



Monthly Regional Food Price Update

Southern Africa

May 2018

Highlights

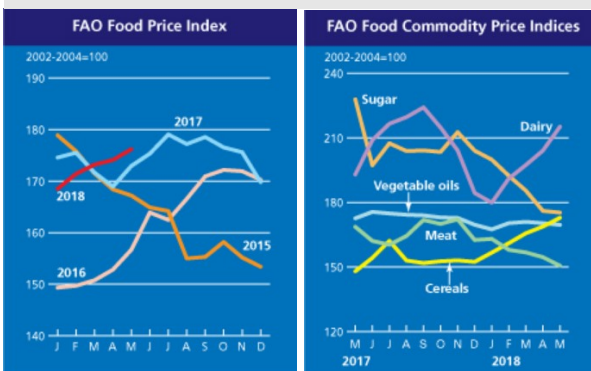
Overall, across southern Africa, regional food staple prices continued to remain below their respective 2017 levels and 5 year averages (5YA). In Malawi, South Africa, Tanzania, and Zambia, maize prices were 20–27 percent below the 5YA.

As harvesting is underway, maize prices across the region are expected to follow a downward trend as households begin consuming from their own production. However, given that many countries are reporting lower production estimates compared to last year, this trend may be short-lived.

A look at the Alert for Price Spikes (ALPS) shows that in March, with the exception of two markets in Zambia and one market in Mozambique, monitored markets in the region indicated normal price levels for maize.

International Staple Food Prices

Figure 1: FAO Food Price Index and Food Commodity Price Index

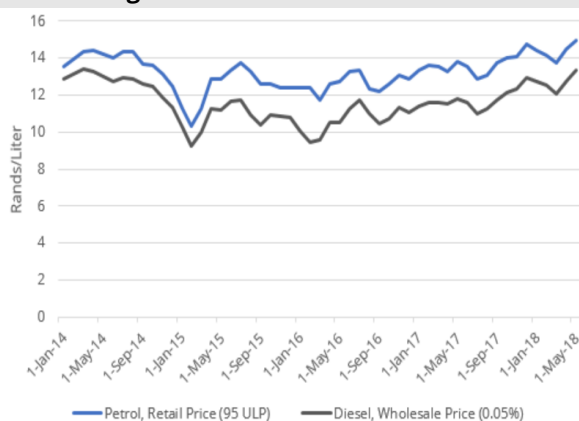


Source: <http://www.fao.org/worldsituation/foodpricesindex/en/>

The **FAO Food Price Index (FFPI)** averaged 176.2 points in May 2018, up 2.2 points (1.2 percent) from April level and hitting its highest level since October 2017. The increase in May reflected a continued steep rise in dairy price quotations, while those of cereals also rose, albeit at a slower pace. By contrast, vegetable oil and sugar markets remained under downward pressure whereas meat values changed little.

The **FAO Cereal Price Index** averaged 172.9 points in May, 4.1 points (2.4 percent) above its April level. The index continued on an upward path since the start of this year, standing in May at almost 17 percent above its corresponding value a year ago and reaching the highest level since January 2015. International prices of all major cereals have strengthened considerably in recent months, and in May wheat values gained largely on concerns over production prospects in a number of major exporting countries. International prices of leading coarse grains also rose, mostly due to deteriorating production prospects in Argentina and Brazil. Sizable purchases by Southeast Asian buyers kept international rice prices firm in May, notwithstanding weaker currencies of some top exporting countries and soft demand for aromatic and parboiled rice (**Figure 1**).

Figure 2: South Africa Fuel Prices



Source: Central Energy Fund
<http://www.cefgroup.co.za/petrol-price/>

South Africa Fuel Prices

In May, petrol retail prices reached their highest level since 2014 at R14.97/liter, and diesel wholesale prices also increased to R13.34/liter (**Figure 2**). Prices are expected to continue increasing in June.

Higher fuel prices will likely affect costs associated with summer crop harvesting and winter crop planting in South Africa, as well as transportation costs. This could potentially have a negative impact on countries that import significant volumes of grain from South Africa (e.g. Botswana, Lesotho, Namibia, and Swaziland).

Regional Staple Food Price Trends and Outlook

Overall, across southern Africa, average national maize prices remain below their respective 2017 levels and 5 year averages (5YA). With harvesting underway, maize prices are generally stable/declining across the region as households have begun to consume from their own production. Yet, in the months to come, maize supplies and prices will likely begin to reflect the impact that prolonged dry spells and erratic rainfall patterns had on crop production this season. Many countries are reporting lower production estimates compared to last year.

In countries such as Malawi and Zambia, carry-over stock from the previous year are likely to help buffer for shortfalls in national production. Yet, it must be noted that there are pockets of areas with “poor” crop conditions in both countries (central and southern Malawi, and parts of Southern, Central, Eastern, Lusaka, and Western provinces in Zambia).

South Africa, the largest maize producer in the region, is expected to produce a total of 13.5 million MT of maize this year (of which 12.9 million MT is commercial maize). While this is below last year’s record harvest of 17.6 million MT, the country’s maize market will likely be well supplied in the 2018/19 year as a large opening stock of approximately 4.1 million MT is also expected.

Figure 3: Average Monthly Maize Prices from Selected Countries

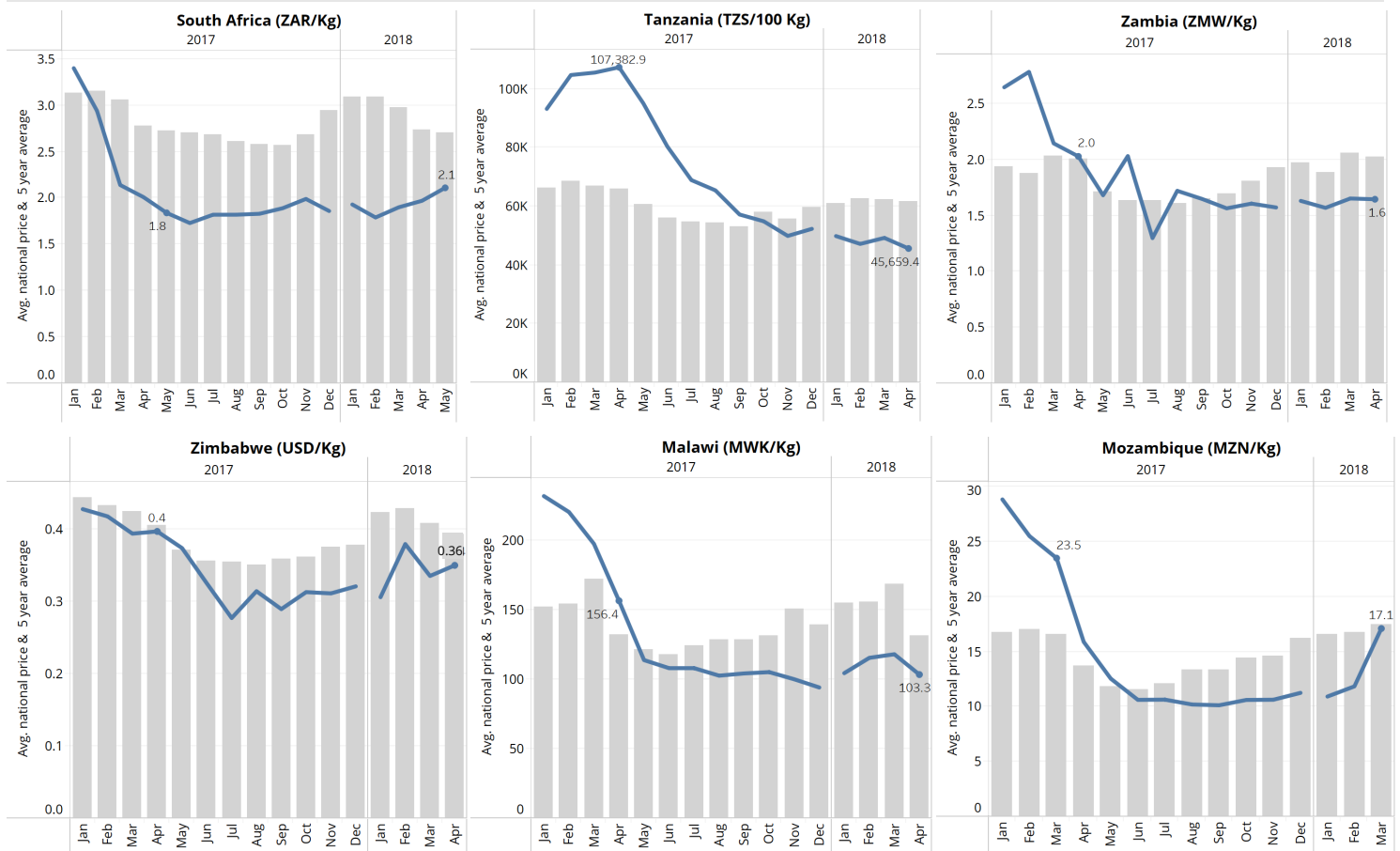
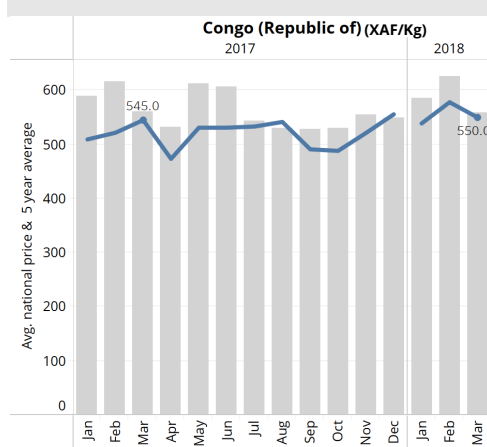


Figure 4: Average Monthly Cassava Flour Price



Legend
 ■ 5 Year Avg
 ■ Avg. National Price

Source: WFP and FAO (South Africa prices)

Note: Wholesale prices for South Africa and Tanzania

Monthly Price Movements

From February to May, price movements for maize varied across countries as the lean season drew to a close and harvesting began.

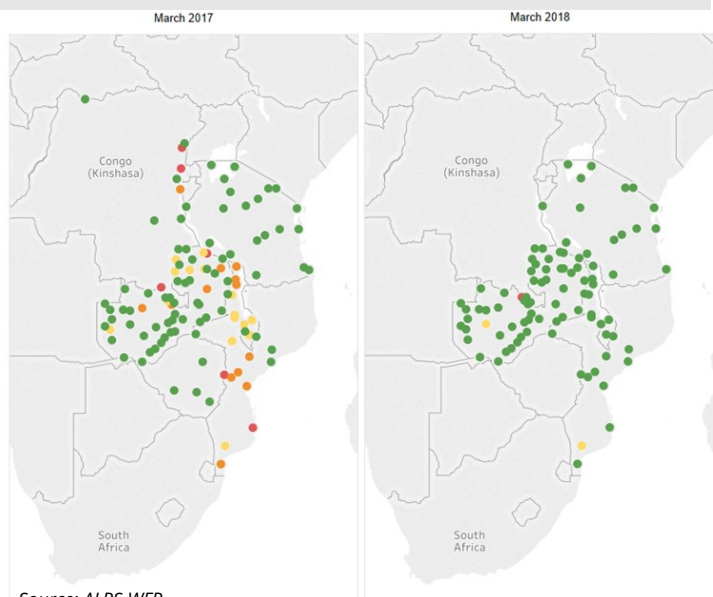
In **Mozambique**, from February to March, the national average maize price increased by nearly 45 percent. At 17.1 MZN/kg, it was roughly equivalent to the 5 Year Average (5YA). In **South Africa**, the national average maize price has been on an upward trend since February, and in **Zimbabwe**, it ticked upward by nearly 10 percent from March to April. However, in both cases, prices remained below the 5YA (Figure 3).

In **Malawi** and **Tanzania**, the national average maize price decreased from March to April, by approximately 13 percent and 7 percent respectively. In **Zambia**, prices have been stable at roughly 1.6 ZMW/kg for the past few months, continuing to remain below the 5YA by approximately 20 percent.

In **RoC**, the average price of cassava flour has been fluctuating close to the 5YA. In March, at 550 XAF/kg, it was approximately equivalent to both the price in March 2017 as well as the 5YA (Figure 4).

Alert for Price Spikes (ALPS)

Figure 5: Status of Monitored Food Markets in Southern Africa: March - ALPS (Maize)



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. **Figure 5** presents markets that meet the selection criteria for ALPS (and those for which data were available).

Compared to March of last year, the market situation is overall better. Most monitored markets in the region experienced normal maize price levels. The exceptions were in Zambia, where Chingola was in "Crisis" and Kaoma in "Stress," and in Chokwe, Mozambique, which was also in "Stress."

[For more details on the ALPS indicator](#)

ALPS phase
 ■ Normal
 ■ Stress
 ■ Alert
 ■ Crisis

Note that the markets depicted in **Figure 5** 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.

Regional Exchange Rate Patterns and Inflation Rates

Table 1: Exchange Rates

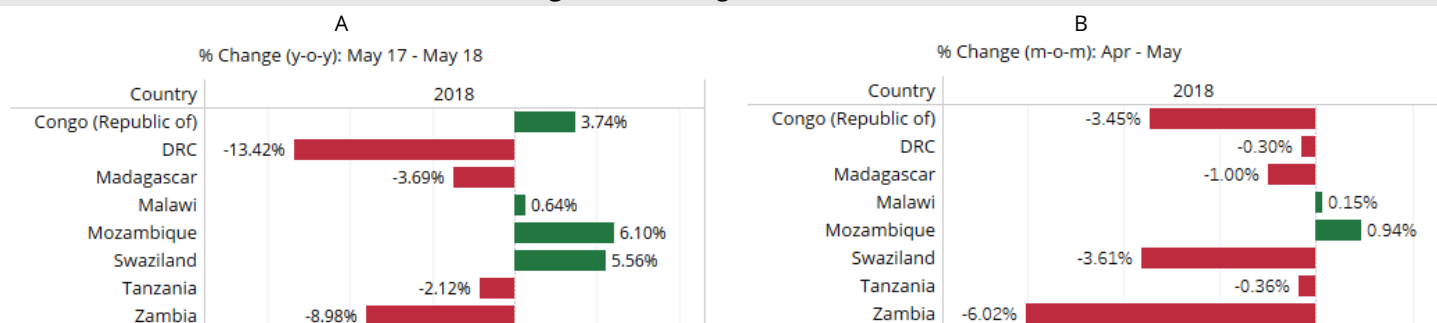
Country	2017			2018		
	Mar	Apr	May	Mar	Apr	May
Madagascar	3,139.2	3,180.0	3,127.2	3,138.4	3,210.6	3,242.6
Tanzania	2,227.5	2,227.9	2,230.0	2,253.5	2,269.0	2,277.1
DRC	1,328.4	1,370.1	1,411.0	1,596.0	1,595.5	1,600.3
Malawi	715.6	716.9	718.3	713.4	714.7	713.7
Congo (Republic of)	613.1	613.9	593.4	550.5	552.2	571.2
Mozambique	69.9	67.5	63.3	61.9	60.0	59.5
Swaziland	12.9	13.5	13.3	11.8	12.1	12.5
Zambia	9.6	9.4	9.3	9.6	9.5	10.1

Data Source: <http://www.tradingeconomics.com>

Table 1 shows the exchange rates for select countries from March to April in both 2017 and 2018. The Congolese Franc and the Zambian Kwacha have, year-on-year (y-o-y), depreciated compared to May last year, down 13.4 percent and 9 percent vis-à-vis the USD respectively. The Malagasy Ariary and Tanzanian Shilling also depreciated y-o-y to lesser degrees. In contrast, Mozambique and Swaziland both saw their currencies appreciate by approximately 6 percent (**Figure 6A**). The Lesotho Loti and Swazi Lilangeni are pegged to the South African Rand, and thus show the same trend.

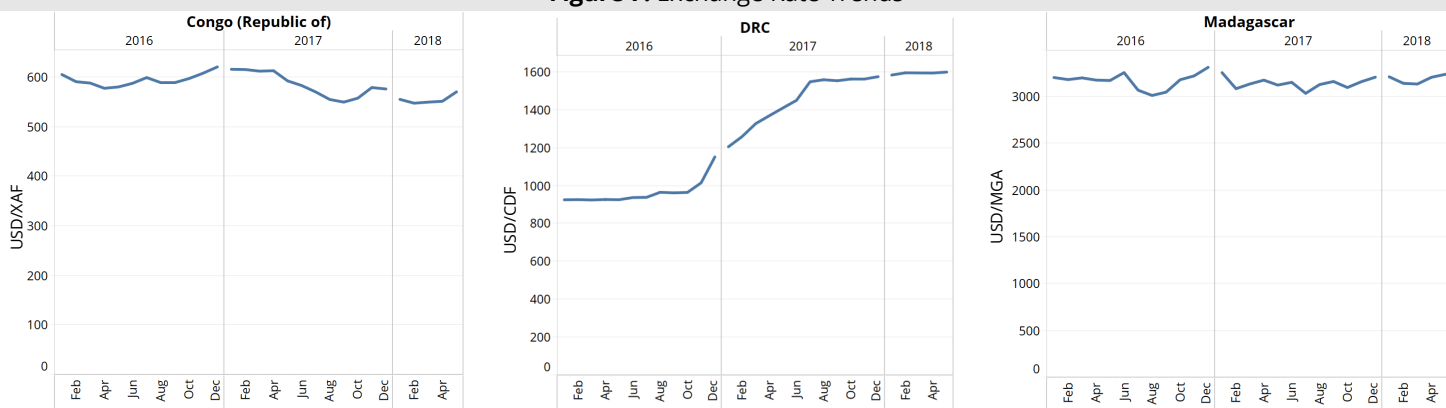
In terms of month-on-month (m-o-m), from April to May 2018, with the exception of Malawi and Mozambique, most countries saw their currencies depreciate vis-à-vis the USD. The Zambian Kwacha depreciated by over 6 percent (**Figure 6B**). Exchange rate trends of select countries are as shown in **Figure 7**.

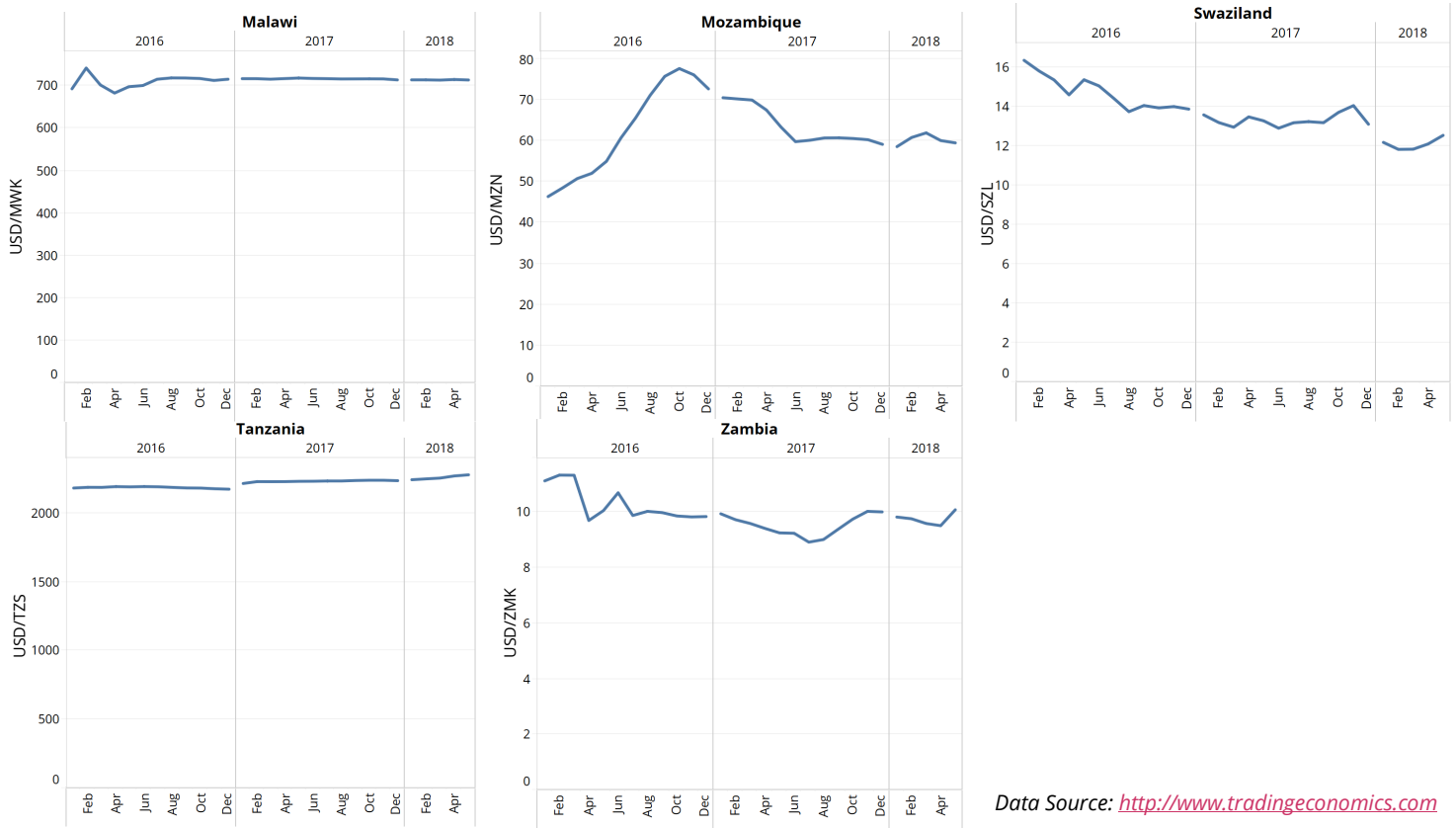
Figure 6: Exchange Rate Movements



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

Figure 7: Exchange Rate Trends

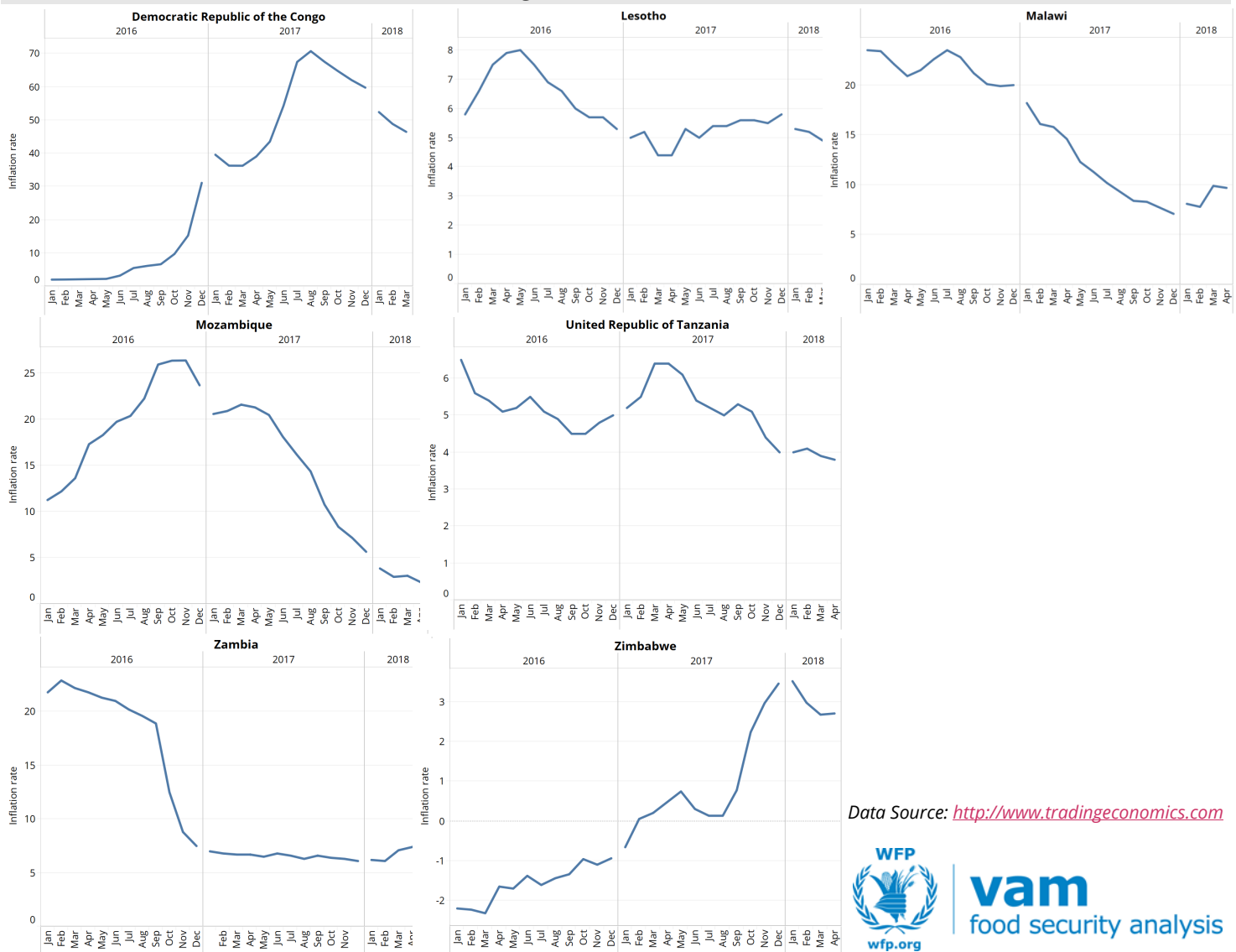




Data Source: <http://www.tradingeconomics.com>

Inflation Rates for the past 12 months were as follows (Figure 8): DRC, 46 percent (March); Malawi, 10 percent (April); Zambia, 8 percent (May); Lesotho, 5 percent (March); Tanzania, 4 percent (April); Zimbabwe, 3 percent (April); Mozambique, 2 percent (April).

Figure 8: Inflation Rates



Data Source: <http://www.tradingeconomics.com>

