maize. Last year, maize exports from Mozambique accounted for 40% of the trade. Actual volume of maize exports from Mozambique this year at 80,750 MT is 13% higher than last year's of 71,270 MT. The major difference between the past two seasons is that Tanzania's exports declined from 98,400 MT last season to just 8,000 MT this season. The lower volume traded this season is a reflection of a weak demand for maize in Malawi and Zambia due to last season's above average harvests in both countries and the good harvest prospects in the ensuing season. Although Zambia experienced some localised crop yield reductions due to flooding and dry spells during this growing season, it is believed this will not impact significantly on its overall cereal production. Meanwhile a stringent trading regime in Zimbabwe makes informal cross border food trade with that country unattractive even though Zimbabwe has had successive cereal deficits the past three years.

Figure 3: Informal Cross Border Maize Exports By Country ('000 MT)

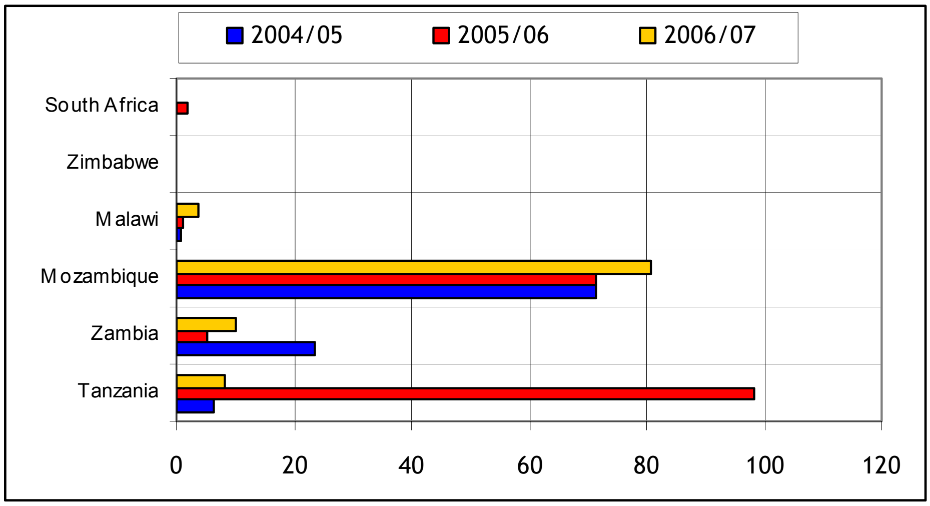
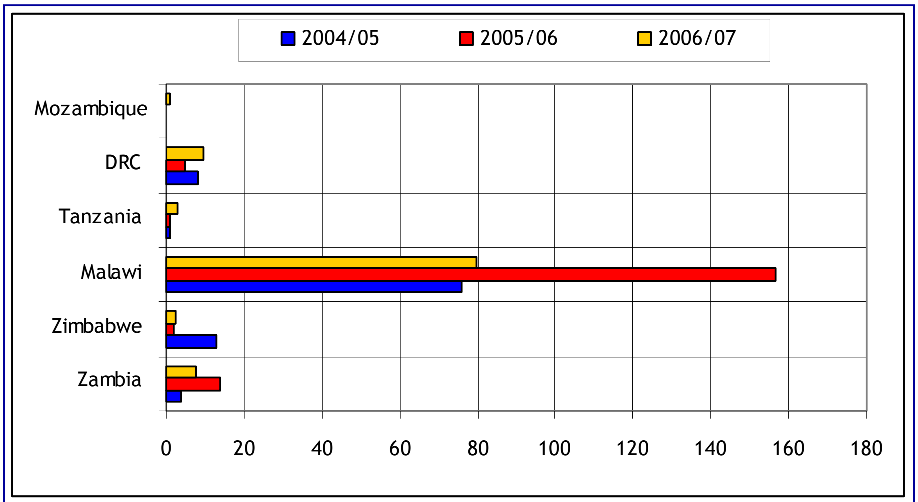


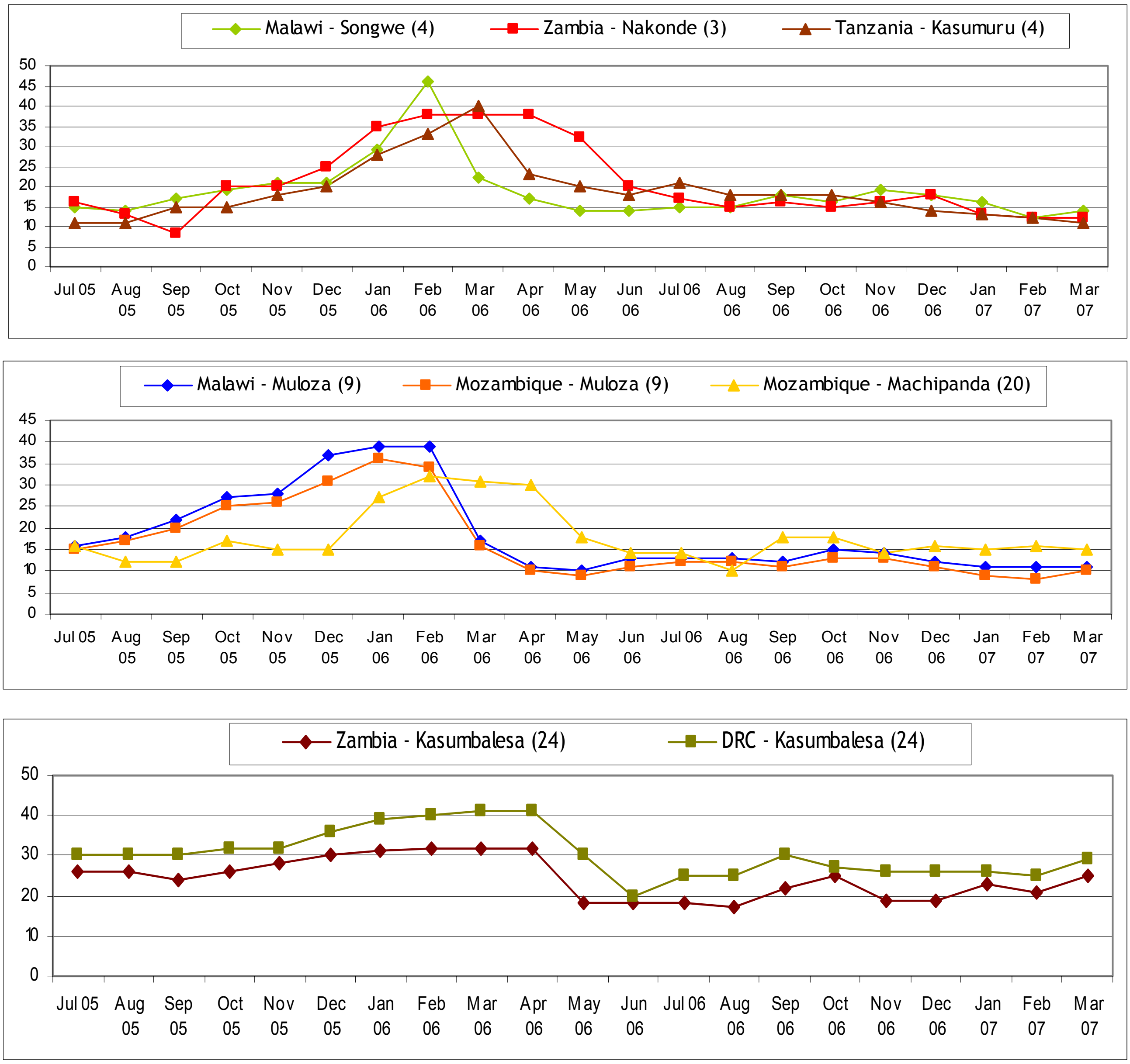
Figure 4: Informal Cross Border Maize Imports By Country ('000 MT)



Malawi declared a maize surplus of over 400,000 MT in the 2006/07 marketing season. Meanwhile the Malawi government is already forecasting another surplus, this time estimated at about 1 million MT, for the 2007/08 marketing season. Given the satisfactory supply of maize in Malawi, and in view of Malawi's status as the largest importer, it is expected that the volume of informal maize trade will decline further in the 2007/08 marketing season beginning in April 2007. It should be noted that the Malawi government has lifted the ban on maize exports and announced a 400,000 MT export to Zimbabwe.

The above is expected to lead to a rise in maize retail prices in Malawi where they currently remain low. It is expected this will in turn attract imports, especially from northern Mozambique where markets are more integrated with southern Malawi that has a chronic production deficit situation. Thus, movement in prices will be a major determinant of trade dynamics. Already, price differentials between **Kasumuru** (Tanzania) and **Songwe** (Malawi) continue to spur grain movement between the two areas (See Figure 5 a). Between April and October 2006, retail prices on the Tanzania side were higher than on the Malawi side and this caused a net flow of maize into Tanzania. However, since November 2006, prices in Tanzania have declined (due to increased maize production in southern Tanzania) and have generally been lower than on the Malawi side, causing a change in the direction of flow of trade from Tanzania into Malawi.

Figures 5a, 5b and 5c: Retail maize prices in selected border points (US$ cents per kg)



Maize Price Trends at Selected Border Points

Figures 5a to 5c depict retail price movements across selected border points in the Southern Africa region. In general retail maize prices have been lower and stable throughout this season compared with the last. This includes the lean period between November and February where prices would normally be higher. During the 2005/06 season, prices were erratic and peaked to unprecedented high levels (above US$0.45 per kilogram) in Malawi's **Songwe** border. On the other hand, this season has recorded some of the lowest prices since the monitoring began. Retail prices at **Milange** (Mozambique) border with Malawi dropped to a US$0.09 per kilogram in January and to US$0.08 per kilogram in February compared with US$0.36 per kilogram and US$0.34 per kilogram during corresponding periods last season. The year on year comparison of maize retail prices for March show significant declines across the board. The steepest price declines in March have been registered on the Malawi/Tanzania border at **Kasumuru** (Tanzania) where prices have dropped by 73% from US$0.40 per kilogram last year to US$0.11 per kilogram this year.

On average, prices have dropped by 30% this year compared with last year. As at the end of March, retail prices have ranged from US$0.10 per kilogram in **Milange** (Mozambique)/Malawi border to US$0.29 per kilogram at **Kasumbalesa** on the Zambia/DRC border compared with US$0.17 to US$0.40 per kilogram last year at the same time. As noted earlier, above average cereal supplies in Malawi and Zambia (Malawi is the main importer) have contributed to depressed local and cross border cereal prices. The generally satisfactory cereal supply situation in most of the monitored countries including Malawi, northern Mozambique, Zambia and southern Tanzania therefore portends reduced trade, and stable and lower prices in the next marketing season starting in April 2007.

Formal exports

According to the South Africa Grain Information Service, as at the end of the marketing year in the monitored countries (April 2006 to March 2007), South Africa officially exported a total of about 201,000 MT (See Figure 6) of white maize to the monitored countries excluding Tanzania. Zimbabwe imported the largest volume at 142,246 MT, followed by Mozambique (47,913 MT) and Zambia (9,378 MT). Imports by Malawi and the DRC were insignificant, at 2,222 MT and 280 MT, respectively.

According to FEWS Net reports, Zimbabwe also imported over 25,000 MT from Zambia. These known levels of formal maize imports/exports by monitored countries puts the significance of informal cross border trade in maize into perspective. This means the 103,000 MT of informal maize trade captured this marketing season represents approximately 40-45% of maize traded in the 6 countries this season.
Source: *South African Grain Service (SAGIS)*

Fig 6: Formal imports of white maize (MT) from South Africa: April 2006 to March 2007

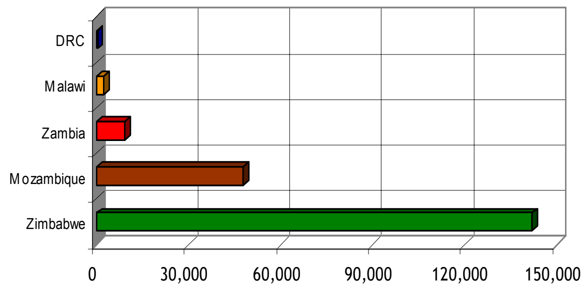


Table 1. Informal cross border trade in rice (MT)

Source	Destination	2004/05 Season	2005/06 Season	Mar 06	Mar 07	2006/07 Season
Tanzania	Zambia	547	641	46	61	557
Malawi	Tanzania	450	135	0	76	1,217
Tanzania	Malawi	70	912	605	0	4
Zambia	DRC	12,644	12,629	33	113	1,697
Zambia	Malawi	0	0	0	0	0
Malawi	Zambia	1	31	0	30	74
Zambia	Zimbabwe	50	106	17	156	803
Mozambique	Malawi	2,532	1,691	32	17	1,718
Malawi	Mozambique	1	12	0	0	1
Mozambique	Zimbabwe	58	399	37	87	850
South Africa	Zimbabwe	0	64	3	2	82
	Total Traded (MT)	16,355	16,620	773	542	7,003

" Tanzania has surpassed Zambia as a major exporter of beans. Zambia has been the major exporter of beans the past two seasons."

Summary of trade in rice and beans

At the end of the marketing season in March 2007, the volume of rice trade captured was 7,000 MT representing a 57 % drop on both last year's and 2004/05 volumes. The trade dynamics for rice were similar to the past two seasons. Rice trade was confined to selected borders, especially those that were on the path to sea gateways.

Rice remained mostly imported from Asia although Malawi has also been exporting locally-grown rice, mostly to Tanzania and Zambia. At the end of the marketing season, the volume of beans informally traded was nearly 10,000 MT representing a decline of 29% over last year's trade and 40% down on the volumes captured in 2004/05. Tanzania has surpassed Zambia as the major exporter of beans. Zambia has been the major exporter of beans the past two seasons.

Table 2. Informal cross border trade in beans (MT)

Source	Destination	2004/05 Season	2005/06 Season	Mar 06	Mar 07	2006/07 Season
Tanzania	Zambia	509	472	8	57	588
Zambia	Tanzania	0	0	0	0	2
Zambia	DRC	12,019	8,231	15	64	2,422
Malawi	Mozambique	417	76	28	8	269
Zambia	Zimbabwe	372	16	1	8	69
Mozambique	Malawi	2,997	2,741	0	10	2,798
Malawi	Tanzania	2	0	0	0	0
Mozambique	Zimbabwe	67	4	0	0	8
Malawi	Zambia	30	19	0	10	268
Tanzania	Malawi	403	2,459	392	74	3,646
South Africa	Zimbabwe	0	325	2	1	83
	Total Traded (MT)	16,816	14,343	500	232	10,153

Annex 1: Trade Tables

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

Source	Destination	Jul-Sep-04	Oct-Dec-04	Jan-Mar 05	2004/05 Season	Apr-Jun 05	Jul-Sep 05	Oct-Dec 05	Jan-Mar 06	2005/06 Season	Apr-Jun 06	Jul-Sep 06	Oct-Dec 06	Jan-Mar 07	2006/07 Season
Tanzania	Zambia	796	1,921	982	3,699	397	7,685	4,201	1,273	13,556	318	751	2632	2,559	6,260
Zambia	Zimbabwe	2,662	5,628	4,816	13,106	86	13	21	62	182	3	0	1	295	299
Zambia	Malawi	484	913	760	2,157	34	36	349	-	419	58	249	45	26	378
Zambia	Tanzania	71	20	2	93	-	-	-	-	-	-	0	0	7	7
Malawi	Zambia	0	19	15	34	8	5	51	17	81	64	65	27	46	202
Zambia	DRC	256	3,054	5,008	8,318	2,477	1,641	531	33	4,682	992	956	3189	4,344	9,481
Mozambique	Malawi	33,358	20,433	17,438	71,229	29,064	26,866	8,981	6,307	71,218	27,479	27,069	15726	7,120	77,394
Malawi	Tanzania	315	226	96	637	103	174	358	309	944	2,358	451	55	64	2,928
Tanzania	Malawi	22	239	2,395	2,656	471	1,211	33,601	49,579	84,862	-	0	183	1,705	1,888
Mozambique	Zimbabwe	-	-	2	2	2	3	-	-	5	4	0	6	2,075	2,085
Mozambique	Zambia	-	-	-	-	5	24	20	-	49	5	111	811	342	1,269
Malawi	Mozambique	-	-	-	-	-	-	-	133	133	-	0	17	574	591
Zambia	Mozambique	-	-	-	-	-	-	-	55	55	2	0	0	0	2
Zimbabwe	Mozambique	-	-	-	-	-	-	-	85	85	15	43	147	89	294
South Africa	Zimbabwe	-	-	-	-	486	921	55	226	1,688	17	8	15	9	49
Total Traded (MT)		*37,965*	*32,452*	*31,512*	*101,929*	*33,133*	*38,579*	*48,168*	*58,079*	*177,959*	*31,315*	29,703	22854	19,255	103,127

Table 4: Informal Cross Border trade in Rice (MT)

Source	Destination	Jul-Sep-04	Oct-Dec-04	Jan-Mar-05	2004/05 Season	Apr-Jun 05	Jul-Sep 05	Oct-Dec 05	Jan-Mar 06	2005/06 Season	Apr-Jun 06	Jul-Oct 06	Oct-Dec 06	Jan-Mar 07	2006/07 Season
Tanzania	Zambia	360	151	36	547	99	184	172	178	641	100	168	165	124	557
Malawi	Tanzania	367	83	0	450	-	61	0	-	135	56	740	106	315	1,217
Tanzania	Malawi	0	0	70	70	3	4	108	797	912	4	0	0	0	4
Zambia	DRC	2786	4157	5701	12,644	6,164	5,661	690	114	12,629	46	231	1125	295	1,697
Zambia	Malawi	0	0	0	0	-	0	0	-	0	-	0	0	0	0
Malawi	Zambia	0	0	1	1	30	1	0	-	31	-	2	12	60	74
Zambia	Zimbabwe	16	16	18	50	15	16	34	41	106	55	141	76	531	803
Mozambique	Malawi	153	1853	526	2,532	1,456	0	152	83	1,691	222	1,155	275	66	1,718
Malawi	Mozambique	1	0	0	1	4	2	0	6	12	-	0	0	1	1
Mozambique	Zimbabwe	0	0	58	58	188	97	45	69	399	99	166	253	332	850
South Africa	Zimbabwe	0	0	0	0	21	19	9	15	64	6	3	67	6	82
Total Traded (MT)		*3683*	*6260*	*6412*	*16,355*	*8,062*	*6,045*	*1,210*	*1,303*	*16,620*	*588*	*2,606*	*2079*	*1,730*	*7,003*

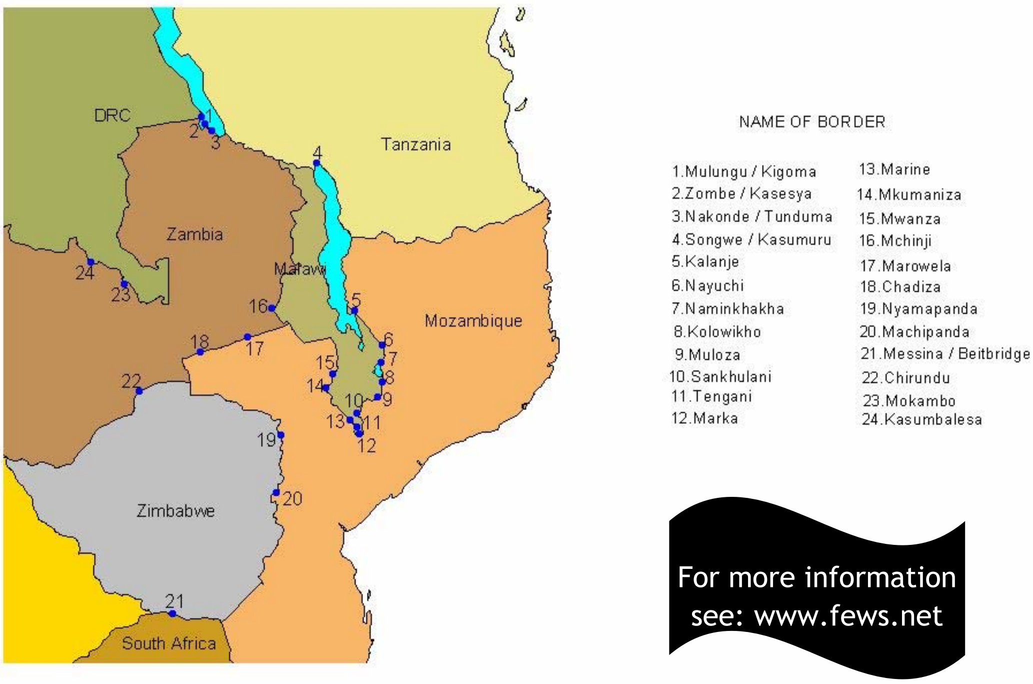
Annex I (continued)

Table 5: Informal cross border trade in beans (MT)

Source	Desti-nation	Jul-Sep-04	Oct-Dec-04	Jan-Mar-05	2004/05 Season	Apr-Jun 05	Jul-Sep 05	Oct-Dec 05	Jan-Mar 06	2005/06 Season	Apr-Jun 06	Jul-Sep 06	Oct-Dec 06	Jan-Mar 07	2006/07 Season
Tanz	Zambia	262	179	68	509	99	223	87	63	472	128	154	73	233	588
Zambia	Tanz	0	0	0	0	-	0	0	-	0	-	0	2	0	2
Zambia	DRC	3215	3775	5029	12,019	3,593	3,740	843	55	8,231	390	350	1558	124	2,422
Malawi	Moz	391	1	25	417	14	29	5	28	76	15	2	0	252	269
Zambia	Zim	0	364	8	372	1	6	3	6	16	28	20	8	13	69
Moz	Malawi	1852	571	574	2,997	683	1,530	463	65	2,741	613	1,383	737	65	2,798
Malawi	Tanz	2	0	0	2	-	0	0	-	0	-	0	0	0	0
Moz	Zim	0	1	66	67	1	1	2	-	4	1	2	4	1	8
Malawi	Zambia	3	21	6	30	3	7	6	3	19	151	64	26	27	268
Tan	Malawi	67	246	90	403	18	68	1,134	1,239	2,459	-	54	2227	1,365	3,646
RSA	Zim	0	0	0	0	165	152	4	4	325	3	2	66	12	83
Total Traded (MT)		***5792***	***5158***	***5866***	***16,816***	***4,577***	***5,756***	***2,547***	***1,463***	***14,343***	***1329***	***2,031***	***3,360***	***2,092***	***10,153***

UN World Food Programme Regional Bureau for Southern Africa, Johannesburg RSA and FEWSNET Regional Office, Pretoria RSA

Cross - Border Monitoring Sites, 2007



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