



REPUBLIC OF MOZAMBIQUE  
**External Market Task Force**

**External Market Study No. 3**

**STUDY ON THE EXPORT MARKETING  
PROSPECTS OF SIX SELECTED  
MOZAMBIKAN COMMODITIES FOR THE  
SOUTH AFRICAN MARKET**

**MAIN REPORT**

**External Market Task Force**

National Directorate of Trade (DNC) of the Ministry of Industry and Trade (MIC)  
Office for the Promotion of the Commercial Agricultural Sector (GPSCA) of the  
Ministry of Agriculture and Rural Development (MADER)  
Institute for Export Promotion (IPEX)  
Confederation of Economic Associations of Mozambique (CTA)  
National Institute of Standards and Quality (INNOQ)

Supported by the EC/FAO Facility for the Provision of Consultancy Services and  
the Marketing Management Assistance Project MIC/FAO/EC

**Maputo**

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## PREFACE

The External Market Task Force is an inter-ministerial body that is currently coordinated by the National Directorate of Trade (DNC) of the Ministry of Industry and Trade. Members of the External Market Task Force are the Office for the Promotion of the Commercial Agricultural Sector (GPSCA) of the Ministry of Agriculture and Rural Development (MADER), the Institute for Export Promotion (IPEX), the Confederation of Economic Associations of Mozambique (CTA), the National Institute for Standards and Quality (INNOQ), as well as some NGOs and co-operatives active in the area of market and trade development. The External Market Task Force is receiving support from the EC/FAO Facility for the Provision of Consultancy Services and the Marketing Management Assistance Project (MIC-FAO-EC).

The aim of the External Market Task Force is to contribute towards identifying and, to the extent possible, realizing the market potential for a number of Mozambican agricultural commodities at various sub-regional and international markets. So far, limited research has been conducted on the potential foreign market opportunities for Mozambican products. Hence, taking into account the increased potential offered by existing Trade Protocols and preferential trade schemes, the Task Force intends to fill this gap and provide up-dated and detailed information on external market opportunities for traditional and non-traditional Mozambican products.

South Africa represents the most important agricultural commodity market in Southern Africa and is Mozambique's main trading partner. However, given its current negative trade balance, it is crucial for Mozambique to explore ways of increasing its exports to this market.

This study presents the results of a detailed market analysis of the market opportunities in South Africa for selected Mozambican agricultural commodities, i.e. cassava, bananas, ginger, beans, groundnuts and honey which were identified by the Task Force.

Prof. André Jooste and Ms. Corné Dempers of the Centre for International Agricultural Marketing and Development (CIAMD), University of the Free State, Bloemfontein, and Mr. Warren Smith, Senior Member, Export Trade Services, Southdale, conducted the South African study part and were responsible for preparing the final report, while KPMG Mozambique undertook the Mozambican study part. The EC/FAO Facility for the Provision of Consultancy Services provided financial and the Marketing Management Assistance Project MIC/FAO/EC technical support for the overall implementation of the study.


José Egídio Paulo  
National Director Trade  
Coordinator, External Market Task Force

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**(Under Separate Cover)**  
**SIX product reports**

<p><b>Cassava</b>      <i>Fresh</i></p> <p><b>Bananas</b></p> <p><b>Ginger</b></p> <p><b>Beans</b>              <i>Cow Peas</i>                             <i>Dried Beans</i></p> <p><b>Groundnuts</b>      <i>Small</i>                             <i>Large</i></p> <p><b>Honey</b></p>		<p><b>All 6 product studies presented under separate cover.</b></p>
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## 1. Introduction

In recent years Mozambique has made considerable progress in restoring agricultural production, up to the extent that it is now able to satisfy its basic food needs as well as produce surpluses for potential exports. Until recently, it was still relatively easy to absorb the production of surplus maize, both on the domestic market as well as for export to neighbouring countries given continuing supply shortfalls in these countries, notably in Malawi. Developments during the last marketing seasons, however, have clearly demonstrated the *instability* of the maize market as sub-regional production from one year to another shows considerable swings and hence affects price levels and market opportunities.

Apart from the above maize successes, a number of other initiatives have been started during the last years to promote an effective diversification of agricultural production. Until now, these initiatives have not yet had a significant impact on farmers' incomes.

Mozambique is a signatory to the SADC trade protocol, and also a beneficiary of the recent trade preference concessions of the European Union (i.e. the EBA initiative "*Everything but Arms*") and the *Africa Growth Opportunity Act* (AGOA) from the United States. It is quite probable that these opportunities will have a limited duration and hence the need for Mozambique to exploit them as soon possible. The need for detailed information about these target markets is clearly necessary if Mozambique is to prepare itself for export opportunities in these regions.

It is against this background that the External Market Task Force (EMTF) was reinitiated in 2001 to provide a public-private platform to consider ways and means of promoting the export of traditional and non-traditional agricultural commodities. This study is an outflow of their initiatives and focuses on SIX agricultural products. The complete report consists of a "*Main Report*" and 6 individual product reports. The "*Main Report*" covers general and common factors relating to Mozambique and South Africa, as well as factors common to all six products.

Section 2 of the "*Main Report*" briefly relates the background to the study, i.e. how the study originated and why the specific products were chosen. Section 3 of the "*Main Report*" provides a short country profile relevant to this study.

In Section 4 of the "*Main Report*" an overview is provided of the relative competitive position of the products investigated. This includes (i) an explanation of the costs of delivery and the concepts of '*consolidation points*' using 20' shipping containers with delivery by *marine* as well as *overland* transport logistics, (ii) the assumptions underlying the competitiveness estimations and (iii) a general discussion of the ability to compete. In Section 5 general conclusions are drawn and recommendations are made.

The individual product reports should be read in conjunction with the "*Main Report*." Each product study reports on the Mozambique/South Africa market chain vis-à-vis the following: supply and demand, prices, trade, regulations (imports into South Africa), a SWOT analysis and pricing and logistics analysis followed by conclusions and recommendations for action. A list of contacts that contains prospective buyers and agents is also included. A delivery costing program written in MS Excel accompanies each report and is structured so as to accommodate fluctuations in prices. All costs are calculated according to the principles defined in the International Chamber of Commerce (ICC) INCOTERMS 2000®.

## 2. Background

### 2.1 *The External Market Task Force*

The External Market Task Force in Mozambique is a joint exercise of the National Directorate of Trade (DNC) of the Ministry of Industry and Trade (MIC) and the Office for the Promotion of the Commercial Agricultural Sector (GPSCA) of the Ministry of Agriculture and Rural Development (MADER), with support from the EC-Delegation and the MIC/FAO/EC Marketing Management Assistance Project. Apart from these institutions, the Task Force also comprises representatives from the Institute for the Promotion of Exports (IPEX), the Confederation of Economic Associations of Mozambique (CTA), the National Institute for Normalization and Quality (INNOQ), as well as some NGOs and co-operatives active in the area of market and trade development, e.g. TecnoServe and FrutiSul.

### 2.2 *Focus and objectives of this study*

This study is primarily directed at SIX traditional Mozambican agricultural commodities and, initially, targeted at the geographically nearest and economically most promising export market with which Mozambique has a considerable negative balance of trade, i.e. the Republic of South Africa. (*Although the EMTF has also targeted Malawi, this study focuses only on the Republic of South Africa.*)

In 2001 a *Rapid Market Appraisal* was completed and studied seven commodities to establish the market potential for exporting to the South African market. The commodities that were investigated in June/July 2002 included Honey, Beans, Ginger, Cassava, Paprika, Sweet corn and Banana. From this *Rapid Market Appraisal* the External Market Task Force decided that Honey, Beans, Ginger, Cassava and Banana warranted further analysis. Groundnuts were added to this list of commodities.

The primary objective of this study is to develop a detailed analysis of, and gather up-to-date information on, markets for these agricultural commodities for export from Mozambique to South Africa. Apart from supplying useful elements for private sector investment and marketing decisions in the commodity and upstream sub-sectors, the studies will also enable other institutions, such as banks and government, to develop informed strategies and activities in support of these sectors. In short, the studies will be expected to provide a clear and detailed picture of the current market situation and potential for the selected commodities to get access to and/or expand its presence on these markets.

Obviously, in view of the implementation of the SADC Free Trade Protocol, specific attention is paid to assessing the market potential afforded to Mozambican products by this trade agreement. All market preferences need to be exploited.

### 2.3 *Methodology*

The EMTF appointed two groups of consultants to perform this study, which was done in two parts:

### 2.3.1 Mozambique supply market

This part of the study was done by KPMG in Maputo and forms the basis for the report findings for the Mozambican product supply, demand, price, trade and logistics infrastructure.

### 2.3.2 South African import market.

This part of the study was done by the South African team of Prof André Jooste, Mr Warren Smith and Ms Corné Dempers (All specialists in the field of international marketing and industry analysis). They also took responsibility for collating the KPMG, Mozambican information with the South African information and the compilation of the final report.

In both cases the study groups sourced information of a *qualitative* and a *quantitative* nature as follows:

- Using the Harmonised System (HS) of trade classifications, published import/export trade statistics were investigated and reported on.
- Also using the Harmonised System of trade classifications, the import tax structure in South African Customs Act No 91 of 1964 (*Mutatis Mutandis*) as well as the SADC trade protocol benefits were investigated and reported on.
- Statutory controls and ruling legislation on the quality and product standards of all six products were researched using all the documented material available in South Africa and Mozambique.
- The transport infrastructure in Mozambique and South Africa was researched and existing transport service companies were invited to quote on providing a service to Mozambican exporters as well as to South African importers.
- Experts in the marketing of the target products were interviewed in person and by telephone. Their experience and advice are recorded as part of this report.
- The South African Fresh Produce Market, wholesalers, retailers and prospective/possible importers were also canvassed for their professional opinions and their interest in being potential buyers of the targeted products.

Information was collected from secondary sources, through the use of several reports and the database available from MADER, Department of Early Warning, Department of Economy, visits to Maputo, Zambézia and Manica Provinces, followed by informal interviews focusing on the six products and from consultants' experience and knowledge of the country, especially in subjects pertaining to farming systems, production and local storage on the major food crops (cassava, beans and groundnut). This process of information-gathering and dissemination took place in written form, as well as in three seminars and served the purpose of guiding the consultancy groups in the direction of the research and presentation. Cognisance should, however, be taken of the fact that certain information for Mozambique was not available (see Appendix E) and would require further research that falls beyond the scope of this study. For example, there is no official data related to commercialisation of the different products from Mozambique. For this reason,

the study has presumed that the base prices will be the prices of the products at the various consolidation points (to be discussed in section 4). Thus, it is assumed that these prices at the consolidation points include all local marketing costs from the farm to the consolidation point, such as collection of the products from the producers, packaging the product for transportation to the consolidation point and for export, transportation of the product to the consolidation point, product losses, storage costs, processing costs, capital costs, taxes and other non official payments. It is therefore imperative that every exporter provides for these costs when estimating the potential price of a product at the consolidation point.

### 2.3.3 Exchange Rates

Vitally important for a study of this nature is the exchange rate. The reason for this is that cross-border prices are primarily derived from value of one currency against the other. The ZAR/USD exchange rate has been quite volatile over the last year. Using the official South African Customs and Excise published exchange rates for the period of the study, from 01 June 2003 to 30 September 2003, the average USD/ZAR exchange rate was USD1.00 = ZAR7.30. In more recent months, the South African Rand has strengthened somewhat, hence for the purposes of this report, the average exchange rate for the period, 01 October 2003 to 31 December 2003 also taken from the official South African Customs and Excise published rates, i.e. **USD1.00 = ZAR 6.50.**

The exchange rate for the Mozambique Metical (MZM) to the USD is based on the exchange rate during the period of the study, from 01 June 2003 to 30 September 2003. This was **USD1.00 = MZM 24 050.**

Working with the parity of these two currencies, the exchange rate for the ZAR to MZM would be **ZAR1.00 = MZM 3 700.**

### 2.4 Timetable

The initial plan was to start the project with a seminar on 01 June 2003 and complete it with a final seminar on 30 September 2003. One interim progress seminar was planned for July 2003.

The first seminar was held in Maputo on 10 June 2003 and focussed on gathering support and direction for the study from all the participants in the project.

The second progress seminar was held on 31 July 2003.

The third and final seminar was held on 30 September 2003. At this seminar the findings of the consultants were presented to the EMTF and other group participants.

At this seminar, working groups broke away and discussed future plans that could be implemented with regard to the suggestions arising from the seminar.

### 3. Country profiles relevant to the study

#### 3.1 Mozambique

Mozambique covers a geographical area of 790,380 square kilometres (km<sup>2</sup>) with about 2,500 km of coastline in South-East Africa. It is located between the latitudes of 10° 27' and 27° 00'S, and between the longitudes of 30° 12' and 40° 51' E Greenwich.

The country is well suited for the development of agriculture, forestry and fishing, energy, and tourism. Its position on the coast allows Mozambique to serve as a desired port for land-locked countries like Malawi, Swaziland, Zimbabwe, Zambia as well as for South Africa. Maputo, in the country's far south, is the capital city.

##### 3.1.1 Economic Performance

The economic environment discussed in this section presents an overview of Mozambique's economy with particular attention to GDP growth/contribution, inflation, interest rates, banking/financing, and exchange rates (MZM/USD, ZAR/MZM) and agriculture. It also analyses the regulatory environment paying specific attention to institutional landscape (functions), export regulations and restrictions, standards compliance (agencies policing standards), export promotion and support facilities. It provides detailed information for specific crops in the context of supply chain analysis.

The economy is still constrained by a number of factors among them a limited private sector capacity, high levels of unemployment, weak public institutions, high dependency on foreign aid, and natural disasters.

However, macroeconomic stability has been the major achievement of the country's economy over the past decade (Table 1). The government embarked on structural reforms, which have increased investments, leading to an annual economic growth of about 8.7% per year from 1997 until 2001. This estimate compared to 5.5% between 1987 and 1996 is quite an achievement. In fact, in 2001, annual economic growth was estimated at 13.9% with the GDP reaching USD 3.6 billion. At this GDP level, growth on per capita basis was estimated at 11.8%. These estimates were the highest for the last 20 years.

**Table 1: Mozambique Key Macroeconomic Indicators**

Indicators	1981	1997	2000	2001
	Annual %			
Economic growth	1.2	11.1	1.6	13.9
Private Consumption	-0.2	3.9	-4.3	-2.2
Domestic Prices				
Consumer prices	4.2	33.3	12.7	9.0
Implicit GDP deflator	4.1	9.5	11.7	11.3

Source: The World Bank Group, and Mozambique at glance, Internet services, 2003.

While in the 1990s the economy was mostly swamped by hyperinflation (about 50% p.a. in 1996), the country has managed to drop inflation to single digits, achieving 9% p.a. in 2001. These apparent achievements depend on substantial foreign assistance, which since 1986 has

amounted to about US\$600 million per year or about 17% of country's GDP. Despite the late developments in the financial sector, this is still considered as inefficient, particularly with respect to financing investment.

At the sectoral level, Mozambique has a relatively diversified economy compared to a number of other countries in sub-Saharan Africa. As Table 2 shows, in 1997 the major sectors contributing to the overall economic performance were agriculture (37.2%), industry (18.2%), and services (43.9%). This picture has changed slightly in 2001 with a relative decline of the agricultural sector contribution to GDP since 1997. This decline is a result of a substantial increase in the contribution of the service and industrial sectors. The turn around in the agricultural sector supremacy in the contribution to GDP has been mostly geared by large investments, such as the Mozal aluminium smelter in 2000 with its small and medium-sized enterprise empowerment and linkage program (SMEELP).

**Table 2: Mozambique's Economic Structure**

Sectors	1981	1997	2000	2001
	(% of GDP)			
<b>Agriculture</b>	35.1	37.2	24.4	22.0
<b>Industry</b>	33.8	18.9	25.1	25.8
<b>Manufacturing</b>	...	9.2	12.6	11.5
<b>Services</b>	31.1	43.9	50.5	52.2

Source: The World Bank Group, and Mozambique at glance, Internet services, 2003

### 3.1.2 Regional delineation and agricultural performance

The agricultural sector in Mozambique is made up of predominantly smallholders or 'sector familiar.' This *sector familiar* (family sector) is responsible for nearly all agricultural production, including cash crops. Agricultural production is the main, and likely also the secondary activity for almost 90% of the rural population above 10 years of age. A recent agricultural and livestock census indicated that agriculture is a principal activity for 66% and a primary activity for 24 per cent of household members engaged in rural areas<sup>1</sup>. Of vital importance for gender oriented poverty reduction strategies is the fact that agriculture is also a principal activity for 75 per cent of the women, most of them 20 years old or older. Until recently, agriculture has been the most important sector from the Balance of Payments perspective. Mozambique growth prospects depend on the development of the agricultural sector. Table 3 presents a summary of population densities and the cultivated area as percentage of total area at provincial level.

<sup>1</sup> INE/MADER (2002) "A Thematic Analysis of Mozambique's Agricultural and Livestock Census, 1999-2000".

**Table 3: Population Densities, and Cultivated Area by Province in Mozambique, 2000-2001**

PROVINCES	Population Density (Hab/Km <sup>2</sup> )	Cultivated Area (%) <sup>2</sup>
Niassa	6.2	1.9
Cabo Delgado	16.4	4.8
Nampula	37.8	9.4
Zambézia	28.1	5.3
Tete	11.3	3.9
Manica	15.6	4.9
Sofala	19.1	4.1
Inhambane	16.4	6.0
Gaza	14.0	6.1
Maputo Province	35.6	5.1
Mozambique	-	4.9

Source: CAP 1999-00

Mozambique regional analysis of the agricultural production is often grouped into three regions. The grouping is based on agro-ecological, farming systems and socio-economic characteristics of each region also taking into account differences at the district level. These three regions are as follows:

**The Northern Region**, including the provinces of Niassa, Cabo Delgado, Nampula, and Zambézia<sup>3</sup>, represents over 52 per cent of Mozambique's population, almost 40 percent of it in Nampula and Zambézia provinces. The region includes also the least populated province of Niassa with about 6 Hab/Km<sup>2</sup>. The northern region is a high potential area for Mozambican agriculture. Currently, the region holds about 21.4 per cent of total cultivated area (see Table 3). The main crops are maize, sorghum, rice, cassava, groundnuts, cotton, tea and cashew. Slash-and-burn with long fallow periods between crops is a common practice in the family sector farming system. Most of the country's surplus maize production and cash crop production comes from this region. In terms of poverty, 29.3 per cent of the country's poor families are located in this region where poverty incidence is about 66.3 per cent.

**The Central Region**, including the provinces of Tete, Sofala, and Manica, represents about 22 per cent of the country's total population, with very low densities in most of Tete, central Sofala and Manica. Soils are in general good with some drought prone areas such as Southern Tete, and floods affecting few other areas in Sofala. The main crops are maize, beans, cassava, and potatoes. The western parts of Sofala and eastern Manica are also important for cotton production, whereas southern Sofala is key for sugar cane production. This region holds the highest proportion of the national poor (about 45.3%), with incidence of poverty reaching 73.8 per cent.

**The Southern Region**, including the Southern districts of Manica<sup>4</sup> and Sofala<sup>5</sup>, and the provinces of Gaza, Inhambane, and Maputo, is the home to around 24.9 percent of the total population, with high densities along the coast and very low densities in most of Gaza and Inhambane. The region suffers from a chronic food-deficit due mainly to agro-ecological conditions. According to the Early Warning System (EWS) of the Ministry of Agriculture and Rural Development (MADER),

<sup>2</sup> These numbers are percentages calculated as ratio of recorded cultivated land area on total surface of the province.

<sup>3</sup> Zambézia is sometimes found included in the central region.

<sup>4</sup> Machaze district.

<sup>5</sup> Machanga and Chibabava districts.

the areas with the highest probability of drought<sup>6</sup> are in Gaza, Inhambane, Maputo and the South of Tete. In 8 out of 10 years, these provinces have Water Requirement Satisfaction Indexes (WRSI) below 60 per cent, insufficient for normal cropping conditions.<sup>7</sup> This factor in combination with a lack of appropriate technology, and socio-economic development has resulted in productivity levels well below the national average. As a response to natural unfavorable conditions, farming systems in the region reflect complex agro-pastoral strategies whereby rural farmers hold several plots of land and cattle production. Cash crop production (cashew, copra, sugar) is important along the coast. Poverty affected population is 23.6 per cent of the national poor, with a poverty incidence of 65.8 per cent.

Across all regions, production systems are mostly rain fed with very little use of modern inputs. As a result, there is large uncertainty and variability in the supply of food and cash crops. These factors also contribute to low and variable rural incomes that render a large portion on the population vulnerable. The products that are the focus of this study are produced across all ten provinces. Table 4 shows the spread for all six products investigated.

**Table 4: Produce distribution in Mozambique**

Commodity	Province
Bananas	Maputo Manica
Dried Beans	Zambezia Tete Sofala Niassa Nampula Manica Cabo Delgado
Cow Pea	Zambezia Sofala Nampula Manica Inhambane Cabo Delgado
Cassava	Maputo Manica Inhambane Gaza Nampula Zambézia Tete Sofala Niassa Cabo Delgado
Ginger	Manica Maputo Nampula Zambezia
Groundnuts Large	Cabo Delgado Manica Nampula Zambezia
Groundnuts Small	Cabo Delgado Manica Nampula Zambezia
Honey	Manica Maputo

<sup>6</sup> Usually, accumulated precipitation has been below 500 mm.

<sup>7</sup> Rojas, O. (1996) The Climatic Impact on Maize Production in Mozambique: Sensitivity Analysis and Scenarios 1978-1995, Maputo: MAP.

### 3.1.2.1 Trends in Agricultural Production

For most agricultural crops, aggregate output has not grown over independence levels (year 1975). However, certain stability in cereal production has been achieved. Although marketing statistics are lacking – except for formal exports (Table 6 and 7) – there seems to have been an improvement in some areas.

**Table 5: Mozambique Agricultural production of selected Key Crops, 1997-2002**

Products	Production				
	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002*
Maize	1,123,700	1,246,077	1,018,860	1,143,263	1,235,658
Millet	317,100	326,351	252,026	313,787	314,136
Sorghum	53,300	61,278	45,949	61,602	55,760
Rice	191,200	186,086	157,936	166,945	167,925
Beans	191,100	188,589	141,343	153,825	177,356
Groundnuts	142,800	147,002	115,684	109,175	109,787
Cassava	5,639,000	5,552,928	5,352,755	5,974,594	5,924,550
Raw cashew nuts	51,716	58,720	52,608	52,088	50,177
Cotton	91,088	116,716	35,365	71,048	na
Cotton fiber	31,007	35,746	12,200	23,500	na
Milled cane	na	369,000	470,000	387,276	983,527
Sugar	na	39,000	51,000	39,035	104,958
Melaço	na	14,000	20,000	15,844	33,472

\* Estimates

na = not available.

Note: This table does not reflect all the commodities that are included in this study. Such information are discussed in the individual product reports.

Sources: INE, CWG, INCAJU, IAM, INA, SNAP e MIC.

The first surplus of maize was in the Northern region in the 1997/98 marketing season. Despite this, many districts in the country still face problems in terms of accessing the market due to poor rural infrastructures. In some districts in the Southern region, smallholders continue to attempt agriculture even in areas where production prospects are marginal. The regional dimensions, i.e. the location of farmers in respect of neighboring countries, are vitally important in terms of marketing, i.e. Malawi for the Northern region.

To address these many concerns, the government started an agricultural investment program (PROAGRI) in 1999, which has mainly addressed institutional constraints. The second phase of PROAGRI is now under preparation and its aim is to focus on government's long-term goal of increasing agricultural production to reduce rural poverty while striving to protect the natural resource base.

### 3.1.3 Trends in Trade

Table 6 shows imports and exports for selected products. Exports of goods and services more than doubled, but from a very low base. The growth in exports is also reflected in its contribution to GDP since 1981. Imports, on the other hand, has also grown, but not at the same rate and from a relatively high base.

**Table 6: Mozambique's Trade Indicators, 1981-2001**

Indicators	1981	1997	2000	2001
<b>Goods and Services</b>	(% of GDP)			
Exports	8.0	11.3	12.3	21.7
Imports	...	30.8	40.0	44.0
<b>Goods and Services</b>	(USD Millions)			
Exports	281	162	364	704
Cashew	55	61	28	31
Prawn	52	16	69	81
Manufactures	...	40	14	15
Imports	...	791	1,162	1,117
Food	...	...	87	72
Fuel	...	...	44	41
Capital goods and Mozal imports	...	...	410	396

Source: The World Bank Group, and Mozambique at glance, Internet services, 2003

Table 7 shows the exports of selected agricultural commodities. For cashew nuts, cotton fiber, groundnuts, beans and sugar exports remained relatively stable, except for beans and sugar that experienced a surge in exports in 2002. Exports of maize and cashew kernels show a relatively high degree of volatility.

**Table 7: Mozambique Agricultural Exports of Selected Key Crops, 1997-2002**

Products	Exports					
	1997	1998	1999	2000	2001	2002*
Maize total	50,350	120,000	120,000	30,000	25,000	200,000
Maize (formal)	na	40,300	na	na	13,036	35,000
Rice	0	230	0	0	30	na
Beans	500	669	550	550	671	1,200
Groundnuts	10,000	12,000	10,000	10,000	12,000	10,000
Cassava	0	0	0	0	na	na
Raw cashew nuts	16,680	31,104	30,391	28,537	27,549	37,000
Cashew kernels	3,910	4,889	2,402	3,174	340	1,200
Cotton fibre	28,205	35,194	11,593	22,500	23,288	25,000
Sugar		20,442	20,000	21,000	14,000	58,000

Sources: INE, CWG, INCAJU, IAM, INA, SNAP e MIC

\* Estimates

na= not available

### 3.1.3.1 Export Promotion in Mozambique

For the government of Mozambique an increase of exports is one of the main economic priorities. In 1998, the government initiated a process of simplifying its export control mechanisms in order to attract more companies into exports and enhancing its competitiveness in international markets. At this point the Ministry of Trade and Industry through the Export Promotion Institute (IPEX) is responsible for all export promotional activities.

IPEX is a state department created in 1990 with the mission of promoting exports and coordinating implementation of policies aimed at developing exports from Mozambique. It participates in the promotion of export-oriented production in Mozambique by coordinating the state-facilitating role in the search of external markets for Mozambican products. IPEX also provides specialized trade information to the export community and to foreign importers of

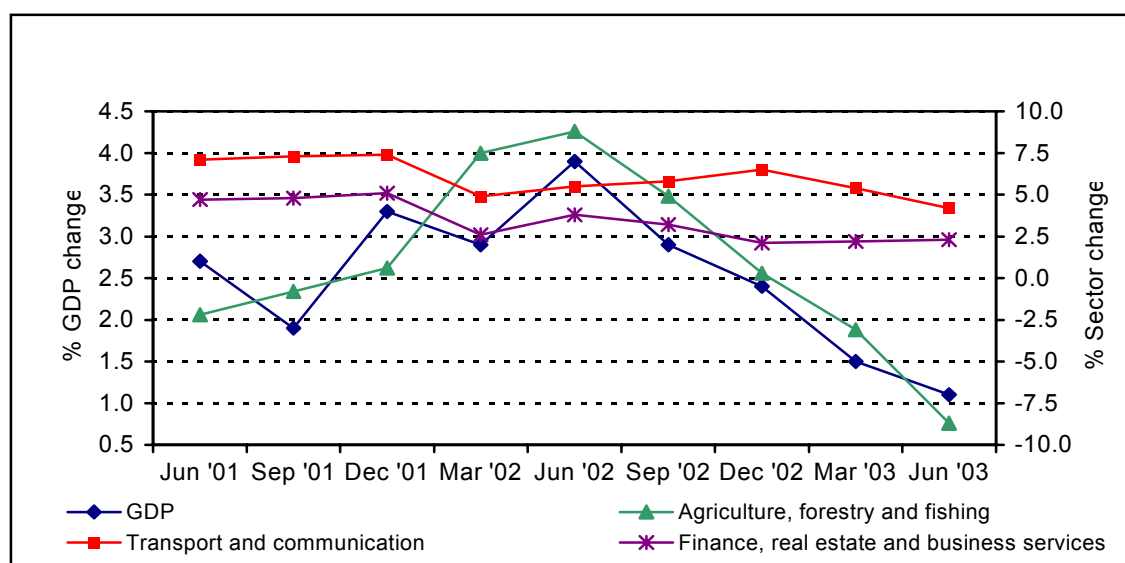
Mozambican products. These activities are undertaken within the trade information centre, which has a library and a computerized information system on international trade.

Other activities include identifying export markets, organizing trade missions both within and outside Mozambique, collaborating with other organizations promoting trade, and providing training to potential exporters.

IPEX provides technical assistance (see Appendix A for export procedures), at no cost, to firms involved in international trade. It is only in few instances where there is a symbolic cover charge for services, particularly with regards to international trade fair participation. IPEX is currently represented in Maputo (capital, South), Beira (Centre) and Nampula (North) cities of Mozambique. Its website is: <http://www.ipex.gov.mz>, and can be contacted in its Maputo office at: [ipex@teledata.mz](mailto:ipex@teledata.mz).

### 3.2 South Africa

Figure 1 shows the change in economic growth for South Africa, as well as changes per selected sectors in the economy. It is clear that quarterly GDP growth has slowed down significantly since the middle of 2002.



**Figure 1: Seasonally adjusted real annual change in economic growth per selected sector (quarterly)**

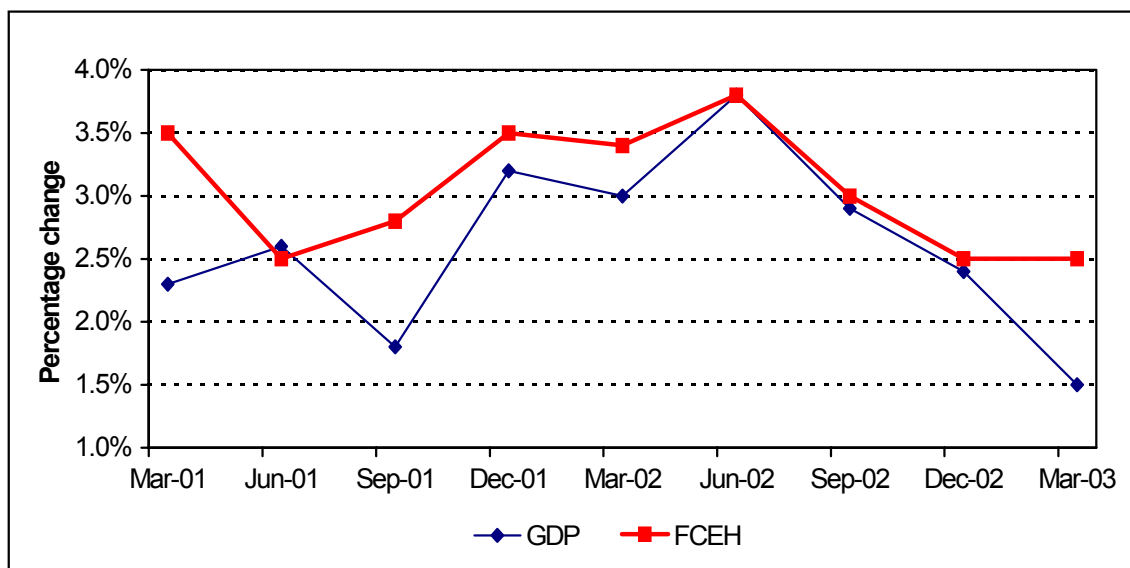
Source: AMT, 2003

The South African economy grew with only 1.1 per cent during the second quarter of 2003 in comparison with an adjusted 1.5 per cent in the first quarter of 2003. Comparing the second quarter of 2003 with the first quarter of 2003, the contribution of agriculture, forestry and fishing to the GDP decreased with 8.7 per cent due to lower production of field crops. Other major contributor to the 1.1 per cent growth were transport and communication, the finance, real estate and business sectors as well as the community, social and personal services.

Figure 2 shows GDP and final consumption expenditure by households (FCEH). There has always been a significant correlation between economic growth and the economic welfare of the

consumer, i.e. the more favorable economic growth, the more consumers have to spend on consumables. Hence, strong economic growth would favor the consumption of agricultural products, especially those with a high income elasticity. The trends depicted in Figure 3 during the latter part of 2002 and the first quarter of 2003 are somewhat concerning from an agricultural product demand point of view.

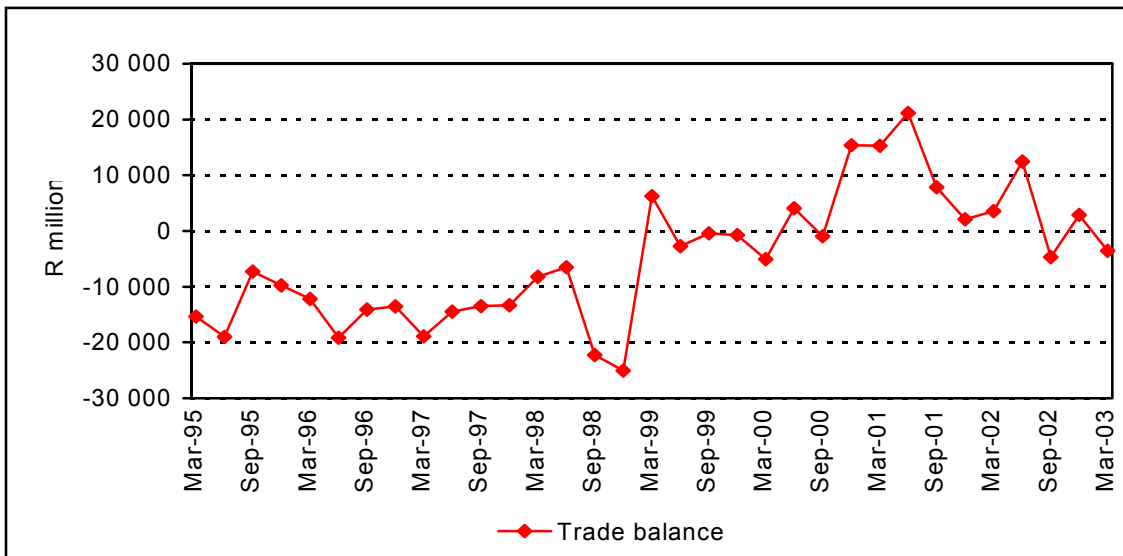
According to reports by commercial banks it is foreseen that the domestic economy might pick up a bit during the latter part of 2003 to record an overall growth rate of around 2.5 per cent in 2003.



**Figure 2: Economic growth (GDP) and Final consumption expenditure by households (FCEH) (Percentage change at seasonally adjusted annualized rates)**

Source: AMT, 2003

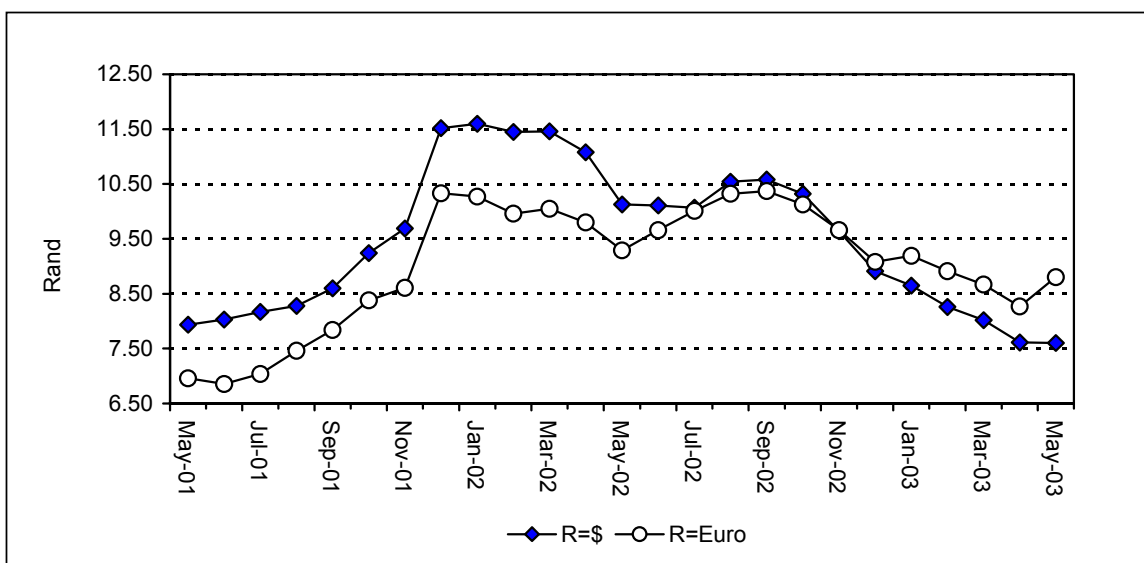
Figure 3 shows South Africa's trade balance. It is clear that it improved significantly since the beginning of 1999 – probably the result of a significant depreciation of the Rand against major international currencies. More recently exports showed a further increase during June 2003, from R22.90 billion in May to R23.90 billion, whilst imports also increased with 4.6 per cent from May's R19.70 billion. This resulted in a trade surplus of R3.30 billion during June 2003. Exporters gained due to the depreciation of the rand during June against most of foreign currencies. The increase in imports was mainly due to lower interest rates that boosted domestic demand.



**Figure 3: South Africa's trade balance seasonally adjusted at an annual rate**

Source: AMT, 2003

Figure 4 shows the value of the rand against the US Dollar and the Euro. After recovering from the significant depreciation in 1998, the rand against experienced a significant depreciation against these currencies at the end of 2001. This was largely linked to the September 11 in 2001 that resulted in global uncertainties. The subsequent war in Iraq did not help the rand either. The latter part of 2002 saw a recovery of the Rand to levels close to that before September 11. If measured against the basket of currencies as measured on trade-weight basis, the rand gained 11.1 per cent in nominal terms during the first quarter of 2003. The reasons for this are, amongst others, confidence in the South African economy and economic growth despite the fact that major economies are struggling. **Expectations** were that the Rand would trade between ZAR7.25 and ZAR9.25 against the Dollar, and between ZAR12.50 and R14.50 against the Pound towards the end of the year.

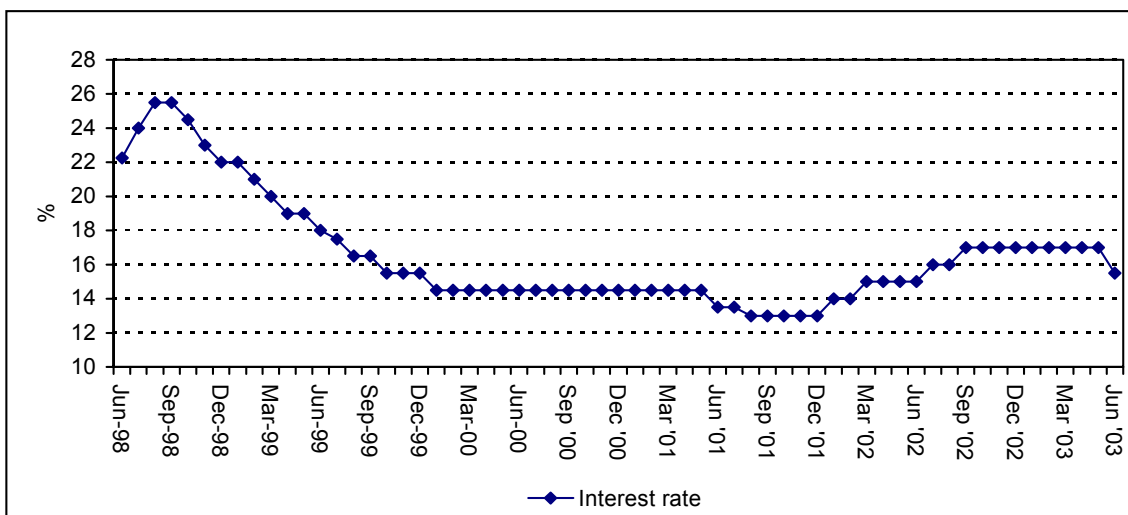


**Figure 4: Monthly R/USD and R/ Euro exchange rates**

Source: AMT, 2003

According to the official published South African Customs and Excise exchange rates, the reality was somewhat different. At the start of the 3<sup>rd</sup> quarter 2003, (01 October 2003) the exchange rate was USD1.00 to ZAR7.04, but the South African Rand strengthened and continued with this trend to the level of USD1.00 to ZAR6.34 before weakening again and then closing the year at USD1.00 to ZAR6.71. The average exchange rate for the period, 01 October 2003 to 31 December 2003 was USD1.00 to ZAR6.50.

Figure 5 shows the fluctuations in the interest since June 1998. With a prime rate of 25,5 per cent at the end of September 1998, most people had difficulties paying their debts. However, the drop in interest rates since then resulted in more favourable circumstances providing consumers, businesses, farmers and agribusinesses the opportunity to service their debts. The up surge early 2002 was a result of the depreciation of the rand against major currencies, which in turn pushed up inflation considerably. The increase in the interest rate was used a policy instrument to correct the increase in the inflation rate. From a farming point of view the latest cut in interest rates came at the right time when commodity prices are low and will alleviate some of the pressure on farmers and agribusinesses to repay debt or to negotiate more favourable lending rates. Further drops in the interest rate could be expected towards the end of the year.

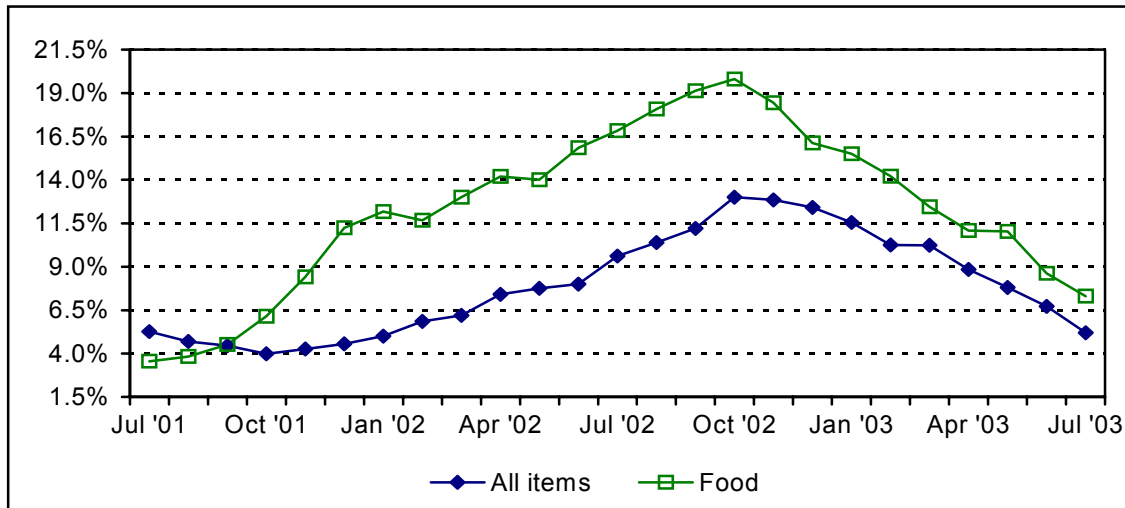


**Figure 5: Monthly prime interest rate**

Source: AMT, 2003

Figure 6 shows the consumer price index for all items and food, respectively. The increase in inflation was mainly fuelled by the depreciation of the exchange rate. The depreciation resulted in significant increases in import parity prices of most food items, but the cognisance should also be taken of the fact that demand and supply conditions for agricultural product also favoured higher prices.

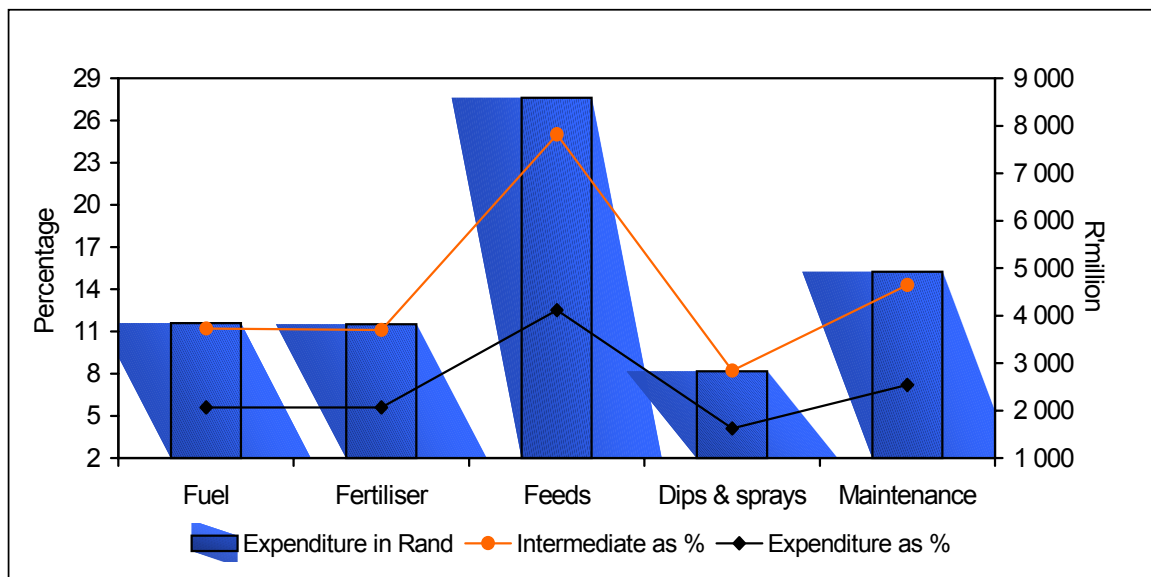
For July 2003 the official inflation rate was 5.2 per cent y/y, which was lower than the 6.7 per cent y/y recorded for June 2003. On a month-to-month basis, the cost of food to the consumer increased with 0.1 per cent during July 2003 whilst it was 7.3 per cent higher than the same time a year ago.



**Figure 6: Inflation - All items and food (year on year change)**

Source: AMT, 2003

Figure 7 shows the most important input cost items in the cost structure of agriculture. Farm feeds remain the biggest expenditure item in the agricultural budget. This may decrease relative to other expenditure items due to the decrease in maize and other field crop prices in 2003. The second biggest expenditure in the budget is maintenance and repairs of machinery and implements. Considering the fact that most vehicle and maintenance parts are imported, prices of these items might only decline once the effect of the stronger rand against foreign currencies surface. Expenditure on intermediate goods and services for the year 2002 is calculated at R34 339 million, which is 22 per cent higher than the previous year, but also higher than the increase in the consumer price index (all items) of 9.2 for the same period. Intermediate expenditure decreased from 53.8 per cent of gross income in 2001 to 50 per cent in 2002 – improving farmers’ cash flow and debt repayment ability. This is mainly a result of high commodity prices in 2002.



**Figure 7: Individual cost item as % of total intermediate costs; Expenditure as % of gross farm income; Expenditure in Rand 2002**

Source: AMT, 2003

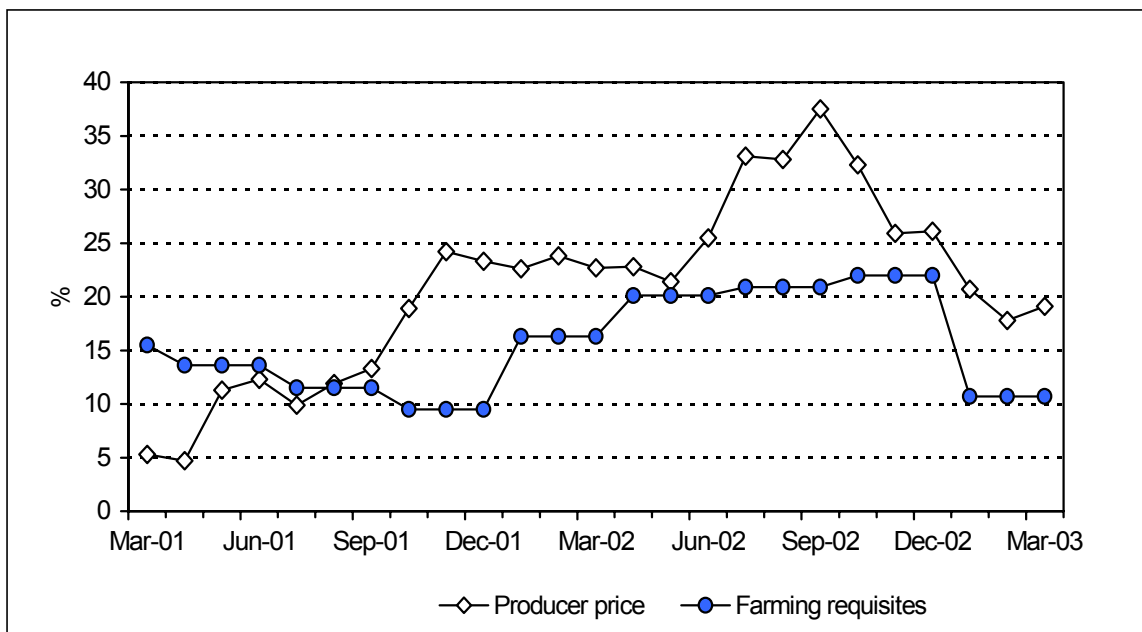
During 2002 total expenditures increased with 22.0 per cent compared with the increase of 12.4 per cent during 2001. The cost items that increased most during 2002 are farm feeds (40.4%), fertilizers (37.1%), seed and plants (19.0%) and fuel (17.7%).

Figure 8 shows the movement in input prices and producer prices in agriculture on a monthly basis. Table 8 gives a summary for the percentage price increases from 2001 to 2002 for inputs and outputs.

The prices received by farmers during 2002 were on average all higher than in 2001, with the largest increase in the price for wool and mohair (64.4%) followed by oilseeds (62.9%) and summer grains (55,4%). During 2003 the situation was much different where prices were under severe pressure in most agricultural sub-sectors.

The prices paid for farming requisites in 2002 was, on average, 20.0% higher than in 2001 with the highest increases recorded for tractors (35.3%) and feeds (34.4%). During the first quarter of 2003, the prices for inputs were on average 10.7% higher compared with the corresponding period the previous year.

It should furthermore be noted that the National Department of Agriculture is currently busy reviewing its farm requisite index. This involves rebasing the index, as well as reconsidering the weight in the index for certain inputs.



**Figure 8: Producer price & Farming requisites prices (monthly % change compared to previous year)**

Source: AMT, 2003

**Table 8: Price changes for major inputs and outputs (2002 vs 2001)**

<b>Item</b>	<b>% change</b>
<b>Input costs</b>	
- Machinery	24,1
- Material fixed improved	13,4
- Intermediate inputs	20,1
*Fuel	6,7
*Fertilizer	26,4
*Feeds	34,4
*Dips/spray	13,6
*Packing material	2,1
*Maintenance	15,2
<b>Producer prices</b>	
- Field crops	34,8
• Summer grains	55,4
• Winter grains	15,0
- Vegetables	40,8
- Fruit	8,7
- Slaughtered	28,1
- Dairy	20,0
- Poultry	16,5
- Pastoral Products	64,4

Source: AMT, 2003

## 4. Logistics and Pricing analysis

This section provides a summary of the findings of the individual products reports. It considers issues important from an export logistics, pricing and regulatory point of view. In order to determine whether producers of the selected commodities can compete in the South African market it is vitally important to first investigate the logistical setup from a Mozambican point of view as this could prove to be a major obstacle to export. In addition, due to a paucity in all relevant data certain assumptions had to be made, e.g. the point from which costing should be done or stated otherwise the identification of consolidation points. It was recognised already in the RMA that exports to South Africa could only be viable if farmers participate jointly, and hence one of the major tasks to accomplish would be the accumulation of commodities at central points for further distribution.

### 4.1 Transport/Delivery Infrastructure

The main constraints for exporting companies in Mozambique have mostly been domestic in nature. These constraints are translated broadly in difficulties in road access, bureaucracy in the customs office, low quality of products due to low technology at the producing level, lack of information and contact with international markets, credit facilities for specific export activities and low promotional efforts. The national roads that are supposed to link the whole country from North to the South are critically constrained by the absence of a bridge on the Zambezi River, making road users dependent on availability of ferryboats, and/or water levels at the time.

Rail connections are only available from the seacoast to hinterland serving mostly countries, such as Malawi through the Nacala Corridor and harbour, Zimbabwe and Zambia through the Beira Corridor and harbour, and South Africa and Zimbabwe through the Maputo Corridor and harbour. Although the corridors are being rehabilitated, they are all focused on transshipment trade to other countries rather than domestic services. This is due to the lack of connecting roads from/to the main producing areas of Mozambique. A number of private companies operate sea freight services from/to Mozambique. For examples of this kind of transport and related costs visit the web [page http://www.mozbusiness.gov.mz/cstcargo](http://www.mozbusiness.gov.mz/cstcargo)<sup>8</sup>.

The aforementioned are major stumbling blocks that create many logistical problems to move agricultural produce from the 'farm' to the domestic markets, let alone export markets. As the focus of this study was on exports from Mozambique to South Africa only transport logistics to South Africa were investigated, i.e. road, rail, air and sea facilities were studied.

The 6 Mozambican ports from south to north and their utilization are shown in Table 9. Due to the comparatively low utilization, the shipping service offered through these ports, although adequate for Mozambique's international trade, is rather limited in its scope and frequency especially for **exports** to South Africa. Import facilities are slightly different.

For example, there is no export service from Maputo to Durban. There is only one service, Mozline, whose ships depart Maputo and call at the northern ports of Beira, Nacala, Dar es Salaam, and Mombasa. The ships then return from Mombasa to Nacala, Beira and proceed directly to Durban. The reason for this is that Maputo rarely has sufficient inducement

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<sup>8</sup> One of the national cargo companies in Mozambique is **MOCARGO** - Empresa Moçambicana de Cargas (main office in Maputo), 430, Rua Consiglieri Pedroso, .P.O Box 888 - Maputo; Tel: 431022/5; Fax: 421438.

cargo to attract vessels on their return voyage (Inducement volumes for Maputo start with at least 20 Full Container Loads - FCL's). The voyage from Maputo to Mombasa and back to Durban takes 14 - 16 days. The only other service is a feeder service for Mozline and they call at Quelimane and Pemba as well.

**Hence the export service to South Africa from Beira, Quelimane and Nacala is workable and economically viable. Exports from Maputo and surrounding areas to South Africa are better served by road or rail transport through the Maputo corridor.**

**Table 9: Mozambique Port Utilization (1000MT p.a.)**

	1995	1996	1997	1998
Maputo	2 625	3 180	3 417	3 469
Inhambane	na	na	na	na
Beira	4 160	4 591	4 708	3 216
Quelimane	160	158	257	300
Nacala	492	423	479	503
Pemba	71	53	103	119

*Comparison: World No 1 - Singapore 335 000 000 MT (Durban 55 000 000MT.)*

Source: UNCTAD (*Ports and Shipping 2003*)

The nature of the products researched does not allow for air transport, and road transport from the more northerly provinces is not economical and hence **not advised**.

As for road transport, North/South road transport routes are inadequate and hence not suggested. West/East routes from inland origins to the ports are better served and therefore the costing of logistical operations is based on the following assumptions:

**i. Harvested produce will be delivered to 10 provincial 'Consolidation Points' (CP's).**

In consultation with logistics companies in Mozambique, one consolidation point per province was chosen and all costings and transport services were established from these points to South Africa. (See Map – Figure 9)

**ii. Only Full Container Loads (FCL) will be shipped.**

This refers to a 20 foot (6metre) shipping container that has a full utilization factor of 20 Metric Tons (Weight) or 26 Cubic Metres (Volume) per shipment, whichever is achieved first. The overall packed (gross) weight of a 20 foot container is not allowed to exceed 24 metric tonnes under South African road transport legislation. After the initial basic packaging, all products would have to be packed into 20 or 40 foot shipping containers. Shipping rates supplied are for 20 foot shipping containers, in Full Container Loads.

**iii. The INCOTERMS 2000 were used as a basis for quotations.**

Although there are 13 internationally accepted terms of delivery defined by the International Chamber of Commerce, only 4 are applicable in this study. (EXW, FOB/FCA, CIF/CIP and EXW) The implications of these terms are discussed in Appendix B and illustrated in Figure B.1.

More specifically, for the transport logistics to be economically viable and due to transport infrastructure limitations, all the growers/associations would have to harvest their produce and

deliver to various centrally located CP's. Once the commodities were delivered to the CP, checked for quality, phyto-sanitary purposes and packed into the respective containers, shipping companies would collect and transport to the nearest customs entry office and effect customs clearance for export to South Africa.

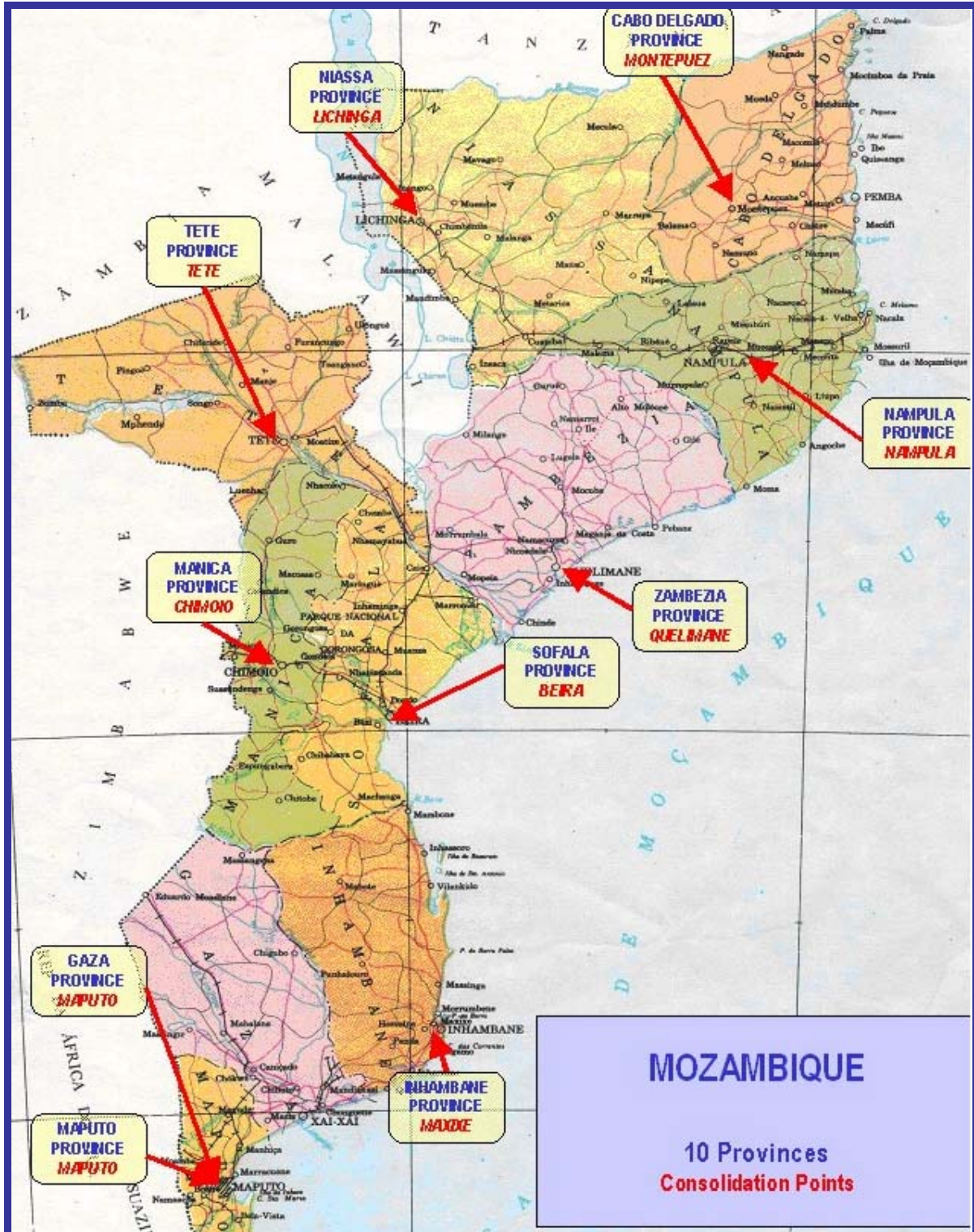


Figure 9: Ten provinces and the selected consolidation points

Table 10 shows the costs of delivering 1 metric ton of product from the 10 different consolidation points in Mozambique to Johannesburg, South Africa.

**Table 10: Costs of delivering 1 metric ton of product from the 10 different consolidation points in Mozambique to Johannesburg, South Africa**

Province	Consolidation Point	EXW to FOB *	FCA/FOB to CIP/CIF Durban	FCA/FOB Maputo to DDP Johannesburg	CIP/CIF Durban to DDP Johannesburg	Total delivery costs from Mozambique to South Africa
		Costs from the Consolidation Point to the Port/Point of exit in Mozambique	Costs from the Port/Point of exit in Mozambique to landed in Durban	Costs from Maputo to Johannesburg by road	Costs from landed in Durban to delivered in Johannesburg by rail	
		ROAD	SEA	ROAD	RAIL	
<b>Maputo</b>	Maputo	20.10	N/A	6.25	N/A	<b>26.35</b>
<b>Gaza</b>	Maputo	20.10	N/A	6.25	N/A	<b>26.35</b>
<b>Inhambane</b>	Maxixe	20.77	N/A	6.25	N/A	<b>27.02</b>
<b>Manica</b>	Chimoio	45.82	21.25	N/A	42.25	<b>109.32</b>
<b>Sofala</b>	Beira	21.91	21.25	N/A	42.25	<b>85.41</b>
<b>Tete</b>	Tete	68.99	21.25	N/A	42.25	<b>132.49</b>
<b>Zambezia</b>	Quelimane	21.91	27.50	N/A	42.25	<b>91.66</b>
<b>Nampula</b>	Nampula	30.98	15.00	N/A	42.25	<b>88.23</b>
<b>Niassa</b>	Lichinga	44.57	15.00	N/A	42.25	<b>101.82</b>
<b>Cabo Delgado</b>	Montepuez	54.57	25.75	N/A	42.25	<b>122.57</b>

\*The EXW to FOB column can change marginally as some of the costs relate to an ad valorem surcharge based on the FOB/FCA values.

It should be noted that the transport delivery costs related in all the studies are based at the rates during the time of the reports compilation. (June-September 2003). At present Mozambique is undergoing substantial reforms in transport infrastructure and procedures with many international alliances that are creating new and improved facilities. These new consortiums have stated their intention to target the South African import and export community. As South Africans have had less than efficient service from Mozambique ports in the past, they have traditionally turned to the South African ports even when Maputo may be the closest and most economical choice. Logistics service, infrastructure and consistency are of paramount importance in maintaining and retaining export markets.

Maputo port, the Maputo corridor and *Caminhos de Ferro de Moçambique* (CFM – Mozambique rail authority) have a credibility gap to close and hence it is possible that logistics and transport rates quoted at present may be “promotional” rates and might not be of long duration.

Border control points on both sides of the border are a virtual law unto themselves. Sometimes even having all the procedures and documentation correct and in order is not sufficient to prevent delays. Corruption and bribery also create problems on both sides of the border posts. This is more prevalent in land border-crossings than by sea or air.

Exporters need to take cognisance of this problem as delays can prejudice future trade.

Areas that are affected:

- Costs: This is because of penalties, bribes and interest on delayed payments.
- Time
- Perishability of the cargo
- Lost market window/opportunity
- Packaging
- Needs to be sufficient, even for minor delays.

#### 4.2 Pricing and costing

As no empirical price data for *exfarm* values in Mozambique is available, price estimates based on producer experience and expectations at suggested CP's obtained from role players was used to establish the price/competition summary in Table 12. This price summary is a "snapshot" of the Mozambican price situation during the completion of this study. It highlights the price competitiveness of all the products that were researched. It is obvious that many, if not all the products that form the subject of this study, do not have FORMAL price structures. The prices shown below are reflections of the EMTF "guesstimates"<sup>9</sup>, experience and opinions from interested parties.

In the case of cassava, the situation was different as the main market for cassava in South Africa is the starch market. Currently, there is no starch industry in Mozambique and therefore no actual prices to be used as a base for the comparison with the market prices in South Africa. It is also very difficult to estimate approximate prices for starch in Mozambique. Thus, it was to calculate what the price for starch had to be at each consolidation point in Mozambique in order to be competitive in the South Africa market. This will be a benchmark for calculations of whether it would be profitable to invest in a starch fabric in Mozambique at the different consolidations points.

Table 11 takes the present price estimates in Mozambique (Column 3) and illustrates what the Mozambique price would have to be to achieve a competitive DDP Johannesburg price (Column 4). (South African price fluctuations of 10% or 20% are reflected in Column 6). (Appendix B describes in detail the methods of calculating different price components). As can be seen in the table, cassava does not follow the general pattern. In the case of cassava, table 12 shows what the price for starch, if produced in Mozambique, has to be at each consolidation point in order to be competitive in South Africa. As this is a fictive number, no sensitivity analysis is done.

When developing a formal price, it should be noted that the levels recorded in column 4 are the maximum CP price that producers can demand in Mozambique if they wish to compete in South Africa<sup>10</sup>.

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<sup>9</sup> The EMTF guesstimates are based on the available statistics and thorough knowledge of the Mozambican market.

<sup>10</sup> See the individual product "delivery matrices" in MS Excel to experiment with various price/cost permutations. These are also explained in Table B.1 and its explanatory notes A1 – A23 in Appendix B

Table 11: Mozambique Price Competitiveness

1	2 PROVINCE	3	4	5 PRICE COMPETITIVE	6 If the price in South Africa fluctuates up or down.			
		ACTUAL PRICE AT CP (MOZ)	ACTUAL PRICE TO COMPETE IN SA (Calculated back to at CP in Moz)		%			
		Metical	Metical		-20%	-10%	+10%	+20%
BANANAS	MAPUTO	4,000	5,911	MARGINAL	4,729	5,320	6,502	7,093
	MANICA	4,000	3,707	NO	2,966	3,336	4,078	4,448
DRIED BEANS	ZAMBEZIA	7,000	18,372	YES	14,698	16,535	20,209	22,046
	TETE	7,500	16,895	YES	13,516	15,206	18,585	20,274
	SOFALA	9,000	18,518	YES	14,814	16,666	20,370	22,222
	NIASSA	7,000	17,879	YES	14,303	16,091	19,667	21,455
	NAMPULA	7,000	18,452	YES	14,762	16,607	20,297	22,142
	MANICA	9,000	17,692	YES	14,154	15,923	19,461	21,230
	CABODELGADO	7,500	17,675	YES	14,140	15,908	19,443	21,210
COW PEA	ZAMBEZIA	3,000	18,372	YES	14,698	16,535	20,209	22,046
	SOFALA	3,500	18,518	YES	14,814	16,666	20,370	22,222
	NAMPULA	3,000	18,452	YES	14,762	16,607	20,297	22,142
	MANICA	3,500	17,692	YES	14,154	15,923	19,461	21,230
	INHAMBANE	4,000	19,440	YES	15,552	17,496	21,384	23,328
	CABODELGADO	3,000	17,674	YES	14,139	15,907	19,441	21,209
CASSAVA	MAPUTO		4,676	N.a				
	MANICA		2,396	N.a				
	INHAMBANE		4,084	N.a				
	GAZA		4,600	N.a				
	NAMPULA		3,156	N.a				
	ZAMBEZIA		3,077	N.a				
	TETE		1,599	N.a				
	SOFALA		3,222	N.a				
	NIASSA		2,583	N.a				
CABODELGADO		1,982	N.a					
GINGER	MANICA	10,000	20,474	YES	22,522	18,427	24,569	16,379
	MAPUTO	10,000	22,678	YES	24,946	20,410	27,214	18,142
	NAMPULA	10,000	21,234	YES	23,358	19,111	25,481	16,988
	ZAMBEZIA	10,000	21,155	YES	23,270	19,039	25,385	16,924
GROUNDNUTS LARGE	CABODELGADO	6,500	21,577	YES	17,262	19,419	23,735	25,892
	MANICA	8,500	21,595	YES	17,276	19,436	23,755	25,914
	NAMPULA	6,000	22,354	YES	17,883	20,119	24,589	26,825
	ZAMBEZIA	6,000	22,274	YES	17,819	20,047	24,501	26,729
GROUNDNUTS SMALL	CABODELGADO	7,000	16,600	YES	13,280	14,940	18,260	19,920
	MANICA	8,500	16,617	YES	13,294	14,955	18,279	19,940
	NAMPULA	6,500	17,378	YES	13,902	15,640	19,116	20,854
	ZAMBEZIA	6,500	17,298	YES	13,838	15,568	19,028	20,758
HONEY	MANICA	35,000	58,268	YES	47,509	53,447	65,325	71,263
	MAPUTO	45,000	60,471	YES	49,272	55,431	67,749	73,908

N.a. is not applicable.

## 5. South African statutory requirements

The non-tariff barriers to import trade with South Africa are vast and stringent! They are not aimed at Mozambique, but have been established for health and other protection purposes.

Non-compliance with regulatory procedures can lead not only to a failed export but a company can be **black-listed** if procedures are not followed to the letter.

South African Customs and Excise have recently (October 2003) instituted an “Accredited User” status for all users of Customs and Excise services. (SA Form DA186 applies) This system applies to international suppliers as well.

Once the difficult, yet desirable status of “Accredited User” has been achieved by a South African importer (or a Mozambican exporter), they wouldn't want to jeopardise that status by ignorance or shoddy export administration.

## 6. Some overall suggestions

- i. Get the EMTF to lobby all the Government departments involved in the export promotion of these six products.
- ii. With Government support and approval, promote a programme of incentive schemes deliberately aimed at the problem areas (See Appendix F). Obviously it will take time to influence all the roleplayers, and even more time to implement any of the schemes should they be accepted, but once the idea of the initiative has been supported, and the potential return to the farmers has been made apparent then various alliance groups can be motivated to action.
- iii. As SOON as is feasibly possible, (even before starting on points 1.0 and 2.0 above) convene separate interest group seminars or meetings with all the role players in each of the six product groups **in the market regions**. Inform roleplayers in the regions about the export opportunities and how they can profit from selling their produce to South Africa. Use the EMTF study as a basis for promoting exports as a profitable growth area and motivate them to implement the necessary strategies so that they can compete.
- iv. Organise a representative group of farmers or entrepreneurs interested in the products categories to undertake a ‘fact-finding’ mission to South Africa. This will serve not only to enlighten them regarding the potential market, but also show them the sophistication of the market and what lengths they should take to comply with the market complexities.

During our interviews, it was evident that South African companies, agricultural support organizations and Government were sympathetic to Mozambique and their development within the SADC community.

Although South African producers, wholesalers and retailers are aggressively competitive, they also realise the strengths and the profit in joining forces with Mozambique suppliers. (i.e. Capespan/Citrum)

- seasonal fluctuations (i.e. Bananas all year round)
- supply supplementation (i.e. plant disease in South Africa, drought, (like honey; or no local supply like Cassava)
- import substitution (i.e. all six products are imported from far distances at great cost)

The best plans and promotion schemes can be arranged and implemented, but if the growers are not motivated then the export initiative will not succeed.

## Appendix A

<b>Export Procedures</b>
--------------------------

To complete an export operation the exporter complies with general procedure that includes the following:<sup>11</sup>

- **Export registration:** filling in a form at the Ministry of Trade and Industry (MIC), or at its provincial directorate in order to obtain a card, valid for the same period as the company's license.
- **Custom's Clearance:** a Government registered clearing office (*Despachante*) that acts as a export freight forwarder does this. A single document (DU) is necessary and must be presented together with a trade invoice, letter of credit (where applicable), goods description, export order, certificate of origin and phyto-sanitary certificate and all transit permits, where applicable.
- **Boarding space guarantee:** shipping companies must be contacted by the exporter in order to conclude arrangements as related to the booking of boarding space, navigation contract, communication with port authorities and transport of the goods to the final destination.
- **Inspection and packing:** goods must be inspected by Customs and Excise or other mandatory bodies, as agreed with the client, before departure to verify contract requirements such as specifications, quality, size packing and labeling. Compliance with these requirements leads to issuance of an inspection certificate.
- **Loading** goods at the port are the responsibility of exporter. Storage must be found at the port and a loading order requested. The loading order authorizes the vessel's captain to load the goods on board. Before loading the shipping agent must inspect the goods and the vessel's captain must sign the loading order.
- **Bill of Lading:** exporters or respective shipping agents must request a *bill of lading* from the carriers of the goods. This B/L is issued once the vessel's captain has signed the loading order.
- **Bank Payment Information:** once the goods have been loaded on board, the exporter informs the bank by presenting documents to the bank for payment. These documents normally comprise:
  - Commercial Invoice;
  - Goods description;
  - Bill of lading;
  - Certificate of origin;
  - Phyto-Sanitary certificate; and
  - Any other documents requested by the importer.
- **Payment methods:** exports from Mozambique are usually paid by means of confirmed irrevocable letters of credit issued by the importers bank and settled by telegraphic transfers.

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<sup>11</sup> Instituto de Promoção das Exportações, Abril 2000.

Further up-to-date details on the required export procedures for companies exporting from Mozambique, can be determined by visiting the Mozambique Government website @: <http://www.ipex.gov.mz/procedimentos.html>.

Appendix B

**Incoterm Costing Matrix**

In the delivery costings supplied as a “Microsoft Excel” annexure the following table and format is used. When calculating new or changing costs, the value in Mozambique Meticals (MZM) needs simply to be added into the yellow cell and the rest of the calculation will be done for delivery as per Table B.1 below.

Table B.1: Incoterm Costing Matrix (In MS Excel)

A	B	C	D	E	F	G
1	<b>Start</b>	@		MZM/kg		<b>MZM/kg</b>
2	<b>Price delivered to the CP</b>	<b>MZM</b>		<b>Start</b>		<b>MZM per Metric Tonne</b>
3	Price delivered to the CP (USD)	<b>USD</b>				(@ 24 050)
4	Delivery of empty container to the C.P.	<b>USD</b>				(From Container Depot to C.P.)
5	<b>Price EXW (C.P.)</b>	<b>USD</b>				<b>EXW</b>
6	Full container to point of exit	<b>USD</b>				
7	Terminal Handling Charges	<b>USD</b>				(Only at a Sea Port)
8	Cargo Handling (Manuseamento)	<b>USD</b>				(Clearing Agents, Handlers etc)
9	Container Movement Tax	<b>USD</b>				(Charge from Mozambique Customs)
10	Movement Guide	<b>USD</b>				(Charge from Mozambique Customs)
11	Customs Service Tax @ 3% of Invoice(FOB)	<b>USD</b>				(Charge from Mozambique Customs)
12	<b>Price FOB/FCA ....</b>	<b>USD</b>				<b>(Customs Exit)</b>
13	Seafreight	<b>USD</b>				
14	<b>Price CIF/CIP....</b>	<b>USD</b>				
15	Clearing Formalities	<b>USD</b>				South African Port Charges
16	Customs Duties in South Africa	<b>USD</b>				No duties for SADC
	Costs of Irradiation (Honey Only)	<b>USD</b>				
17	Carriage to Johannesburg	<b>USD</b>				(Railage costs)
18	<b>Price DDP Johannesburg</b>	<b>USD</b>				<b>(This is the final price to the SA wholesaler.)</b>
19	S.A. Wholesaler's Margin	<b>USD</b>				
20	<b>S.A. Price to Retailer</b>					
21	S.A. Retailer's Margin					
22	<b>DELIVERED RETAIL PRICE IN S.A.</b>	<b>USD</b>		<b>End</b>		<b>PER Metric Tonne</b>
23	Comparative Retail Price in S.A.	<b>USD</b>				

• **Explanation of the columns in Table A.1.**

**Column “A”**

This indicates all the cost factors (areas) for delivery of the product from Mozambique to South Africa.

**Column “B”**

The cost factor is identified and then added (From 1 – 23) to arrive at various totals according to the INCOTERMS 2000.

**Column “C”**

International currency code.

**Column “D”**

Value of the cost factor that is **added** up to obtain the various delivery totals, calculating forward from the starting point in Mozambique to delivery in South Africa. (Starting point for calculating is the exFarm Mozambique price – A2.)

**Column “E”**

Indicates the direction of the calculation.

**Column “F”**

Value of the cost factor that is **subtracted** to obtain the various delivery totals, calculating backwards from the delivered point in South Africa back towards the starting point in Mozambique. (Starting point for calculating is the Retail Price in South Africa – D28, the value of which is transferred to F26)

**Column “G”**

Ancillary information for factors A1 – A28.

- **Explanation of the rows in Table A.1.**

**A2 PRICE DELIVERED TO THE CP (MZM).**

This refers to the price in MZM delivered to the CP, i.e. it is assumed that these prices at the consolidation points include all local market costs, such as collection of the products from the producers, packing the product for transportation to the consolidation point, transportation of the product to the consolidation point, export packaging, product losses, storage costs, processing costs, capital costs, taxes and other non official payments.

**A3 PRICE DELIVERED TO THE CP (USD).**

This is the same price as in A2 above, but converted to US dollars at USD1.00 to MZM24050.

**A4 DELIVERY OF EMPTY CONTAINER TO THE C.P.**

The shipping line will levy this cost for the delivery of an empty 20' foot container from the container depot at the port to the consolidation point.

**A5 PRICE EXW MOCAMBIQUE POINT.**

If cost factors A2 – A4 are added up, this will give the EXW value to a selected point (normally the CP) and as defined by the International Chamber Commerce (ICC) in Paris. The term includes all costs from the point of harvesting up to the CP (i.e. Export Packing, transport/insurance, Documents, export certificates, profit, etc.). The *MS Powerpoint* annexure on “INCOTERMS 2000” graphically explains the process of the “INCOTERMS 2000.”

Due to a lack of information the price calculated to this stage does not include:

- The ‘profit’ factor required by the ‘agent’ ‘representative’ who **organises the farmers** into viable marketing groups. (This question was raised by MADER at the September 30, 2003 seminar. However, KPMG in their

research did not identify any existing commercialisation agents. This is an important cost consideration and should be noted when establishing the exFarm/EXW price for products).

- This is the 'profit' factor required by the 'consolidator' 'at the consolidation point and who packs the 20' foot container for delivery and export.
- The cost incurred by the farmers to deliver a packed fully utilised 20' foot container from the farm to the chosen consolidation point.

**A6 FULL CONTAINER TO POINT OF EXIT.**

Transport of the fully utilised container from the CP to the container terminal at the export port.

**A7 TERMINAL HANDLING CHARGES.**

The port authority charges this fee for the use of the container terminal at the port.

**A8 CARGO HANDLING (MANUSEAMENTO).**

Mozambique law requires that a registered *despachante* (Forwarding Agent) must be used to effect customs clearances. This is their cost for documentation.

**A9 CONTAINER MOVEMENT TAX.**

This is a provincial Government tax on the movement of containers within the country.

**A10 MOVEMENT GUIDE.**

This is a Department of Transport, Government tax on the movement of containers within the country.

**A11 CUSTOMS SERVICE TAX @ 3% OF INVOICE VALUE(FOB).**

This is a Department of Customs and Excise, Government tax on all goods exported from Mozambique.

**A12 PRICE FOB/FCA MOZAMBIQUE.**

If factors A5 – A11 are added up, this will give the FCA or FOB value to a selected point (normally the port of export) and as defined by the International Chamber Commerce in Paris. The term includes all costs from the EXW at the consolidation point up to the export port, i.e. EXW costs in Point 5 above plus transport/insurance from the CP to the export port, Customs clearances, freight forwarders costs and port charges, export documents, etc.

**A13 SEAFREIGHT TO DURBAN**

This applies only to goods shipped by sea. The Mozambique national shipping line, MOZLINE, charges for the sea freight from a Mozambican port to Durban, South Africa. This refers to a *full liner term* freight rate for one fully utilised 20'foot shipping container.

**A14 PRICE CIF/CIP DURBAN.**

Add the cost of freight and **marine** insurance (A13) to the FOB/FCA (A12) value and the value CIF/CIP is determined. This will give the CIF/CIP value to a selected point in South Africa (normally the port/point of import) and as defined by the International Chamber Commerce in Paris. The term includes all costs from the EXW at the consolidation point up to the import port/point in South Africa, i.e. all costs from A2 to A13, but excluding customs formalities in South Africa, plus marine insurance from the Mozambican export to the selected point in South Africa. (As per the INCOTERMS 2000)

**A15 CLEARING FORMALITIES.**

South African law requires that a registered Clearing and Forwarding Agent must be used to effect customs clearances. This is their cost for documentation and service.

**A16 CUSTOMS DUTIES IN SOUTH AFRICA.**

The only reason this item is listed, is to reflect that it has been accounted for. As Mozambique is a member of the South African Development Community, there are no duties for any of the six researched products when imported from Mozambique.

**A17 CARRIAGE TO JOHANNESBURG.**

This refers to the cost transport by rail or road from either Durban to Johannesburg or from Ressano Garcia/Komatiepoot to Johannesburg.

**A18 PRICE DDP JOHANNESBURG.**

This is the total of the cost factors A14 to A17 as defined by the INCOTERMS 2000-ICC in Paris. Normally this covers all costs of delivery and only wholesale and retail margins need to be added to bring the value to a consumer price.

**A19 SA WHOLESALER'S MARGIN.**

The profit margin of the wholesaler differs from product to product as well as from wholesaler to wholesaler, even within a product range. An average margin was determined by interviewing wholesalers dealing in the six products researched.

**Average Wholesale Margins (FPM = Fresh Produce Market.):**

Ground Nuts	25%	Honey	50%
Cassava	Unknown	Ginger	12.5% commission (FPM legislated)
Beans	50%	Bananas	12.5% commission (FPM legislated)

**A20 SA PRICE TO RETAILER.**

A18 and A19 added.

**A21 S.A. RETAILER'S MARGIN.**

The profit margin of the retailer differs from product to product as well as from retailer to retailer, even within a product range. An average margin was determined by interviewing retailers selling the six products researched.

**Average Retail Margins.**

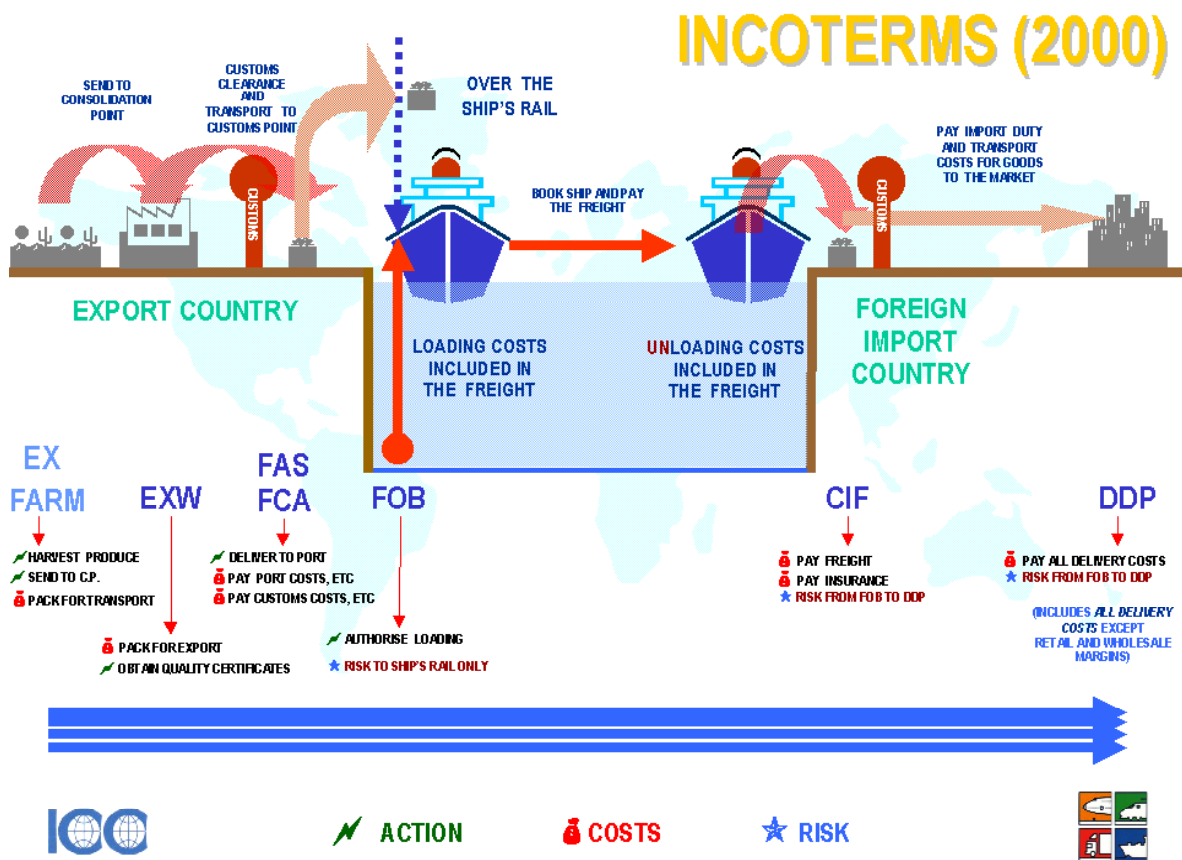
Ground Nuts	50%	Honey	75%
Cassava	Unknown	Ginger	80%
Beans	10%	Bananas	35%

**A22 DELIVERED RETAIL PRICE IN S.A.**

A20 added to A21. This is also considered to be to the delivered value “on the shelf” price to the user in South Africa. This is the final price which would be achieved starting with a Mozambique CP value.

**A23 COMPARATIVE RETAIL PRICE IN S.A.**

Research into the various distribution channels, interviews and empirical research revealed this to be the “going” price for the product in South Africa.



## Appendix C

## CONTACTS INTERVIEWED

For the purposes of this report the following companies and individuals were interviewed in Mozambique and in South Africa.

**We would like to give credit and thanks to all those who participated in providing information and assistance. The general attitude was helpful and willing to assist Mozambique with this undaunting task.**

## GENERAL INFORMATION SOURCES AND INTERVIEWS INSIDE MOÇAMBIQUE

NAME	COMPANY	TEL. NO	E-MAIL ADDRESSES
Negrao, P	Citrum - Citrinos do Umbeluzi	(258-1) 775 002	<a href="mailto:adm@citrum.co.mz">adm@citrum.co.mz</a>
Moamba, C	TechnoServe	(258-1) 416 043	<a href="mailto:carlos.moamba@tvcabo.co.mz">carlos.moamba@tvcabo.co.mz</a>
Mboa, Matias	APEB - Banana Producers & Exporters Assoc.	(258-1) 407 825	
Chankanya	Ginger producer & exporter		
De Carvalho, Manuel	Mozline	258 1 303 076	<a href="mailto:mozline1@virconn.com">mozline1@virconn.com</a>
Pienaar, P.G.	SAGREV Lda	(258-1) 22 932	<a href="mailto:pine@teledata.mz">pine@teledata.mz</a>
Alcobia, J	FrutiMel Lds	082308162 Cell	
David, T	Programma de Mel Chimanimani	(258 51) 22 075	
Venichand, T.E.J	Adipsa(258 1) 28005	(258-1) 28005/(258 1) 509 243 Cell	<a href="mailto:thelmavenichand@hoymail.com">thelmavenichand@hoymail.com</a>
Lance Graef, P	Nathan Associates Inc	703.516.7718	<a href="mailto:lgraef@nathaninc.com">lgraef@nathaninc.com</a>
Mothemba, M. S	Camara de comercio e industria	(258-1) 495 197/8	<a href="mailto:ccimosa@emilmoz.com">ccimosa@emilmoz.com</a>
Paulo, J.E.	Ministry of Ind. & Commerce, National Dir of Comm	(258-1) 352600 or 1 431137	<a href="mailto:epaulo@mic.gov.mz">epaulo@mic.gov.mz</a>
Munguambe, O.P.	Ministry of Ind. & Commerce, National Dir of Comm	(258-1)431137 or 300664/5	
Zhou, E	MADER	(258-1)418 007/17	<a href="mailto:ezhou@pama.org.mz">ezhou@pama.org.mz</a>
Schalke, A.J.F	MIC/FAO/EC Project, Ministry of Industry and Trade	(258-1)300664/5 or 428697	<a href="mailto:faodsa@tropical.co.mz">faodsa@tropical.co.mz</a>
Usman, M	CPI	(258-1)313 310 or 313 375	<a href="mailto:musman@cpi.co.mz">musman@cpi.co.mz</a>
Freitas, Maria	IPEX (Mozambique Institute of Export Promotion)	(258-1) 307 257/8	<a href="mailto:ipex@teledata.mz">ipex@teledata.mz</a>
Zacarias, Anabela	INIA (National Institute of Agricultural Research)	(258-1)460130	<a href="mailto:anabelazacarias@hotmail.com">anabelazacarias@hotmail.com</a>
Bachke, Maren	MIC/FAO/EC Project, Ministry of Industry and Trade	(258-1)300664/5	<a href="mailto:faodpc@teledata.mz">faodpc@teledata.mz</a>
Mole, P.M	Econ Policy Research Group	(258-1)486286/(258-82)319549 Cell	<a href="mailto:mpaulo@virconn.com">mpaulo@virconn.com</a>
Chitara, S	CTA (Confederation of Business Assoc. of Moz.	(258-1)311 734/5	<a href="mailto:schitara@cta.org.mz">schitara@cta.org.mz</a>
Walter, J.K	TechnoServe	(258-1)416 043	<a href="mailto:jake.walter@tvcabo.co.mz">jake.walter@tvcabo.co.mz</a>
Gomes, D	Mozambique Ports and Railways	(258-1)325 381	<a href="mailto:dgomes@cfmnet.co.mz">dgomes@cfmnet.co.mz</a>
Van de Ven, Frans	MIC/FAO/EC Project, Ministry of Industry and Trade	(258-1)300664/5	<a href="mailto:faodnci@tropical.co.mz">faodnci@tropical.co.mz</a>
Albasini, J.L.F	Despachante oficial	(258-1)807392/3	

**GENERAL INFORMATION SOURCES AND INTERVIEWS IN SOUTH AFRICA**

NAME	COMPANY	TEL. NO	DETAILS
Benadie, C	Burberry Logistics	011 648 4700	Transport (Overland & Sea)
Beukes, R	Dept. of Agriculture	012 319 6154	Statistics
Blatch, R	ITRISA	011 807 5317	General Trade Information
Bolton, M	Directorate: Plant Health & Quality, Pretoria		Import Trade Regulations
Boyd, I	Boss Logistics	011 406 0000	Transport (Overland & Sea)
Cachia, O	Nedcor	011 302 1397	Finance & Investment
Clark, G	G Clark & Assoc	021 581 2722	General Information & Logistics
Erasmus, N	Directorate: Plant Health & Quality, Pretoria		Import Trade Regulations
Gouws, A	Tswane Metro	083 390 9070	Statistics
Holtzhausen, M	Nat Plant Protection Org.(NPPO)	012 319 6100	S.P.S. Certification
Janse van Rensburg, E.	Directorate: Food Safety & Quality, Pretoria		Import Trade Regulations
Kleynhans, J	Directorate: Trade Administration, Pretoria		Customs, Trade & Logistics
Mortar V., Chico	Mozambique High Commission	012 401 0300	General Bi-Lateral Trade
Prinsloo, A	Directorate: Plant Health & Quality, Pretoria		Import Trade Regulations
Swanepoel, A	Lex Patria, Pretoria, Gauteng		Import Trade Regulations
Van Schalkwyk, A	Boss Logistics	011 974 6303	Transport (Overland & Sea)
Van Schalkwyk, A	Boss Logistics	083 655 3158	Transport (Overland & Sea)
Wessels, H	Directorate: Food Safety & Quality, Pretoria		Import Trade Regulations

**INTERVIEWS IN SOUTH AFRICA SPECIFICALLY FOR VARIOUS PRODUCT INFORMATION.**

NAME	COMPANY	TEL. NO	COMMENTS
Adam, M	Freshmark, Cape Town, Eastern Cape		Potential Buyer (Agent)
Alleman, J	Agric Research Council	012 841 9635	General Information & Logistics
Borslap, C	Woolworths	083 259 8084	Potential Buyer
Breslin, M	Woolworths	021 407 9111	Potential Buyer
Clark, G	G Clark & Assoc	021 581 2722	General Information & Logistics
Claussen, J	Freshmark, Polekwane, Limpopo		Potential Buyer (Agent)
De Bruyn, Rika	Banana Growers Assoc	013 755 2714	Joint Venture Opportunities
De Wit, Frif	Simba	05885 22012	Potential Buyer
Dhanji, D	Target	082 450 2701	Potential Buyer (Agent) Fresh Cassava
Dinkelman, W	Blessed by the bee	011 949 1793	Potential Buyer
Du Preez, J	Groundnut Forum		Potential Buyer
Du Rand, L	African Products	011 458 5000	Potential Buyer/Investor Starch
Du Toit, A	President of the African Beekeepers Assoc.	012 808 1762	Technical Assistance and Training
Ford, B	Woolworths, Cape Town		Potential Buyer
Foster, S	Fleures Honey Products	012 362 6991	Potential Buyer
Hamer, Jackie	Robertsons Foods, Durban, KwaZulu-Natal	031 571 9758	Potential Buyer
Hamilton, C	Epping Fresh Produce Market	021 531 2191	Potential Buyer
Holtzhausen, M	Nat Plant Protection Org.(NPPO)	012 319 6100	S.P.S. Certification
Holtzkampf, Charlotte	Johannesburg Fresh Products	011 613 2049	Potential Buyer
Joubert, W	Banana Growers Assoc. of SA		Joint Venture Opportunities
Lahoud, A	RSA Fresh Produce Market	083 303 9777	Potential Buyer
Landella, J	Crown National	011 406 1300	Potential Buyer
Ledera, G	G L Distributors	082 450 9064	Potential Buyer
Lever,	Advance Grain	011 762 5261	Potential Buyer
Lowenthal, D	The Snack Factory	013 933 3105/6	Potential Buyer
Lubbe, J	Toppies Nuts	011 811 1857	Potential Buyer
Lundall-Magnuson, E	Beekeeping for Poverty Relief		Potential Buyer
Marchand, D	Honeybee Foundation	012 511 4567	Potential Buyer

Moody, J	Honeywood Farms	028 722 1823	Potential Buyer
Mulder, J	SAD Foods	021 864 8639	Buyer
Muller, A	Freshmark, Cape Town, Eastern Cape		Potential Buyer (Agent)
Naude, L	Freshmark, Centurion, Gauteng		Potential Buyer (Agent)
Nedzanani, S	Metro	011 613 5393	Potential Buyer
Oliver, C	Woolworths, Cape Town		Potential Buyer
Oosthuizen, J	RSA Fresh Produce Market	011 613 4391	Potential Buyer (Agent)
Opperman, K	Nola (Yum-Yum Peanut Butter)	083 236 0964	Potential Buyer
Palley, S	Freshmark, Durban, Kwazulu-Natal		Potential Buyer (Agent)
Potgieter, T	Crest Chemicals	083 400 6267	Potential Buyer
Prinsloo, H.	Banana Growers Assoc. of SA		Joint Venture Opportunities
Prinsloo, J	Kiepersol, Mpumalanga		Potential Buyer
Richards, M	Fruit & Veg City	011 613 4590	Potential Buyer
Shel, A	Honey-Bee Farms	012 807 1800	Potential Buyer
Shipman, D	Spicenet	039 976 0086	Potential Buyer
Smit, S or Hage	Umgeni Products	032 947 2261	Potential Buyer
Smith, N	Freshmark, Bloemfontein, Free State		Potential Buyer (Agent)
Stock, A	Freshmark, Port Elizabeth, Eastern Cape		Potential Buyer (Agent)
Swenson, J	Sally Williams Natural Honey Nougat		Potential Buyer
Taylor, D	Freshmark, Durban, Kwazulu-Natal		Potential Buyer (Agent)
Theron, Ian	Tiger Foods	011 974 4517	Contract Buyer Potential
Tully, D	Who's Nuts	011 822 0500	Potential Buyer
Van Poulke, N	Pick n' Pay	021 936 8400	Potential Buyer
Van Tibberch, J	Fruit & Veg City	C.T.	Potential Buyer
Van Zyl, B	Subtropico	011 613 8611	Potential Buyer
Verhoef, L	Purespice	012 803 1361	Potential Buyer
Vonner, I	Cassava Starch Manufacturing	082 443 2456	Potential Buyer
Waterboer, N	Freshmark, Centurion, Gauteng		Potential Buyer (Agent)
Watson, M	Evenrun	033 345 1016	Potential Buyer
Wentzel, G	RSA Fresh Produce Market	083 253 7597	Potential Buyer (Agent)
Woolfson, P	Crest Chemicals	011 254 3300	Potential Buyer

*(The nature and number of these alliances/partnerships depends on the envisaged product and amount to be exported to South Africa. Some contacts may need Government/Diplomatic support in the interests of regional trade and SADC commitment. )*

## Appendix D

## LIST OF ABBREVIATIONS

Abbreviation	Company or Name
AGOA	Africa Growth Opportunity Act
AMT	Agricultural Marketing Trends (South Africa)
ARC	Agricultural Research Council (South Africa)
CIF	Cost, Insurance & Freight
CIP	Carriage and Insurance paid
CPI	Investment Promotion Centre (Mozambique)
CTA	Confederation of Economic Associations of Mozambique
DAPSA	Early Warning and Food Security Department (Mozambique)
DDP	Delivered Duty Paid
DNC	National Directorate of Trade (Mozambique)
DPHQ	Directorate of Plant Health and Quality (South Africa)
DPO	Drybean Producers Organization (South Africa)
DRI	National Directorate of Trade and Industrial Relations
EBA	Everything But Arms
EC	European Commission
EMTF	Export Market Task Force
EU	European Union
Eurepgap	<b>Euro Retailer Produce for Good Agricultural Practice</b>
EWS	Early Warning System
EXW	Ex Works
FAO	Food and Agricultural Organization
FCA	Free Carrier
FCEH	Final Consumption Expenditure by Households
FCL	Full Container Load
FOB	Free on Board
FPM	Fresh Produce Market (South Africa)
FSU-EC	European Commission – Food Security Unit
GDP	Gross Domestic Product
GPCSA	Office for the Promotion of the Commercial Agricultural Sector
ha	Hectare (10, 000m <sup>2</sup> )
HACCP	Hazard Analysis and Critical Control Point
HS	Harmonised System
IDC	Industrial Development Corporation (South Africa)
IMF	International Monetary Fund
INIA	National Institute for Agronomic Research (Mozambique)
INNOQ	National Institute for Normalization and Quality (Mozambique)
IPEX	Institute for the Promotion of Exports (Mozambique)
IPPC	International Plant Protection Convention
MADER	Ministry of Agriculture and Rural Development (Mozambique)
MIC	Ministry of Industry and Trade (Mozambique)
MOZAL	Mozambique Aluminium Company
MT	Metric Ton
MZM	Mozambique Metical
NCEC	National Crops Estimates Committee (South Africa)
NDA	National Department of Agriculture (South Africa)
NGO	Non-Government Organizations

NPPO	National Plant Protection Organization (South Africa)
PoDE	Projecto para do Desenvolvimento Empresarial (Mozambique)
PPECB	Perishable Products Export Control Board (South Africa)
PRA	Pest Risk Analysis
PROAGRI	National Program for Agricultural Development (Mozambique)
RSA	Republic of South Africa
SADC	Southern African Development Community
SAGREV	Sociedade Agricola de Revue Limitada (Mozambique)
SIMA	Sistema de Informação de Mercados Agrícolas (Mozambique)
SMEELP	Small And Medium-Sized Enterprise Empowerment and Linkage Program
SPS	Sanitary and PhytoSanitary procedures
Technoserve	USA non-government organization (Mozambique)
UNCTAD	United Nations Council for Trade and Development
USA	United States of America
USAID	United States Agency for Economic Development
USD	United States Dollar
V&M	Grain traders in the north of Mozambique
WCO	World Customs Organization
WRSI	Water Requirement Satisfaction Indexes
WTO	World Trade Organization
ZAR	South African Rand

## Appendix E

<b>Future data requirements</b>
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<b>Crop/Product</b>	<b>Type of data not available</b>
Cassava	Cropped area, yield and production by type (sweet and sour cassavas). Quantity consumed locally and sold elsewhere in the country. Quantity processed and sold by product.
Groundnuts	Cropped area, yield and production by type (small and large seeded types). Imported quantities by year.
Beans	Cropped area, yield and production by specie (cowpea, dry beans, green gram, etc.) Quantities imported and exported by species.
Bananas	Cropped area, yield and production. Number of farmers and area cropped per farmer. Price fluctuation over time
Honey	Number of producers and quantity produced per farmer Number of hives per farmer and yield. Price fluctuation over time
Ginger	Cropped area, yield and production. Number of farmers and area cropped per farmer. Quantities imported and exported. Price fluctuation over time.

## Appendix F

## Some internationally implemented schemes

SCHEME	AREAS WHERE THE SCHEME WILL BE MOST EFFECTIVE
<p><b>Tax Holidays/Rebates</b> This scheme allows investors (or producers), local or foreign, to invest in technology, infrastructure, training or processing and receive a 'rebate' or 'exemption' from income tax on their returns from such an investment. Obviously this will be for a designated time period.</p>	<p>Establishing nurseries to upgrade seed stock quality.</p> <p>Training of human resources (farmers/labour/traders).</p> <p>Establishing processing facilities.</p>
<p><b>Export Council Subsidies</b> This could be done on a <i>Metical for Metical</i> basis. (\$ for \$). Each producing community that needs to create an export representative body can elect a council to promote their exports. This council can in turn address all the "export-readiness" requirements of the designated farming community. Whatever funding the community/industry raises, can then be matched by Government on a <i>Metical for Metical</i> basis. (\$ for \$) in order to "incentivise" the creation of such export promotion councils. This is not a "hand-out" as the producers invest their own funds in a "joint venture" with Government.</p>	<p>Strengthens the export community</p> <p>Organising farmers/producers into 'common purpose' groups.</p> <p>Community lobbying:</p> <ul style="list-style-type: none"> <li>• Government departments</li> <li>• Logistics services</li> <li>• Buying power</li> <li>• International marketing/solidarity</li> <li>• Peer review and advice</li> </ul>
<p><b>Export Incentives</b> This could be done in two ways:</p> <p>1.0 Percentage rebate on Export turnover paid to the exporter. (Not limited to the farmer, producer or manufacturer.) Although frowned on by WTO, foreign trade bodies and Governments, there is some degree of tolerance when this form of incentive is used in a "Least Developed Country." (LDC) <i>The EU (and others) gives "Agricultural" subsidies to their farmers.</i></p> <p>2.0 Export marketing subsidies/allowances. South Africa has used this system for years. On application, a designated amount of funds is given to a potential exporter to develop a foreign market. The funds are not related to export turnover, rather to the investment needed to create an export environment.</p> <p>Areas where assistance can be given:</p> <ul style="list-style-type: none"> <li>Product design/innovation</li> <li>Cost of travel</li> <li>Foreign Trade fairs</li> <li>Licensing/Royalties</li> <li>Establishing foreign agents</li> <li>Samples</li> <li>Export packaging</li> <li>etc</li> </ul>	<p>Price competitiveness in marginal areas.</p> <p>Foreign Marketing</p>

Side 1

APPENDIX G

## SADC CERTIFICATE OF ORIGIN

Registration No.....(Optional) <b>1. Exporter (Name and Office Address)</b>		<b>3. Country Ref. No.</b>   <div style="text-align: center;">                     SOUTHERN AFRICAN DEVELOPMENT COMMUNITY                      (SADC)   <b>CERTIFICATE OF ORIGIN</b> </div>			
<b>2. Consignee (Name and Office Address)</b>		<b>5. For official use only</b>			
<b>4. Particulars of Transport:</b>					
<b>6. Marks and numbers; number and kind</b>		<b>7. Customs Tariff No.</b>	<b>8. Origin Criterion (See Overleaf)</b>	<b>9. Gross weight or other quantity</b>	<b>10. Invoice No. and Date (Optional)</b>
(i) Marks and Nos.	(ii) Description of goods				
<b>11. CUSTOMS ENDORSEMENT</b> Declaration certified Export Document Form.....No. .....Date.....  Customs Office.....  Issuing Country or Territory ..... ..... .....		<b>12. CERTIFICATION</b> ..... ..... ..... ..... ..... Signature..... Certificate of Customs or other Designated Authority			



On the reverse of the 3<sup>rd</sup>(Last) Page

***DECLARATION BY THE EXPORTER***

I, the undersigned, exporter of the goods described overleaf,

DECLARE that the goods meets the conditions required for the issue of the attached certificate;

SPECIFY as follows the circumstances which have enabled these goods to meet the above conditions:

.....  
.....  
.....  
.....

SUBMIT the following supporting documents ( <sup>1</sup> ):

.....  
.....  
.....  
.....

UNDERTAKE to submit, at the at the request of the appropriate authorities, any supporting evidence which these authorities may require for the purpose of issuing the attached certificate, and undertake, if required, to agree to any inspections of my accounts and to any check on the processes of manufacture of the above goods, carried out by the said authorities;

REQUEST the issue of the attached certificate for these goods.

.....  
(Place and Date)

.....  
(Signature)

( <sup>1</sup> ) For example, import documents, movements certificates, manufacturers declarations, etc. referring to the products used in manufacture or to the goods re-exported in the same state.

## Terms of Reference (Deliverables)

## Appendix H

The study team(s) would be expected to provide the following information on the commodities and target market(s) included in the Study (refer table in Section 3 above):

### a) Characteristics of the commodity sub-sector in Mozambique

- Location and structure of production, processing, and marketing activities. Potential beneficiaries of increased trade;
- Supply situation  
Production by year and by region for recent years, noting trends and variability, stocks for transformation and consumption by season and region (if possible), flows from major supply areas to major markets, including imports and exports/crossborder trade;
- Consumption Patterns  
Household and industrial consumption (disaggregated consumption patterns by socioeconomic and ethnic group, future market prospects (if possible)), seasonal and secular trends in domestic and export markets;
- Price Relationships and Seasonality  
Trends in real prices at the farmgate, wholesale and retail levels, seasonal and cyclical trends in prices, changes over time in relative price relationships, changes over time in input-output price and (product) value (input) cost relationships (if possible) - any unusual observations; marketing margins along the sub-commodity chain, input prices/markets;
- Weight of the sub-sector with respect to the local and national economies (food security, employment, agricultural and industrial production, fiscal income, port traffic and revenues, balance of trade);
- Expected developments in the commodity sub-sector.

### b) The commodity market chain in Mozambique<sup>12/</sup>

- Commodity characteristics (grades, quality, perishability, physical/handling requirements, types and magnitude of post harvest losses, packaging methods and materials for shipment and sale). Comparisons of the domestic with the imported product;
- Main uses of the commodity (unprocessed, semi-processed, processed) and its by-products in Mozambique;
- Current market destinations (local, regional and world) for the different products and by-products produced locally with estimates of volumes and values;
- Characteristics of the players in the Mozambican commodity sub-sector and upstream industries: Examination of types, history, location, activity, size, numbers, geographical distribution of firms at key subsector stages, production and marketing volumes and strategies. Evidence of market power/market concentration. Practices and strategies of subsystem participants (individuals, firms, organisations for procuring inputs, processing, storage and marketing of outputs), exchange arrangements, risk-reduction/sharing, information dissemination, adaptability and responsiveness of sub-system to shifting supply/demand, exogenous shocks, policy changes and uncertainty. Types of marketing arrangements, access to credit. Overall analysis of strengths, weaknesses, opportunities

<sup>12/</sup> Some of the sub-sectors have already been analyzed (e.g. Maize by Technoserve) In these cases the consultants should simply use the existing analysis, integrating/updating it wherever considered necessary.

and threats (SWOT), future plans, etc;

- International benchmarking with an example of developed supply chain that could be used as illustrative example and guide for future development of the Mozambican production chain.

#### Other information

- Sources, uses and distribution of marketing information in the sub-sector;
- Marketing System infrastructure  
Physical infrastructure (transport, including roads, ports, airports and waterways; market places, storage and processing facilities; communications, electricity, water supply); infrastructure adequacy and bottlenecks - evidence of excess or underutilized capacity;
- Government Marketing Institutions and Policies  
Regulatory environment, Public Marketing institutions (parastatals, cooperatives, joint ventures); the extent and nature of their participation in marketing; effect on the behaviour and performance of private participants in the food system. Co-ordination of public institutions and marketing extension;
- Macroeconomic and trade policies  
Price policies; exchange, interest, wage rate policies; fiscal and monetary policies, subsidies, quotas, regulations and licenses;
- Banking and credit policies  
Type of credit available, conditions, interest rates, export financing, pre-and post-shipment credit, export credit guarantee scheme;
- Sources of finance  
Funding from donors, private sector, investments (FDI) and investments in the target markets;
- International Trade and Commodity Competitiveness:  
Market access conditions: WTO membership, preferential, regional, bilateral. Implications on the marketing policy of the sub-sector.

#### c) The potential target market

- The product  
Present applications and uses, similar or substitute products, quality, taste, grading, quality requirements, types of packaging, packaging standards, labelling, marking, packing, product positioning and image, attractiveness of the Mozambican product vis a vis the competition;
- The competition  
Existing market leaders (including transnationals) - company profile, types, numbers, geographic distribution, market shares, export activity, major importers, services and strategies (including promotional strategies), analysis of strengths and weaknesses;
- Types of customers and requirements  
Product/market segmentation. Consumer habits and attitudes regarding competitive products;
- Supply/Demand
- Domestic production (by region) and imports (volumes and values). Market evolution, size, structure and supply/demand prospects (past, present and projected supply/demand). Trade flows - deficit and surplus regions; Estimate of surplus or deficit

for the product (nationally, by regions, main towns/urban areas) etc;

- Consumption patterns (towns/rural/regions, socio-economic groups), imports, exports, apparent consumption, seasonality and demand/sales forecast;
- Imports as proportion of total demand (past, present and projected);
- Breakdown of imports in various quality categories by origin and port/place of arrival (unprocessed, semi-processed, processed, processed and packed, etc.). Import price trends and prospects;
- Nature, structure and behaviour of participants in the marketing chain  
Dynamics and efficiency. Ability to respond to external market forces, organization, investments, technology;
- Competitive Price Structure  
Consumer prices - (taxes, means of payment, variations between products, regions, types of outlet), price trends;
- Price to the trade - margins (farmgate, processor, wholesaler, retailer), different prices, payment terms, allowances to importers, wholesalers, retailers, by product, region, size of order, type of participant. Seasonality and price trends;
- Vulnerability of the market to price competition
- Distribution System  
Existing marketing channels, functions performed by participants, mark-ups, characteristics;
- Market Infrastructure  
Physical infrastructure (transport, including roads, ports, airports and waterways; types, number of market places and distances, storage, warehouse and processing facilities; communications, electricity, water supply); infrastructure adequacy and bottlenecks - evidence of excess or underutilized capacity;
- Specific rules and regulations that apply to imports (quality specifications, quotas, tariffs, taxes, contract issues, etc.);
- Determine shipping and payment terms, shipping restrictions;
- Determine the cost of shipping-transporting from Maputo to Johannesburg, from Beira to Johannesburg, from Maputo to Cape Town (main shipping points/routes to main markets, shipping schedules, frequency, transit times);
- Characteristics of main market players (e.g. importers, processors and exporters etc), evidence of market power, barriers to entry, etc.

- Trade acceptance  
Perceptions (SWOT analysis) by the trade regarding current or potential acceptability of Mozambican commodities;
- Investigation of potential interest by the trade of commodities from Mozambique;
- Identification of potential partners/alliances/joint ventures/business associations to facilitate market entry. Business opportunities and requirements;
- Examination of market access conditions - import restrictions, quotas, tariff rates, non-tariff controls;
- Legislation  
Export Documentation, customs clearance and entry procedures, legislation procedures;
- Government Regulatory and Support Institutions and Policies  
Price policies, subsidies, labeling and advertising regulations. Future regulation and policies that may have an impact on trading environment of the commodity

d) Market opportunities for Mozambican commodities

- Identification of existing and other market opportunities for the future;
- Evaluation of various options and prioritisation of existing market opportunities according to the capacity of Mozambique to exploit them;
- Elements and inputs for building a detailed marketing strategy;<sup>13</sup>
- Necessary conditions and challenges to address for successful market penetration and/or expansion by Mozambican firms.

e) Other information

- Sources, uses and distribution of marketing information
- Marketing System infrastructure  
Physical infrastructure (transport, including roads, ports, airports and waterways; market places, storage and processing facilities; communications, electricity, water supply); infrastructure adequacy and bottlenecks - evidence of excess or underutilized capacity;
- Government Marketing Institutions and Policies  
Regulatory environment, Public Marketing Institutions (parastatals, co-operatives, joint ventures); the extent and nature of their participation in marketing; effect on the behaviour and performance of private participants in the food system
- Macroeconomic policies  
Price policies; liberalisation/globalisation, exchange, interest, wage rate policies; fiscal and monetary policies. Implications of policy on the commodity and market entry;
- Banking and Credit policies;
- Legal, political, trade environment  
(Globalisation - WTO, General System of Preferences (GSP), Preferential agreements, bilateral, common markets, free trade areas, transnationals). Implications of policy on the commodity and market entry.

f) Marketing plans: at least one for each of the commodities analysed.

The formulation of a marketing strategy for a period of 5 years for the selected product to be

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<sup>13/</sup> See section 5.

presented in a detailed marketing plan for entry into the target market of South Africa. The strategy should serve as an input for the individual company marketing plans and Trade Policy.

The information should provide clear marketing objectives, planned actions, quantitative targets to be achieved with annual breakdowns, role and responsible government institutions/private sector, resources, required budget and investment (national currency and foreign exchange).

The information provided should be actionable for decision-making and future strategy.

Elements to be included in the marketing plan are as follows:

- Product (to include supply/demand projections, positioning, quality, adaptations of the product to meet the market's requirements, market definition and size, market segments to target, market forecast (for market growth by segment), technology, requirements for success and how this can be achieved, resources required and budget etc);
- Price (to include price competitiveness, entry price, prices in the medium to long-term, minimum/maximum prices for profitability, subsidies (prospects of these being reduced or removed if relevant and impact on profitability), imports, vulnerability to price changes and government action etc);
- Promotion (to include the most appropriate media to reach the target audiences, cost and effectiveness of advertising/ various types of publicity etc);
- Distribution (to include the most efficient and cost effective methods of distribution, possible alternative arrangements, transportation and storage costs, opportunities for collaboration, partnerships/alliances etc);
- Market Information and Training (required marketing training for institutions and the private sector for the efficient functioning of the sector and export market);

g) Main conclusions and recommendations

The recommendations should include the marketing strategy, highlighting opportunities and constraints for Mozambican products in the target markets. Other factors which will have an impact on market entry should also be discussed. Specifically, the information should focus on the role to be played by the following and the action required:

- Private sector
- State institutions
- Other institutions (Donors, NGOs, etc)

h) Dissemination of the findings at national and provincial level

i) Follow-up actions (short and medium-term).

The international Team Leader(s) will guide and supervise the implementation of the respective country studies as well as the various sub-studies to be undertaken. In addition, he/she will assume overall responsibility for the preparation of the final study report presenting the findings,

results, conclusions and recommendations of the study. The report will be prepared in English and finalized within 4 weeks of completion of the study. The report will be forwarded to the External Market Task Force, c/o National Directorate of Trade, Ministry of Industry and Trade.

The selected consultancy firm(s) will be responsible for undertaking the various commodity studies entrusted to them. They will prepare separate technical reports in English presenting the findings, results, conclusions and recommendations of the various commodity market studies.

Two national Market/Trade Researchers will assist the international consultants in terms of providing all background material and information related to sections a) and b) of the terms of references, i.e. the characteristics of the commodity sub-sector and the commodity market chain in Mozambique. They will also prepare separate technical reports in English or Portuguese presenting the findings, results, conclusions and recommendations of their specific assignments. The proposed studies will be largely based upon consultations with industry and market players in Mozambique, South Africa, and Malawi, who will provide much of the required qualitative and quantitative information to undertake the analysis. In Mozambique relevant actors include, for example large-scale producers, producer associations and exporters, manufacturers and agro-processors, and port management authorities. Relevant players in South Africa and Malawi comprise a whole range of intermediate and final consumers of the selected commodities and its by-products.

Quantitative information collected from national and international statistical sources will be used to support the analysis. So will other available sources of information such as studies on the commodity sectors in Mozambique and elsewhere as well as on the regional commodity markets.

Consequently, the approach to be adopted for the studies will be of a qualitative as well as quantitative nature, and each of these aspects will complement the other in meeting the objectives and outputs of the studies.

## APPENDIX I

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