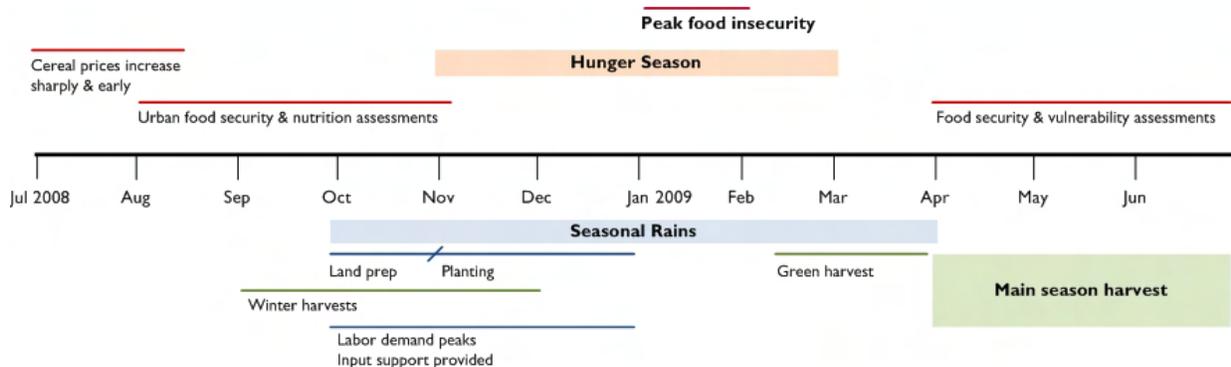


MALAWI Food Security Outlook

October 2008 to March 2009

- The current food security situation across the country remains good as the hunger season approaches. Most households still have access to own-produced food. However, in some areas, where last season's crop production was poor as a result of unfavorable weather conditions, the situation calls for closer monitoring as the poor are at risk of food insecurity.
- The government's maize export ban remains in place, despite favorable overall national cereal production. Because there are areas where crop production was affected by unfavorable weather conditions, increasing the risk of localized food insecurity, the government does not want to permit cereal exports when some parts of the country are faced with food security problems, and believes an export ban will also help keep cereal prices from rising too high.
- The government's ban on large scale maize trade and the fixing of minimum buying and maximum selling prices by ADMARC has slowed the rate of price increases somewhat and, in some cases, resulted in price decreases. The drop in prices is not usual for this time of year, and has offered a respite to poor consumers who were worried at the unprecedented rate of price increases earlier in the season that were elevating the risk of food insecurity for many households.
- As the hunger season progresses, from January to March, households will become increasingly dependent on ADMARC and local markets to meet their food needs. Prices should remain affordable if ADMARC is able to maintain adequate supply to meet demand, particularly in areas where production was low last year. If the 2008/09 season looks promising, traders are likely to release their inventories on to the market even if they have to sell at relatively low prices in order to compete with ADMARC or comply with the government directive.
- Should ADMARC not be able to maintain adequate supply on the market, and private traders become more important as a source of maize, prices could rise to levels that would make it difficult for households to access adequate amounts of food. Given the factors underlying chronic food insecurity in some parts of Malawi, including limited access to income, in the worst case scenario, households in some parts of Malawi could become highly food insecure. This situation could be exacerbated by a poor development of the current agricultural season, as traders are less inclined to release stocks on to the market at low prices.

Seasonal calendar and critical events timeline



Source: FEWS NET

Current food security situation

The food security situation across the country remains favorable as most households still have access to own produced food from last season's harvest. The number of households running out of own produced food though has been increasing as the hunger season approaches. Recent ministry of agriculture data show that the percentage of households without own produced-food is low in the north, at less than 10 percent, and highest in the south at around 15 percent.

Households that did not produce enough food this season, however, are currently moderately food insecure or at risk of food insecurity, given that they now rely on the markets at a time of high maize prices this season. This is particularly the case in many parts of the southern region, where some areas experienced crop failure due to unfavorable weather conditions. The number of households dependent on the market for food is expected to rise during the hunger season, as most households deplete own food stocks.

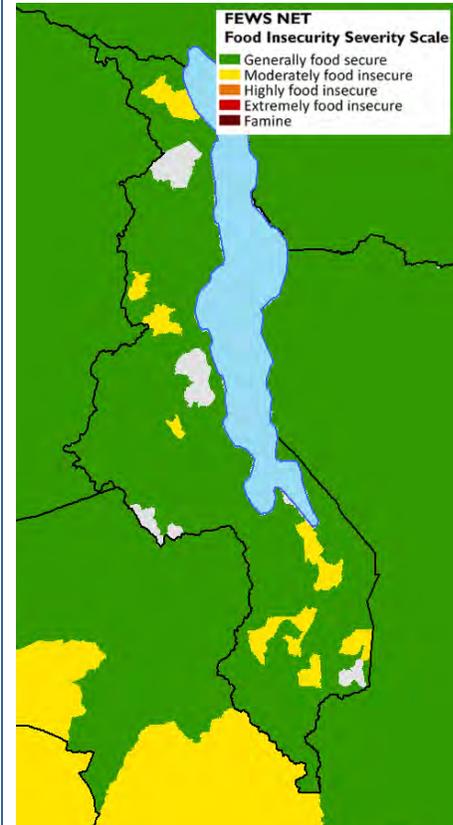
Maize is readily available in the markets, and prices in most markets have come down from their peak reached in August, when some markets reported prices just below MK 70/kg. Maize prices in the current marketing year rose to unprecedented levels as traders competed heavily by offering high prices to producers. This rush was fuelled by speculation that the country would not harvest enough maize to meet domestic demand following the prolonged dry spells that adversely affected production in some parts of the country last season. Despite the final crop estimates by the Ministry of Agriculture, showing a national surplus of about 300,000 MT, traders continued to offer high prices. It appears some large scale traders were willing to pay more for the maize as they were anticipating a relaxation of the export restriction to allow exports to Zimbabwe, as was the case last year, despite government's reaffirmation of the ban.

With the continuation of maize price increases across the country, the government decided to ban large scale traders from buying and selling maize and directed that only ADMARC should do so. In addition, the government announced the minimum buying and maximum selling prices of maize to be observed by ADMARC and other small scale traders in the markets. Following this announcement at the end of August, a majority of local markets recorded a decline in maize prices in September, partly attributed to the government's decision to fix a maximum maize selling price of MK 52/kg. At the same time, this decline does not reflect the seasonal pattern, when maize prices normally begin rising as households exhaust their supplies and market demand increases with the approaching hunger season. It remains to be seen whether the low prices can be sustained. Much though will depend on ADMARC's ability to stock enough maize in their markets to meet the increasing demand in the lean period (December to March).

ADMARC has indicated that it has enough maize to meet demand in all its markets. Following the government directive, ADMARC opened its markets for maize sales in early September and has ensured constant supplies in the markets. Sales have been high in the south and low in the north. As at the end of September, ADMARC had 65,000 MT of maize and the National Food Reserve Agency (NFRA) had stocks amounting to 80,000 MT. The amount held by large scale private traders is unknown, but given their aggressive purchasing program, it is expected that they have significant inventories of maize.

Informal cross border trade contributes significantly to Malawi's food security, with Malawi importing much more maize than it exports, thereby acting as an important buffer for national food stocks. The volume of maize imports and exports traded through informal cross border trade dropped significantly between August and September 2008. The total amount of maize traded (both imports and exports) in September amounted to 2,185 MT, a 67 percent decrease from the 8,540 MT traded in August 2008. Although trade volumes normally decrease around this time of year, due to a depletion of tradable

Figure 1. Current estimated food security conditions: October to December 2008



Source: FEWS NET

stocks in source countries, the drop this season is abnormally large compared to the 17 to 42 percent drops experienced in the past four seasons during this same time period, August to September. At the same time, the cumulative volume of maize traded in the current marketing season amounted to 52,699 MT at the end of September, about 22 percent higher than at the same time last season. The abnormally large decline in informal cross border trade in maize in September is partly attributed to the government's ban on the large scale, private trade of the commodity as well as the setting of a fixed price for the sale of maize at MK52/kg. The lower sales price, as well as risk of prosecution should higher prices be solicited, has acted as a disincentive to some traders to continue maize imports.

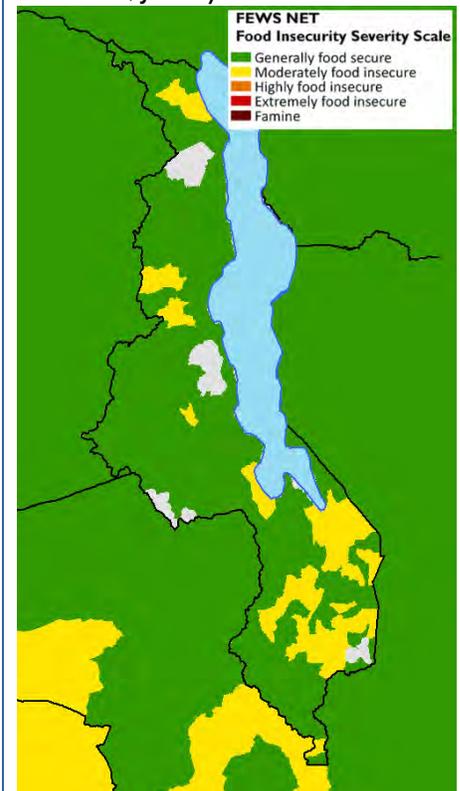
Most likely food security scenario, January to March 2009

The household food security situation for the majority of households will remain favorable throughout this period across the country. However, for households that did not produce enough food this season, the hunger season will not be as bad as last year, given the ready availability of maize in both local and ADMARC markets. Despite earlier concerns on the ever increasing prices, the government intervention has helped to calm the markets and consequently prices have stabilized and are expected to remain stable during the lean period as ADMARC has enough maize to meet demand, thereby removing the element of uncertainty of supply during the lean period. Given the healthy stock position of ADMARC, households running out of food will be able to buy reasonably priced maize at ADMARC markets, and there are high chances of local market prices remaining stable, or even declining as traders who bought most of the maize start releasing the maize into the market as the export ban prevents any formal exports. The export ban has the potential of increasing supplies in the lean period, which will benefit the consumers, as prices are not expected to rise as a result of increased supply. Due to the high speculation in the country that maize will be expensive this season, some farmers were conscious not to oversell their maize to ensure that they have enough food, as the maize on the market will be expensive later in the year when they would again be in need of maize. This has reduced the potential demand in the lean period as those who kept enough will not be looking to buy maize during this time.

The majority of the poor households run out of their own-produced food and turn to the market for food from around October. However, in some of the areas that did not have a successful harvest, households started facing problems around July/August.

For the households that depend on the market for food, their main determinant of access to food during this period will therefore be income. There are several sources of income, the main one during this period being casual agricultural labor. For most households in the rural areas, this is the most important source of income, whereby those who do not have money or food are temporarily employed to work in other peoples fields or piece work for which they are paid in cash or kind (food). The wage rate for this should remain favorable this year as there will be no excess labor supply that could push the wage rate down. In bad years, wage rates can drop significantly due to excess labor supply as the number of households that seek *ganyu* increases as households try to obtain income to buy food. Incomes obtained from the other sources such as sale of crops, livestock, etc., are expected to remain stable or increase, due to the generally favorable food security situation in the country. In a bad year, the prices of some of these items tend to drop

Figure 2. Most likely food security conditions, January – March 2009



Source: FEWS NET

Table 1. Most likely food security scenario assumptions and indicators

- Most households will have enough food in the period of October to December from the last harvest. In areas where local production was poor last season, market access is favorable and stable.
- ADMARC markets and private traders will be selling maize at affordable prices for the poor consumers.
- Maize prices will remain stable following government intervention.
- The maize export ban could improve domestic maize availability in the local markets during the hunger season as traders will sell locally resulting in relatively low prices.

significantly, making it difficult for households to obtain enough income to buy the food they need.

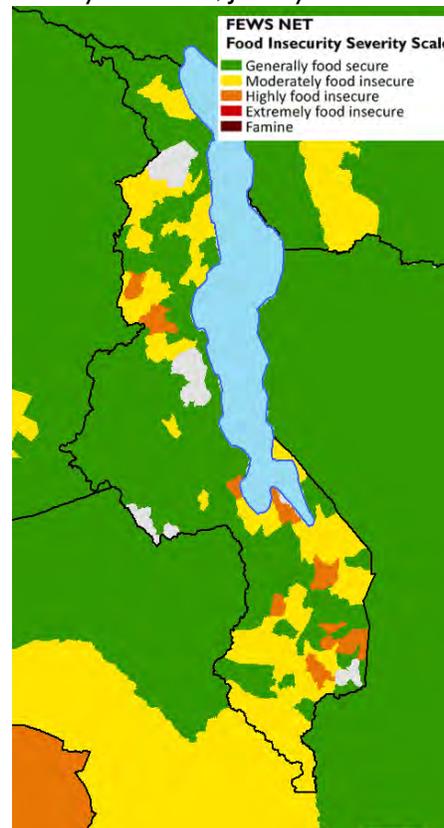
Local market maize prices are expected to stabilize or even decline from October to January as more maize enters the market, helping improve household access to food for those households that depend on the market for food, but may start picking up later in the quarter, especially in the areas where they were affected by poor crop production as mentioned above. The drop in maize prices in the local markets will therefore depend on ADMARC's ability to supply enough maize in their markets and private trader behavior. If ADMARC will fail to meet their obligations of ensuring continuous supply of maize in their markets, private traders could interpret this to mean shortage of maize and start charging more, as there would be no competition from ADMARC.

The maize export ban will likely leave a lot of maize traders with no alternative but to sell their maize in the local markets, thereby increasing the maize availability in local markets. This could lead to depressed maize prices or price increases, other things being equal.

Worst case food security scenario, January-March 2009

In the worst case scenario, ADMARC could fail to supply maize in their markets due to either stocks being depleted due to higher than expected demand or significant deterioration in road conditions during the rainy season making it impossible to supply maize to rural markets. This could lead to panic and high demand for locally marketed maize, thereby pushing prices beyond the reach of many poor farmers, making them moderately to highly food insecure. If ADMARC does not have enough maize, traders usually are at liberty to hike their maize prices, as they know that those who want to buy maize have no choice. The maize prices therefore could rise steeply, increasing the number of households at risk of food insecurity, particularly in the south for reasons stated earlier. As more people are not able to meet their needs, there will be an influx of people seeking casual work and this in turn could result in a drop in the wage rate. The areas that were on the borderline, i.e. those where last season's production was poor but where households have been generally food insecure due to favorable market access, could now be at risk of food insecurity. Under this scenario, the number of people at risk would increase beyond the original MVAC estimated 1.5 million.

Figure 3. Worst case scenario food security conditions, January – March 2009



Source: FEWS NET

Table 2. Worst case food security scenario assumptions and indicators

- Households in areas where last season's production was poor are dependent on the market for their food needs.
- Many households in these areas start depending on the market for maize supplies earlier than is usually the case.
- Rapid rise of maize prices in the local markets due to excess demand despite government set minimum selling price.
- ADMARC maize stocks are not able to meet the demand, forcing households to depend on private traders.
- Casual labor wage rate declines as more people are seeking work