

Summary

- Most parts of the country continued to experience dry conditions during July, as is normal for this time of year.
- The final crop production estimates for 1999/2000 were released on July 28th. These figures show that Malawi had another bumper harvest.
 - Total maize production increased slightly from 2,478,058 MT in 1998/99 to 2,501,311 MT in 1999/2000.
 - Unfavorable producer prices threaten cotton production whereas cassava continues to enjoy a rising trend in production as a food crop and cash crop.
 - A preliminary food balance sheet by FEWS NET shows that the country will have a food surplus of about 993,200 MT Maize Equivalent (ME).
- The national average maize price continued to fall as harvesting of various crops continued. The national average local market price is 2.2% down from MK5.00/kg in June to MK4.89/kg in July, continuing a trend that began in April.
- The official maize stocks, purchases and sales still point to the fact that there is a lot of maize in the country even though ADMARC is only selling and has not yet started buying maize this year. Official maize stocks are still very high at 174,400 MT.
- Cattle movement in Central Mzimba RDP continues to be restricted to prevent the spread of foot and mouth disease that has affected the area.
- FEWS NET will soon conduct the Current Vulnerability Assessment (CVA) in an attempt to identify food insecure areas. Household purchasing power will be of paramount importance for ensuring food security as maize is readily available in both local and ADMARC markets across the country.
- The Malawi Kwacha continued to depreciate against the currencies of major trading partners such as the United States, United Kingdom, Zimbabwe and South Africa. The Malawi Kwacha exchange rate increased from MK55/US\$ in June to MK57/US\$ in July.
- The national inflation rate registered a drop from 23.5% in May to 22.2% in June, mainly attributed to a fall in the food price index due to the current harvest.

1. Food Availability

1.1. Agro-climatic Conditions

Agro-climatic conditions remained unchanged during July. Most parts of the country continued to experience dry conditions. However, a few areas, particularly in the lakeshore, southern and northern highlands, experienced light rains due to southeasterly (*Chiperoni*) winds. These dry conditions are favorable for harvesting the crops. In the case of winter crops, farmers are busy with land preparation and planting.

1.2. Crop Production

The fourth and final round crop estimates for the 1999/2000 production year were released on July 28th. This was the first time that the crop estimate exercise had to be done four times. During the third round in May, farmers in the northern region had not yet started harvesting their crops and it was not possible to weigh the crops in order to determine the yields.

The erratic start of season in December 1999 resulted in mixed production outcomes across the country. The following sections discuss the final round production figures for selected crops.

1.2.1. Maize

Overall maize production for 1999/2000 is estimated at 2,501,311 MT, about 1% higher than production attained in 1998/99. About 92% (2,290,018 MT) and 8% (211,293 MT) came from smallholder and estate sectors, respectively. This small increase in the production is attributed to a 4% increase in area planted as the average yield decreased by 3% from 1,713 MT per hectare to 1,660 MT per hectare.

All the Agricultural Development Divisions (ADDs) except Kasungu and Lilongwe in the central region and Shire Valley in the southern region, experienced drops in maize yields. Some drops in yield were minor, such as those in Blantyre ADD (1%), but significant in Karonga ADD (23%), Mzuzu ADD (16%) and Salima ADD (14%). The northern region, which comprises Karonga and Mzuzu ADDs, was the most severely affected. The drop in the yields is attributed to late and erratic start of the rainfall season, intermittent dry spells and early end of the rains in most parts of the ADDs.

- Unlike the case in other ADDs, the dry spells in some parts of Karonga ADD persisted beyond January and normal rains resumed in March and lasted until end April. In general, the shorter rainfall period adversely affected crops in Karonga.
- Some parts of Mzuzu ADD experienced a similar situation, where weather patterns adversely affected production of crops such as maize, although the impact was not as acute as in Karonga.
- In Salima ADD, maize production was adversely affected by the prolonged dry spells experienced early in the season. In some parts rains delayed the effective planting date by up to two months.

National level maize production, however, was not significantly affected because most of the maize in the country is produced in the central region with Kasungu and Lilongwe ADDs as main maize baskets. These two ADDs registered maize production increases of about 6% and 14%, respectively, over the previous year. However, the largest increase in maize production was registered in Shire Valley ADD at 17%, mostly due to a large expansion in the area planted as a result of ready availability of maize seed and a shift from cotton to maize. In contrast, the area put to cotton in the ADD dropped by 30% mainly due to poor price incentives.

1.2.2. Rice

Rice production fell 23% from 92,911 MT in 1998/99 to 71,633 MT in 1999/2000. Almost all of the rice was grown by smallholder farmers; only Machinga ADD reported rice grown by estates. While the area put under rice cultivation decreased by 5% from 45,811 to 43,542 hectares, the drop in rice is mainly due to a 19% drop in average yields, from 2,228 MT to 1,645 MT per hectare. All ADDs, except Mzuzu, experienced drops in rice yields ranging from 9% in Kasungu to 35% in Shire Valley. These drops are attributed to late onset of the rains followed by dry spells, which resulted in late transplanting of overgrown seedlings, thereby adversely affecting

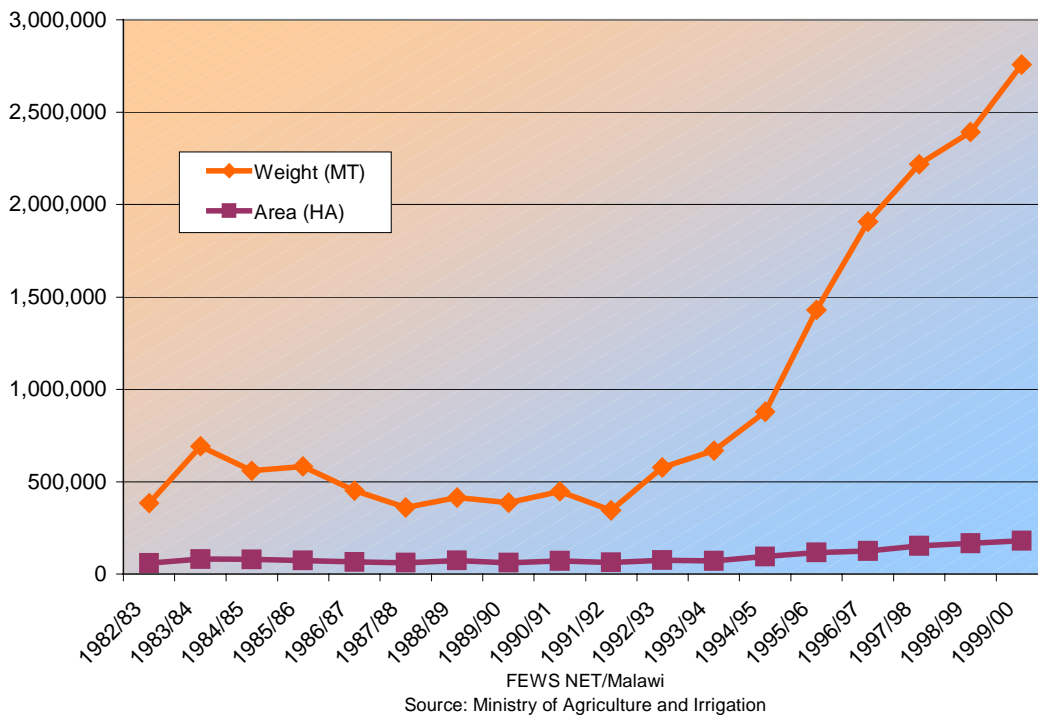
Cassava: A Rapid Growth Success Story

Cassava is becoming increasingly popular both as a food crop as well as a cash crop. Efforts to increase production of the crop have intensified in the past five-year with occurrence of frequent droughts in the early part of the 1990s. As a drought tolerant crop, cassava provides an alternative source of food when the other crops have failed. Cassava is also turning into a lucrative crop, especially in the central region where tobacco is the dominant cash crop. This is a welcome development in view of the blurred future of the tobacco market due to the international anti-smoking lobby. The result has been a steady increase in cassava production as a result of steady increases in both area and yield.

The increase in planted area is due to extension campaigns encouraging farmers to grow the crop, farmers' own appreciation of the value of the crop and improved availability of planting materials. Both government and NGOs have made a deliberate effort to increase the availability of planting materials through seed multiplication programs. Yield levels continue to increase due to the introduction of high yielding varieties and their increased availability. The Southern Africa Root Crop Research Network (SARNET) project, in conjunction with the government, has been very instrumental in these efforts.

Figure 1 shows the remarkable increase in cassava production since the 1982/83 season to date. Most of this increase can be attributed to improvements in yields.

Figure 1. Area and Production of Cassava (Fresh Weight) in Malawi: 1982/83 - 1999/2000



yields. In most of these areas rice is grown in flooded areas and this year the floods came late, also delaying transplanting.

1.2.3. Groundnuts

Groundnut production went down by 7% this year, dropping from 131,543 MT in the previous year to 122,281 MT. This is attributed more to a decline in yield (6%) than decline in area (1%). The drop in yields, due to poor weather conditions which resulted in poor pod filling, ranged

from 4% in Karonga ADD to 18% in Kasungu and Shire Valley ADDs. The drop in Blantyre and Shire Valley ADDs was further exacerbated by the prevalence of rosette and hilda diseases.

Only Lilongwe and Salima ADDs registered production increases. Lilongwe ADD, one of two ADDs in the central region that produces the bulk of Malawi's groundnuts, registered a 15% increase in production due to a 9% and 6% increase in yield and area, respectively. Area planted went up due to the ready availability of seed from seed multiplication programs and seed distribution programs of various NGOs.

1.2.4. Cassava

Cassava production continues to be a success story (see box story below). Production increased by 15% from 2,422,789 MT in 1998/1999 to 2,794,617 MT fresh weight in 1999/2000. The increases range from 20% in Mzuzu ADD to 49% in Karonga ADD. (Only Machinga ADD experienced a drop (14%) in cassava production, resulting from a 20% drop in yield due to dry spells and diseases).

The threat of drought early in the season compelled some ADDs to embark on extension campaigns encouraging farmers to grow drought tolerant crops such as cassava. This campaign, coupled with the ready availability of improved planting materials, resulted in increased areas planted, ranging from 2% in Karonga ADD to 31% in Kasungu ADD.

1.2.5. Sweet Potatoes

The production trend for sweet potatoes is almost the same as that for cassava for similar reasons. Sweet potato production increased 13% from 1,702,399 MT in 1998/99 to 1,918,489 MT in 1999/2000. This upward trend is attributed to 3% and 10% increases in yield and area put to the crop, respectively.

1.2.6. Cotton

Cotton production dropped by 29% from 51,321 MT in 1998/99 to 36,527 MT in 1999/2000. All ADDs registered a decrease in cotton production ranging from 11% in Kasungu to 90% in Karonga. These decreases in production mainly stem from decreases in area planted, ranging from 10% in Machinga ADD to 85% in Karonga ADD.

The future of cotton production seems bleak unless marketing problems facing the commodity are addressed. Cotton prices have been very low compared to prices of other crops, such as tobacco, and farmers are shifting to other crops that provide more favorable returns above costs of production. Lower returns also reduce farmer incentives to maintain high yields. Figure 2 shows the ups and downs of area and production of cotton since 1982/83.

1.2.7. Tobacco

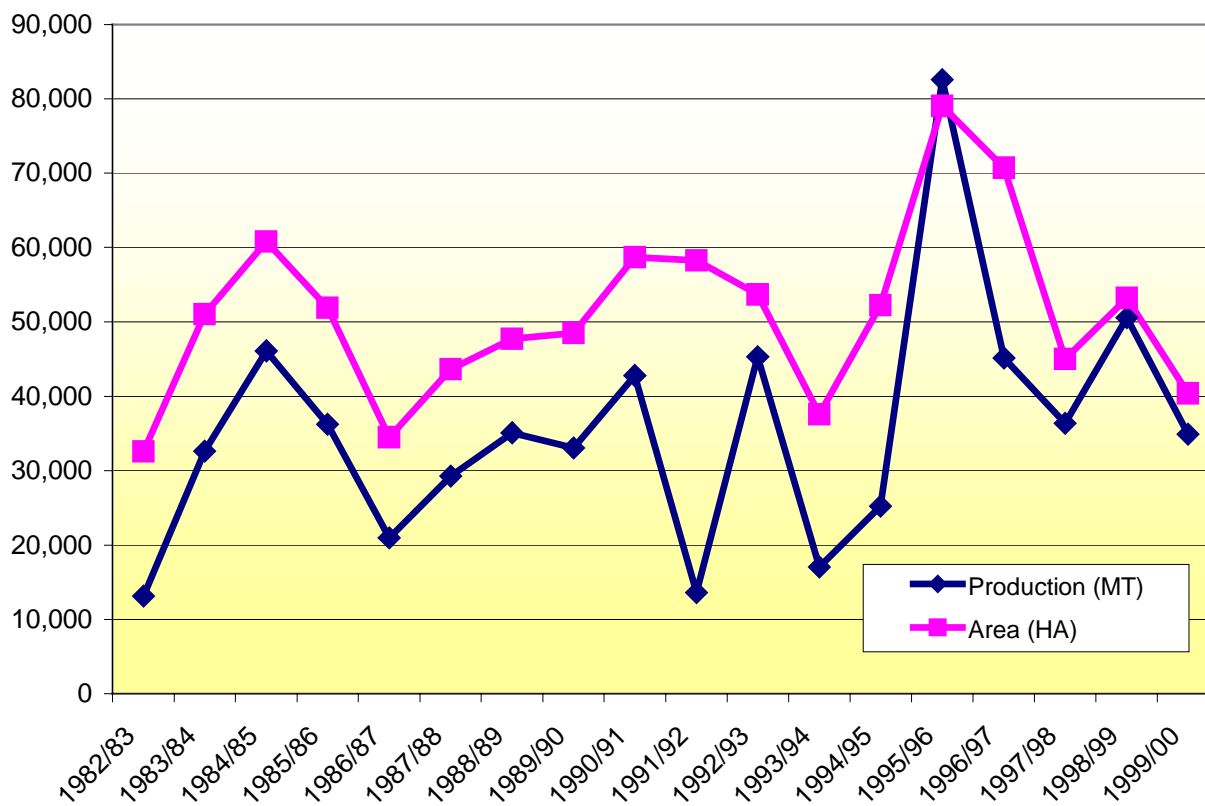
Smallholder tobacco production was approximately the same as last year, dropping by 1% to 98,614 MT this year. This slight drop is mainly attributed to the dry spells experienced earlier in the season which adversely affected nursery establishment of the crop and to delays in transplanting that resulted in overgrown, lower-yielding seedlings.

1.3. Implications for the Food Balance Sheet

The favorable harvest has resulted in very high food availability in the country — estimated at 3,440,518 MT Maize Equivalent (ME) after converting non-maize crops in the food balance sheet to equivalent amount of maize. For 2000/01, it turns out that non-maize crops will provide about 23% of the total food availability in kilocalorie terms while maize accounts for the remaining 67%. Total food requirements, after taking into account seed and consumption requirements, are estimated at 2,447,333 MT ME. This results in a food surplus of 993,184 MT

ME. Assuming that maize supplies 67% of this surplus, up to 665,108 MT of maize are available for export. Details of the food balance sheet are shown in appendix 1.

Figure 2. Cotton Area and Production Trends in Malawi: 1982/83 - 1999/2000



FEWS NET/Malawi
Source: Ministry of Agriculture and Irrigation

1.4. Pasture and Livestock Conditions

To date, there have been no reports of serious water and pasture shortages for animals. As reported in previous *Reports*, there has been a serious outbreak of foot and mouth disease in Mzimba district. Movement and marketing of livestock and livestock products was restricted in a bid to curb the spread of the disease. The restriction has been lifted within the district but still remains in effect between the district and other districts. It is reported that this restriction will remain until a full risk assessment is completed. The quarantine appears to have been effective in containing the spread of the disease since there are no reported cases outside Mzimba district.

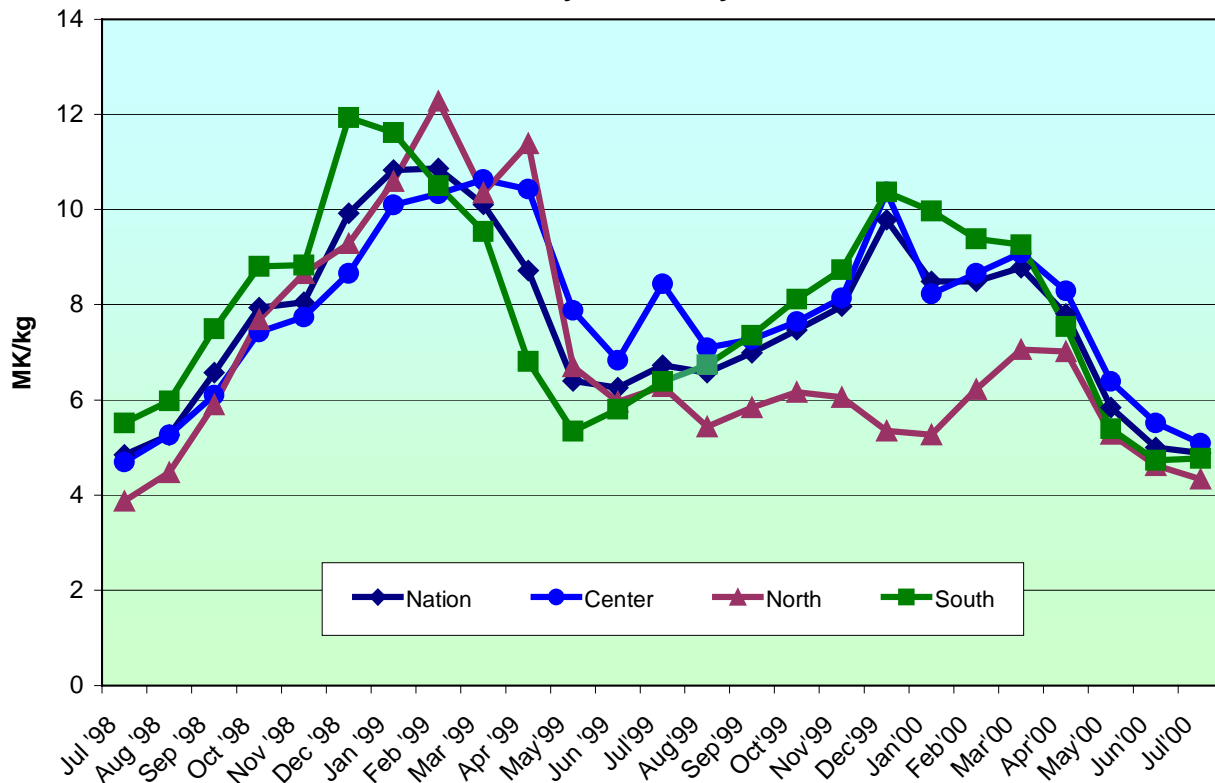
2. Food Accessibility

2.1. Maize Market Conditions

Farmers are busy harvesting and marketing their crops. Local market maize prices remain very low. The national average maize price in the local markets has gone down from MK5.00/kg to MK4.89/kg between June and July. This is due to the increased availability of maize and other

food crops in the market as harvesting of the crops continued during July, especially in the central and northern regions where harvesting starts later than in the southern region. Both the central and northern regions experienced drops in the average prices of maize in the local markets. In the central region average prices dropped by 7.8% whereas the northern region experienced a 6.3% drop in the same period. In the southern region, prices remained about the same. Figure 3 shows the trend in average maize prices in local market prices for the past two years.

Figure 3. Nominal Monthly Average Maize Market Prices in Malawi: July 1998 - July 2000



FEWS NET/Malawi
Source: Ministry of Agriculture and Irrigation

2.2. Food Stocks

Total official maize stocks are slightly down from 180,450 MT in June to 174,406 MT in July. Last year at the same time, official maize stocks were about one-third lower at 106,616 MT. Unlike last year, however, the Agricultural Development and Marketing Corporation (ADMARC) has not yet started buying maize. Hence, the current situation is another indication of the abundance of maize in the country. ADMARC is reluctant to buy maize this year as the market is already saturated. ADMARC has indicated that it will buy some maize, but not up to last year's level.

Cumulative maize sales remain very low compared to last year. ADMARC maize sales amounted to 7,704 MT in July this year, which is almost half the 14,052 MT attained by the same time last year. The reason for the low sales level is that most households have food from their own production due to last year's and this year's bumper harvest.

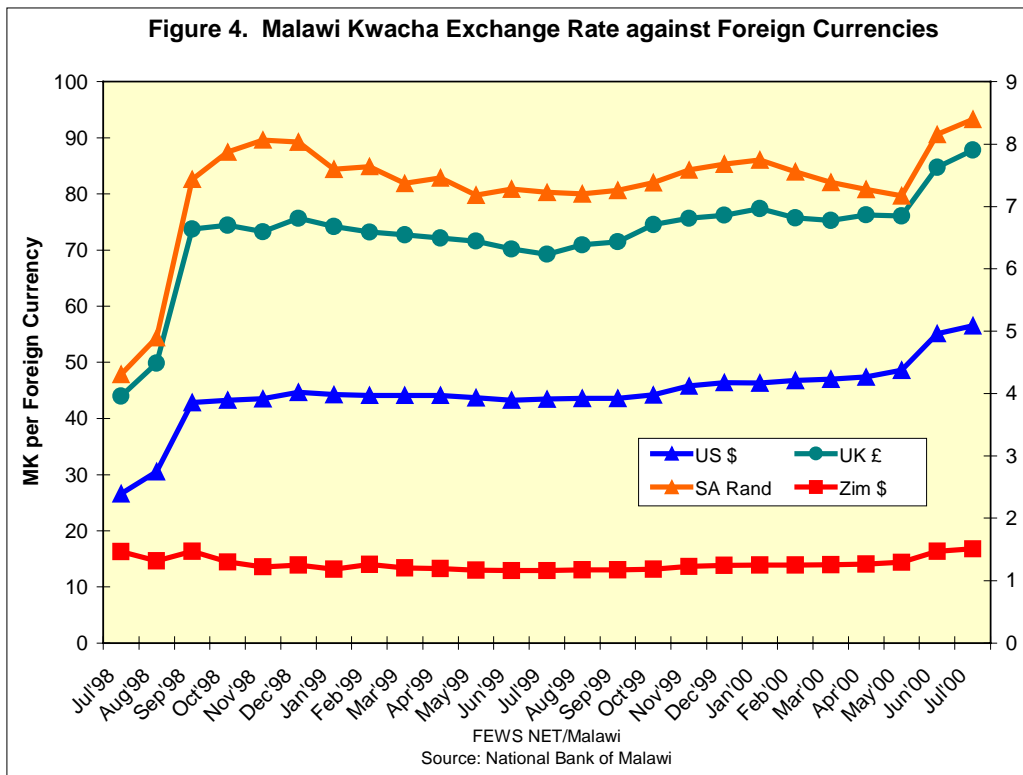
3. Vulnerability Update

Data entry of the Extension Production Area (EPA) crop production figures is underway. Soon afterwards, FEWS NET and its partners will embark on the current vulnerability assessment (CVA) exercise for 2000/01, aimed at identifying food insecure EPAs based on calculations of average household income. Even in times of bumper harvests, there are still some pockets of the society at risk of food insecurity. Once identified, these areas require close monitoring. Maize is readily available in both local and ADMARC markets for people to buy; other food staples are also available. The food security of these rural households will therefore depend mainly on their purchasing power and other forms of access to food.

4. Socio-Economics

The Malawi Kwacha lost more than 3% in value in July as the exchange rate continued to rise against major currencies. The exchange rate for July averaged about K57/US\$, MK88/£, MK8/SA Rand and MK1.5/Zim\$.

The continued depreciation of the Malawi Kwacha is contrary to



what is expected at this time of the year when tobacco sales are continuing and foreign exchange flows into the country. The tobacco market this season has been affected by very low prices, resulting in a drop in foreign exchange earnings from the crop. Figure 4 shows the trends in the Malawi Kwacha exchange rate against the US\$ and the UK£, the South African Rand and the Zimbabwe dollar since July 1998.

Over the short term, a depreciating currency makes imported goods and services more expensive in Kwacha terms. However, the same depreciation makes Malawi's exports cheaper in terms of foreign currencies, leading to increased demand for Malawi's exports and greater earnings in foreign exchange. In theory (holding inflation and money supply constant), an increase in foreign exchange earnings would then tend to reverse the depreciation of the Kwacha, causing it to appreciate in value. The dilemma for Malawi is that tobacco remains the main source of foreign exchange and demand for its tobacco is soft.

The national rate of inflation dropped slightly by 1.3 percentage points from 23.5% in May to 22.2% in June. This is attributed to a drop in the rural rate of inflation by 2.1 percentage points from 18.9% in May to 16.8% in June as food prices, particularly maize prices, dropped as a result of abundant supplies on the market.

In the urban areas however, the inflation rate went up slightly from 32.0% to 33.0% in the same period. This is due to a rise in the cost of manufactured and imported items as a result of continued depreciation of the Malawi Kwacha and the 18% hike in the price of fuel in June. These tend to affect the urban areas more than the rural areas. Figure 5 shows rural, urban and national inflation trends since January 1997.

Figure 5. Monthly Inflation Rates in Malawi: January 1997 - June 2000

