



Southern Africa

Highlights:

Regional main staples prices mostly declined, and were below their respective 2016 levels in most areas. Malawi and Mozambique saw significant month-on-month (m-o-m) price decline of white maize. Zambia registered the highest drop in the number of markets in ALPS Crisis mode reflecting increased availability.

Price of maize continued to remain above the 5 year average level for most countries with Tanzania standing high at about 62 percent. However, with the exception of Tanzania, all the countries saw their price of main staples drop under 30 percent relative to the 5 year average. Furthermore prices hit 5 year average level in Zimbabwe and broke below 5 year average level in South Africa and Malawi (35 and 37 percent respectively).

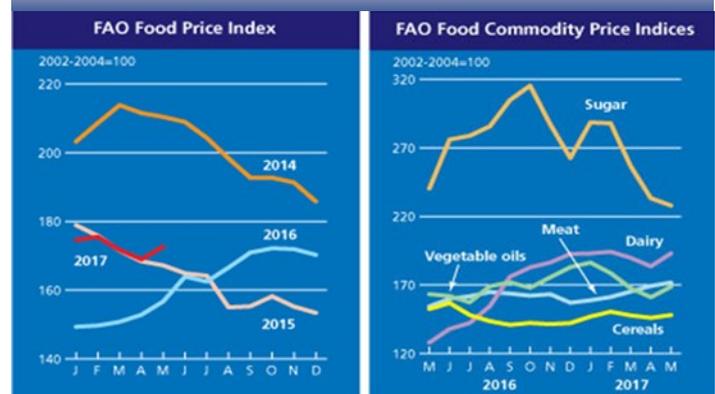
Supplies of maize are expected to be average to above average this marketing year as a result of good harvest prospects for most countries in the region except Tanzania. South Africa (SA), Zambia, Zimbabwe and Malawi are forecast to harvest large crop of maize this marketing year according to Agricultural assessments reports. Further price declines over the next couple of months is expected.

International Food Staple Price

The **FAO Food Price Index** averaged 172.6 points in May 2017, up 3.7 points (2.2 percent) from April and nearly 16 points (10 percent) higher than its May 2016 level. The rebound in the value of the Index followed three months of consecutive declines. With the exception of sugar, all other commodity indices used in the calculation of the FFPI increased in May.

The **FAO Cereal Price Index** averaged 148.1 points in May, up 2 points (1.4 percent) from April, but still 4.4 points (2.9 percent) below its value of May 2016. Weather developments and stronger trade activity underpinned wheat export prices, while strong demand for higher quality Indica rice drove up international rice prices for the sixth-successive month. Large global availabilities prevented strong gains in maize export prices.

Figure 1: FAO Food Price Index and Food Commodity

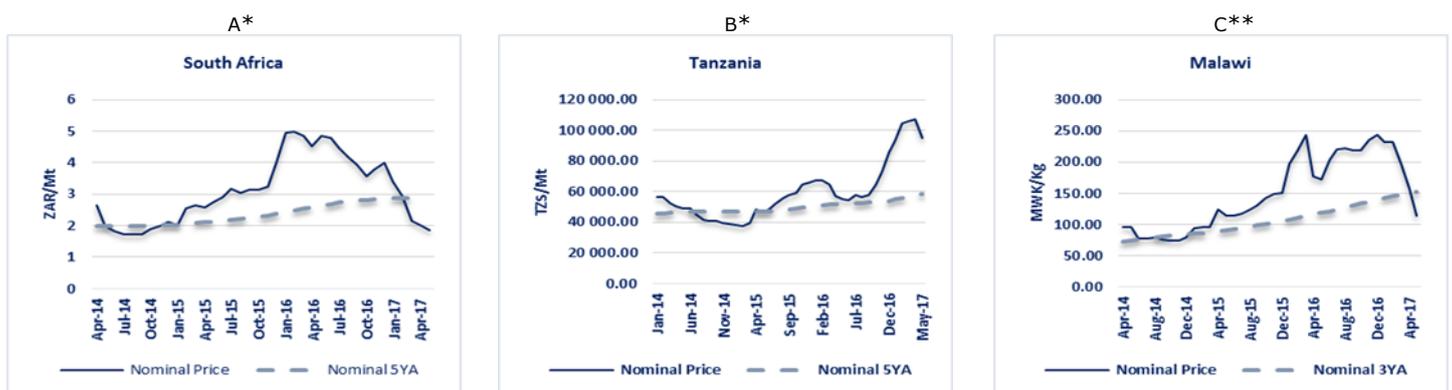


Source: <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>

Regional Food Staple Price Trends

Food supplies continued to improve in April and will improve further in May as the 2016/17 production season progresses. Regional main staples prices mostly declined, and were below their respective 2016 levels in most areas. Relative to their respective 5 year average (5YA), prices remained above the 5 year average except SA, Zimbabwe and Malawi (Figure 2 & 3).

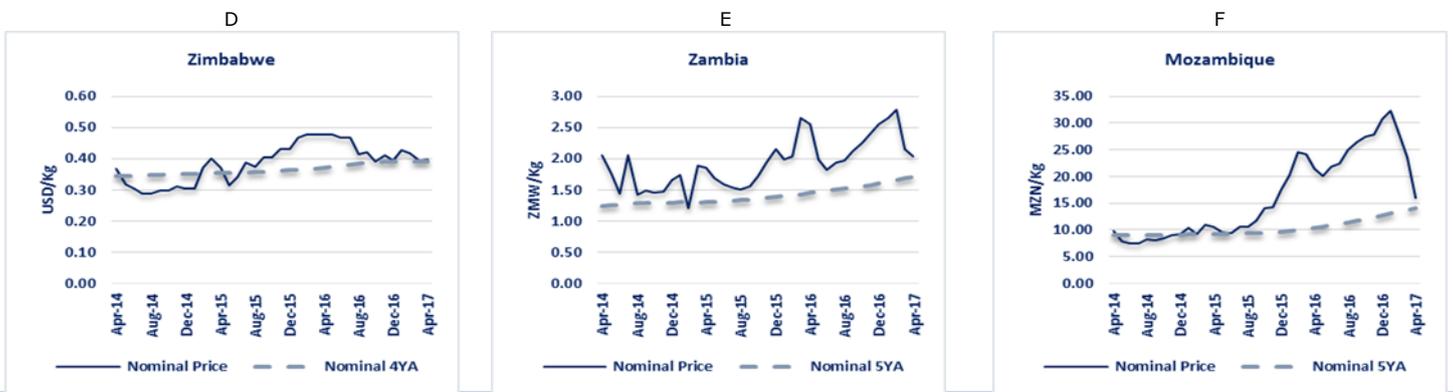
Figure 2: Average monthly white maize price from selected countries in Southern Africa



Note: Zimbabwe, SA, Tanzania & Malawi Prices : available up to May.

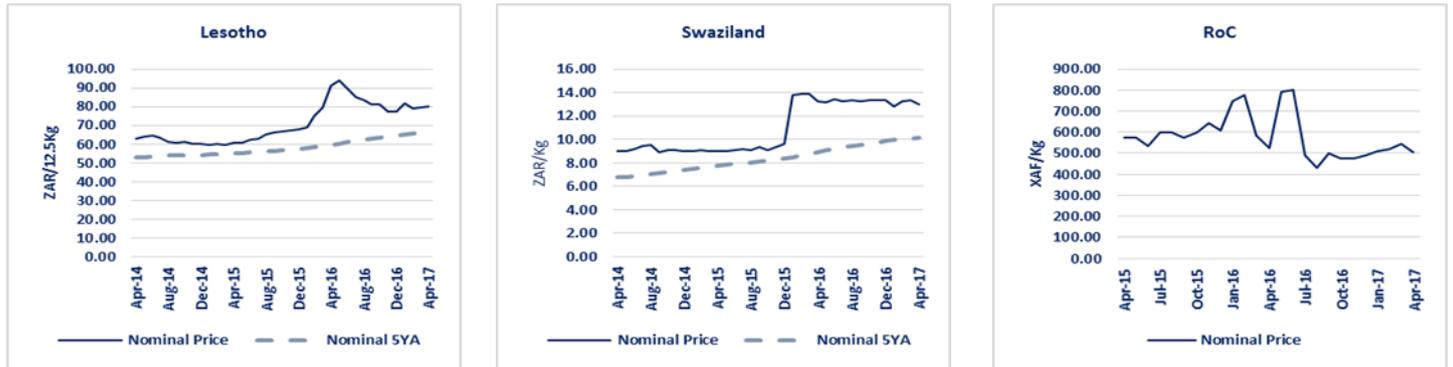
(*) SA and Tanzania: Wholesale Prices per (Metric ton)

(**) Malawi : 3 Year Average



Source: WFP

Figure 3: Average monthly maize meal price trends in Lesotho & Swaziland and Cassava flour prices RoC & DRC

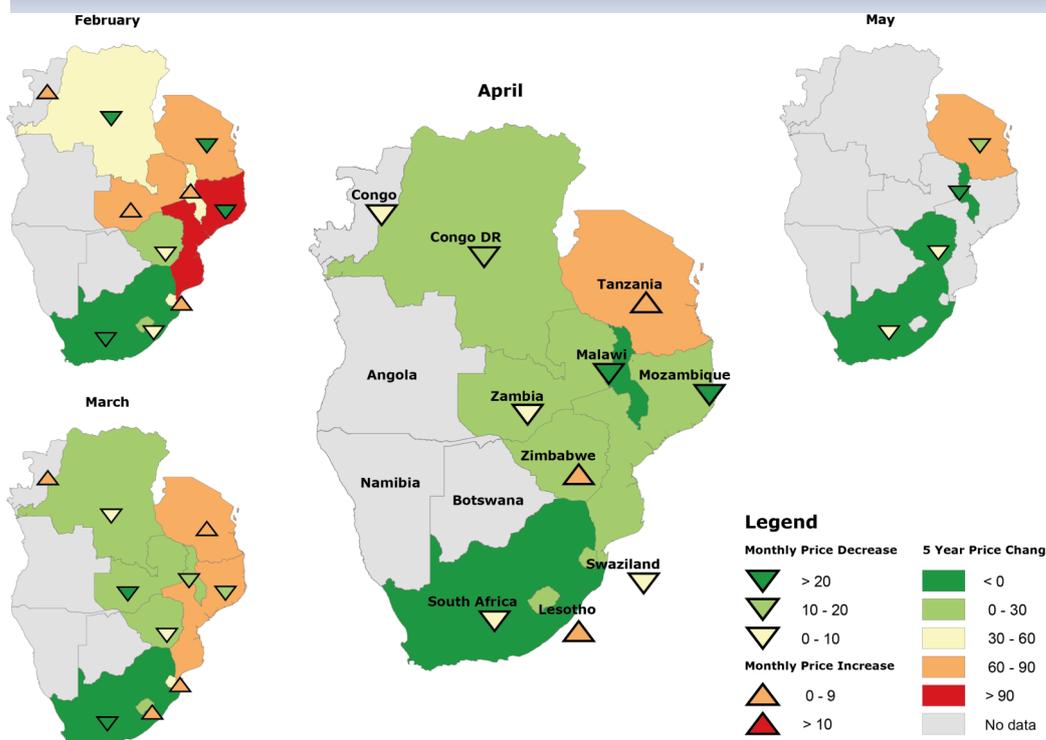


Source: WFP

Monthly price changes compared to 5 year average

Figure 4 gives a snapshot of m-o-m price movements and also a comparison with the 5YA. In general prices in most countries are moving towards the 5YA or even dropped below the 5YA. White maize prices in Zimbabwe were at 5YA level in May while in **SA** and **Malawi** they were 35 and 27 percent below the 5YA respectively. In the majority of countries, prices remained above the 5YA but within 30 percent. **DRC** (7 percent), **Zambia** (19 percent), **Mozambique** (14 percent), **Lesotho** (20 percent) and **Swaziland** (27 percent). The exception to these trends is **Tanzania** with prices of white maize at 62 percent above the 5YA in May. M-o-m **SA** white maize prices dropped 8 percent to just under pre-2014 level in May. Similarly, **Malawi** prices of white maize dropped by 27 percent May. After experiencing price increases since January, **Tanzania** recorded an 11 percent drop in the price of white maize in May. In **Mozambique**, prices of white maize declined sharply in April (32 percent).

Figure 4 : Regional staple food price movement m-o-m and compared to 5YA



Both **Zimbabwe** and **Zambia** recorded a 6 percent drop in the price of white maize in April.

Overall, prices of white maize mostly dropped in the region in April 2017 and further price drops are expected over the next two months (**Figure 4**). RoC experienced decrease of roughly 7 percent in the retail price of cassava flour in April. Similarly the DRC registered a price decline of approximately 10 percent.

Swaziland recorded nearly 3 percent month on month decrease in the price of maize meal after two consecutive months of price increases. Lesotho on the other hand saw a small price increase (1 percent) in the price of maize meal.

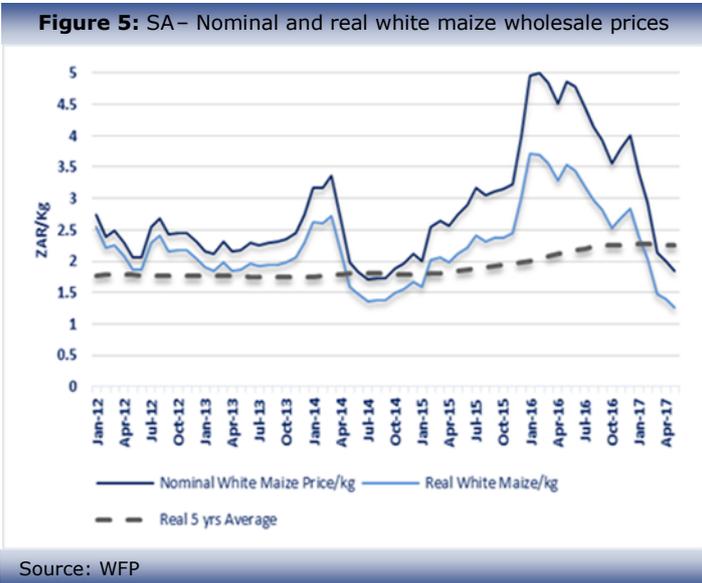
With harvest of maize crop in full swing and record yields being reported, it is a matter of time before the downward trend in maize grain transmit to maize meal.

Main drivers of price movements in April 2017: harvesting gaining momentum was a big factor that caused prices to drop. In addition, traders releasing their last stock in expectation of fresh deliveries from farmers also contributed to price reductions in the region.

Near term : May–July 2017: prices are expected to decline further in line with seasonal trends and reach their lowest in June/ July, which should contribute to improved staple food access for net food buying households.

The anticipated positive effect on prices from the lifting of the ban on export of maize and mealie meal in Zambia should kick in soon in neighbouring DRC as volume of maize export increases.

Figure 5 depicts the nominal and real price¹ of South African maize. Both the nominal and real wholesale prices of maize are on a downward trend and most importantly, the real price of maize is approximately 43 percent below its 5 year average in May 2017.



Outlook

Supplies of maize are expected to be average to above average from May onward as a result of good harvest prospects for most countries in the region except Tanzania whose maize production for 2017 is expected to be below average. Below average production in Tanzania represents great potential for export for surplus producing countries such as Zambia and South Africa.

The National Crops Estimate Committee (CEC) further increased its April maize production forecast from 14.5 to 15.6 million tonnes making this season’s crop the largest on record. Furthermore, Zambia, Malawi and Zimbabwe are also expecting considerable improvement in domestic maize production. The region can expect to see continued price declines in the coming months.

Madagascar rice production for 2017 is expected to be below average and rice imports are expected to rise in 2017 as a result of the expected fall in national rice production.

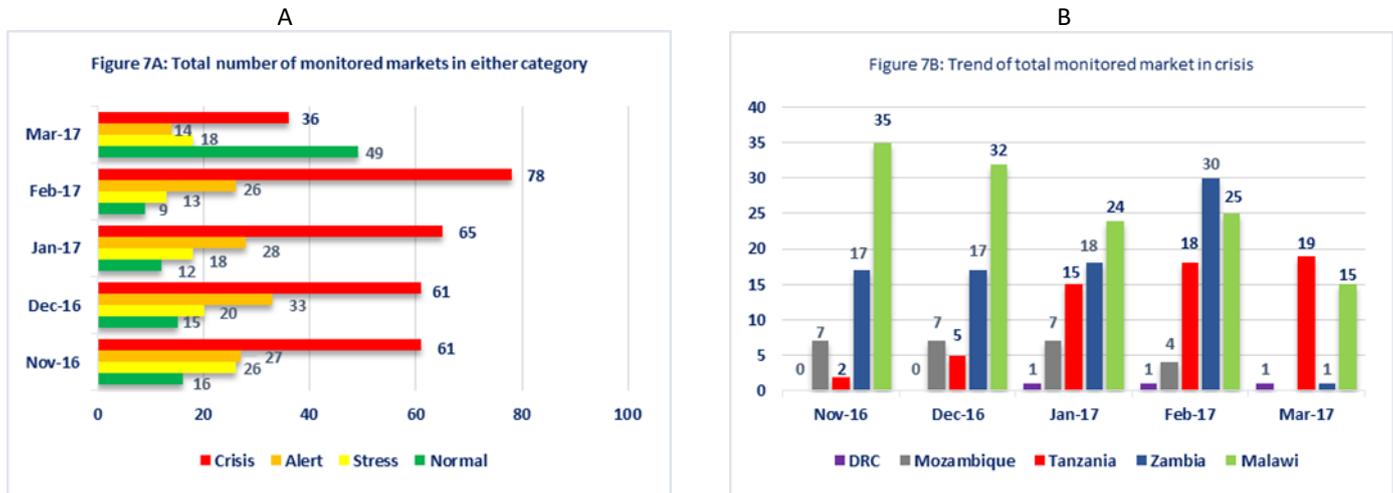
Alert on Price Spikes (ALPS)

ALPS is an indicator that monitors local food commodity prices and measures the extent to which food commodities found on local markets experience unusually high food price levels for a specific month of the year. In March 2017, 14 of ALPS monitored markets across southern Africa were in Alert. This is a 41 percent decrease from February 2017. Out of the 14 markets in Alert, 6 were in Zambia, 1 in Tanzania, 6 in Malawi and 1 in the DRC.

36 monitored markets across 4 countries were in Crisis (**Figure 6A**). Of these 36 markets, 15 were in Malawi (Down 40 percent from February) 1 in Zambia (down by a staggering **97 percent**), and 19 in Tanzania (up 5 percent from February 2017 (**Figure 6B**).

The drop in the total number of markets in crisis in the ALPS indicator is mainly driven by Zambia (from 30 in March to 1 in April, **Figure 6B**). This confirms the price decline observed in **Figure 4** for Zambia in March. The number of markets reporting normal price levels of maize grew from 9 in February to 49 in March overall. Once again the increase is mainly driven by Zambia suggesting that overall food prices in Zambia are returning to normal levels.

Figure 6: Status of Monitored Food Markets in Southern Africa in March 2017 – ALPS

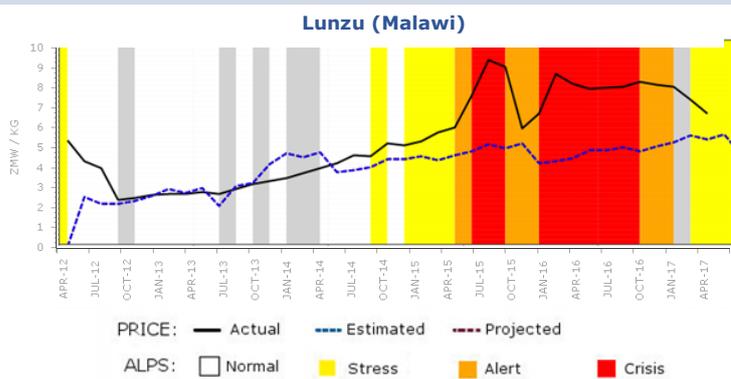


Source: WFP

Overall 58 percent or 68 out 117 of ALPS monitored markets in southern Africa were either in Stress, Alert or Crisis in March (**7A**), a considerable decline relative to February (93 percent) reflecting improved market supply resulting from early harvest. Maize prices are very likely to remain above their average price trend at least until the in May.

¹ Nominal price measures the value of a product at current prices. Real prices on the other hand are nominal prices adjusted for inflation (i.e. exclude the effect of inflation).

Figure 7: ALPS maize grain market price trend in Lunzu market (Malawi) levels



Source: WFP ALPS <http://foodprices.vam.wfp.org/ALPS-chart.aspx?iso=MWI&mid=784&cid=51&ptid=15>

Focus on Malawi: Figure 7 illustrates the retail price trend of white maize for Lunzu market, a prime maize grain market in Malawi. The national average retail price of maize in Malawi dropped by 15 percent in March relative to February. The market experienced consistent price decline since January 2017 as reflected by the shift from ALPS Alert mode to ALPS Stress mode in March. Price are expected to remain above average in May.

Regional exchange rate patterns compared to the US Dollar

Year-on-year (y-o-y) most currencies in the region weakened against the US Dollar with the exception SA (and the pegged currencies of Lesotho & Swaziland) and Zambia (Table 1). However, the trends in Figure 8 suggest that Mozambique, RoC, Zambia and SA (and the pegged currencies) currencies have been strengthening vis-à-vis the US Dollar since the beginning of 2017.

Tanzania, Malawi and Madagascar currencies have levelled off for the past several months while the DRC currency has weakened significantly against the US Dollar since the beginning of the year.

Inflation Rates: 12 months inflation rate in the region in April 2017 were as follows (Figure 9): Mozambique (21.3 percent), Malawi (14.6 percent), Zambia (6.7 percent), Tanzania (6.4 percent), and South Africa (6.1 percent). Note that Zimbabwe inflation was slightly positive in April (0.5 percent). This was the highest inflation rate since late 2013. The country has been facing with wide liquidity challenges resulting in depressed demand.

Figure 8: Forex trends

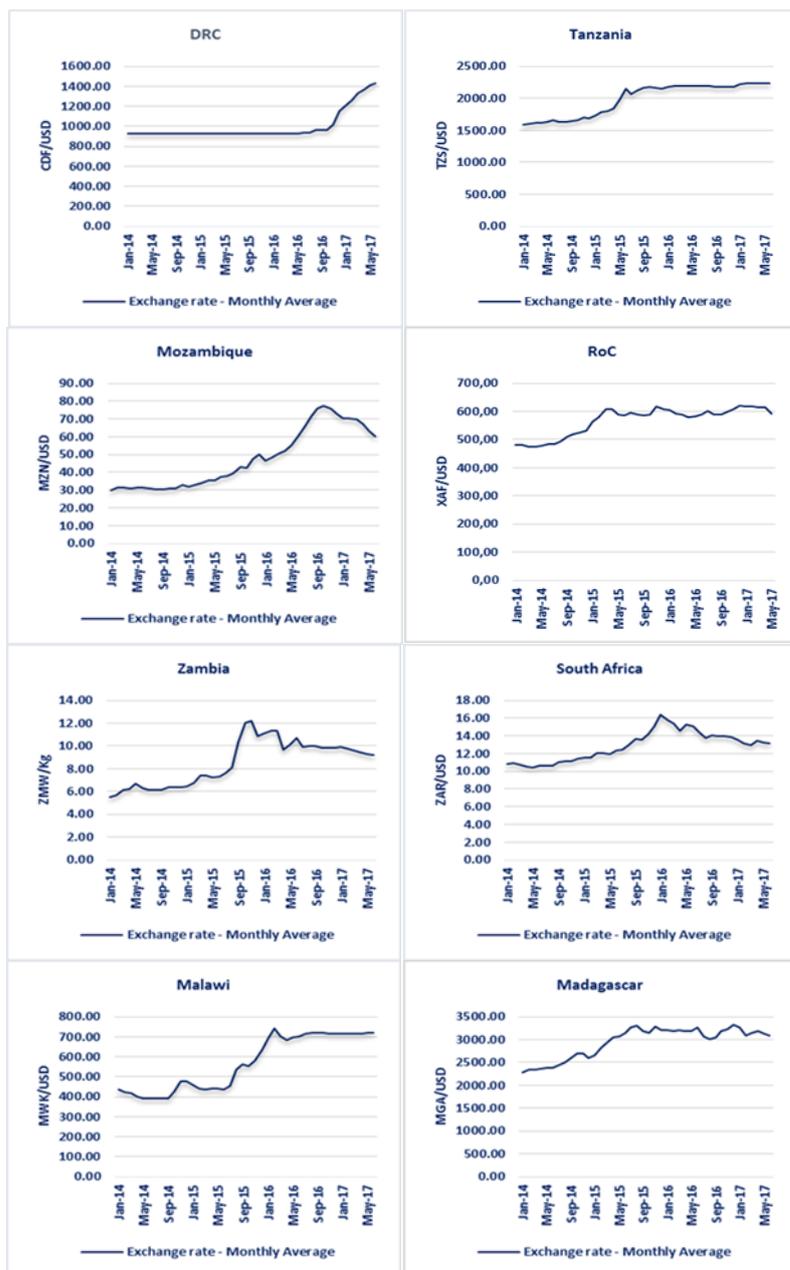
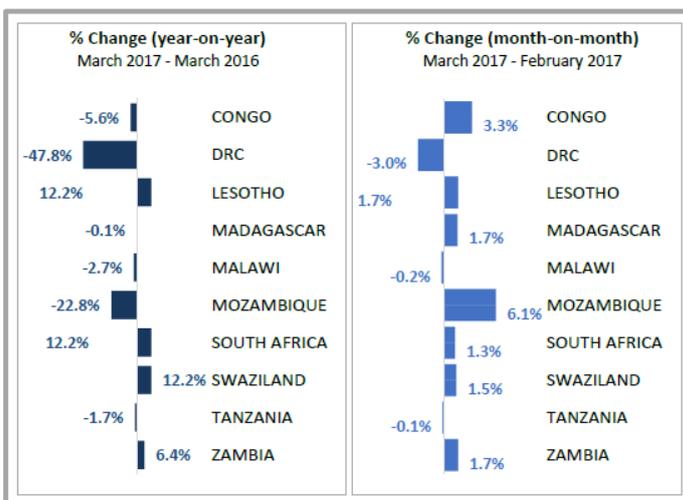


Table 1: Forex % changes

Exchange Rate Table

Country	Exchange rate compared to 1 USD			% Change (y-o-y)*	% Change (m-o-m)*
	May-16	Apr-17	May-17		
CONGO	581.16	613.91	593.44	-5.6%	3.3%
DRC	927.11	1 370.13	1 411.02	-47.8%	-3.0%
LESOTHO	15.36	13.48	13.25	12.2%	1.7%
MADAGASCAR	3 176.30	3 179.98	3 127.17	-0.1%	1.7%
MALAWI	697.75	716.90	718.27	-2.7%	-0.2%
MOZAMBIQUE	54.96	67.49	63.34	-22.8%	6.1%
SOUTH AFRICA	15.31	13.44	13.26	12.2%	1.3%
SWAZILAND	15.35	13.47	13.27	12.2%	1.5%
TANZANIA	2 189.65	2 227.94	2 229.96	-1.7%	-0.1%
ZAMBIA	10.06	9.42	9.26	6.4%	1.7%

Exchange Rate % Change



Data Source: www.tradingeconomics.com/

*m-o-m is comparison between the current month and the last month; y-o-y is comparison between the current month and the same month of last year

Figure 9: Inflation rate



Data Source: //www.tradingeconomics.com/

