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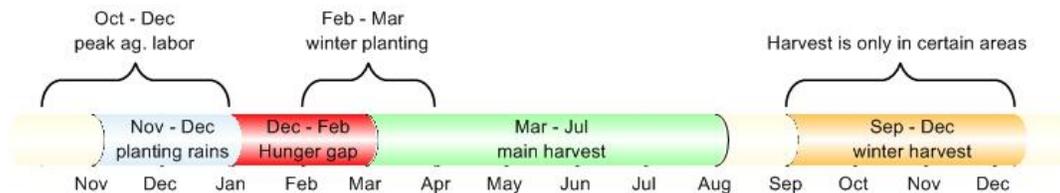
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SUMMARY AND IMPLICATIONS

Food aid distributions are gathering momentum as the number of households in need of food aid increases. 100 percent of the targeted beneficiaries will be covered from October to December. This is an improvement upon the coverage rate of 55 percent between July and September. Additional resources are needed to ensure that all the targeted beneficiaries are reached. Improved coverage of beneficiaries is critical as the agricultural season approaches. At that time, people are expected to be working in their gardens, but without food, many households will be forced to spend a disproportionate amount of time on off farm activities trying to earn income that they need to buy food. This could in turn affect production even if the country experiences good rains in the next season. The recent announcement by the British High Commission to provide an additional 5 million pounds for the procurement of maize and the World Bank grant of \$30 million for balance of payments support are therefore welcome developments.

Maize prices in the local markets continue to rise, forcing most of the poor households to resort to ADMARC markets for food. Due to insufficient stocks, ADMARC must ration maize at 25kg per person day. Most of the local markets are recording prices above MK25.00/kg compared to the ADMARC fixed price of MK17.00/kg. The continuous retail price increases, more pronounced in the south, are indicative of a rapidly deteriorating food supply situation in the region.

SEASONAL TIMELINE



CURRENT HAZARD SUMMARY

- **Maize prices have been increasing rapidly on local markets** across the country, with markets in the southern region experiencing the highest prices (above MK30.00/kg).
- **Ganyu activities (informal labor) are apparently not readily available**, as the agricultural season which provides most of the ganyu activities has not yet started.

FOOD SECURITY SUMMARY

Many households, especially in the southern region, have run out food from household production and are depending on markets and food aid being distributed in the area. Some of the households ran out of food as early as July instead of the usual November/December period. This is due to the drought and extensive crop failure in the region. For some of the households, this is the second consecutive bad season and this makes their situation even dire. Some of these households are surviving on food aid interventions currently underway in some parts of the country, especially in the southern region, and some are buying from ADMARC. The supplies in ADMARC markets are not adequate, and due to the high demand for maize, ADMARC is rationing the maize to a maximum of 25kg per person per day, but in some cases it can be as low as 10kg per person per day in an attempt to ensure that it is shared to as many people as possible. Maize is readily available in the local markets, although in some cases the volumes are low and it is expensive, forcing most of the poor households to turn to ADMARC. The scarcity of maize is what is driving the price of the commodity up. Continued rise of the local market maize prices will exacerbate the already precarious food security situation of poor households who are constrained by low incomes as they fail to access food through purchase. ADMARC subsidised price is attracting many poor consumers to their markets and yet they do not have adequate stocks to meet the demand. This situation is creating congestion in their markets, and at the same time may be affecting maize sales in local markets. This year, the cost price of maize from most of the supply sources is above the prevailing ADMARC price, which makes it difficult for the private traders to compete with ADMARC. The issue of ADMARC maize pricing is still unresolved, although recent media reports indicate that government intends to raise the price of maize soon. Despite these indications, it is not clear at which price the government will sell

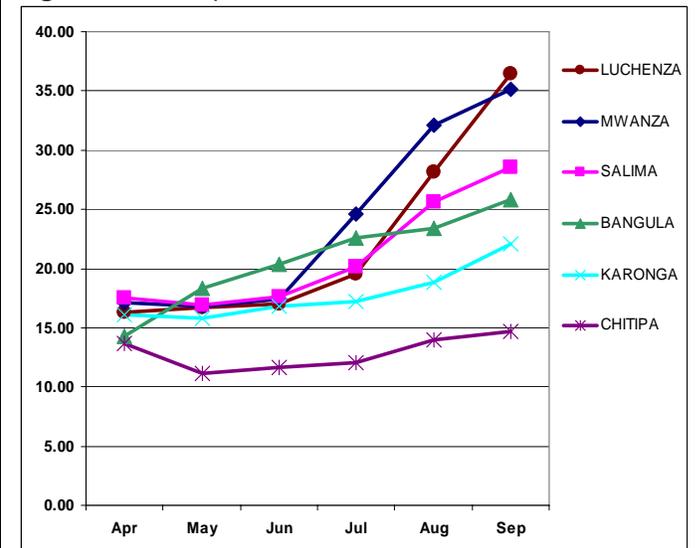
the 30,000 MT of commercial maize being imported. The news about the imminent ADMARC price increase has raised fears that it may result in inability of even more poor households to access sufficient quantities of maize, thereby increasing the number of people at risk. It is important, therefore, that the government and other stakeholders have adequate resources to intervene appropriately and avoid plunging the country into a food crisis which threatens to be worse than 2001/02 crisis.

Additional resources are needed to ensure that all the targeted beneficiaries are reached. This becomes increasingly important as the agricultural season approaches and people are expected to be working in their gardens. Without adequate food, many households will be forced to spend a disproportionate amount of time away from their gardens engaging in *ganyu* to earn income to buy food. This could in turn affect production, even if the country receives good rains in the next season. The recent announcement by the British government to provide an additional 5 million pounds for procuring maize and the World Bank grant of US\$30 million for balance of payments support are welcome developments in helping the government to meet its obligation of providing food aid to the most vulnerable people. With these recent donations, it is imperative that urgent steps are taken to make use of available resources to meet the humanitarian needs. Speed is of the essence as the rainy season approaches and most rural roads become impassable and delays in prepositioning stocks could hamper efficient delivery of the assistance.

MARKETS AND PRICES

In their quest to access food, most of the poor households will engage in *ganyu* (casual labor) in the fields of better off farmers who pay them in either in food or cash. Usually, the households prefer to be paid in food if maize is too expensive or not readily available on the market. *Ganyu* is the main source of income for majority of the poor households. Those living around estates have the opportunity to do *ganyu* in the estates. *Ganyu* opportunities were limited until the start of the agricultural season in October. Normally, an increased demand for *ganyu* coincides with the period when most of the poor households begin to run out of food and market prices begin to rise. However, this year the households have run out of food and market prices began to rise much earlier than normal, and this has increased household vulnerability to food insecurity (see Figure 1). Consequently, even when the agricultural season starts, experience has shown that in a year like this one, there is an excess supply of labor due to an increase in the number of household seeking *ganyu*, while the number of households that can afford to offer *ganyu* declines as they, too, were adversely affected by the poor harvest. The over supply of labor will result in a drop in wages. To make matters worse, while wages will drop, maize prices will continue to rise. With their household stock already exhausted, poorer households are compelled to devote more time to *ganyu* at the expense of taking care of their own fields. Sometimes even children are pulled out of school to assist their parents in doing *ganyu* to add to the family income. This can trigger a vicious cycle of household food insecurity. With timely and appropriate interventions, the government and other stakeholders can prevent this from happening.

Figure 1: Maize price trends in selected markets



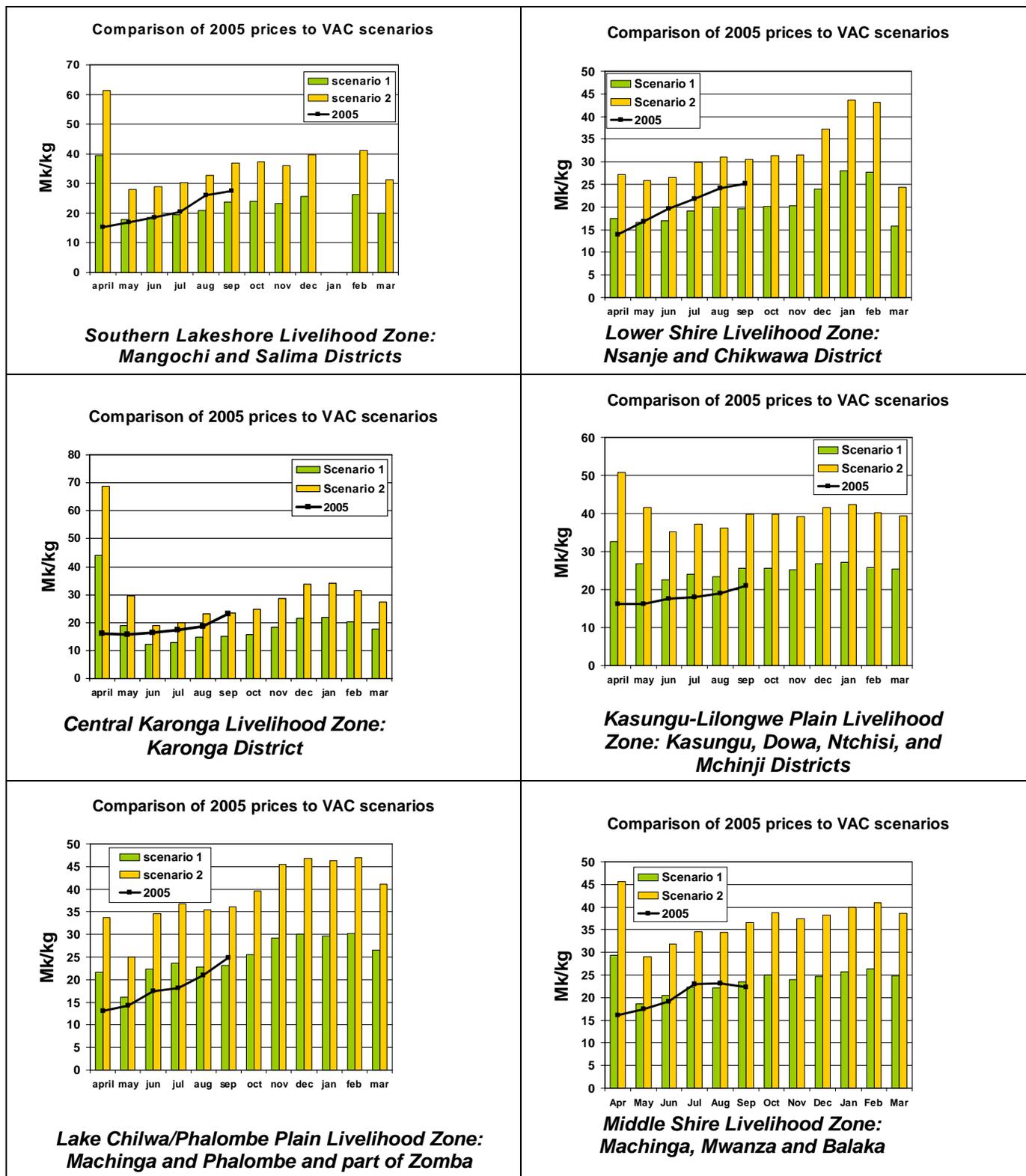
FEWS NET/Malawi
Source: MoAFS

Maize prices are generally high for this time of the year. Prices in September ranged from MK 13.76/kg at Misuku market in Chitipa District to MK 36.47 at Luchenza market in Thyolo District. Prices are highest in the southern region, followed by the central and northern regions. In the northern region, the local market maize prices ranged from MK 13.76/kg at Misuku market to MK 23.14/kg at Chilumba market in Karonga District. In the central region the prices ranged from MK 17.00/kg at Malomo in Ntchisi District to MK 26.94/kg Ntcheu market. In the southern region the prices ranged from MK 17.50/kg at Neno market to MK 36.47/kg at Luchenza market in Thyolo District. Figure 2 shows the spatial distribution of the average local market maize prices by district. Figure 3 shows the distribution of areas at risk of food insecurity based on scenario 1 of the MVAC analysis. The price data therefore tends to endorse the MVAC findings. The 2 scenarios developed by the MVAC illustrate the correlation of maize prices to the number of households vulnerable to food insecurity. Under scenario 1, maize prices are assumed to rise in line with the average rate of inflation, or 35 percent above the baseline, which translates into a maize price range of MK 19.00/kg to MK 23.00/kg. In scenario 2, maize prices are assumed to reflect the import parity price of maize from South Africa plus a 5 percent mark up, resulting in a 110 percent increase in the maize prices above the baseline price, which translates into prices ranging from MK 32/kg to MK 40/kg. In scenario 1, the number of households at risk of food insecurity is estimated to be about 4.2 million, and 272,000 MT of food is required. In scenario 2, the number of households at risk increases to 4.6 million, and the food aid requirement swells to 424,000 MT. In most of the livelihood zones, prices have already exceeded scenario 1, although average prices have not yet reached scenario 2 levels. However, prices on some individual markets, such as Mwanza and Chikwawa, have reached scenario 2 levels. Appendix 1

PREPARATIONS FOR NEXT SEASON

In addition to the poor weather conditions experienced last season, the low crop production in the 2004/05 season is also due to the scarcity of basal dressing fertilizer in the first half of the season when this fertilizer is normally applied. Although this fertilizer was later made available, the crops had already passed the stage when this fertilizer is applied, and yields were affected. The scarcity of fertilizer made it very expensive when it was available, as traders took advantage of the situation to maximize profits. As a result, most of the poor households could not afford it. A 50 kg bag of fertilizer cost as much as MK 3,500 last season, compared to about MK 2,000 to MK 2,500 the previous season. The distribution of free inputs under the Targeted Input Program also faced some challenges that delayed the distribution of the inputs in some areas until the time for applying basal dressing fertilizers had already passed. The government this year does not want a repeat of the situation and is doing everything possible to ensure that fertilizers are available on time. However, the problem in Malawi is not only availability of the inputs, but also affordability. Most of the rural smallholder farmers are reeling from chronic poverty. This is why the government and other stakeholders have time and again introduced programs to enable these poor farmers to access inputs. The most recent effort is the fertilizer subsidy, which is intended to reduce the fertilizer price from about MK 2,500-3,500 per 50 kg bag to MK 950 per bag. The sale of these fertilizers will have started anytime from September 29, 2005. The subsidies are only targeting smallholder farmers who grow maize, tobacco and cotton. The subsidies have also been extended to include 6,000 MT of maize seed. Although there has been a significant drop in fertilizer prices due to subsidy, there are still poor households faced with choice of buying food or fertilizer. One way to address this would probably be to introduce smaller fertilizer packs such as those used in the starter pack, which would cost less, while maintaining the same price in terms of price per kg. Alternately, two people can come together to buy one bag to share. It remains to be seen how the government will be able to prevent leakage of these inputs to better-off farmers. Timeliness in distributing this fertilizer is also important as the rainy season is about to begin.

Appendix 1: MONTHLY COMPARISON OF 2005 PRICES TO MVAC SCENARIOS



Note: Market representation is not adequate in most of the livelihood zones to effectively monitor price movements over the zone as a whole.