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Quarterly Update

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Report Highlights:

Zimbabwe potentially faces a significant corn deficit in the 2009/10 marketing year (May/April). Post forecasts have been adjusted in line with initial government forecasts of 400,000 metric tons of corn produced on about 890,000 hectares. The unavailability of seed and fertilizer during the planting season will constrain output. Although South Africa dispatched seed and fertilizer worth around R300 million (\$32 million) to the government of Zimbabwe as part of humanitarian assistance most of it arrived in Zimbabwe past the optimum planting date. The forecast for Zimbabwe's wheat imports in the coming year is unchanged at 175,000 tons as the 2008 winter wheat harvest is estimated at only 38,900MT, the lowest since 1980.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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SUMMARY

Although Zimbabwe is currently experiencing generally favorable climatic conditions with most areas receiving normal to above normal rainfall, the country is facing a potentially significant deficit of corn in the 2009/2010 marketing year (the marketing year runs from May through the following April). As reported in RH 8009, the main reason for this potential corn deficit was the delay in corn planting due the extreme shortage of seed and fertilizer. To assist in alleviating the shortage of inputs, the South African government dispatched an inputs package comprising of seeds and fertilizer as aid to Zimbabwe. This assistance package, however, only arrived in mid-January, past the optimum planting date in most areas. Late plantings and continued fertilizer shortage will negatively impact production as the corn crop will reach the grain-filling stage, which is the plant's peak moisture demand period in April when there is a high likelihood that rains will tail-off.

Post's area planted and production forecast for the coming year have been revised to reflect the initial forecasts of the government.

Zimbabwe's wheat production forecast for the current crop remains unchanged at 38,900 MT out of an annual requirement of 348,000MT. Wheat imports are forecast at 175,000 tons to augment the low national production, but foreign currency constraints will constrain the amount of wheat that can be imported.

CORN

Corn Zimbabwe (1000HA) (1000MT)	2006		2007		2008	
	2006/2007		2007/2008		2008/2009	
	Market Year Begin: May 2007		Market Year Begin: May 2008		Market Year Begin: May 2009	
	Annual Data Displayed	New Post	Annual Data Displayed	New Post	Annual Data Displayed	Jan
		Data		Data		Data
Area Harvested		1,200		1,300		890
Beginning Stocks				0		0
Production		700		475		400
MY Imports		450		500		450
TY Imports		350		350		350
TY Imp. from U.S.		0		0		0
Total Supply		1,150		975		850
MY Exports		0		0		0
TY Exports		0		0		0
Feed Consumption		50		50		50
FSI Consumption		1,100		925		800
Total Consumption		1,150		975		850
Ending Stocks		0		0		0
Total Distribution		1,150		975		850
Yield		0.5833		0.3654		0.4494

Production

From a climatic perspective, the season is progressing well. The first wet spell occurred from mid November to around 25 November but was followed by a dry spell of between 8 and 25 days in most of the country. The Department of Meteorology has now declared this as a false start to the 2008/9 rainfall season. The rainfall season officially started from 10 December 2008. To date, most of the country has experienced normal to above normal rainfall. The northern eastern and north western parts have received high/above normal rainfall but the eastern part of the country has experienced below normal rainfall. In January there was good distribution of rainfall in most parts of the country. Normal to above normal rainfall in all areas is forecast for February and March.

The corn crop is at various stages. The bulk of the corn crop is in the vegetative stage and the crop condition is generally fair to good. A small proportion of the crop was planted early and is at the early reproductive stage. The crop is in need of top-dressing fertilizer but its availability is limited.

Despite the favorable rainfall pattern, certified seed availability at the start of the season was limited. Planting of open-pollinated varieties (OPV) including first generation hybrid seed or retained seed was widely practiced this season due to the shortage of certified hybrid seed. This means that yield potential and production will

be compromised. Continued depreciation of the local currency resulted in the government introducing the US dollar and the South African rand as legal tender in 2008. However, the pricing of seed in foreign currency made it unaffordable to most communal growers, the majority of whom have no access to foreign currency. This contributed to a decline in area planted.

Limited fertilizer availability is a major constraint to corn production. Local fertilizer manufacturers faced acute foreign currency shortages and could not import the necessary raw materials for production. Fertilizer imports were constrained by the unavailability of foreign currency.

In January, the South African government reversed an earlier decision to await the formation of a unity government in Harare and dispatched seed and fertilizer worth around R300 million or USD 32 million to the government of Zimbabwe as part of humanitarian assistance to the country. However, the dispatched inputs started arriving in mid-January, well into the season, with some of the inputs still to reach Zimbabwe.

The table below gives a summary of the aid inputs.

Input	Total Quantity pledged (MT)	Amount delivered to date (MT)
Basal fertilizer	9,000	4,000
Top Dressing fertilizer	3,000	1,000
Hybrid corn seed	1954	1954
Sugar bean seed	500	500
Sorghum seed	484	284
Peanuts seed	701	701
Cowpea seed	720	720

Distribution of the inputs is currently being done by AGRITEX, the government's agricultural extension department, through the Grain Marketing Board (GMB) depot network. Although the Zimbabwe Humanitarian and Development Framework, made up of representatives of the Zimbabwean government, farmers' organizations, UN agencies, donors and religious groups had been set up to coordinate and monitor inputs distribution, inputs were released directly to the government of Zimbabwe. Supervision of the input distribution is by a joint team comprising personnel from Ministry of Agriculture in Zimbabwe and South Africa, the Zimbabwe Farmers' Union, the GMB and some church organizations with AGRITEX taking the leading role in distribution of the inputs. All received inputs are being distributed directly to intended beneficiaries who are farmers that had not received inputs from any other programs.

Seed pack sizes for the beneficiary farmers are shown on the table below.

Farmer Type	Maize seed received (kg)	Equivalent planting area (hectares)
Communal farmers	12.5	0.5

Old resettled farmers	25	1
Small scale commercial	50	2

Beside corn seed and fertilizer, the seed packs also include 5kg seed of each of sorghum, peanuts, cowpeas and sugar beans.

Transportation logistics from GMB centers is a major challenge to quick distribution of the inputs to target farmers. The delays in distribution may result in farmers failing to plant a large proportion of the hybrid corn seed as it would have arrived well past planting time. Corn planted after mid-January has a low probability of producing a good yield as it would reach grain-filling, the peak moisture demand period, in April when there is a high likelihood of rains tailing-off.

A preliminary government estimate puts national corn area planted at about 894,215 hectares. The first crop assessment by AGRITEX which seeks to verify crop area planted is scheduled from 28 January to 13 February.

Zimbabwe potentially faces a significant deficit of corn. The preliminary national corn production forecast for the current crop is for similar production to last season's production of around 400,000 MT. Good rainfall distribution has been experienced so far, but the acute shortage of inputs, particularly corn seed and fertilizer, will compromise corn production and raised doubts about these early forecasts.

Consumption

Generally, there is poor availability of corn in the country after last year's low harvests and subsequent low deliveries to the GMB. The majority of households has now exhausted grain stocks from last year's harvest and is relying on corn purchases and food aid. The availability of corn meal is slightly better.

Corn and corn meal prices are now being charged in foreign currency (the US dollar and South African rand). Charges in foreign currency have stabilized food prices, with corn prices ranging from US\$1 and US\$2 per kilogram. However, most households have no access to foreign currency. Remittances from abroad are an important source of cash purchases. Barter trade particularly with livestock is now a common means of buying corn. Recent surveys findings show that about a fifth of rural households have disposed of assets in order to purchase food.

There are indications that household corn consumption has decreased due to unavailability of the commodity and inability to pay, with most families cutting down on the number of meals per day. Emigration is also reducing domestic consumption. The outflow of people to neighboring countries particularly South Africa due to the worsening Zimbabwe economy is significant. The impact of emigration on population reduction is yet to be determined.

Depending on the actual size of the population, Zimbabwe has an estimated annual corn requirement of approximately 1.652 million MT. Human consumption needs are estimated at about 1.452 million MT, seed requirements at 50,000MT and feed requirements at 150,000MT. Given the relatively poor production outlook and

currency constraints that may limit imports, total consumption is forecast at 850,000 tons, compared to 1.15 million tons two years ago.

Trade

The table below shows SAGIS monthly shipments of corn from South Africa to Zimbabwe from May 2008 to 23 January 2009.

Year and month	Corn imports (MT)
2008	
May	19,508
June	40,954
July	29,978
August	58,059
September	47,352
October	36,147
November	54,311
December	10,494
2009	
January (up to 23rd)	50,584
TOTAL	347,387

Total corn imports by government up to mid January were 347,387MT out of the planned 792,000MT. Serious foreign currency shortages are a major constraint to the Government's capability to import enough corn to cover this deficit.

The relaxation of grain importation rules by government allowing private corn imports and the pricing of the commodity in foreign currency have encouraged active corn imports by traders. Similarly, unavailability of corn and corn meal nationally, particularly through the traditional formal marketing channels has resulted in individuals, small traders and a number of huge institutions (such as mines) resorting to regular importation of the commodities. It is apparent that private commercial imports are now quite substantial, but they are currently not captured in the official corn import figures. Agents involved in food security plan to set up mechanisms of collecting this data and thus improve the corn trade estimates.

WHEAT

Wheat Zimbabwe	2006		2007		2008	
	2006/2007		2007/2008		2008/2009	
	Market Year Begin: Jul 2006		Market Year Begin: Jul 2007		Market Year Begin: Jul 2008	
	Annual Data Displayed	New Post	Annual Data Displayed	New Post	Annual Data Displayed	Jan
		Data		Data		Data
Area Harvested		35		45		9
Beginning Stocks		100		100		100
Production		135		135		38
MY Imports		125		125		175
TY Imports		125		125		175
TY Imp. from U.S.		7		0		0
Total Supply		260		360		313
MY Exports		0		0		0
TY Exports		0		0		0
Feed Consumption		0		0		0
FSI Consumption		260		260		260
Total Consumption		260		260		260
Ending Stocks		100		100		53
Total Distribution		360		360		313
Yield		3.86		3.00		4.22

Production

The 2008 winter wheat harvest is forecast at 38,900 MT, the lowest since 1980.

Late planting, shortage of fertilizers, inadequate irrigation equipment and inadequate fuel and equipment for harvesting were important constraints to production.

Consumption

There has been a marked improvement in bread supply. The low level of local production and the recent relaxation of grain importation regulations have encouraged direct importations of wheat flour by bakers and traders. As a result, wheat flour availability has significantly improved.

Bread is priced in foreign currency with prices ranging between 80 US cents per loaf to US\$1 per loaf of bread. However, it is unaffordable to a large proportion of the working population who is remunerated in the local currency and has no access to foreign currency.

Based on the official population figure of 12 million and a per capita consumption of 29kg/ha, the country's annual requirement is estimated at about 348,000MT. In reality, total potential demand and actual consumption is much lower due to a combination of poor wheat supply availability, low purchasing power, the likelihood that the population is significantly smaller than the official figure.

Trade

The 2008 national wheat production estimate is 38,900 MT or 11.2% of the national requirements. Approximately 309,000MT wheat has to be imported if the country is to meet national requirements. However, it is highly unlikely that this target will be met because of the acute foreign currency shortage in the country.

The recent change in importation rules has allowed private importation of grain and flour. Informal wheat and wheat flour imports are likely to play an important role in reducing the current national deficit estimated at 309,000MT. However, these informal imports are currently not captured and therefore not included in the official import data. Food security agents are investigating ways of capturing this data.