



Monthly Regional Food Price Update

Southern Africa

June 2018

Highlights

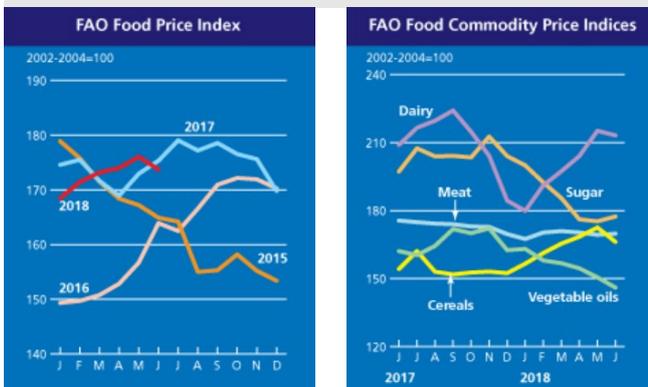
Across the southern African region, maize supplies have improved seasonally with the ongoing harvest, and prices have generally been on a downward trend since March. In most countries, staple food prices are below their 5 year average (5YA) levels.

Yet, in pockets of areas reporting poor harvest, households are expected to deplete their stocks earlier than usual this year and turn to markets for their supply; prices in areas such as southern Malawi, southern Mozambique, and central and southern Zambia could tick upwards sooner than usual.

A look at the Alert for Price Spikes (ALPS) shows that in May, a few markets in Zambia were already showing signs of stress. Overall, however, 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

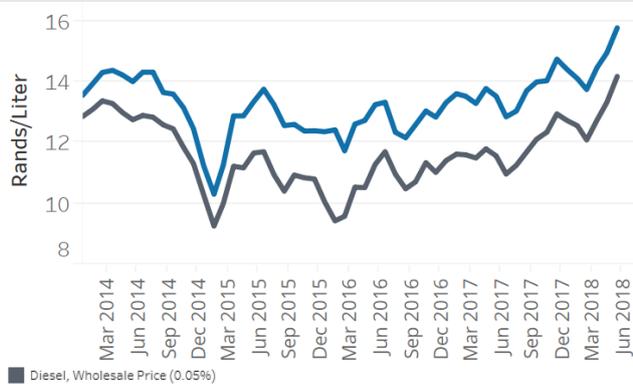


Source: <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>

The **FAO Food Price Index** averaged 173.7 points in June 2018, down 2.4 points (1.3 percent) from its level in May, representing the first month-on month decline since the beginning of this year. Most markets have generally taken-on a weaker tone recently largely because of rising tensions in international trade relations.

The **FAO Cereal Price Index** averaged 166.2 points in June, down 6.4 points (3.7 percent) from May but still nearly 8 percent higher than its level in the corresponding period last year. The decline in June was driven by relatively sharp falls in maize and wheat quotations, while rice prices rose. Despite overall worsening production prospects, wheat and maize prices fell in June, following similar trends observed across most commodities arising from heightened trade tensions. By contrast, international rice prices increased, as supply tightness underpinned higher quotations of Japonica and fragrant rice, outweighing declines in Indica prices (**Figure 1**).

Figure 2: South Africa Fuel Prices*



Source: Central Energy Fund; *Inland (Gauteng) prices
<http://www.cefgroup.co.za/petrol-price/>

South Africa Fuel Prices

In June, petrol retail prices continued to increase, reaching R15.79/liter, and diesel wholesale prices also increased to R14.19/liter (**Figure 2**). Costs associated with summer crop harvesting, winter crop planting, and transportation could thus increase, and negatively affect various actors across the agricultural value chain (i.e. producers, distributors, and eventually, consumers).

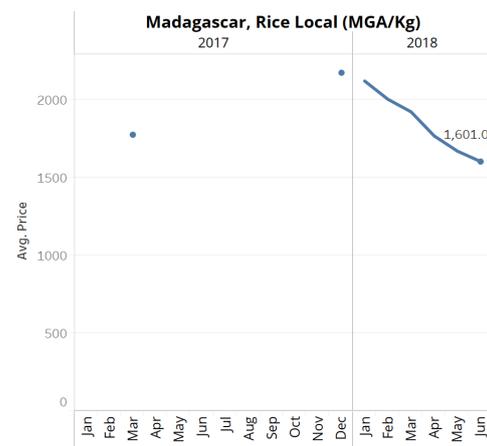
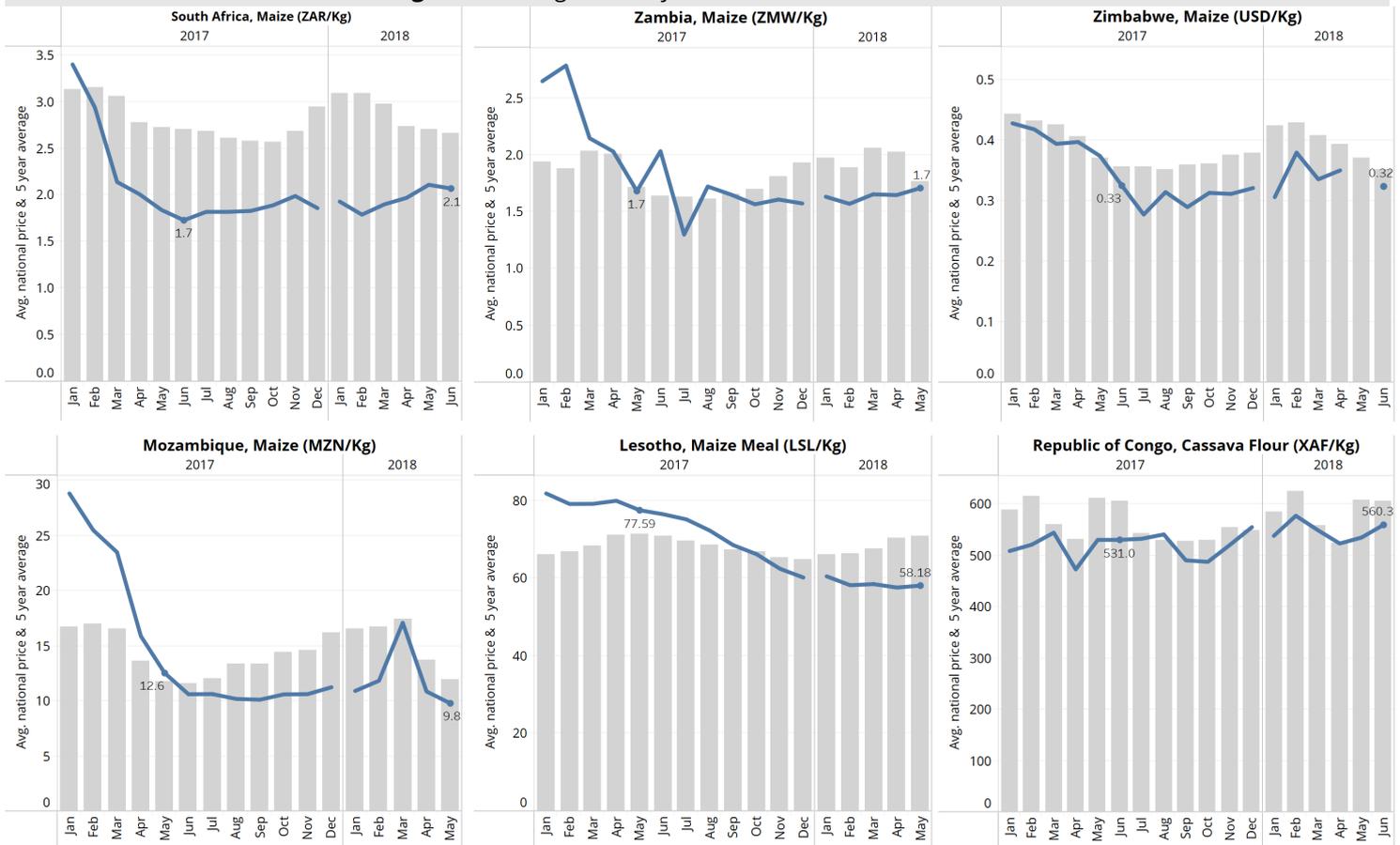
In mid-June, OPEC and non-OPEC oil producing countries announced that they would lift their oil output by approximately 1 million barrels/day. This could help ease the pressure on oil prices in the near term.

Regional Staple Food Price Trends and Outlook

In general, across southern Africa, maize prices remain below their respective 5 year average (5YA) levels. With maize supplies having improved seasonally with the ongoing harvest, prices have overall remained stable or declined since March. However, given that prolonged dry spells and erratic rainfall patterns negatively affected crop production this year, households in affected areas are expected to deplete their stocks earlier than usual and turn to markets for their supply. Prices in such areas (e.g. southern Malawi, southern Mozambique, and central and southern Zambia) could thus tick upwards sooner than usual.

According to the latest production forecast released in June by the Department of Agriculture, Forestry and Fisheries, South Africa, the largest maize producer in the region, is expected to produce a total of 13.8 million MT of maize this year (of which 13.2 million MT is commercial maize). This is well above the total domestic demand of approximately 11 million MT. Given that there is also a large opening stock of approximately 3.7 million MT, South Africa is well poised again to be a net exporter of maize this year.

Figure 3: Average Monthly Prices from Selected Countries



Legend
 ■ 5 Year Avg
 ■ Avg.National Price

Source: WFP and FAO (South Africa prices)
 Note: Wholesale prices for South Africa

Monthly Price Movements

From April to June, price movements for maize were mixed across countries (Figure 3). In **South Africa**, the national average maize price has been on an upward trend since February (due to factors such as a weakening currency), and only began to stabilize in June.

In **Zambia**, the national average maize price in June was at the same level as that of June 2017 and the 5YA. However, there are pockets of areas in Zambia that are already showing an increase in prices (Figure 4).

Although price data for May is not available for **Zimbabwe**, prices appear to be on a downward trend; from April to June the national average maize price dropped by approximately 9 percent. In **Mozambique** also, the national average maize price dropped by 10 percent from April to May.

In **Lesotho**, national average maize meal prices have been trending below their respective 2017 and 5YA levels.

In the **Republic of Congo**, the national average price of cassava flour has ticked upwards since April. Although it has been fluctuating below the 5YA, in June, at 560 XAF/kg, the price was approximately 5 percent higher than the same time last year.

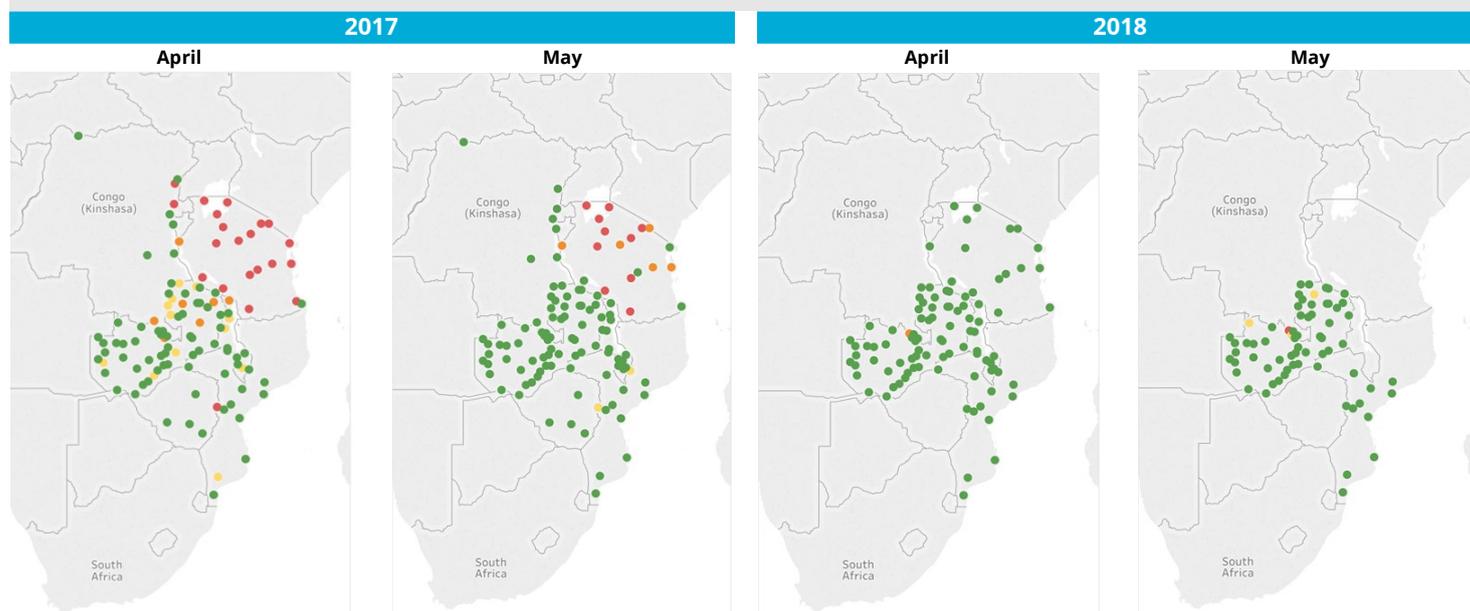
In **Madagascar**, the national average price for local rice has been decreasing since the beginning of the year with the arrival of the harvest.

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 markets experience unusually high food price levels for a specific month of the year. **Figure 4** presents markets that meet the selection criteria for ALPS (and those for which data were available).

Compared to April and May of last year, the market situation is overall better with most monitored markets in the region indicating normal maize price levels. In **Zambia**, however, a few markets have begun to indicate high prices; Chingola is in "Crisis" and Kalulushi, Mporokoso, Mwinilunga are now in "Stress."

Figure 4: Status of Monitored Food Markets in Southern Africa: April and May - ALPS (Maize)



Note that the markets depicted above 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.

ALPS phase
 Normal
 Stress
 Alert
 Crisis

Source: ALPS WFP

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

Regional Exchange Rate Patterns and Inflation Rates

Table 1: Exchange Rates (USD)

Country	2017			2018		
	April	May	June	April	May	June
Madagascar	3,180.0	3,127.2	3,156.8	3,210.6	3,242.6	3,342.9
Tanzania	2,227.9	2,230.0	2,230.5	2,269.0	2,277.1	2,271.5
DRC	1,370.1	1,411.0	1,451.4	1,595.5	1,600.3	1,602.9
Malawi	716.9	718.3	717.2	714.7	713.7	713.9
Congo (Republic of)	613.9	593.4	584.0	552.2	571.2	576.3
Angola	165.1	165.1	165.1	217.5	232.0	242.0
Mozambique	67.5	63.3	59.8	60.0	59.5	58.8
South Africa	13.4	13.3	12.9	12.1	12.5	13.3
Zambia	9.4	9.3	9.2	9.5	10.1	10.0

Table 1 shows the exchange rates for select countries from April to June in both 2017 and 2018. The Lesotho loti, Namibian dollar, and eSwatini lilangeni are pegged to the South African Rand, and thus show the same movement.

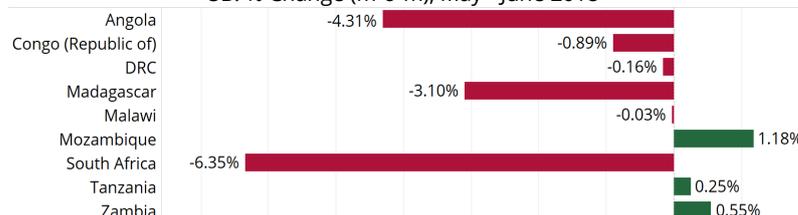
The Angolan kwanza, which was unpegged from the USD in January this year, has devalued rapidly; compared to June of last year, the kwanza is down by nearly 47 percent. The Congolese franc and the Zambian kwacha have also, year-on-year (y-o-y), depreciated by approximately 10 percent and 9 percent vis-à-vis the USD respectively. The Malagasy ariary, South African rand, and Tanzanian shilling depreciated y-o-y to lesser degrees. In contrast, the Republic of Congo, Malawi, and Mozambique saw their currencies appreciate y-o-y by approximately 1-2 percent (**Figure 5A**).

Figure 5: Exchange Rate Movements

5A: % Change (y-o-y), June 2017—June 2018



5B: % Change (m-o-m), May - June 2018



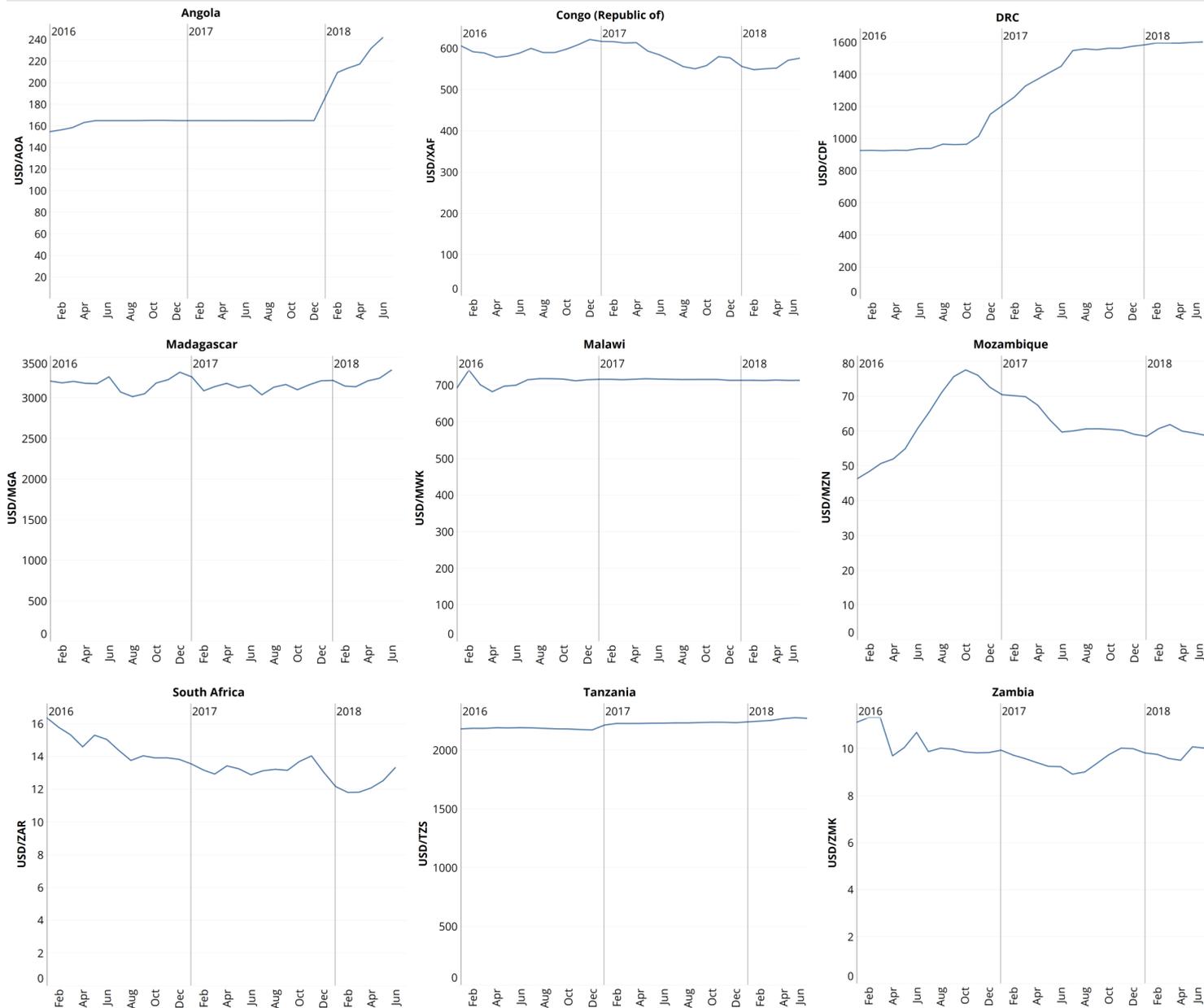
In terms of month-on-month (m-o-m), from May to June 2018, with the exception of Mozambique, Tanzania, and Zambia, most countries saw their currencies depreciate vis-à-vis the USD. The South African rand depreciated by over 6 percent, the Angolan kwanza by over 4 percent, and the Malagasy ariary by over 3 percent (**Figure 5B**).

Exchange rate trends of select countries are shown in **Figure 6** on the following page.

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.

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

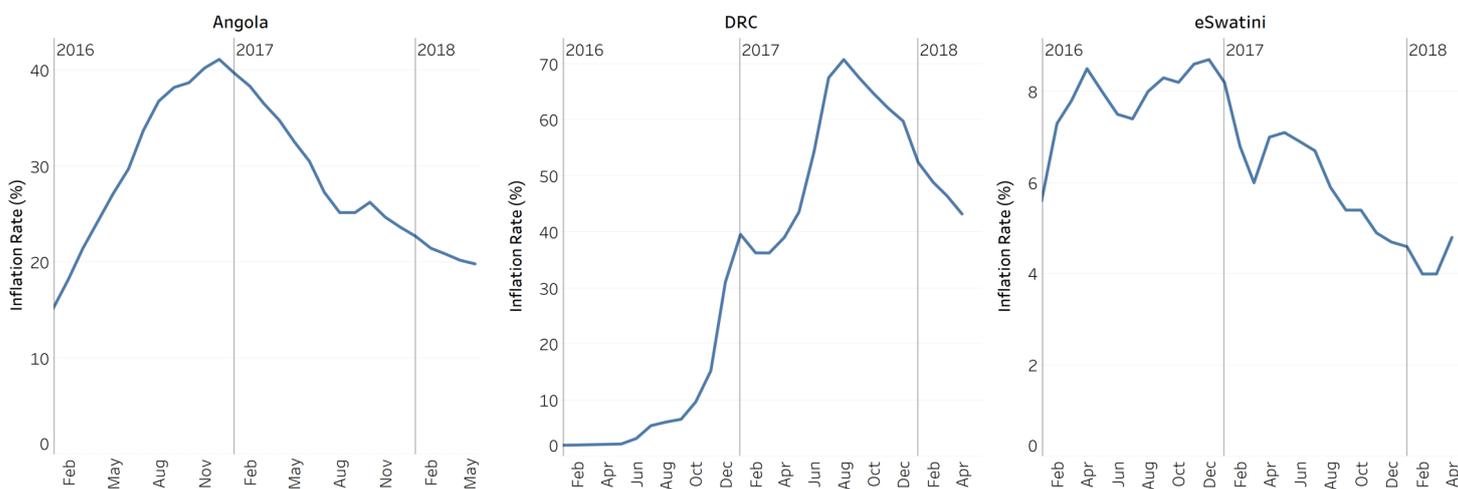
Figure 6: Exchange Rate Trends

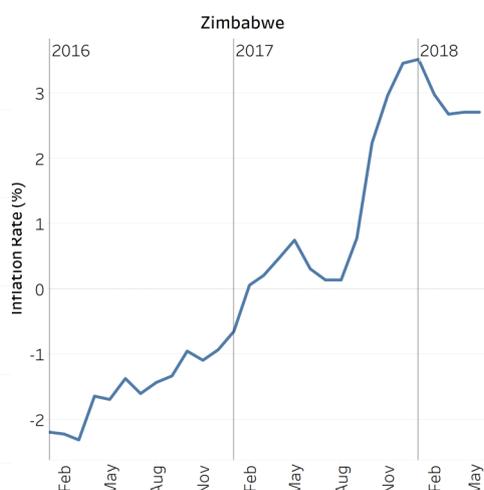
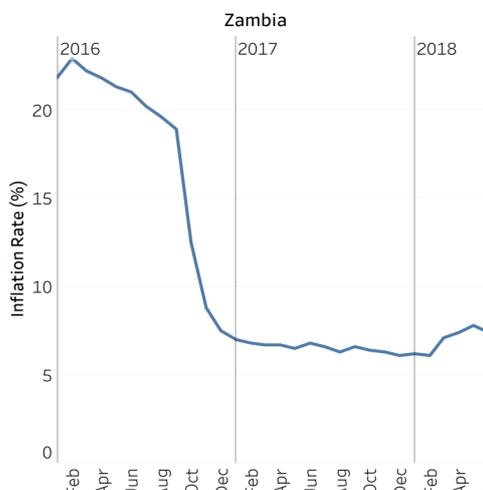
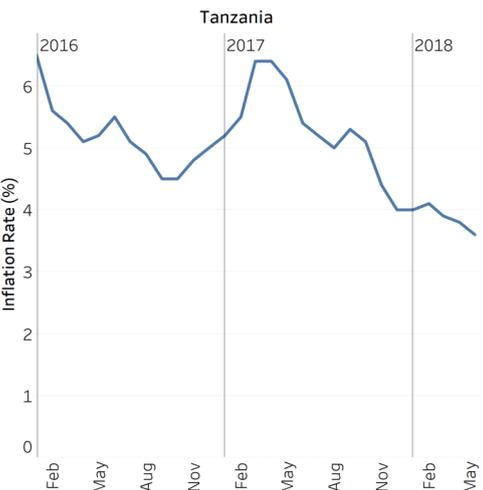
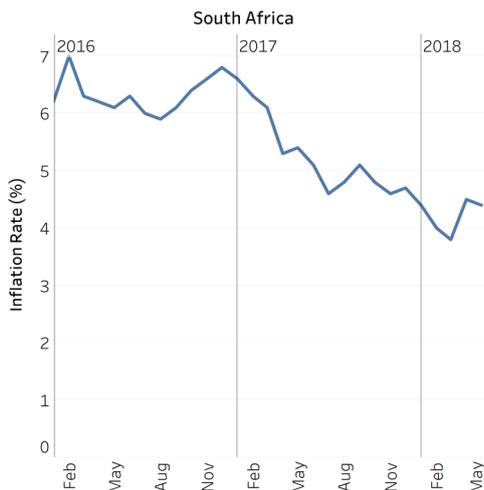
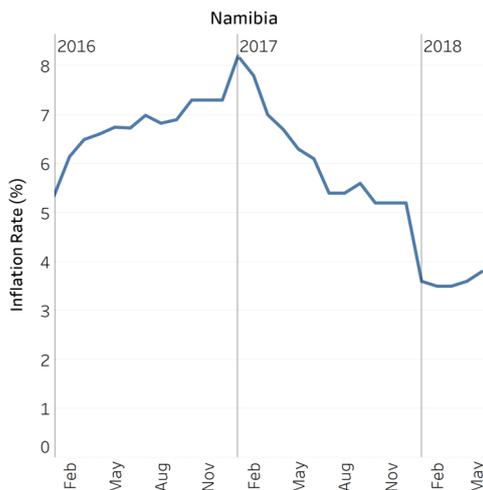
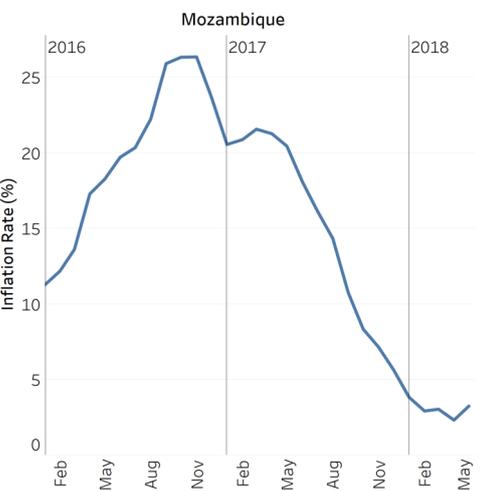
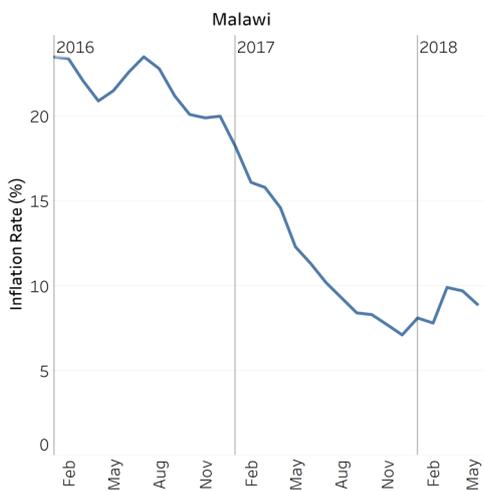
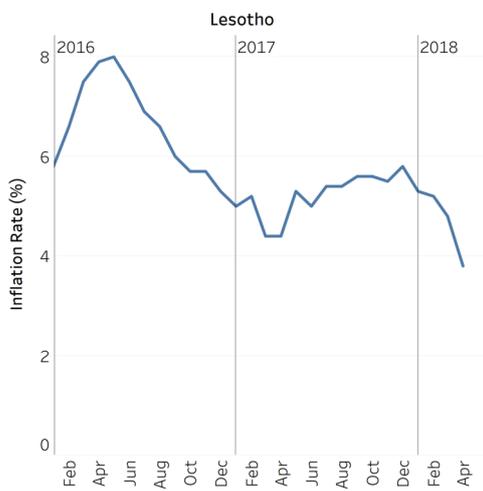


Data Source: <http://www.tradingeconomics.com>

Inflation Rates for the past 12 months were approximately as follows (**Figure 7**): DRC, 43 percent (April); Angola, 20 percent (May); Malawi, 9 percent (May); Zambia, 7 percent (June); eSwatini, 5 percent (April); Lesotho, 4 percent (April); Namibia and Tanzania both 4 percent (May); Mozambique and Zimbabwe both 3 percent (May).

Figure 7: Inflation Rates





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

