MALAWI
FOOD SECURITY UPDATE
JULY 2005

ALERT STATUS:
NO ALERT
WATCH
WARNING
EMERGENCY

CONTENTS

SUMMARY AND IMPLICATIONS

Maize prices are rising more rapidly than normal in some of the local markets, a development that is likely to limit the food access of most poor households. Meanwhile, food aid distributions are underway in parts of the southern and northern regions as one way of addressing the current food shortage. The number of beneficiaries and amount of food distributed will increase as the season progresses. It is therefore important that donors honor their food aid pledges on time to avoid the currently serious situation deteriorating into a food crisis. In addition, there is urgent need for additional resources as the current pledges only amount to about half of what is required. The President has set up a Feed the Nation Fund through which well-wishers are asked to contribute whatever resources that could be used to feed households affected by the food shortage this season.

The government announced an export ban on maize and fertilizer, effective July 25. Exports of these commodities are currently insignificant, but the ban may help stop traders from exporting larger quantities of maize and fertilizer.

SEASONAL TIMELINE

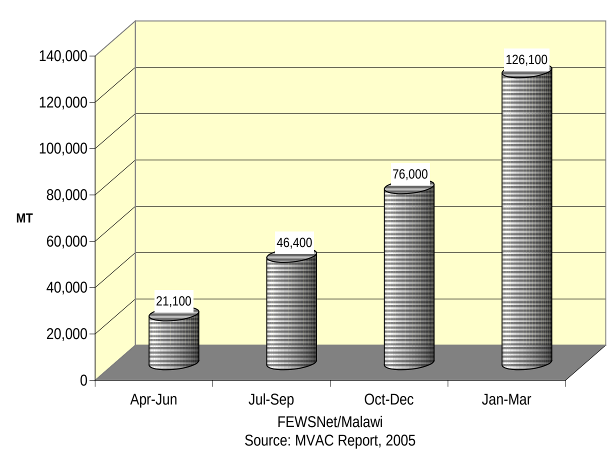
CURRENT HAZARD SUMMARY

A majority of the local markets registered maize price increases in July, a development likely to increase the risk of food insecurity for many households. The majority of the markets with prices above MK20.00/kg are located in the southern region, where most of the people in need of food assistance are found.

FOOD SECURITY SUMMARY

The number of households running out of food from their own production continues to increase. These households are becoming increasingly dependent on the market for their food needs earlier than they normally would be. The drop in crop production this year implied that many households did not produce enough food to last them the whole season. The number of households running out of their own production at each point in time is higher than is normally the case. The resultant rising market demand for food, especially maize, is beginning to force maize prices up. If prices continue to rise, many more households, especially the poor, will be unable to meet their needs. As previously reported, the number of households at risk of food insecurity is estimated to be between 4.2 million to 4.6 million, with corresponding food aid requirements of about 270,000 MT to 414,000 MT maize equivalent in scenario 1 and 2, respectively. Scenario 1 assumes a price range of between MK19-23/kg, and scenario 2 assumes a price range of MK32-40/kg. Regardless of which scenario will

Figure 1: Estimated Food Aid Needs from April 2005 to March 2006



Based on maize prices ranging between MK 19-23/kg.

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prevail, the number of households at risk of food insecurity and the corresponding food aid requirements will continue to increase each month as the season progresses. According to the MVAC report, based on scenario 1 assumptions, the food aid requirements are expected to reach about 126,000 MT at the peak of the hungry season (January-March 2006). Figure 1 shows the quarterly food aid requirements for scenario 1 for the current consumption period.

The worst affected part of the country is the southern region, followed by the central region and then the northern region. The southern region was the hardest hit by the drought, and over 70 percent of the affected population is in the southern region. Another factor that contributes to the high numbers of people in need in the southern region is that the southern region is the most densely populated. Figure 1 shows that some of the households were in need of food aid as early as the first quarter of the consumption period (April to June), which also happens to be the harvesting period. This shows just how serious the situation is in those parts of the country where some households harvested almost nothing. According to the MVAC, these areas include the Lake Chilwa-Phalombe Plain, Rift Valley Escarpment, Central Karonga, Middle and Lower Shire Valley livelihood zones.

RESPONSE TO NATIONAL CEREAL DEFICIT

The national food balance changed slightly after the release of the final crop production estimates and inclusion of wheat in the food balance sheet. The national food shortfall has been revised from initial 482,000 MT based on second round figures to 389,889 MT. The FAO/WFP Crop and Food Supply Assessment Mission (CFSAM) results were based on the second round figures, and estimated a 437,000 MT shortfall. There is debate over which crops should be included in the food balance sheet analysis. However, from the above figures, it appears reasonable to say the best estimate of the food shortfall for the 2005/06 consumption year is about 400,000 MT.

To ensure food availability at national level, the government is replenishing the strategic grain reserves and intends to purchase an additional 30,000 MT of commercial maize for sale to ensure that maize is readily available in the markets. The government in late July issued a tender for the purchase of this maize and another 63,000 MT for humanitarian interventions. The tender stipulates that the maize should originate from within the SADC region, excluding Malawi, because maize is in short supply in Malawi. However, as much as this makes a logical sense, one wonders how the traders who have been buying large quantities of maize from Mozambique without any certificate of origin in anticipation of the government tender will be handled. In addition, although there is a food deficit in the country, maize trading is quite active and some traders have been buying maize, particularly in the central region, in anticipation of the government tender. With the new restrictions, these traders will be disadvantaged. In fact, there is no guarantee that if government does not buy the locally produced maize, that this maize will reach the households with food deficits. The government could buy this maize and then redistribute either commercially or as food aid to ensure that the affected households have access to food.

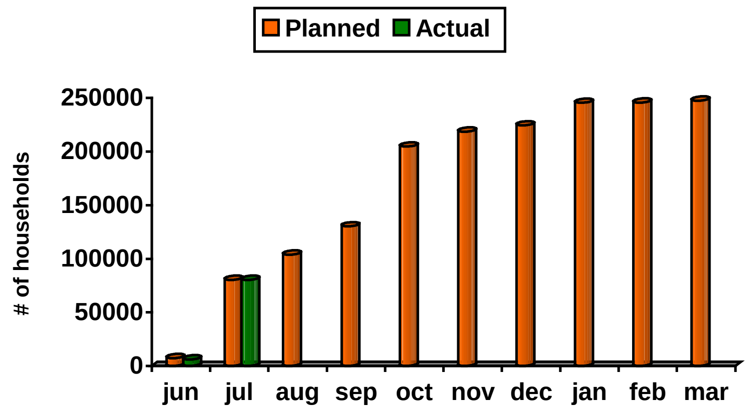
Informal cross-border trade continues to play a significant role in improving the country’s food security. It is difficult to get clear indication from the private traders on their planned imports. However, based on last year’s informal cross-border trade figures, it was projected that about 100,000 MT of maize will be imported through informal cross border trade. Other food crops, such as cassava, rice, beans, and millet, are also imported. Malawi is a net importer of most of these commodities. For instance, from April-July 2005, about 40,000 MT of maize imports have been recorded against exports of only 260 MT, while dry cassava imports were about 99 MT compared to exports of only 2 MT. The situation is similar for most other commodities. Most of the maize found in the local markets, especially in the city of Blantyre and districts along the border in the southern region, is from Mozambique. The trade is beneficial to all countries involved, as it improves food security, creates employment, generates income and helps to alleviate poverty. A number of factors influence the direction of trade, including the proximity to markets, price differentials, and supply and demand. The government has just issued a ban in maize and fertilizer exports due to the food shortage in the country. However, it is hoped this will not result in unnecessary harassment of the very small traders who are just trying to earn a leaving, as has been the experience in the past. For instance, in the northern parts of Chitipa, a farmer may just want to sell a pail or bag of maize to earn money to purchase some household necessities like soap, salt, medicines, clothes etc, and it does not make sense for the farmer or trader to take his/her maize all the way down to Chitipa Boma market to sell leaving the nearby markets in Tanzania, where prices are even better than in Malawi. The same applies to farmers or traders in Mozambique who bring their maize into Malawi. In addition, this does not send a good message to farmers who want to grow maize on large scale. This in the long run is counterproductive to efforts to ensure food security in the country. A clear message to the personnel enforcing the ban is needed regarding the type of traders, quantities, etc., to avoid misunderstandings and unnecessary harassment of innocent people. Second, in the future, the government should try as much as possible to address the causes of the direction of trade, through the provision of ready markets, better prices than in neighbouring countries, etc. This has worked in the past. The case in point is in regard to rice exports from Karonga to Tanzania, through informal cross border trade, that has declined significantly due to the activity of the National Smallholders Farmers Association of Malawi (NASFARM), who are buying the rice at MK33/kg, compared to about MK22/kg offered by Tanzanian traders. Before NASFARM became active, most of the rice in Karonga district used to be exported to Tanzania. Export bans just created artificial scarcity forcing the prices up, thereby making the trade more attractive.

Looking ahead, the government is doing everything possible to ensure that fertilizers are readily available in the market on time to avoid a repeat of last season's experience, when fertilizer was scarce at the beginning of the season. This is partly to blame for the food shortage this season. The informal cross-border trade has recorded about 17,123 MT imports of various types of fertilizers compared to only a small amount of exports (663 MT) between April and July this year. The exports are believed destined for Zambia, having originated in Mozambique.

RESPONSE TO HOUSEHOLD FOOD SHORTAGES

As reported last month, food aid distributions started in some of the worst affected districts in the southern region. WFP will be responsible for distribution in 7 of the 12 districts in the southern region: Nsanje, Chikwawa, Mulanje, Phalombe, Chiradzulu, Zomba and Machinga. DFID/EU is responsible for distributing food aid in the affected districts in the northern and central regions and the rest of the districts in the southern region.

Figure 2. WFP planned and actual beneficiary numbers: June 2005 – March 2006



Source: WFP Malawi

WFP food aid distributions started in June in some of the worst affected southern districts (Nsanje, Chikwawa and Phalombe). The distribution is expected to expand to all the 7 districts. Figure 2 shows the monthly distribution plan by WFP in comparison with the actual number of beneficiaries in June and July. Out of the 7,253 households earmarked to receive food in June, 6,000 (or 82% of the planned beneficiaries) received food. The July distribution reached all the planned beneficiaries (80,214 households) as shown in figure 2. The total number of beneficiaries is expected to be more than this, as the DFID/EU logistics unit has also started their distributions. However, the beneficiary figures planned by the logistics unit were not readily available at the time of producing this report.

The recent government tender for the purchase of maize shows a slight reduction in the DFID/EU pledges for humanitarian interventions, from 72,000 MT to 63,000 MT. With this adjustment, the total food aid pledges of 103,000 MT can be broken down as follows: EU/DFID, 63,000 MT; Government, 12,000 MT; WFP carryover stocks, 6,000 MT; and 22,000 MT to be drawn from the SGR paid for by DFID. The current pledges therefore represent only about 55 percent of the total requirement of approximately 270,000 MT. While it is expected that some of this shortfall will be met by food aid interventions by various NGOs and organisations outside these two main pipelines, there is likely to be a substantial shortfall. The government needs to start the process of securing additional pledges immediately if the humanitarian pipeline is to operate smoothly. As previously reported, the country risks deteriorating into a serious food security crisis during the later part of the year if no additional firm pledges are made. As shown in figures 1 and 2, the food aid needs under all scenarios will increase as the season progresses.

Due to the huge shortfall in the humanitarian needs, the current food aid distribution plans are only covering 55 percent of the humanitarian needs. This is a worrisome situation as those not being targeted will exert pressure on both the humanitarian operation and commercial markets. There are already reports in areas where distributions have started of non-beneficiaries showing up at distribution centres and claiming their entitlements. If the number of beneficiaries remains at 55 percent during the October to March period, it is highly likely that the humanitarian operation will be overwhelmed by those not targeted but seeking food. In the same vein, it is expected that the commercial markets will see a rapid increase in price as more people will be competing for dwindling stocks. Already, there are reports of traders hiking maize prices in areas where ADMARC markets have run out of stocks, particularly in the extreme south.

Meanwhile the President announced the establishment of the Feed the Nation Fund to which he donated MK 1,000,000 (about US $8,000) for the purchase of food as one way of addressing the current food shortage. He has urged well-wishers to contribute towards this fund to ensure that there are adequate resources to meet the challenge. The fund will be managed by a committee of selected individuals from different sectors of the economy, including the government, NGO's, the religious community and others. This is a welcome development in light of the shortfall in food aid pledges.

PRICE ANALYSIS

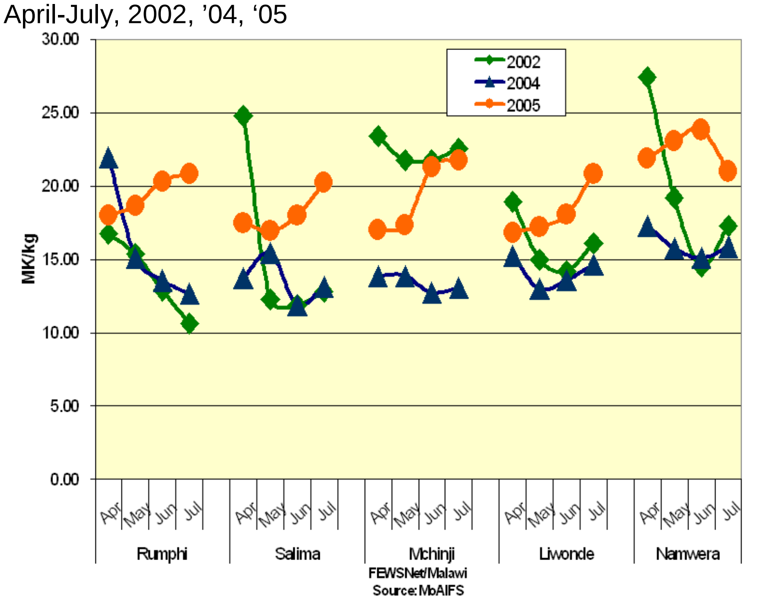
A majority of local markets registered increases in maize prices in July compared to June 2005. This is primarily attributed to an increase in market demand for maize, due to the earlier than normal depletion of household stocks. Out of the 40 markets for which data was available, about 78 percent, or 31 markets, registered price increases ranging from 2 percent at Chimbiya market in Dedza District to 59 percent at Nkhotakota market in Nkhotakota District. Conversely, only 7 markets, representing about 18 percent of all markets, registered drops in maize price. The sharpest fall in prices was 12 percent, recorded at Namwera in Mangochi District. Namwera market has consistently reported high maize prices this season and despite registering the 12 percent drop in the maize price this month, the price remains above MK20.00/kg. Table 1 compares local market maize prices between June and July this month. Generally, maize prices in local markets range from MK11.55/kg (or close to MK600/50kg) at Chitipa market in Chitipa District to MK 25.00/kg (about MK1,250/50kg) at Balaka market in Balaka District. Maize prices above MK20.00/kg are generally deemed too high for most Malawians, especially the rural poor, most o whom live on less than a dollar a day. The list of markets registering prices above MK20.00/kg has grown from 2 in May, to 7 in June and finally 18 in July. The July prices discussed in this report are average prices for the first two to three weeks only.

Table 1: LOCAL MARKET MAIZE PRICE COMPARISON - June and July 2005

Market	June	July	% Change	Market	June	July	% Change
BALAKA	20.26	25.00	23%	MTAKATAKA	16.79	18.75	12%
BANGULA	20.68	22.44	9%	MWANZA	20.45	23.44	15%
CHIKWAWA	21.75	21.11	-3%	MZIMBA	16.38	16.08	-2%
CHIMBIYA	18.00	18.33	2%	MZUZU	16.52	15.24	-8%
CHIRADZULU	18.03	18.55	3%	NAMWERA	23.82	21.00	-12%
CHITIPA	12.02	11.55	-4%	NANJIRI	16.42	18.47	12%
DWANGWA	19.44	19.44	0%	NCHALO	18.65	21.93	18%
EMBANGWENI	12.50	14.33	15%	NGABU	20.28	20.22	0%
KARONGA	16.38	17.21	5%	NKHATABAY	18.14	19.62	8%
KASUNGU	14.99	16.01	7%	NKHOMA	15.22	17.25	13%
LILONGWE	19.94	24.83	25%	NKHOTAKOTA	14.60	23.22	59%
LIMBE	20.00	20.00	0%	NSANJE	17.02	20.48	20%
LIWONDE	18.05	20.84	15%	NSUNDWE	16.95	19.01	12%
LIZULU	17.41	19.31	11%	NTAJA	17.27	18.95	10%
LUCHENZA	17.41	19.00	9%	NTCHEU	16.92	20.53	21%
LUNZU	21.93	23.44	7%	NTCHISI	18.30	18.88	3%
MANGOCHI	19.17	20.06	5%	RUMPHI	20.33	20.84	2%
MCHINJI	21.30	21.73	2%	SALIMA	17.99	20.22	12%
MITUNDU	17.03	17.50	3%	THETE	15.00	16.75	12%
MPONELA	18.05	18.95	5%	ZOMBA	17.56	16.41	-7%

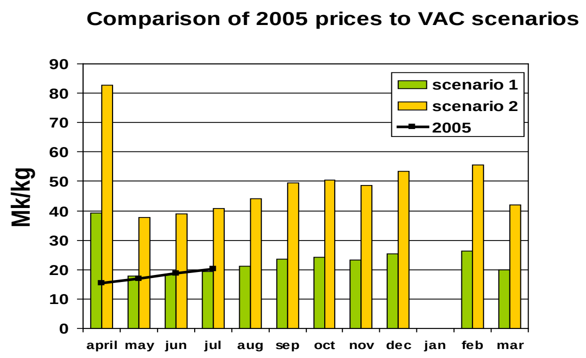
The majority the markets with prices above MK20.00/kg are found in the southern region. Out of the 18 markets that registered prices of MK20.00/kg and above, the southern region accounts for 12 of them; 5 are found in the central region and 1 is found in the northern region. As previously reported, higher than normal prices put many poor households at risk of food insecurity as was the case during the food crisis of 2001/02. At that time, maize was readily available in the local markets but at prices that a majority of poor households could not afford. As a result, some of them starved to death. The 2 scenarios developed by the Malawi VAC show the impact of maize price increases on 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, at 35 percent above the baseline price. In scenario 2, prices are assumed to reflect the import parity price plus a 5 percent mark up, resulting in a 110 percent increase on average above the baseline price. At scenario 1 levels, the number of households in need of food assistance is estimated at about 4.2 million and the food aid requirement is 272,000 MT. In scenario 2, the number of households in need increases to 4.6 million and the food aid requirement increases to 424,000 MT. Appendix 1 provides the local market maize price trends at livelihood zone level in comparison to projected monthly prices for Scenarios 1 and 2. The price trend so far shows that maize prices are generally rising in all livelihood zones. However, no livelihood zone has yet to reach the price levels envisaged in scenario 2, although some zones have already exceeded scenario 1 levels, such as Lower Shire and Central Karonga, while Middle Shire and Southern Lakeshore are just beginning to get above scenario 1 levels. So far, official plans for interventions have been based on scenario 1 projections. The food distribution that just began in some districts may help slow down the price increases, thereby making scenario 2, the worst case scenario, less likely. However, given that the current plans are targeting only 55 percent of beneficiaries, there is a risk of the situation deteriorating if adequate resources are not forthcoming to increase the number of beneficiaries, especially for the period beginning in October, when large numbers of people will require assistance. It is therefore important to ensure efficient and timely distribution of the food aid.

Figure 3. Comparison of maize prices in some local markets, April-July, 2002, ’04, ‘05

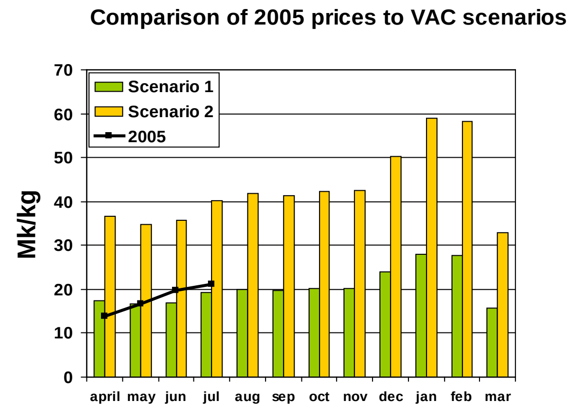


The maize prices in most local markets have increased much earlier than expected and compared to the same time last season. In the VAC analysis, the 2002/03 season is taken as a proxy for a normal season in the sense that it was not exceptionally good or bad. Thus, expected prices in this case refer to prices that prevailed from April 2002 to March 2003. Figure 3 compares this season's (2005/06) local market maize price trends to those of a normal year (2002/03) and last year (2004/05). As shown in the graph, July maize prices this year are generally much higher than at the same time last season. The graph also illustrates that maize prices this season have started to rise earlier than expected or compared to last year. These price trends need to be checked to avoid pushing many poor households into hunger.

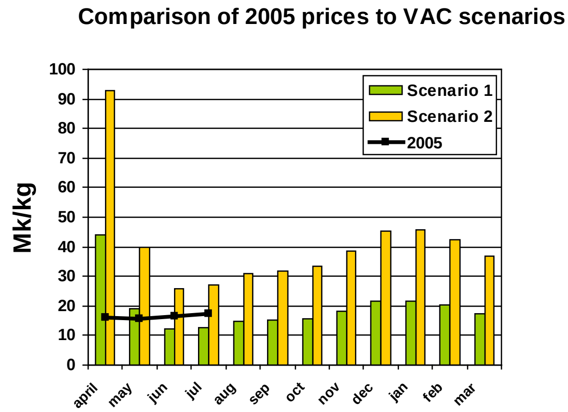
APPENDIX: MONTHLY COMPARISON OF 2005 PRICES TO MVAC SCENARIOS



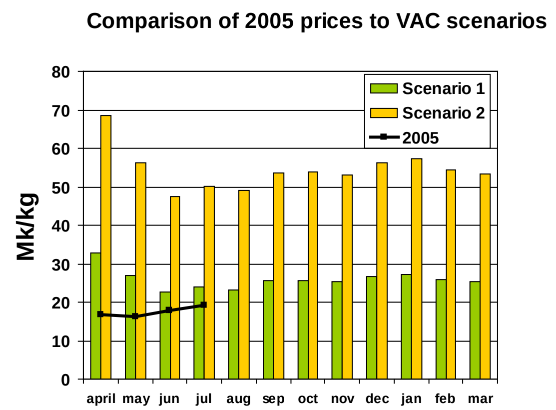
Southern Lakeshore Livelihood Zone: Mangochi and Salima Districts



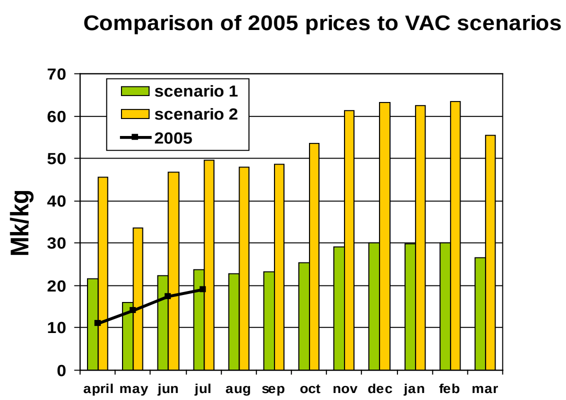
Lower Shire Livelihood Zone: Nsanje and Chikwawa District



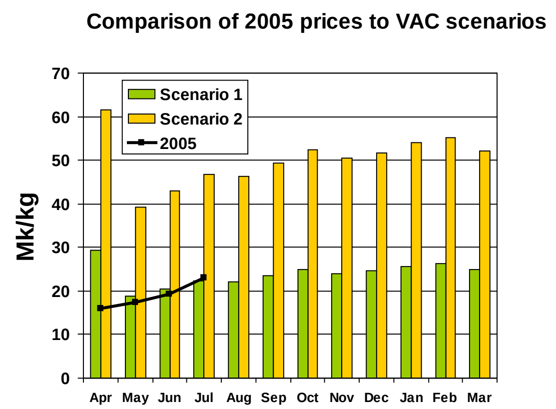
Central Karonga Livelihood Zone: Karonga District



Kasungu-Lilongwe Plain Livelihood Zone: Kasungu, Dowa, Ntchisi, and Mchinji Districts



Lake Chilwa/Phalombe Plain Livelihood Zone: Machinga and Phalombe Districts



Middle Shire Livelihood Zone: Machinga and Balaka Districts

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