Monthly Regional Food Price Update - June 2017

Southern Africa

The FAO Food Price Index averaged 175.2 points in June 2017, up 2.5 points (1.4 percent) from May and 11 points (7 percent) above its level a year earlier. June marked the second successive month of increase in the value of the FFPI. The rise was driven by relatively large increases in dairy and cereal prices. Meat quotations also firmed, while those of sugar and vegetable oils dropped.

The FAO Cereal Price averaged 154.3 points in June, 6.2 points (4.2 percent) above its May level and representing a one-year high. Wheat quotations increased the most, largely reflecting a surge in high-protein wheat values due to deteriorating crop conditions in the United States, while strong import demand exerted upward pressure on international rice prices. By contrast, record harvests in South America kept maize prices under downward pressure (Figure 1).

Regional Food Staple Price Trends

Regional maize supply continued to improve in May and June and is expected to improve further in July as the 2016/17 production season progresses. Main staples prices declined considerably region wide, and were below their respective 2016 levels in most areas except Tanzania. Most WFP monitored markets showed normal price level in April and May for maize and maize meal reflecting increased availability. Zambia maize prices increased on average probably in anticipation of a higher price floor to be set by the government in the coming weeks.

Though the average national maize price in Tanzania was considerably above the 5 year average (SYA), it dropped from 62 percent in May to roughly 37 percent in June. South Africa, Zimbabwe and Mozambique national average maize prices were considerably below the SYA in June.

South Africa (SA), Zambia are reporting good yields this harvesting season. Further price declines over the next couple of months is expected in Tanzania.

International Food Staple Price

Figure 1: FAO Food Price Index and Food Commodity

Source: http://www.fao.org/worldfoodsituation/

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

South Africa

Tanzania

Malawi

Note: (*) SA and Tanzania: Wholesale Prices per (Metric ton) (***) Malawi : 3 Year Average
Figure 3: Average monthly food price trends in Lesotho, Swaziland, Republic of Congo and the Democratic Republic of Congo

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

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 dropped 7 percent below the 5YA level in June. In SA, prices dropped about 40 percent below the 5YA in June and in Malawi as of May they were 25 percent below the 5YA. In half of the countries monitored prices dropped below the 5YA, while in the other half they remained above the 5YA but within 20 percent. Zambia — 17 percent), Lesotho (16 percent) and Swaziland (19 percent). The exception to these trends is Tanzania with prices of white maize at about 35 percent above the 5YA in June.

Zimbabwe recorded a 3 percent drop in the price of white maize in April while in Zambia prices went up 20 percent in anticipation of a higher price floor to be set by the government in the coming weeks. In addition, in border towns, most of the maize is being bought by neighbouring countries who are offering farmers and traders a higher price.

Overall, prices of white maize mostly dropped in the region in June 2017 (Figure 4).

RoC experienced decrease of roughly 5 percent in the retail price of cassava flour in April. Swaziland recorded nearly 6 percent month on month decrease in the price of maize meal and similarly Lesotho saw a small price decrease (3 percent) in the price of maize meal.
Main drivers of price movements in May and June 2017:
harvest process is in full swing across the region with excellent yields especially for maize and producer deliveries were significant. This contributed to significant price drops in May and June in most areas in the region. In Tanzania, maize export from Zambia helped ease the shortage of maize and reduced prices considerably in June.

Near term: May—July 2017: prices are expected to decline further in Tanzania, Zimbabwe and Malawi in line with seasonal trends and reach their lowest in June/July. The Zambian government is set to announce the floor price of maize for the 2016/17 marketing season soon and this will likely dictate the pace of prices in Zambia in the coming months.

Figure 6 presents markets that meet the selection criteria for ALPS and which have been in stress, alert or in crisis from January to May. As of April monitored markets in Zambia showed generally normal prices for white maize prices. Similarly, in Malawi and Lesotho, monitored markets showed level of normal prices in May for white maize and maize meal respectively. This trend suggest increased availability in these countries resulting from improved harvest this season. Tanzania is an exception to the this trend as expected because of low harvest this season. Most markets are still in ALPS crisis mode in Tanzania, however, given the excellent maize yields in the region this season export to Tanzania is likely to relieve pressure on prices in the months ahead.

Overall most monitored markets exhibits normal level prices with the exception of Tanzania.

Year-on-year (y-o-y) most currencies in the region gained against the US Dollar with the exception the DRC, Malawi and Tanzania (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 were as follows (Figure 9): June inflation: Mozambique—21.3 percent, Malawi—11.3 percent, Zambia—6.8 percent. Tanzania latest inflation figure is for April—6.4 percent, and South Africa—5.4 percent (May inflation rate). Note that Zimbabwe inflation was slightly positive in May—0.75 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**

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

Legend
- +3 Standard deviations
- Standard mean
- -3 Standard deviations
- Historic trend (monthly)

Data Source: //www.tradingeconomics.com/