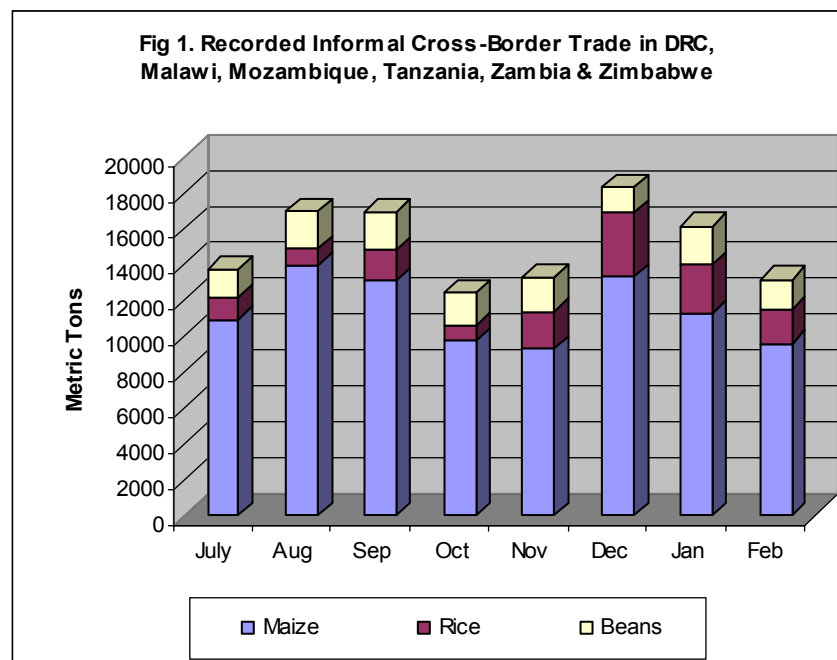


Highlights

- Over 120,000 metric tons of informal food trade recorded since July 2004.
- Volumes of maize, rice and beans traded in February declined due to dwindling on-farm stocks.
- Zambia bans maize exports; holds substantial carry-over stocks due to poor export performance.
- Most of cross border rice traded imported from Asia by a few large scale importers in Malawi and DRC.

Informal Cross Border Trade Flow Overview

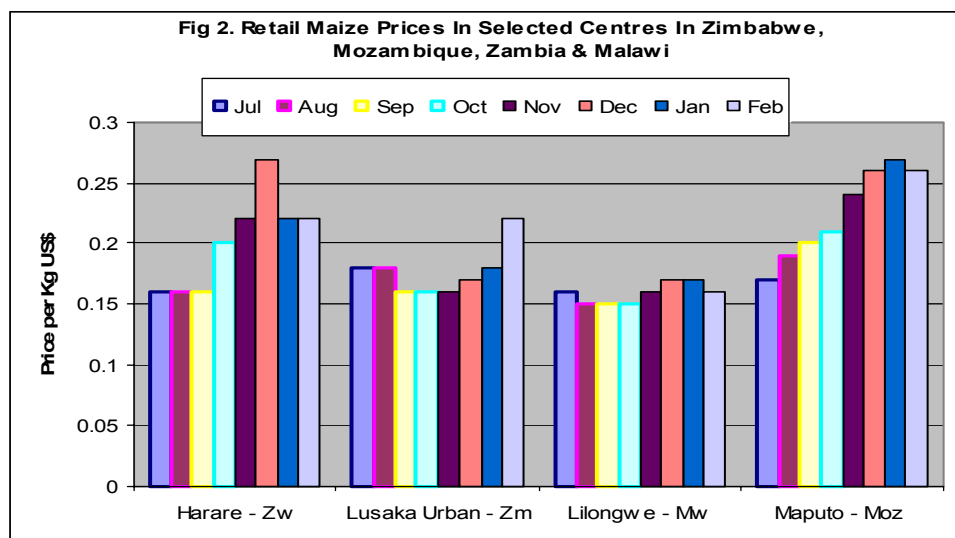
Over 120,000 MT of unrecorded trade in maize, rice and beans in Mozambique, Malawi, Tanzania, Zambia, DRC and Zimbabwe have been captured over the past eight months through the informal cross border food trade monitoring initiative. Maize remains the most traded commodity with 91,000 MT followed by rice (nearly 15,000 MT) and beans (close to 14,800 MT). Maize trade has generally been moving up or down in line with seasonal supply and demand influences as shown in figure 1. The volume of maize traded steadily rose between July and September and bottomed out in October. This could have been due to the fact that during this period, small scale farmers dominate the trade. However, from October, the participation of small scale farmers decreases (as most of their on-farm stocks decline), and large scale farmers (who are better able to store produce and wait for higher prices) begin to release their stocks on the market. This could explain the resurgence of volumes of maize traded in December. The declining trend from January onwards can be attributed to declining stocks both at small and large scale farmer levels. The bean trade has been the most stable, averaging 1,800 MT per month, while rice trade has not been consistent with expected seasonal variations and has fluctuated from one month to the next. This could be attributed to the fact that most of the rice traded is imported from Asia.



Source: FEWS NET and WFP Malawi and TSC

Maize Retail Price Movements In Selected Cities

Figure 2 presents retail maize prices from selected cities in the monitored countries. The figure shows that price trends vary across the countries as the season progresses. In Harare (Zimbabwe) prices rose steadily until December; and then dropped and levelled out in January and February. Similar trends are observed in Maputo (Mozambique) where however prices peaked in January before dropping in February; and in



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

Lilongwe (Malawi) where prices peaked in December and January, and then dropped in February. Lusaka (Zambia) is the only place where there has been a consistent rise in prices since December. A price comparison across the major cities shows that prices are highest in Maputo (US\$0.26/kg), followed by Lusaka and Harare (US\$0.22/kg). Lilongwe (at US\$0.16/kg) has the lowest retail prices among the monitored cities. While consumer prices in figure 2 are a reflection of the general demand and supply situation in the major cities, they do not indicate the direction of flow of cross border food trade as surplus producing areas are in most cases far removed from these major consumption areas.

MARKET WATCH: Slow export progress and trade ban could result in sizable 2005/06 carryover maize stock in Zambia

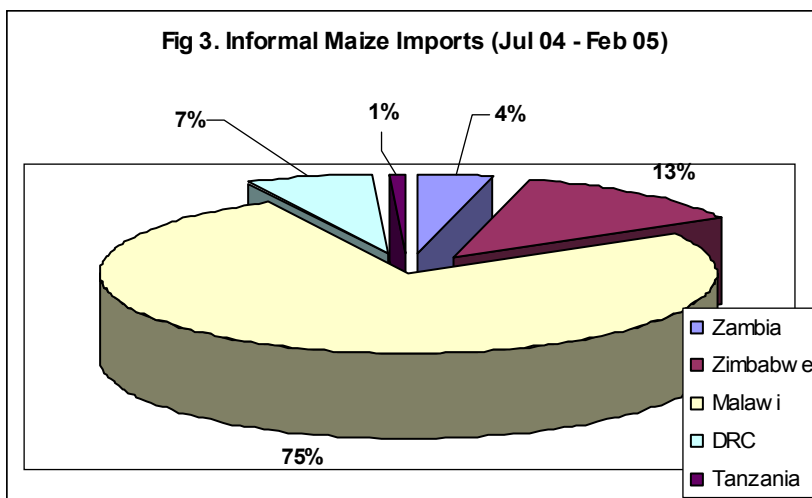
Due to fears of a poor maize harvest in the 2004/05 production season as a result of several factors including erratic rainfall, the Zambian Government has imposed an export ban on maize pending a full assessment of the situation. Even before the ban was imposed, the pace of exports of surplus maize stocks built up over the past two marketing seasons was slow due to inadequate market arrangements. Zambia declared a maize surplus of over 185,000 MT at the beginning of 2004/2005 crop marketing season. The estimated exports to date represent a little over one third of the declared surplus. While full records of exports are not available, it is likely that carryover stock at the beginning of this marketing year (2005/06) will be quite substantial and will boost domestic availability, considerably reducing any food gaps that may arise due to failed harvests.

Indications are that amounts officially exported before the ban fell far short of the amount that was available for export despite neighbouring Malawi and Zimbabwe reporting large grain deficits. At the end of February, available records (not capturing all exports by the private sector) indicated formal exports amounting to 35,000 MT and 20,000MT to Malawi and Zimbabwe respectively while informal exports were indicated at 20,000 MT (about 12,000 MT to Zimbabwe, 6,000 to DRC and 2,000 to Malawi).

Financial constraints, especially the high cost of borrowing, have limited private traders' ability to handle large orders. As a result, Food Reserve Agency (a quasi governmental organisation) dominates formal exports (it supplied 63% of the formal maize exports to Malawi). Other possible factors include higher production and haulage costs which lower the competitiveness of Zambian maize vis-à-vis those of neighbouring South Africa and Tanzania. The recent dramatic drop in South African and international maize prices is likely to have further exacerbated export difficulties faced by Zambian traders. There are also other issues such as inability of traders to consistently meet acceptable export quality standards (clean, sort and grade large volumes of grain sourced from a multitude of small scale producers) and inconsistent administrative and procedural requirements at clearing points (borders) which hinder export grain trade. As a result of these capacity problems, the Malawi Food Reserve Agency cancelled midway, contracts to supply maize by some Zambian suppliers due to non-performance.

Maize Trade Flows

Malawi remains the major beneficiary of informal maize trade. Between July 2004 and February, Malawi imported close to 70,000 MT of maize accounting for 75% of the total maize trade captured. Zimbabwe and DRC came a distant second and third with 13% and 7% of the trade respectively. Malawi imported 93% of its maize from Mozambique. Both Zimbabwe and DRC obtained their imports almost entirely from Zambia. The volume of maize traded fell 15% in February to 9,500 MT compared with the previous month's 11,300 MT. Volume of maize traded is expected to decline further in March due to dwindling on-farm stocks.

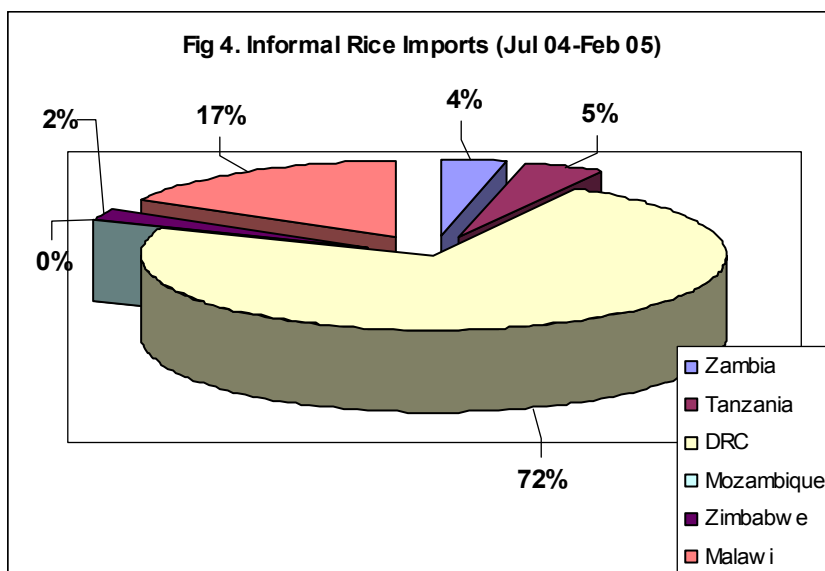


Source: FEWS NET and WFP Malawi and TSC

Erratic rainfall is expected to reduce the 2004/05 harvest in parts of Malawi, Zambia, Zimbabwe and Mozambique. Most countries will be conducting assessments in the coming months to evaluate the magnitude of the problems. Even if the reduced national harvests are confirmed, it is likely that Malawi will continue to receive significant quantities of informal maize from Mozambique. The areas of Zambezia province in Mozambique which supply most of the maize to Malawi have been less affected by the poor rainfall, and southern Malawi remains the primary market outlet for these surpluses due to vast distances and poor internal transportation to deficit areas within Mozambique. On the other hand, DRC and Zimbabwe could see reduced levels of informal maize trade with Zambia.

Rice Trade Flows

The volume of informal cross border rice trade dropped 30% in February from nearly 2,700 MT in January to close to 1,900 MT. The DRC has dominated the rice trade since the monitoring started, accounting for 72% of the total trade captured followed by Malawi (17%) and Zimbabwe (5%).



Source: FEWS NET and WFP Malawi and TSC

Unlike the maize cross border trade in which many small traders participate, rice trade is dominated by a few importers and the trade takes place in only a few of the monitored borders. More than 90% of the informal cross border rice imports by DRC are large scale imports through Kasumbalesa from Asia by a few importers. Over 98% of Malawi's total

rice imports are made by two large scale importers who route the imports through Mozambique and use two Malawian border posts of Nayuchi and Mwanza. It is estimated that less than 10% of the rice traded originates from any of the monitored countries. Only about 7 out of the 26 borders being monitored are active for rice trade and these include Chirundu (Zambia/Zimbabwe), Tunduma (Zambia/Tanzania), Machipanda and Cuchamano (Mozambique/Zimbabwe), Kasumbalesa (Zambia/DRC), Mwanza and Nayuchi (Malawi/Mozambique). A common feature of all these borders is that they are transit routes from

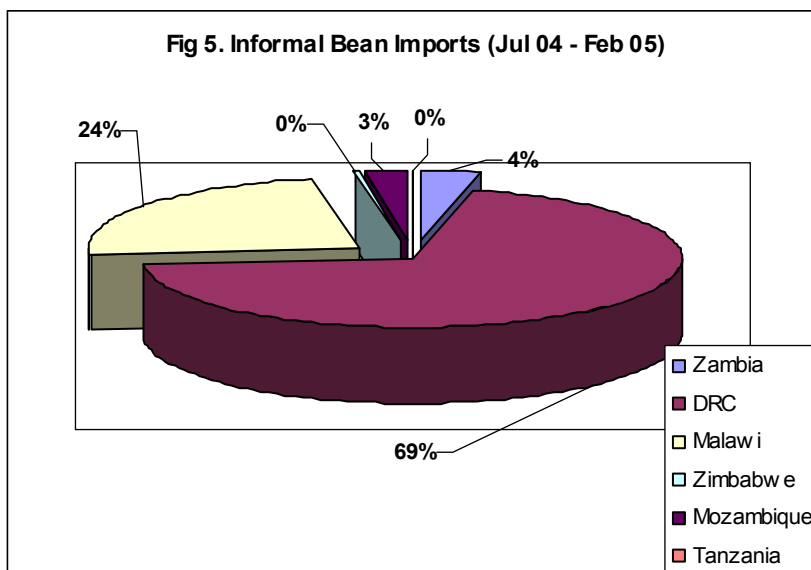
the ports of Dar es Salaam and Durban in Tanzania and South Africa respectively confirming the fact most of the rice is sourced from beyond the region.

Bean Trade Flows

Nearly 14,800 MT of bean trade has been captured between July and February. The DRC (69%) followed by Malawi (24%) are the major importers of beans. Zambia, Mozambique and Tanzania are the major suppliers. Some of the beans exported to DRC by Zambia are imported from Tanzania.

The bean trade has been fairly stable averaging 1,800 MT per month. This could be due to fact that both Tanzania and Mozambique are able to have two crops of beans in a season.

Bean trade is largely confined to a few border areas surrounding surplus production areas including Songwe (Malawi/Tanzania), Kigoma (Tanzania/Zambia), Cuchamano (Mozambique/Zimbabwe) and Kalanje (Mozambique/Malawi). Little fluctuation in volumes of beans traded is anticipated over the next few months as most areas being monitored will start harvesting beans towards the end of March.



Source: FEWS NET and WFP Malawi and TSC

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

Source	Destination	Jul-Sept-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Total
Tanzania	Zambia	796.2	713.7	225.1	981.8	441.1	453.6	3,611.5
Zambia	Zimbabwe	2,661.8	2,242	1,400.0	1,986.0	1,624.0	1,764.0	11,677.8
Zambia	Malawi	484.0	144.0	113.9	655.0	690.6	42.5	2,130.0
Zambia	Tanzania	71.4	3.7	9.9	6.3	0.5	0	91.8
Malawi	Zambia	0.4	0.7	12.9	5.0	7.5	2.6	29.1
Zambia	DRC	256.2	495.0	1,333.0	1,226.1	1,596.1	1,345.0	6,251.4
Mozambique	Malawi	33,358.0	6,045.5	6,115.1	8,272.0	6,613.1	5,055.6	65,459.3
Malawi	Tanzania	315.3	108.1	55.1	63.0	40.0	33.9	615.4
Tanzania	Malawi	21.6	21.2	71.6	146.0	292.8	900.2	1,453.4
Mozambique	Zimbabwe	-	-	-	-	-	2.2	2.2
Total Traded (MT)		37,964.9	9,773.9	9,336.6	13,341.2	11,305.7	9,599.6	91,321.9

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

Source	Destination	Jul-Sept-04	Oct-04	Nov-04	Dec-04	Jan-04	Feb-04	Total
Tanzania	Zambia	261.1	163.9	13.7	0.8	0.5	7.1	447.1
Malawi	Tanzania	2.2	-	0	0	0	0	2.2
Tanzania	Malawi	66.6	129.1	68.3	49.0	52.0	57.8	422.8
Zambia	DRC	3,215.0	1,210.5	1,440	1,123.9	1,942.2	1,369.0	10,300.6
Zambia	Malawi	63.4	-	-	0	0.5	0	63.9
Malawi	Zambia	3.1	9.2	4.0	8.0	3.4	1.0	28.7
Zambia	Zimbabwe	0.8	0.4	0.0	0.0	0.3	0	1.5
Mozambique	Malawi	1,852.1	315.0	363.8	256.0	182.6	226.2	3,195.7
Malawi	Mozambique	390.7	-	0.1	1.0	0	0	391.8
Mozambique	Zimbabwe	0	-	0.4	0.8	0	1.5	2.7
Total Traded (MT)		5,855.0	1,828.1	1,890.3	1,439.5	2,181.5	1,662.6	14,857.0

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

Source	Destination	Jul- Sept-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Total
Tanzania	Zambia	360.1	68.5	58.3	23.6	7.9	61.4	579.8
Zambia	Tanzania	3.3	0	1.4	0.6	0	0	5.3
Zambia	DRC	2,785.5	724.0	1,524.6	1,909.1	2,449.0	1,545	10,937.2
Malawi	Mozambique	1.0	0	0	0	0.2	1.7	2.9
Zambia	Zimbabwe	15.1	3.3	4.4	8.9	6.7	8.2	46.6
Mozambique	Malawi	153.4	14.4	407.3	1,432.0	149.0	177.1	2,333.2
Malawi	Tanzania	583.4	35.8	30.3	17.0	1.0	0	667.5
Mozambique	Zimbabwe	0	-	58.2	169.2	82.9	65.4	375.7
Tanzania	Malawi	0	-	-	-	-	25.3	25.3
Total Traded (MT)		3,901.9	846.0	2,084.5	3,560.4	2,696.7	1,884.1	14,973.6

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 26 borders, with new borders being added as necessary. Data from borders surrounding Malawi are collected and managed by FEWS NET and WFP in 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; pmdladia@fews.net, and stein.vikan@wfp.org.