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RAPID MARKET ASSESSMENT

SOFALA PROVINCE, MOZAMBIQUE

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Antonio Mavie – Famine Early Warning Systems Network (FEWS NET)
January 24th-28th, 2017

ACTIVITY NAME:

Rapid Market Assessment in Sofala Province, Mozambique

PARTICIPANTS:

Antonio Mavie (FEWS NET Mozambique National Technical Manager) and Ruco Van Der Merwe (USAID/FFP Food Security and Markets Advisor)

COUNTRIES/REGIONS:

Mozambique – Beira City and Dondo District in Sofala Province

DATES OF TRAVEL:

January 24-28, 2017

TRIP OBJECTIVES:

The joint TDY between USAID/FFP and FEWS NET Mozambique to Sofala Province, Mozambique had two distinct objectives:

- 1) Assess current food security and market conditions including:
 - a) Scale of humanitarian assistance relative to needs
 - b) Understand maize market structure, conduct and performance
 - c) Evaluate seasonal progress in terms of production and rainfall
- 2) Routine monitoring of FFP partner programs in the area (covered in a separate trip report).

SUMMARY OF KEY MEETINGS:

Partner / Actor
WFP
Food for the Hungry / WV
DPA (Ministry of Agriculture)
DPCI (Ministry of Industry and Commerce)
Beira Grains Terminal
FEWS NET Mozambique
INGC
Ministry of Health

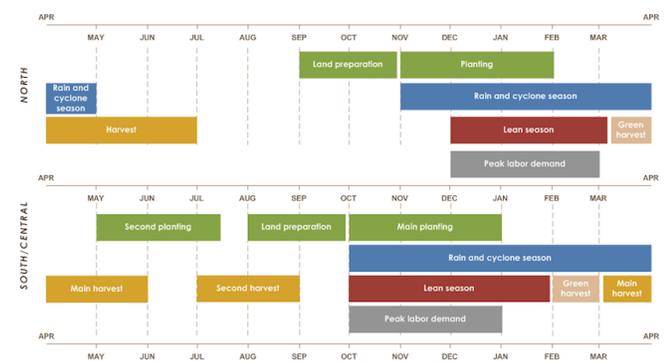
Dondo Maize Traders
Beira Maize Traders
Merec Millers
Phyosanitary Control Office
Dondo Transporter
Export Trading Group (ETG)

The following activities were undertaken;

- key informant interviews with the Government officials including; Agriculture, Commerce, Health, Phyosanitary Control, and INGC
- key informant interview with NGO and UN partners
- market assessment of Dondo and Beira markets
- interview key commercial maize actors including importers and millers

BACKGROUND:

Sofala Province is located in the central region of Mozambique. Its major city, Beira, is Mozambique’s second largest city (463,442 in 2017 based on projected population from the 2007 census) and second largest port. Apart from serving domestic purposes of Mozambique, the port provides a key entry point for transit goods heading to Zimbabwe, Malawi and Zambia. Poor rainfall over the previous two planting seasons (due to El Nino) has led to significantly reduced production numbers which in turn has exacerbated food insecurity for vulnerable households reliant on household level production of food commodities. FFP has invested more than 22 million in FY16 to help meet the food security needs of drought-affected households. This specific



TDY falls at a key point of time for two reasons. Firstly, it is the peak of the lean season when we would expect to see elevated prices, low commodity stocks and high levels of food insecurity. Secondly, FFP's programs had just recently completed its first round of in-kind commodity distributions. ¹

KEY FINDINGS:

SUMMARY OF THE FOOD SECURITY SITUATION IN SOFALA

Sofala Province was severely affected by two consecutive years of drought (2014/16 and 2015/16) and is now in the process of recovering thanks to the ongoing and forecasted normal to above-normal rainfall. Rains have started in mid-November 2016 in the bulk of the province with small areas where rains were delayed by 20 to 30 days but overall by December the whole province was receiving plenty of rainfall that allowed farmers to start with planting. The cumulative rainfall from November 2016 to January 2017 was above-normal in much of the province except in small areas in northeastern Sofala where rainfall was close to normal. This rainfall had a good distribution which favored the planted crops now ranging from vegetative to reproductive stages. According to contacted sources from DPA and traders interviewed from the visited markets, green food will be available from March and the harvest is expected in April. According to November 2016 food security assessment, much of Sofala Province is facing Crisis (IPC Phase 3) food security outcomes with nearly 373,000 people requiring emergency food assistance. The floods in Machanga, Nhamatanda, Buzi and other few areas has affected nearly 58,700 people according to estimates by INGC Sofala and which has led to the SETSAN number now being revised.

MARKETS AND TRADE:

- Maize grain trade is dominated by informal traders who act as both retailers and wholesalers.
- Maize traders noted little to no impact of the drought on their business.
- There are little to no imports of maize grain (aside from food assistance) destined directly for sale in markets.
- Millers import maize grain rather than purchasing domestically produced maize grain primarily due to quality control challenges.
- Maize prices reportedly declining as traders destock in anticipation of a good harvest.
- Maize trade is concentrated along major transportation corridors.
- Maize trade to rural villages and markets is generally one way; moving maize commodities out towards major transportation corridors.

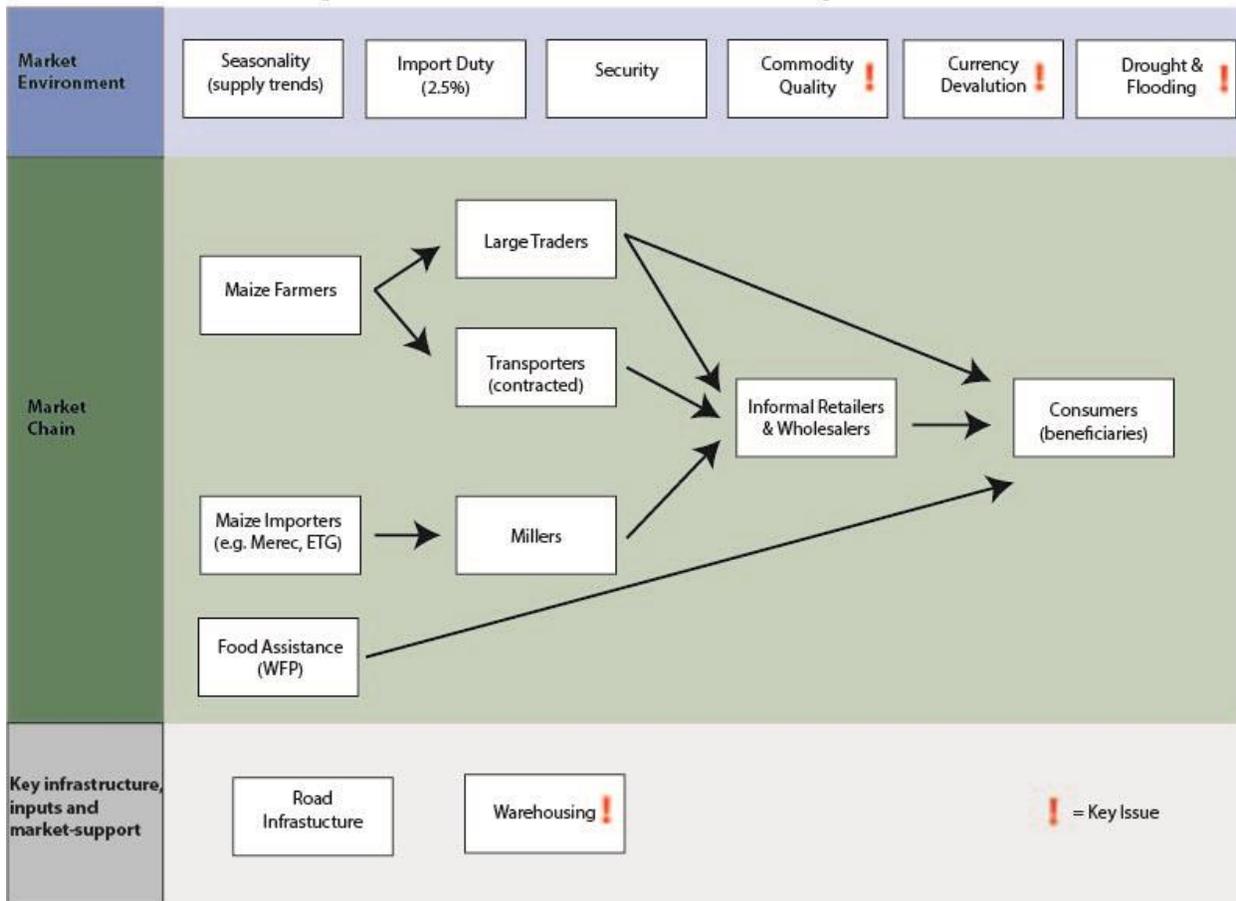
IMPACT OF EL NINO:

- Beira Grains Terminal saw a significant shift towards maize imports destined for Zimbabwe.

¹ <http://www.fews.net/southern-africa/mozambique/seasonal-calendar/december-2013>

- Retailers/Wholesalers shifted procurement away from drought affected local sources to Angonia (Northern Tete Province) and Manica Province.
- Millers noted increased months of market reliance for customers from 6 months to 10 months per year.
- Millers noted a shift in purchasing behavior away from large 50KG bags towards 25KG and 10KG bags.

Maize Market Map: Sofala Province, Mozambique



MARKET ENVIRONMENT:

IMPORT DUTY: Duty of 2.5% added to all maize imports.

SECURITY: Due to insecurity and risk of ambushes, three large highway corridors across the central region were primarily passable with Government convoys. One trader noted "it...took him just one day to make the journey between Beira and Malawi. But when he had to queue up to join a convoy the

trip had taken two, or event three days.²” In addition, news sources have speculated that “Speeding up journeys through the center of the country could result in significant savings for road haulage and long distance bus companies.”³”

SEASONALITY: Commercial actors noted that maize trade is affected by seasonal trends particularly supply increases following harvest and when commodity ships dock.

COMMODITY QUALITY: Millers noted that the local maize grain generally did not meet quality standards for milling purposes and due to this, maize grain is imported.

CURRENCY DEVALUATION: Devaluation of the Metical negatively impacted millers since they are reliant on imported maize grain. These impacts however were partially mitigated by increased demand for product (increased market seeking behavior due to low domestic production) and price adjustments.

Figure 2. Mozambique Metical to USD (Jan 2016-Jan 2017)



Source: <http://www.tradingeconomics.com/mozambique/currency>

DROUGHT & FLOODING: Maize production in Sofala remains heavily dependent upon climatic conditions due to the low level of technology and quality of inputs used. The provincial director for agriculture estimated that 250,000 hectares in Sofala were lost due to the El Nino drought (roughly 50% of the land planted in Sofala). While the current planting season was progressing well, though localized flooding was noted in Machanga, Buzi and Nhamatanda districts. In general the prospects for this season production are good.

² <http://allafrica.com/stories/201701040696.html>

³ <http://allafrica.com/stories/201701040696.html>

MARKET ACTORS:

INFORMAL RETAILERS/WHOLESALERS: The majority of trade in non-processed maize grain is conducted by small scale retailers who often double as wholesalers. Many travel to surplus producing areas and do off-take directly at the farm-gate while others procure stocks from traders along the major transportation corridors. Retailers who were interviewed noted little to no impact of El Nino induced drought on their business aside from a shift in geographic procurement location away from local areas further away towards Angonia District (Tete Province) and Guro District (Manica Province). This trade system although informal appears very well established. Observed stocks ranged from 20-100 bags (50 kg each) and retailers noted significant competition in the market place (15-30 actors). It was noted that there were a few large scale commodity aggregators (e.g. Deca) who had established collection points in certain locations.



(Maize retailers/wholesalers in Beira market)

FARMERS: Farmers produce maize for both household consumption and sale. Surplus maize appears to be purchased by transporters contracted by retailers/wholesalers and then transported back to urban outlets.

MILLERS: Interview with MEREC indicated that all of their grains for milling are imported due to the poor commodity quality in country. Despite increased operating and input costs, they have seen an increase in sales over the last two years. They conduct direct procurement of all their imported maize with major sources being South Africa and Mexico.

TRANSPORTERS: Majority of local transporters act on a contract basis for any clients, routes or cargo. Cost is negotiated based on an array of factors including; distance, road condition, weight of cargo and type of goods. Informants noted that following the harvest, transporters travel to rural areas to transport surplus maize back to urban centers. Further noted that very little trade of goods happen from urban areas to rural areas; its primarily goods moving out of rural areas.

KEY INFRASTRUCTURE, INPUTS AND MARKET SUPPORT SERVICES:

ROAD INFRASTRUCTURE: Majority of trade occurs along the primary highway corridors. Rural areas have extremely poor road infrastructure and have minimal integration with urban markets. The market activity which does occur is generally one directly as commodity traders enter rural areas to procure surplus maize.

GENERAL COMMENTS:

- All informants noted that there is limited to no commercial import of maize grain for direct sales into domestic markets. When asked why this is, Merce Millers noted the following 3 contributing factors:
- No appropriate holding/storage capacity for maize. Both at primary and secondary market locations.
- Shortage of USD for foreign purchase. Limited access to USD limits capacity to import.
- Lack of small scale mills in towns for onward processing at local level. Maize is generally milled at household level or at large scale commercial level. There exists limited intermediate milling capacity.
- WFP noted from their recent market assessment in Tete and Gaza that beneficiaries in rural communities have limited access to markets.
- NGO staff stated small to non-existent markets in deep field locations and the ones that do exist are extremely weak. Staff did not think those small markets could sustain scale of current program.

