

ZAMBIA Food Security Outlook Update

August 2010

Projected food security conditions remain good due to good harvest

Key Messages

- Most parts of the country have remained food secure with only very few areas of concern. Currently the food security in the areas of concern is stable as households are consuming what was harvested and are accessing food from surplus areas.
- The price of maize, a staple food, has continued falling as the market is oversupplied and buyers are determining the prices. This situation is expected to continue until September or October when prices are expected to stabilize up through the end of the year. Market purchases by major buyers are few when compared to the large marketable surplus estimated by the Ministry of Agriculture (MACO) at about one million MT. As maize is becoming more accessible, the situation is favoring consumers, however, maize meal retail prices are still mostly above-average.
- With low formal exports there is a significant retention of maize in-country, favoring low market prices. While informal maize exports to Democratic Republic of Congo (DRC) are taking place, increased informal maize inflow into Zambia has been observed from Tanzania and Mozambique, primarily being driven by the border price differential. This is contributing to maintaining good in-country maize stocks and therefore reduced prices.

Updated food security outlook through December 2010

The food security situation is generally good as markets continue to be well supplied with both staple foods and seasonal foods. Following the large harvest, most rural households still have good quantities of food stocks on hand. This is supported by the fact that purchases have been moderate with respect to the MACO estimated marketable surplus of roughly one million MT.

Maize purchases by major buyers (the Food Reserve Agency (FRA), millers, and grain traders) are estimated at 400,000 to 500,000 MT as of end of August with most purchases having been made by the FRA. The millers have bought more directly from farmers than from traders, reducing the business share of grain traders in the first half of the 2010/11 marketing season. Small-scale farmers continue to have large surplus maize on hand which is easily accessible to millers, while most commercial farmers still have stock on hand as well. Purchasing through the commodity exchange (ZAMACE) has been very

This report provides an update to the July 2010 FEWS NET Food Security Outlook report which estimated food security conditions in July through December 2010. The next Outlook report will be released in October and will cover the October 2010 to March 2011 period.

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Figure 1. Estimated food security conditions, August-September 2010

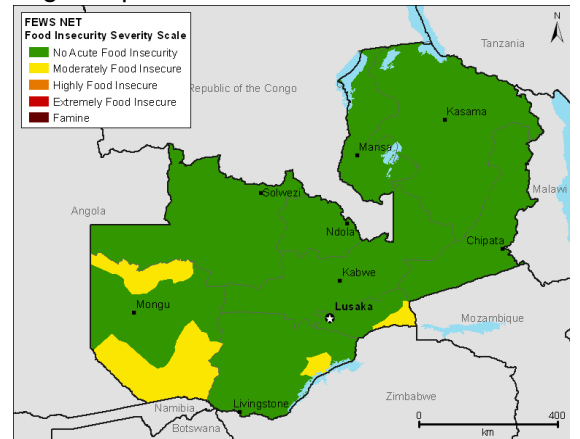
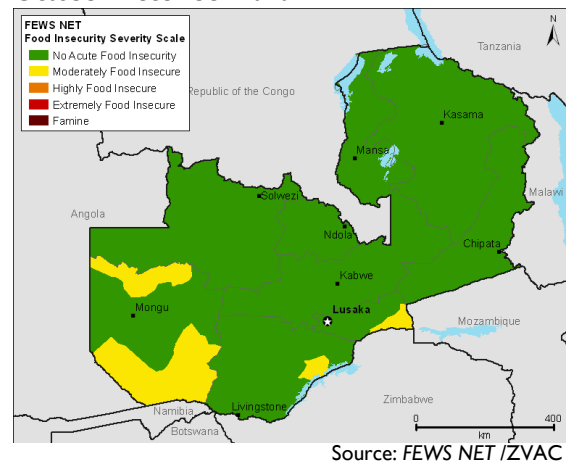


Figure 2. Estimated food security conditions, October-December 2010



For more information on FEWS NET's Food Insecurity Severity Scale, please see: www.fews.net/FoodInsecurityScale

slow, with the World Food Program (WFP) being the major buyer as of early August with the intention of using the grain for regional relief programs and local developmental activities. The FRA, whose maize stock position stood at 244,000 MT (includes 160,000MT carryover stock) as of the first week of August, has managed to purchase about 318,000 MT of maize by the end of August, meeting their maize purchase target of 300,000 MT for the 2010/11 marketing season. During the first part of the program in June and July there were insufficient funds and therefore, purchases were very slow. At least 70 percent of the total purchases have been made in the month of August after the government released more money and used borrowed funds to help speed up the purchases. The FRA is offering the highest price of ZWK1,300/Kg for small-scale maize while most other buyers are paying no more than ZWK900/Kg with the lowest price offered being around ZWK500/Kg. The FRA price is considered an indicator price in relation to the cost of production and is not based on market forces of supply and demand. Of the FRA total maize stocks, 160,000 MT (carryover maize from the 2009/10 season) has been offered for sale to would-be exporters.

In line with the good staple food supply, maize prices have been falling since April. Looking at three districts representing an urban area (Lusaka), a high-producing area (Choma), and a low-producing and moderately food insecure area (Luangwa), the price trend shows steep downward trends for all three (Figure 3). For some districts such as Lusaka and Choma, the July maize prices have reached the five-year average, while others are fast approaching that figure. Despite the close to average maize prices, the maize meal retail prices are still mostly above-average, especially those of the more refined meal (breakfast meal). This suggests that the reduced cost of maize is not being adequately passed on to consumers in the form of lower maize meal prices. The very low levels of formal exports are contributing to keeping the domestic market oversupplied with maize. There is more movement of maize through informal trade than through formal trade, with most of the monitored exports destined for DRC, DRC being the major informal export market for Zambia. Maize exports to DRC have increased since the recent harvest, while at the same time there have been significant increases in the monitored inflow of maize from both Mozambique and Tanzania with the price differential at the borders driving this flow. Therefore, even though a significant amount of maize is being exported (minimum of 1,330 MT in July) informally, there are indications of a significant inflow from Mozambique and Tanzania, (minimum of 1,554 MT in July) which is helping to maintain high local grain stocks (see Figure 4). Past visits to the border have revealed that some Zambian farmers have fields across the border in Mozambique which could partially explain the surge in maize from Mozambique.

Figure 3. Maize retail price trend at public markets for selected districts (August 2009-July 2010)

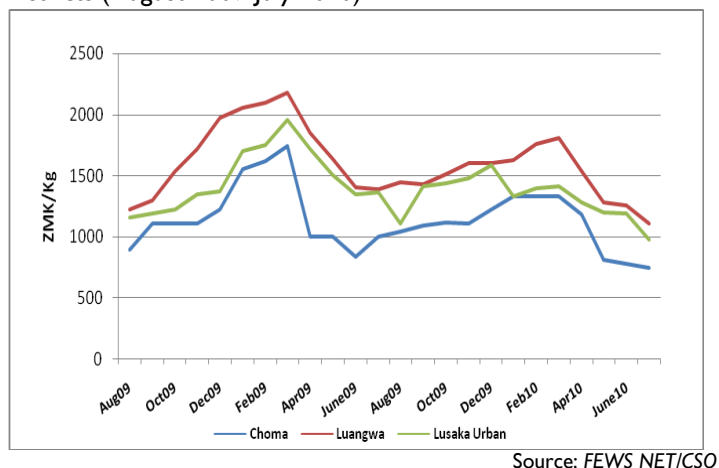
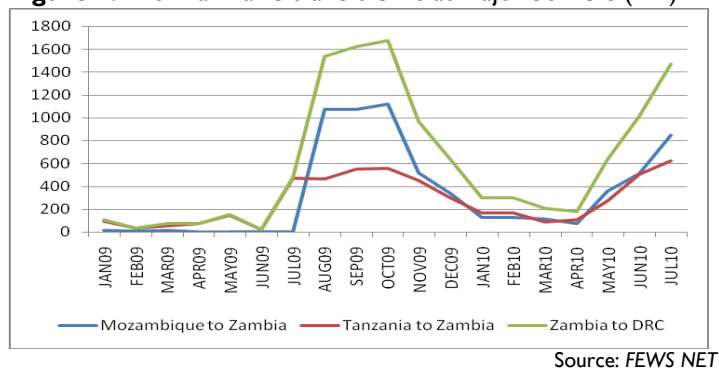


Figure 4. Informal maize trade trends at major borders (MT)



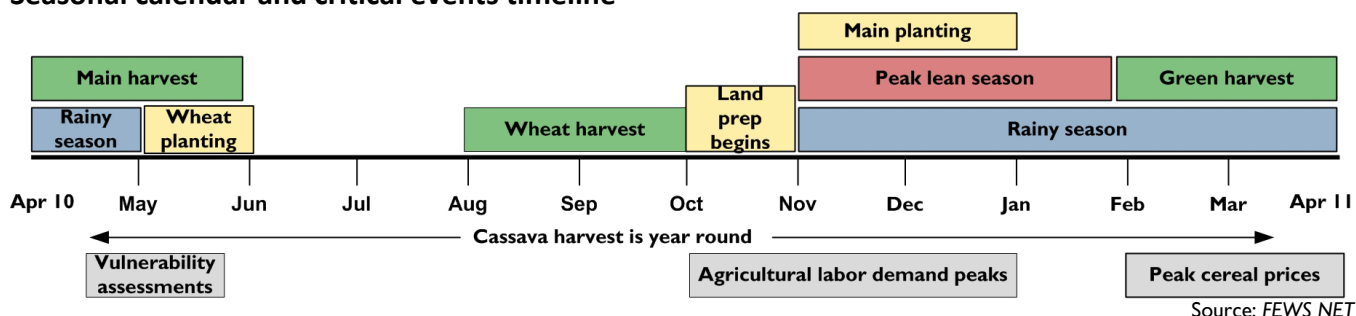
As a result of the good harvest, most areas remain relatively food secure, with very few localized areas of concern, namely parts of the districts of Lukulu, Shangombo, Sesheke (Western province), Luangwa (Lusaka province), and Gwembe (Southern province). Parts of these areas are expected to be moderately food insecure during the outlook period of July to December as a result of the effect of adverse rainfall in the last production season which reduced their harvests. Better-off households are likely to meet their food needs with difficulty and will rely on more livestock sales than usual, while the poorer households will increase labor sales and consume less preferred food as the lean season approaches. The fact that these areas had reduced harvests implies that households are looking to markets earlier than usual as own stocks run out earlier than normal.

In the Lukulu district, it is currently the peak period for fishing, a major activity for this time of the year. Fishing is providing some much needed income and no shortages of staple foods have been reported in the district so far. Furthermore, livestock conditions are stable as there have not been any reports so far of new livestock disease outbreaks. This implies that even in this area of concern, the food security situation is currently stable and should be until the start of the lean season. For the major duration of the outlook period, increased fish and livestock sales are likely to help fill part of the food gap for affected households while increased labor sales will also help as land preparation peaks in October. As the lean season approaches in November, better-off households in affected areas are likely to sell unusually higher amounts of livestock to meet food needs. The difficult period is likely to be the November to December period as some of their income which could have been used during this period will have already been used up as they started buying food much earlier than usual. The food security problem will also be linked to the start of the rainy season, if the season starts late, demand for labor may likely fall as the better-off will tend to hold on to their food stocks due to the poor seasonal start.

In the districts of Shangombo and Sesheke, maize is available for sale in localized food insecure areas from higher-producing communities as well as neighboring high-producing districts such as the Kalomo district in the Southern province. Similar to Lukulu, fishing is at its peak and will continue until November before the fish ban is imposed to allow for breeding. Maize prices are falling similar to other areas as surplus grain is still readily available in neighboring high-producing areas of the Southern province. There have been reports of significantly increased informal exports of maize from Sesheke to Namibia. Since this border is not monitored, it is difficult to establish the quantities exported so far. This confirms that either there are surplus stocks of grain within many parts of the Sesheke district or that traders have been very active in moving grain from surplus districts into the Sesheke district. Poorer households in these areas will increasingly rely on labor sales in the coming months to help meet their food needs as labor demand increases with the approach of the land preparation period in September and October and with demand continuing into the main planting period of November to December. The market will likely remain well supplied with staple foods. If the rainy season delays, it will create anxiety among the better-off who may demand less labor and therefore poorer households will have fewer income-earning opportunities and will earn less making it more difficult to meet food needs. If rains delay, it could also result in an increase in staple foods in the area, as those selling in surplus areas may hold on to most of the grain for themselves. This may also result in increased staple food prices as less grain will be reaching the area making it difficult for poor households to access food.

In the valley areas of the Gwembe and Luangwa districts in the southern areas of the country, the food security situation has remained stable. Since neighboring districts have surplus grain which these affected districts can access through small traders, maize prices in these districts have also been falling. Gwembe, which has more nearby high-producing districts such as Choma and Monze, has a more comfortable market position in terms of the accessibility of grain. However, despite Luangwa being a more difficult location as far as physical access is concerned, maize prices have also been falling steeply since the harvest in April (Figure 3). This signifies the current adequate supply of staple foods in the district. What is of major concern however is the high rate of acute malnutrition levels which were estimated at 9.9 percent for the Luangwa district, which is 4.9 percent above the acceptable level. This is based on the results of the National Nutrition Surveillance conducted in 32 districts spread across all nine provinces of the country in December 2009. Note that the other four districts of concern were not included among the assessed districts. The high acute malnutrition level here could be linked to several factors which include low dietary diversity and poor water and sanitation. Past Vulnerability Assessment Committee (VAC) assessments have also found inadequate dietary diversity, even during harvest time, in most rural districts. The high acute malnutrition levels in a few districts and Luangwa in particular, need to be seriously addressed.

Seasonal calendar and critical events timeline



Source: FEWS NET