

ZAMBIA Food Security Outlook Update

June 2011

Maize prices decreasing

Key Messages

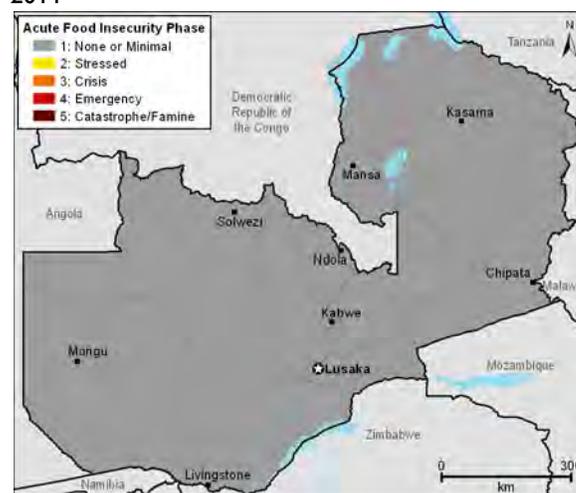
- The food security situation is currently stable following the good 2010/11 harvest. The country is expected to remain with only minimal acute food insecurity during the outlook period.
- The prices of maize, a staple food, have started falling around the country, as expected, following the large harvest. Significant price decreases have been observed in low-producing areas such as Luangwa district which is an indication of an improved staple food supply.
- The maize purchasing program of the Food Reserve Agency (FRA) is expected to accelerate by July. If the FRA purchases large amounts, this will result in the crowding out of private traders from the market.

Updated food security outlook through September 2011

The country's food security situation has remained good following three consecutive years of surplus maize production with the recent harvest estimated at three million metric tons (MT) being a record achievement. As expected, household food stocks and market supply of staple foods has substantially increased. In addition to other seasonal foods (groundnuts, pumpkins, squash, etc.), sweet potatoes are now on the market, further increasing the variety of foods available. This is the situation currently prevailing in both high and low-producing areas. This has ensured that acute food insecurity has been kept to a minimal level.

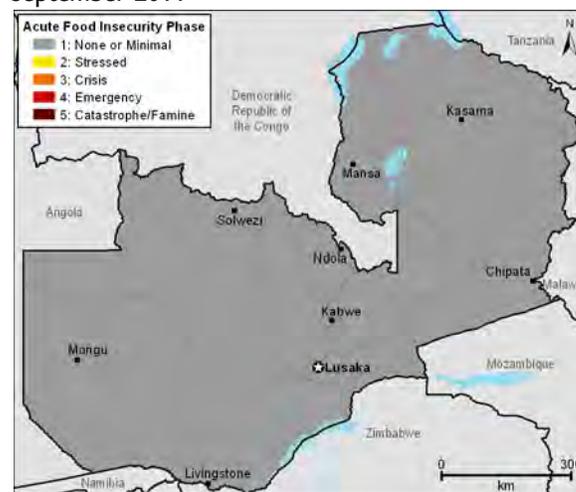
The FRA has continued with sales of last season's maize on the market with some price adjustments. The maize selling price to millers for the local meal supply has been increased by 12.5 percent to USD 180/MT. The sale price to all others (traders, exporters, and communities) has been revised downwards from USD 200/MT to USD 180/MT. Having bought this maize from small-scale farmers last season at a relatively high price (for a surplus year) of USD 270/MT, this translates into a 50 percent loss. The exports for the 2010/11 marketing season remained low as did the local sales resulting in a large carry over stock.

Figure 1. Most likely food security outcomes, June 2011



Source: FEWS NET/ZVAC

Figure 2. Most likely food security outcomes, July-September 2011



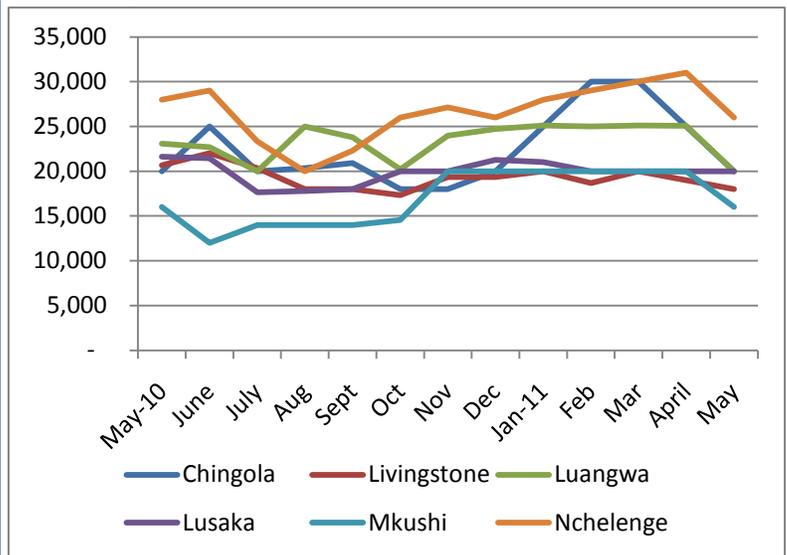
Source: FEWS NET/ZVAC

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

This report provides an update to the April 2011 FEWS NET Food Security Outlook report which estimated food security outcomes in Zambia from April through September 2011. The next Outlook report will be released in July and will cover the July through December 2011 period.

The Government of Zambia, through the FRA, has announced its intentions to purchase an estimated 1.3 million MT from small-scale farmers this marketing season while having carried over an estimated 640,000 MT of maize from the 2009/10 marketing season. The FRA has pegged its purchasing price at ZMK 1,300/kg (approx. USD 270/MT). This price level has been maintained from the two previous seasons and is rather high for a surplus season such as this one where markets are expected to be over supplied with buyers setting the price if the markets were left to be driven by the market forces of supply and demand. Already prices have started falling as expected in response to the increased supply on the market. It should be noted that the low-producing districts such as Luangwa whose prices are normally higher than other districts, are showing anomalously large decreases in prices, closing the price gap. This is an indication of the much improved supply levels of staple foods in these areas, either at the household level or the market level following a good harvest.

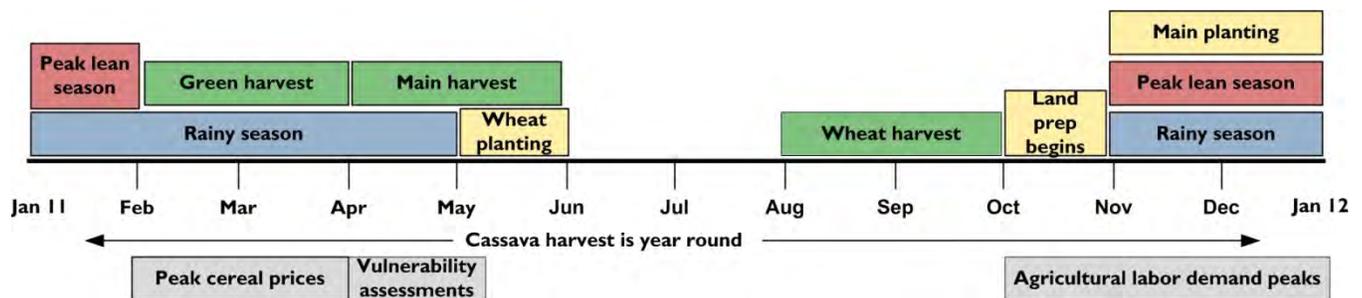
Figure 3. Nominal maize retail price trends for selected districts (ZMK/18kg)



Source: Central Statistic Office/FEWSNET

During the July through September period, the country is expected to generally continue being food secure and likely to only experience minimal localized acute food insecurity. This stability is supported by the large harvest which will be keeping the markets well supplied while rural households are expected to be depending partially on their own harvests. The household stock levels in the rural areas during the outlook period will be partially influenced by the performance of the FRA purchasing program which is likely to accelerate by July. Notwithstanding the maize surplus, once the FRA enters the market, the maize price levels will be unpredictable and dependent on the amounts which the FRA buys within that period. Due to the uncertainty, the private sector participation on the market at that time will remain low. With the good price being offered by the FRA, buyers will be attracted, resulting in the crowding out of private traders from the market. In addition, the good price and input support for maize will act as a disincentive for crop diversification as small-scale farmers will divert more land from other more rewarding cash crops such as soybeans into maize production. The millers and traders are more likely to buy most of their grain from the FRA at the lower price the FRA is likely to offer with respect to the buying price even for the new harvest. Maize-meal prices in most markets have either slightly decreased or remained stable in comparison to April. With anticipated reduced demand for maize-meal from the market in the outlook period as poorer urban households buy cheap maize and take it to hammer mills for processing, maize-meal prices are expected to significantly fall between July and September. The main challenge for this marketing season will be the ability of the FRA to safely store the new harvest to be purchased, as good storage is limited given the large quantities they plan to buy.

Seasonal calendar and critical events timeline



Source: FEWS NET