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Summary and Implications

Preliminary estimates at the end of May indicate that a number of countries in Southern Africa are expecting improved cereal harvests this season, but that regional cereal production will decline due largely to a significant reduction in area planted to maize in South Africa, the region's largest maize producer.

As a result of better crop growing conditions this season, Malawi, Mozambique and Zambia, which faced large production shortfalls last season due to poor rainfall performance, estimate cereal production levels above both last season's and the 5-year average. Angola, Tanzania, and Swaziland expect cereal harvests that are below last year's and the average, due to insufficient and poorly distributed rains as well as other factors including poor access to adequate inputs. In Zimbabwe, mostly favorable rains contributed to improved maize production this season, although estimates still lag behind the five-year average, due mainly to poor access to inputs. Although crop conditions were generally favorable in South Africa, the area planted to maize declined considerably this season, in response to the record harvest last season and subsequent large carryover stocks and low maize prices. South Africa's maize production is now estimated to have declined 46% compared to last season. With domestic availability (production *plus* opening stocks) now projected to be just sufficient to cover domestic requirements, there will be a much smaller exportable surplus than last year that will not cover all the region's maize import requirements.

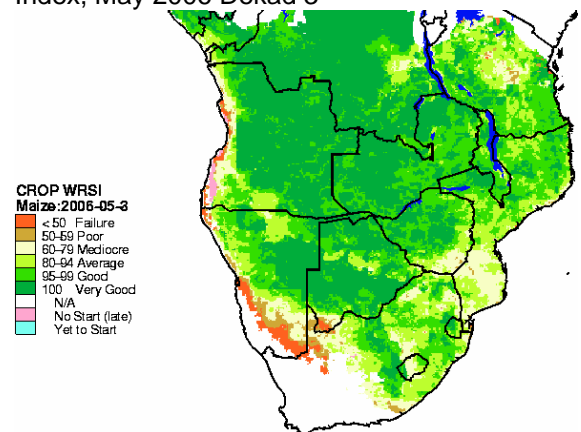
National vulnerability assessments (NVAs) are being conducted in most countries including Angola, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, and Zimbabwe. A joint FAO/WFP crop and food supply assessment mission is being completed in Angola in response to a government request, following the severe dry spell that decimated cereal crops in the main production areas of the central and southern provinces. The results of these NVAs are expected towards the end of June and will provide further information on national and sub-national food supply and access issues expected over the 2006/07 consumption year. Where necessary (as in Angola, Tanzania and perhaps Zimbabwe), this information will form the basis for any required targeted interventions aimed at responding to the needs of the most vulnerable and the food insecure.

The prospect of improved harvests in countries where production has been inadequate in recent years suggests that overall food aid requirements should decline. However, targeted food and non-food assistance will still be required for the poorest and most vulnerable households, especially if prices escalate later in the marketing year in response to the reduced supply of South African maize this year.

Season Progress and Cereal Harvest Forecasts

With the substantial rainfall experienced during the 2005/06 season in many parts of the region, harvest expectations are higher than last year's in many of the region's cropping areas, but especially in Malawi, Mozambique, Zambia and Zimbabwe. As of the end of May, the Water Requirements Satisfaction Index (WRSI), a measure of crop performance, demonstrates the positive results the generally excellent rainfall distribution had on the performance of cereal crops. In the graphic in Figure 1, dark green colors indicate areas where the crop received all the water that it required throughout the season and therefore has higher chances for good yields. Lighter green colors indicate areas where the crop received enough water to allow for an average to good crop, while those in cream colors received enough moisture throughout the season to allow only a mediocre crop. Areas in brown and red are more likely to have a poor or failed crop, respectively, a conclusion based only on the water availability. Figure 1 suggests that most areas in the region received enough rainfall to obtain good yields, but it also indicates that some parts of Lesotho, southern and coastal Angola, Mozambique, South Africa, Swaziland, southern Zimbabwe and Tanzania received insufficient rainfall. While the WRSI captures well those areas that are affected by moisture

Figure 1. Water Requirements Satisfaction Index, May 2006 Dekad 3



Source: FEWS NET/USGS

deficits, it 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.

Crop forecasting and estimation surveys, which will provide a more accurate indication of food crop production and available food supplies for the 2006/07 consumption year, are currently underway in most countries. Official estimates are expected around June/July, when the ongoing assessments and analysis are complete. The analysis below is based on preliminary indications and early assessments of the cropping season across the region.

Table 1. SADC 2005/06 preliminary cereal production forecasts ('000 MT)

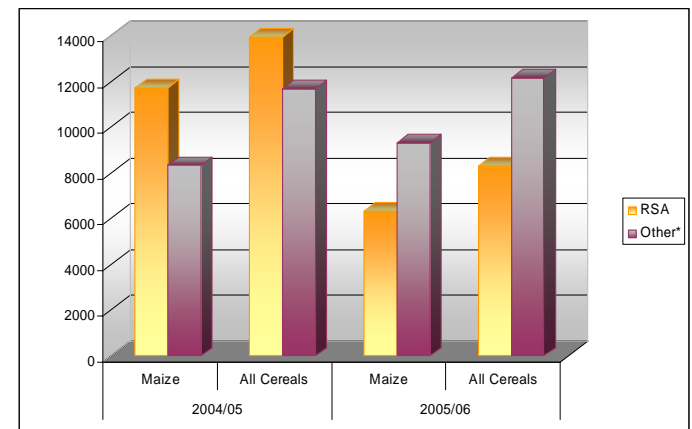
	PRODUCTION: 2004/05		5-year average		10-year average		FORECASTS: 2005/06		All Cereals 2005/06 forecasts compared to (percentage):		
	Maize	All cereals	Maize	All Cereals	Maize	All cereals	Maize	All cereals	2004/05	5 year	10 year
										Average	Average
Angola	734	886	566	699	493	607	520	671	-24	-4	11
Botswana	3	24	3	25	7	30	12	43	82	71	46
Lesotho	85	120	85	119	104	145	98	133	11	11	-8
Malawi	1259	1336	1649	1761	1829	1945	2350	2511	88	43	29
Mozambique	1382	1899	1290	1772	1178	1650	1534	2098	10	18	27
Namibia	41	97	35	103	33	105	55	140	44	36	33
RSA	11716	13919	9824	12120	9652	12041	6320	8284	-40	-32	-31
Swaziland	67	67	76	77	103	105	60	61	-10	-21	-42
Tanzania	3288	5403	2866	4509	2631	4157	2368	3707	-31	-18	-11
Zambia	866	1065	940	1114	988	1162	1424	1602	50	44	38
Zimbabwe*	591	754	984	1239	1475	1825	900	1198	59	-3	-34
SADC	20033	25571	18319	23538	18491	23771	15641	20447	-21	-13	-14

Source: SADC Food Security Early Warning System and SADC National Early Warning Units and partners
* Zimbabwe estimates from USDA- Foreign Agricultural Service - May 2006

Total Regional Cereal Production currently forecast at 21% below last year's level

Information from various sources (see Table 1) suggests a total regional cereal harvest forecast of 20.45 million MT, a level that is 21 percent below last year's production of 25.57 million MT. This level of regional production depicts a sharp drop both in comparison with the past 5 year average (13 percent) and past 10 year average (14 percent), and is attributable to the much reduced (40 percent) overall cereal production in South Africa. In contrast, as Figure 2 shows, the other SADC countries (excluding Madagascar and the DRC, for which data is not available) have recorded a combined increase both in overall cereal and maize production at 4 and 12 percent, respectively. This is due to the favorable rainfall performance across most of the region, although notable exceptions include Angola and Tanzania where production shortfalls are currently forecast. Figure 2 and Table 2 below also show that the bumper maize harvest in South Africa last year boosted South Africa's overall share of total regional cereal production to 54 percent. This season, South Africa's share has dropped to 41 percent, mainly due to the 46 percent reduction in maize production.

Figure 2. 2005/06 Cereal Production Forecasts Compared to 2004/05 ('000 MT)



Source: National Early Warning Units and partners, Central Statistics Offices, and SADC FANR. Excludes DRC and Madagascar.

Apart from South Africa, Tanzania and Angola, the only other country expecting reduced production levels this year is Swaziland, where an unfavorable rainfall pattern (intermittent periods of dry spells and excessive rains) resulted in an estimated 10 percent drop in maize production. Drought in the Horn of Africa negatively impacted on cereal production in Tanzania, and current SADC estimates forecast a 31 percent drop in Tanzania's overall cereal production compared to last year. However, this will be confirmed as soon as official estimates are released by the Ministry of Agriculture. Similarly, dry spells in the southern and central regions of Angola have negatively affected production with current estimates of reductions ranging from 10 to 30 percent. These will be confirmed as soon as the Joint FAO/WFP Crop and Food Supply Assessment Mission (CFSAM) report is released in June 2006.

Table 2. SADC Regional Preliminary Production Forecasts: 2005/06 compared to 2004/05 ('000MT)

	Maize		Wheat		Sorghum/millet		Rice	
	04/05	05/06	04/05	05/06	04/05	05/06	04/05	05/06
South Africa	11,716.00	6,319.98	1,886.40	1,825.00	317.00	138.80	0.00	0.00
All other *	8,318.91	9,323.39	347.08	340.25	1,785.06	1,758.19	1,202.78	743.02
TOTAL	20,034.91	15,643.37	2,233.48	2,165.25	2,102.06	1,896.99	1,202.78	743.02

Source: SADC FANR; National Early Warning Units and partners; and Central Statistics Offices. Excludes DRC and Madagascar.

*Excluding South Africa

Regional maize production drops from last season's harvest of 20.0 million MT to 15.64 million MT

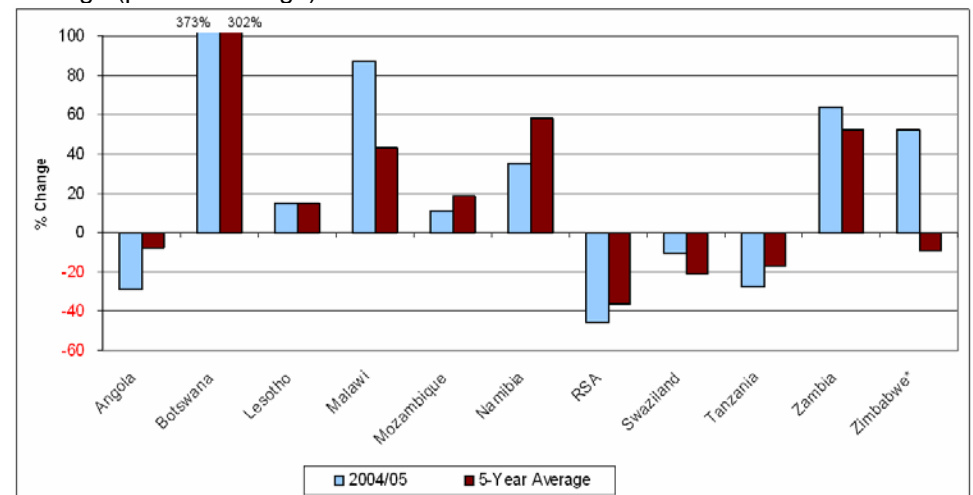
Maize production in the region is projected at 15.64 million MT, a sharp drop from the 20.03 million MT harvested last season. South African maize production has in the past five years contributed on average about 53 percent to total maize production in the SADC region. As explained earlier, South African farmers cut back drastically (now estimated at 38 percent) on area planted to maize as a means of bringing domestic supply/demand back into balance. Last year's bumper harvest (11.7 million MT) accompanied by large opening stocks (some 4 million MT) led to a maize over supply situation in the country which resulted in depressed prices and difficulty in moving excess exportable surplus. The "planned" reduction in 2005/06 (plus an opening stock of just over 3 million MT) should be sufficient to meet South Africa's domestic demand of about 8 million MT. According to the Department of Agriculture's Crop estimates Committee (May 23), estimates of the 2005/06 maize production stand at 6.32 million MT, representing a 46 percent reduction from last year, and a 36 percent drop from the past 5-year average. Figure 3 below shows the percentage change by country in maize production of this year when compared to last year and the last 5-year average. Though the picture is somewhat mixed, it is clear that most of the countries that experienced production drops last season have improved their situation this year, with increases recorded in all but Angola, South Africa, Tanzania, and Swaziland. As maize is the major crop of the cereals produced (see Table 1); the production pattern for maize mirrors overall cereal production. Production increases range from a low of 11 percent in Lesotho to a high of 373 percent in Botswana. Malawi, Mozambique, Namibia and Zambia, all of which faced serious production shortfalls last season, are expecting above average harvests this season. Production in Zimbabwe, which had the largest shortfall last season, is currently forecast to increase by 52 percent, but remains below the past 5-year average by about 9 percent.

Sorghum, millet and rice production also forecast to decline

The combined production drops in South Africa and Tanzania (the two highest producers in the region) has affected overall regional availability of other cereal crops as well. As shown in Table 2, preliminary estimates indicate that sorghum and millet production will drop by 10 percent, while rice will drop by 38 percent. While total acreage devoted to cereal (maize and sorghum) was reduced in South Africa, plantings of other crops such as soy beans, groundnuts and dry beans increased.

These estimates are likely to change as the harvest prospects in Tanzania (and the other countries where surveys are still underway) become clearer.

Figure 3. Maize Production: Current (2005/06) production vs 2004/05 and 5-year average (percent change)



Source: National Early Warning Units and partners, Central Statistics Offices, and SADC FANR. Zimbabwe estimates from USDA - Foreign Agricultural Service - May 2006. Excludes DR Congo and Madagascar

Wheat production currently forecast to decline to 2.17 million MT

Winter wheat production across the region is forecast to drop slightly below last year's level of 2.23 million MT and the past 5-year average of 2.36 million MT. The final production estimate for wheat harvested in South Africa in November 2005 has been put at 1.89 million MT against a harvest of 1.69 MT in the past season. Wheat production in South Africa for the ensuing season is forecast to be slightly below levels achieved last year; the second estimates released by the CEC in May indicate a small (1.4 percent) reduction in area to be planted under wheat, mainly reflecting the current low prices. Area under production is estimated to drop from 805,000 ha last year to 793,500 ha, with a likely output of 1.83 million MT (assuming a yield level of 2.30 MT/ha). Preliminary indications are that the other SADC countries will together produce a total wheat crop of about 340,250 MT, which is slightly below last year's output of 347,000 MT. However, these are very preliminary indications based on intentions to plant and final output will depend on performance of late season rains and the availability of requisite inputs, including seeds and irrigation infrastructure.

Cereal Availability and Demand Projections for 2006/07

South Africa's reduced production impacts regional maize availability

Although many countries this year are expecting harvests that are above the 5-year averages, maize availability in the region for the 2006/07 marketing year is projected at 19.65 million MT, well below last year's level of 22.59 million MT. As already noted, this is due to the 46 percent drop in South Africa's production. Consequently, although the region faced a higher overall deficit last year, South Africa's surplus more than adequately covered for the shortfall leaving an overall surplus of 1.58 million MT. This year, despite the improved domestic availability in most countries, the region faces an overall deficit of some 2.26 million MT that will have to be covered through imports from outside the region. At current projections, South Africa's small surplus (after pipeline requirements) may not even be sufficient to cover the requirements of the structurally deficit SACU member states, without maize imports from offshore, which they have had to do in the past.

Although the analysis is based on very preliminary cereal balance sheets, it suggests that, in addition to South Africa, maize surpluses are only expected in Malawi (264,000 MT), Mozambique (108,000 MT) and Zambia (160,000 MT). Other member states will continue to face shortfalls of varying magnitudes. Based on the SADC preliminary estimates, Tanzania is set to face the highest maize deficit (at 1.38 million MT) with Zimbabwe following a close second at 1.04 million MT (based on USDA estimates).

While last year, Zimbabwe imported just over a million MT from South Africa, this year's deficit will have to be covered through international imports which could land at much higher prices compared to prices that have been prevailing in South Africa. With the economic situation in Zimbabwe continuing to deteriorate (inflation rates having gone over 1,000%), it will be a major challenge to achieve that level of imports once again. With regards to the anticipated deficit in Tanzania, it is expected that

informal trade with neighboring countries in East and Southern Africa will play an important role in closing part of the gap. Both Malawi and Zambia, Tanzania's southern neighbors are expecting above average harvests this season, and informal trade is likely to flow into southern Tanzania, especially if price differentials are favorable. Cross substitution with non-cereal food crops will also contribute significantly in filling the maize gap, especially in Angola and Tanzania where production and consumption of tubers (mainly cassava) and other non-cereal crops like bananas (Tanzania), and sweet potatoes, are significant.

Overall cereal gaps remain in all countries and across all commodities

The region is currently projected to face deficits for all four major cereals with a combined gap of 5.7 million MT as depicted in Table 4. This year's cereal gap is more than three times the 1.8 million MT that was projected last year. While the region faces structural production deficits of wheat, the second most important staple cereal crop, the decline in the production of sorghum, millets and rice this season has resulted in a higher overall cereal deficit.

The region's wheat requirement, estimated at between 4 and 5 million MT, is well over the regional availability estimated at 3.49 million MT. South Africa alone will need to import between 1.0 and 1.3 million MT (GrainSA estimates of 23 May) to meet demand, while other SADC States will need to import a total of over 700,000 MT to cover their requirements.

Table 3. Maize domestic deficit/surplus: 2006/07 projections compared to 2005/06 marketing year ('000MT)

	Current: 2006/07 Year			Last: 2005/06 Year		
	Other		Total	Other		Total
	RSA	SADC*	SADC	RSA	SADC*	SADC
Opening stocks	3,530	306	3,852	2,903	862	3,765
Gross Production	6,320	9,324	15,794	11,716	8,277	19,993
Availability	9,850	9,630	19,646	14,619	9,139	22,592
Gross requirements	8,577	11,818	20,395	9,090	11,645	20,735
Desired stock req's	940	572	1,515	991	547	1,538
Demand	9,517	12,390	21,910	10,081	12,192	21,012
Deficit/Surplus	333	-2760	-2,264	4,538	-3,053	1,580
Deficit/Surplus**	1,273	-2,188	-749	5,529	-2,506	3,177

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

Excludes DRC and Madagascar. * Excluding South Africa

** Deficit/Surplus calculated without stock replenishment

Table 4. All Cereals domestic deficit/surplus: 2006/07 projections compared to 2005/06 marketing year ('000MT)

	Current: 2006/07 Year			Last: 2005/06 Year		
	Other		Total	Other		Total
	RSA	SADC*	SADC	RSA	SADC*	SADC
Opening stocks	5265	578	3852	3935	1233	5168
Gross Production	8284	12136	15794	13926	11565	25491
Availability	13549	12714	19646	17861	12797	30659
Gross requirements	12565	17222	20395	12997	17167	30164
Desired stock req's	1543	682	1515	1624	656	2280
Demand	14108	17904	21910	14621	17823	32444
Deficit/Surplus	-559	-5189	-5749	3240	-5026	-1785
Deficit/Surplus**	984	-4507	-3523	4864	-4370	494

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

Excludes DRC and Madagascar. * Excluding South Africa.

** Deficit/Surplus calculated without stock replenishment

The extent and impact on food security of anticipated shortages in the affected countries; will become clearer once the results of ongoing assessments are published. Reports from the CFSAM in Angola and the national vulnerability assessments being undertaken in other countries are expected to provide an indication of overall food availability, including cereals expected to be covered through commercial private sector imports, planned government imports, as well as through food aid assistance. However, the marked improvement in many of the previously deficit countries suggests that overall food aid requirements should decline though attention still needs to be given to the poor households and those affected by HIV/AIDS who will continue to face some food and non-food needs.

Regional Price and Trade Flow Analysis

Formal Imports and Exports

The new marketing season begins in April for many SADC countries and in May South Africa. As assessments are still ongoing, member states have not yet indicated national levels of planned formal imports and/or exports. However it is expected that most of the projected cereal gaps (discussed above) will be covered through formal commercial import programs. The table below tracks exports by South Africa as at the beginning of April, in line with the SADC new marketing season. With the new harvests already coming onto the markets in neighboring countries, weekly imports from South Africa have fallen significantly, while in March (the tail end of the hunger season), weekly totals ranged from 29,000 - 64,000 MT; April and May totals averaged 14,500 MT. As was the case last season, Zimbabwe is once more emerging as the largest importer of South African maize, having so far taken up 43 percent of the total. In the case of Malawi, Mozambique and Zambia, it is possible that the April exports were the last consignments of running contracts from last season as these countries are projecting maize surpluses for this year. For Zimbabwe, while the April imports could also have been part of existing contracts, imports of similar magnitudes can be expected as a result of the projected maize deficit. Table 5 also indicates wheat imports coming through South Africa. Most countries import their wheat requirements directly from international markets without going through South Africa. The levels indicated in Table 5 are therefore well below total individual country wheat imports.

Table 5. South African Maize Exports: April 2006 - May 26, 2006 (MT)

	Exports to SADC member States											TOTAL
	Ang	Bot	Les	Moz	Mal	Mad	Nam	Swa	Tan	Zam	Zim	
White Maize	989	22,057	12,986	6,861	1,210	-	5,575	7,206	-	9,343	49,786	116,013
Yellow Maize	-	384	195	616	-	-	1380	4883	-	189	1033	8680
Wheat	-	14,703	3,479	-	-	-	4,135	7,065	-	12,989	-	42,371

Source: South African Grain Information Service (SAGIS), May 26, 2006

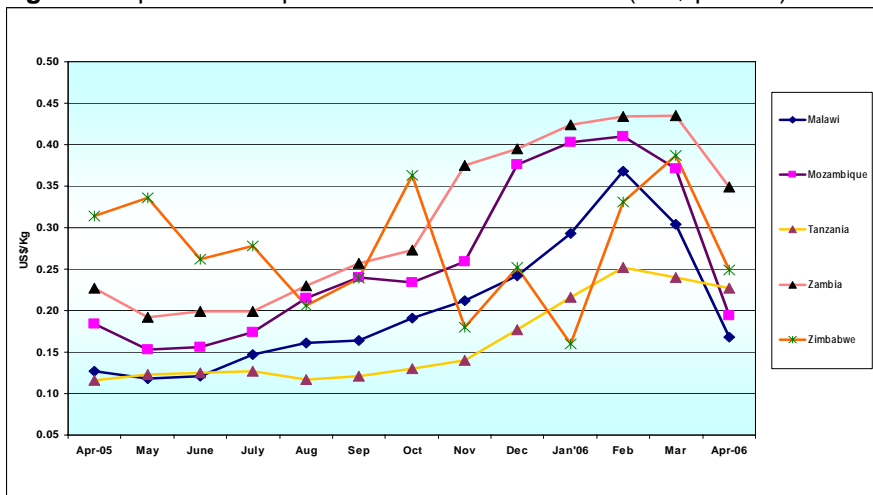
Informal Cross Border Maize Trade

There is consensus within the region that informal cross border trade plays an important role in moving food from surplus to deficit areas amongst neighboring countries. Since July 2004, the cross border trade monitoring system set up by WFP and FEWS NET to track maize, rice and bean trade along the common borders between Malawi, Zambia, Tanzania, Zimbabwe, Mozambique and DRC has captured significant amounts of food trade. Over the last season, the system observed and recorded some 178,000 MT of maize trade, of which 157,000 MT were imports into Malawi mostly from Tanzania and Mozambique. As the system captures only what was reported to monitors, it is believed that actual cross border trade is considerably higher than that recorded. During the month of April 2006, as the new marketing season began, the system captured some 7,000 MT of maize that was being moved mainly across Mozambique into southern Malawi. This follows similar trends observed in the past two seasons where 70 – over 80 percent of the maize trade consisted of imports into Malawi in response to the severe food shortages especially in the south of that country. As Malawi, Mozambique and Zambia are all expecting above average harvests, while Tanzania and Zimbabwe will face some shortages, trade dynamics and the direction and volume of flows are likely to change as price differentials develop. For more detailed coverage, see Issue 20 of the WFP/FEWS NET Informal Cross Border Food Trade Report.

Retail maize price movements

As shown in Figure 4, while prices had been rising sharply through the hunger season; there was a downturn from March across all monitored countries (except Zimbabwe, where the downturn occurred only in April). These trends are in response to improving market and household food supplies. In **Tanzania** (which is currently facing food shortages), although average prices remain relatively high compared to the same time last year, prices have remained stable, dropping further from the March level of US\$0.24/kg (US\$0.25/kg in February) to US\$0.23/kg. This could be due the limited *vuli* harvests realized in some regions, and the distribution of free and subsidized maize from the government SGR in targeted areas.

Figure 4: April 2005 - April 2006 Maize Retail Prices (US\$ per KG)



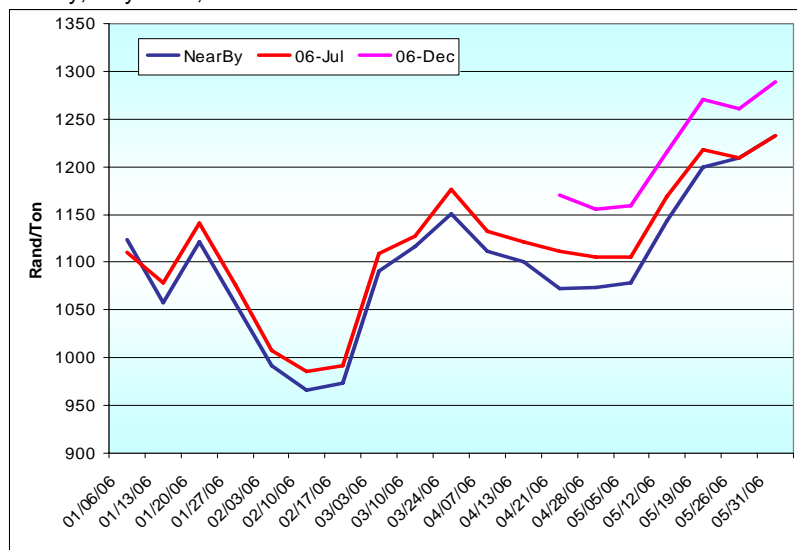
Source: FEWS NET Malawi, Mozambique, Tanzania, Zambia and Zimbabwe

In **Zambia**, where average prices remain the highest due to a strong Kwacha, the newly harvested crop has contributed to a significant drop (18%) in the average price (Choma and Lusaka Rural); dropping from US\$0.43/kg in March to US\$0.35/kg. Further price drops are anticipated as the harvest progresses. Prices continued to drop sharply in the monitored markets of Malawi and Mozambique. In **Malawi**, average prices dropped 43 % from an average of US\$0.30 in March to US\$0.17/kg in April. This sharp drop has prompted the government to announce a minimum producer price of MK20.00/kg in an attempt to stop it dropping further from current levels. A similar trend has been observed with retail prices in **Mozambique**, where the latest data from SIMA indicates significant price drops in producer and retail prices. The average for Nampula, Beira and Maputo in March was recorded at US\$0.37/kg, and fell 49% in April to US\$0.19/kg. This price is now comparable to last season's price levels at the same time (US\$0.18/kg). But prices are expected to continue to fall as the harvest progresses, especially as harvest prospects have improved. In **Zimbabwe**, contrary to trends elsewhere, the March 2006 average price in Bulawayo and Harare rose 18% to US\$0.39/kg. In April however, with the onset of the harvest, this average dropped a significant 36% to US\$0.25/kg, in response to improving supplies countrywide. As in the neighboring countries, local prices are expected to drop further in the next few months. However, due to a limited harvest expectation, levels may rise well before the onset of the hunger season. It is too early to determine the impact of lower prices in Zimbabwe, given the multitude of other factors negatively affecting household purchasing power and food access.

Prices on the South Africa Futures Exchange continue to rise

White maize prices on SAFEX continue to rise to levels significantly above those prevailing throughout last season (figure 5). The rapid increases are partly in response to the latest CEC estimates announced on May 23, which indicated only a marginal increase in the commercial crop. Current SAGIS estimates of carry over stocks (3.2 million MT) are also below previous expectations implying reduced overall maize supply in the country. Local prices are currently higher compared to international prices. Argentine white maize was quoted at US\$114/MT FOB on May 26th, and SAGIS calculated a landed price in Durban of US\$164/MT compared to the Durban import parity of US\$182/MT calculated by GrainSA for South African white maize on the same day. Nonetheless, despite the price increases, the current weakness of the local currency (averaging R6.50 to the US dollar from May 15-31) has kept prices relatively competitive.

Figure 5: Prices of White Maize delivered in Randfontein: SAFEX - Nearby, July 2006, and December 2006 Futures



Source: SAFEX, and GrainSA

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.