

Informal Cross Border Food Trade In Southern Africa

Issue 10

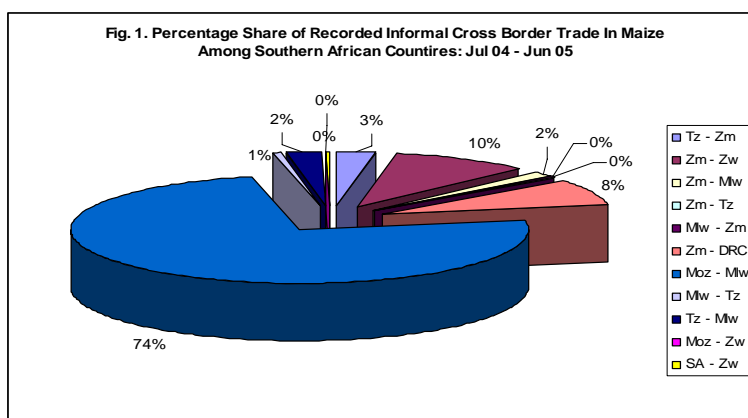
June 2005

Highlights

- Mozambique maize exports into Malawi account for three quarters of recorded informal trade.
- Ease of access by Mozambican farmers to markets in southern Malawi and absence of undue government interference on informal trade spurs Mozambique - Malawi trade.
- Maize trade is structured and competitive, and prices are set largely by supply and demand forces.

Mozambique – Malawi Exports Dominate Regional Informal Cross Border Trade

Mozambique's informal maize exports to Malawi dominate the informal food trade among seven Southern African countries that include the Democratic Republic of Congo, Malawi, Mozambique, Tanzania, South Africa, Zambia and Zimbabwe. Mozambique's maize exports to Malawi account for 74% of the captured trade since monitoring began in July 2004; and its share of the trade is likely to be higher in the current marketing season (89% so far) compared with last season (70%) as Zambia (last season's second major exporter), has since imposed a maize export ban due to a poor harvest.



Source: FEWS NET and WFP Malawi; TSC

In order to understand the trade dynamics between southern Malawi and northern Mozambique, the Southern Africa informal cross border food trade monitoring initiative in conjunction with FEWS NET Malawi and Mozambique, and the Agriculture Information Service of Mozambique's Ministry of Agriculture (SIMA) recently conducted a rapid assessment mission at the Milange (Mozambique) and Muloza (Malawi) border point and at Mandimba (Mozambique) and Kalanje (Malawi) border point. The two border points contribute the highest volumes of trade between the two countries.



Figure 1: Cyclists transporting maize from Milange (Mozambique) to Muloza (Malawi)

The Mozambique – Malawi Trade Dynamics

Southern Malawi, which is virtually surrounded by Mozambique, is the most populous region of Malawi, and a major consumption area particularly of the maize staple crop. However, the region is agriculturally poor and is often a food deficit area. On the other hand, northern Mozambique is a low cost maize producing

area, but is far removed from the major consumption areas of southern Mozambique. As a result, southern Malawi is the most viable market for produce from northern Mozambique which is also enhanced by the less restrictive trade regime as well as the porous nature of the borders. The mission noted that informal cross border trade between Mozambique and Malawi is highly beneficial to both countries. On both sides of the border, it provides a means of livelihood for those directly involved in the trade (traders, agents, and transporters, among others) while providing a vital access to markets for Mozambican farmers. In addition, the Mozambican population in these areas depend on Malawi as a main source of consumer goods such as soap, salt, sugar and clothing. On the Malawian side, the trade provides a cheaper source of food, most especially in deficit years like this year.

Flow of Trade

Trade in commodities including maize, beans and pigeon peas flows from Mozambique to Malawi and is largely left unhindered by both governments. At both Milange-Muloza and Mandimba-Kalanje borders, the trade is well structured and involves a number of actors. The following is the sequence of activities as maize moves from the farmer in Mozambique to the consumer in Malawi at the Milange-Muloza border point.

Agents (usually commissioned by small scale traders from Malawi) go in search of maize at the farm gate or local markets in Mozambique. These agents are mostly Mozambican nationals, although some Malawians also participate. They gather the maize from distances of up to 200 km from the border. Once they have sourced enough maize, they hire trucks to transport it to assembly points at the Milange border. The assembly points provide a point of entry into the trade for those traders who do not have agents procuring for them at the farms.

Maize has to be stored at the assembly points when onward sales and transportation are not transacted on the same day. Warehouses are rented out at the rate of MK2.00/bag per night. Due to high demand for the maize, it is rare however for maize to remain in storage in a Mozambican warehouse for more than one night.

In order to avoid the bureaucracy and high costs associated with cross border vehicular transportation, traders opt to transport the maize across the borders using bicycles (Figure 1). This involves hundreds of cyclists and is organised as follows:

- The trader buys the maize at an assembly point in Milange (Mozambique) and identifies a bicycle transport “broker” to ferry the maize across to Muloza (Malawi);
- The “broker” in turn hires cyclists and facilitates their border crossings, including the payment of customs levy of MK8.00 (MK10.00 in Mandimba) on the Mozambican side. The “brokers” receive MK5.00 (1USD equals MK122) for each bag delivered across the border while the cyclists receive MK20.00 per bag delivered;
- The trader re-assembles the consignment and hires trucks to ferry the maize from the border to Blantyre or other towns (about MK65.00 per 50kg bag). This way, thousands of tonnes of maize cross the borders at the cost of MK25.00 per bag (50 – 90 Kg) every day. In most cases, the maize is imported from Mozambique in 90 Kg bags but once on the Malawi side it is re-packaged into 50 Kg bags (Figure 2).



Figure 2: Maize being repackaged into 50kg bags at Muloza



Figure 3: Maize being readied for transportation to urban markets of Malawi

The Malawi border (Muloza) also acts as an assembly point for medium and large scale traders, mainly based in Blantyre and other big towns. Here it also becomes necessary to store maize when all of it has not been sold on the same day. Warehouses with a carrying capacity of 500 bags cost MK2, 000 per month at Muloza.

The currency of transaction is the Malawian Kwacha which for the Milange-Muloza area is accepted up to 120 kilometres inside Mozambique. The choice of the currency reflects and is determined by the fact that the population in this part of Mozambique access most of their consumer goods and sometimes health facilities from Malawi. The exchange rate at the borders (Kwacha vs Meticais) at the time of the visit was MK1 to 180 MT. However, the mission found that the exchange rate had limited impact on the prices and volumes of maize traded at the Milange-Muloza border. At the Mandimba-Kalanje border area, the situation was slightly different as it was reported that Mozambican farmers do not accept the Malawi currency beyond an 80km radius. This is largely related to the fact that they spend their proceeds within Mozambique as opposed to the situation at the Milange-Muloza border area.

Price Analysis

The mission established that the large numbers of agents and traders contributes to the competitive price of maize at the assembly points. At Milange-Muloza, the price of maize at MK17.80/kg in June was respectively 11% and 13% higher than the May (MK16.00/kg) and April (MK 15.00/kg). However, volumes of trade captured in June (6,300MT) were 15% higher compared with the situation in May (5,500 MT). On the other hand, transportation costs (most especially movement of maize across the border using bicycles) remained unchanged. Transportation costs beyond certain distances inside Mozambique render the maize trade with Malawi unprofitable; consequently, traders and agents carry out purchases in locations close to the borders and move inwards only as supplies in the border areas diminish.

The summary of analysis of the prices and marketing costs at different stages at the Milange-Muloza border are presented in Table 1 below.

Table 1: The Cost Structure of Marketing Function

The analysis shows that transportation costs (consisting of 2.5% cycle costs across the border and 6.6 % haulage costs to Blantyre) are the largest marketing cost in the informal cross-border trade. This amounts to about 10% of the value of maize delivered in Blantyre. Storage costs were found to be generally low, about MK6.00 per 50 kg bag. There is generally high turnover of transaction with the outcome that maize storage rarely exceeds one to two days in transit at the border points. There are no customs levies on the Malawian side of the border, but token charge (MK8.00-10.00 per bag) at the Mozambican crossing, which is about 1% of total value.

Activity/Function	MK/50Kg Bag
Farm-gate price (80km radius)	870.00
Trading/Assembly point (Milange)	890.00
Storage (Milange)	2.00
Transport (Cyclists)	20.00
Transport (Brokers)	5.00
Customs (Mozambique post)	8.00
Storage (Muloza)	4.00
Trading/ Assembly point (Muloza)	925.00
Transport (Muloza to Blantyre)	65.00
Total Cost (Blantyre)	990.00
Consumer Price (Blantyre)	1043.00

Mozambican farmers received about 87.9% of the overall value of maize delivered in Blantyre or 83% of consumer price there.

Source: Interviews with stakeholders 28 – 30 June 2005

Analysis of import parity for one metric ton of maize delivered in Blantyre through this informal import was established to be approximately US\$165.00. This compares with the cost of official imports from South Africa of approximately US\$250 per metric ton. It must be pointed out however, that direct comparison of parity prices of the two sources of imports for Malawi as a basis for formal imports could be misleading. Informal imports from Mozambique still need further processes including cleaning and sorting to reach the international quality standards of formal imports.

Trade Flow Tables

Informal trade flow data for maize, rice and beans recorded from July 2004 to June 2005 between Malawi, Mozambique, Zambia, Tanzania, Zimbabwe and the DRC are presented in the annex to this report.

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 29 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; pmdladla@few.net; simon.dradi@wfp.org and stein.vikan@wfp.org.

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

Source	Destination	2004/05 Season								2005/06 Season			
		Jul-Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total	Apr	May	Jun	Total
Tanzania	Zambia	796	714	225	982	441	454	87	3,698	15	123	259	102
Zambia	Zimbabwe	2,662	2,242	1,400	1,986	1,624	1,764	1,428	13,106	84	0	2	86
Zambia	Malawi	484	144	114	655	691	43	26	2,156	8	9	17	34
Zambia	Tanzania	71	4	10	6	1	0	1	93	0	0	0	0
Malawi	Zambia	0	1	13	5	8	3	4	33	2	3	3	8
Zambia	DRC	256	495	1,333	1,226	1,596	1,345	2,067	8,318	1,893	329	255	2,477
Mozambique	Malawi	33,358	6,046	6,115	8,272	6,613	5,056	5,769	71,229	6,829	9,576	12,659	29,064
Malawi	Tanzania	315	108	55	63	40	34	22	637	33	0	70	103
Tanzania	Malawi	22	21	72	146	293	900	1,202	2,655	108	256	107	471
Mozambique	Zimbabwe	-	-	-	-	-	2	0	2	0	0	2	1.6
Mozambique	Zambia	-	-	-	-	-	-	-	-	-	2	3	5
South Africa	Zimbabwe	-	-	-	-	-	-	-	-	-	352	134	486
Total Traded (MT)		37,965	9,774	9,337	13,341	11,306	9,600	10,606	101,928	8,972	10,653	13,642	33,267

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

Source	Destination	2004/05 Season								2005/06 Season			
		Jul-Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total	Apr	May	Jun	Total
^A Tanzania	Zambia	261	164	14	1	1	7	21	468	3	53	51	104
Malawi	Tanzania	2	-	0	0	0	0	0	2	0	33	41	74
Tanzania	Malawi	67	129	68	49	52	58	12	435	1	0	2	3
Zambia	DRC	3,215	1,211	1,440	1,124	1,942	1,369	1,883	12,183	1,975	1,865	2,324	6,164
Zambia	Malawi	63	-	-	0	1	0	0	64	0	0	0	0
Malawi	Zambia	3	9	4	8	3	1	0	29	30	0	0	30
Zambia	Zimbabwe	1	0	0	0	0	0	11	12	5	4	6	15
Mozambique	Malawi	1,852	315	364	256	183	226	151	3,347	453	1,000	3	1,456
Malawi	Mozambique	391	-	0	1	0	0	0	392	0	0	4	4
Mozambique	Zimbabwe	0	-	0	1	0	2	58	61	34	25	129	188
South Africa	Zimbabwe	-	-	-	-	-	-	-	-	-	17	4	21
Total Traded (MT)		5,855	1,828	1,890	1,440	2,182	1,663	2,136	16,993	2,500	2,997	2564	8058

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

Source	Destination	2004/05 Season								2005/06 Season			
		Jul-Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total	Apr	May	Jun	Total
Tanzania	Zambia	360	69	58	24	8	61	6	585	0	57	42	99
Zambia	Tanzania	3	0	1	1	0	0	0	5	0	0	0	0
Zambia	DRC	2,786	724	1,525	1,910	2,449	1,545	1,542	12,479	1,320	844	1,429	3,593
Malawi	Mozambique	1	0	0	0	0	2	22	25	0	5	9	14
Zambia	Zimbabwe	15	3	4	9	7	8	0	47	0	0	1	1
Mozambique	Malawi	153	14	407	1,432	149	177	214	2,547	131	144	408	683
Malawi	Tanzania	583	36	30	17	1	0	0	668	0	0	0	0
Mozambique	Zimbabwe	0	-	58	169	83	65	1	377	0	1	0	1
Malawi	Zambia	-	-	-	-	-	-	3	3	0	1	2	3
Tanzania	Malawi	0	-	-	-	-	25	13	38	0	0	18	18
South Africa	Zimbabwe	-	-	-	-	-	-	-	-	-	162	3	165
Total Traded (MT)		3,902	846	2,085	3,560	2,697	1,884	1,799	16,773	1,451	1,214	1,912	4,577