

MOZAMBIQUE News reports & clippings

227 3 October 2013 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Government says 'no' to new Renamo offer

\$2 bn borrowed

What do falling world grain prices mean for Mozambique?

Oxfam hits G8 New Alliance

Renamo proposal rejected

Renamo made a new proposal on the electoral law but government negotiators refused to even discuss it during negotiations on Monday.

Renamo had always demanded "parity" in the National Elections Commission (CNE) which it had said meant an equal number of Renamo and Frelimo nominated members, plus others from civil society and the other main opposition party, the MDM. This would have given the opposition a majority in the CNE and could never have been accepted by Frelimo.

Last week Renamo tabled a new and more plausible proposal - that Frelimo have half the seats and the other half would be Renamo, MDM and civil society. This proposal could, for the first time, be the basis of serious negotiation. But government rejected it out of hand, saying proposals to change the CNE must go to parliament, where Frelimo has a majority. Renamo has always called for a political agreement in the bilateral talks, which would effectively force Frelimo in parliament to accept such an agreement.

The Renamo proposal is the first from either side that seems to indicate a willingness to negotiate. Of course, many other issues would have to be resolved. But it does seem that Renamo and government might be able to agree on a CNE which was half Frelimo and had a neutral chair (president), and Renamo might even accept the present chair, Abdul Carimo, who comes from the Electoral Observatory and is widely respected.

If that could be agreed, then Renamo might also be willing to temper its demands to politicise the electoral administration, STAE.

Meanwhile, the military negotiating team named by Renamo head Afonso Dhlakama has still not gone to Maputo to meet the military team named by government.

Government has also again rejected the Renamo suggestion that outside "facilitators" should be brought into the talks.

\$2 billion borrowed in 2012

Mozambique borrowed \$1.9 billion in 2012, of which \$1.1 bn came from China, the Ministry of Finance told Radio Moçambique on 28 September. Total public debt rose in 2012 from \$5 bn to \$5.6 bn, 40% of GNP.

In 2012 Mozambique took on \$1240 million in commercial credits, of which \$982 mn was from China for two projects – the Maputo ring road (\$300 mn) and the Maputo/Catembe/Ponta do Ouro bridge and road (\$682 mn). In 2012 Mozambique received 15 concessional credits for \$675 mn, the largest part from the World Bank but also \$268 mn from China.

Small scale commercial agriculture studies

Joseph Hanlon (editor of this newsletter) and Teresa Smart are now working on a new book about the possible leading role in agricultural development of small scale commercial farmers, or as they are sometimes called, emergent farmers. We have already done fieldwork in Gurué, Manica and Nampula and have written a set of three working papers, which have been posted on our website (tinyurl.com/mozamb) in English and Portuguese. Comments are invited, to j.hanlon@open.ac.uk, before the end of October. Of course, the working papers are only part of the book, and as the name implies, are work in progress. The book will also draw on Mozambican data and reader comments, as well as international thinking.

What do falling world grain prices mean for Mozambique?

World maize prices are just two-thirds of what they were a year ago, \$200 per tonne compared to \$300/t just a year ago (FOB Gulf of Mexico). That means with shipping costs of \$50-100/t, the import parity price in Mozambique is about \$300/t or 9 MT/kg. This is significantly lower than the peaks in 2008, 2011 and 2012, but far above the global prices of 2004-6 when the world maize price was under \$100/t. Current producer prices are 5.5-8.5 MT/kg. Commercial production of maize requires buying fertiliser and high quality seed and means maize is a profitable crop only at 8 MT/kg and up. (See our working paper "Making money farming in Manica".)

That raises food security questions for Mozambique, as bigger commercial farmers switch to more profitable crops. This is already occurring in Zimbabwe. The *Guardian* (London, 4 Sept) reported that after two years of poor rains, the World Food Programme says the country has a "looming food crisis". The newspaper quotes Vince Musewe, an economist based in Harare, saying: "The fundamental problem is that most of the smallholder farmers have changed to farming tobacco." There is no support for maize, but tobacco companies support contract farmers with inputs on credit. Estimates in our book *Zimbabwe Takes Back its Land* are that for a farmer to make a profit of \$1000 from maize, she must invest \$500 for fertiliser, seed, ploughing and weeding; many small farmers do not have that much capital, so they grow tobacco because the contract company provides credit. Also, to invest in maize in a poor rainfall year is a big risk entirely on the shoulders of the small farmer, whereas for tobacco, the company shares the risk.

The price of Thai rice has also fallen, from \$563/t a year ago to \$430 now (FOB Thailand). Unlike maize, rice prices did not have peaks in 2011 and 2012 and had remained between \$450/t and \$630/t since 2008. But \$430/t pushes the import parity price to 16 MT/kg, which is not profitable for Mozambican smallholders. Vietnamese rice prices have fallen even further, to \$350/t - a parity price of only 11 MT/kg. However, prices seem unlikely to fall to the levels of under \$300/t which were common until 2006.

Soya bean prices have also fallen, from \$611/t a year ago to \$514/t now (FOB Gulf of Mexico), so a landed price in Mozambique of about \$600/t gives an import parity price of 18 MT/kg. This price continues to make soya production profitable for small holders.

The 2008 food price spikes, followed by smaller ones in 2011 and 2012, led to fears of much higher food prices, which promoted hedge funds to try to invest in farm land in Africa and speculate on food, and also made donors look much more closely at agriculture. But a set of recent ODI

studies suggests maize prices will continue to decline and speculators are no longer betting on price rises, although rice prices will rise again. Indeed, an August ODI study is called the "The end of cheap rice" and suggests that higher wages and rising exchange rates in Asia will push up rice prices.

This must raise questions about Mozambican food security and self-sufficiency. Small farmers using cheap seed, hoes, and no fertilizer will sell small amounts of extra maize by the can (lata) but most subsistence farmers buy more than they sell. Small and medium commercial farmers can produce large amounts of maize if they buy fertiliser, seed, and tractor hire - and take all the risk of weather - but can only make money at prices close to import parity, which traders rarely offer. Similarly, rice is now looking marginal.

That forces farmers that want to expand to look not to food crops, but to commercial crops with sure markets as well as contract and credit arrangements: particularly soya, tobacco, and cotton, but also sesame, cassava for beer, and beans for export.

Food self-sufficiency is not just about increasing the production of so-called "subsistence" farmers for their own food, but must be more about increasing the production of small commercial or emergent farmers who will sell maize and rice by the tonne and not by the lata. At current prices, this will only happen with a package of support from government and donors – credit, insurance, reasonably priced inputs, and a market at a guaranteed price.

Joseph Hanlon

ODI reports by Steve Wiggins and Sharada Keats:

"Food Prices August 2013 update",

<http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8559.pdf>

"Looking back, peering forward - What has been learned from the food-price spike of 2007–2008?",

<http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8459.pdf>

"The end of cheap rice: a cause for celebration?"

<http://www.odi.org.uk/publications/7687-end-cheap-rice-prices-rural-labour-wages>

Other reports:

Informação Semanal de Mercados Agrícolas <http://www.sima.minag.org.mz/quente/QQ949.pdf>

"Zimbabwe faces looming food crisis, says UN":

<http://www.theguardian.com/world/2013/sep/04/zimbabwe-looming-food-crisis-un>

"Making money farming in Manica": tinyurl.com/mozamb or

http://www.open.ac.uk/technology/mozambique/sites/www.open.ac.uk/technology/mozambique/files/files/Making_money_farming_in_Manica_Hanlon-Smart.pdf

International Grains Council: <http://www.igc.int/en/grainsupdate/igcexpprices.aspx>

Coal prices falling too

Coal prices are also falling, which has implications for exporting coal from Moatize. South African coal is being exported at \$73/t, down from \$123/t in early 2011, and the lowest price since 2009. It was the brief peak of \$168/t in July 2008 that really pushed the coal boom in Tete as mining companies were convinced continued high prices would make coal profitable in the long term. As it costs \$30-50/t to get Tete coal to a port, it is becoming unprofitable to export the lower grade thermal coal. So far, there are no contracts for electricity to be produced from coal-fired power stations in Tete, so the thermal coal will have to be exported. But at what price?

Oxfam says G8 New Alliance 'in need of serious reform'

The New Alliance for Food Security and Nutrition was approved by the G8 in 2012 and uses aid money to subsidise agribusiness to invest in Africa. Oxfam is a member of the Alliance's Leadership Council, but in a new report (<http://oxf.am/Uzd>) calls for "a new direction", "serious reform", and "a major correction to the course it is currently on". Mozambique is one of the first

New Alliance countries.

"The New Alliance risks promoting industrial-scale production that is disconnected from local producers," Oxfam warns. It is particularly concerned at the lack of transparency, and that negotiations between companies and governments are carried out in secret. It also argues that policy reforms promoted by the Alliance are mainly to benefit business and not small farmers – who it argues should be the main target but are in fact being marginalised.

In Mozambique, the report praises Rei do Agro in Lioma, Gurué, which is working with outgrower soya producers. (Also cited in our working paper on soya in Gurué, noted above.) Oxfam goes on to argue that "under fair conditions" contract farming benefits both companies and small farmers. But it notes that although the New Alliance promotes changes to local laws and regulations to support agribusiness, it does nothing to develop good practice for contract farming relating to technical assistance, transparency, and redress in case of conflict. And it cites the Mozambique Cooperation Framework Agreement (CFA) as lacking any detailed information as to how contract farming agreements should be structured and how smallholders are to be protected.

The British government in May published the "New Alliance for Food Security and Nutrition 2013 Progress Report Summary" (<http://bit.ly/New-Alliance>, which also has a link to the June Mozambique CFA). In Mozambique it cites Lozane Farms in Alto Molocué and contract farming of seed production. But the report cites two "challenges" which are also noted by Oxfam:

- "Learning how to work with smallholders at scale: there are already some good examples of smallholder engagement in new investment projects, but the New Alliance needs to learn how to engage with smallholders at scale and how to help those that can, to make the transition to small, commercially viable family farms."
- "Engaging local and global civil society organisations (CSOs): ... There is a need for closer engagement with CSOs and greater transparency on the New Alliance in order to address their concerns and draw on their expertise and insights."

Other agriculture reports

Trees in Mecuburi. A very detailed study of the problems and benefits of forestry projects in Mecuburi district, Nampula, looking at both the 20% share that communities obtain from forestry companies, as well as both land conflicts and agriculture projects the only new large plantation company, Lurio Green Resources. In English, published by the Observatório do Meio Rural (<http://omrmz.org/images/publicacoes/>)

'Seeds of discontent'. Documentary film by Geoff Arbourne on Chikweti Forests of Niassa, a subsidiary of Global Solidarity Forest Fund (GSFF), a Sweden-based investment fund, co-owned by Dutch pension fund ABP, the Diocese of Västerås (Sweden), and the Norwegian church endowment, OVF. Released yesterday, 2 Oct. (<http://farmlandgrab.org/22644>)

Civil society attacks JICA on ProSavana. The Nampula Civil Society Platform (PPOSC-N) in a statement 30 September "deplores the attitude of JICA (Japanese Cooperation) which is playing an ambiguous and nebulous role" in ProSavana, It also "deplores the manipulative and intimidatory actions of the proponents of ProSavana." It calls for dialogue and says ProSavana is refusing to talk to UNAC (União Nacional dos Camponeses) and PPOSC-N. The statement is on the Pro-Savana section on the home page of my website (tinyurl.com/mozamb), which has references to a wide range of papers and studies. Observatório do Meio Rural has also published a recent study of ProSavana by Dipac Jaantilal (http://omrmz.org/images/publicacoes/Observador_Rural_N_7.pdf)

Subsidy only for the rich. In current World Trade Organisation (WTO) negotiations, "developing countries grouped under the G33 are asking that their governments be allowed to buy food from their farmers, stock the food and distribute it to poor households, without this being limited by the WTO's rules on agricultural subsidies." But this is being opposed by the United States and other developed countries, writes Martin Khor, Executive Director of the South Centre,

on SUNS (South-North Development Monitor) In an unusually clear explanation of the WTO subsidy rules, Khor notes that OECD agricultural subsidies in 2011 were \$406 billion but that developing countries are not currently allowed similar subsidies. The G33 is asking WTO to allow them to promote food security and rural development in this way, but the US (with one-third of all OECD farm subsidies) is leading the opposition. This has clear implications for how much Mozambique can support small farmers. (<http://www.twn.my/title2/finance/2013/finance131001.htm>)

In brief:

Foreign investors accused of not hiring Mozambicans: Labour Minister Helena Taipo on Monday accused foreign companies of demanding five years professional experience for jobs, which is an impossible and unnecessary requirement for Mozambican young people. (AIM 30 Sept 2013)

More criminal police: Two Beira policemen were sentenced Monday to 12 year jail terms for hiring out police guns to criminals. However, one of them had been shot dead last Thursday while trying to escape from Beira central prison. Two policemen were detained in Maputo on 27 September for stopping traffic in Maputo at a location to which they were not assigned. They were armed but not in uniform, and were presumably extracting bribes.

Government also fails to resettle: 122,000 victims of the 2007 floods in the Zambezi valley have not yet been resettled, over six years later, admitted the Deputy General Director of the National Disasters Management Institute (INGC), Casimiro Abreu. Of the 285,000 people affected, only 163,000 were resettled, and the others are still living in tents, or in improvised and precarious houses, said Abreu.

Capital gains tax. Negotiations are under way with on capital gains tax for seven sales of businesses in Mozambique. One of these is with Rio Tinto over the purchase of the Riversdale coal mine in Tete, said Rosário Fernandes, president of the Tax Authority (Autoridade Tributária), who did not name the others. (O Pais, 3 Oct 2013)

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The new book

Zimbabwe takes back its land

by Joseph Hanlon, Jeanette Manjengwa & Teresa Smart is now available from the publishers

https://www.rienner.com/title/Zimbabwe_Takes_Back_Its_Land

<http://www.jacana.co.za/book-categories/current-affairs-a-history/zimbabwe-takes-back-its-land-detail>

Now in paper at a reasonable price

Do bicycles equal development in Mozambique?

by Joseph Hanlon & Teresa Smart

is now available in **paperback**, for £17.99 (+ p&p)

from the publisher <http://www.boydellandbrewer.com/store/viewItem.asp?idProduct=13503>

and on Amazon.co.uk for £17.09

Just Give Money to the Poor:

The Development Revolution from the Global South

by Joseph Hanlon, Armando Barrientos, and David Hulme

Most of this book can now be **read on the web**

tinyurl.com/justgivemoney

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Also on the web: Previous newsletters and other Mozambique material are posted on tinyurl.com/mozamb

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NOTE OF EXPLANATION:

This mailing list is used to distribute two publications, both edited by Joseph Hanlon. This is my own sporadic "News reports & clippings", which is entirely my own responsibility. This list is also used to distribute the *Mozambique Political Process Bulletin*, published by CIP and AWEPA, but those organisations are not linked to "News reports & clippings" Joseph Hanlon

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Mozambique media websites:

Noticias: www.jornalnoticias.co.mz

O Pais: www.opais.co.mz

Macauhub English: www.macauhub.com.mo/en/

Savana: www.savana.co.mz

Canal de Moçambique: www.canalmoz.co.mz

AIM Reports: www.poptel.org.uk/mozambique-news

Carlos Serra Diario de um sociologo: <http://oficinadesociologia.blogspot.com>

Good daily newsletters:

English: Mozambique Investor. Send e-mail to joaquim.fale@clubofmozambique.com

Portuguese: Mozambique Hoje. Send e-mail to moçambiquehoje@clubofmozambique.com

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