

ZAMBIA Food Security Outlook Update

November 2011

Food security conditions remain stable as the lean seasons starts

Key Messages

- Food insecurity remains minimal with the start of the lean season in November. Continued high levels of stocks and relatively low exports are keeping staple food prices stable.
- In an effort to minimize grain losses and keep staple food prices relatively low and stable, the Government directed the Food Reserve Agency (FRA) to sell about 55 percent of their maize stocks on the market to local suppliers and exporters starting in November at prices below the current market value. This decision is likely to increase access to staple foods for poorer households even during the lean period of November to February.
- The reported over-commitment to fill maize export orders in South Africa has provided an opportunity for traders in Zambia to sell maize to South Africa. As of November 11, Zambia had exported 14,620MT of white maize to South Africa. Given the demand, Zambia is expected to continue exporting maize to South Africa in the coming months.

Updated food security outlook through March 2012

As the country enters the second half of the 2011/12 marketing and consumption season, the food security situation remains stable. The staple food supply continues to be good with a large exportable surplus still in-country. By October 21st, the FRA had purchased 1,660,899MT of maize from local farmers, surpassing their target of 1.3 million MT by 27 percent. With the carryover stock from the previous year estimated at 300,000MT, their total stock level was 1,960,899MT as of October 21st. By the end of the purchase program period on October 31st, the stock level continued to increase with additional purchases, although final figures are not yet available.

To deal with high stocks, the newly elected Government has directed the FRA to sell a total of 1,067,000MT of maize (equivalent to about 55 percent of total FRA stocks) starting in November at prices ranging from US\$170/MT to US\$135/MT, meaning at least 5 percent below the average market price of US\$180/MT. Maize prices in urban areas like Lusaka were pegged at US\$170/MT to account for the cost of transportation from rural areas where maize prices start at US\$135/MT. The maize sales have been apportioned as follows: 600,000MT to exporters, 432,000MT to millers and stock

Figure 1. Most likely food security outcomes, November - December 2011

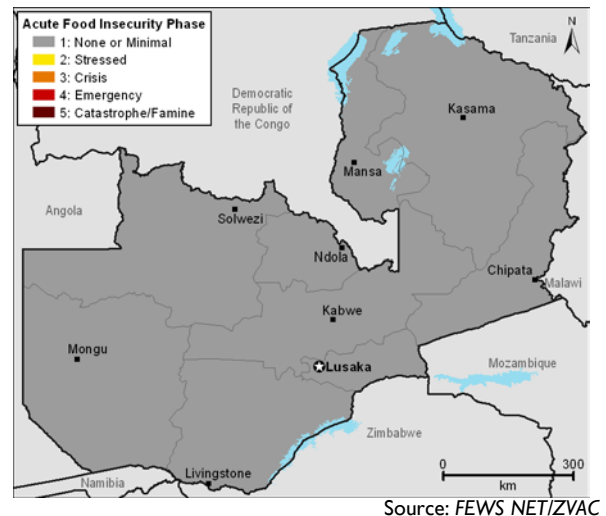
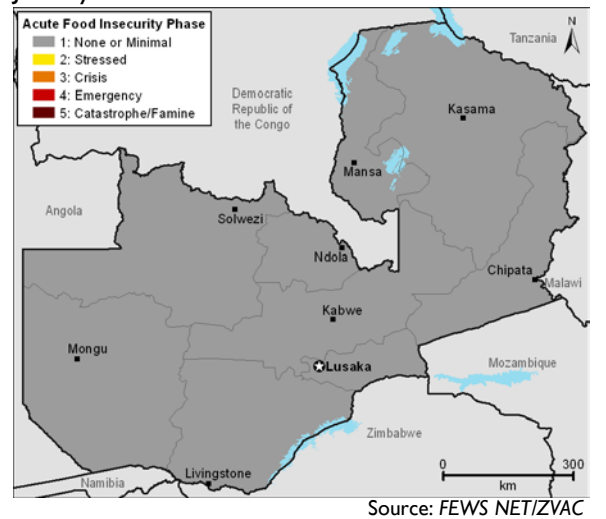


Figure 2. Most likely food security outcomes, January - March 2012



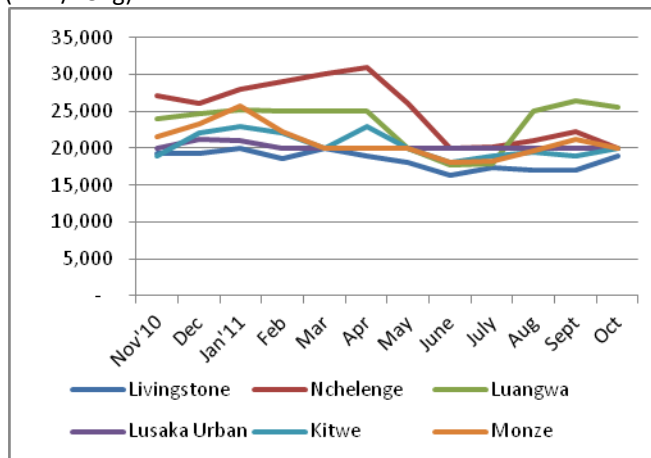
For more information on the IPC Acute Food Insecurity Reference Table, please see: www.fews.net/FoodInsecurityScale

This report provides an update to the October 2011 FEWS NET Food Security Outlook report which estimated food security conditions from October 2011 to March 2012.

feed producers, 10,000MT to community sales, and 25,000MT to relief programs through the Disaster Management and Mitigation Unit (DMMU).

The better off households continue accessing staple foods from own stocks while poorer households are mostly selling their labor to purchase food. Labor demand remains good as land preparation for the 2011/12 production season continues. In line with the good maize market supply, prices have mostly remained stable in both rural and urban markets (Figure 3) with only slight increases between September and October observed in a few districts (Kitwe, Kasama, Solwezi, Mansa). As the lean season progresses, demand for staple food purchases will increase; however, the over-supplied maize market, lower fuel prices, and maize sales from the Food Reserve Agency (FRA) will keep prices down for poorer households. This situation is expected to prevail up to the end of the outlook period in March which will guarantee continued minimal food insecurity (IPC Phase 1). This assumes that the country does not experience extended flooding during the outlook period. The seasonal outlook indicated a likelihood of normal to above normal rainfall in the southern half of the country during the January to March period.

Figure 3. Nominal maize grain prices in selected districts (ZMK/18Kg)

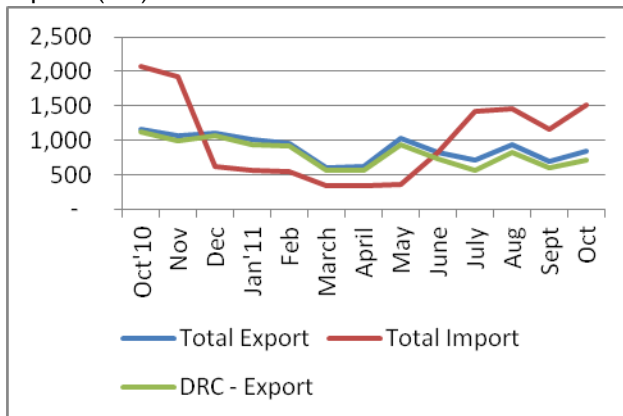


Source: FEWS NET

The pre-season rains received so far are conducive to good land preparation although a source of major concern for poorly stored maize given limited good storage facilities in the country. With good staple food supply and stable staple food prices, Zambia's main focus should be putting in place an aggressive strategy to reduce loss of the surplus grain as the rainy season gets underway. The large sell-off of FRA stocks should help to mitigate these losses.

The reported looming maize shortage in South Africa should open up a much needed market for Zambia's surplus maize provided the country takes full advantage of this market. The South African Grain Information Service's (SAGIS) statistics indicated that as of November 11th, Zambia had formally exported a total of 14,620MT of white maize to South Africa since the start of the 2011/12 marketing season in May. This is in agreement with data obtained from the FEWS NET Cross-Border Monitoring system which shows that most exports started in July as some South African traders tried to fulfill large export orders. Reports indicated that by the end of October, South Africa had exported over 1.7 million MT of maize against a projected surplus of close to 2 million MT. Most of the grain went towards fulfilling large orders outside the region (Mexico, Italy, Korea and Venezuela).

Figure 4. Recorded volumes of informal maize exports and imports (MT) as of October 2011



Source: FEWS NET

In order for Zambia to enhance maize exports, particularly with the 2011/12 rainy season almost upon us, much more needs to be done by Government to entice private maize exports. Some measures include the following:

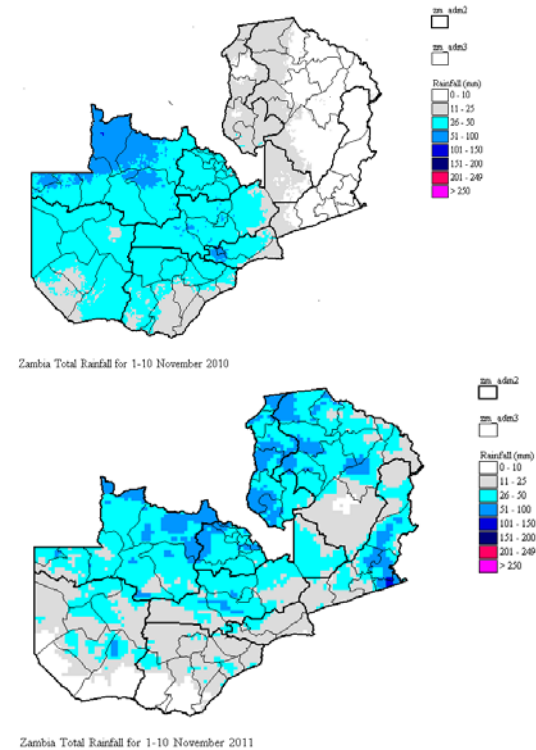
- Provide traders with extra incentive to purchase maize from rural areas (away from the line of rail) where most of the maize is lying. There are preliminary indications that the current price of US\$135/MT may be inadequate incentive for the private sector to immediately boost purchases from the rural areas; most buyers are reportedly buying from within Lusaka. While acknowledging that Government is already experiencing losses having bought the maize at US\$260/MT, there is need to act quickly to prevent huge grain losses as the rainy season begins.

-Reduce the lengthy process between payment and loading of maize, even as we observe that the maize is mostly under collateral management. This inefficiency is unnecessarily costly to potential exporters and acts as a deterrent to increasing maize exports.

Although formal maize exports remain relatively low with respect to exportable volumes, there has been recovery in the informal grain trade activity in October after notable reduction during the election period of September (Figure 4). Both informal maize outflow to the Democratic Republic of Congo (DRC) and inflow from Tanzania and Mozambique increased. Informal maize imports have been driven primarily by the above market prices of ZMK 1,300/kg (US\$260/MT) offered by the FRA. However, volumes of maize imports are expected to drop starting in November with the conclusion of the FRA purchase program on October 31st.

The rainy season is yet to fully start in most parts of the country. The satellite imagery (Figure 5) shows that in the first dekad of November, rains were mostly confined to the northern parts of the country as expected, unlike the previous season when rainfall activity was mostly in the western parts. Mid-November generally marks the start of the new agricultural season. The start of the season is attained when 25mm of rainfall is received in the first dekad followed by at least 20mm total rainfall in two consecutive dekads. Although the season is yet to start in most parts of the country, rainfall activity increased in the second dekad of November. Land preparation will continue in different parts of the country and, as rains establish in the coming weeks, planting will be well underway and hopefully carried out on time. Although inputs are generally available on the market, soybean seed is reported to be in short supply. This could be attributed to high prices for soybeans during the previous marketing season and subsequent increased demand by farmers to produce soybean. In addition, the current distortions in the maize market and observed low prices of maize have also contributed to farmers shifting from maize into soybean production.

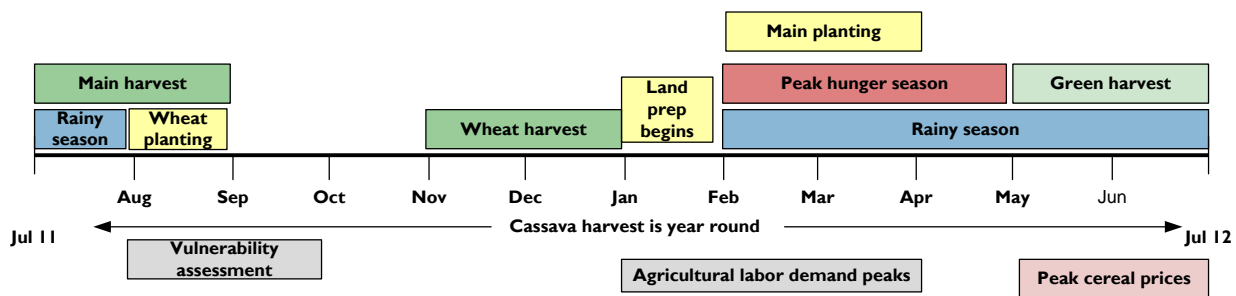
Figure 5. Rainfall estimate as of November 10, 2011 compared to November 10, 2010



Source: FEWSNET/USGS

The new Government has announced its intention to diversify production away from maize starting next agricultural season. Instead of encouraging maize production throughout the entire country, the new Government intends to create incentives for farmers to produce crops based on local comparative advantage instead. It is hoped that diversification combined with increased funding to the agricultural sector will contribute to further productivity and food security gains in the coming seasons.

Seasonal calendar and critical events timeline



Source: FEWS NET