

Learning from the 2002/03 Crisis in Southern Africa: Lessons for the Current Year

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Focus

- Southern Africa is likely to face cyclical droughts every 3-5 years
- How to ensure an efficient and effective humanitarian response while avoiding negative impacts on long-term development objectives
- Examine this through the lessons of the 2002/03 crisis

Road Map

- Brief review of events in 2002/03
- Situation in the 2005/06 marketing season
- What needs to be done

Review of 2002 Experience

- Production in 2002 was only slightly below average
 - Pockets were badly affected, not whole region
- Widely understood that crisis caused by slightly low production plus:
 - Low initial stocks
 - Governance failures in Zimbabwe
 - Poverty exacerbated by HIV/AIDS
 - Increased vulnerability

What was done?

- Early warning really was early
 - Sounded the alarm early,
 - Made regular updates,
 - Clear communications,
 - Mobilized international and national (regional) communities

Early warning worked!

By year end, about half the estimated gap filled by registered inflows

Three-quarters of these were from official trade, not food aid

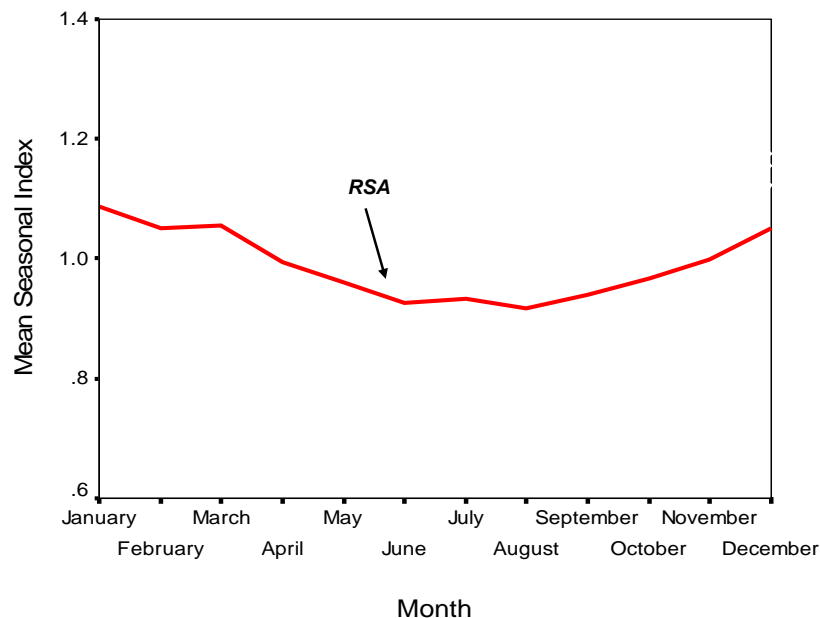
What was done?

- All countries in the region had timely information
 - Could have designed the “right” policies
- South Africa was very transparent in information and kept doors open
- Mozambique kept its borders open
- Zambia did a bit better than in 2001/02
- Donor and trade response was sufficient to avoid “humanitarian crisis and potential famine”
 - 77% of the food aid appeal had been “committed” by international community
 - Trade inflows 3X greater than food aid inflows

What was done?

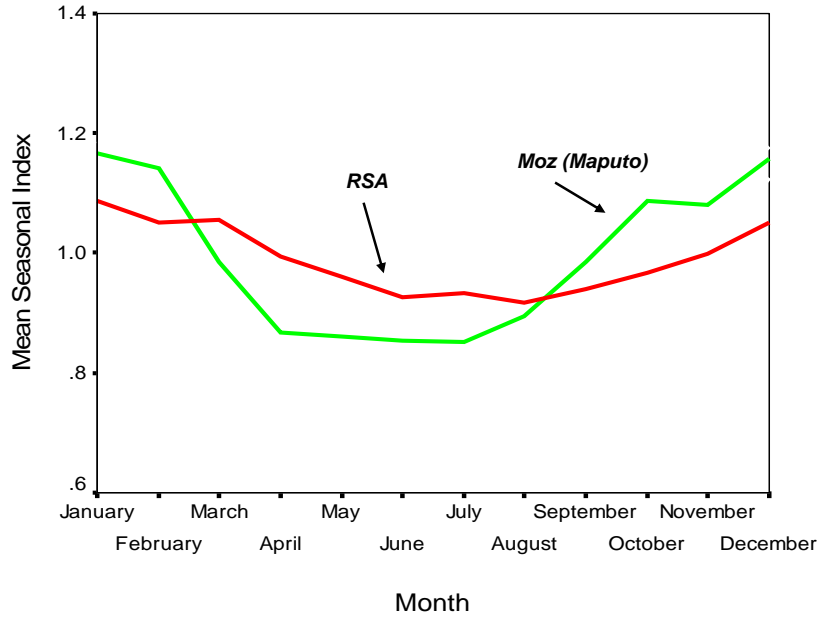
- Food Aid needs were almost certainly overestimated
- Vulnerability Assessment data were collected, but use was very uneven and data were not broadly available
- Malawian Government underestimated private sector's role
 - Ignored informal imports, which arrived early
 - Malawian government handled commercial imports and mobilized food aid, which arrived late
 - As much as 250,000 MT arrived under Government programs
 - Too much maize in the country
 - Extremely low prices throughout 2003/04
 - Government unable to sell very large stocks except at very low prices

**Seasonal Indices of Maize Grain Prices at Retail
1994-2005**
(RSA at Wholesale)



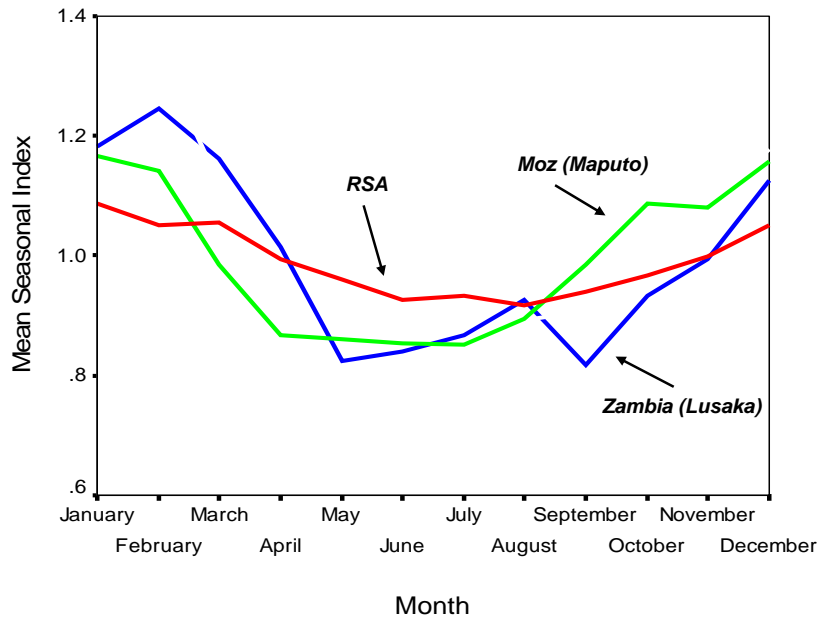
RSA is the "gold standard" on markets in the region: good transport, communications, and storage infrastructure, efficient capital markets, SAFEX

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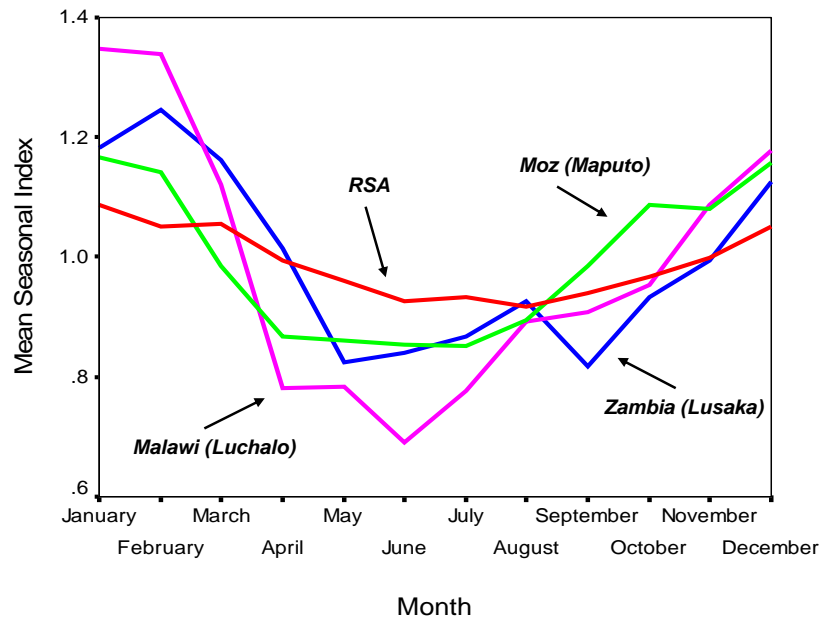
Mozambique has no direct state intervention of any kind in the maize market; Maputo relies heavily on domestic and regional trade

**Seasonal Indices of Maize Grain Prices at Retail
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Zambia has substantially more intervention than does Mozambique (FRA, periodic import/export controls) ... and more seasonal price variation

**Seasonal Indices of Maize Grain Prices at Retail
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Malawi has the most intervention ... and the greatest seasonal price variation

What was done right?

- Early warning systems worked
- Transparency in information by some countries
 - Investment in public MIS
- Private Sector played an important role
- Humanitarian crisis was avoided

What was done wrong?

- Direct interventions by some governments inhibited private sector response
 - Probably lead to greater price instability
- Food aid needs almost certainly overestimated
- Communication between governments and private sector could have been better
 - Governments need to send clear signals to avoid uncertainty by private sector

Answers are important for improving future responses

Current Situation

- Total maize production in 2004/05 in SADC countries excluding South Africa
 - -16% compared to 2003/04
 - -5% compared to 5-year average
- SADC including South Africa
 - 3% above 2003/04 production
 - 8% above 5-year average

How is current situation similar to the 2002/03 crisis?

- Early warning is still in place
- South Africa continues leading transparency in information in the region
- Mozambique is again exporting maize to Malawi
 - The reality of this trade is much more widely known now
 - 2002/03, Whiteside estimated as much as 250,000 flowed into Malawi
 - FEWSNET documented 71,000 July 2004 - May 2005
 - SIMA Windshield Survey shows much greater presence of Malawian traders in Mozambique this year compared to last, including in areas they did not previously reach

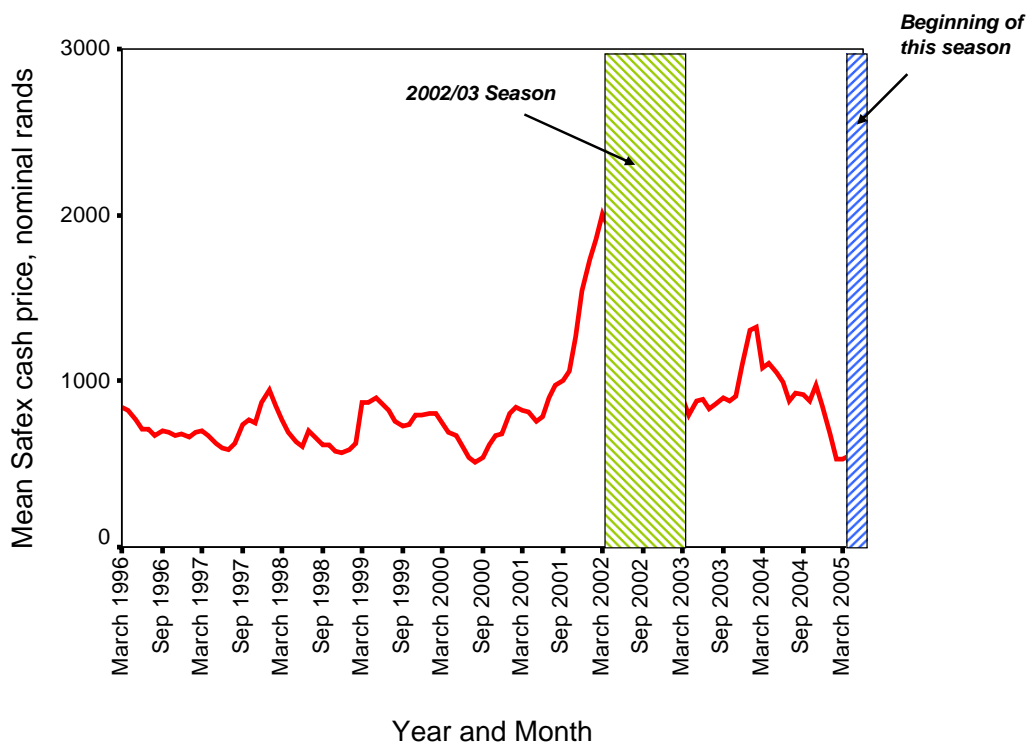
How is current situation different from the 2002/03 crisis?

- Much higher supplies in RSA, could cover the entire deficit in rest of region
 - Projected maize surplus in RSA: 4.88m MT
 - Projected maize deficit and import requirements in all other SADC countries: 2.80m MT

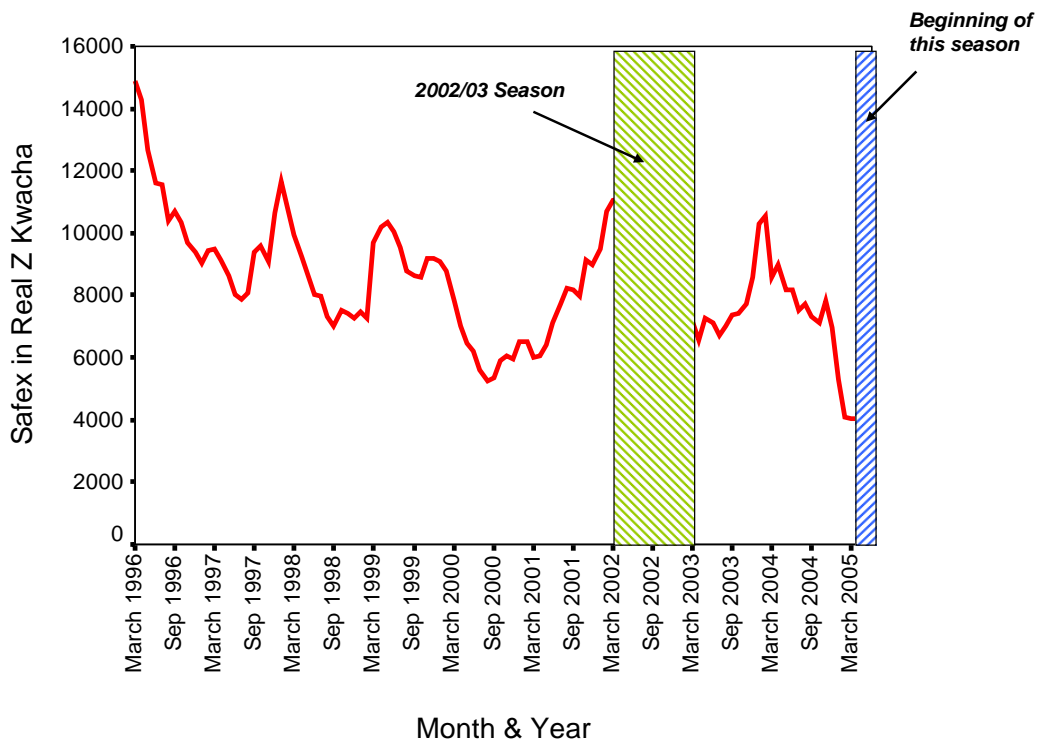
How is current situation different from the 2002/03 crisis?

- RSA prices, and their equivalent in Kwacha and Meticais, are much lower this year

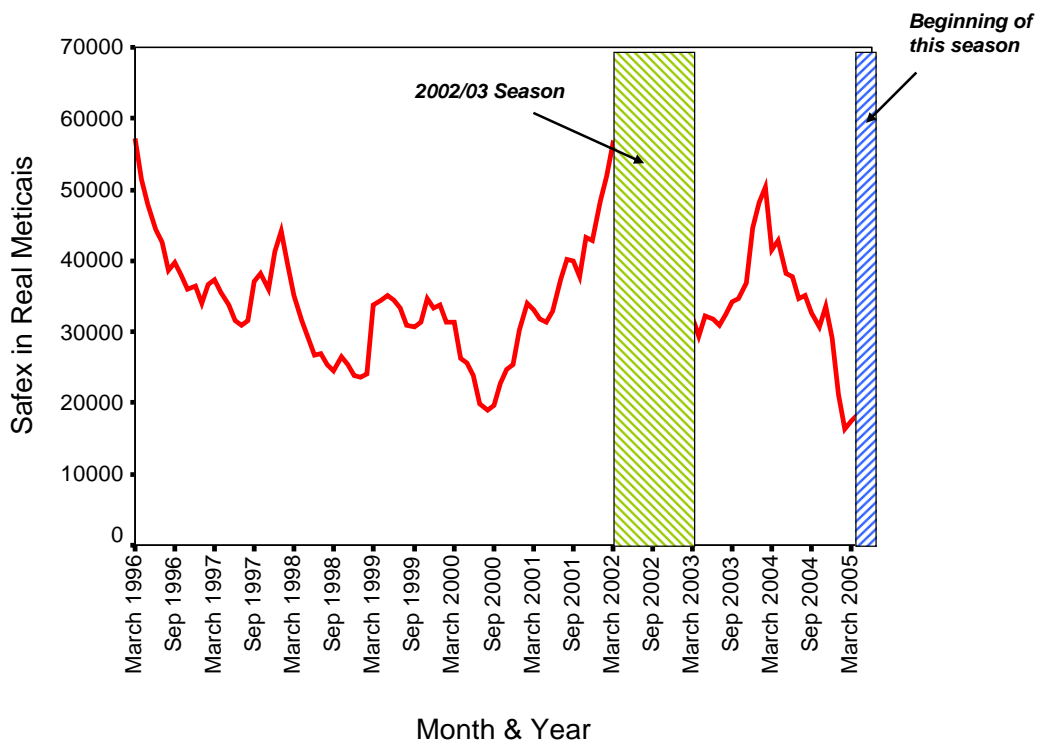
SAFEX Cash Prices in Nominal Rand, 1996-2005



SAFEX Cash Prices in Real Z Kwacha, 1996-2005



SAFEX Cash Prices in Real Meticaais, 1996-2005



What needs to be done?

- Learn from the 2002/03 crisis
 - Commercial imports in 02/03 accounted for 75% of official inflows
 - Food aid only 25%
 - Scope for trade even in poor years

Correlation Coefficients on National Maize Production in selected SADC Countries, 1992-2002

	South Africa	Zambia	Zimbabwe	Mozambique	Malawi
South Africa		0.59	0.80	0.25	0.27
		sig.	sig.	not sig.	not sig.
Zambia	0.59		0.65	-0.07	0.30
	sig.		sig.	not sig.	not sig.
Zimbabwe	0.80	0.65		0.16	0.29
	sig.	sig.		not sig.	not sig.
Mozambique	0.25	-0.07	0.16		0.62
	not sig.	not sig.	not sig.		sig.
Malawi	0.27	0.30	0.29	0.62	
	not sig.	not sig.	not sig.	sig.	

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Mozambique	0.25 not sig.	-0.07 not sig.	0.16 not sig.		0.62 sig.
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What needs to be done?

- Governments need to send clear and consistent signals to private sector
 - Accurate, timely, and accessible information in RSA a positive force for transparent markets
 - SAFEX and SAGIS
 - Keep open borders (Mozambique)
 - Reduce uncertainty for private sector through clear statements by government

What needs to be done? (2)

- Food aid estimates
 - Continue to refine food balance sheets
 - Better estimates of tuber production
 - Better estimates of informal trade
 - Continue to strengthen VAC system to better understand HH's real needs
 - Vulnerable HHs need more than food
 - Experiment with non-food aid interventions

Thank you