MOZAMBIQUE Food Security Update

July 2008

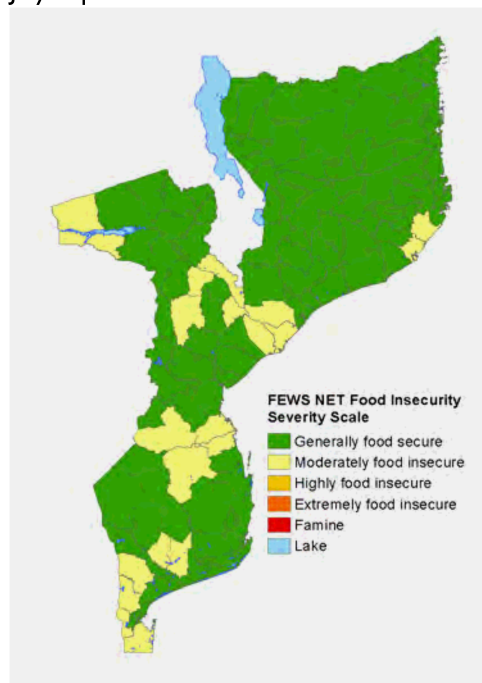
- Following the recent VAC report, which identified 302,664 people as acutely food insecure, the government and its partners (e.g., WFP) are coordinating efforts to initiate humanitarian assistance as rapidly as possible.

- Discussions during the second meeting of the National Directorate of Agrarian Services, held in Maputo in mid July, indicate that the second cropping season is generally progressing satisfactorily, mainly due to adequate and timely seed supplies, and the availability of wetter lowland areas, dewfall and irrigation systems. However, production in areas outside of the lowlands and irrigated areas has been poor due to the near total absence of rains.

- Maize prices remain much higher than the five-year average and that they have begun increasing post-harvest one to two months earlier than normal. Price increases have been largest in the central and northern markets.

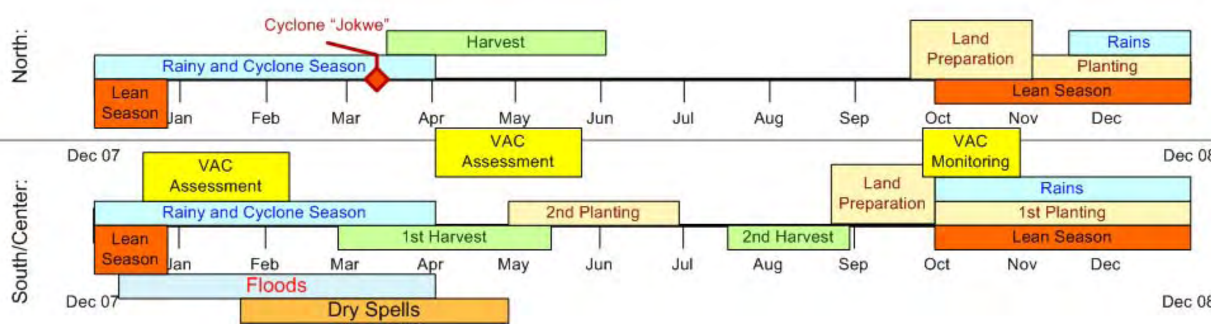
- Findings from a rapid assessment of trade prospects, recently carried out by the Agricultural Market Information System (SIMA) of the Ministry of Agriculture, indicates that in general, traders' perceptions are that 2007/08 production was below expectations. Excessive rains in the central region have affected maize, bean and groundnut production. In the north, rains performed well during the early stage of the season but stopped abruptly in February, reducing maize, bean and groundnut yields by up to 50 percent. The early cessation of rains has also affected the planting of cassava and beans. There is strong evidence that food supply at a national level has declined since last year.

Figure 1. Current food security conditions, July-September 2008



Source: FEWS NET

Seasonal calendar and critical events



Food security summary

Following the recent VAC report, which identified 302,664 people as acutely food insecure, the government and its partners (e.g., WFP) are coordinating efforts to initiate humanitarian assistance as rapidly as possible. Affected households are concentrated in eight provinces that were affected by natural disasters this year, including floods along the Zambezi basin in January, Cyclone Jokwe in March, and severe rainfall deficits (from January until the harvest time in April). Affected households have inadequate access to food and some are already employing extreme coping strategies (e.g., skipping meals, reducing diet quality, selling productive assets, and cropping out of school). These households have little or no capacity for recovery without external assistance. According to the Vulnerability Assessment Group (GAV), 302,664 people require immediate and continuous food assistance until March 2009, while an additional 242,615 are at risk. The at-risk households will be particularly susceptible to food and income losses during the lean season, when food stocks tend to run out and prices rise, leaving fewer options for obtaining food. The GAV mission also identified a total of 540,630 people who are chronically food insecure.

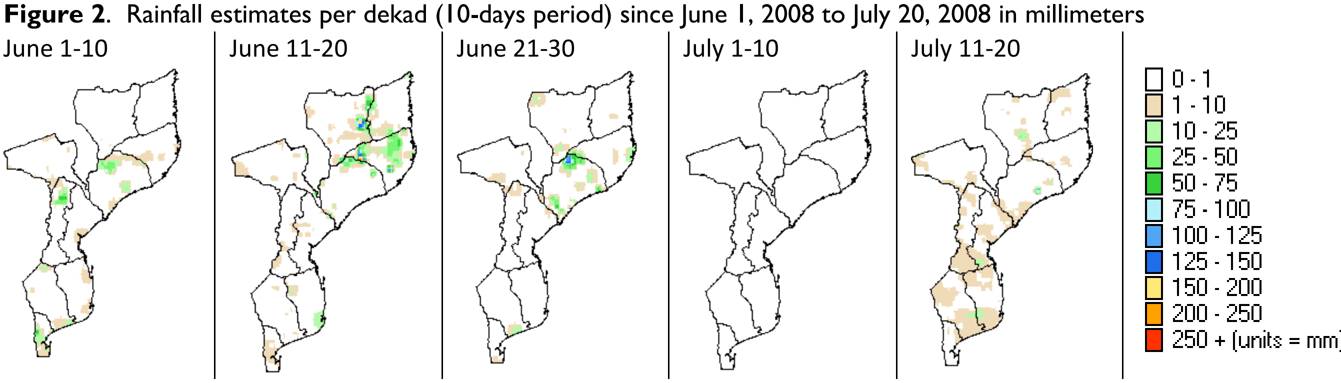
Despite poor rains at the end of the main season in the southern and central regions, the second cropping season is progressing fairly well, particularly in lowland areas, where adequate soil moisture exists, and in areas which either receive heavy dewfall or are irrigated. Consumption and sales of the vegetables produced in the second season will contribute substantially to household food security.

In the northern region, food deficits are most pronounced in the coastal area of the Nampula province, particularly in the Mogincual and Angoche districts, areas severely impacted by Cyclone Jokwe. Meanwhile, in the central region, household food insecurity is most severe in flood affected areas (e.g., Sofala, Tete and Zambézia provinces). Finally, in the south, cereal deficits, poor crop production and limited water availability for both humans and animals due to drought are affecting food security. This region warrants special attention, especially between October 2008 and February 2009. Particular attention should be paid to poor and middle-income household who are highly market dependent, and therefore most seriously affected by high food prices, and remote areas, due to poor road networks and undersupplied markets.

Second season performance

With the main season harvest completed, attention has shifted toward second season production. The harvest for this cropping season normally occurs between July and August and is particularly important in the southern and central regions, of the country. Normally the second cropping season contributes about 15 to 30 percent of household's annual food needs and generates household income through vegetable sales. The most commonly cultivated crops are vegetables and beans. The vegetables include pumpkins, watermelon, melon, sweet-potato, onions, kale and tomatoes. Maize is cultivated on a small scale. In recent years, the second cropping season has become typified by many consecutive plantings and because rainfall during this period is minimal (Figure 2), agriculture during the second season relies heavily on residual soil moisture from the main rainy season. But given long dry spells late in the 2007/08 main rainy season, current soil moisture is poor.

Figure 2. Rainfall estimates per dekad (10-days period) since June 1, 2008 to July 20, 2008 in millimeters



Source: USGS/FEWS NET

Although no systematic, quantitative crop assessments are carried out by the Ministry of Agriculture during the second season, discussions during the second meeting of the National Directorate of Agrarian Services, held in Maputo in mid July, indicate that the second cropping season is generally progressing satisfactorily, mainly due to adequate and timely seed supplies, and the availability of wetter lowland areas, dewfall and irrigation systems. However, production in areas outside of the lowlands and irrigated areas has been poor due to the near total absence of rains (Figure 2).

Income from vegetable sales during the second season is often used to purchase food staples when stores of the household's own cereal production are exhausted. Given the poor main-season crop production in the south and parts of central region, a good second-season harvest in July/August could provide an important source of food and income to boost to household food security. A poor second season, however, could lead to further deterioration in household food security. Close monitoring of the second season is recommended to determine the potential harvest's impact on the food security situation in the months ahead. In areas where households do not practice second season cultivation, other strategies, are used by households to meet food needs. In high producing areas, own production will last households an entire year. In other areas, a reliance on remittances, and the sale of forest products and alcohol help to meet food needs, although this year, high cereal prices could severely affect this latter group as their purchasing power deteriorates.

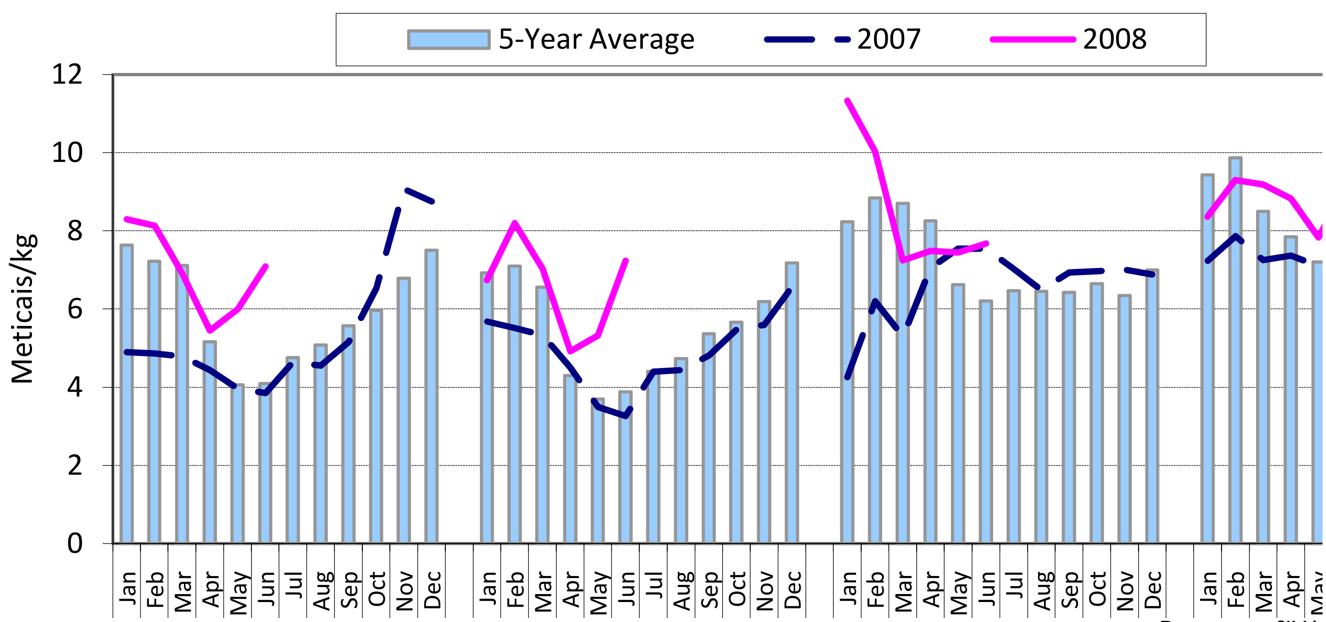
Markets and prices

Current analyses show that maize prices remain much higher than the five-year average and that they have begun increasing post-harvest one to two months earlier than normal (Figure 3). Price increases have been largest in the central and northern markets. For instance, in Nampula, a northern reference market, the June maize price was 7.09 Meticais/Kg, 73 percent higher than the five year average and in Beira, a central reference market, the June maize price was 7.24 Meticais/Kg, 86 percent higher than the five year average. Prices in the southern markets of Chokwe and Maputo reported smaller increases of 24 and 27 percent respectively.

June maize prices were also much higher than last year, except in Chokwe where current prices mirror those of June 2007 (Figure 3). Chokwe market is particularly important due to its strategic location in Gaza Province in the southern region. It is supplied by maize from the surplus producing areas of the central region and also by local production. Chokwe plays an important role in supplying food to the remote interior districts of Gaza and even northern Maputo province.

With prices rising steeply in some areas, and expected to rise even more as household stocks from the main harvest are depleted across the country, food access may deteriorate, particularly for the rural poor, leading to an earlier than usual start to the hunger season.

Figure 3. Monthly real retail maize prices in selected (meticais per kg)



Data source: SIMA

Trader perceptions of seasonal performance and trade dynamics

While production data for the 2007/08 agriculture season and updated food balance sheets are unavailable, the Agricultural Market Information System (SIMA) of the Ministry of Agriculture carried out a rapid assessment from June 10-22, 2008 to assess small-scale rural traders' perspectives on current trade activity and the 2007/08 harvest.

Data collection included 223 informal interviews with traders and allowed for a quick, general overview of the current situation at a relatively low cost. Most merchants interviewed by SIMA were wholesalers who buy large quantities of food and transport them to other locations for wholesale distribution. There were a small number of buyers who resell at the same location to local consumers or to wholesalers in small quantities. The interviews took place in parts of the north and central regions of the country along the main transport routes that link production areas to the main consumption centers. The selected districts in north included Sanga, Muembe, Ngauma, Mandimba, Cuamba and Mecanhelas in Niassa province, Gurue, Milange, Mocuba, Ile and Alto Molócue in Zambézia province and Murrupula and Nampula city in Nampula province. In central region, the selected districts included Angónia, Tsangano, Tete city and Changara in Tete province, Guro, Bárue, Manica, Sussundenga, Chimoio, Gondola in Manica province and Gorongosa, Nhamatanda, Dodo and Beira in Sofala province.

Main findings

Supply: In general, traders' perceptions are that 2007/08 production was below expectations. Excessive rains in the central region have affected maize, bean and groundnut production. In the north, rains performed well during the early stage of the season but stopped abruptly in February, reducing maize, bean and groundnut yields by up to 50 percent. The early cessation of rains has also affected the planting of cassava and beans. There is strong evidence that food supply at a national level has declined since last year.

Trade: The marketing year has started earlier this year when compared to previous years as some commodities, such as cassava (fresh and dry), that normally become available later in the season, were already being sold in markets, indicating that the supply of other commodities is relatively low.

Prices: This year prices are above the five-year average in the two regions (center and north). For example, a large milling company in the north which used to buy maize at 1.50 to 2.00 Mts/Kg is currently offering between 7.00 and 7.50 Mts/Kg. Possible reasons behind the high prices include low supplies from the main production season (2007/08), increased access to price information by producers, and high international cereal prices.

Competition between trade actors: In the past, producers typically sold their grain to small traders, who in turn sold to larger companies and processors. However, the larger entities are now bypassing traditional sales channels and buying directly from farmers, excluding small traders. Possible reasons behind this shift include improved access roads and railways, the construction of new bridges, the expansion of cell phone coverage and improved banking facilities. While this has reduced incomes for small traders, farmers have benefited from higher profits.

Major destination of the commodities: Northern production is mostly destined for provincial capitals of northern provinces and Malawi, while central production is transported to the provincial capitals of Manica and Sofala and southern markets.

Access roads and transport: Many traders establish their assembly points along the major roads leading to the main consumer centers where road conditions and security are relatively good. Bicycles, trucks and trains are used to transport food, depending on road characteristics and conditions. However, trade is negatively affected by the poor condition of access roads, especially in remote rural areas. Although the Government has been investing in road improvements, there is no continuity in the maintenance process and as a result, for example, roads that were in good condition last year have now deteriorated.

Lack of banking facilities: Lack of access to banking facilities has forced traders to carry large amounts of cash making them more vulnerable to theft. In Nhamatanda district, a bank has opened, but limited options exist in other areas.

Major recommendations:

Short term

- *facilitate the acquisition of maize for the processing industry*: this implies revising the VAT, customs regulations and other measure to facilitate imports and mitigate rising food prices.

Medium and long-term

- *investment in infrastructur*e: The construction and improvement of roads and bridges should be a continuous process to avoid disadvantageous prices for the producers in those places with no or bad access roads and high prices in places with better access roads.
- *Improvement of the market information system:* Farmers and traders need to know in advance about the prospects for the season and price trends in order to develop better trading strategies.
- *promote the establishment of new processing industries*. The processing of new products such as dry cassava is strongly recommended especially in the north where the cassava flour is broadly consumed.
- *support farmers to improve yields:* mainly maize, rice, groundnuts and cassava. This is particularly important because the majority of farmers are also net buyers.