

HIGHLIGHTS

- ◆ Informal cross-border trade in maize continues after the ban on maize export, but at much reduced levels.
- ◆ Zambia has net inflow of informal maize in 2005/06 marketing season, reversing net out flow in previous season.
- ◆ Relative scarcity and price differences across Zambia's borders trigger informal outflow of maize into DRC and inflow from Tanzania.
- ◆ Zambia is the largest informal exporter of rice and beans; the volume of rice traded increased relative to maize and beans since the start of 2005/06 market season.

OVERALL SUMMARY OF TRADE

The WFP/FEWS NET project to monitor informal cross-border food trade in the southern Africa region was initiated in July 2004. Through this initiative, several borders between Zambia and neighbouring countries - the Democratic Republic of Congo (DRC), Tanzania, Malawi, Zimbabwe and Mozambique - are being monitored (see Annex 2). The commodities currently monitored are maize, beans and rice. The findings over the past year reveal that cross-border informal trade in these commodities can be significant, which has important implications for Zambia's food security and food balance sheet.²

Figure 1a: Informal Maize, Rice and Beans Export Trend

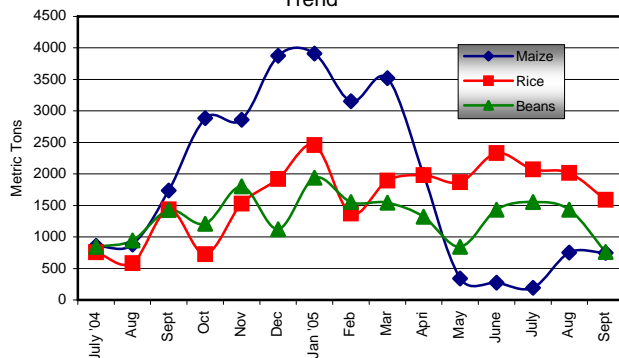
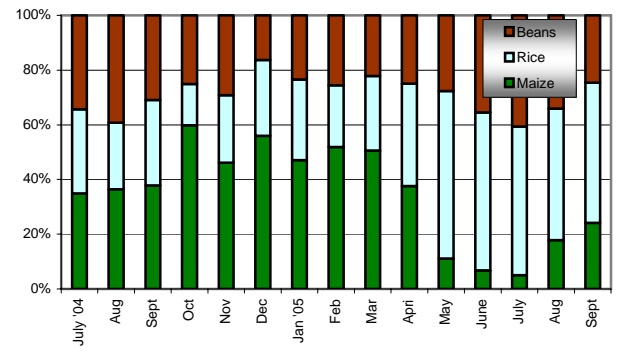


Figure 1b: Percentage Share of Monitored Informal Exports (July 04- Sept 05)



Source: WFP/FEWS NET Informal Cross Border Trade Monitoring Initiative

Figure 1a shows recorded quantities of informally exported maize, rice and beans since the beginning of the project. The changes in their relative quantities during this period are depicted in 1b. The volumes of maize (859 MT), beans (844 MT) and rice (758 MT) exported to neighbouring countries were comparable at the start of monitoring in July 2004. Exports of maize rose steadily and remained high to the end of the 2004/05 marketing year (i.e. April 2005), which could be explained by the fact that the marketing season was preceded by surplus production in the 2003/04 production season. Since the beginning of the current marketing season in May 2005, export of maize fell steeply. The volume of rice and beans were both lower than maize, but alternated in second position to the end of the 2004/05 marketing season. However, since the start of the 2005/06 marketing season, rice has become the dominant export followed by beans, effectively displacing maize to third position. The share of maize in total informal export was 21% in October 2005, which was 10% of peak maize export of January 2005.

The informal maize exports were primarily to Zimbabwe and DRC, which accounted for at least 90%; the remaining volume was exported to Malawi and Tanzania. From July 2004 to the end of the marketing season in April 2005, recorded exports to Zimbabwe and DRC had reached 13,190 MT and 10,211 MT respectively. Similarly, the main

¹ This is the first bi-monthly report dedicated to Zambia to complement the regional monthly report.

² In the 2004/05 marketing season Zambia was the second largest informal exporter of maize after Mozambique.

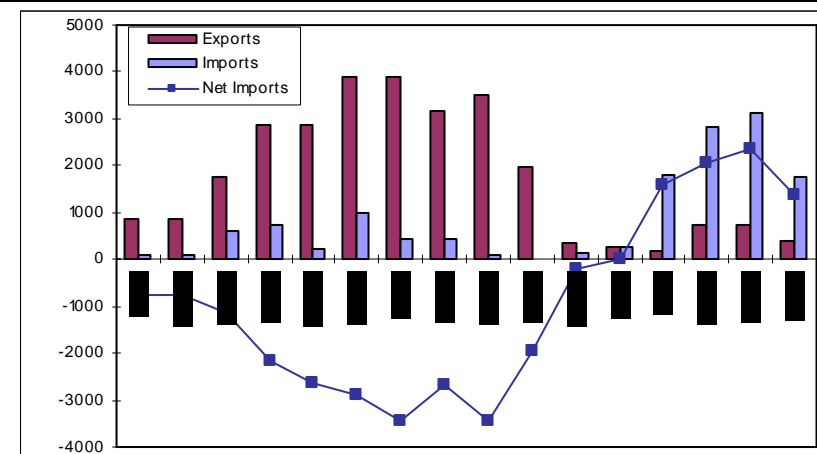
market for informal exports of both beans and rice was the DRC. Export of these commodities to other countries was negligible.

Between March and April 2005 maize exports to Zimbabwe and DRC fell by 94% and 8%, respectively. The drop was steep in subsequent months for DRC (drop of 83% between April and May). This followed Government of Zambia's ban of maize export announced in March 2005. The decline also coincided with the maize harvest period, and appears to reflect the reduced harvest in 2004/05 production season. The fall in recorded informal maize export significantly increased the relative share of both rice and beans. There were also large fluctuations in the volume of informal maize exports compared with rice and beans. Much of the rice traded comes from East Asia and there was therefore relative stability of supply compared with maize (and to lesser degree beans) that is locally produced and was affected by the partial drought.

MAIZE TRADE: EXPORT, IMPORTS AND PRICES

Figure 2 shows the quantities of maize exported and imported informally by Zambia between July 2004 and October 2005. This reveals that during the 2004/5 marketing year (up to April 2005), the direction of trade was outwards, with very small quantities of maize flowing into the country. However, during the current marketing period there has been a reversal, with very significant drop in the quantity of maize exported while there has been a marked increase in imports. Net import of maize (defined as imports minus exports) is also depicted as line graph³ and this reveals a net outflow of maize during 2004/05 marketing season and total reversal since May/June 2005. This follows from the partial drought experienced during the last agricultural season that led to a fall in maize production. Consequently, the maize produced was not sufficient to meet the demand within the country.

Figure 2: Export and Import of Maize (July 04 – Oct 05) in MT



Source: WFP and FEWS NET informal Cross Border Trade Initiative

The principal source of the increase is informal imports from Mbeya in Southern Tanzania. Imports increased steadily since July 2005, falling back only in October. The main trigger to this increase appears to be low price levels in southern Tanzania that were 40% of the levels in northern Zambia in July/August. Prices in southern Tanzania have since risen, which is believed to be due to increased demand for maize including from countries such as Malawi, the DRC and Kenya.

By contrast, informal maize imports from Mozambique and Malawi are insignificant. Malawi is experiencing severe maize deficits while production in

northern Mozambique was below normal during the last production season. Northern Mozambique usually exports large quantities to Malawi, but the quantities are now believed to be insignificant. More generally, with the exception of South Africa, the countries in the region are experiencing maize deficits and competing for maize within the region, with the outcome that prices along their borders are relatively high and rising.

Informal exports to DRC have generally continued, despite the export ban. However, the amounts recorded have dropped by 80% between April and October 2005. This can be attributed to lower level of available maize and to some degree, adherence to the export ban imposed in March. However, it is also likely that some of the grain could still be exported via unusual routes that are being used because of the ban. Compared to the 2004/05 marketing season, recorded informal maize exports in the current period are less than 15% the level at the same time during the last season. It is expected that the low level of informal export will remain in force for the rest of the marketing season.

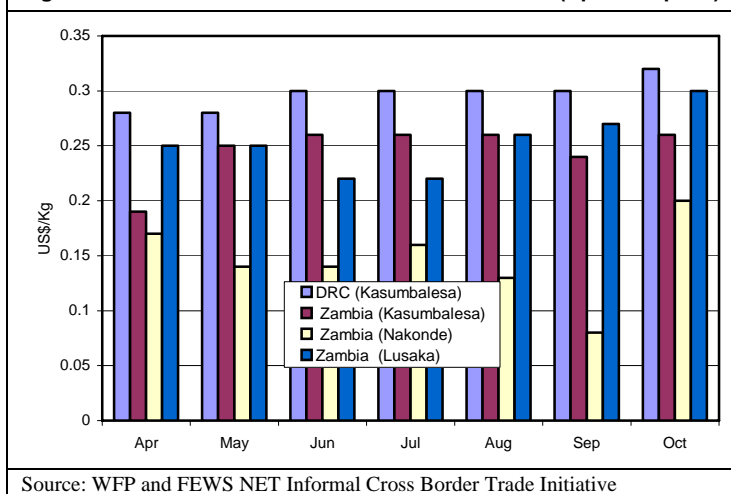
Continued maize exports to the DRC despite the ban can be attributed to the attractive price. Figure 3 shows the price of maize along currently active borders (Kasumbalesa on both the DRC and Zambian sides, Nakonde on the Zambia side) and in Lusaka between April and October 2005. This reveals that the prices in Kasumbalesa border on the DRC

³ Positive value for 'net import' represents net inflow, while a negative value represents a net outflow.

side had remained the highest, consistently at around US\$300/MT up to September. Prices on the Zambian side of the border remained lower and averaged around US\$240/MT over the same period. Mkushi District, one of the main sources of maize flows into DRC also has price levels comparable to Kasumbalesa Zambian border. In October, prices have significantly increased in the selected borders and Lusaka with respect to September levels.

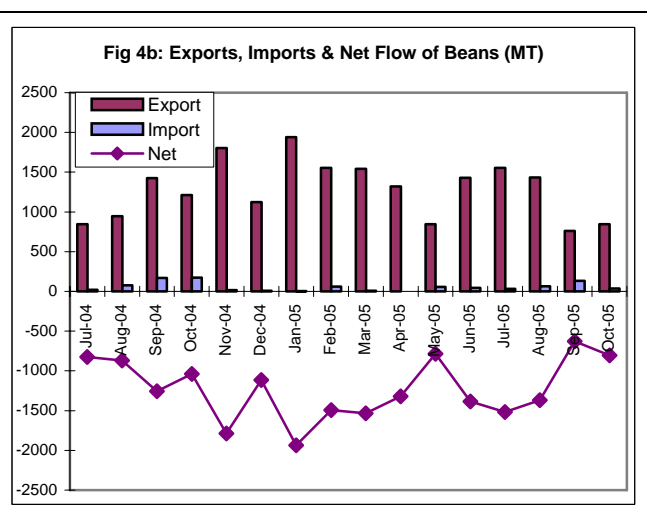
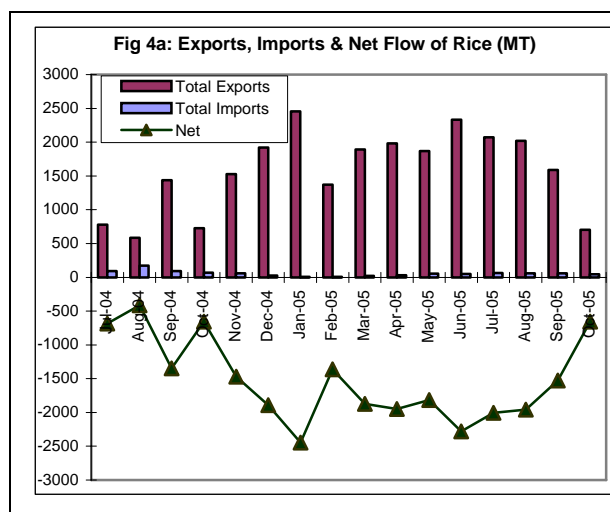
Price levels in Nakonde have remained the lowest. After four months of relative stability, it took a downward trend in September. This is likely to be due to the increase in supply of maize into the district from southern Tanzania as discussed above. Mbeya is approximately one hour by car from Nakonde border and it was earlier noted that price levels there were low due to good harvest. Meanwhile the price levels in Lusaka are very high at about US\$ 300/MT, only second to the level in Kasumbalesa border on the DRC side. Following initial decline (April to June), prices have continued to rise, which reflect the poor harvest in the country and subsequent state of maize supply in the capital. The high price levels in US\$ could partly be attributed to the significant appreciation of the Zambian Kwacha.

Figure 3: Maize Prices at Selected Borders & Lusaka (April – Sept 05)



RICE AND BEANS: SUMMARY OF TRADE

Among the countries monitored Zambia leads in recorded informal export of both rice and beans (see Appendix Tables 2 & 3). The trend of informal exports and imports of the commodities are captured in Figures 4a & 4b. Almost all the flow goes to the DRC. Exports to Zimbabwe and other countries are generally low and have remained insignificant during the current period. However, greater quantities of rice have been exported during the current season (2005/06) compared to the last season. Also so far larger quantities of rice have been exported compared to beans during the current season. One explanation to the latter could be the stability of supply of rice underpinned by the fact that most of it is not produced in the country and therefore not affected by the rainfall pattern unlike beans.



Recorded imports of these commodities (rice and beans) into Zambia are only from Tanzania. Even then, the quantities are very low to insignificant. The import of beans from Tanzania dropped to very insignificant level at the end of 2004 and only started to pick up again following the main harvest in May. By contrast, the informal export of rice to the DRC remained high throughout the year.

ANNEX 1: TRADE TABLES
Table 1: Informal Cross Border trade in Maize (MT)

Source		2004/05 Season										2005/06 Season							
		Destination	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total	Apr	May	Jun	Jul	Aug	Sep	Oct
Tanzania	Zambia	91	115	590	714	225	982	441	454	87	3,698	15	123	259	1,779	2,807	3,099	1,767	9,849
Zambia	Zimbabwe	617	636	1,409	2,242	1,400	1,986	1,624	1,764	1,428	13,106	84	0	2	3	2	8	12	111
Zambia	Malawi	146	185	153	144	114	655	691	43	26	2,156	8	9	17	6	7	23	16	86
Zambia	Tanzania	0	54	17	4	10	6	1	0	1	93	0	0	0	0	0	0	0	0
Malawi	Zambia	0	0	0	1	13	5	8	3	4	33	2	3	3	2	0	3	0	13
Zambia	DRC	96	0	160	495	1,333	1,226	1,596	1,345	2,067	8,318	1,893	329	255	185	741	715	371	4,489
Mozambique	Zambia	-	-	-	-	-	-	-	-	-	-	-	2	3	1	20	3	3	32
Traded (MT) Total		950	990	1,929	3,600	3,095	4,860	4,361	3,609	3,613	27,404	2,002	466	539	1,976	3,577	3,851	2,169	14448

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

Source		2004/05 Season										2005/06 Season							
		Destination	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total	Apr	May	Jun	Jul	Aug	Sep	Oct
Tanzania	Zambia	94	173	93	69	58	24	8	7	21	468	3	53	51	64	60	60	45	336
Zambia	DRC	775	583	1,428	724	1,524	1,909	2,449	1,369	1,883	12,183	1,975	1,865	2,324	2,064	2,014	1,583	690	12,515
Zambia	Malawi	0	0	0	0	0	0	0	0	0	64	0	0	0	0	0	0	0	0
Malawi	Zambia	0	0	0	0	0	0	0	1	0	29	30	0	0	1	0	0	0	31
Zambia	Zimbabwe	3	2	11	3	4	9	7	0	11	12	5	4	6	6	4	6	13	44
Total Traded (MT)		872	758	1,532	796	1,586	1,942	2,464	1,377	1,915	12,756	2,013	1,922	2,381	2,135	2,078	1,649	748	12,926

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

Source		2004/05 Season										2005/06 Season							
		Destination	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total	Apr	May	Jun	Jul	Aug	Sep	Oct
Tanzania	Zambia	20	76	166	164	14	1	1	61	6	509	0	57	42	28	64	131	33	388
Zambia	Tanzania	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Zambia	DRC	844	946	1,425	1,211	1,440	1,124	1,942	1,545	1,542	12,019	1,320	844	1,429	1,550	1,431	759	843	9,019
Zambia	Zimbabwe	0	0	0	0	364	0	0	8	0	372	0	0	1	2	1	3	1	9
Malawi	Zambia	0	1	2	9	4	8	3	-	3	30	0	1	2	5	0	2	4	18
Total Traded (MT)		864	1,887	1,593	1,384	1,822	1,133	1,946	1,614	1,551	12,930	1,320	902	1,474	1,585	1,496	895	881	9,434

