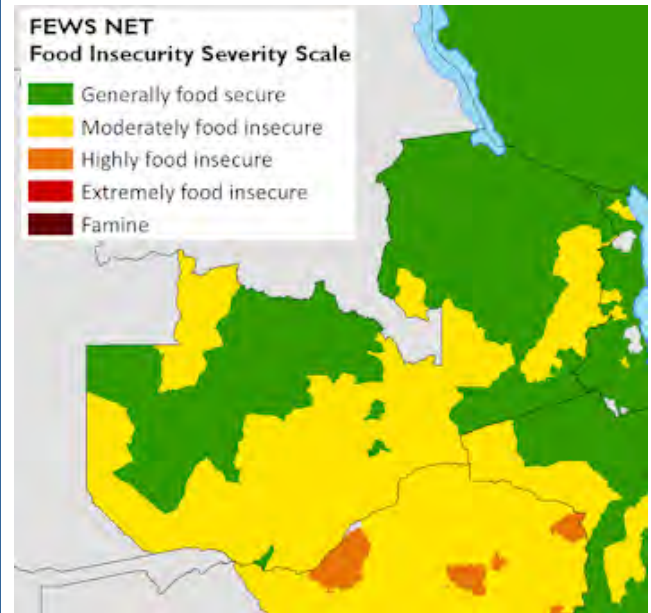


ZAMBIA Food Security Outlook

January 2009

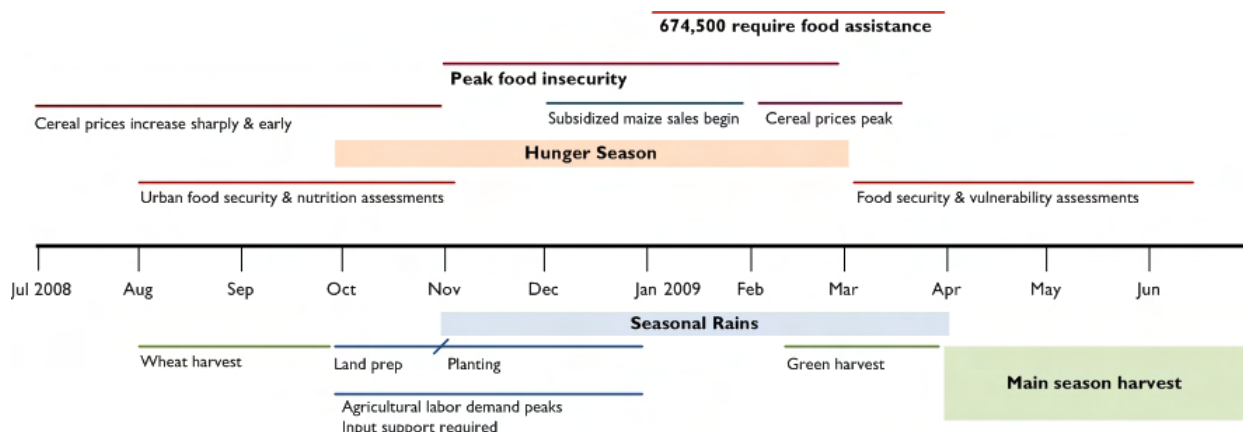
- Zambia's food security situation for the remainder of the current marketing year (March to April 2009) remains of great concern due to possible shortages of maize grain and meal on local markets. The Government of Zambia (GoZ) has been releasing maize grain from the Food Reserve Agency (FRA) and making it available to millers and rural consumers at subsidized prices. However, the FRA's maize stocks are now very low, and the lack of coordination and collaboration between the GoZ and the private sector in the maize market could increase the likelihood that shortages will become more pronounced between now and March.
- Private traders have indicated that they have adequate grain to meet the country's needs up to the end of March, while the early harvested maize from commercial farmers is likely to cover needs beginning in April. However, prevailing market prices have kept this maize out of reach of millers and consumers, who now depend on government-subsidized maize grain.
- Since the start of the season, the rainfall performance has largely been conducive for good crop performance. The maize crop is reported to be doing well in different parts of the country and is mostly at flowering to early grain-filling stage.

Figure 1. Estimated food security conditions: January to March 2008



Source: Zambia VAC, FEWS NET. See www.fews.net/FoodInsecurityScale for more information on the FEWS NET food insecurity severity scale.

Seasonal calendar and critical events timeline



Source: FEWS NET

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Food security overview

Zambia's food security situation has continued to be of concern as maize shortfalls on the country's markets have persisted, maintaining the high level of prices for the grain. However, maize meal prices have started falling due to government market interventions supplying subsidized maize grain to millers, who then sell the milled product at a discount, and to rural consumers who take the grain to hammer mills for processing. Urban households who have been heavily impacted by high prices this year have benefited the most from improved access to the maize meal. The rural population has benefited from the increased supply of subsidized maize grain at a time when their own stocks from last season's harvest are largely depleted. However, there is a concern that the FRA, which has almost depleted its stocks with initial sales of subsidized maize, will be unable to meet the demand.

Food relief distributions in response to last season's crop losses and livelihood disruptions that resulted from floods and water logging have continued. The December food security assessment by the Vulnerability Assessment Committee (VAC) established that an estimated population of 674,467 will need food assistance from January to March 2009. This marked a 50 percent increase from the initial projections for the number of needy people at this time made in July 2008. Currently, both the Disaster Management Unit (DMU) and WFP, who are coordinators of the food assistance program, are under resourced, and therefore do not have adequate food to supply both old and new case loads through March.

Seasonal progress

Generally, there was a good start to the rainy season, with effective rains underway in almost all parts of the country by the second dekad of November. Since the rains began, the volume and distribution of rainfall have largely been conducive for good crop development. The major concern in some cases has been the inadequate intervals of sunshine in some dekads. Overall, however, the crop is generally reported to be doing very well in different parts of the country. Most of the country's maize crop is at the flowering stage to early grain-filling stage. Planting of beans and sweet potatoes has continued.

Figure 2. Rainfall estimate Jan dekad 1

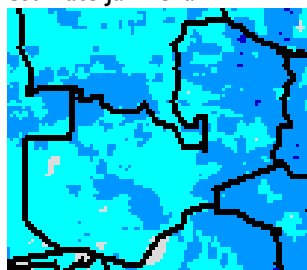


Figure 3. Rainfall estimate Jan dekad 2

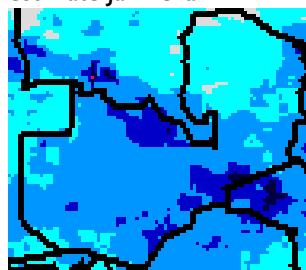
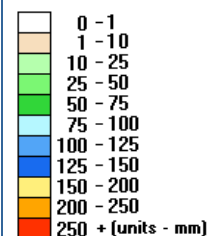
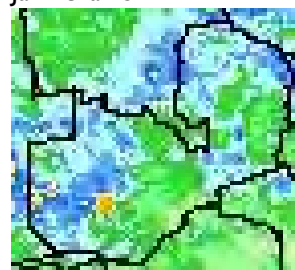


Figure 4. Rainfall estimate Jan dekad 3



Source: USGS

The satellite imagery shows that following the widespread heavy rainfall received in the later part of December, there was a general decline in the amount of rainfall in the first part of January in many parts of the country, save for the northern parts where heavy rains continued (figure 2). Information from the Meteorology Department also confirmed this situation. The reduced rainfall in southern parts was a welcome break as it provided farmers with a chance to weed and apply fertilizer, activities which were impossible earlier due to there being little break in rainfall until that time. In the second dekad, rainfall eased off in the northern parts, but increased substantially in the rest of the country (figure 3). Information from Zambia's Department of Meteorology indicated that most of the areas recorded above normal rainfall for that time of the year, with some areas experiencing flash floods, although there have not been reports of significant damage to crops so far. Areas such as Kabwe, Mumbwa (Central Province), Chipata (Eastern Province), parts of Copperbelt Province, parts of Gwembe, Siavonga, Sinazongwe (Southern Province), and Lusaka recorded rainfall between 100mm and 260mm in the second dekad of January, with an average of 7 rain days during the 10-day period. On a cumulative level, figure 5 shows that western Zambia has generally received much more rain than normal during the month of January.

Estimates of area planted were not available as of January. The crop forecast, which is the official source of this information, is only being conducted in February. As in all other years, the subsidized fertilizer targeting 200,000 small scale farmers (20 percent of the total) has been distributed. However, some reached the farmers late, delaying its application. While rainfall performance is still the most significant determinant of crop production, the 100 percent increase in the price of fertilizer since last year is likely to have an impact on yields in the current production season.

Markets and trade

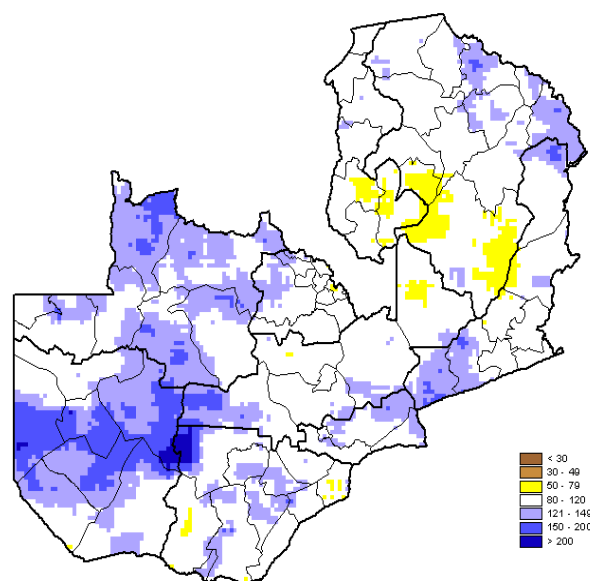
The lower than anticipated supply of maize grain available to millers and rural consumers in Zambia contributed to an early and sustained increase in maize and maize meal prices this marketing year. In response to the high grain and meal prices, the GoZ has been intervening in the maize market, using the Food Reserve Agency (FRA) to stabilize and bring down prices and improve food access. The sale of FRA maize grain to millers at subsidized prices began in December and continued into January and is having a positive impact on maize grain and meal prices in many areas.

In rural areas, where consumers typically take grain to hammer mills for processing, the FRA has been selling maize grain at ZMK 55,000 per 50 kg bag (~US\$220/MT), which is about half of the prevailing market price. These sales have to a certain extent improved overall supply, but have been inadequate to ease the pressure on prices. While the December VAC assessment confirmed that the overall number of people in need of assistance had increased, it also determined that in nine of the assessed districts where local officials had requested food assistance, some households could in fact afford maize grain if it was made available at a subsidized price. The problem was that maize had not been available in sufficient quantities, causing prices to rise steeply and putting the commodity out of reach of a majority of households. The additional supply, if maintained, may help to reduce any further increase in the population requesting for food assistance between now and the end of March. However, the food relief currently being provided is already considered inadequate because the relief program coordinated by the DMMU and WFP is under resourced.

The FRA has almost depleted the stocks it held prior to its sale of subsidized maize, and has subsequently been buying grain from some millers at market prices, with the intention of selling this back to millers at subsidized prices. The FRA also recently issued two tenders in January for the local purchase of 40,000 MT of maize grain from traders and farmers. Traders had indicated that they held about 90,000 MT in January, while farmers held an estimated 15,000 MT. Millers had not been able to afford prices offered by traders, nor would many urban consumers be able to afford maize meal milled from this expensive grain without subsidy. According to sources in the private sector, there are adequate stocks to avert a maize meal shortage in February and March, if the maize actually makes its way on to the market place and is sold at prices consumers can afford.

The market price of maize grain is currently around USD 420/MT, while FRA has been selling maize to millers at about USD 220/MT. Millers have been reluctant to purchase the maize from private traders at the prevailing market prices as long as cheaper subsidized maize is currently being or will soon be offered by the FRA. Traders, meanwhile, have been unwilling to offer the grain at below market prices, which would be unprofitable to them given the prices at which they purchased the maize and the storage costs they have since incurred. The response to the maize grain tenders issued may give a good indication of the amount of maize still available in country for immediate supply on the market.

Figure 5. Rainfall percentage of average (January 1 to January 31, 2009)



Source: USGS/FEWSNET

Stocks with the FRA should now be very low as most of the reserves have already been supplied to millers, while some reduced quantities were sold to DMMU and WFP for relief purposes. To maintain and increase the supply to millers, and in doing so keep maize prices within reach of most consumers, the FRA has been trying to source more stocks through the tender process and imports. Those traders with maize stocks on hand are likely to respond favorably to the tender in order to dispose of the maize before the early maize harvested by commercial farmers, estimated at 100,000 MT, hits the market at the beginning of April, shortly before the main harvest in May. What is of concern is the inadequate collaboration between the GoZ and the private sector to ensure that maize meal is adequately available to consumers. For instance, the private sector is wondering why the GoZ would opt to source expensive imported maize from South Africa rather than purchase and subsidize what is available locally. The GoZ, on the other hand, is wondering why it should pay import parity price for maize which was locally purchased.

In January, the GoZ, through the FRA, had made arrangements to import 35,000 MT of non-GMO white maize from South Africa (Zambia does not permit imports of GMO maize). This grain started coming into the country towards the end of January. Information from SAGIS indicated that 853 MT of maize had been transported to Zambia from South Africa by January 23. The cross border monitoring initiative managed by FEWSNET and WFP confirmed the arrival of the maize at the end of January. However, tests confirmed that the most of the first shipments of maize were not GMO-free, and they were rejected. Reports indicated that non-GMO maize was not readily available for export from South Africa this late in the season, and it is unlikely that this maize will materialize on the market this year.

Similar to other past years, in the 2008/09 marketing season the FRA went into the rural market to purchase maize from small scale farmers from July to October and managed to purchase an estimated 70,000 MT, far less than the 300,000 MT it was able to purchase last season. The amount purchased in addition to the carry over stock ensured that the FRA had stocks well over 100,000 MT. The private sector on the other hand went in the market slightly earlier, offering prices 10 – 20 percent above that offered by the FRA, and purchased much more, part of which they still have on hand but are now unable to sell.

Assuming that the private sector has the significant stocks on hand, even with dwindling FRA stocks and no immediate imports, it is highly likely that those stocks will be adequate to sustain market demand in February and March without any imports. By April, the early maize from commercial farmers, expected to be about 100,000 MT, will meet needs in April and early May, and until the main harvest becomes available.

There are currently two attractive additional markets Zambia is catering for informally, these being the traditional market in DRC and more recently Zimbabwe, which is attracting an appreciable amount of maize meal. The maize meal flowing into Zimbabwe is mostly going through Livingstone, as the Chirundu route is more restrictive. Meanwhile, on the DRC border, the Kasumbalesa border is reported to be quite active. Reports from Kasumbalesa border on the Zambian side indicated that breakfast meal from Chililabombwe town, which recently dropped in price from ZMK 65,000/25 kg to ZMK 49,000/25 kg is attracting a price of ZMK 70,000/25 kg at the Kasumbalesa border and selling at ZMK 80,000/25 kg in DRC, where demand is still very high. Without additional imports of maize, the FRA could end the current marketing season in April with hardly any strategic maize reserves.

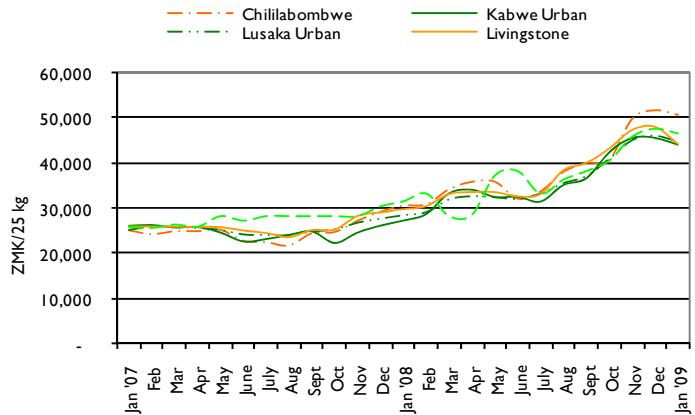
As expected, the price of maize grain on public markets has remained high and continues to increase, due to the uncertainty about the ability of available supply to meet current demand. Inadequate availability of maize on public markets has kept prices high this season. However, the price of maize meal has declined in January due to the impact of the GoZ's intervention through the FRA (figure 6). The reductions are more widespread for the cheaper and less refined brand (roller meal) which registered reductions in 76 percent of the 41 monitored districts in January. In the case of the more refined and costly brand (breakfast meal), 60 percent of the monitored districts recorded reduced prices. However, on average, the retail price reductions were marginal, ranging from 1 to 8 percent for roller meal and 1 to 9 percent for breakfast meal (excluding Ndola urban, where the reduction was significant at 15 percent). The marginal retail reductions could be attributed to the fact that only some retailers have reduced their prices, while others in the same district have maintained high meal prices. Generally, the GoZ's intervention has reduced or stabilized the maize meal price (figures 6 and 7.) There have been reports of maize meal shortages in two towns near the borders of DRC and Zimbabwe namely Chingola (Copperbelt), which neighbors Chililabombwe and Livingstone (Southern Province). This could partly be as a result of increased outflow of the commodity into neighboring countries. Recent reports also suggested that there was a maize

meal shortage in Choma district (Southern Province), as the sole miller had run out of grain as supply from FRA has been inadequate. What this implies is that the shortage will be felt in neighboring deficit areas that depend on supplies from Choma to meet needs, such as Sinazongwe and Gwembe.

In order to reduce/avert staple food shortage, it is desirable that GoZ and the private sector work together to ensure that adequate maize grain and meal is accessible to consumers in both the urban and rural areas. The impact of the high prices has been hardest on the poorer households, this being the lean season when many rural households run out of own stocks and look to markets to meet their needs. There is need to closely monitor maize and meal stocks as well as prices of these commodities on the market.

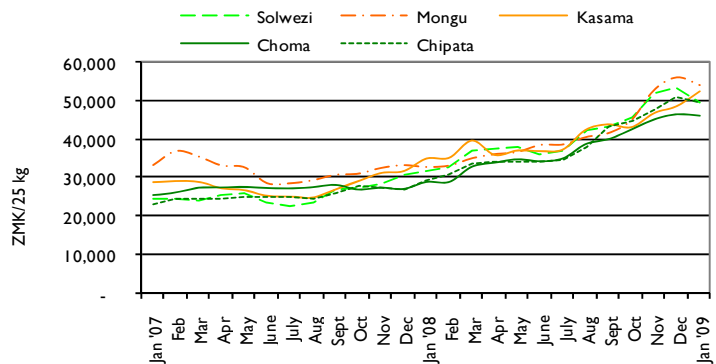
Since the immediate import of maize is not likely given the restriction on importation of GMO maize, and taking into account the cost of landing that imported maize into the country, there is need to seriously consider purchasing of the maize from the local traders to make it available to millers in order to avert a possible maize meal shortage.

Figure 6. Roller meal nominal retail price trend-urban areas



Source: FEWS NET, CSO

Figure 7. Roller meal nominal retail price trend-rural areas



Source: FEWS NET, CSO



Maize grain and maize meal are the most important food commodities and indicators of food security in Zambia. All of the markets represented — with the exception of Kitwe — are in provincial centers and thus provide a geographic representation. Chipata and Choma are both areas of high maize production, while Mansa and Mongu are indicative of low production areas. Kabwe, Kitwe, and Lusaka are all urban areas where demand for these commodities is high. Solwezi is a new mining town with an increasing demand for food commodities.

Monthly prices are supplied by the Central Statistics Office (CSO) in Zambia.

