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A report on a joint rapid assessment of informal cross border trade on the Mozambique-Malawi Border regions

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The Southern Africa Informal Cross Border Food Trade Monitoring Initiative (FEWS NET, WFP & SIMA)

Conducted between 27 June–1 July 2005

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Introduction

This report presents the findings of a rapid assessment of the informal cross-border trade along the Malawi-Mozambique borders between 27th June and 1st July 2005. The assessment was conducted by a joint mission consisting of FEWS NET, WFP and Mozambique Ministry of Agriculture' Agricultural Marketing Information Service (SIMA).

The rest of the Report is organised into two sections. Section 1 gives the background on the informal cross-border trade monitoring initiative; the settings in southern Malawi and northern Mozambique; the objective of the Mission; coverage; and methodology used. Section 2 presents the main findings and analysis; conclusions; and recommendations.

Section 1: Background & Objectives

1. Background Information

Southern Malawi, which is virtually surrounded by Mozambique, is the most populous and therefore a major consumption region of Malawi. However, the region is agriculturally poor and often a food deficit area. On the other hand, Northern Mozambique is a low cost maize producing area of the country, which is very far from the major consumption areas in the south. As a result, southern Malawi provides very viable market for produce from northern Mozambique. This is enhanced by the less

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restrictive trade regime as well as the porous nature of the borders between the two countries.

Informal cross border trade played a significant role in averting widespread food insecurity in Southern Africa during the major regional drought of 2002 and 2003. However, information on informal trade has been mainly anecdotal and its contribution towards redressing supply/demand imbalances had not been adequately quantified in Southern Africa. In absence of this data, import requirements can be over-estimated leading to over supply of imports (commercial or food aid) depression of trade and production incentives. Since the volume and direction of trade can change from year to year, monitoring systems are necessary, rather than one-off studies which provide background information or snapshot views of trade at a given period. In July 2004, in order to address this information gap, WFP and FEWS NET in collaboration with other partners established a cross border monitor system in approximately 29 border crossings covering seven countries in southern Africa including Tanzania, Malawi, Zambia, Zimbabwe, Mozambique, Democratic Republic of Congo and South Africa. Through this monitoring, it was established that between July 2004 and March 2005, over 70,000 MT of maize was informally exported to Malawi by Mozambique, mainly from the Zambezia Province through the Milange-Muloza border post. Past estimates put the trade at 70,000 MT during the 2001/2 season and 130,000 MT in 2002/3.

However, in 2003, surplus maize production in Malawi had a negative affect on Mozambican farmers, as prices dropped and their market in Malawi shrunk considerably. At the same time within Mozambique, very high transportation cost could not permit movement of the merchandise from the northern surplus to the southern deficit areas. The current period of poor production in Malawi and fairly favourable production in Mozambique have thus created favourable conditions for this trade.

2. Objectives and Methodology

The main objective of the rapid assessment was to increase our understanding of the drivers of the informal trade for better prediction of imports and policy information. Specifically, it was intended to generate understanding of:

- a. organization and structure of the system of marketing: the commodities traded, main actors, infrastructure and costs;
- b. price structure and differentials that trigger trade across the borders;
- c. the extent to which exchange rate movements influence the informal trade;
- d. the significance of the trade to livelihoods of households in the two countries; and
- e. the effects of government actions, including relief programmes on cross border trade.

Two border points were selected for the assessment: the Milange-Muloza border along Zambezia Province (Mozambique)

and Mulanje district (Malawi); and the Kalanje–Mtembo border along Mandimba district in Niassa Province (Mozambique) and Mangoche district in (Malawi). The selection of the two border points was based on their large volumes of trade in maize and beans compared to other borders, but also time limitation for the assessment. Although the assessment focused on Mozambique and Malawi, it serves as a benchmark for analysis of cross border trade in other Southern African countries covered by the project.

The methodology used was a combination of various information gathering techniques. A checklist adapted from a questionnaire earlier developed for the purpose formed the basis for focus group discussions and key informant interviews. Information was sourced primarily from traders, transporters, farmers, government officials and consumers at both border locations and in Blantyre. Observations of activities were taken and recorded, and these also formed important input.

Footnotes:

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