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**AGRICULTURE, MARKETS AND RURAL POVERTY
EVIDENCE FROM THE 2026 FLOODS IN
MOZAMBIQUE**

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1. INTRODUCTION

The floods recorded in Mozambique at the start of 2026 should be analysed as a hydrological shock with relevant macroeconomic and microeconomic implications for the rural economy. Between December 2025 and January 2026, episodes of intense and temporally coincident rainfall occurred across different river basins in the country, with particular incidence in the South, affecting the Limpopo, Incomáti and Umbelúzi basins, but with occurrences also reported in the Save, Búzi, Pungué and Licungo basins¹. The simultaneity of rainfall across multiple points of the territory, including upstream areas outside national borders, contributed to higher river outflows and to flooding in several districts².

Humanitarian coordination data indicated, by 19 January 2026, around 600,000 people affected directly or indirectly by the floods, with significant impacts on housing, public infrastructure and agricultural areas³. In parts of Gaza Province, particularly high cumulative rainfall levels were reported over a short period, contributing to river overflows and flooding of small-scale agricultural zones⁴. The floods combined a direct loss of production and agricultural assets with a disruption of connectivity and logistics, affecting—simultaneously—supply and the circulation of goods, people and services. The operational response itself indicated isolated families and high food assistance needs, with the WFP announcing the expansion of assistance to 450,000 people and a financial requirement of USD 32 million for three months—an indication of a temporary break in self-provisioning capacity in affected areas⁵.

For the purposes of this analysis, however, the focus is not on classifying the episode as a structural manifestation of climate change, but on understanding its economic transmission mechanisms. In low-income rural economies, hydrological shocks affect

¹ UNICEF Mozambique, 2026, Flood Response – Flash Update #2, 2 February 2026

² UNOCHA, 2026, Mozambique Floods – HNRP Addendum January–June 2026

³ UNOCHA, 2026, Mozambique Floods Situation Report, January 2026

⁴ UNICEF Mozambique, 2026, Flood Response – Flash Update #2

⁵ <https://www.wfp.org/news/wfp-scales-food-assistance-record-floods-mozambique-leave-families-stranded>

simultaneously agricultural supply and the transaction costs associated with the movement of goods and productive factors. Flooding of cultivated areas reduces actual production and destroys productive assets, including seeds, tools and, in some cases, livestock. In parallel, damage to road and logistical infrastructure compromises the mobility of people and goods, raising transport costs, risk and uncertainty⁶.

In Mozambique, these effects are particularly relevant given the structural weight of agriculture in rural employment and income. World Bank's estimates indicate that about 69.5 percent of total employment in 2023 was associated with the agricultural sector. The predominance of small-scale family farms, with limited capitalisation and weak storage capacity, increases the sensitivity of the production system to physical and logistical shocks. Empirical evidence on infrastructure in Mozambique shows that much of the secondary and tertiary road network is unpaved, and that access to markets and services remains limited across wide rural areas⁷. In this context, road damage is not merely a temporary constraint; it also represents an abrupt increase in transaction costs and a reduction in the frequency of market interactions.

The pre-existing context reinforces structural vulnerability. Food security estimates for October 2025 to March 2026 indicated high numbers of people—around 1.2 million—in acute food insecurity before the peak of the floods⁸. This suggests that, even before the floods, rural systems were under pressure. A hydrological shock occurring in a context of prior fragility tends to produce disproportionate effects on income, consumption and accumulated assets, especially when the productive base depends on rainfed agriculture and informal marketing circuits.

Analytically, the impacts of the 2026 floods can be conceptualised as a simultaneous shock to agricultural supply and to the structure of transaction costs. Reduced production affects local food availability; deteriorating transit ability which raises intermediation costs and undermines efficient price formation. Under limited connectivity, the interaction of these effects can generate regional price misalignments, agricultural income losses and higher living costs in consumer centres. Thus, the economic relevance of the episode goes beyond visible physical destruction: it is a disruption in the mechanism that turns production into consumption and into income, integrating rural areas into the national economy.

This *Destaque Rural* analyses the 2026 floods through the lens of agriculture, markets and rural poverty. The objective is to examine interactions between production losses and logistical disruption, and their effects on income distribution and prices. The guiding hypothesis is that, in a country highly dependent on family farming and with structurally

⁶ Iimi, A. (2021). Estimating the Impact of Improved Roads on Access to Health Care: Evidence from Mozambique. Policy Research Working Paper 9726, World Bank.

⁷ African Climate Foundation. (2023). *From climate risk to resilience: Unpacking the economic impacts of climate change in Mozambique* (Relatório n.º 800834-AFC-Mozambique-country-note-05A).

⁸ IPC (2026). *Mozambique Acute Food Insecurity Snapshot, October 2025 – March 2026*.

fragile connectivity, hydrological shocks are not only meteorological episodes; they are also economic shocks to systems, with direct implications for rural poverty dynamics.

2. DEVELOPMENT

Mozambique's rural economy is shaped by a combination of high dependence on family farming, weak capitalisation, limited insurance coverage and a territorial logistics system that, in many areas, operates close to a minimum functional threshold—even in years without shocks. It is within this frame that the 2026 floods should be read: not only as a hydrological episode, but as an economic shock that simultaneously interrupts production and the mechanism that transforms production into consumption and income. Direct crop destruction and the breakdown of physical connectivity create a double-penalty effect for smallholders: they lose harvests and they lose markets. Microeconomically, the shock is not limited to quantities produced; it hits transaction costs, cuts links between producers, traders and consumers, and induces reconfiguration of suppliers, routes, stocking patterns and relative prices between rural zones and urban centres—with immediate implications for rural poverty.

2.1. Shock to agricultural production and assets

The 2026 floods occurred during a period in which rural areas, in many provinces, were in the crop establishment phase and mobilising labour and inputs for the agricultural season. The loss of cultivable land and of the already established crops will reduce local food supply and, at the same time, destroy assets that function as household resilience 'buffers'—including saved seeds, tools and small equipment, storage structures and stored products, and animals. In terms of rural income, the devastation of fields is not only the loss of output to be harvested; it is also the loss of expected income used to finance essential expenditures (processed foods, health, transport, education and debt service).

Early evidence points to relevant agricultural losses in southern and central provinces. The Ministry of Agriculture, Environment and Fisheries reported (21 January 2026), for example, more than 10,000 hectares of cultivated land flooded in Maputo Province—an indication of scale which, even if partial and preliminary, supports the inference of significant impacts on local production and incomes. The literature on climate shocks in agrarian economies shows that losses in smallholder agriculture tend to have negative multipliers on local consumption, demand for services and rural trade, because the monetary base of rural economies depends on the agricultural surplus and its circulation. In an economy where agriculture absorbs about 70% of total employment, the transmission of the shock from the countryside to the economy as a whole is structural, not marginal⁹.

⁹ World Bank. (2025). *Employment in agriculture (% of total employment) (modeled ILO estimate) – Mozambique*.

2.2. Damaged infrastructure and spatial market disruption

The decisive dimension, however, lies in how production losses combine with logistical disruption and thereby, with market functioning. Under normal conditions, a reduction in supply would tend to push prices upward due to scarcity. Yet, when roads become impassable and transport and intermediation circuits are interrupted, the market ceases to operate as an integrated space and instead functions in fragmented form. In such circumstances, scarcity in some consumer centres may coexist with localised surplus elsewhere; higher urban prices may coexist with lower farm-gate prices or even the absence of buyers. Outcomes depend on the commodity, its perishability and, above all, the effective degree of market access for producers and consumers.

There are two main channels linking floods to prices and rural incomes: (i) loss of production and assets; and (ii) higher transaction costs and market fragmentation. Under normal conditions, the gap between the urban market price and the price paid to producers reflects transport, storage, risk, information and intermediation margins. In flood contexts, these costs do not rise gradually; they spike. And when roads become impassable, spatial market integration—i.e., the capacity to move goods from where they are produced to where they are consumed—collapses.

Humanitarian coordination assessments confirmed extensive damage to the road network. WFP reported more than 1,300 km of roads damaged and communities completely isolated— from an economic standpoint, these details which constitute a direct measure of broken connectivity and a sudden rise in transport costs and risk¹⁰. Severe impacts were recorded on domestic mobility and on the main corridor linking Maputo to the rest of the country, with immediate effects on the movement of people and goods.

For the rural economy, the relevance is twofold. First, large losses affect the bulk of family production that depends on secondary and tertiary roads, often unpaved, and structurally vulnerable. Second, disruption of primary axes amplifies the problem because it affects both input supply circuits (seeds, fertilisers, fuel) and output evacuation. The result is a logistical shock that adds to the production shock.

Available empirical evidence and infrastructure information for Mozambique are consistent with the idea that failures in the road network reduce access to services and markets, especially in rural areas where secondary and tertiary, frequently unpaved roads dominate. A World Bank study on roads and access in Mozambique notes that many secondary and tertiary roads are unpaved and that a large share of the rural population

¹⁰ OCHA. (2026, 23 de Janeiro). *Mozambique: Floods HNRP Addendum – covering the period January–June 2026 (Issue January 2026) [EN/PT]*.

has limited access—a context that makes it plausible that shocks like floods convert chronic vulnerability into acute disruption¹¹.

2.3. Transaction costs, behaviour of intermediaries, and supply failures

In agricultural markets with high informality and limited warehousing capacity, intermediaries play a decisive role in farm-gate price formation. In normal periods, intermediaries bear transport costs and risk and earn a margin. Under flood conditions, they face higher physical risk, longer travel times, higher fuel costs and a greater probability of product loss. The rational response is to reduce trip frequency, select routes and less perishable products, and demand higher margins. For isolated producers, this translates into lower prices received or, in many cases, the absence of a buyer. For urban consumers, it translates into scarcity and higher prices. In other words, a flood can simultaneously generate falling rural incomes and rising urban prices.

This mechanism is particularly severe for perishable products such as horticulture and in chains where storage is limited. When roads are cut, perishability becomes an actual loss, and producers may prefer to sell at any price to reduce total loss, pushing farm-gate prices downward. By contrast, in urban centres, reduced physical flows of food push prices upward. From a welfare perspective, this is among the worst scenarios: income declines where poverty is highest (rural areas) and the cost of living rises where food demand most heavily affects the poor (urban areas).

The 2026 floods occurred in a regional context of high food vulnerability, and food security monitor reports already indicated significant pressures for October 2025 to March 2026. IPC¹² estimated high levels (around 1.2 million people) in acute food insecurity in that interval, suggesting a pre-existing fragility in which a logistical shock tends to produce disproportionate impacts¹³. FEWS NET, updating key messages for January 2026, reported crop losses, livestock deaths and disruptions to markets and livelihoods in areas affected by river basin overflows, confirming markets and logistics as central transmission channels¹⁴.

¹¹ Iimi, A. (2021). *Estimating the impact of improved roads on access to health care: Evidence from Mozambique* (Policy Research Working Paper No. 9726). World Bank.

¹² IPC stands for Integrated Food Security Phase Classification, an international methodology used by governments, UN agencies and humanitarian organisations to assess the severity of food insecurity and guide emergency responses.

¹³ IPC. (2026, 13 de Janeiro). *Mozambique: IPC Acute Food Insecurity Snapshot | October 2025 – March 2026* [EN/PT].

¹⁴ FEWS NET. (2026, Janeiro). *Mozambique: Key Message Update – Crisis (IPC Phase 3) outcomes prevail in Mozambique due to multiple shocks*.

2.4. Implications for rural poverty and response strategy

The link between floods, markets and rural poverty operates through several channels, but two are particularly robust. First, the loss of agricultural income reduces consumption, forces asset sales and increases indebtedness, deepening poverty in potentially durable ways. Second, higher food prices in consumer markets, combined with income loss in rural areas, reduces purchasing power and increases food insecurity, especially among households already close to subsistence.

Poverty in Mozambique is high, and World Bank publications highlight significant levels of deprivation, implying that shocks that reduce income and raise prices have high potential to push more households into poverty and into deeper poverty¹⁵. In terms of response, the scale of humanitarian operations in 2026 signals shock severity. WFP announced the expansion of food assistance and an increased financial requirement to sustain short-term operations—an indirect economic indicator of reduced self-provisioning capacity in affected areas¹⁶. UNICEF described extreme rainfall aggravated by upstream rains, reinforcing that the phenomenon is not merely punctual but systemic, affecting entire river basins and therefore wide agricultural territories¹⁷.

Beyond immediate assistance, economic logic suggests that recovery must be designed to rapidly restore market function, because without functional markets, aid may contain hunger but does not restore income. Put it simply, saving consumption without restoring evacuation capacity and mobility leaves the rural economy in a dependence regime on aid, with risk of further asset erosion and of deepening poverty. Therefore, within a development economics approach, rehabilitating rural access roads and critical transport bottlenecks is not an add-on; it is a poverty reduction instrument, because it reduces transaction costs, re-integrates markets and re-activates rural income mechanisms.

3. CONCLUSION AND RECOMMENDATIONS

3.1. Conclusion

Analysing the 2026 floods through the lens of agriculture, markets and prices confirms that the economic impact exceeds physical destruction of crops and infrastructure. Consistent with the development economics literature on external shocks, what is observed is a systemic shock to market functioning, in which agricultural production losses and logistical disruption interact to produce asymmetric distributional effects against rural areas.

¹⁵ World Bank. (2025). *Poverty & Equity Brief: Mozambique*.

¹⁶ World Food Programme. (2026, 30 de Janeiro). *WFP scales up food assistance as record floods in Mozambique leave families stranded*.

¹⁷ UNICEF Mozambique. (2026, 2 de Fevereiro). *Flood Response – Flash Update #2*.

When floods destroy fields, the initial shock is a supply shock. However, when secondary and tertiary roads and main axes become impassable, the shock turns into a problem of economic and spatial coordination. Family farming loses twice: it loses output and it loses the capacity to convert output into consumption and monetary income. Markets cease to operate as efficient price transmission mechanisms and instead operate in separated segments, with low farm-gate prices in isolated areas and high consumer prices in urban centres. This phenomenon is structurally predictable in a country highly dependent on rainfed agriculture, with limited storage capacity and a vulnerable road network.

Available evidence for 2026 shows that connectivity disruption was extensive and affected both main roads and rural access routes, amplifying transaction costs and drastically reducing the frequency and reach of commercial intermediation. In economic terms, this means recovery cannot be understood only as restoring production, but also as restoring market function. Without functional markets, food assistance may alleviate hunger in the short term but does not prevent asset erosion, indebtedness and deepening rural poverty.

The 2026 floods thus reveal not only climate vulnerability but a structural fragility in the model of integration between rural areas and markets. Ignoring this dimension amounts to accepting cyclical repetition of crises, with cumulative human and economic costs.

3.2. Recommendations for economic and development policy

The recommendations below assume that an effective response to floods must combine short- and medium-term interventions with structural reforms oriented towards the resilience of markets and supply chains.

3.2.1. Short term: protect income and reactivate local markets

Beyond food assistance, the economic priority should be to protect residual agricultural income and prevent the total collapse of market activity in rural areas. This implies, first, ensuring minimum transit ability on critical access points—even through temporary solutions—to allow circulation of essential goods and the evacuation of available agricultural products. Evidence indicates that small interventions in strategic points can significantly reduce economic isolation.

Support programmes for local commercialisation should be considered, including public or quasi-public procurement of agricultural products in affected areas, whenever production still exists. These purchases act as a mechanism to stabilise farm-gate price falls and inject liquidity into rural economies, reducing the need to sell productive assets at low prices. In contexts of logistical shocks, this approach is more effective than interventions focused only on consumption.

3.2.2. Medium term: reduce transaction costs and restore spatial connectivity

Reopen and stabilise main corridors and structuring logistical links, because without them machinery, inputs, commerce and services do not move, and secondary and tertiary roads effectively lose full function. Rehabilitate secondary and tertiary access routes linking production zones to district and provincial markets, with drainage, materials and design criteria that reduce vulnerability to future episodes. Empirical literature on Mozambique and other low-income countries shows that investments in rural access roads have high returns in terms of market integration, lower food prices and higher agricultural incomes. In this sense, post-flood reconstruction should incorporate climate resilience criteria, avoiding mere patching of vulnerable infrastructure.

In parallel, it is essential to strengthen local storage and preservation capacity. The high perishability of many agricultural products magnifies losses when logistics fail. Small investments in storage, drying and primary processing infrastructure can significantly reduce producers' vulnerability to transport shocks and increase their bargaining power vis-à-vis intermediaries.

3.2.3. Long term: structural resilience and transformation of the agro-logistics system

In the long term, rural resilience to floods requires addressing the core of the problem: water management and institutional capacity. Prevention and loss reduction require institutions with technical competence, decision power and cross-sector coordination capacity, able to plan river basins, operate existing infrastructure, maintain drainage systems and ensure regular maintenance rather than solely reactive responses. Without this pillar, new infrastructure degrades and risks repeat.

Land-use planning for agricultural territories should be revised based on combined risk, integrating floods and droughts, and using climate and land-use information to guide investment location, protection of productive areas and the design of irrigation, water retention and drainage systems.

Diversification should be understood as follows: diversify income sources; strengthen practices and crops that are more tolerant to climate variability where local evidence indicates greater aridity; and improve extension services and access to appropriate technology. The aim is not to presume a single agricultural season, but to strengthen options and reduce fragility when one season fails.

Finally, risk management instruments should be designed with operational feasibility: contingency funds; pre-approved credit lines for rapid replenishment of seeds and small assets; and, where technically and institutionally appropriate, instruments indexed to climatic indicators, with clear activation rules. All of this depends on better information

collection and analysis, monitoring and implementation capacity. Disaster response policy must explicitly incorporate this economic perspective, because treating floods only as a humanitarian crisis is insufficient. They are development shocks that expose failures in integrating rural areas into the national economy. Correcting those failures is a condition for reducing poverty, stabilising food prices and sustaining a rural development trajectory compatible with the country's climate variability.

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