

Southern Africa 2006/07 Mid-Season Update

-----MARCH 2007-----

(Regional and national Updates as of 19 March 2007)

Regional Summary:

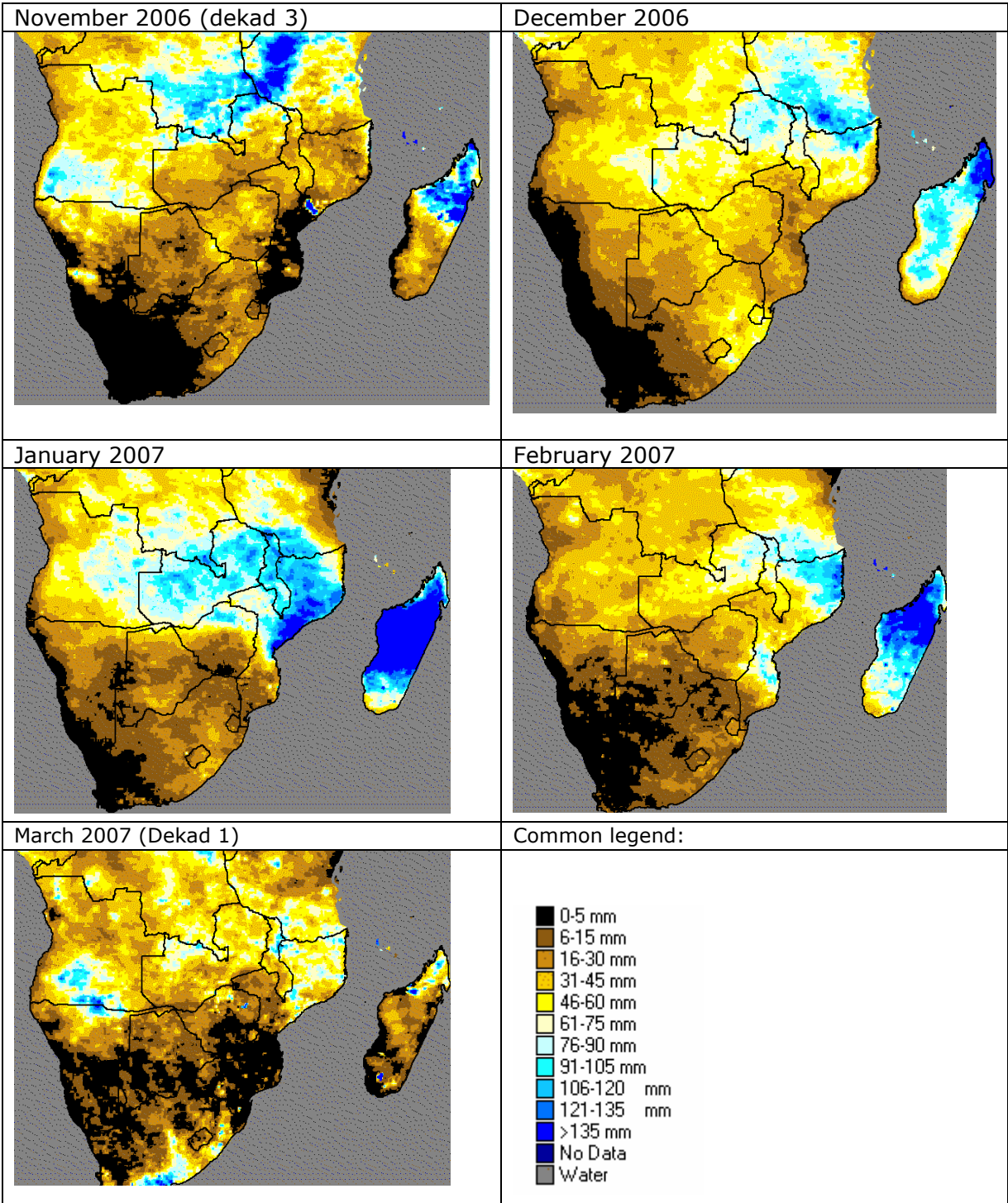
Prospects for the 2007 cereal crops in Southern Africa are mixed, with heavy rains in northern areas, and extended dry spells in southern zones

The second half of 2006/07 agricultural season since January in **Southern Africa** is characterized by heavy rains in northern areas of the region including Angola, Zambia, Malawi, northern Mozambique and Madagascar island and below average rainfall with prolonged dry spells in southern areas covering Namibia, Botswana, South Africa, Lesotho, Swaziland, southern Zimbabwe and southern Mozambique. January-February rains have caused severe flooding in Zambia, Mozambique and Madagascar damaging infrastructure and thousands hectares of standing crops. However, abundant precipitation in other areas is expected improve soil moisture and crop yields.

At the regional level, the area planted to the main maize crop is estimated to have increased. This mainly reflects higher plantings in **South Africa**, where first estimate by CEC indicates that the maize area has expanded from last year's reduced level by about 1 million hectares to some 2.6 million hectares, encouraged by higher prices. However, prolonged dry spells and generally inadequate precipitation in the main maize triangle in the country are expected to reduce yields significantly. Aggregate production is expected to be slightly better than last year's record low level, but below the average of the past five years. Overall, input availability at planting time was normal in most countries including subsidised seed and fertilizer in **Zambia** and **Malawi**. By contrast, in **Zimbabwe**, continuous shortages and/or high prices of key inputs such as fertilizer, fuel, draft animal power and spare parts will likely result in low yields, as in previous years. Dry weather in **Swaziland, Lesotho** and **South Africa, southern Zimbabwe and southern Mozambique** is expected to reduce harvests. Maize prices have escalated in South Africa affecting Swaziland, Lesotho and other dependent markets in the region. Similarly, sustained heavy rains in Madagascar have dampened the rice supplies resulting in steep rise in rice prices. FAO/WFP Crop and Food Supply Assessment Missions (CFSAMs) have been requested by governments in Zimbabwe, Swaziland and Lesotho.



Figure 1: Estimated rainfall from November 2006 to March 2007, southern Africa



Source: NOAA, FAO/GIEWS.

Food Imports and Market Prices:

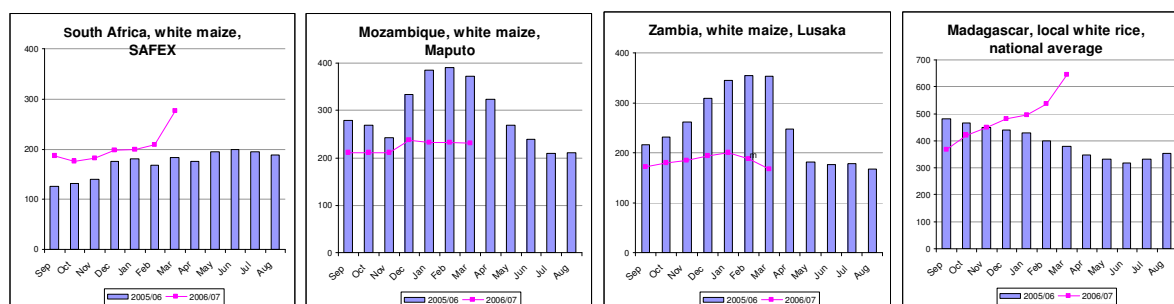
With improved 2006 production from the majority of the countries of the region in 2006, the aggregate cereal import requirement for the 2006/07 marketing year

(April/March in most cases) was estimated at 3.5 million tonnes (excluding South Africa and Mauritius) compared to the actual imports of 5 million tonnes in 2005/06. Based on available figures, by early March only 60 percent of commercial imports and 85 percent of food aid imports had been realized.

In most deficit countries, current prices of maize, the most important staple foodstuff, are much below the corresponding levels a year ago when widespread food shortages were experienced. For example, see Figure 2 with wholesale prices of white maize in the capital city markets in **Zambia** and **Mozambique**. On the other hand, in **South Africa**, the region's main exporting country, current maize prices in US dollar terms are higher than the corresponding levels last year, reflecting a reduced harvest in 2006. Prices are rising rapidly in anticipation of a poor harvest by April 2007.

Changes in the maize prices in local currency have been a little more pronounced than changes in US dollar prices as a result of the weakened Rand in South Africa, but less marked in Zambia due to the strengthening of the Kwacha against the US dollar. In Mozambique, variations in the Metical prices have more or less mirrored changes in the US dollar prices primarily due to this currency's relative stability during this period.

Figure 2: Wholesale prices of white maize in South Africa, Mozambique and Zambia (panels 1 to 3) and of white rice in Madagascar (panel 4)



Sources: South Africa - SAGIS; Zambia - CHC Commodities Ltd.; Mozambique – SIMA; Madagascar - Observatoire du riz.

Notes: South Africa: Futures prices in about 3rd or 4th week of the month (i.e. as close to the spot prices as possible) of white maize. Zambia: Average of weekly prices from selected available series for wholesale white maize prices in Lusaka. Mozambique: Monthly average wholesale price in Maputo. For Madagascar, monthly national average price of local white rice.

Country by country summary:

ANGOLA (16 March 2007)

In **Angola**, moderate rains were reported in February following generally good precipitation in most parts of the country since mid-October. Dry spells were, however, reported in the first half of the season from the East of the country. Reports indicate that there has been an increase in the cultivated area again this year, keeping up the trend of last few years since the signing of peace accord and return of refugees and IDPs. The overall crop prospects point to a recovery from last year's drought affected harvest.

Information on cereal imports is not complete but available data show that cereal imports have been slow and by early March, they amounted to only about 295 000 tonnes, most of them on commercial basis. In Angola food security problems arise due to poor road conditions, underdeveloped marketing systems and due to currently rising maize prices. In spite of the economic boom in the country primarily due to high oil prices, food security for the vulnerable population remains as a concern. Food production and food security in general in the northern areas, where cassava and sweet potatoes are grown, were found to be satisfactory.

BOTSWANA (16 March 2007)

In **Botswana**, the cumulative rainfall for the 2006/07 main season so far has been normal to below normal. Drier than normal weather for the pasture areas of the south and the centre are expected to affect livestock condition in the country. Livestock-raising forms an important part of agriculture through out the country, but particularly in the central and southern areas. Repeated outbreaks of foot and mouth disease, however, have jeopardized the country's beef exports and hurt the livestock industry.

The 2006 main season cereal harvest estimated at 45 000 tonnes represented a significant improvement over the drought-stricken output of the previous year. Consequently, the import requirements for the 2006/07 marketing year (April/March) were reduced by 13 percent from the previous year to a level of 291 000 tonnes; these are expected to be covered through commercial imports. By early March about 220 000 tonnes have been received.

LESOTHO (16 March 2007)

Dry and hot weather experienced in the maize triangle of South Africa has extended into **Lesotho**, seriously affecting crops. Some heavy showers were experienced during mid-October and early-November but extended dry periods have followed since. Large areas of the lowlands remain unplanted due to various factors, such as lack of capital for inputs. Preliminary estimates indicate a drop in area planted under maize, sorghum and wheat despite Government distribution of inputs of seed and fertilizer. Crops in the mountains fared better than those in the southern districts of Mphahle's Hoek, Quthing and Mafeteng, which have reportedly completely failed. Thus, prospects for the new harvest are considered unfavourable. According to the FAO Coordinator, crops grown using Conservation Agriculture techniques in Butha Buthe, Quthing and Maseru Districts are clearly better than crops grown using conventional agricultural methods.

Winter wheat production, harvested earlier this year, was considered good. Average annual wheat production over last five years has been about 20 000 tonnes.

Total cereal import requirements for marketing year 2006/07 (April/March), estimated at little over 200 000 tonnes, are almost the same as year before. By early March a total of about 150 000 tonnes were recorded as imported/contracted. WFP and other donor agencies have a food distribution program in the country which covered some 45 500 beneficiaries in October 2006.

MADAGASCAR (15 March 2007)

In **Madagascar**, sustained heavy rains and four cyclones/tropical storms during January-February have caused serious flooding in several areas throughout the country. Preliminary assessment indicates loss of infrastructure and about 100 000 hectares of paddy land with a potential loss of 130 000 to 200 000 tonnes of paddy. Worst floods affected areas are the capital region of Antananarivo, the north western and western parts of the country and the south east. Abundant rains, however, are expected to have beneficial effect in other parts of the country. On the other hand, there were no significant rains until the first dekad of December in the south. This has affected pasture quality for livestock and delayed the sowing of main season crops. Thus, overall prospects for the current season harvest are mixed at this stage.

With flooding and adverse weather in recent months the average national price of local rice has escalated and was observed at about 1 300 Ariary by the end of February 2007 up from about 1 000 Ariary in December 2006. Besides potential production problems, rice prices in Madagascar in US dollar terms this year have been rising due to rise in the international price of rice and a significant strengthening of the Malagasy currency against the US dollar.

Total cereal imports for the 2006/07 marketing year (April/March) were estimated at 305 000 tonnes, slightly reduced from the previous year's estimated imports. However, import realization has been extremely slow; for example, by early March the available statistics show that the cereal imports were recorded at about 116 000 tonnes, about 40 percent of the total requirement. High international rice and fuel prices and transportation problems are responsible.

According to official figures about 200 000 households or 1 million people in aggregate have been affected by floods and 32 000 households or 150 000 people affected by drought. Emergency food and non food assistance and assistance, mainly seeds for planting of the next season, are urgently required for the most vulnerable affected population. FAO has launched an appeal for US\$850 000 to respond to this emergency.

MALAWI (18 March 2007)

In **Malawi**, the first round of crop estimates has been completed and a maize harvest of 3.15 million tonnes is expected, an increase of 27 percent above last year's bumper crop of 2.47 million tonnes. The rice crop is also good and a harvest of 107 797 tonnes is expected, an increase of 17 percent. Rainfall has been above

normal and generally well distributed, in contrast to neighbouring countries in the region. This year again, the Government of Malawi has provided a 70 percent subsidy on 150 000 tons of fertiliser at a cost of almost \$60 million and close to \$6 million on improved seeds.

As a result of a bumper harvest for 2006 an estimated potential surplus of nearly 200 000 tonnes in addition to a stock build-up to about 250 000 tonnes is estimated. The actual commercial imports of cereals in 2005/06 were estimated at 294 000 tonnes, consisting of mainly wheat, rice and maize. So far only about 175 000 tonnes of total cereals have been imported mainly through cross-border trade into food deficit southern Malawi from surplus producing northern provinces of Mozambique. Roughly half of this is maize, some 47 000 tonnes were imported as food aid. The national average price of maize, collected by the Ministry of Agriculture and Food Security, has come down from a high of 50 Kwacha/kg in February 2006 to below the ADMARC price of 25 Kwacha/kg in most markets in September 2006. Maize prices in January 2007 were: 25.60 Kwacha in Mzuzu in the North, 25 Kwacha in Lilongwe in the Centre and 24.50 in Lwonde in the South (FEWSNet). January 2007 prices are significantly lower than the corresponding prices a year before. A ban on maize exports has been lifted, with up to 80 000 tonnes being cleared for export.

MOZAMBIQUE (15 March 2007)

In **Mozambique**, heavy rains in the country and in neighbouring Zambia, Zimbabwe and Malawi have caused serious flooding in the Zambezi river basin including its tributaries during most of January and February. According to the official figures, by the end of February, the flooding had displaced roughly 163 000 people, submerged over 78 000 hectares of crops and damaged roads and other infrastructure in affected areas. Cumulative rainfall in the north of the country since November has been normal to above normal, while in the south and centre regions, it has been below normal with significant dry weather in the extreme south of the country. Earlier an outbreak of Trypanosomiasis affecting cattle in the Central Region of the country, including Manica, Sofala, Zambezia and Tete Provinces was reported.

Total cereal import requirements (gross) for 2006/07 were estimated at 845 000 tonnes, lower than the actual imports of about 1 million tonnes last year. By early March, total cereal imports were estimated at about 586 000 tonnes. All of these, except 84 000 tonnes of food aid, were commercial imports. In spite of good harvest in Malawi this year, cross border exports from Mozambique have continued as in the past. Reflecting the poor harvest of last year in the south and high export demand in the north from neighboring food deficit Malawi, the average price of maize steadily climbed to a peak of 9 526 Mtk/kg in February 2006 in Maputo and remained substantially higher than for the same period in 2005. However, the post-harvest period prices since April 2006 came down significantly and are at 6 000 Mtk/kg in Maputo early March 2007 (SIMA, Ministry of Agriculture). Since August 2006 they are showing the seasonal upward trend heading towards the usual peak in March-April. In US dollar terms, white maize prices in Mozambique at about US\$ 232/tonne are higher than in South Africa and in Zambia.

Unemployment, poverty and localized food insecurity remain as primary concerns throughout the country in spite of the impressive economic growth (7.7 percent in 2005 according to the OECD) fuelled primarily by foreign investment (commercial, aid and debt relief). The national currency had lost its value against the US dollar from 18 500 Metical/USD at the beginning of 2005 to 29 150 Metical in mid-November 2005. However, more donor assistance and FDI flows have brought strength to the national currency.

NAMIBIA (16 March 2007)

In **Namibia**, prolonged dry spells in January and February have adversely affected crops in spite of a favourable start of the season in northern parts of the country and all agricultural inputs being generally available. The Namibia Early Warning and Food Information Unit puts an early forecast estimate of country's total cereal production at 119 300 tonnes, a drop of about 50 percent from the record harvest of 2006 (officially revised upwards to 181 100 tonnes from an earlier estimate of 110 000 tonnes). The main cause is reduced planted areas in Kavango, Omusati, Oshana and Oshikoto regions, due to irregular rainfall. Although plantings were up by an estimated 10 percent in Caprivi region, flooding from the Zambezi has swamped many of these crops.

Cereal imports in Namibia typically outweigh domestic production. Total cereal imports so far have been recorded at about 76 000 tonnes out of an anticipated requirement of some 134 000 tonnes. Maize prices in Namibia follow very closely the price movements on the South Africa's SAFEX (futures market). The Namibia Agronomic Board floor price for white maize during November was at N\$1.27/kg, down from N\$1.60 in June-July 2006, whereas the SAFEX white maize actual price for the same period stood at N\$1.4 per kilogram (Namibia Early Warning and Food Information Unit's Special Report, 6 December 2006). Low prices in various markets indicate adequate stocks and supplies and reflect a relatively satisfactory food security situation in the country.

SOUTH AFRICA (15 March 2007)

In **South Africa**, lack of adequate rainfall in the maize triangle during the critical January and February crop growth period is expected to have serious negative impact on maize yields this year. Crops in Mpumalanga

and Free State are suffering from severe moisture stress and high temperatures have reduced pollination. Some estimates put reduction in maize yields at some 30-40% this year. However, the official estimate indicates that the area planted to maize at 2.60 million ha is about 63 percent above last year's level, primarily as a result of high maize prices at planting time. Consequently, production is expected to be slightly better than last year's record low level, but below the average of the past five years.

The final official estimate of the last winter wheat crop indicates an output of about 2.12 million tonnes, 11 percent higher than the previous year's level, and above the average of the past five years. This reflects mostly higher yields, as the area planted had declined by about 5 percent.

Despite the 2006 low production, the country is estimated to have an exportable surplus of white maize of about 1.4 million tonnes, more than enough to cover the commercial import requirements of the maize deficit countries in the sub-region, put at about 1 million tonnes.

With the expectation of poor harvests this year, maize prices have shot up; the March 2007 SAFEX futures price stands at Rand 1 981/t, up from Rand 1 408 in January. Prices are expected to climb further as witnessed by the August 2007 futures price currently at Rand 2032/t.

SWAZILAND (15 March 2007)

In **Swaziland**, dry spells have had a significant effect on crops in most parts of the country. Consequently a reduction in food production is anticipated. Maize prices have shot up by about 85 percent since mid-January, whereas in South Africa, the main supplier to Swaziland, prices have increased only by about 40 percent. In spite of input assistance by FAO and the Ministry of Agriculture and Cooperatives, funded by The Netherlands, prospects for maize harvest have become unfavourable.

For the marketing year 2006/07 (May/April) an import requirement gap of about 127 000 tonnes was estimated. As of early March, estimated cereal imports amount to about 92 000 tonnes, all as commercial imports except for 2 500 tonnes of food aid. Currently rising prices of staple foods are affecting seasonally food insecure populations. Furthermore, chronic food insecurity persists throughout the country owing to declining income-earning opportunities and remittances, high levels of unemployment, and the impact of HIV/AIDS. With a self-sufficiency rate for cereals of only about one-third, the Swazi population is dependent on food imports, mostly from South Africa.

ZAMBIA (16 March 2007)

In **Zambia**, heavy rains in January and February throughout the country have caused serious flooding in several areas damaging infrastructure and crops. Severe damage has been reported in Chavuma, Zambezi and Kalabo districts in the west, and Luangwa and Mambwe districts in the southwest; in all 21 out of total 72 districts have been affected by flooding at varying degrees. Abundant precipitation elsewhere in the country is expected to have beneficial impact on standing crops. The overall net effect is yet uncertain as the assessments have not yet completed. Two input distribution schemes were introduced by the Government this year. One by the Ministry of Agriculture and Cooperatives, offering a 60 percent subsidy to 160 000 farmers each receiving 10 kgs of hybrid maize seed, 100 kgs of basal fertilizer and 100 kg of Urea. A second one through the Ministry of Community Development and Social Welfare provided free of charge 5 kgs of hybrid maize seed, 50 kgs of basal fertilizer and 50 kgs of urea top dressing to some 22 000 selected poor farmers.

Owing to a record maize harvest of 1.424 million tonnes in 2006, Zambia is estimated to have a potential exportable surplus of about 180 000 tonnes assuming about 200 000 tonnes of closing stocks. Whether it will be actually exported or not remains to be seen since the Government is controlling the export of maize with a ban on private trader exports (FEWS-Net). Total cereal import requirements, mostly wheat and rice and food aid in the form of different grains for the marketing year 2006/07 (May/April), are estimated at about 100 000 tonnes, comprising of commercial imports and food aid roughly half and half. This is less than half of the actual imports of the last year. So far, total cereal imports have been recorded only to the tune of 55 000 tonnes including some 25 000 tonnes of food aid.

Since the arrival of the new harvest, the average price of maize has come down from about 58 000 kwacha/50 kg bag in Lusaka in March 2006 to the current level of Kwacha 39 843 (CHC Commodities Ltd, February 2007).

Owing to the current floods a plan to assist 140 000 seriously affected people in need of relief supplies is being formulated by the Government with international assistance. The humanitarian needs emanating from this emergency are in addition to a relatively large caseload of chronically vulnerable people as a result of consecutive droughts, lack of access to markets, HIV/AIDS, outbreaks of communicable diseases and poverty.

ZIMBABWE (16 March 2007)

In **Zimbabwe**, although cumulative rainfall has been near normal, the distribution of dekadal rainfall since the beginning of October 2006 has been less than satisfactory causing serious concerns for the upcoming harvest in April/May 2007. In the south-southwest half of the country including Matabeleland South, Matabeleland North, Midlands and Masvingo estimated rainfall has been much below average and below last year's generally satisfactory levels, since 1st dekad of January 2007. This puts significant stress on field crops where they have not already dried up. Rainfall has generally been much better in the north-northeast half of the country covering Mashonaland East, Mashonaland West, Mashonaland Central and Manicaland, but less than normal precipitation in February i.e. during the critical growth stage. This is expected to have an adverse impact on yields of maize, the main staple crop. The El Niño phenomenon, widely predicted to reduce rainfall in during the second half of the season seems to be in effect. Given these weather irregularities (delayed planting rains and extended dry spells) and serious constraints on availability of key inputs such as fertilizer, herbicides, fuel, etc., early prospects for the cereal harvest this year look unfavourable.

Of the 452 000 tonnes of estimated total cereal import requirement for 2006/07 marketing year (April/March), as of early March, about 350 000 tonnes have been reportedly covered but not received. Some 100 000 tonnes of maize from Zambia are expected to be delivered shortly. Commercial import capacity in Zimbabwe is limited by the continuing downward trends in export earnings from main crops such as tobacco and cotton, although this is offset by rising metal export prices as well as official and unofficial remittances from the large number of Zimbabweans (estimated at over 3 million) living outside the country.

Annual inflation in the country continues to spiral upwards with a January 2007 annual inflation rate of about 1600 percent affecting prices for housing, food, fuel and other necessities. The IMF recently stated that inflation could reach 4 279 percent later this year. According to the findings of the Zimbabwe Vulnerability Assessment Committee published earlier, 1.4 million rural people will not be able to meet their minimum cereal needs during the 2006/07 season. This represents about 17 percent of the total rural population, who will require a total of 91 000 tonnes of cereals. In addition, unemployment, lack of incomes and continually eroding purchasing power are increasing the number of food insecure in the urban areas. As the hunger season sets in, access to food is likely to worsen until the arrival of the new harvest in April/May.

The country faces a number of constraints to facilitate access to grain by the majority of the population, particularly in grain cereal deficit areas, including urban areas. Redistribution of grain at the national level will also be difficult. Over the years, the amount of maize intake by the Grain Marketing Board has declined from an average of 34 percent of national production in the 1990's to around 18 percent in the past five years. Given the fact that GMB is by law the only institution allowed to purchase and redistribute maize, this poses a national challenge of redistributing the grain from surplus to deficit areas.