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Minister gives warning on food prices

Minister of Planning and Development, Aiuba Cuereneia, on 9 February warned that Mozambique may once more face food shortages and higher food prices in the coming months. Speaking at the opening of a Maputo seminar on “The Challenges of Economic Growth and Job Creation”, Cuereneia noted that, according to the UN Food and Agriculture Organisation (FAO), in January world food prices reached their highest level for 20 years.

“Mozambique could be negatively affected by this situation, bearing in mind that the country is still an importer of foodstuffs”, he said.

Looking on the brighter side, Cuereneia said that this threat also opens “a window of opportunity” for increased investment in agriculture to take advantage of the country’s rich soils and rivers, which are still largely unexploited. But he added that the potential for growth, not only in agriculture, but also in mining and industry, could only be achieved with additional investment in infrastructure. “The Development Strategy and Integrated Plan for Public Investment, now under preparation, will contribute to a more harmonious approach to the country’s development”, promised the Minister.

He said he hoped that the seminar would propose solutions to the main constraints which have hindered more rapid growth in the national economy. Among the challenges he listed were unemployment, and the export of goods with only limited added value.

Mozambique’s continues to have high growth rates. According to the available statistics for 2010, Mozambique’s overall growth rate was 5.9 per cent, much higher than the average for sub-Saharan Africa (five per cent) or for the world (4.8 per cent).

But Cuereneia believed the country could do better. “The greatest challenge facing us is to transform our raw materials into finished products so that our economy can have a speedier and sustainable economic growth, which creates jobs for our young people, who have spared no effort in getting education and training”, he said.

Agriculture has not evolved in 50 years

Over the last 50 years Mozambique has not seen any significant progress in agriculture, according to researcher Rafael Uaiene.

In presenting to the seminar his paper entitled “The State of Agriculture in Mozambique and Challenges” Uaiene argued that “in 50 years we have still not made a major transformation in this area”, and linked low agricultural output with high levels of rural poverty.

In support of his argument Uaiene used a comparative table on productivity levels for maize in Mozambique and Malawi covering the period 1961 to 2007.

In 2007 Mozambique produced less than a tonne of maize per hectare, compared with neighbouring Malawi where the same area produced over 2.5 tonnes. In the Southern African Development Community (SADC) region, productivity in most countries reaches levels above one tonne of maize per hectare.

According to Uaiene, who works for the Mozambican Agricultural Research Institute (IIAM), the level of productivity reached in neighbouring countries is due to the use of fertilisers, pesticides and animal traction.

He added that another important factor in the low productivity in Mozambican agriculture is the lack of use of improved seeds. Data from 2007 indicates that only ten per cent of Mozambican farmers used improved seeds for maize (in 2006 the figure was nine per cent, and in 2005 only six per cent).

Improved seeds for rice were used by only three per cent of farmers in 2007, against four per cent in 2006. For groundnuts the figures show that improved seeds were used by six per cent of farmers in 2007 compared with four per cent in 2006 and two per cent in 2005.

According to Uaiene, the challenges to development in the agricultural sector include the need to invest in research and improve agricultural services. Also needed is the expansion of access to water and credit.

He also stressed the need for better land use rights, improved infrastructure and the development of markets and agribusiness.

Mozambique has 36 million hectares of arable land, of which only five per cent is used, according to statistics from 2003. Only three per cent of arable land is irrigated.

Agriculture accounts for 24 per cent of Gross Domestic Production and 20 per cent of exports.

Coal exports dependent on logistics

By the end of this decade Mozambique is expected to be exporting 85 million tonnes of coal from the western province of Tete. However, this will only be possible if the country's infrastructure is upgraded rapidly.

The Australian mining company Riversdale plans to produce 10 million tonnes per year from its mine in Benga, and a further 25 million tonnes in its adjacent Zambeze concession. A third Riversdale area, Tete East, could contribute another 10 million tonnes a year.

The Brazilian company Vale is expecting to produce 25 million tonnes a year from its Moatize concession, and smaller companies could add another 15 million tonnes.

Riversdale has acquired its own locomotives and wagons to move coal from Benga to the port of Beira. According to Anthony Martin, the Executive Director of Riversdale-Mozambique, the company has spent $46 million on purchasing 11 locomotives, which are expected to arrive in Mozambique in April.

Two hundred coal wagons have been ordered and should arrive in July. Each wagon can carry 63 tonnes of coal. Martin expected that initially each coal train will consist of 45 wagons, but as production at Benga expands, the length of trains will rise to 90 wagons.

For the time being, Riversdale is relying exclusively on the port of Beira and on the Sena railway from the Moatize coal basin to Beira. The Sena line ends at Moatize station, but a 10 kilometre extension will be built to a Riversdale siding at Benga.

To ensure that the coal can be exported from Beira, Riversdale and the Brazilian mining company Vale are jointly financing the rehabilitation of Berth 8 at the port, so that it can handle six million tonnes of coal a year. Upgrading berth 8 will cost $80 million, and Riversdale expects it to be ready by the second half of 2011.

The government is planning a new coal terminal at Beira to handle 18-24 million tonnes of coal a year, and Riversdale has offered to co-finance such a terminal.

The most serious concerns, however, are not with the port but with the Sena line, which is not yet in a fit condition to carry millions of tonnes of coal.

Reconstruction of the line was in the hands of the Indian companies Rites and Ircon. The consortium formed by these companies, RICON, won the international tender to manage the Beira rail system (consisting of the Sena line, and the Machipanda line from Beira to Zimbabwe). RICON became the majority shareholder in the Beira Railroad Company (CCFB), with 51 per cent. The remaining 49 per cent was held by the public-owned port and rail company, CFM.

Key to this agreement was RICON's undertaking to rebuild the Sena line. RICON announced that the line was ready for use on 31 January this year – 16 months later than the original deadline of September 2009.

But, according to CFM, the line is far from ready. CFM chairperson Rosario Mualeia inspected the line personally on 7-8 February, and declared that not a single kilometre of the 554 kilometre line is up to scratch.

The most serious problems concerned ballast and drainage. Ballast consists of the stone on which the tracks are laid. It holds the tracks in place, and poor and uneven ballast, as seen on Mualeia's visit, means that rails fall out of alignment, greatly increasing the risk of derailment.

RICON had also failed to install drainage channels. Inadequate ballast plus no drainage channels means that storm waters will stay on the line. If the line is seriously flooded, the ballast will be contaminated with soil, and might be washed away.

The government warned RICON on 24 December that, if it did not correct the faults within three months it would lose its contract. Mualeia thought that RICON does not have the money, the manpower or the technical resources to meet this deadline.

If he is right, the line will revert to CFM management in April, and CFM will have at most six months to fix the line before the coal trains start running to Beira.

Riversdale has little choice but to remain optimistic and hope that the problems will indeed be ironed out by September. But Martin warns that, without smooth logistics, "the coal will remain in the ground".

Even if the Sena line functions perfectly in September, within a few years it will not have the capacity to move all the coal that is being mined.

The option favoured by Vale is to build a new railway across southern Malawi which would link up with Mozambique's existing northern railway, and carry the coal to the port of Nacala.

Nacala is widely regarded as the best deep water port on the east African coast. It can take ships of any size, and does not need dredging. It could handle up to 50 million tonnes of coal exports a year.

The main drawback is that such a railway would be entirely at the mercy of the Malawian authorities. The Malawian government is in dispute with Mozambique over the use of the Shire and Zambezi rivers for international trade. Malawi wants to bring imports up the rivers to the port of Nsanje on the Malawian section of the Shire. For the Mozambican government, this is impossible until an Environmental Impact Assessment has been done.

Riversdale also wants to use the Zambezi – but only for coal barges. Since coal is inert, the sinking of a coal barge in the Zambezi would have little impact on the aquatic environment. The same cannot be said for the barges full of fertiliser and other chemicals that the Malawians want to put on the river.

Riversdale has carried out a study which concludes that it is possible for coal barges to navigate the river.

The coal processing plant under construction at Benga is about two kilometres from the Zambezi. Cranes could load the coal onto barges which would then make the 500 kilometre journey down the river to the small town of Chinde. The barges could then continue down the coast to Beira, or the coal could be transhipped onto larger vessels waiting outside the mouth of the Zambezi.

Detailed studies of the depth and topography of the river have convinced Riversdale that the islands and sandbanks in the river do not pose a major threat, and can easily be avoided by the barges.

Riversdale is confident that its plans for barging will receive the necessary environmental licence. The environmental impact assessment is nearly complete, and the final report is now being drawn up.

The Beira, Nacala and Chinde options may still be insufficient, as coal production expands. So Riversdale also proposes that the government should seriously consider building new ports, somewhere between Chinde and Nacala.

Memorandum signed on fertilisers and soil fertility

The Mozambican government on 11 February signed a memorandum of understanding with the International Fertiliser Development Centre (IFDC) on developing a fertiliser industry, using the organic material and minerals (such as phosphates) available in the country.

Under the memorandum, signed by Agriculture Minister Jose Pacheco and the IFDC Chief Executive Officer, Amit Roy, the IFDC pledges to assist the government in its long term plans for soil fertility management and rural development.

According to the IFDC, the organisation's activities in Mozambique "include training farmers in sound agricultural practices, improving their access to inputs (fertilisers, seeds and crop protection products), strengthening agriculture market development and building the capacity of farmer organisations and agro-dealers in the private sector".

The IFDC is implementing the Agricultural Input Market Development (AIMS) project, funded by the United States Agency for International Development (USAID).

The IFDC notes that currently fertilizer use in Mozambique is only four kilos per hectare, half the African average of eight kilos per hectare, and far below the target of 50 kilos by hectare set by the African Fertiliser Summit held in Abuja in 2006.

Pacheco declared that Mozambique recognises the IFDC as a "strategic partner" in the Green Revolution advocated by the government, particularly in the areas of soil fertility and developing the market for agricultural inputs.

Pacheco hoped that the partnership with the IFDC would promote the use of fertilisers in increasing and improving agricultural production and productivity.

The IFDC is a not-for-profit agency which describes itself as "a public international organisation, governed by an international board of directors with representation from developed and developing countries".

Its main focus is "increasing and sustaining food security and agricultural productivity in developing countries through the development and transfer of effective and environmentally sound nutrient technology and agribusiness expertise".

Fruit processing in Manica

A factory producing fruit juice and jams should begin operating in April in Gondola district, in the central province of Manica. The construction of this plant, which will have the capacity to produce about 2,000 litres of juice per day, will cost around four million meticais ($125,000).

Moguen Candieiro, Chairman of the Board of the Economic Development Agency of Manica (ADEM), the organization which owns the project, told reporters it will initially work using only fruit produced locally.

Candieiro said that, although Gondola is considered as having great potential for fruit production, especially in the Macate region, where the factory is being built, it is also envisaged that the plant will eventually process fruit produced in other regions of Mozambique and from neighbouring countries such as Zimbabwe.

Candieiro was speaking during the delivery in Chimoio of ten motorcycles and a car, to facilitate the movement of ADEM technicians to meet the beneficiaries of their activities.

AfDB to disburse $15 million for water and sanitation

The African Development Bank (AfDB) is to disburse $15 million to fund water supply and sanitation projects over a period of four years in the northern provinces of Nampula and Zambezia. This was disclosed on 4 February in Maputo during a meeting between the AfDB representative and the provincial authorities.

The projects aim to considerably increase the number of people with access to clean water in Zambezia province. Currently only 48 per cent of the provinces' population of over three million people have access to potable water.

According to the National Water Board (DNA) both provinces will receive $7.5 million, of which half is in the form of a loan and the balance is a donation.

The Zambezia governor, Francisco Itai Meque, praised the AfDB's initiative and urged all stakeholders of both provinces to comply with the implementation of the projects.

The provincial government believes that many projects implemented in Zambezia take too long to be implemented. Therefore, Meque has asked the AfDB to speed up the execution of the projects, explaining that "it would be good if we could soon see visible signs of the implementation of both projects which seek to change people's lives".

Anadarko discovers more gas

The Texas-based Anadarko Petroleum Corporation announced on 7 February that it has discovered more natural gas in the Rovuma Basin, off the coast of the northern province of Cabo Delgado.

The discovery was made at the Tubarao deepwater well, the last exploration well that the company has planned in the present drilling campaign that began in December 2009. The Tubarao well was drilled to a total depth of 4,237 metres in water depths of 898 metres. It is located about 30 kilometres off the Mozambique coast.

Anadarko's Bob Daniels pointed out "this is our fourth significant discovery in the offshore Rovuma Basin".

In November last year Daniels stated that the company had already found enough gas to justify setting up a team to look at the viability of developing a LNG (liquefied natural gas) project in Mozambique.

Anadarko is the operator of Offshore Area 1 and holds a 36.5 per cent share of the fields. Its co-owners are Mitsui of Japan (20 per cent), BPRL Ventures and Videocon (both of India, with 10 per cent each) and Cove Energy of Britain (8.5 per cent). The Mozambican government is represented by Empresa Nacional de Hidrocarbonetos which holds a 15 per cent interest in the fields.

Tete bridge back to normal

The rehabilitation of the Samora Machel bridge over the Zambezi in the western city of Tete guarantees that the bridge will last another 30 years, declared Deputy Minister of Public Works Francisco Pereira on 1 February.

Speaking in Maputo Pereira confirmed that the bridge was reopened to normal traffic on 30 January, thus ending 22 months of traffic restrictions, during which traffic was only allowed on the bridge in one direction for 30 minutes, followed by 30 minutes in the opposite direction.

The bridge is part of the main road between Zimbabwe and Malawi. The restrictions on traffic meant that lengthy queues of trucks built up on either bank of the river. At times there could be 100 trucks waiting to cross.

To ensure the safety of the bridge, the supporting cables had to be replaced, but the importance of the bridge to the economy of the region meant that it could not be closed to traffic during the repairs.

In addition to the repair work on the cables, the bridge, which is about a kilometre long, has been resurfaced, and repainted, and provided with new lighting. The total cost of the rehabilitation was 733 million meticais ($23 million).

"The work was done in line with the forecast, and as from 30 January the bridge was reopened to traffic, with no restrictions", said Pereira. Trucks carrying up to 48 tonnes of cargo may use the bridge.

On average about 800 trucks a day cross the bridge, said Pereira, but the queues of heavy vehicles have entirely disappeared.

However, the government intends to divert heavy traffic to a second bridge over the Zambezi that will be built six kilometres downstream from the Samora Machel bridge. Pereira said that work on the new bridge will start this year, and should take between three and four years. The cost is estimated at over $97 million.

This bridge will be about two kilometres long, and will link Tete city to the town of Moatize, which is about to become the centre of the country's coal mining industry. The Brazilian mining giant Vale, and Riversdale Mining of Australia have mining concessions in Moatize and expect to start producing and exporting coal later this year.

In addition to the bridge, 16 kilometres of new roads will be built on both banks of the river, and a protective dike around the open cast coal mines.

"When the construction of the new bridge is completed, all trucks will use it, and the Samora Machel bridge will be restricted to use by light vehicles and pedestrians", said Pereira.

The company granted the concession to build the new bridge will be expected to maintain it, and the approach roads, for 30 years, recovering its costs through a toll gate.

Growth in Nacala Special Economic Zone

The Special Economic Zone located in the northern province of Nampula, centred on the port of Nacala, could register investment totalling $160 million this year in the fields of industry, tourism and agro-processing. This is a huge jump compared with last year when only about $15 million was invested.

According to Salim Talaquichande, of the Office for Special Economic Zones (GAZEDA) in Nacala, this year's investment will create about seven thousand permanent and seasonal jobs.

In the face of the growing investor interest in Nacala, particularly in the fields of agro-processing and tourism, GAZEDA felt the need to create two Industrial Free Zones at the end of last year.

The office created an Industrial Free Zone at the administrative post of Locone covering 176 hectares and another at Munhoene covering 330 hectares.

Nacala is of particular interest to investors partly because of plans to repair the rail link between the port and Zambia and Malawi, opening up Nacala's hinterland. A proposed new rail link from Nacala, through southern Malawi, to the Moatize coal basin would also enable coal from the huge reserves in Tete province to be exported through Nacala.

Poor highway maintenance criticised

The governor of the central province of Sofala, Carvalho Muaria, has criticized the poor maintenance work carried out on the Beira-Zimbabwe highway.

Following heavy rains during January, huge potholes have opened on the stretch of the road running through the Sofala districts of Dondo and Nhamatanda. Yet in the second half of 2010, the road had been rehabilitated by the Mozambican building company CETA.

Speaking on 2 February with staff of the National Roads Administration (ANE), Muaria said "when the work was finished last year, there were no potholes, but shortly afterwards traffic is once again being made difficult with the reappearance of potholes precisely on the stretches that were rehabilitated by CETA".

According to the Public Works Laboratory the materials used by CETA were of good quality, so Muaria wanted to know why the potholes had reappeared.

According to Muaria "ANE should improve the operations of its inspection sector and of its technical department. There are weaknesses in both these areas".

In the neighbouring province of Manica, a bridge over the river Nhancuarara recently inaugurated by Prime Minister Aires Ali could collapse because of erosion.

One again the contractor involved is CETA, this time in partnership with the Italian company CMC.

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