



Famine Early Warning System NETWORK - Zambia

MONTHLY REPORT

December 20, 2000

SUMMARY

- ❑ The Inter-Tropical Convergence Zone (ITCZ) was established over Zambia during the last week of November. Rains received before that time were a result of moist Congo air prevailing over the country. Increased rainfall is expected as the ITCZ strengthens. Planting is continuing in all parts of the country.
- ❑ Major foods — such as maize, wheat and small grains — continue to be adequately available in the country. Reports from most provincial centers indicate sufficient quantity and stable prices of both maize grain and meal. Still, prices of many food and non-food commodities continue to rise, putting additional pressure on consumer purchasing power.
- ❑ The fast rate of local currency depreciation is alarming. The Zambian Kwacha lost 54% of its value between January and mid-December 2000 as a result of increased demand for foreign exchange from the oil sector and importers (most recently, goods related to the holiday season). The annual rate of inflation now stands at 28.9%, and is expected to rise as the Kwacha continues to depreciate.

1. RAINFALL AND CROP CONDITIONS

1.1 Rainfall

The rainy season in Zambia has started. The Inter-tropical Convergence Zone (ITCZ) became established over Zambia during the last week of November. The Department of Meteorology reported that as at the start of December, the ITCZ was weak and oscillating about the central part of Zambia. It was expected to become more active by the second week of December and shift to southern Zambia. As a result, increasing rainfall is expected. Despite the ITCZ being established only in late November, most parts of the country began receiving light to moderate rainfall from early November as a result of moist Congo Air prevailing over parts of Zambia.

The rains in Zambia so far this year have been mostly normal to above normal (Figure 1). Below normal rainfall has been confined to the extreme part of Western Province (Shang'ombo District) and parts of NorthWestern Province (specifically Solwezi, Kasempa and Mufumbwe Districts). The southern parts of Eastern Province, most parts of Central Province, the eastern part of Southern Province as well as Lusaka Province, have received above normal rainfall. Rains in the other parts of the country are proceeding normally. Meteorologists confirmed that

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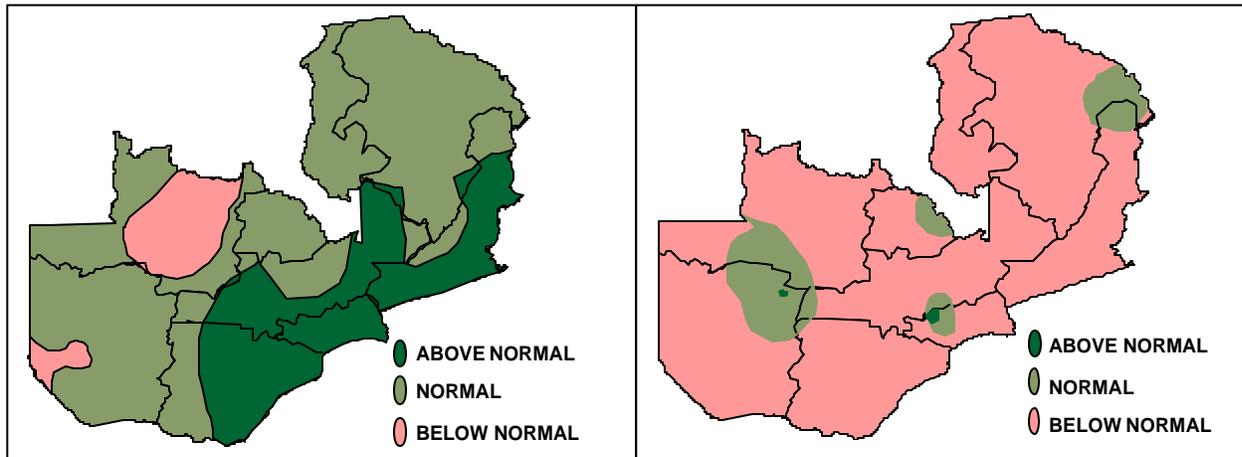
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by end of November all parts of the country had received adequate rains to enable farmers to plant.

Figure 1: Cumulative rainfall from July 1 to November 30 for 1999 and 2000

July 1 – November 30, 2000

July 1 – November 30, 1999



Source: Zambia Department of Meteorology

Compared to the same period last year, the season has started on a much better note as far as rainfall performance is concerned. At this time last year, there were major concerns over rainfall as almost all parts of the country were receiving much below normal rainfall. The rains only improved much later in the season last year.

Reports from Department of Meteorology revealed that during the second dekad of November, much of Zambia received mostly light to moderate rainfall. However, compared to the previous dekad, the eastern part of the country experienced a remarkable increase in rainfall. Parts of Lusaka District received the highest amount of rainfall of 68 mm, followed by Serenje (Central Province), Lundazi (Eastern Province) and Kawambwa (Luapula Province). All other areas received rainfall below 40 mm.

In last dekad of November, much of Zambia received mostly moderate rainfall, a substantial improvement over the previous dekad. Meteorologists reported that the moist Congo air prevailed over the western half of Zambia bringing significant rainfall in most parts of western Zambia which had been experiencing below normal rainfall. The highest amounts of rainfall were received in Western Province (Kaoma, 130 mm). Other areas that received high rainfall (more than 100 mm) were Petauke, Mwinilunga and Mongu. Those amounts were received within six or more rain days, implying rainfall every other day except for Mongu where 4 rain days were recorded. Most other parts of the country received moderate rainfall during this period.

1.2. Crop Conditions

Information from the Ministry of Agriculture field staff from different parts of the country report that the planting of crops (starting with cereals) is still in progress. Agricultural extension staff from northern parts of the country established that rains were received in October that make it possible for farmers to plant on time. The general practice is for farmers in the north are to first plant cereals, and then other crops. In Central Province most planting started in mid-November for maize and groundnuts. The Field Services Officer in Central Province confirmed that good rainfall was received in Mkushi, Serenje and Kabwe Districts where farmers were planting maize, despite having unsold grain in stock. In many areas, early-planted crops have already germinated due to the moist conditions.

Planting is going on despite indications that small-scale farmers are having problems obtaining inputs. Agricultural extension staff have reported that some farmers are using local and recycled seed due to high cost — and in some remote areas — the unavailability of hybrid seed.

There have been reports of armyworms destroying just-germinated plants in Kasama, Isoka and Mkushi Districts. In Isoka District, the problem was reported to be under control following spraying. Information from agricultural field staff at the provincial office in Kabwe confirmed the problem in Mkushi District was limited to only ten farmers and the largest field infested was less than half a hectare. It was felt that the problem was not serious enough in that district to recommend widespread spraying. However, close monitoring should be done using armyworm traps. Those farmers whose crops had been destroyed have already replanted.

2. FOOD AVAILABILITY

Generally, there is adequate food to meet domestic consumption requirements. This is due to a relatively good harvest from the 1999/2000 agricultural season. Farmers still have stocks of grain for sale and there are plenty of cereals on the market. Another indicator of the current healthy food availability situation is stable prices of both maize grain and meal in most provincial markets.

All major foods are adequately available on the market. There are continuing reports of farmers concerns of insufficient market outlets for their maize. Among the major foods, only sweet potatoes are not available in the market as they are currently out of season.

At the moment it is difficult to clearly identify areas of poor food availability since disaggregated crop data are still not available.

3. FOOD ACCESS

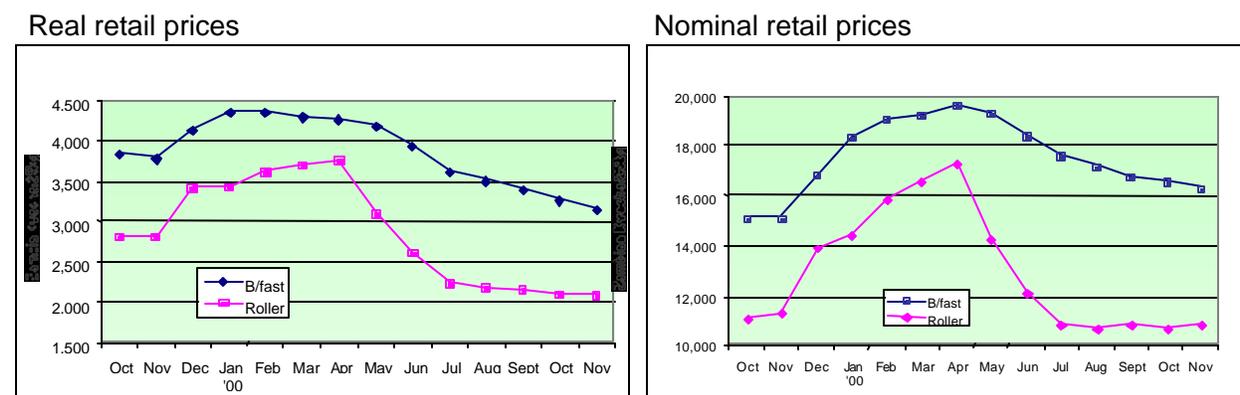
The Agricultural Market Information Center (AMIC) has reported that prices of maize and maize meal continue to be relatively stable at most provincial centers. The normal seasonal trend at this time of year is for prices to increase until the harvest.

In the current marketing year, maize and maize meal prices have been lower compared to last year. Between May to June, prices dropped, then slightly increased to October before slightly

dropping again in October/November. In contrast, the trend for last marketing season May 1999 to April 2000 showed a typical seasonal pattern with prices falling after harvest in May, and then rising towards the end of year. As expected, prices peaked last year in February/March.

The current maize price trend in these high consuming areas of Zambia suggests that producers still hold relatively large stocks. The maize meal price trend for Lusaka shows a generally downward trend for breakfast meal since April 2000; while for roller meal, the price has been relatively stable since July 2000 (Figure 2).

Figure 2: Real and nominal retail maize meal prices in the Lusaka Market, October 1999 – November 2000



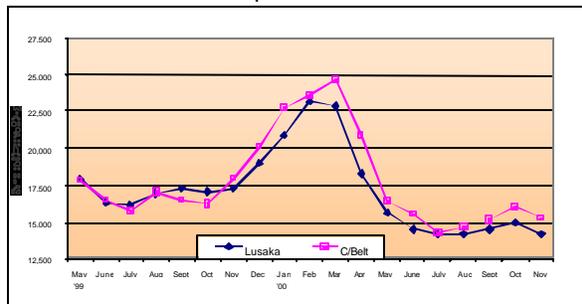
Source: Food Reserve Agency

The maize bid and offer prices at the Agricultural Commodity Center Exchange (ACE) dropped by 3% compared to the month of October. The bid and offer prices now stand at K14,000 and K14,500, respectively. Since July 2000 the price at the ACE had been stable. Before July, the price had been at least 14% higher. Based on the seasonal maize price pattern, prices should be increasing at this time of the marketing year.

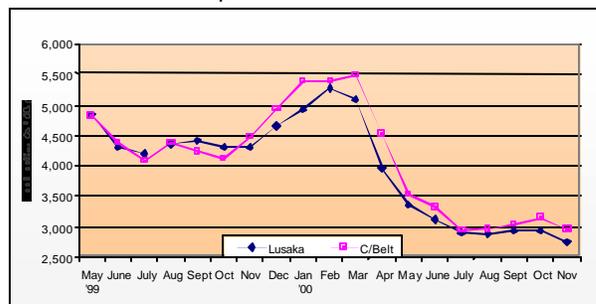
The into-mill price (the price at which millers buy maize) for Lusaka and Copperbelt is generally lower this year compared to last year in both nominal and real terms (Figure 3). The November price slightly fell compared to October. The Food Reserve Agency (FRA) observed that although into-mill maize prices remained stable in November, there were both slight reductions and increases for millers purchasing the commodity. Notable was the fact that price reductions between 2% and 6% were observed for major millers (price leaders) while price increases were observed for lower bargaining millers. Some millers had temporarily stopped buying grain, as stocks on hand were sufficient to meet the current maize meal demand. Based on FRA reports into-mill prices are in the range of US\$64/MT to US\$74/MT for Lusaka Province and US\$74 to US\$79/MT for Copperbelt Province. The price in Choma (Southern Province) is lower at US\$57/MT.

Figure 3: Nominal and real into-mill maize prices (recorded at the end of each month) for May 1999 – November 2000

Nominal into-mill maize prices



Real into-mill maize prices



Source: Food Reserve Agency

Although household access to staple foods is currently favorable, prices for other foods and non-food commodities have consistently been increasing during most of this year. This general increase in prices is putting pressure on household purchasing power.

The main food insecurity concern remains the refugees from Congo and Angola that are entering Zambia through border areas, especially Chavuma, and Zambezi Districts, and most recently Kaputa District. Government responded at the end of October/November to requests for food assistance by sending maize to Kaputa District for food insecure households. In November there was a high influx of refugees into that district.

5. MACRO ECONOMIC INDICATORS

5.1. Exchange Rate

There is growing concern over the fast depreciation of the local currency against the US dollar on the market. Barclays Bank Treasury Newsletter (November 20th) reported that the Kwacha fell steeply by 7% within a five-day period in mid-November. According to Barclays Bank, spiraling dollar demand from the oil sector and importers (which has increased in the year-end festive season) have put immense pressure on the Kwacha. Sales of US\$8 million in the market by mining companies during the last week of November did not arrest the situation. At the end of November, the commercial bank selling rate stood at US\$1:K4,050 from US\$1:K3,450 reported at end of October, a 17% depreciation. By the second week of December the commercial bank's selling rate reached US\$1:K4,300. As of the second week of December 2000, the Kwacha had depreciated by about 54% compared to the beginning of the year.

5.2. Inflation Rate

The monthly rate of inflation dropped only slightly (by 0.1%) between October and November 2000. The annual rate of inflation at the end of November 2000 stood at 28.9%, up from 28.6% recorded in the previous month. The increase in the rate of inflation was expected as the Kwacha continues to quickly lose value.

Many food and non-food commodities recorded price increases, as has been the case during the most of the current year. Food price increases were observed for mostly beef, fish, chicken, vegetables, beans and sugar. The fast depreciation of the Kwacha is expected to result in continued price increases for both food and non-food commodities. This will impact negatively on purchasing power, especially in urban areas.