ZIMBABWE
Food Security Update
September 2006

ALERT STATUS:
NO ALERT
WATCH
WARNING
EMERGENCY

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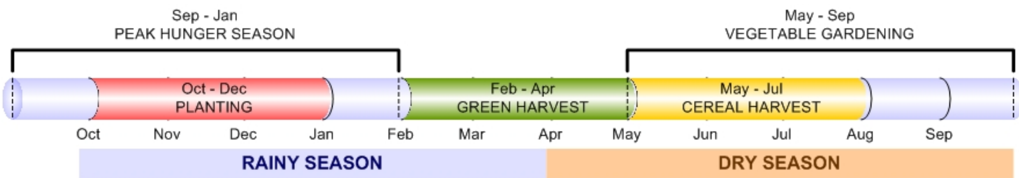
Summary and implications

The Government's monopoly of the national cereal market has made cereal deficit parts of the country dependent on the Grain Marketing Board (GMB) for maize supplies and vulnerable to shortages of maize and maize meal. The parastatal has been experiencing serious transport problems that prevent the timely movement of grain from surplus to deficit areas. Severe maize shortages were experienced in a number of southern districts for the greater part of August 2006, even while some surplus farmers in the Mashonaland provinces were frantically trying to sell their maize to the GMB with limited success. The shortages caused dramatic maize meal/grain price increases of over 114 percent in parts of the deficit areas over the month of August 2006 alone. Inflationary pressures are not showing any signs of subsiding in the immediate future, and rampant inflation continues to eat into the purchasing power of both urban and rural households. This has seriously curtailed the ability of poor households, particularly in grain deficit areas and urban centers, to access food. Shortages of fertilizers, fuel and foreign currency to procure spare parts and other critical agricultural inputs are likely to dampen prospects for the forthcoming 2006/07 cropping season.

Seasonal calendar

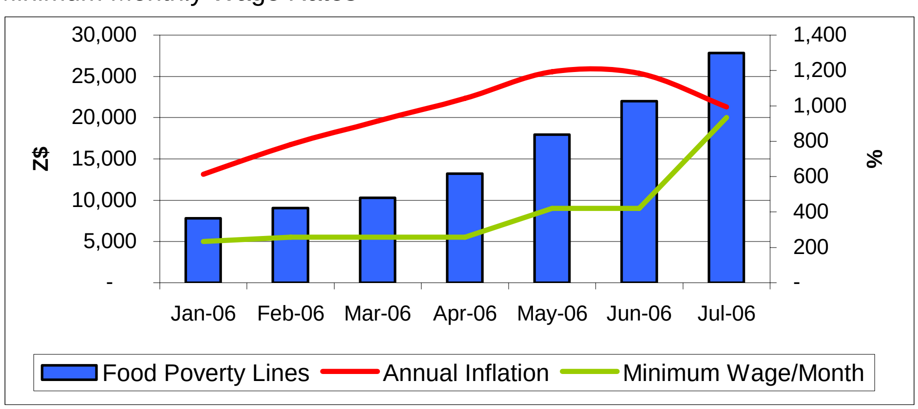


Current hazard summary

- High annual inflation - measured in July 2006 at 993.6 percent - continues to erode household purchasing power.
- Fuel and fertilizer shortages could hinder agricultural production in the 2006/07 season (seed supplies are adequate).
- The cereal deficit for the 2006/07 marketing year is projected at about 22%, with the highest deficits in the southern districts as well as the western and eastern margins of the country.

Cost of living continues to rise

Figure 1: Trends in Food Poverty Line Compared to Annual Inflation and Minimum Monthly Wage Rates



Source: CSO and ZCTU

The cost of living for both urban and rural households continues to rise, and average incomes are not keeping pace. The cost of living has increased considerably since January 2006. According to the Central Statistical Office, the Food Poverty Line (FPL), or minimum household expenditure required for all members to consume at least 2,100 kcals/day, rose by 257 percent since January, while the Total Consumption Poverty Line (TCPL), the total value of the minimum food and non-food basket, increased by 324 percent. The Consumer Council of Zimbabwe's estimate of the low income urban household minimum monthly food and non-food basket, also a measure of the cost of living in urban areas of Zimbabwe, increased by 246 percent in the same period. The annual rate of inflation increased from 613 percent in January to a peak of 1,194 percent in May, before falling marginally to 994 percent in July. As a result of the devaluation of the Zimbabwe dollar against major currencies and the rising cost of fuel in August, the rate of inflation for August 2006 is likely to rise again. The industrial minimum wage rate for August could only afford 60 percent of the average value of a minimum food basket, a drop from the 74 percent it could cover in January 2006. The average minimum monthly wage rate for the agriculture sector, one of the lowest, was only able to cover 15 percent of the FPL in July 2006. The rising cost of living has forced members of some urban and rural households to engage in a variety of undesirable income earning and consumption strategies.

Poor in-country grain procurement and distribution causes serious shortages

The GMB has a statutory monopoly on maize trade in Zimbabwe. While permits to trade maize can be awarded to private and humanitarian organizations from time to time, the GMB is responsible for buying all domestic surplus maize, importing and exporting maize when necessary, and selling maize to producers of maize meal (flour), animal feed and other industrial users of maize. Therefore, the GMB plays a central role in determining national and sub-national maize availability, particularly in maize deficit areas that make up the largest proportion of the country's southern half.

The GMB is failing to collect and pay in a timely manner for grain bought from farmers. Many households in the northern half of the country covering the greater parts of Midlands, Manicaland and the three Mashonaland provinces have offered some maize grain for sale to the GMB. In some instances the parastatal collected the maize from the farmers but took up to three weeks to pay for the grain. Given the prevailing hyperinflation in the Zimbabwean economy, delayed payments reduce the value of the income earned and thereby compromise the farmers' preparations for the upcoming cropping season. In other instances, the parastatal is failing to provide packing bags and transport, despite having promised farmers that it would do so. Consequently, maize deliveries to GMB have been very slow. By mid August less than 210,000 MT of maize had been bought and collected from farmers. In a good year, the GMB would have bought over 900,000 MT of domestic production by this time.

The distributions by GMB to millers who produce and supply the market with maize meal were hampered by transport and fuel shortages as well as logistical problems encountered by the parastatal while importing maize from South African suppliers. Consequently, maize meal was absent from shops during much of August in several parts of the country, including Bulawayo City and the surrounding areas, Kadoma, Marondera, Tsholosho, Nyanyadzi, Lupane and Zaka. Grain deliveries to maize deficit districts of the country that are already in great need of the commodity have also been erratic and inadequate.

The uneven availability of grain throughout the country has led to huge maize price disparities in parallel markets. In August, the lowest grain prices were reported in rural parallel markets in the north of the country (between Z$26 and Z$29/kg) and the highest maize prices were reported in Bulawayo and surrounding rural areas (between Z$57 and Z$86/kg). While maize prices on the parallel market averaged around Z$34/kg in the greater part of Midland, Manicaland and the three Mashonaland provinces, in the southern provinces of Masvingo and the two Matebeleland provinces, maize prices on the parallel markets were around Z$43/kg. The prices differences from one market to another reflect the variation in the demand for maize relative to its supply.

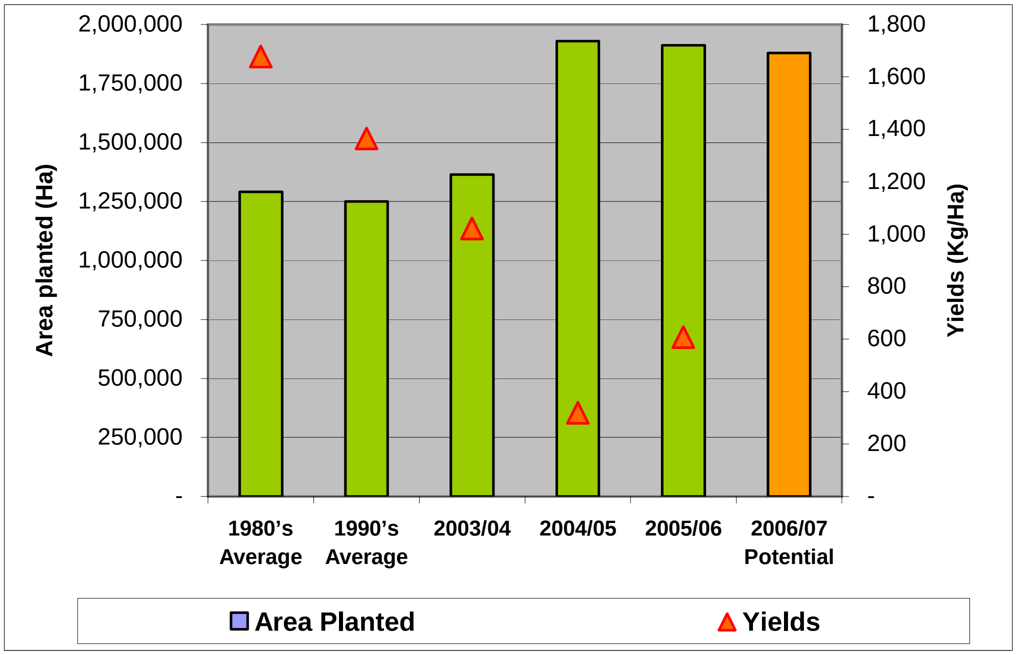
Table 1: Maize grain prices in Z$/kg for July and August in selected parallel markets

Date	Harare	Murombedzi	Murehwa	Bulawayo	Chiredzi	Zvishavane	Masvingo	Mutare
7/7/2006	34.29	14.29		34.29	28.57	34.29		25.71
7/14/2006	31.43	14.29		28.57	34.29	34.29		25.71
7/21/2006	31.43	28.57	20.00	40.00	37.14	34.29	28.57	25.71
7/28/2006	31.43		26.86	40.00	40.00	34.29	40.00	28.57
8/4/2006	31.43		26.86	40.00	40.00	34.29	40.00	57.14
8/11/2006	51.43	28.57		45.71	45.71	40.00	40.00	85.71
8/18/2006	102.86		25.71	68.57	45.71	40.00	40.00	57.14
8/25/2006	68.57	34.29	25.71	85.71	45.71	34.29	40.00	40.00

Source: WFP and FEWS NET

Available stocks of domestic maize seed will meet requirements for the 2006/07 cropping season

Figure 2: Area of maize cultivation compared to corresponding yields, 1980s - present



Source: NEWU and CSO

Reports from companies that produce maize seed indicate that upwards of 47,000 MT of maize seed are available for use by farmers in the soon to start 2006/07 cropping season; the rains are expected to begin in October. At an average seeding rate of 25kg/ha, the available maize seed is enough to cover more than 1.8 million hectares of land. This figure is considerably higher than the average area planted to maize in Zimbabwe in both the 1980s and the 1990s, when Zimbabwe was self-sufficient in maize. The available seed covers more than the area planted to the crop in the 2003/04 cropping season, but is marginally less than the areas planted in the last two consecutive cropping seasons.

While area planted to maize in the last three cropping seasons was considerably greater than the area planted to the crop in the 1980s and the 1990s, productivity per unit area has fallen. Drought in some seasons and excessive rainfall in others played their part in reducing yields, but do not fully account for all the observed yield reductions. Other factors include the limited availability and exorbitant prices of inputs (fertilizers, seeds, chemicals, fuel, electricity and machinery spare parts), the limited knowledge and commitment of some new farmers who were ushered into farming by the fast-track land redistribution program, as well as the declining profitability of the maize enterprise relative to other crop enterprises.

Fertilizer and fuel shortages may dampen crop production in the 2006/07 season

Fertilizers, in particular ammonium nitrates, are likely to be in severely short supply. Domestic fertilizer production has been hampered by critical foreign currency shortages, power cuts, inefficient rail transport, shortage of road transport and a major breakdown at the only manufacturer of ammonium nitrate in the country, a critical component of most inorganic compound fertilizers used in Zimbabwe. The fertilizer companies are reported to be in need of US $42 million for raw materials and machinery spare parts, but only about US $2 million had been secured with barely six weeks left to the start the new cropping season. In the time left, domestic fertilizer manufacturing capacity is inadequate to produce the required fertilizers even if all the required foreign currency was to be secured. Fertilizer imports will have to be undertaken to augment locally available stocks. Although, it is not clear yet how much fertilizer the country will have to import, preliminary indications are that significant amounts of fertilizer imports will be needed. At conservative maize yield levels of 1,300 kg/ha, a minimum of 140,000 MT of fertilizers are required to produce 1,800,000 MT of maize. A minimum of 400,000 MT of fertilizers are required to support the 1990s national average cropping levels. Everyone agrees that with better availability of fertilizers, particularly top-dressing fertilizers at affordable prices, the 2005/06 harvests of maize and other crops would have been significantly higher.

New fuel prices were announced towards the end of August, and a directive was given to all retailers to reduce the petrol and diesel prices from around Z$650/litre to the new prices of between Z$320 and Z$335/litre. This angered fuel importers who believe the new fuel prices do not cover their costs and the fuel suppliers reduced supply of fuel onto the market. Consequently, fuel queues that had disappeared for a while resurfaced in the last weeks of August. If the fuel shortages persist farmers will have very little fuel to power for their tillage equipment, and land preparation for the 2006/07 cropping season will be seriously compromised.

Reduced Government support to new farmers

In August, the Government announced some policy measures that take away financial and input support to large and small scale (A2) commercial farmers. These policy changes imply that this category of farmer, which has until recently enjoyed soft loans and subsidized input support from the Government, will have to fend for themselves. The commercial farmers will have to raise their own funding from commercial banks and secure their own inputs from the market. While this is a welcome development, few new commercial farmers are likely to raise sufficient funding for their farming operations in the 2006/07 cropping season, as many do not have assets they could use as security for loans. Furthermore, commercial bank interest rates are relatively very high and punitive; few farmers could afford the high cost of borrowing.