Maize Market Status Report

Maize grain is the primary staple crop with mealie meal being the main processed maize grain product in Zambia. The maize market assessment provides a set of tables and figures showing trends in monthly prices in the current marketing year across all 10 provincial capitals. This assessment will allow users to compare current trends with average prices in previous months, a glimpse of regional prices as well as appreciate the latest developments in the maize subsector in terms of any policy changes and trade.

Highlights

- On average, maize grain prices have been increasing in both nominal and real terms.
- The nominal retail prices for breakfast maize meal have increased whereas roller maize meal prices have remained stable but are above the five-year average.
- In real terms, the prices for both breakfast and roller maize meal have increased compared to the same period in 2018 whereas for the period January 2019 to February 2019, a very small price increase was observed.
- At the regional level, maize grain prices in Zambia remained lower compared to most East African and selected Southern Africa markets.
- The dry spells experienced in some districts within the Southern and Western Provinces will have a negative impact on crop and livestock production in these areas. This reduction in production will likely put upward pressure on crop prices particularly for maize grain and its products in these Provinces.
- Since October 2018, Zambia has had an export ban in place for maize grain and maize meal. The restrictions on maize meal was lifted early March 2019 in light of the high maize stocks as of February 2019 coupled with the expected reasonable forthcoming harvest mainly from the northern parts of the country.
- High maize grain and mealie meal prices in the Democratic Republic of Congo (DRC) continued to attract unofficial maize grain and mealie meal exports from Zambia.
- Trade policy inconsistencies continue to threaten market activities in the maize sector. As observed in recent times, a combination of export bans and adverse weather have led to the shutdown or downscaling of major agricultural trading firms.

Introduction

Generally, there has been limited maize supplies on the market since November 2018. Although, the decline in maize supply is typical during this time of the year, (lean period). The lower volumes could be attributed to reduced carryover stock triggered by a lower than usual production in the 2017/18 agricultural season. In Lusaka District, for example, maize grain was mostly found at hammer mills within major markets like Soweto and Bauleni, with minimal volumes in the hands of small-scale retail traders. Mumbwa District (Central Province) supplied Soweto market, Bauleni traders were sourcing maize grain from Chongwe District (Lusaka Province) at prices ranging from ZMW 100 to ZMW 110 per 50kg bag. The retail maize prices ranged from ZMW 110 to ZMW 148 per 50 kg.

Despite the low market supply, as at the 13th day of February 2019, the country still had maize stock in excess of 761, 463.57 Metric Tonnes (MT) in the hands of the Food Reserve Agency (FRA), and members of the Zambia National Farmers Union, the Grain Traders Association, and the Millers Association. This stock position could be more substantial if the stocks held by non-members of these associations were included. Of the reported stocks, the FRA had the largest stock at 395, 122.18 MT while the remainder was in the hands of the private sector. The extended dry spell which set towards the end of January 2019 in the southern half of the country has resulted in severe crop moisture stress particularly in some districts in Southern and Western Provinces where some crops have wilted. The dry spells coupled with fall armyworm infestation have raised food availability concerns among different stakeholders, especially after the announcement of the removal of the export restriction on mealie meal.
Domestic Prices

Maize grain
Overall, 2019 maize grain prices have been higher than 2018 prices across all provincial capitals, in both nominal and real terms (i.e. inflation adjusted prices) (Figure 1). From January 2019 to February 2019, maize grain prices increased by about 5 percent and 4 percent in nominal and real terms, respectively. During the same period in 2018, however, maize grain prices reduced by about 2 percent in January and 3 percent in February, mainly due to the good harvest in the 2016/2017 agricultural season. Large grain trader’s reference prices show a similar trend (Figure 2). These prices show an increase of about 10 percent and 16 percent in the purchasing and selling prices per MT from July 2018 to February 2019, respectively, with the highest price differential of about 19 percent recorded in the period spanning September to October 2018. Beyond this period, the price difference seems to be shrinking with the lowest change of approximately 9 percent noted in January 2019.

Mealie meal
Like maize grain, breakfast, and roller maize meal prices have been increasing over time (Figure 3a to 3f ). For corresponding months in 2018, consumers paid less for breakfast maize meal compared to now. In real terms, the price in February 2019 rose by about 25 percent compared to February 2018 (Figure 3b). However, the month to month price shift is very small both in 2018 and 2019. The upward price shift is expected because the maize market has been tight during the 2018/2019 marketing season. In the 2017/18 marketing season, market conditions such as the high production levels coupled with an export ban depressed prices to below ZMW 60 per 25 kg bag. The same is true for roller meal, whose prices are much lower than breakfast meal (Figures 3e and 3d). Moreover, January and February prices were above the five-year average by less than a quarter for both roller and breakfast maize meal, respectively (Figures 3e and 3f).

Figure 1. Average Nominal and Real Retail Maize Grain Prices (January 2018 – February 2019)

Source: Central Statistical Office (2019)
Note: 2015=100

Figure 2. Grain Traders References Prices for Maize Grain (USD/MT)

Source: Grain Traders Association of Zambia (2018:2019)
Source: Central Statistical Office (2019)
Note: 2015=100
Formal and Informal Trade.

The failure by the FRA to purchase the announced maize grain Strategic Grain Reserve (SGR) target of 500,000 MT raised food security concerns. In response, the Ministry of Agriculture announced export restrictions for maize grain and mealie meal in October 2018. By then, the FRA had only managed to purchase about 34 percent of the targeted 500,000 MT. The ban on mealie meal exports was lifted early March 2019 following consultation with stakeholders (i.e., the National Farmers Union, Millers Association, Grain Traders Association, and the Food Reserve Agency) on the stock position. However, the mealie meal exports were restricted to 120,000 MT until April 2019 which marks the end of the current marketing season. The decision to export only processed maize meal was made with the view of promoting local value addition.

Millers that received government-subsidized maize from FRA were not going to be allowed to export mealie meal produced using this grain. Consequently, some millers interested in exporting mealie meal to the Democratic Republic of Congo (DRC) reported purchasing maize grain from grain traders. This was a positive development as it creates additional demand for grain traders’ maize stocks by millers who since November 2018 had been accessing subsidized grain from the FRA. However, the continued maize grain export ban (in addition to previous policy inconsistencies and adverse weather) had resulted in some large agricultural services companies, such as AFGRI Corporation announcing a downscaling of operations in the maize sector. Unfortunately, these are companies that invested heavily in grain management in terms of storage, procurement, and marketing but not making the anticipated return due to the export ban or restrictions.

Despite the export restriction which had been in place, unofficial maize grain and meal exports had continued to flourish driven by the high price differential in the neighboring countries, especially the DRC. However, recorded volumes of maize grain exports unusually reduced with respect to the previous years because of a combination of factors which included increased border patrols especially in Kasumbalesa, lower market supplies and impassable roads due to heavy rainfall in the northern region.

Figure 4 shows the minimum recorded volumes of maize grain and mealie meal exports for the period June 2018 to January 2019. IAPRI in collaboration with the FEWSNET Regional Office is monitoring informal trade in seven border posts (i.e., Kasumbalesa, Kipushi, Chirundu, Zombe, Lumi, Mpuungu, and Nakonde). The data shows that the primary destination market for maize grain and mealie meal is the DRC. The purchase prices for maize grain and mealie meal were ZMW 300 per 50 kg and ZMW 150 per 25 kg, respectively, on the Zambian side of Kasumbalesa border post. On the DRC side, a 50 kg bag of maize grain was going for ZMW 400 while a 25 kg bag of mealie meal was fetching ZMW 200.

Figure 4. Minimum Recorded Volumes of Maize Grain and Mealie Meal Unofficially Traded (MT) – Jun 2018 to Jan 2019.

Regional Prices

Figure 5 shows the average regional wholesale maize grain prices in selected markets/countries of the Eastern and Southern African regions. Maize grain prices
were highest in Lubumbashi-DRC (446 USD/MT), followed by 390 USD/MT in Harare-Zimbabwe, and 361 USD/MT in Bujumbura-Burundi. The wholesale price in the rest of the markets was below 300 USD/MT with Mbeya-Tanzania recording the lowest price of 107 USD/MT. The demand pressure for maize grain in the East Africa region has been lessened by the adequate and stable supply, since the last quarter of 2018. Furthermore, the maize grain prices are below the five-year average (EAGC 2019). In the Southern Africa region, South Africa is likely to remain the ultimate supplier of maize grain to deficit parts of the region with above average maize surplus estimates (FEWSNET, 2019a). For Zambia, export opportunities will remain available in the DRC. Market opportunities are also likely to be available in Zimbabwe where the prospects for a reduced cereal staple production are high following the late start of the 2018/2019 farming season and below-average rains and impact of cyclone Idai.

Similarly, Malawi is another potential market considering the effects of extreme weather, as the prospects of an average 2018/2019 harvest may have reduced following the heavy rains and floods (FEWSNET, 2019b). Thus, prices for grain may rise further.

**Conclusion**

Given the limited supply of maize grain on the Zambian market, prices for grain continued to rise in the first two months of 2019. There is a likelihood that prices might stabilize after the onset of the green harvest – which offers a variety of seasonal foods. The green harvest will most likely reduce the market demand for maize grain in areas where the rain season has performed fairly well. However, in places where the dry spells have been prominent, like the Southern and Western Provinces, maize grain and mealie meal prices may be higher than the same months last year. With the new harvest expected in May/June, prices are expected to drop in line with seasonality.

Trade restrictions, mainly exports, have the potential to limit private sector participation and reduce supply response by farmers. Rather than releasing strategic reserve stocks from FRA to selected millers, the country has to find market solutions to unlock the maize grain supply from the private traders.

**References**