

CONTENTS

Summary and implications.....	1
Cereal harvest estimates.....	1
Food security summary and outlook.....	2
Regional price analysis.....	4

Summary and implications

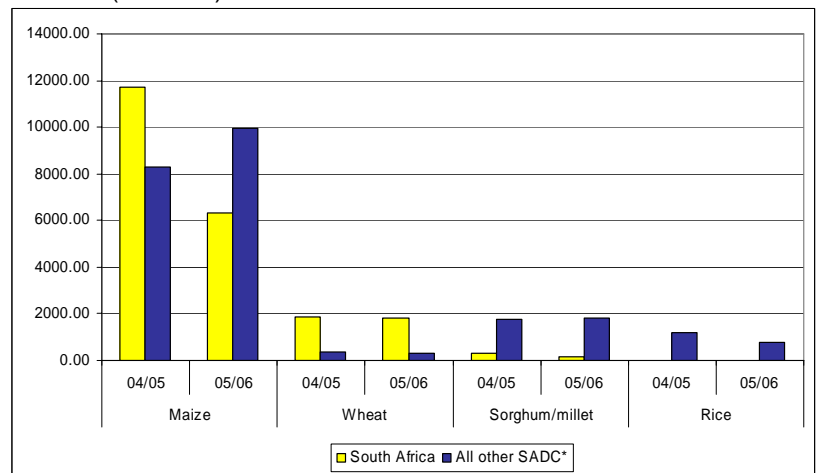
Food security over the 2006/07 consumption period is expected to be significantly better than it has been over the last few years, as a result of improved domestic supplies of the maize and other food staples across many countries. Reports from across the region indicate that the food security of many of the region's vulnerable populations

has been steadily improving since the end of the hunger season in March, when seasonal crops became available; and the new harvest started coming in from April onwards. Improved harvests are attributable to better crop growing conditions experienced during the 2005/06 season, which in some countries (like Malawi), was enhanced by improved availability and access to farming inputs. Since April, food prices have been dropping significantly, easing access for the poor and market dependent households. In general, food supplies even for households previously faced with critical food shortages are expected to remain comfortable until the start of the hunger season later on in the year. Despite this positive picture, however, there are pockets of vulnerable groups that have been assessed through the ongoing national vulnerability assessments in most southern African countries. Preliminary indications conclude that vulnerable groups requiring some assistance have been identified in Angola, Lesotho, Malawi, Mozambique, Zambia, Swaziland, Namibia, Madagascar and Zimbabwe. Although the numbers (and the amount and type of assistance required) are yet to be determined, it is clear that no major emergency food aid distributions will be required, with the possible exceptions of Angola, and perhaps Zimbabwe, where the cereal production shortfall may be exacerbated by the current economic melt down leading to critical food access problems.

Cereal harvest estimates

Better crop growing conditions experienced during the 2005/06 season in many parts of the region have resulted in improved harvests in many of the region's cropping areas, especially in Malawi, Mozambique, Zambia and Zimbabwe, all of which faced large production shortfalls last season due to poor rainfall performance. Although final crop estimates have not yet been issued in many countries, available forecasts (shown in Figure 1 and Table 1) clearly indicate the improved cereal supply for most SADC countries (with the notable exception of South Africa, and Angola and Tanzania). Despite these improvements however, total (regional) cereal production is significantly lower this season compared to last season and the past 5 and 10 year averages. The reason for the overall drop is attributable to the sharp reduction in area planted to maize in South Africa this past season — a strategy implemented by South African farmers to counter the effects of the oversupply that occurred during the 2005/06 marketing season following the bumper harvest the year before. Overall, South Africa on average contributes just over 50 per cent to regional cereal production, and this marked reduction in planting (which led to a 46 per cent drop in production) will affect overall regional availability. At the end of June, updated estimates show that the regional cereal harvest of 20.99 million MT is 18 per cent less than last year's total of 25.57 million MT (and 10 and 11 per cent below the 5-year and 10-year averages respectively).

Figure 1. Graph showing 2005/06 harvest estimates compared to 2004/05 ('000 MT)



Source: National Early Warning Units and partners, Central Statistics Offices, and SADC FANR. Excludes DRC and Madagascar.

Apart from South Africa, the only other countries expecting reduced production levels this year are Angola and Tanzania. Dry conditions in East Africa negatively impacted on cereal production in Tanzania, and current SADC estimates forecast a 31 per cent drop in Tanzania's overall cereal production compared to last year. However, this will be confirmed as soon as official estimates are released by the Ministry of Agriculture. Similarly, dry spells in the southern and central regions of Angola have negatively affected

production with current estimates of reductions ranging from 10 to 30 percent; but as high as 40 to 90 percent in the affected regions. These will be confirmed as soon as the Joint FAO/WFP Crop and Food Supply Assessment Mission (CFSAM) report is released in July 2006.

Table 1. SADC 2005/06 Cereal Production Forecasts compared to 2004/05 Estimates ('000 MT)

	MAIZE		Maize 2005/06 forecasts compared to (percentage):			ALL CEREALS		All Cereals 2005/06 forecasts compared to (percentage):		
	2004/05	2005/06 Forecast	5 year		10 year	2004/05	2005/06 Forecast	5 year		10 year
			2004/05	Average				May-04	Average	
Angola	734	520	-29	-8	6	866	671	-24	-4	11
Botswana	3	13	385	313	91	24	49	104	92	64
Lesotho	85	103	21	21	-1	120	126	5	6	-13
Malawi	1,259	2,611	107	58	43	1,336	2,786	108	58	43
Mozambique	1,382	1,534	11	19	30	1,899	2,098	10	18	27
Namibia	41	52	27	48	58	97	110	13	6	5
RSA	11,716	6,315	-46	-36	-35	13,919	8,279	-41	-32	-31
Swaziland	67	67	0	-12	-35	67	67	0	-12	-12
Tanzania	3,288	2,368	-28	-17	-10	5,403	3,707	-31	-18	-11
Zambia	866	1,424	64	52	44	1,065	1,602	50	44	38
Zimbabwe	591	1,150*	95	17	-22	754	1,499	99	21	-18
SADC	20,033	16,159	-19	-12	-13	25,571	20,996	-18	-10	-11

Source: National Early Warning Units and partners, Central Statistics Offices, and SADC FANR. Excludes DRC and Madagascar.

*While no official estimates were available, there is a wide variation in suggested figures ranging from a low of 900,000 MT (FAO GIEWS) to a high of 1.72 million MT (SADC FANR). The figure quoted here is an FAO estimate representing a range of between 1.0 - 1.2 million MT.

Maize production drops in South Africa but improves significantly elsewhere

Maize production in the region is now projected at 16.26 million MT, representing a drop of 19 percent from the 20.03 million MT harvested last season. However, domestic maize supply is set to improve significantly everywhere but Angola, South Africa and Tanzania, with increases ranging from 11 per cent in Mozambique to a high of 385 per cent in Botswana. Impressive increases have been achieved in Malawi, Zambia, and Zimbabwe, all of which faced serious production shortfalls last season. In Malawi, the Final Round Estimates released in June indicate that the country will harvest a total 2.61 million MT (said to be a historic record) which is 107 per cent above last year's harvest of 1.26 million MT. Similarly, significant increases have been recorded in Zambia where current estimates suggest a total maize crop of 1.4 million MT (against 866,000 MT last year); and in Zimbabwe, where FAO estimates suggest a harvest of between 1.1 and 1.2 million MT which if achieved, will be almost 100 per cent above last year's poor harvest of just 591,000 MT. Botswana does not normally produce a significant amount of maize, but its harvest this year is forecast to be more than four times that of last year and is significantly above both the 5-year and 10-year averages. Mozambique, Lesotho and Namibia have also recorded production increases that are also significantly higher than the past 5-year average (see Table 1). Maize production declines are forecast in Angola, South Africa and Tanzania; while Swaziland (which is yet to produce a forecast) expects that production could be similar to last year's levels. In South Africa, the Department of Agriculture's Crop estimates Committee's June 20 estimate of the 2005/06 maize production stands at 6.315 million MT, representing a 46 percent reduction from last year, and a 36 percent drop from the past 5-year average. Harvest estimates in Tanzania and Angola (though currently estimated to drop by 28 and 29 per cent, respectively) will only be confirmed once assessment surveys and field reports are completed.

Food security summary and outlook

Food security over the 2006/07 consumption period is likely to improve considerably relative to the last few years, as a result of the improved domestic supplies of the major cereal and other food staples across many countries. Reports from across the region indicate that the food security situation for many of the region's vulnerable populations has been steadily improving since the end of the hunger season in March, when seasonal crops became available; and the new harvest started coming in from April onwards. At the same time, food prices have been dropping significantly, easing access for the poor and market dependent households. In general, food supplies, even for households previously faced with dire shortages, are expected to remain comfortable until the start of the hunger season. Despite this positive picture however, there are pockets of vulnerability that have been assessed through the ongoing national vulnerability assessments in most southern African countries. Preliminary indications (from the Regional Dissemination Meeting held in Johannesburg on June 27) conclude that vulnerable groups requiring some assistance have been identified in Angola, Lesotho, Malawi, Mozambique, Zambia, Swaziland, Namibia, Madagascar and Zimbabwe. Although the numbers (and the amount and type of assistance required) are yet to be determined, it is clear that no major emergency food aid distributions will be required. An exception could be Angola, and perhaps Zimbabwe, where the cereal production shortfall may be exacerbated by the current economic melt down leading to critical food access problems.

High level of imports still indicated despite improved harvests

Current food availability assessments and analysis based on available preliminary data indicate that due to the improved harvests, especially in Malawi, Zambia and Zimbabwe, the region overall will face lower import requirements than last year (Table 2). According to this macro analysis, SADC countries (excluding South Africa) need to import 4.74 million MT of cereals during the current marketing year in order to meet consumption requirements. This figure represents a 6 percent decrease over last year's regional shortfall (excluding South Africa) of 5.03 million MT and assumes a full replenishment of strategic grain reserves. (The figure drops to about 4.06 million MT without stock replenishment). Including South Africa in the analysis increases the import requirement to 5.34 million MT. Some of the cereal shortfall/import requirement (especially where large shortfalls are indicated) will be filled through substitution of other non-cereal food crops, such as cassava, sweet potato, banana, and other commodities. In many countries (such as Angola, Malawi, Mozambique, Tanzania and Zambia), cross substitution plays a very important role in filling the cereal gap. However, estimation methods (for both availability and cereal equivalents) currently do not enable an accurate estimation of the proportion of consumption requirements that come from these non-cereal crops. Furthermore, the regional nature of production and consumption preferences of such crops, including transportation and processing costs (in the case of cassava) needs to be better understood before these crops can be included in the national food balance sheets. In the graphic below (Figure 2), the projected cereal gaps represent calculated domestic cereal shortfalls before cross substitution. The preliminary individual country food balance sheets (from which this analysis is derived) indicate the level of domestic shortfall/surplus before incorporating 2006/07 import/export plans (commercial and food aid). The projected deficits will be reduced considerably once import plans and cross substitution effects are incorporated. These will be completed once the results of the ongoing food security and vulnerability assessments and analysis are officially released in July or August.

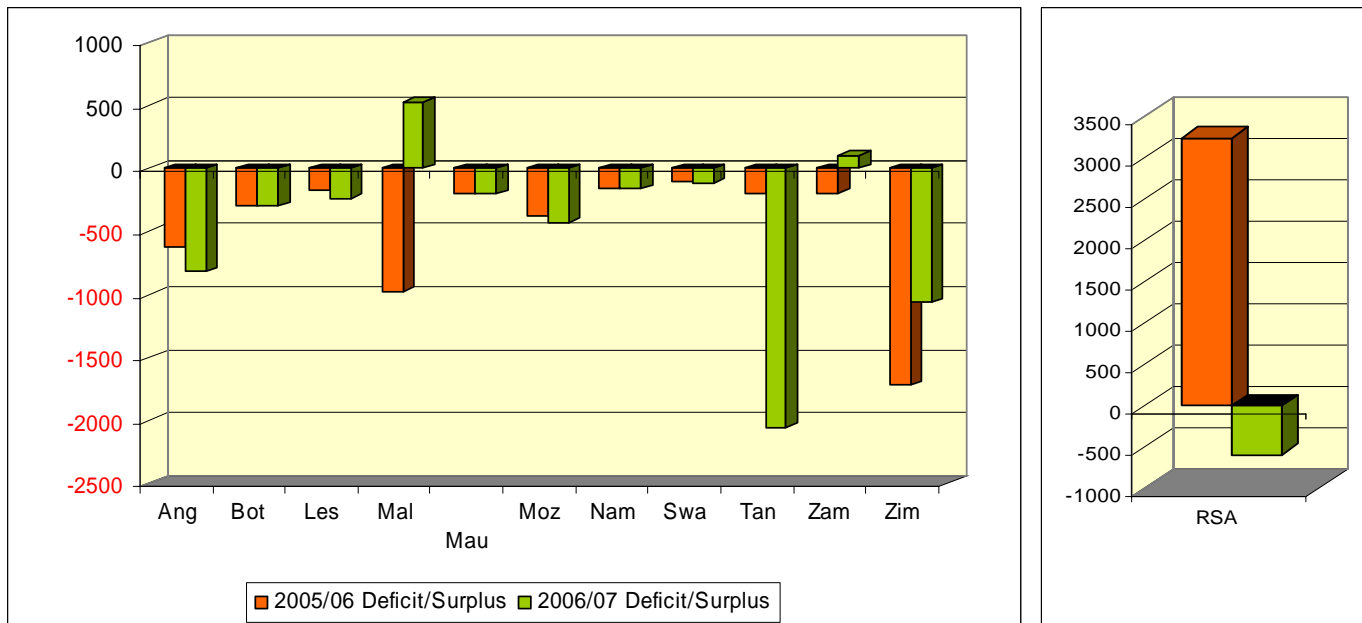
Table 2. Estimated 2006/07 total cereal import requirements for SADC countries¹

ALL CEREALS	Deficit/Surplus ² ('000MT)		
	Marketing Year		
	2004/05	2005/06	2006/07
Angola	-813	-625	-818
Botswana	-281	-293	-300
Lesotho	-295	-177	-233
Malawi	-477	-979	530
Mauritius	-203	-203	-203
Mozambique	-550	-372	-432
Namibia	-148	-158	-163
Swaziland	-99	-107	-112
Tanzania	-98	-200	-2,053
Zambia	134	-201	102
Zimbabwe	-796	-1,718	-1,166
SADC ¹	-3,626	-5,033	-4,848

Source: SADC FANR; National Early Warning Units and partners. ¹ Excludes DRC, Madagascar and South Africa.

² Deficit/Surplus calculated with stock replenishment

Figure 2. Domestic cereal deficit/surplus: 2006/07 compared to 2005/06 ('000 MT) (Note different scales)



Source: National Early Warning Units and partners, Central Statistics Offices, and SADC FANR.

Commercial Imports already underway

Table 3 below tracks imports from South Africa by SADC member States beginning in April 2006. Despite the reduced harvests in South Africa, member states (especially the structurally grain deficit SACU countries) continue to receive imports of both maize and wheat from South Africa. Weekly exports continue to decline. While April and May totals averaged 14,500 MT, the average for June fell to just under 10,000 MT, with most of the imports going to Zimbabwe. As was the case last season, Zimbabwe is once again the largest importer of South African maize, receiving 45 percent of its total exports to SADC countries. White maize exports are entirely from domestic production while yellow maize is also being imported. Between April and June, South Africa has received a total of

221,310 MT of yellow maize from Argentina. Table 3 also indicates wheat imports for SADC coming through South Africa. Most countries import their wheat requirements directly from international markets without going through South Africa. The levels indicated in Table 3 are therefore well below total individual country wheat imports.

Table 3. South African maize exports: April 2006 - June 30, 2006 (MT)

	Exports to SADC member States											TOTAL
	Ang	Bot	Les	Moz	Mal	Mad	Nam	Swa	Tan	Zam	Zim	
White Maize	2,925	29,179	22,002	8,824	1,210	-	5,714	8,285	9,289	9,343	78,737	175,508
Yellow Maize	-	1,493	195	880	-	-	2,801	8,882	-	189	1033	15,473
Wheat	-	21,097	5,415	-	-	-	4,971	5,279	-	26,460	1,575	64,797

Source: South African Grain Information Service (SAGIS) - June, 2006

National Vulnerability Assessments and response interventions

Results of National Vulnerability Assessments (NVAs) carried out in Angola, Lesotho, Malawi, Mozambique, Swaziland, Zambia, and Zimbabwe will be finalized and released in July. A Regional Dissemination meeting held in June 27 in Johannesburg heard the preliminary results from these NVAs, confirming the much reduced levels of food insecurity and vulnerability in most countries due to the improved harvests. Although recommendations have not yet been released, it is expected that general food distribution programs will be scaled back considerably this consumption year, and completely phased out in some cases. Humanitarian agencies will be expected to respond to chronic cases of food insecurity through targeted programs for specific vulnerable groups, such as orphans and vulnerable children (OVCs) and those affected and infected by HIV and AIDS. Table 3 above shows the scale of planned and actual food distributions undertaken by WFP through the Southern Africa PRRO which began in January 2005. Due to the higher levels of food shortages and numbers assessed as vulnerable last season (as a result of a poor rainfall season), WFP distributed just over 500,000 MT (or 76 percent) of cereal last year out of a planned total of 659,000 MT. The largest distributions were in Zimbabwe and Malawi, where food shortages were more critical and the numbers affected much higher when compared to the neighboring states. Apart from the WFP PRRO response, national governments and other agencies (like the C-SAFE) contributed to the response effort and managed to avert famine for the over 10 million people assessed as food insecure in 2005/06.

Table 4. Food aid (cereal) distributions during period April - May 2006 (Metric tons). WFP Southern Africa PRRO

	Planned	Distributed	% covered
Lesotho	38,175	27,598	72
Malawi	148,174	123,735	84
Mozambique	88,333	57,968	66
Swaziland	19,808	15,603	79
Zambia	95,294	72,474	76
Zimbabwe	268,629	203,249	76
TOTAL	659,456	500,894	76

Source: WFP (ODJ) -June 2006

Regional price analysis

Retail maize price movements

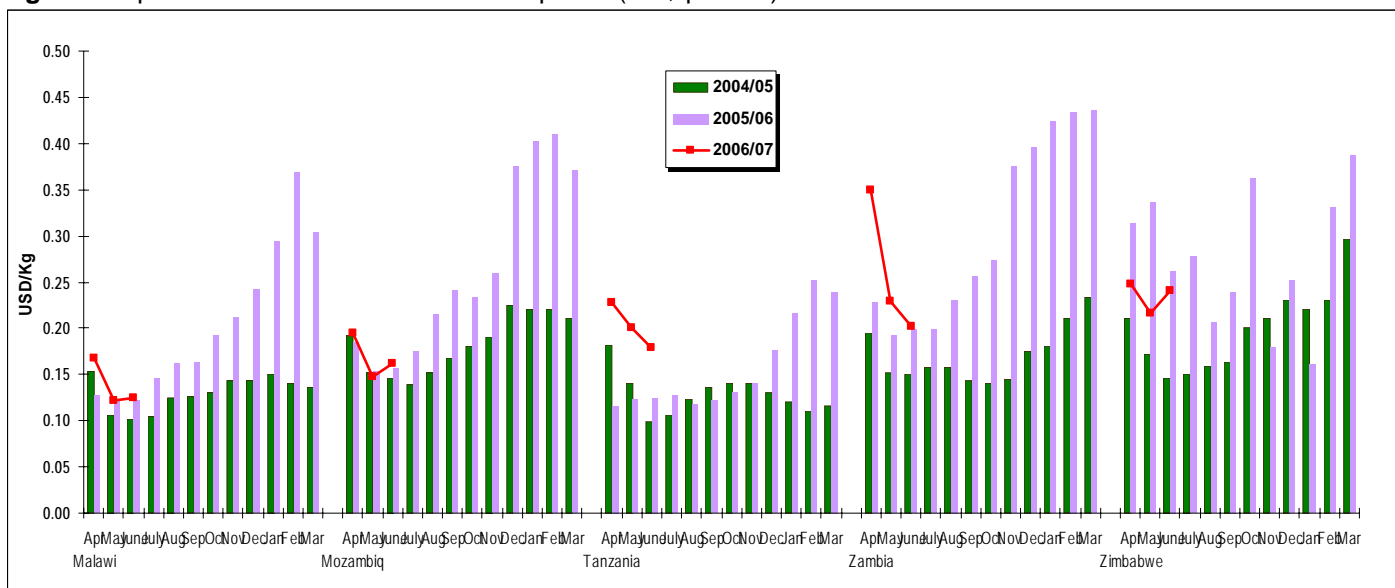
As shown in Figure 3, maize retail prices (measured in US Dollars) across all monitored countries began to drop in March and April in response to improving market and household food supplies. Prices continued to drop sharply in May in all countries, but have however started increasing in Zimbabwe and Mozambique, while in Malawi, they have flattened out. In **Tanzania**, although average prices remain relatively high compared to the same time last year, prices have continued to drop steadily from US\$0.23/kg in April, to US\$0.20/kg in May and US\$0.18/kg in June. This could be the result of the stabilizing food supply situation due to availability of green maize and early harvests as the *msimu* harvest begins. Recent reports also suggest that the *msimu* harvest will be near normal, following the favorable rains that subsequently arrived after a prolonged drought throughout most of Tanzania.

In **Zambia**, there was a sharp drop in prices beginning in April. The average price for Choma and Lusaka Rural dropped 34 % from US\$0.35/kg in April to US\$0.23/kg in May, and dropped a further 13% to US\$0.20/kg in June. It is expected that the declining trend will continue for the next few months in response to the above average maize production realized across the country. In **Malawi**, average prices dropped 29% from an average of US\$0.17 in April to US\$0.12/kg in May, where prices have remained throughout the month of June. Prices in most local markets of Malawi remain below the government administered (ADMARC) minimum producer price of MK20.00/kg which was gazetted in an attempt to halt the free fall in the local prices. The flattening out may be an indication that prices have bottomed out, and may now rise towards the intended minimum price.

In **Mozambique** the latest data from SIMA indicates continuing significant price drops in prices in Nampula; but an upturn since June for the monitored markets of Beira and Maputo. This has raised the average price by about 6% over the May average of US\$0.15/kg. Prices however are about the same as they were last year at the same time and are expected to remain generally stable, reflecting a comfortable national supply. In **Zimbabwe**, maize prices have fluctuating mainly in response to both availability and foreign exchange rates. While prices dropped in April and May in response to improving food supplies, there was an upturn in June, with the

average going up 9% from US\$0.22/kg to US\$0.24/kg. It is possible that the price may stabilize at this level for another few months, but as supplies begin to tighten; levels may rise well before the onset of the hunger season.

Figure 3: April 2005 - June 2006 retail maize prices (US\$ per KG)

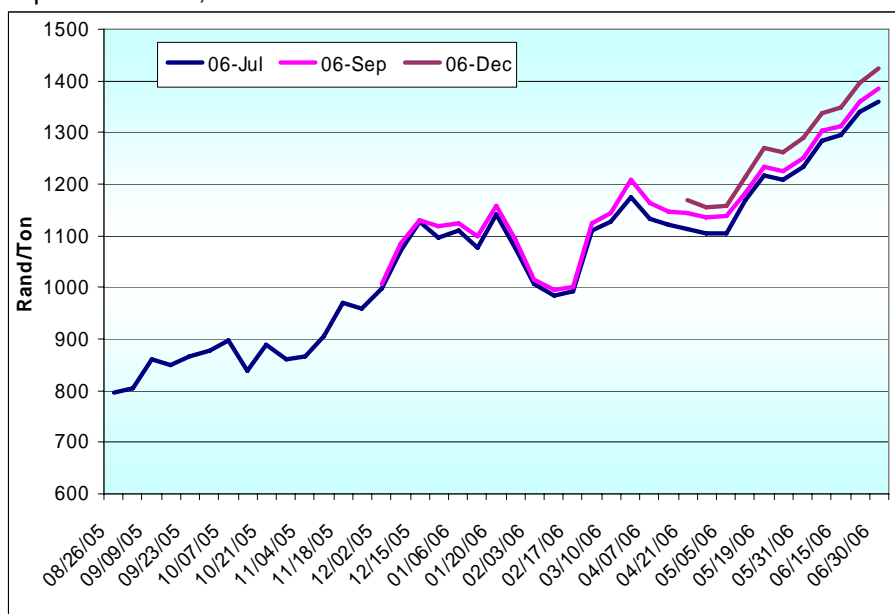


Source: FEWS NET Malawi, Mozambique, Tanzania, Zambia and Zimbabwe

Prices on the South Africa Futures Exchange reach three year highs

White maize prices on SAFEX continue to rise to significantly high levels, almost approaching those prevailing during the 2002/03 marketing season, when the region faced one of the severest maize production shortfalls. The rapid increases are in response to the sharp reduction in maize supply as a result of very low levels of production in South Africa in 2005/06, coupled with lower supplies of white maize internationally and the large import requirements projected by neighboring states. Consequently demand has increased, while supplies remain low. At current projections, domestic maize availability, estimated at 9.85 million MT (made up of 3.53 million MT carry over stocks, and 6.32 million MT production), is just sufficient to cover domestic consumption and pipeline requirements, leaving a small surplus of 333,000 MT. Offshore maize imports will thus be required to cover export commitments. Local prices are currently higher compared to international prices. Argentine white maize was quoted at US\$104/MT FOB on June 23rd, and SAGIS calculated a landed price in Durban of US\$155/MT (R1148/MT) compared to the Durban import parity of US\$183/MT (R1351/MT) calculated by GrainSA for South African white maize on the same day. Nonetheless, the current weakness of the local currency (averaging R7.00 to the US dollar in June) has kept local prices relatively competitive.

Figure 4: Prices of white maize delivered in Randfontein: SAFEX - July 2006, September 2006, and December 2006 Futures



Source: SAFEX, and GrainSA

The Southern Africa Food Security Brief draws from the FEWS NET monthly food security reports, with additional contributions from network partners including FEWS NET/USGS, the SADC Regional Remote Sensing Unit, SADC Regional Early Warning Program – Gaborone, and the SADC Regional Vulnerability Assessment Committee comprised of SADC FANR, FAO, WFP, FEWS NET, SC (UK), and OCHA. Additional information is drawn from the National Early Warning Units and Meteorology Services in SADC member States.