

*Learning from the 2002/03 Food Crisis in
Southern Africa:
Lessons for the Current Year*

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Focus

- Southern Africa is likely to face cyclical droughts every 3-5 years
- How to ensure an efficient and effective humanitarian response while avoiding negative impacts on long-term development objectives
- Examine this through the lessons of the 2002/03 crisis

Road Map

- Brief review of events in 2002/03
- Situation in the 2005/06 marketing season
- What needs to be done

Review of 2002 Experience

- Production in 2002 was only slightly below average
 - Pockets were badly affected, not whole region
- Widely understood that crisis caused by slightly low production plus:
 - Low initial stocks
 - Governance failures
 - Poverty exacerbated by HIV/AIDS
 - Increased vulnerability

What was done?

- Early warning really was early
 - Sounded the alarm early,
 - Made regular updates,
 - Clear communications,
 - Mobilized international and national (regional) communities

Early warning worked!

By year end, about half the estimated gap filled by registered inflows

Three-quarters of these were from official trade, not food aid

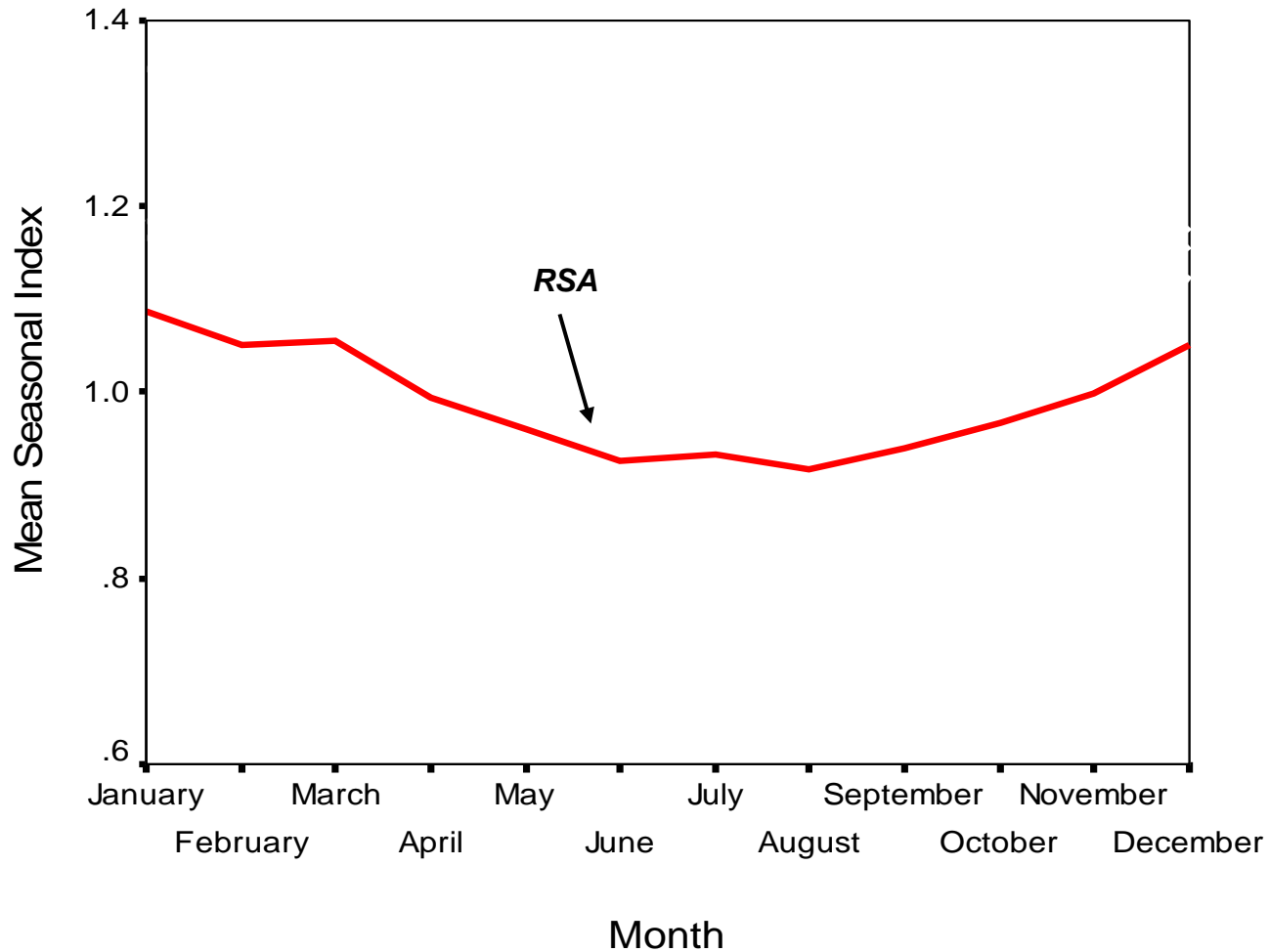
What was done?

- All countries in the region had timely information
 - Could have designed the “right” policies
- South Africa was very transparent in information and kept doors open
- Mozambique kept its borders open
- Zambia did a bit better than in 2001/02
- Donor and trade response was sufficient to avoid “humanitarian crisis and potential famine”
 - 77% of the food aid appeal had been “committed” by international community
 - Trade inflows 3X greater than food aid inflows

What was done?

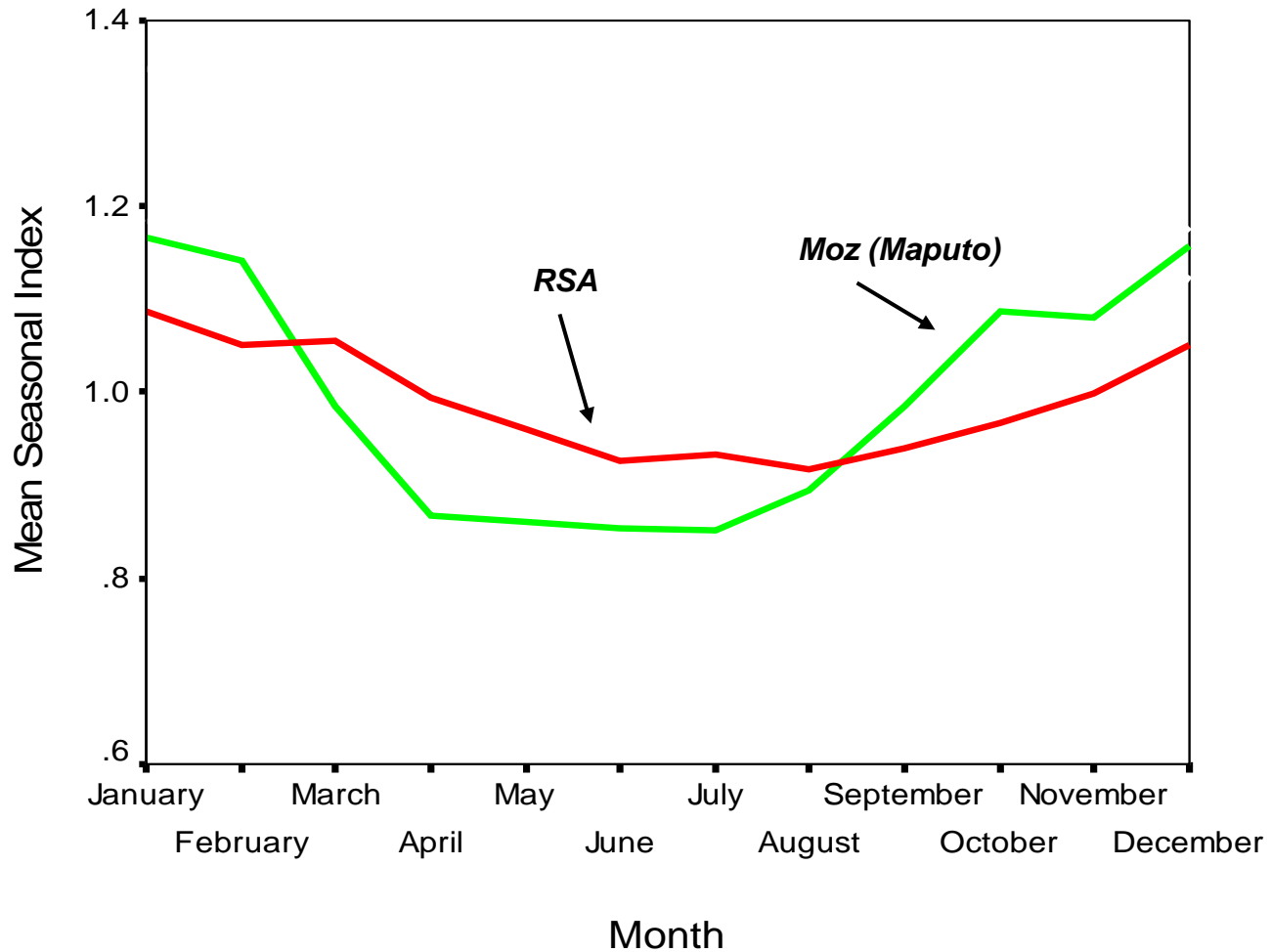
- Food Aid needs were almost certainly overestimated
- Vulnerability Assessment data were collected, but use was very uneven and data were not broadly available
- Malawian Government underestimated private sector's role
 - Ignored informal imports, which arrived early
 - Malawian government handled commercial imports and mobilized food aid, which arrived late
 - As much as 250,000 MT arrived under Government programs
 - Too much maize in the country
 - Extremely low prices throughout 2003/04
 - Government unable to sell very large stocks except at very low prices

Seasonal Indices of Maize Grain Prices at Retail
1994-2005
(RSA at Wholesale)



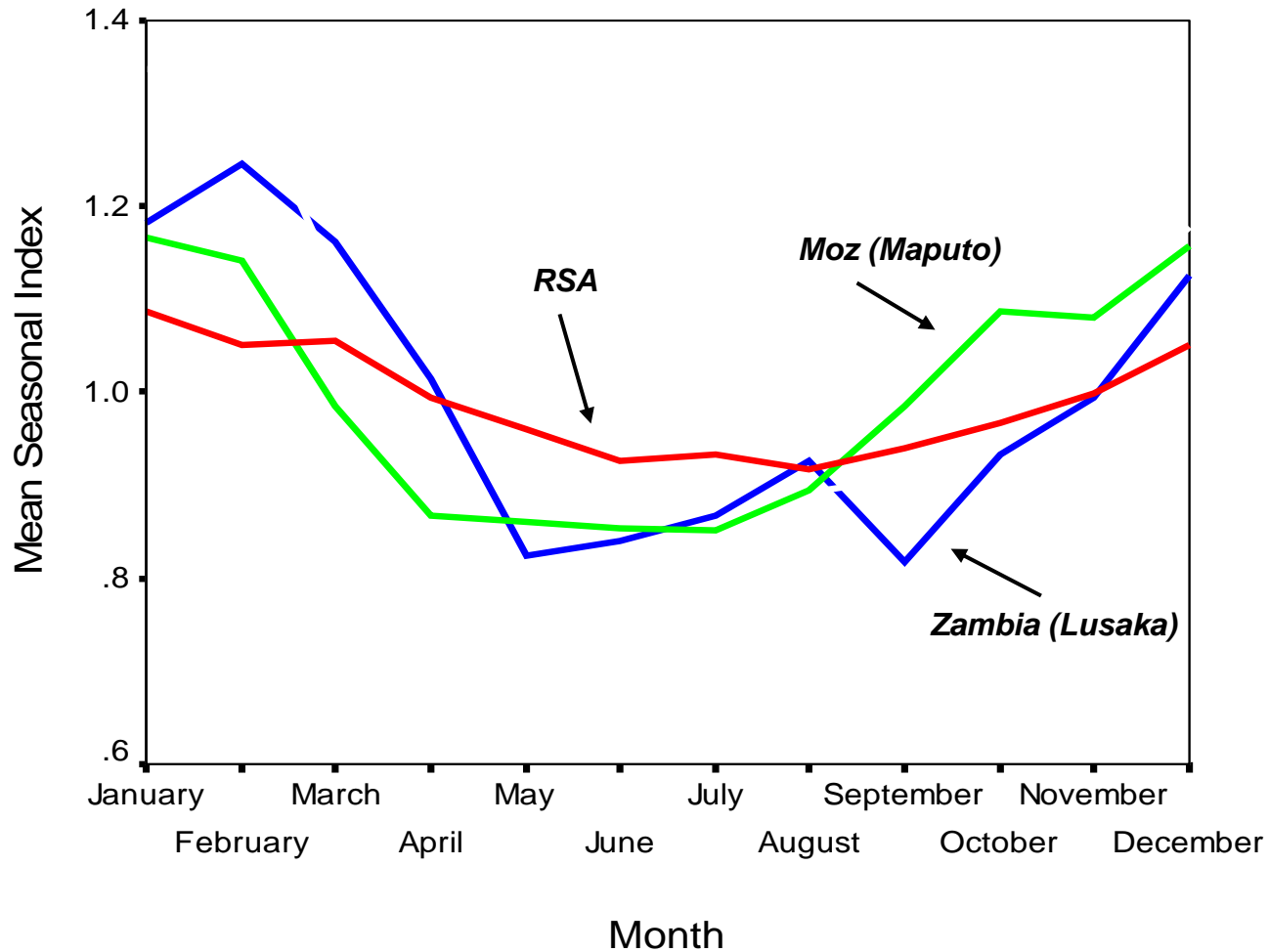
RSA is the “gold standard” on markets in the region: good transport, communications, and storage infrastructure, efficient capital markets, SAFEX

Seasonal Indices of Maize Grain Prices at Retail
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(RSA at Wholesale)



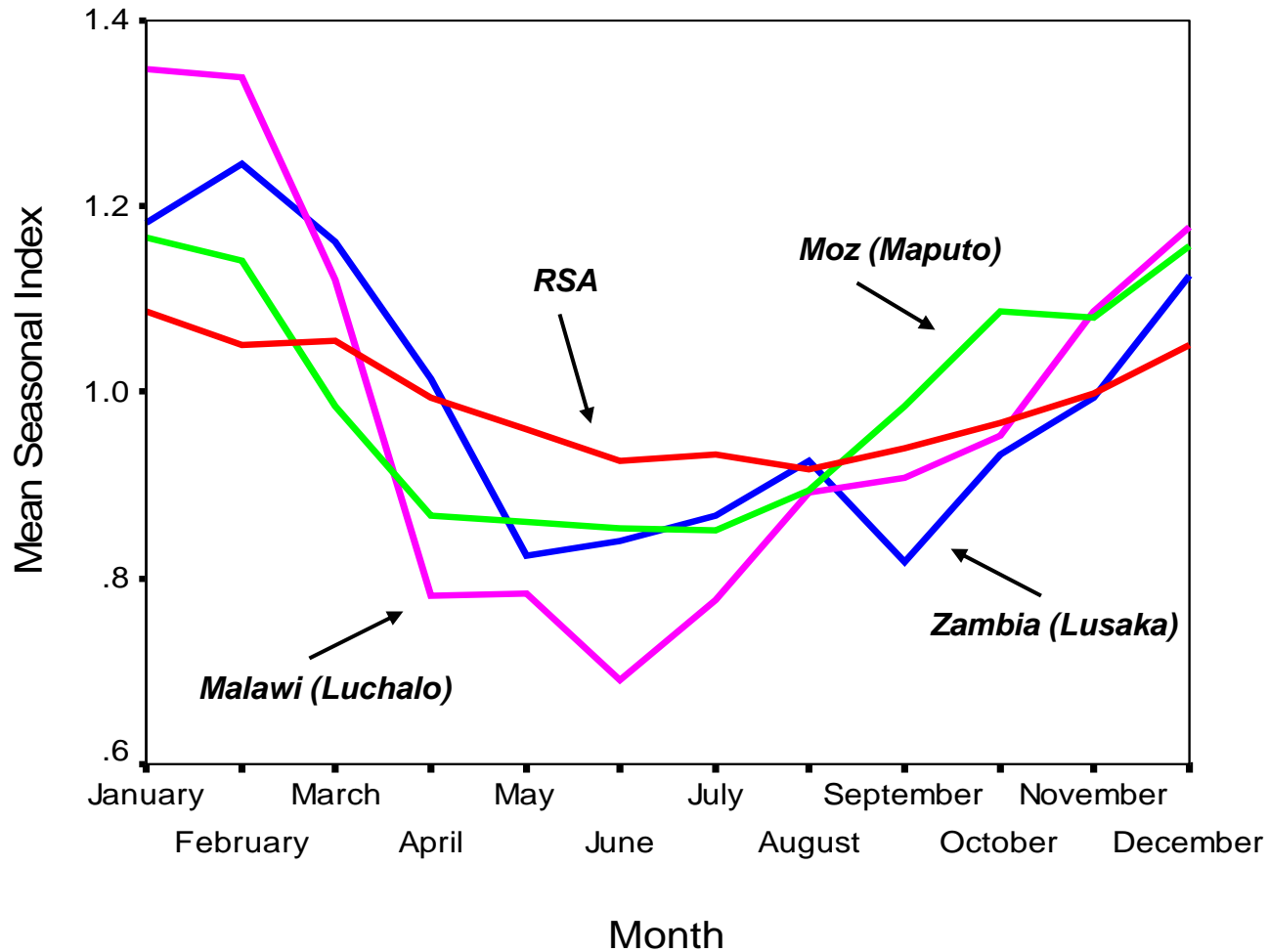
Mozambique has no direct state intervention of any kind in the maize market; Maputo relies heavily on domestic and regional trade

Seasonal Indices of Maize Grain Prices at Retail
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Zambia has substantially more intervention than does Mozambique (FRA, periodic import/export controls) ... and more seasonal price variation

Seasonal Indices of Maize Grain Prices at Retail 1994-2005 (RSA at Wholesale)



Malawi has the most intervention ... and the greatest seasonal price variation

What was done right?

- Early warning systems worked
- Transparency in information by some countries
 - Investment in public MIS
- Private Sector played an important role
- Humanitarian crisis was avoided

What was done wrong?

- Direct interventions by some governments inhibited private sector response
 - Probably lead to greater price instability
- Food aid needs almost certainly overestimated
- Communication between governments and private sector could have been better
 - Governments need to send clear signals to avoid uncertainty by private sector

Answers are important for improving future responses

Current Situation

- Total maize production in 2004/05 in SADC countries excluding South Africa
 - -16% compared to 2003/04
 - -5% compared to 5-year average
- SADC including South Africa
 - 3% above 2003/04 production
 - 8% above 5-year average

How is current situation similar to the 2002/03 crisis?

- Early warning is still in place
- South Africa continues leading transparency in information in the region
- Northern Mozambique is again exporting maize to Malawi
 - The reality of this trade is much more widely known now
 - 2002/03, Whiteside estimated as much as 250,000 flowed into Malawi
 - FEWSNET documented 71,000 Tons July 2004 - May 2005
 - SIMA Windshield Survey shows much greater presence of Malawian traders in Mozambique this year compared to last, including in areas they did not previously reach

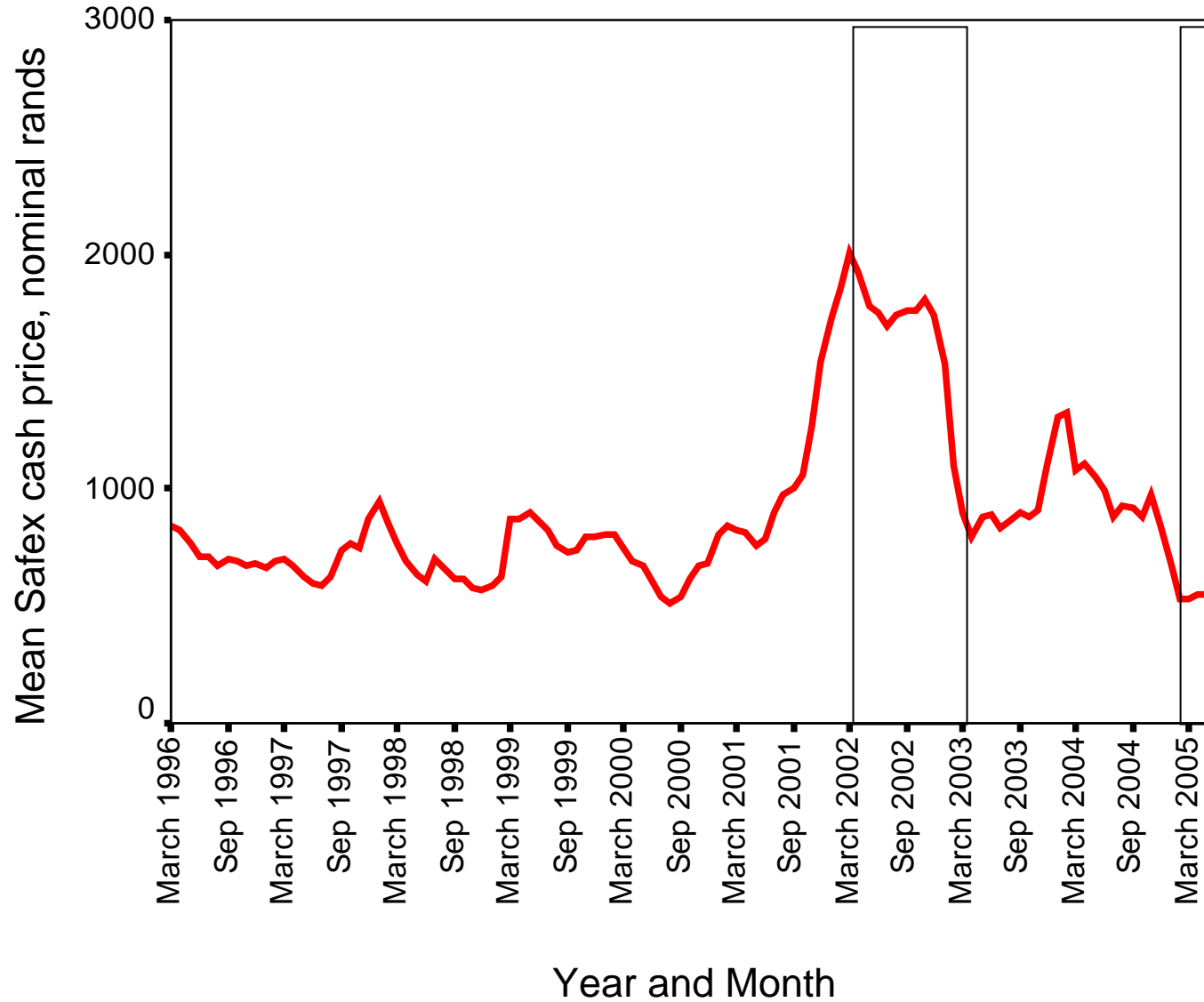
How is current situation different from the 2002/03 crisis?

- Much higher supplies in RSA, could cover the entire deficit in rest of region
 - Projected maize surplus in RSA: 4.9m MT
 - Projected maize deficit and import requirements in all other SADC countries: 2.8m MT

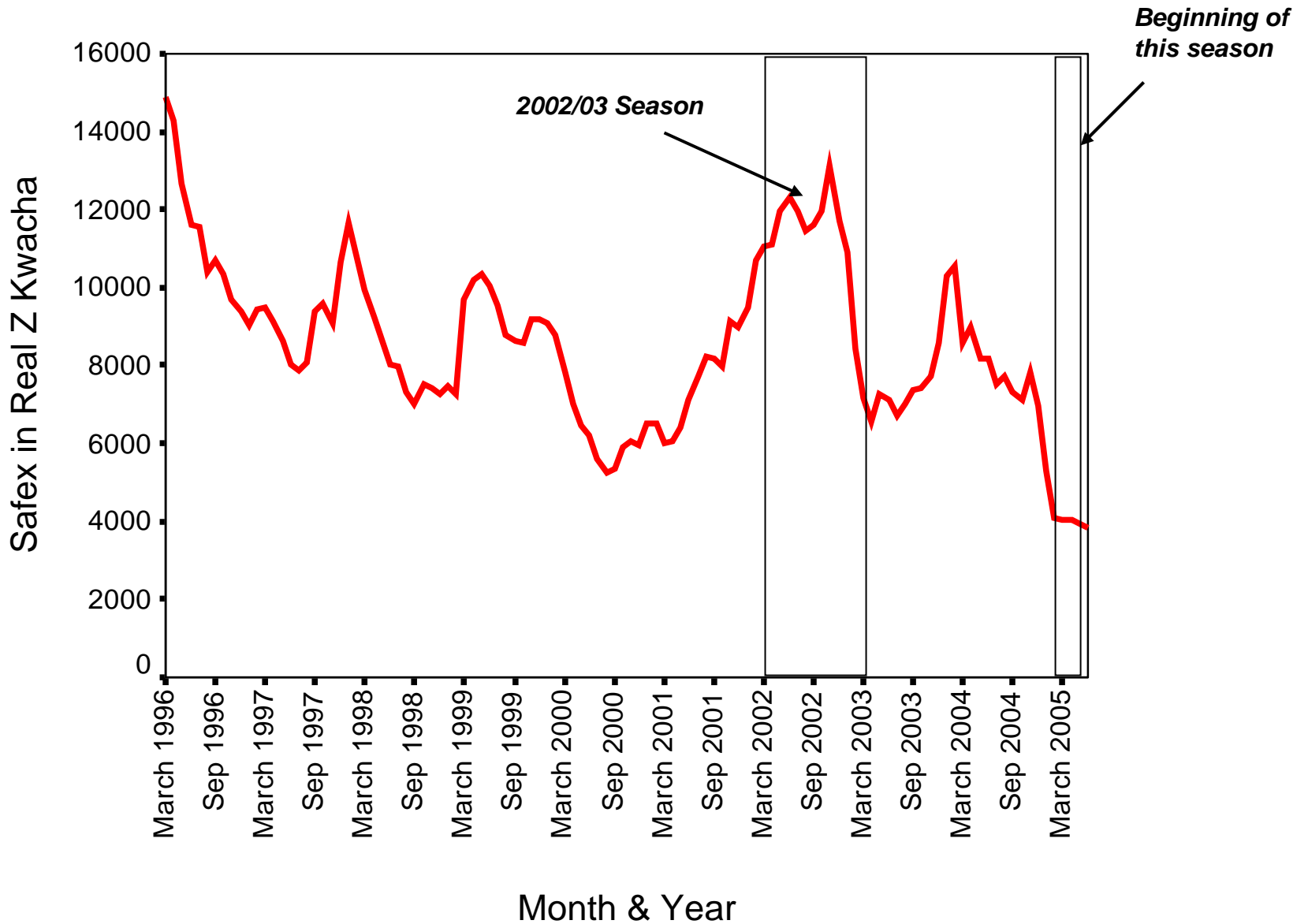
How is current situation different from the 2002/03 crisis?

- RSA prices, and their equivalent in Kwacha and Meticaais, are much lower this year

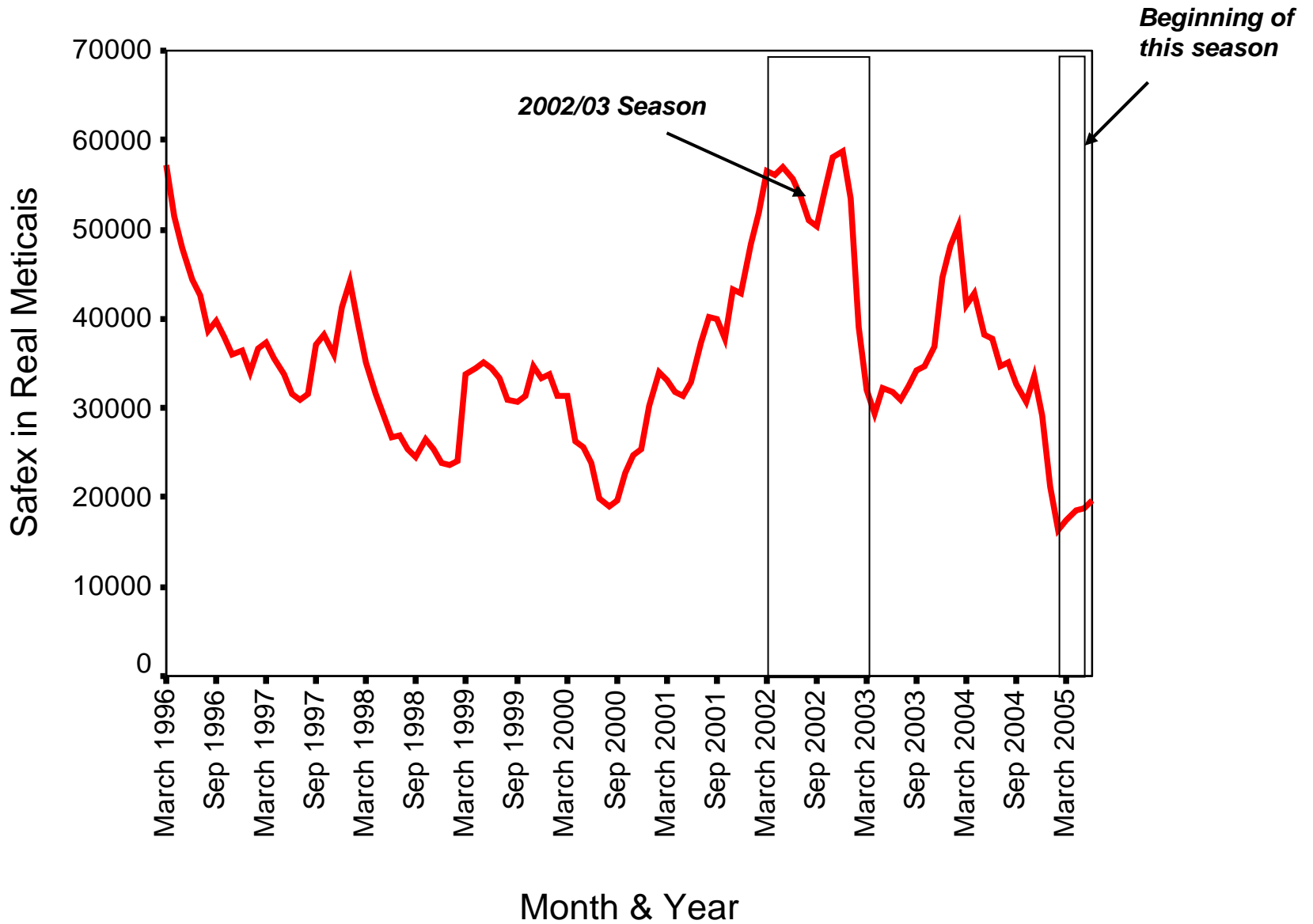
SAFEX Cash Prices in Nominal Rand, 1996-2005



SAFEX Cash Prices in Real Z Kwacha, 1996-2005



SAFEX Cash Prices in Real Meticaais, 1996-2005



What needs to be done?

- Learn from the 2002/03 crisis
 - Commercial imports in 02/03 accounted for 75% of official inflows
 - Food aid only 25%
 - There is scope for trade even in poor years

Correlation Coefficients on National Maize Production in selected SADC Countries, 1992-2002

	South Africa	Zambia	Zimbabwe	Mozambique	Malawi
South Africa		0.59	0.80	0.25	0.27
		sig.	sig.	not sig.	not sig.
Zambia	0.59		0.65	-0.07	0.30
	sig.		sig.	not sig.	not sig.
Zimbabwe	0.80	0.65		0.16	0.29
	sig.	sig.		not sig.	not sig.
Mozambique	0.25	-0.07	0.16		0.62
	not sig.	not sig.	not sig.		sig.
Malawi	0.27	0.30	0.29	0.62	
	not sig.	not sig.	not sig.	sig.	

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What needs to be done?

- Governments need to send clear and consistent signals to private sector
 - In 2003, response was a major success in Southern Africa
 - Early warning worked
 - Collaboration among Governments and donors
 - Strong involvement of private sector
 - In 2005, we need to keep open borders
 - Reduce uncertainty for private sector
 - Markets can play larger role

What needs to be done?

- Food aid estimates
 - Continue to refine food balance sheets
 - Better estimates of tuber production
 - Better estimates of informal trade
 - Food aid is important, but markets also work
 - Continue to strengthen VAC systems to better understand HH's real needs
 - Vulnerable HHs need more than food
 - Experiment with non-food aid interventions

What needs to be done?

- Trade Regulations and Coordination
 - Trade regulations need to be simplified in the region
 - Facilitating customs services
 - Facilitating regional trade policies
 - Improved transparency among governments
 - Domestic trade policies
 - Import intentions
 - Active and detailed information sharing with private sector



Thank you