

SOUTHERN AFRICA Food Security Update

May 2007

Food security summary

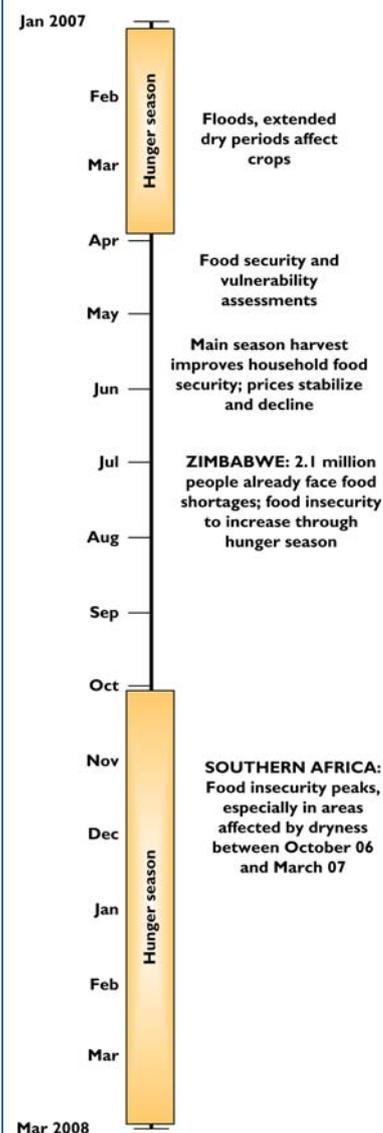
Preliminary estimates at the end of May indicate that while a number of countries in Southern Africa are expecting good cereal harvests this season, many others are facing below-average harvests as a result of El Niño-induced dry spells in some areas and excessive rains and flooding in other parts.

Food security is generally satisfactory across most of the region where production from the on-going harvest is above average following a good crop-growing season. This includes countries to the north of the sub-region, such as Malawi, Tanzania, Zambia and Angola, as well as northern Mozambique. In these areas, the current harvest is the second consecutive season of above-average production, food supplies were generally satisfactory throughout the past consumption period and Malawi, Zambia and Tanzania still have significant carryover stocks from the previous marketing year. Staple food prices have remained stable, and are currently lower than at the same time last year and the past five-year average. Despite the positive harvest outlook, concern remains in localized areas of these countries where the season has been characterized by excessive rains that resulted in flooding, loss of crops and disruption of livelihoods.

In the southern part of the sub-region, erratic and inconsistent rains, lengthy dry spells and unusually hot weather have combined to result in below-average harvest estimates in Botswana, Lesotho, Namibia, Swaziland, Zimbabwe, southern Mozambique and South Africa. Cereal production has been severely reduced as a result of below-average yields, and preliminary estimates suggest levels of production much below last season and the past five-year average. Consequently, the food security situation, which is currently generally satisfactory on account of the recent harvests, is likely to deteriorate very early on in the consumption year. Although many of the affected areas (except South Africa) are structurally grain deficit, this year's projected deficits are more severe than normal, and will necessitate outside assistance (targeted at the most vulnerable populations) as national governments may not have the capacity to cover the entire import requirement.

In Lesotho, Swaziland and Zimbabwe, countries severely affected by the El Niño-related drought, governments requested crop and food supply assessment missions (CFSAMs) from the Food and Agriculture Organization and the World Food Programme to help ascertain the impact of poor rainfall on agriculture and livelihoods and to suggest necessary interventions (by governments, donors and other partners) for relief and rehabilitation. Results of these assessments have been released in all three countries, and the findings point to the existence of widespread food insecurity; 401,200 and 407,000 people are estimated to require food assistance in Lesotho and Swaziland respectively, while in Zimbabwe, 2.1 million people are expected to face food shortages from July, peaking at 4.1 million during the hunger season. In addition to the CFSAMs, more detailed food security and vulnerability analysis is being conducted through on-going national vulnerability assessments not only in the three most-affected countries, but also in Malawi, Mozambique and Zambia. Together, these findings will provide information for consideration by decision makers that will inform response strategies aimed at meeting the needs of the vulnerable and food insecure, and results are expected in June and July.

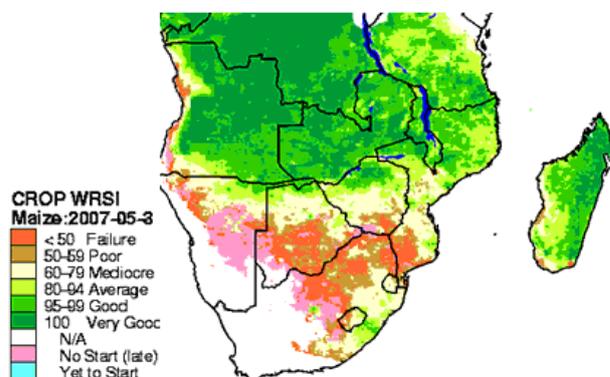
Early Warning Timeline



2006/07 season progress

As of the conclusion of the crop-growing season at the end of May, the impact of the 2006/07 rainfall distribution on the performance of cereal crops was mixed (Figure 1). Most areas in the northern half of the region received enough rainfall to obtain good yields, while the southern half, including Lesotho, South Africa, southern Mozambique, Namibia, Swaziland and southern Zimbabwe, received insufficient rainfall. While the Water Requirements Satisfaction Index (WRSI) in Figure 1 captures well those areas that are negatively impacted by moisture deficits, the model does not indicate areas where crop yields have been adversely affected by excessive rains and subsequent flooding, water-logging and leaching of nutrients from the soil. The image in Figure 1 supports the ground reports that suggest that crop harvest expectations in the region range from very poor in the south, to above average in the north.

Figure 1. Estimated maize crop conditions as of May 30, 2007



Note: crop conditions estimated using the Water Requirement Satisfaction Index (WRSI) for maize
Source: USGS/FEWS NET

Cereal harvest forecasts

Crop forecasting and estimation surveys, which will provide a more accurate indication of food crop production and available food supplies for the 2007/08 consumption year, are currently underway in most countries. Official estimates are expected around June or July, when the ongoing assessments and analysis are complete. The analysis below is based on preliminary indications and early assessments (including the FAO/WFP CFSAMs) of the cropping season across the region.

Table 1. SADC regional preliminary production forecasts: 2006/07 compared to 2005/06 ('000MT)

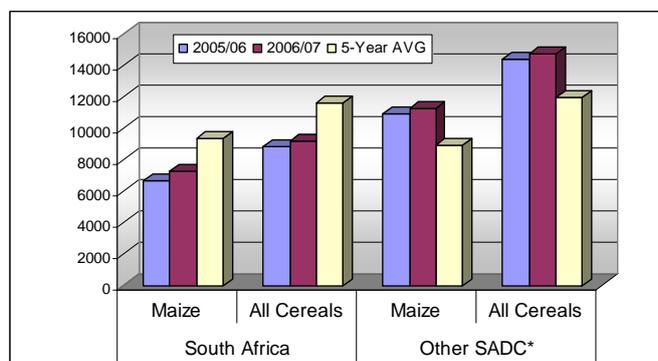
| | Maize | | Wheat | | Sorghum/millet | | Rice | | All Cereals | |
|--------------|---------------|---------------|--------------|--------------|----------------|--------------|--------------|--------------|---------------|---------------|
| | 05/06 | 06/07 | 05/06 | 06/07 | 05/06 | 06/07 | 05/06 | 06/07 | 05/06 | 06/07 |
| South Africa | 6,618 | 7,264 | 2,122 | 1,704 | 96 | 199 | 0 | 0 | 8,836 | 9,167 |
| Other SADC* | 10,868 | 11,260 | 352 | 378 | 2,086 | 1,904 | 1,082 | 1,174 | 14,388 | 14,716 |
| TOTAL | 17,486 | 18,524 | 2,474 | 2,081 | 2,182 | 2,103 | 1,082 | 1,174 | 23,224 | 23,883 |

Data source: SADC Food Security Early Warning System, SADC National Early Warning Units and partners and FAO/WFP CFSAMs
* Excludes South Africa, DRC and Madagascar

Overall regional cereal production increased marginally over last year (3 percent – see Table 1), despite the drought-induced crop-yield reductions in several countries in the south (including South Africa – the major regional cereal producer). This is largely a result of better production prospects in Angola, Malawi and Tanzania, which are expected to balance out the poorer expectations in countries such as Botswana, Lesotho, Namibia, Swaziland and Zimbabwe. In South Africa, harvests are currently forecast at slightly higher levels than last year (4 percent), while for Mozambique and Zambia (where crop forecasts have not yet been issued), indications are for an average to slightly above-average crop.

Cereal production this year in South Africa is slightly improved over last year, but remains well below the

Figure 2. 2006/07 Cereal Production Forecasts Compared to 2005/06 and the past 5-year average ('000 MT)



Source: National Early Warning Units and partners, Central Statistics Offices, SADC FANR and FAO/WFP CFSAM.
* Excludes South Africa DRC and Madagascar.

past five-year average (Figure 2). In contrast, though total cereal output in the other SADC countries is also slightly up from last year's levels, it is significantly (about 23 percent) greater than the past five-year average. This picture emerges as a result of the very mixed harvest expectations across the region, with some countries realizing bumper harvests while others expect some of the lowest crop production on record in the past ten years. The slight improvement in South Africa's total output over last year is due to the 60-percent increase in area planted to maize – yields have dropped from 4.14MT/ha last year to 2.72MT/ha this season as a result of the dry conditions. While on average South Africa produced more than 50 percent of the region's maize in the past five years, this year's share has dropped to about 40 percent.

Cereal availability and demand projections

Despite the marginal increase over last year in total regional cereal production, a much larger cereal gap is projected for the 2007/08 marketing year on account of the reduced carry-over stock availability in South Africa (see the regional cereal supply/demand balance sheet in Table 2). While last year South Africa carried over more than 4 million MT, this year the carryover is only estimated at about 2.8 million MT. As a result, a larger total cereals deficit compared to last year is expected in South Africa, while the rest of the region expects a reduced deficit when compared to last year. However as mentioned before, the regional picture masks the wide variation in expectations among countries of the region. Malawi, Zambia and Tanzania are expecting to cover their national food requirements from the current harvest and their significant carryover stocks, but the rest of the region is projected to face food shortages that, depending on individual countries' commercial import capacities, may or may not be adequately covered.

For those countries where production has been negatively impacted by below-average rainfall performance, critical food deficits are being projected, with preliminary estimates suggesting severely reduced levels of cereal availability compared to last season and

the past five-year average. Of the worst-affected countries, **Lesotho, Swaziland and Zimbabwe** have had several consecutive years of below-normal harvests and critical food shortages. Households have had to rely on the market more than normal as a result, and many have employed negative coping strategies such as selling assets to secure sufficient cash. Food access has been severely curtailed and food insecurity and vulnerability have increased in these countries as a result. The on-going assessments will provide updated indications of the severity of the situation and make projections for the remainder of the 2007/08 season. Already the FAO/WFP CFSAMs have indicated the existence of severe levels of food insecurity among a large percentage of the population in Lesotho, Swaziland and Zimbabwe.

For the countries facing improved production prospects, reduced deficit levels (as in Angola) or surpluses (as in Malawi and Tanzania) are currently projected. In **Malawi**, the second-round crop estimates indicate a 3.4 million MT cereal

Table 2. All Cereals domestic deficit/surplus: 2007/08 projections compared to 2006/07 marketing year ('000MT)

| | Current: 2007/08 Year | | | Last: 2006/07 Year | | |
|---------------------|-----------------------|-------------|------------|--------------------|-------------|------------|
| | South Africa | Other SADC* | Total SADC | South Africa | Other SADC* | Total SADC |
| Opening stocks | 2849 | 930 | 3779 | 4140 | 802 | 4943 |
| Gross Production | 9167 | 14716 | 23883 | 8836 | 14389 | 23225 |
| Availability | 12016 | 15646 | 27662 | 12976 | 15191 | 28167 |
| Gross requirements | 12321 | 17549 | 29870 | 12144 | 17845 | 29989 |
| Desired stock req's | 1610 | 551 | 2161 | 1613 | 681 | 2293 |
| Demand | 13931 | 18100 | 32031 | 13756 | 18526 | 32282 |
| Deficit/Surplus | -1915 | -2454 | -4369 | -780 | -3335 | -4115 |
| Deficit/Surplus** | -305 | -1903 | -2208 | 833 | -2654 | -1822 |

Table 3. Maize domestic deficit/surplus: 2007/08 projections compared to 2006/07 marketing year ('000MT)

| | Current: 2007/08 Year | | | Last: 2006/07 Year | | |
|---------------------|-----------------------|-------------|------------|--------------------|-------------|------------|
| | South Africa | Other SADC* | Total SADC | South Africa | Other SADC* | Total SADC |
| Opening stocks | 1842 | 1037 | 2879 | 3023 | 421 | 3325 |
| Gross Production | 7264 | 11260 | 18524 | 6618 | 10869 | 17489 |
| Availability | 9106 | 12298 | 21404 | 9641 | 11293 | 20934 |
| Gross requirements | 8489 | 11576 | 20065 | 8342 | 12109 | 20451 |
| Desired stock req's | 981 | 512 | 1493 | 982 | 566 | 1548 |
| Demand | 9470 | 12088 | 21558 | 9324 | 12675 | 21999 |
| Deficit/Surplus | -364 | 210 | -154 | 317 | -1385 | -1068 |
| Deficit/Surplus** | 617 | 722 | 1339 | 1299 | -816 | 483 |

Source: National Early Warning Units and partners, and SADC FANR

Excludes DRC and Madagascar. * Excluding South Africa.

** Deficit/Surplus calculated without stock replenishment

harvest and a carryover stock of about 200,000 MT, leaving a maize surplus of more than 1 million MT. In **Tanzania**, the combined harvest from the unimodal (*musimu*) and bimodal (*masika* and *vuli*) harvests will be much better than last year's total harvest. Although the second-season *masika* crop is expected to be mediocre, the short-season *vuli* crop was above average. As a result, overall food supplies in Tanzania will be sufficient to cover domestic requirements, leaving an exportable surplus. In **Angola**, although this year's harvest expectation is normal and expected to exceed last year's, production remains insufficient to cover food requirements, and there are several areas (in Cunene, parts of Uige, Huambo and Benguela) where households face food deficits and are likely to become increasingly food insecure well before the hunger season usually begins in October.

Regional maize availability

The relatively poor maize harvest in South Africa will not only impact domestic cereal availability, but also that of grain-deficit neighboring states that usually import most of their requirements from South Africa. With the poor harvests this year and low carryover stocks from a similarly low harvest last year, maize availability in South Africa could be at one of its lowest levels in the last five years. With a carryover stock of between 1.8 and 2 million MT, total availability is estimated at about 9 million MT at the current production estimates. This quantity will not be sufficient to cover domestic and pipeline requirements; South Africa will have to import substantial amounts (especially of yellow maize) to meet its own requirements plus its export commitments to Botswana, Lesotho, Namibia and Swaziland as well as those of Zimbabwe and Mozambique. Latest reports from the South African Grain Information Service (SAGIS) indicate that South Africa has imported 3,288MT of white maize from neighboring Zambia and Malawi. This is the first such import in many years, and it is likely that more will be brought in as the year progresses, especially if international prices continue to rise as they have been doing in recent months (see regional price analysis below).

Due to the maize shortage in South Africa, grain-deficit countries have also been exploring sourcing their maize requirements from Malawi and Zambia, where surpluses exist. Zimbabwe is reported to have reached export agreements with both Malawi (400,000MT over a 10-month period) and Zambia (of an unspecified amount). As such, Zimbabwe has not imported from South Africa since the 2007/08 marketing year began. Delegations from Swaziland have also been dispatched to Malawi, and some of this year's import requirements are expected to be covered through Malawian imports. The increased demand for Malawi's maize is likely to result in an increase in prices offered to importing countries. Unconfirmed reports suggest that while Zimbabwe was offered a price of US\$190/MT, the price offered to Swaziland has gone as high as US\$250/MT, and that due to the commitments to Zimbabwe, the availability of Malawian exports are now limited.

SPECIAL FOCUS: Maize Price Trends in Southern Africa

Divergent price trends are not unusual in southern Africa. Local maize prices in the region generally reflect local production. International prices also play a direct and significant role, particularly in South Africa, the main maize producer of the region, and in countries that traditionally depend on South Africa for maize imports. Price trends do not always follow similar patterns across the region because markets in southern Africa are generally not well integrated within and especially across borders. Over the past four months, maize prices have been above normal in South Africa and below normal in Malawi, Zambia, Tanzania and northern Mozambique.

Prices are currently high in South Africa and Botswana, Lesotho, Namibia and Swaziland (BLNS)

Maize prices on the South African Futures Exchange (SAFEX), the main grain market in South Africa, are currently above average (Figure 3). These prices have risen steadily since bumper harvests in 2005. In reaction to the low prices that resulted from this surplus production, farmers reduced the crop area planted, leading to below-average 2006 maize production. This low cereal availability, as well as high international maize prices due to increased US demand for maize for use in ethanol production, has caused a steady increase in prices throughout the 2006/07 marketing season (May 2006 through April 2007).

SAFEX maize prices continued to rise in January 2007 from expectations of another below-average harvest due to poor rainfall in South Africa. However, SAFEX prices have fallen considerably since early April, following a decline in international maize prices in response to increased area planted for maize by US farmers. These prices continue to trend downwards. Given the limited availability of maize in South Africa and the high global demand, however, maize prices are not expected to decrease substantially over the course of the 2007/08 marketing year.

High price levels are likely to hamper the ability of South Africa's poorer grain-deficit neighbors to import enough grain to cover their production gaps. Maize prices in BLNS are largely influenced by SAFEX prices, as these countries do not

produce enough to meet their consumption requirements and traditionally source most of their maize from South Africa. Namibia and Botswana have the capacity to import all of their requirements, but Lesotho and Swaziland depend on food aid to meet the needs of their most vulnerable populations. As a result of the high SAFEX prices, food prices have increased at 15.5 percent in Lesotho and 13.5 percent in Swaziland, about twice the rate of overall inflation in the two countries.

Prices remain low in Malawi, Tanzania, Zambia and northern Mozambique

In other countries in southern Africa, local prices depend primarily on domestic availability. Average to above-average harvests are expected in Malawi, Tanzania, Zambia, Angola and northern Mozambique. Production was also above average last year in many of these areas, and food supplies have been generally satisfactory throughout the past consumption period. Consequently, maize prices have remained below average and stable (Figures 4 to 6), and food security has been generally satisfactory as a result. An exception is southern Mozambique, where poor production is expected as a result of insufficient rainfall. Despite trade flows from the surplus-producing regions in northern Mozambique, prices have not decreased in the south as they normally do at this time of year.

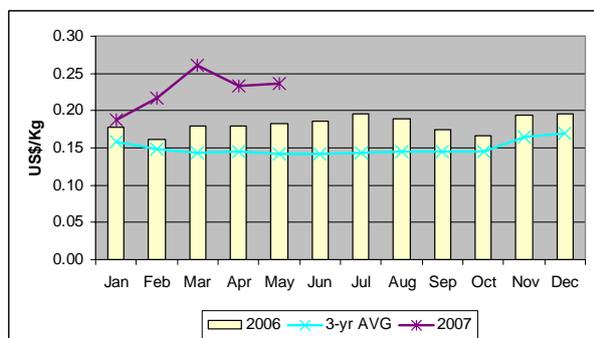
Local maize prices in these countries have been lower than those in South Africa since August 2006 (Figure 7). As a result, for the first time in many years, South Africa recently imported white maize from Zambia and Malawi. However, due to the lack of market integration resulting from high transaction costs, limited transportation capacity and government policy interventions, maize exports from these surplus-producing countries are likely to be limited and prices in these areas are likely to remain low.

Retail maize prices exceptionally high in Zimbabwe

In Zimbabwe, local-currency maize prices have increased by 110 percent between April and May alone. The official 3,700 percent inflation rate is one driver of these maize price increases. Maize scarcity is another driver of increasing prices. The recent harvest is expected to meet less than half of domestic needs as a result of poor rainfall, and farmers and traders with carry-over stocks have been withholding them from the market, as maize holds its value much better than Zimbabwean currency. Although maize availability has temporarily improved following the recent harvest, prices are expected to rise further in response to the recently announced 600 percent increase in official producer prices and as cereals begin to run out because of the below-average harvest. The country will have to import a significant amount of maize from Malawi, South Africa and Zambia at relatively high prices, given the high SAFEX prices and transport and other logistical export constraints of Malawi and Zambia.

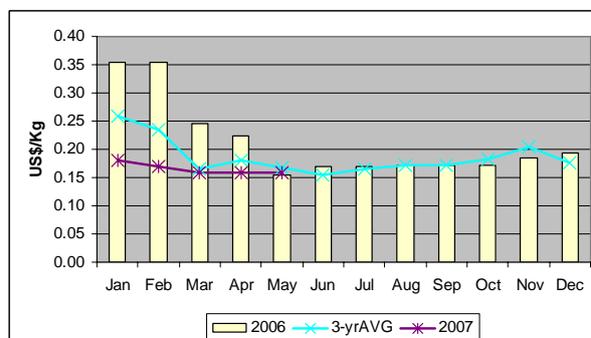
Price comparisons between Zimbabwe and other countries are difficult because of Zimbabwe’s highly inflationary and impositive economic environment. Most exchanges in the country take place in the unofficial parallel market, although in April the reserve bank announced a policy intended to increase government foreign exchange reserves. These reserves may allow the government to purchase more grain on the international market to overcome production shortfalls.

Figure 3. SAFEX White maize Nearby Prices: 3-year Average compared to 2006 and 2007



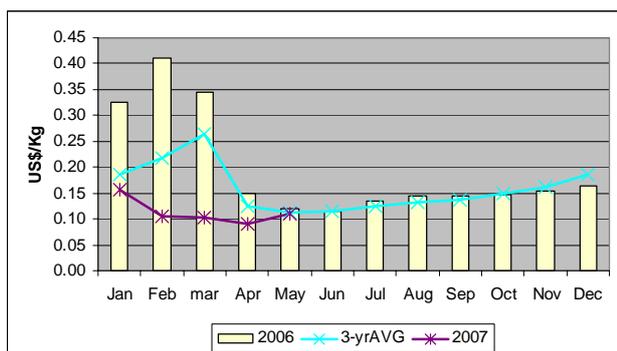
Source: SAFEX

Figure 4. Wholesale Prices of White Maize – Lusaka: 3-year Average compared to 2006 and 2007



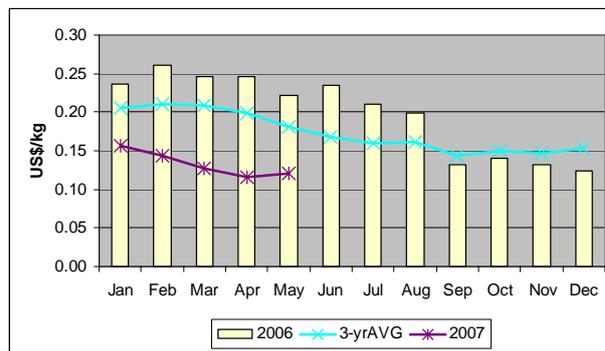
Source: Zambia FEWS NET/CHC Commodities Ltd

Figure 5. Wholesale Prices of White Maize – Lilongwe: 3-year Average compared to 2006 and 2007



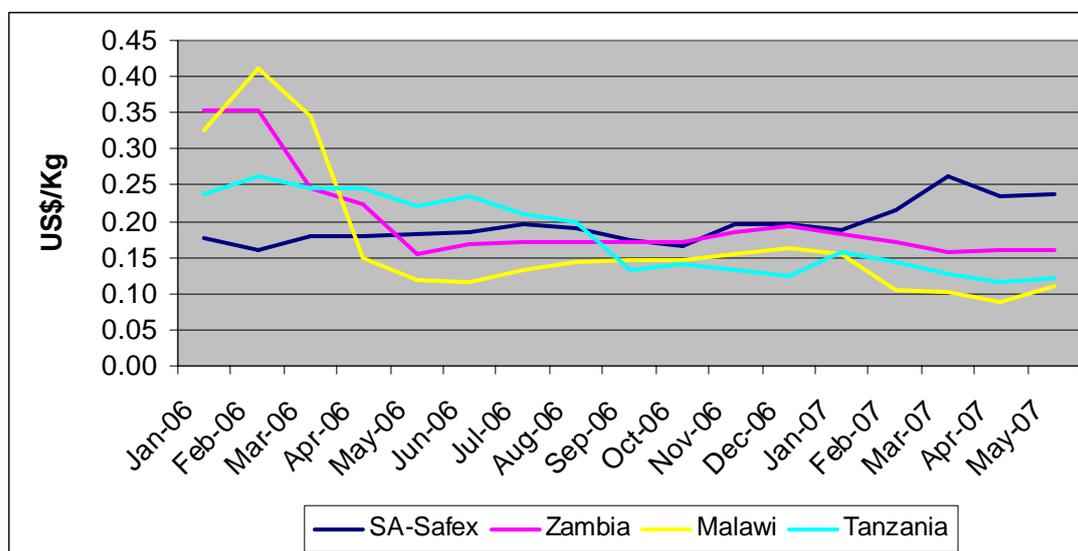
Source: Malawi FEWS NET

Figure 6. Wholesale Prices of White Maize – Dar es Salaam: 3-year Average compared to 2006 and 2007



Source: Tanzania FEWS NET

Figure 7. Wholesale Prices of White Maize – Lusaka, Lilongwe and Dar es Salaam and SAFEX nearby (white maize): Jan 2004 – May 2007



Source: SAFEX and FEWS NET Malawi, Tanzania and Zambia

The Southern Africa Food Security Brief draws from the FEWS NET monthly food security reports, with additional contributions from network partners including FEWS NET/USGS, the SADC Regional Remote Sensing Unit, SADC Regional Early Warning Program – Gaborone and the SADC Regional Vulnerability Assessment Committee comprised of SADC FANR, FAO, WFP, FEWS NET, SC (UK), and OCHA. Additional information is drawn from the national early warning units and meteorology services in SADC member states.