

## Summary

Most parts of the country continued to experience dry conditions during the month of August, as is normal for this time of year season. Farmers are now busy preparing their gardens for the coming agricultural season that officially starts on October 1<sup>st</sup> when winter (or *dimba*) maize is planted in most areas. *Dimba* maize accounts for about a third of total smallholder maize production in the Shire Valley Agricultural Development Division (ADD), though less elsewhere.

According to field reports, most smallholder households still have their own food reserves. Thanks to the bumper harvest of 1999/2000, these reserves are expected to last two-three months longer than usual, not running out until January/February rather than November/December.

Reports from markets around the country indicate that maize prices remain very low, averaging between MK2.00/kg and MK2.50/kg, due to the abundance of maize supplies. These low prices, while beneficial for consumers, could jeopardize the ability of smallholder farmers to repay their crop loans.

The levels of official maize stocks, purchases and sales all point to the abundance of maize in the country. The Agricultural Development and Marketing Corporation (ADMARC), the parastatal organization that usually buys maize from most of the farmers, has not entered the market this year — unlike last year when ADMARC started buying as early as April. ADMARC is only selling maize to ease the costs of storing very high stocks — nearly 170,000 MT as of the third week of August.

There is enough maize in the market for those with cash to buy. Thus, the ability of deficit-producing households to obtain sufficient food will largely depend on their purchasing power, which is fortunately abetted by currently low prices. Despite the great quantity of maize in Malawi, some maize from Mozambique and Zambia is getting into the country along the borders.

The Malawi Kwacha continued to depreciate against the currencies of its major trading partners, including the United States, United Kingdom, Zimbabwe and South Africa. The Kwacha exchange rate rose from an average of MK57/US\$ in July to MK59/\$ in August. This depreciation exerts inflationary pressure on the economy, raising the inflation rate from 22.2% in June to 25.3% in July.

## 1. Food Availability

### 1.1. Agroclimatic Conditions

Agroclimatic conditions remained unchanged during August. However, a few areas along the lakeshore and over the southern and northern highlands experienced occasional light rains due to moist southeasterly winds. Areas that received significant rainfall during the month included Nkhatabay (29 mm), Mimosa (24 mm) and Bvumbwe (12 mm) meteorological stations. These rains supported pasture growth and winter crops, although they were below the long-term average for the month.

Malawi normally experiences warm daytime temperatures at this time of the year. However, the average daily maximum temperatures for the month indicate that August 2000 has been slightly cooler than normal.

## 1.2. Crop Production

As reported last month, farmers are busy gearing up for the next agricultural season that starts in October. Some farmers, however, may have problems buying all the crop inputs they need due to lack of ready cash. The Agricultural Development and Marketing Corporation (ADMARC), normally the major buyer of maize from farmers, has not yet entered the market this year. Many farmers depend on maize for cash sales as well as food consumption. ADMARC's unwillingness to buy maize thus far means that some farmers have sold no maize at all or sold it at low prices elsewhere. This weakens their ability to repay production loans and obtain new ones for the coming season. While no formal analysis has been carried out, the absence of ADMARC from the market could have negative implications for production of maize as a cash crop next year.

Some farmers will receive free inputs under the starter pack program, sponsored by the European Union (EU) and the Ministry of Agriculture and Irrigation (MAI). Now entering its third year, the starter pack program provides enough free seed and fertilizer to smallholder farmers to cover 0.1 hectare per household. In the past two years, all smallholder farm households (about 2.8 million) received starter packs. This year, the government has come under intense donor pressure to target the distribution of these inputs more closely, forcing the government to scale down the program to about 1.5 million households.

The main agricultural activities at this time of year include garden clearing, ridging and manuring to prepare for planting as soon as the "planting rains" set in. Planting rains normally start anytime from the end of October through November. The rains start from the south and slowly progress towards the north. With respect to *dimba* (winter) crops, farmers are growing and selling vegetables, planting maize, and harvesting beans and Irish potatoes. Irish potatoes are concentrated mainly in the central region areas of Dedza and Ntcheu Districts. *Dimba* maize cultivation in the lower Shire Valley area is a big activity. According to the final crop estimates figures for 1999/2000, winter maize production accounts for about a third of total smallholder maize production in Shire Valley Agricultural Development Division (ADD), but less than 5% in the rest of the ADDs or at the national level. Table 1 shows winter maize as a proportion of total smallholder maize production by ADD.

**Table 1. Winter Crop Production in Malawi**

ADD	Summer	Winter	Total	% Winter
Karonga	38,049	2,364	52,830	4.5
Mzuzu	205,140	6,954	239,549	2.9
Kasungu	423,819	5,909	379,598	1.6
Salima	179,215	5,981	208,318	2.9
Lilongwe	489,609	8,771	436,416	2.0
Machinga	425,419	8,877	469,094	1.9
Blantyre	356,319	2,521	348,230	0.7
Shire Valley	94,289	36,782	111,789	32.9
Malawi	2,211,859	78,159	2,245,824	3.5

Source: Ministry of Agriculture and Irrigation

Other *dimba* crops include cassava, sweet potatoes, beans and other pulses. Most *dimba* produce is sold, providing an important source of income.

### **1.3. Pasture And Livestock Conditions**

There are no serious reports of pasture or water shortages for animals. However, animals have to move longer distances to find pasture. Crop residues are also supplementing pastures as animal fodder.

Generally fewer households than expected are selling livestock or meat in order to obtain cash to buy food. Most households still have reserves from their own production due to the consecutive bumper harvests in 1998/99 and 1999/2000. In areas such as Mchinji District, bordering both Zambia and Mozambique, some of the goats and cattle for sale come from Mozambique. Prices are about average for the season. Cattle fetch over MK9,000 (about \$153) per head whereas goats fetch between MK400 (\$6.78) to MK700 (\$11.86) per head. In general, beef, pork and goat meat prices average about MK80/kg in the countryside. In the urban centers, prices are about twice as much.

The movement and marketing of livestock and livestock products to and from Mzimba District continue to be restricted in an attempt to curb the spread of foot and mouth disease that hit the area a few months ago. The Ministry of Agriculture and Irrigation carried out a vaccination program to control the disease. Now that the epidemic is almost over, the restriction on cattle movement within the District has been lifted but remains in effect between the district and other districts. It is reported that this restriction will remain in place until a full risk assessment is completed.

## **2. Food Accessibility**

### **2.1. Market Conditions**

Maize surpluses have caused maize prices to plummet. The maize farm-gate price (the price private traders and other individuals pay to farmers) now averages about MK2.00/kg nationwide. This is less than half of ADMARC's producer price in 1999/2000 and slightly less than local market prices. However, there are not many private traders participating in the maize market this year. Most traders only buy, not sell, in the rural areas, preferring to market their maize in urban centers where prices are higher, ranging from about MK2.50/kg to MK5.00/kg. In response, ADMARC was forced to reduce its maize sale price in June from MK7.25/kg to MK5.00/kg. Yet, ADMARC's efforts to sell off its old maize stocks and reduce expensive storage costs have largely failed.

Low maize prices have a lot of implications for smallholder farmers who depend on maize for cash. For one, those who have outstanding crop input loans will have to sell more maize to repay those loans. Realizing this problem, ADMARC is allowing some of the farmers who obtained loans from ADMARC to repay in maize.

### **2.2. Food Stocks**

After two bumper harvests, Malawi is awash in grain. Up until August, ADMARC had not yet started buying maize from the farmers, raising the question of whether it would buy maize at all this season. ADMARC's unwillingness to buy simply reflects the abundance of maize on the market. Last year, ADMARC started buying maize as early as April and by this time had purchased 135,270 MT — compared to none so far this year.

In fact, ADMARC has been unable even to sell the small volume of maize from 1998/99. However, it is accepting maize as repayment from some of the farmers who obtained loans through the Agricultural Productivity Investment Program (APIP) or the Outgrowers Scheme. A total of 278 MT of maize has so far been paid to ADMARC as loan repayments. These comprise 101 MT in the central region, 126 in the southern region and 51 MT in the northern region.

The total official maize stocks held by ADMARC amounted to 169,800 MT by the end of the third week of August — 161,335 MT in the Strategic Grain Reserve that ADMARC manages on behalf of the government, and 8,465 MT of ADMARC’s own stock. ADMARC stores most of its maize close to production sources in the central region (104,954 MT) and southern region (58,840 MT).

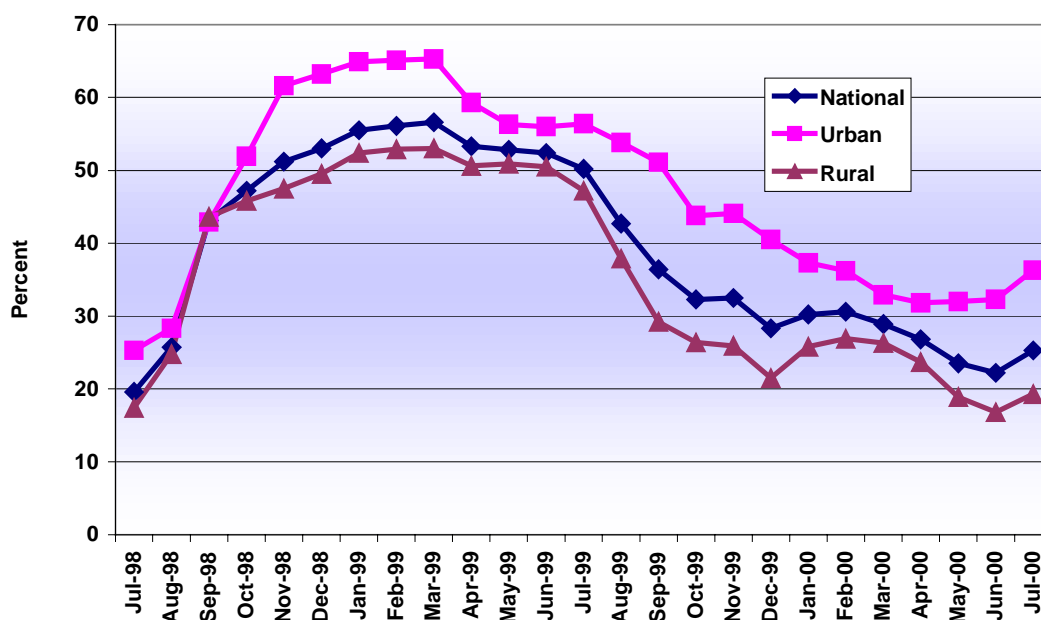
Cumulative maize sales remain very low compared to last year. ADMARC maize sales amounted to 9,378 MT by the end of the third week of August 2000, almost half the 16,281 MT attained by the same time last year.

### 3. Socio-Economics and Politics

There seems to be no end in sight to the continued depreciation of the Malawi Kwacha against the currencies of the country’s major trading partners, such as the US\$, UK£, South African Rand and the Zimbabwe dollar. The exchange rates for August averaged about MK59/US\$ (a loss of about 3.5%), MK89/UK£ (1.1%), MK9/South African Rand (12.5%) and MK1/Zim\$ (no change).

Demand for foreign exchange remains high against the background of low foreign exchange earnings. With respect to the US dollar, the robust American economy continues to attract foreign funds, further strengthening the US dollar exchange rate.

**Figure 1. Annualized Monthly Inflation Rates in Malawi:  
July 1998 - July 2000**



FEWS NET/Malawi  
Source: National Statistics Office

Tobacco is the country's largest source of foreign exchange, on average accounting for over 70% of foreign exchange earnings. Depreciation of the Malawi Kwacha is usually not expected at this time of year because tobacco sales are held during this season, bringing in foreign exchange. However, the tobacco market this season has been characterized by very low prices, resulting in insufficient foreign exchange earnings from the crop. Tobacco sales are drawing to a close; one of the markets, the Limbe Auction Floors, is already closed. Experts expect tobacco earnings to amount to US\$153.8 million for the year, about an 18% drop from last year.

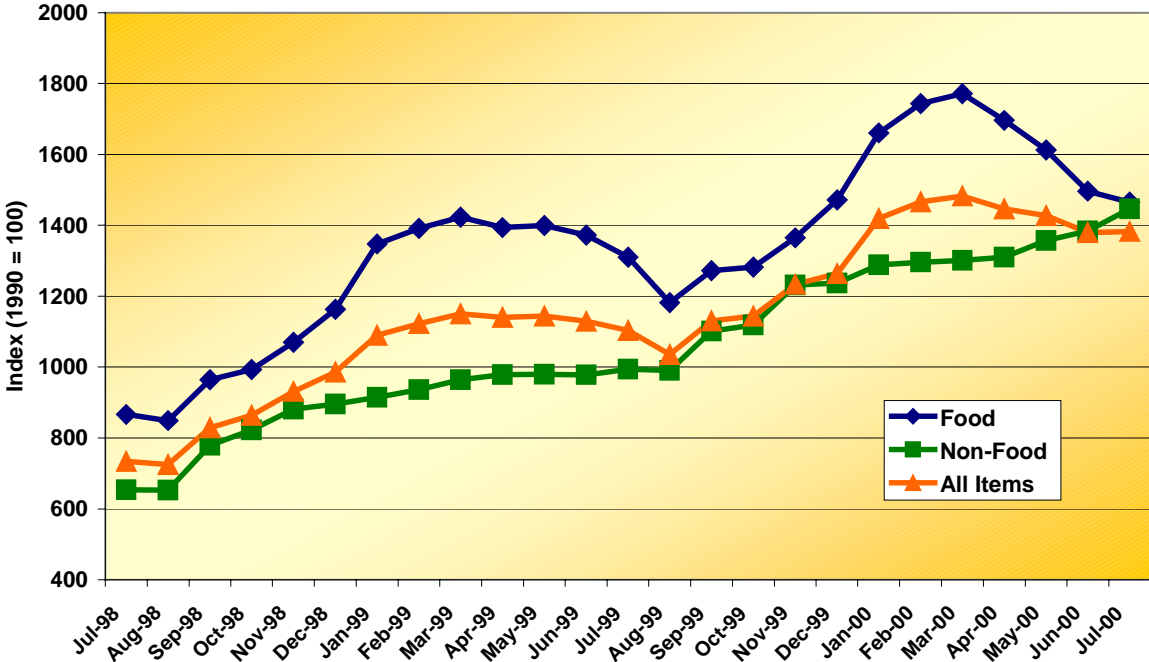
The continued steady depreciation of the Malawi Kwacha has multiple implications for the economy. At this time of the year, farmers start acquiring agricultural inputs, most of which are imported. Depreciation of the currency translates into higher costs for these inputs, putting them beyond the reach of many smallholder farmers.

Meanwhile, the Petroleum Control Commission (PCC) is already pushing the government to approve a raise in the fuel prices due to the depreciation of the Malawi Kwacha and the rising costs of fuel on the international market. The rise in fuel prices has a lot of implications on the economy, rising transport related costs that in turn raise marketing costs; rising food prices and increasing vulnerability of poor households to food insecurity.

The continued depreciation of the Malawi Kwacha is exerting inflationary pressures on the economy. As shown in Figure 1, the national rate of inflation took a U-turn in July and rose by 3.1 percentage points, from 22.2% in June to 25.3% in July. Both rural and urban areas were equally affected. The urban rate of inflation climbed 4.0 percentage points, up from 32.3% to 36.3%, while the rural rate increased 2.5 percentage points from 16.8% to 19.3%.

The rise in the inflation rate is due to the rise in the price index for non-food items. The index rose by about 5% from 1338.6 in June to 1446.6 in July, where 1990 = 100. Figure 2 shows the consumer price trends for food and non-food items.

**Figure 2. Food and Non-Food Consumer Price Indices in Malawi: July 1998 - July 2000**



FEWS NET/Malawi  
Source: National Statistics Office