



REGIONAL TRADE IN EASTERN AND SOUTHERN AFRICA MOZAMBIQUE POSITION PAPER For VC4 – Regional Video-Conferences Program 23 September 2010

Introduction

The agricultural sector is the major employer in Mozambique as around 75% of the labour force works in agriculture. One of the key objectives of the sector is to raise its productivity. The government policies for the sector are various and include for example: expanding the provision of extension services, supplying kits (seeds, fertilizer, and equipment). However, the average consumption for fruits and vegetables in Mozambique is lower than the level recommended by FAO and reaches only 61 kg/capita/year.

Status of regional trade for horticulture

In Mozambique, the largest part of the production of horticulture is marketed domestically (1.2 millions tonnes) while the exportations (total 28.350 tonnes) are mainly destined to the South African market (26.594 tonnes) which is a key partners for all Mozambican trade activities, and subsequently to the European market (2.543 tonnes). Tables 1 and 2 present the repartition of the horticultural production.

Table 1: Mozambican exports of horticultural products (Estimate 2009):

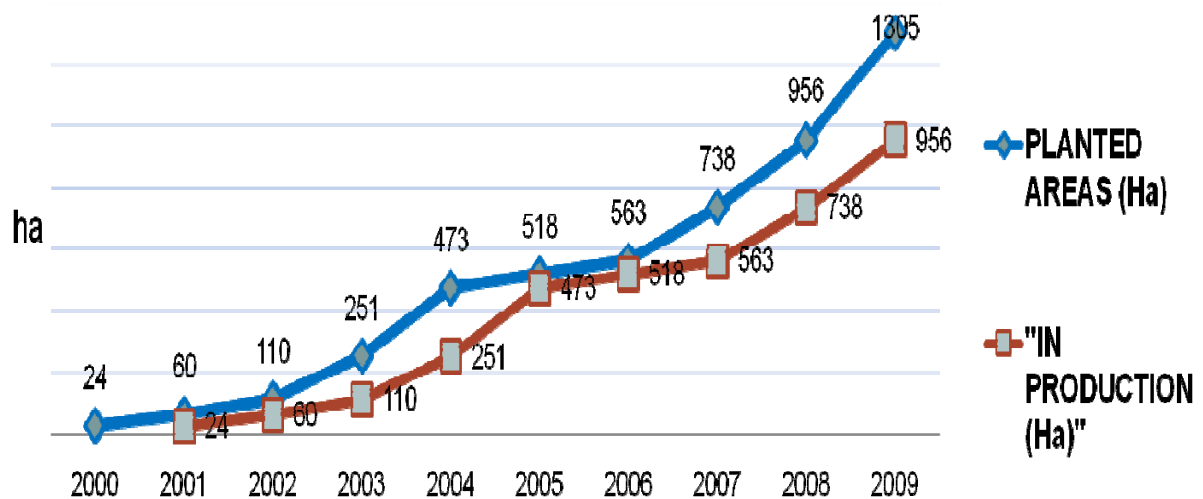
		Tonnes	USD FOB
South Africa Market	Bananas	26.000	7.800.000
	Mangos	400	300.000
	Other fruits	150	112.500
	Vegetables	44	121.880
	Total	26.594	8.334.380
EU Market	Grapefruit	1.100	550.000
	Vegetables	1.043	6.237.140
	Paprika	400	500
	Total	2.543	6.787.640
	Total Export	28.350	15.122.020

Table 2: Mozambican national consumption of horticultural products (2006):

	Tonnes	USD millions
Supermarkets	2.000	1
Hotels	2.500	2
Restaurants	5.200	4
Wholesalers	95.000	60
Other informal markets and own production	1.095.300	818
TOTAL	1.200.000	885

The case of Banana Production

Contrary to the general tendency for horticultural products, in the case of bananas, the largest part of the production is exported (73%) while 27% of the production is consumed nationally. This situation can be explained by the segmentation of the national market. In the South the demand from consumers is small and 27% is sufficient. In the North, the company Matanuska produces sufficiently to satisfy the demand and lots of the production is actually put aside as it cannot access international markets. In addition there is an auto restriction of transport of the bananas produced in the North to other regions due to the fear that this will transport the fruit fly to other regions as well. Graph 1 and Table 3 present data on production, consumption and exports of bananas.



Graph 1: Bananas production: planted area and area in production, 2000-2009

Table 3: National consumption and exports of Bananas (2009):

	Export, T	Local Market, T	Total, T	%
FRUTAS LIBOMBOS	8.529	3.121	11.650	35
RIO VERDE	3.602	1.319	4.921	15
LIBOMBOS MACADAMIA	6.339	2.320	8.659	26
AAA ENTREPRISE	0	1.200	1.200	4
PRINSLOO	1.200	400	1.600	5
TROPICAL FRUITS/LANCE	4.860	540	5.400	16
Total	24.530 (73%)	8.900 (27%)	33.430 (100%)	100

Present status of regional trade for horticulture

Trade Organizations and management of regional trade

Several organizations are involved on issues related to trade of horticultural products in Mozambique. Among these organizations there is one regional organization, Southern Africa Trade Hub, and 3 domestic organizations: CTA, FRUTISUL, and GTH. GTH is the working group on horticulture and include the following: Private Sector, Public sector (Ministry of Industry and Commerce, Ministry of Agriculture, INNOQ, IPEX), academic institutions (University Eduardo Mondlane), NGOs (TECHNOSERVE, and SNV) and development partners (FAO, USAID, EU and UNIDO), ,

In addition, several entities are also in charge of trade for domestic and neighboring markets: the Ministry of Industry and Commerce; the Ministry of Finance; the Confederation of Economic Associations (CTA) and the Ministry of Agriculture.

University Faculty / Research Institute

Within the country there is no training education oriented only to the horticulture sector. All agrarian institutes look at agricultural issues in general as can be described below:

- There are at least three different levels of agricultural education institutions in Mozambique, including eight “basic schools,” two vocational agriculture high schools, and three universities (one public and two private). Recently was created the “Polytechnic Universities”, which would be equivalent to the U.S. two-year community colleges:
 - Basic schools serve an important role in supplying agribusiness with individuals who have a basic knowledge of agriculture.
 - The Faculty of Agronomy and Forestry (FAF) offered a five and a half year “Licenciatura” (equivalent to a Bachelor) and now offers a four-year Bachelor of Science degree and a two-year Masters degree. The Masters program allows students to

- specialize in one of four fields: agricultural policy, natural resource management, agribusiness, and rural extension.
- The Catholic University of Mozambique (UCM) was established in 1995 and is based in Beira. UCM established its Faculty of Agriculture and Rural Development (FARD) in 1999 in Cuamba in Niassa Province. It offers a Bachelor of Science degree in general agriculture.
 - The Islamic University *Mussa Bin Bique* (MBB) was established in 2000 and is presently located in a house in the city of Nampula. It will offer a Bachelor of Science degree based on a first, remedial year plus a four-year curriculum. It offers two degree programs, one in business and the other in agriculture.
 - The *Instituto Agrário de Chimoio* (IAC) was established in the late 1960's by the Portuguese as a technical high school.
 - There is a second *Instituto Agrário* located in Boane, Maputo Province with almost the same characteristics as IAC.
- Recently (4 years ago), USAID launched a training program support where students are sent to Costa Rica at the EARTH University. The EARTH University model was originally established with USAID support and USAID have also provided significant support to ZAMORANO (Honduras) also known as the Pan American Agricultural School, or PAAS Universities in Central America, for several decades. These Universities provide modern agricultural and agribusiness skills training, both in a classroom and in a practical field setting, using techniques that promote initiative, responsibility, and self-confidence.
 - The Mozambican Agrarian Research Institute (IIAM) is involved in research on the sector but the results are limited by a lack of coordination with organizations.

Current donor assistance in the area

The sector beneficiaries from donors' support:

- The US Government (USAID, USDA) support the sector through projects such as AgriFUTURO with the aim to develop agribusiness services within its value chains which includes horticulture.
- The World Bank is the principal source of support, with additional assistance provided by Sweden, Finland, the Netherlands, and to a limited extent the Ford and Rockefeller Foundations. Currently, the World Bank is funding the development of a Subtropical Fruit Training Center in Namialo – Nampula.
- UNCTAD also offer support within the scope of the Integrated framework

Opportunities for the Horticultural Sector

Mozambique beneficiaries from a large number of opportunities for its horticultural sector, to name a few:

- The country beneficiaries firstly from a very important availability of land.

- The country has a tropical climate and can produce tropical fruits during the winter season of the northern hemisphere. The climate also allows Mozambique to grow crops such as squash and melons during the southern African winter (June to September); to supply mangoes and litchis during the Middle East winter – products which could reach in the longer term India and Southeast Asia, provided appropriate varieties are grown. The temperatures at Chimoio are neither cool nor constant enough for year-round production of the more profitable high-value air freighted products such as roses, beans, and peas.
- High-quality grapefruit can be grown in Mozambique. Currently Japan is the highest priced market, but can only be accessed if the necessary phytosanitary protocols, trading agreements, and port-side cold sterilization facilities are put in place.
- The Government and donors support the horticultural sector. They are supporting the development of human capacity, through the training center for example. An outgrower scheme is in place to expand the production of some crops (for instance chilli). The Government is also opening space for companies such as Chiquita/Matanuska for Banana production.
- In Mozambique the access to finance for agriculture promotion has emerged.
- There have been major investments on infrastructures such as roads and bridges as well as communication.

Constraints for the Horticultural Sector

Despite the positive benchmarking analysis, it should be noted that recent horticultural export investments are not yet making significant profits.

The reasons include:

- Most businesses are new and still building up their production.
- Financing for investing in export horticulture has been difficult to obtain.
- Mozambique's banks are wary of investing in agriculture.
- Excessive delays in the transport of the products to destination. Transport to the Market with temperature variation in field affect the life of the crop and can decrease its quality. For example, Manica province does not have easy access to direct flights to Europe and the products are trucked to Harare, which adds time and cost.
- There is a lack of information on administrative arrangements for importing.
- Land with irrigation because of crop rotation.
- The Meticais had known a sharp depreciation in the last year.
- The production can sometimes miss in quality due to changes of weather (high temperature affect).
- Producers are faced with the difficulty of having to fulfill trade restrictions and prohibitions. Standards and SPS requirements require for example knowledge, capacity and financing,
- Risks related to production are a key in country like Mozambique prone to natural disaster (Vanduzi has crop insurance from Alliance).
- Electricity is a priority.

Conclusion

In conclusion, it appears that a potential exists in Mozambique for larger horticultural production and exports. To reach this potential, it is important to create financing for the necessary

development functions (e.g., market and product research, establishment of effective out-grower networks). There is also a need for mechanisms to reduce investments in on-farm infrastructure and establishing long-term credit with grace periods to encourage investment in tree crops. Information on South African rules and regulations has to be improved (will be addressed in the “how-to” exporter’s guide being prepared by the Southern Africa Trade Hub). The relations with commercial buyers in the importing country should be improved. Finally, it is also necessary to secure investment capital, specialist knowledge, and market links.