Monthly Regional Food Price Update – May 2017

Southern Africa

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.

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

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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).

Note: Zimbabwe, SA, Tanzania & Malawi Prices : available up to May. (*) SA and Tanzania: Wholesale Prices per (Metric ton) (**) Malawi : 3 Year Average
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 a 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 price drop 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 transmits to maize meal.
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.

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 5 depicts the nominal and real price\(^1\) 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.

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 end of 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).
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 wide liquidity challenges resulting in depressed demand.

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.

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

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