

1. EXECUTIVE SUMMARY

- Most parts of Malawi experienced seasonably dry conditions during June.
- Final crop estimates will be released by the end of July. However, early indicators signal another bumper harvest in for 1999/2000.
- Restrictions on cattle movement in Central Mzimba Rural Development Project (RDP) remained in place to prevent the further spread of foot and mouth disease.
- All the three regions of the country registered drops in local market maize prices as harvesting of crops gained momentum. The national average local market price is 14.4 percent down from MK5.84/kg in May to MK5.00/kg in June.
- The official maize stocks, purchases and sales, point to an abundance of maize in the country. Market surpluses have forced ADMARC to reduce its maize selling price by 31 percent, from MK7.25/kg to MK5.00/kg, to remain competitive with local market prices.
- Although the country will have another food surplus this year, there are a few areas which may experience food shortages. These require close monitoring. The purchasing power of households in these areas will be of paramount importance for ensuring food access and food security as maize is readily available in both local and ADMARC markets.
- The Malawi Kwacha depreciated as tobacco sales, the major source of foreign exchange, continued at a sluggish pace. Tobacco sales have generally been poor this season in terms of prices and volumes.
- The continued depreciation of the Malawi Kwacha and increase in the price of fuel threaten the recent downward trend in the inflation rate.

2. FOOD AVAILABILITY

2.1. Agroclimatic Conditions

Most parts of Malawi continued to experience seasonably dry conditions during June. However, a few areas, particularly in the lakeshore areas and southern and northern highlands, experienced light rains from mid-June to end of the month due to southeasterly (*Chiperoni*) winds. These rains supported the growing of winter crops, although rainfall levels fell below long-term averages. Significant rainfall for the month included 37.2 mm at Nkhatabay, 55.4 mm at Mimosa and 29.5 mm at Mzuzu.

2.2. Crop Production

Harvesting of crops is about to come to an end. The final crop estimates meeting of the Ministry of Agriculture is scheduled for the end of July. FEWS NET will then work out the food balance sheet to determine whether the country will have a food surplus or deficit for the marketing year, 2000/01. There are already indications that Malawi will enjoy a crop surplus. In addition FEWS NET will also conduct the annual current vulnerability analysis (CVA) to determine which Extension Planning Areas (EPAs) are at risk of food insecurity.

2.3. Pasture And Livestock Condition

Pasture for animals continues to be readily available. The crop residues left over after the farmers have harvested their crops are providing an extra source of feed for the animals. Drinking water for animals is still readily available.

As reported last month, there has been a serious outbreak of foot and mouth disease in Central Mzimba RDP of Mzuzu Agricultural Development Division (ADD) in the northern region. Central Mzimba RDP has one of the largest population of cattle. Meanwhile, the Ministry of Agriculture and Irrigation has set up roadblocks to restrict the movement of cattle and other livestock products from the area as one way of containing the spread of the disease. Minor incidences of foot and mouth disease have also been reported in Kasungu RDP while East Coast Fever is reportedly widespread in Rumphi RDP. In all these areas, vaccines are available for treatment and protection of the animals against the disease although use of these vaccines depends on the ability of farmers to pay for them.

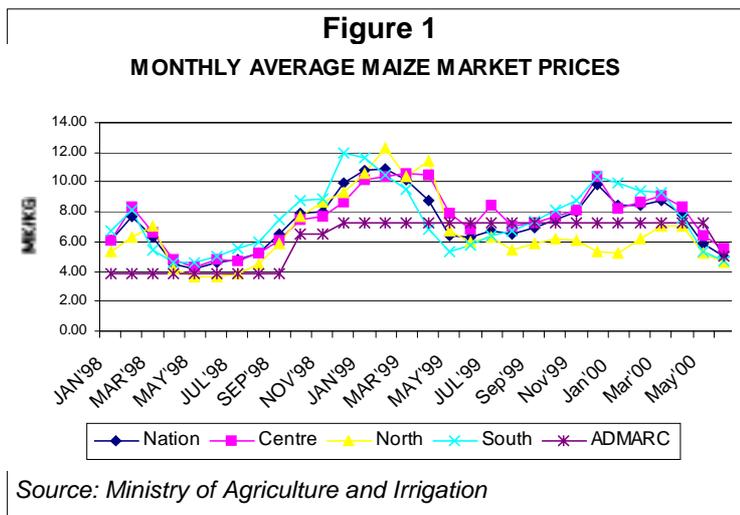
3. FOOD ACCESSIBILITY

3.1. Market Conditions

As reported previously, ADMARC has had problems selling maize at its fixed price due to the abundance of maize on the market. Prices are generally low and local market prices have generally been lower than the ADMARC price. This has forced ADMARC to reduce its maize selling price by 31 percent from MK7.25/kg to MK5.00/kg in order to be competitive. ADMARC has also slashed the price of rice by 20 percent.

Average local market maize prices continued to fall in June as the ongoing harvest has increased market supplies while reducing market demand as farm households consume their own production (see Figure 1).

The national average local market price for maize registered a 14.4 percent drop between May and June from MK5.84/kg to MK5.00/kg. All the three regions of the country have experienced comparable drops in the average price of maize.



3.2. Food Stocks

As of June 23, official maize stocks amounted to 181,000 MT compared to only 11,411 MT at about the same time last year. These stocks are very high for this time of the year, further evidence of this year's favourable food availability. These stocks comprise 154,836 MT government Strategic Grain Reserve (SGR) maize, 14,304 MT ADMARC stocks and 11,860 MT European Union (EU) contribution to the SGR.

Reports from the field indicate that a lot of households still have maize from last year's bumper harvest. The National Food Reserve Agency (NFRA) has continued to issue tenders for sale of their maize, all of which have been unsuccessful, because supplies are plentiful and traders do not want to build up maize inventories that they cannot sell. From the current crop estimates, the country will again have a

bumper harvest this year which, together with the high carryover stock levels, will result in a big food surplus. The NFRA is also finding problems identifying foreign markets for their maize. One possible market is Kenya, which has a serious food deficit, though no deals have been struck.

Cumulative maize sales by ADMARC as of June 23 amounted to 7,426 MT. This sales level is much less than the 11,991 MT sold by about the same time last year, again testimony to last year's bumper harvest.

ADMARC will not start buying maize until the moisture content is down to the recommended standard. By comparison, at about the same time last year, ADMARC had already purchased 53,214 MT. Farmers are getting worried about ADMARC's lack of purchases since ADMARC is usually the main buyer of their maize. Farmers are also worried about the likely reduction in ADMARC's purchase price to offset the recent reduction in ADMARC's sales price to MK5.00/kg, the same as last year's purchase price.

4. VULNERABILITY UPDATE

FEWS NET is waiting for the final round crop estimates figures scheduled for end of July in order to conduct the current vulnerability assessment (CVA). This is aimed at identifying areas at risk of food insecurity in the country.

It appears that certain areas may be at risk of food insecurity. These areas include Kaporo South, Karonga Center and Karonga South EPAs in Karonga RDP, Chitipa South EPA in Chitipa RDP, Bolero EPA in Rumphi/North Mzimba RDP, Chisepo and Mdolera EPAs in Dowa West RDP, Chigodi EPA in Kasungu RDP and Mpinda and Kasongo EPAs in Phalombe RDP. In these areas, the crops were adversely affected by dry spells earlier this year. FEWS NET traveled to some of these areas to obtain first hand information. A brief description of the main findings follows.

Karonga RDP

Both floods and dry spells affected Karonga RDP. The floods affected the northern part of the RDP, Kaporo North and Kaporo South EPAs. Floods which occurred in March when crops had already matured washed away crops, particularly along the Songwe River. The government delivered assistance to the victims and the Livingstonia Synod of the Church of Central Africa Presbyterian (CCAP) has indicated its willingness to help. According to discussions with various officials, the affected households need seeds for their winter season crops rather than food. Most farmers are not willing to buy seed. Instead, they are waiting for free seed from the government or NGOs.

The dry spells affected the whole of the RDP, although the worst affected area is Karonga Center. The rains in the area started late and finished earlier than normal. As a result, crops died prematurely. It is estimated that most households will start running out of food in October instead of the December/January period, as usual. Unfortunately, there is not enough moisture for cultivation of winter crops except along the riverbanks. The dried crops have provided fodder for livestock. The area has a large cattle population with ownership estimated at 5 animals per household. Sales of animals and animal products will serve as a source of income for buying food, although people normally sell livestock only as a last resort. In addition, some of the cassava that was interplanted with maize has survived the dry spells, providing another source of food and income.

Chitipa RDP

Discussions with staff and reports from the ADD indicated that the southern part of the RDP, Kavukuku EPA, has been hard hit by the dry spells and early cessation of the rains. It is estimated that the EPA experienced a 30 percent drop in total rainfall received compared to last year's levels. The poor rainfall pattern resulted in maize drying prematurely at milky and tasselling stages. It is estimated that the poor rainfall will result in a 67 percent drop in total maize yield and production in the EPA.

Rumphi RDP

Bolero EPA was reported to be at risk of food insecurity due to poor crop performance. Discussions with the Development Officer for the EPA showed that only a small area (about 4 sections out of 11) was affected by the dry spells and early cessation of rains. Households may not need outside intervention.

Nkhatabay RDP

Another area similarly affected is Tukombo EPA (especially the southern part of the EPA) of Nkhatabay RDP. Maize, in particular, was severely affected by dry spells that occurred at tasselling. However, maize is not the main staple food of the area, but cassava, which apparently has done well except for minor incidences of cassava mosaic. The situation, therefore, may not require external assistance.

Shire Valley RDPs

This area was affected by floods which were concentrated along Lalanje River in Chikwawa and Nsanje RDPs. Discussions with the project officer of Chikwawa RDP showed that the floods happened when most of the crops had already matured and been harvested so losses were not that great. Even so, it was estimated that 1,652 households were affected. These floods caused damage to some 46 hectares of maize, 85 hectares of sweet potatoes, 17 hectares of rice and 165 hectares of cowpeas. Counting those households who lost their homes, a total of 2,164 households were affected. The Ministry of Agriculture donated 8 MT of hybrid maize seed of which 4 MT has been distributed to date.

Phalombe RDP

Crop production prospects are not good in Mpinda and Tamani EPAs due to dry spells experienced between mid-December and January and the shortage of rains in March when the crops were at the critical stage of cob formation. Although farmers replanted after the resumption of rains in January, these crops did not do well. Mpinda EPA is the worst hit. However, a lot of maize enters this area from bordering Mozambique. Moreover, other crops such as sorghum and sweet potatoes were not as severely affected as maize. For now, there is no cause for alarm.

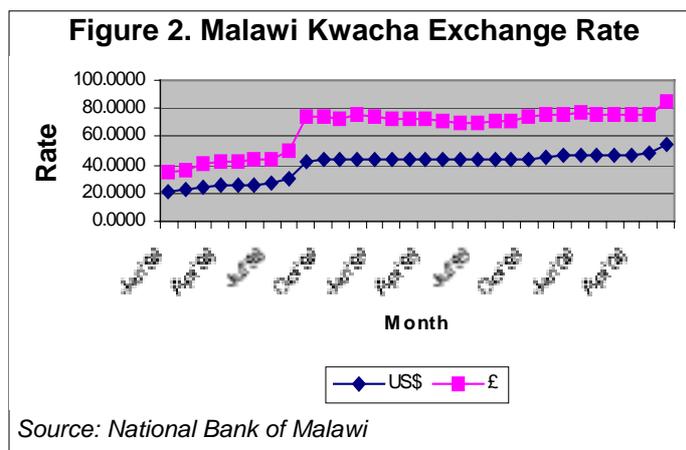
All the areas highlighted above require close monitoring. The picture will become clearer after the release of the final round crop estimates. A mitigating factor is that maize is readily available in both local and ADMARC markets for people to buy. In this case, the food security of the households will depend on their purchasing power and other access to adequate food.

5. SOCIO-ECONOMICS, POLITICS

The Malawi Kwacha has depreciated steadily against the US dollar. The exchange rate for June averaged about MK55/US\$1.00, MK85/£1.00, MK8/SA Rand and MK1.50 per Zimbabwe dollar. The MK/US dollar exchange rate represents a depreciation of about 15

percent from an average of about MK48/US\$1.00 in May and a depreciation of about 20 percent from an average of about MK46/US\$1.00 in January this year.

Tobacco sales, which are the major source of the country's foreign exchange earnings have not been good since the marketing of the crop started in April. Both the prices and volume of sales have been low compared to last year mainly due to poor establishment of seedlings as a result of delayed transplanting. This could lead to continued depreciation of the Kwacha due to insufficient foreign exchange earnings from the crop. In 1998, a similar situation resulted in the devaluation of the Kwacha by close to 60% in September.



The national rate of inflation dropped from 26.8 percent in May to 23.5 percent in June. This decline is largely attributed to a drop in the rural rate of inflation from 23.7 percent in May to 18.9 percent in June mainly due to a drop in food prices as harvesting gathers momentum. In the urban areas however, the inflation rate went up slightly to 32.0 percent. Figure 3 shows the inflation rate trends since January 1997. Continued depreciation of the Kwacha poses a threat to the inflation rate by making the Kwacha cost of imported goods more expensive. The 18 percent increase in fuel prices in June will have a similar effect.

Malawi's official 2000/01 budget was unveiled at the end of June. This budget is estimated to cost MK31.5 billion (\$563 million), a 43 percent increase over last year's budget. It focuses on human development through the reduction of poverty and revitalizing the stagnant economy by stimulating industrial growth.

To reduce widespread poverty the government has to achieve a minimum GDP growth target of 6 percent, according to IMF. Economic analysts say it remains to be seen whether Malawi can achieve this target, considering last year's 3.1 percent growth. This would mean taming interest and inflation rates, currently around 49 percent and 24 percent, respectively, in order to attract meaningful direct foreign investment which would move the economy forward.

Figure 3. Monthly Inflation Rates

