

Monthly Regional Food Price Update - July & August 2017



Southern Africa

Highlights:

Improved maize supplies drove national maize and maize meal prices further down in July in all the monitored countries except South Africa (SA) where prices increased by roughly 6 percent. Moreover, national prices were considerably below their respective 5 year average (5YA) except Tanzania, Lesotho and Swaziland.

The Zambian government set the floor price of a 50 Kg bag of white maize at 60 Kwacha (about \$7) compared to 85 Kwacha per 50 Kg last year. This development has contributed to the significant drop in the national maize price (35 percent) observed in July.

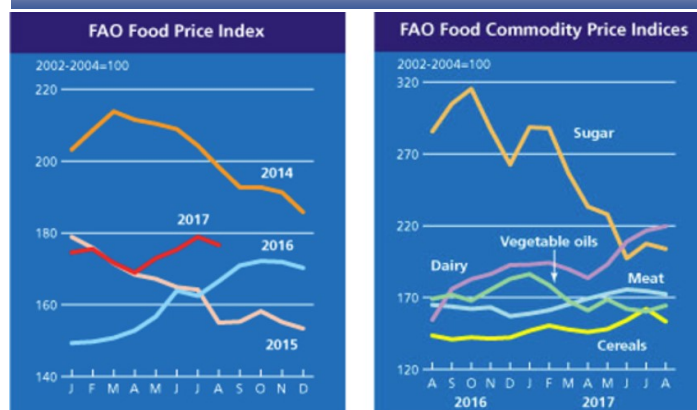
As of July, most WFP monitored markets experienced normal and below normal price level in July for both maize and maize meal reflecting increased availability. In Tanzania, some markets remained under pressure.

International Food Staple Price

The **FAO Food Price Index** (FFPI) averaged 176.6 points in August 2017, down 2.3 points (1.3 percent) from July, but still 10 points (6 percent) above its value a year earlier. The August decline reflected generally lower values for cereals, sugar and meat, which more than compensated for increases in the Vegetable Oil and Dairy Indices.

The **FAO Cereal Price** averaged 153.4 points in August, down almost 9 points (5.4 percent) from July. After rising for three consecutive months, cereal prices in August were pressured by large global supplies. Wheat values dropped by over 8 percent month-on-month as a result of improved production prospects among exporters, especially in the Black Sea region. Export quotations for major coarse grains also fell due to ample export availabilities, especially of maize in South America. International rice prices were broadly steady, as slow import demand had offset the support provided by diminishing availabilities ahead of new crop arrivals (**Figure 1**).

Figure 1: FAO Food Price Index and Food Commodity

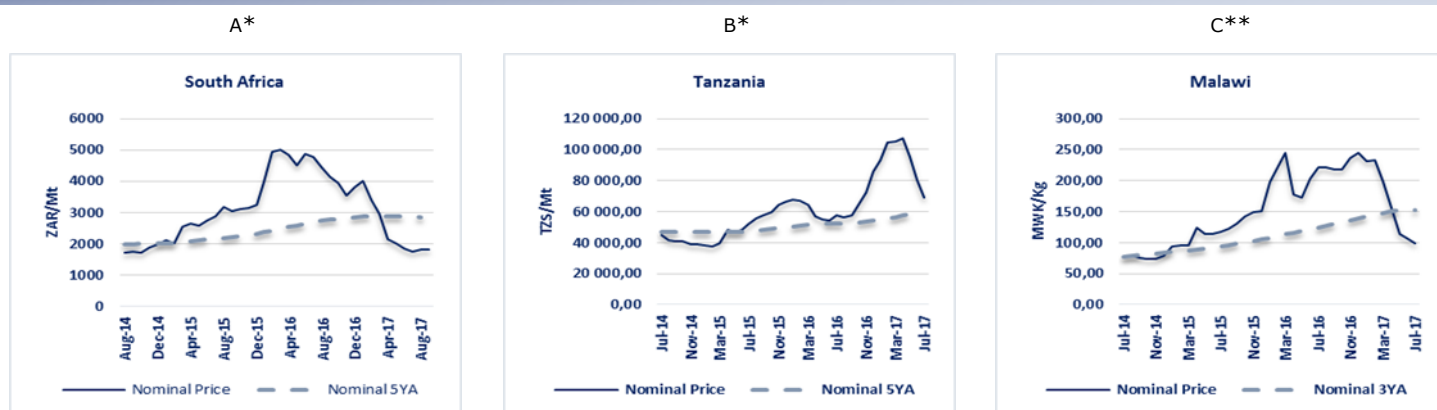


Source: <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>

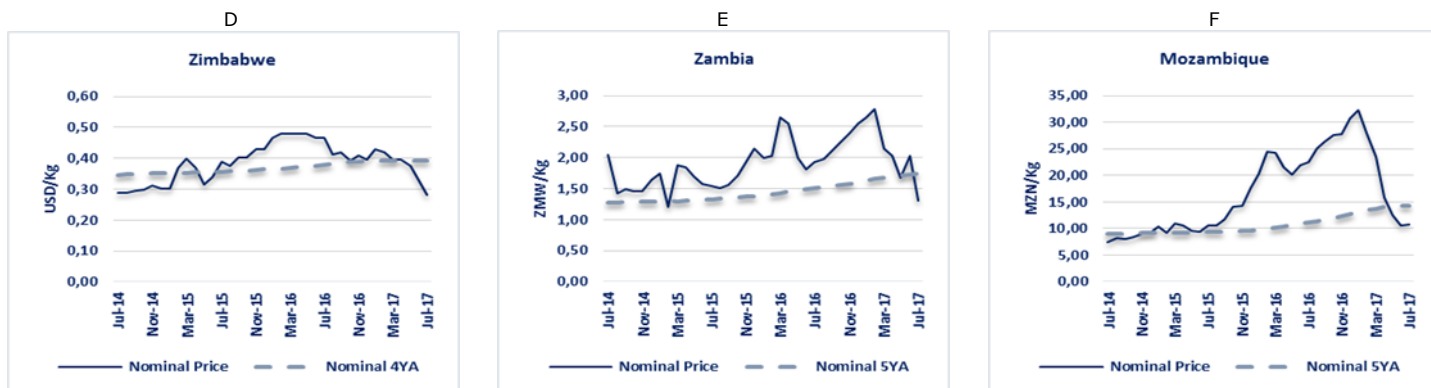
Regional Food Staple Price Trends

Regional maize supply has improved in the region during the post-harvest period as expected. Except for SA, national maize prices declined considerably in the monitored countries region wide in July. National maize meal price remained relatively unchanged in Swaziland while Lesotho experienced a slight decline in July. Compared to their respective 5 year average (5YA), Tanzania was the sole country with national maize price above the 5YA. National maize meal price remained above the 5YA in both Lesotho and Swaziland (**Figure 2 & 3**).

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

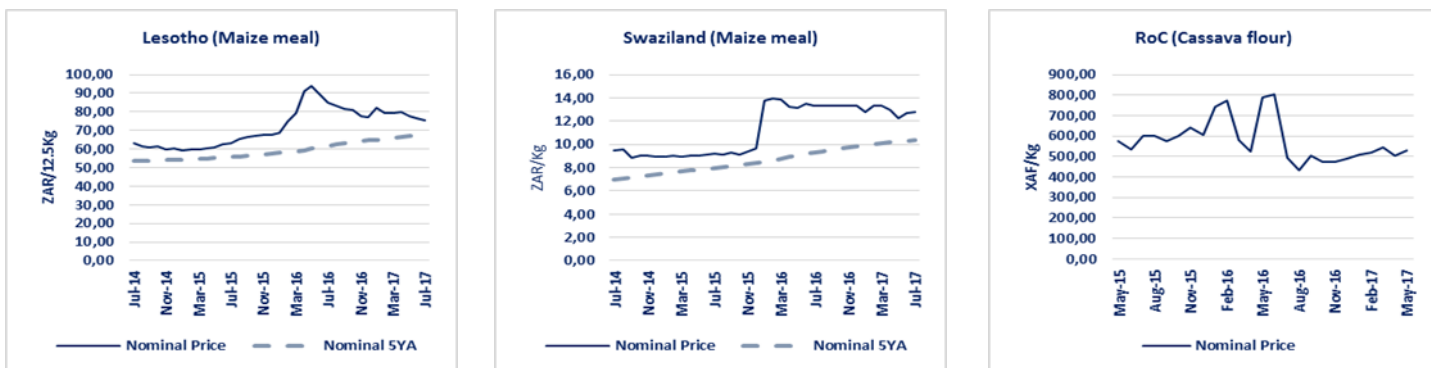


Note: (*) SA and Tanzania: Wholesale Prices per (Metric ton) (**) Malawi : 3 Year Average



Source: WFP & FAO (SA prices)

Figure 3: Average monthly food price trends in Lesotho, Swaziland, Republic of Congo and the Democratic Republic of Congo



Monthly price changes compared to 5 year average

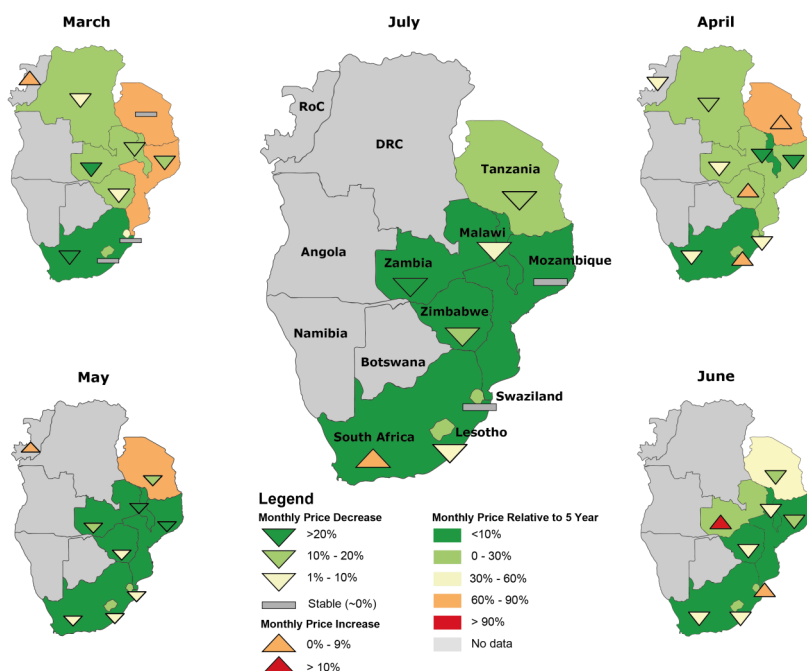
Figure 4 gives a snapshot of staple price movements relative to the previous month and the 5YA.

National maize price were considerably below the 5YA in **Malawi** (35 percent), **Mozambique** (25 percent), **SA** (36 percent), **Zambia** (25 percent) and **Zimbabwe** (28 percent). On the other hand, **Tanzania** national maize price remained above the 5YA (15 percent) in July. However, it still represents a considerable decline considering that this figure was about 36 percent in June.

Month on month, **SA** national white maize price increased by 6 percent in July. In contrast, national white maize price dropped by roughly 9 percent in **Malawi**, 14 percent in **Tanzania** and 15 percent in **Zimbabwe**. **Zambia** recorded the most significant price decrease (35 percent) in July in response to the new government floor price set at 60 Kwacha per 50 Kg bag of white maize as well as increased maize supply.

Source: WFP

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



In May substantial quantities of maize were offloaded on markets across **Zambia** in anticipation of new harvest supplies which ultimately drove the national price of maize significantly down. However, harvesting started later than usual because rains extended into May thereby delaying new supplies reaching markets as anticipated and causing prices to increase in June.

In **Mozambique**, national price of white maize remained relatively unchanged (0.2 percent) in July.

Lesotho recorded a slight drop (1.7 percent) in the price of maize meal while Swaziland Swaziland's prices remained relatively unchanged (0.7 percent) in July.

Overall, prices of white maize mostly declined in the region in July. Price of maize meal on the other hand, did not show much fluctuation in July (**Figure 4**).

Main drivers of price movements in June and July 2017: this year harvest resulted in excellent yields. Improved maize availability triggered considerable maize price decline in the region. In the near term, we expect to see a further drop in the price of maize in Tanzania.

Outlook

Current maize yields are in line with expectations of average to above average this season. A further drop in the price of Maize can be expected in Tanzania.

Average rain fall is expected for the 2017/18 production season with forecast indicating highly ENSO neutral in the region. Thus normal rainfall can be expected ensuring a normal production season thereby maintaining favourable food supplies conditions next season.

The Fall Armyworm is likely to continue spreading across the continent. Hence farmers must learn to manage the pest in the context of their cropping season.

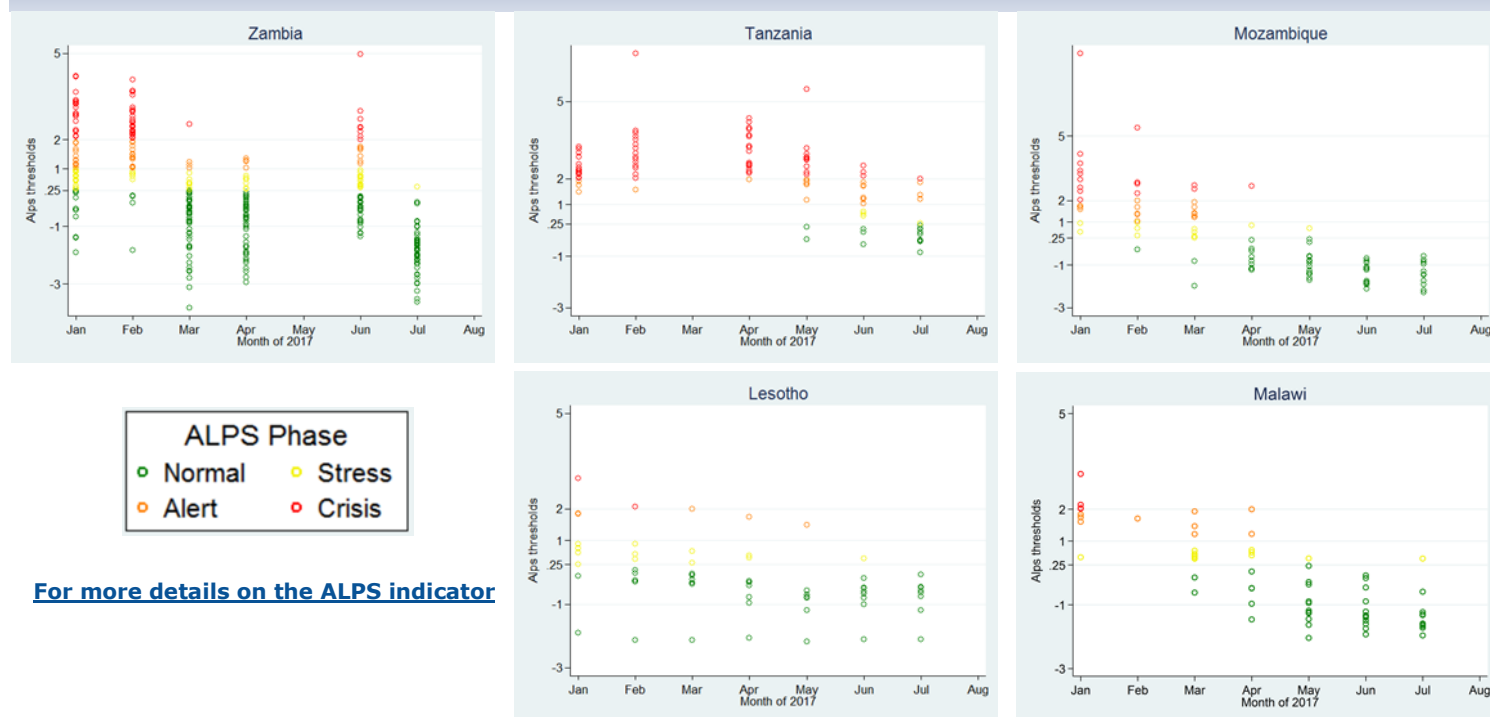
Alert for Price Spikes (ALPS)

ALPS is an indicator that monitors local food commodity prices and measures the extent to which food commodities found on local individual markets experience unusually high food price levels (deviations above zero) for a specific month of the year. Though the focus is on deviations above zero, negative deviations are also depicted to show the full trend. **Figure 6** shows the status of price levels from January to July; classified using ALPS thresholds as either Normal, Stress, Alert or Crisis¹.

As of July, most monitored markets in Zambia showed average to below average level prices for white maize. Similarly, Malawi, Mozambique and Lesotho, monitored markets showed average to below average level prices in July for white maize and maize meal respectively. This trend suggests increased availability resulting from improved harvest this season. Tanzania on the other hand, some markets remained under pressure in the Alert phase in July.

Overall, prices dropped significantly in most monitored markets between June and July. More than 90 percent of monitored markets exhibited level price (Normal ALPS Phase).

Figure 6: Status of Monitored Food Markets in Southern Africa in March 2017 – ALPS (Maize and Maize meal)



Source: ALPS WFP

Regional exchange rate patterns compared to the US Dollar

Year-on-year (y-o-y) most currencies in the region gained against the US Dollar with the exception the DRC, Madagascar 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 (Figure 9): overall inflation rate show a declining trend with the exception of the DRC and Madagascar. Zimbabwe remained very much in deflation with a slightly positive inflation rate in July — 0.14 percent. The country has been facing wide liquidity challenges resulting in depressed demand.

12 months inflation rate in the region were as follows: July inflation: Mozambique— 16.1 percent, Malawi— 10.2 percent, Angola— 27.3 percent, South Africa— 4.6 percent, Tanzania— 5.2 percent. Lesotho and Swaziland latest inflation figure is for June — 5 percent and

¹ ALPS thresholds measured as deviations above zero — **Normal:** ALPS < 0.25; **Stress:** 0.25 ≤ ALPS < 1; **Alert:** 1 ≤ ALPS < 2; **Crisis:** ALPS ≥ 2. Note that the markets depicted in figure 6 are not necessarily identical from one month to the next and the number of markets depicted may differ from one month to the next because of data availability. Thus **Figure 6** is intended to give a snapshot of market price levels in a given country at a given point in time.

Figure 8: Forex trends

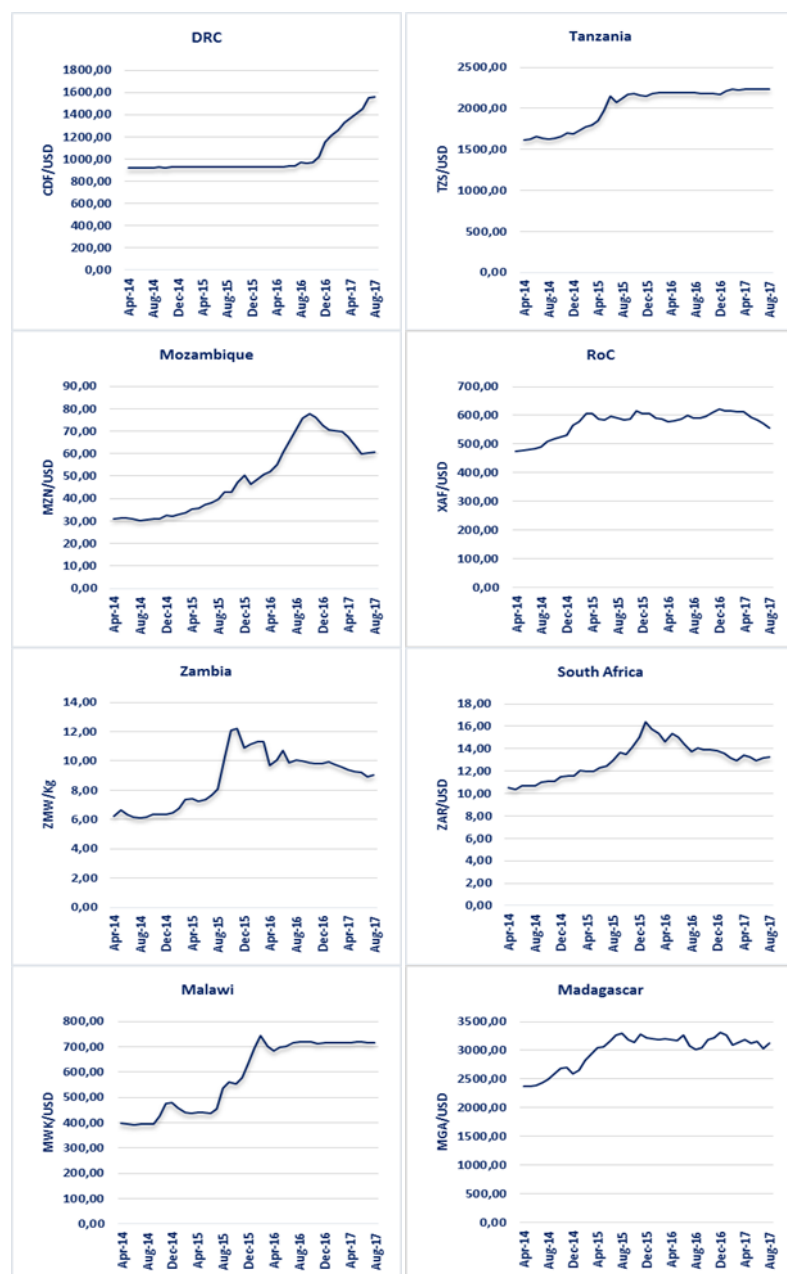
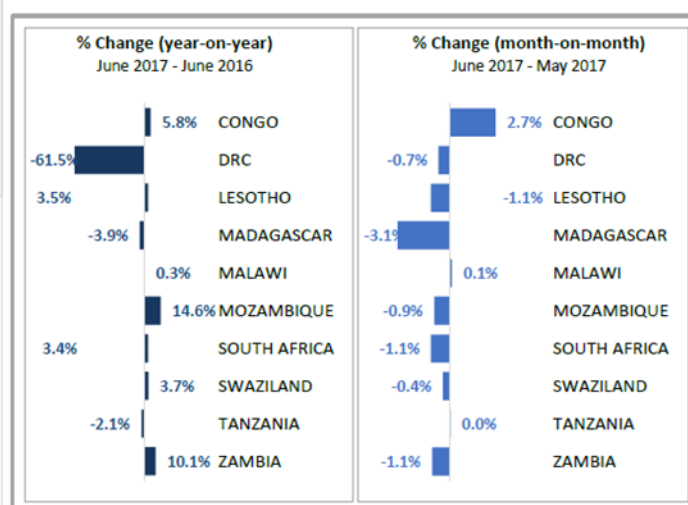


Table 1: Forex % changes

Exchange Rate Table

Country	Exchange rate compared to 1 USD			% Change (y-o-y)*	% Change (m-o-m)*
	Aug-16	Jul-17	Aug-17		
CONGO	589.93	571.12	555.89	▲ 5.8%	▲ 2.7%
DRC	966.13	1 549.42	1 559.96	▼ -61.5%	▼ -0.7%
LESOTHO	13.77	13.15	13.29	▲ 3.5%	▼ -1.1%
MADAGASCAR	3 016.35	3 038.68	3 132.58	▼ -3.9%	▼ -3.1%
MALAWI	718.51	716.73	716.10	▲ 0.3%	▲ 0.1%
MOZAMBIQUE	71.08	60.12	60.68	▲ 14.6%	▼ -0.9%
SOUTH AFRICA	13.77	13.15	13.29	▲ 3.4%	▼ -1.1%
SWAZILAND	13.73	13.17	13.23	▲ 3.7%	▼ -0.4%
TANZANIA	2 185.92	2 232.43	2 232.36	▼ -2.1%	▲ 0.0%
ZAMBIA	10.03	8.92	9.02	▲ 10.1%	▼ -1.1%

Exchange Rate % Change



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Data Source: [//www.tradingeconomics.com/](http://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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Data Source: [//www.tradingeconomics.com/](http://www.tradingeconomics.com/)

