



SAVING
LIVES
CHANGING
LIVES

Southern Africa Region

Monthly Food Price Update

Highlights

Although most countries in the region are seeing their national average maize price stabilize or decrease in line with seasonal trends, prices are generally trending higher compared to last year.

Tight regional maize supply and higher prices may pose challenges in coming months for countries such as Zimbabwe and Mozambique that are likely to need more maize imports in the 2019/20 consumption year. In the case of Zimbabwe, where local trading in foreign currencies was discontinued effective 24 June, currency instability and soaring inflation (headline 98 percent, food inflation 126 percent) present additional challenges. Recent regulations to control the sale of maize also reflect tightening of maize supply conditions in the country.

In Zambia, a key maize producing country in the region, 89 percent of monitored markets were seeing maize price spikes and classified in either the "Stress," "Alert," or "Crisis" phase by ALPS.

International Staple Food Prices

The **FAO Food Price Index (FFPI)** continued to rise for the fifth consecutive month, averaging 172.4 points in May 2019, up 1.2 percent (2.1 points) from April but still 1.9 percent below its level in the corresponding month last year. While prices for sugar and oils fell, the other sub-indices registered increases in May, led again by strong month-on-month firming of prices of dairy products followed by cereals.

The **FAO Cereal Price Index** averaged 162.3 points in May, up 1.4 percent (2.2 points) from April. However, at this level, the index remained some 6 percent below its May 2018 value. The small month-on-month increase was entirely driven by a sudden surge in maize quotations in response to diminishing production prospects in the United States. By contrast, wheat price quotations were generally lower in May in view of good global supply prospects and adequate export availabilities. FAO's rice price index held steady for the third successive month, as a mild increase in aromatic quotations was offset by slight price declines in most other rice market segments. (Figure 1).

South Africa Fuel Prices

In South Africa, a new carbon tax came into effect from 5 June, adding 9 cents/liter on petrol and 10 cents/liter on diesel. As a result, in June petrol retail prices reached R16.8/liter and diesel wholesale prices reached R15.2/liter, the highest figures since November 2018 (Figure 2).

Figure 1 FAO Food Price Index and Food Commodity Price Index

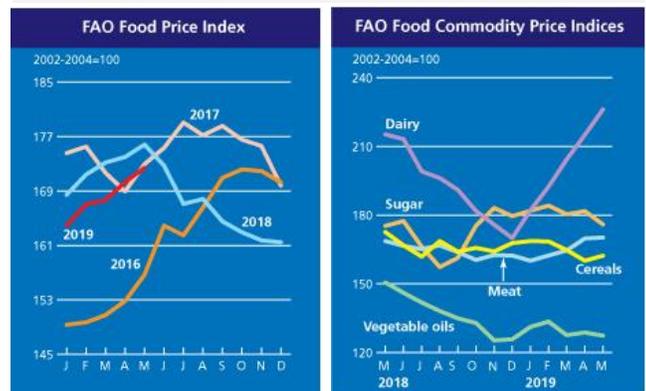
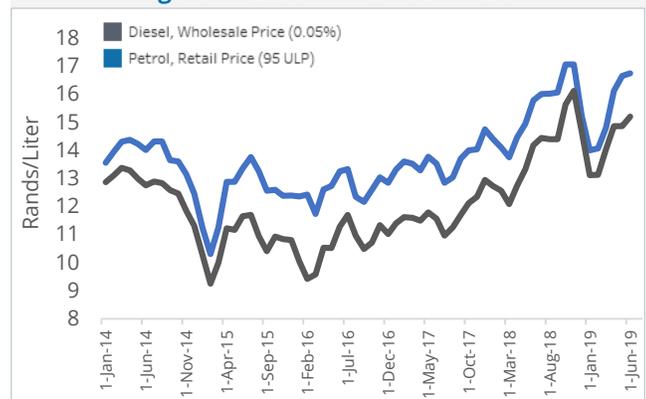


Figure 2 South Africa Fuel Prices*



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

Although most countries in the region are seeing their national average maize price stabilize or decrease in line with seasonal trends, prices are trending higher than last year (Figure 3).

In April and May, **South Africa's** national average maize price settled at 2.8 ZAR/kg, approximately 33 percent higher than last year's price and roughly equivalent to the 5YA. According to the latest production forecast by South Africa's Crop Estimates Committee (26 June), South Africa's total maize production for 2018/19 is estimated at 10.9 million tons – a slight improvement from the 10.6 million ton estimate in April, but still a 13% reduction from the previous year's 12.5 million tons.

In **Tanzania**, in line with seasonal trends, the national average maize price ticked upward from March to April (9 percent) but still remained well below the 5YA level.

From February to March, the national average maize price continued to increase in **Malawi**, reaching 185 MWK/kg in March; this was 57 percent above last year's price and roughly equivalent to the 5YA. mVAM data shows maize prices dropping from April as the harvest continues in the central and northern regions. In coming months, institutional purchases by the National Food Reserve Agency and the Agricultural Development and Marketing Corporation are expected to have an impact on maize grain supplies and price levels in local markets.

In **Zambia**, the national average price of maize continued to soar, reaching 2.8 ZMW/kg in April. Maize grain prices have not been this high since February 2017 when the price was also 2.8 ZMW/kg – the highest price on record in the past 5 years.

In **Mozambique**, the national average maize price began to drop in April in line with seasonal trends. However, at 16.8 MZN/kg, it was

54 percent above last year's price and 11 percent above the 5YA. This is the highest recorded price for April since 2016, when the national average maize price reached 21.4 MZN/kg following El Niño-induced drought.

In **Lesotho**, the national average maize meal price dipped slightly in April. Although 12 percent higher than last April's price, it still remains below the 5YA level.

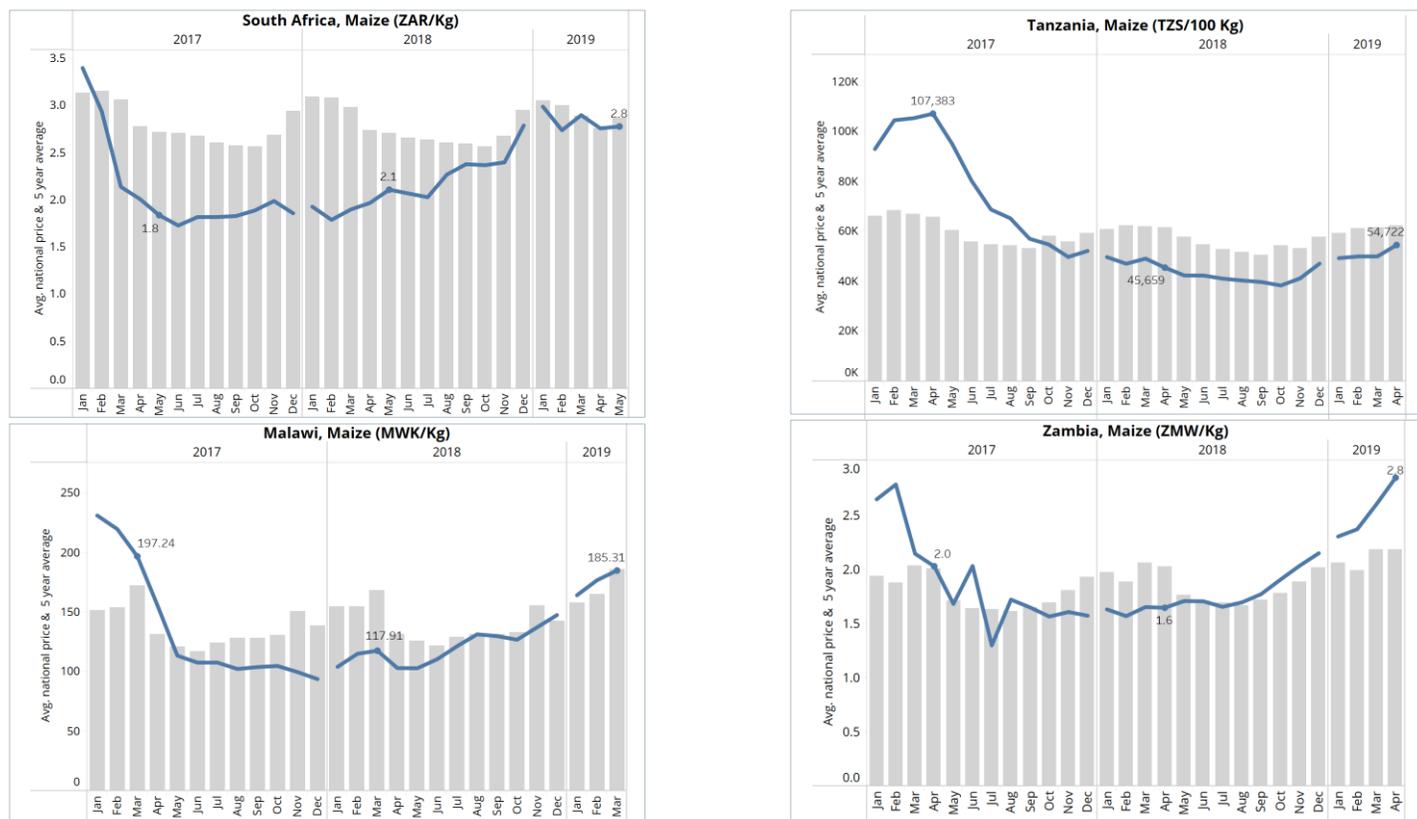
In **Eswatini**, the national average maize meal price began dropping after February; April's price of 8.85 SZL/kg was the lowest in the past 5 years. Yet, in June, the National Maize Corporation announced that white maize selling and buying prices would increase by 14.7 percent (from 3,487 SZL/ton to 4,000 SZL/ton) and 7.69 percent (from 2,600 SZL/ton to 2,800 SZL/ton) respectively. These new prices are to be in effect for the next 3 months, and could be reflected in higher national average maize meal prices going forward.

In **Madagascar**, the national average price of local rice has been on a downward trend since the end of last year. In March, at 1,806 MGA/kg, it was 6 percent below last year's price. In the vast majority of local markets monitored by WFP in southern Madagascar, the price of local rice has remained stable in recent months.

In **DRC**, the national average cassava flour price has been relatively stable since early this year, albeit at a higher level than the 5YA. In April, at 713 CDF/kg, it was 12 percent lower than last year's price.

In **ROC**, the national average cassava flour price ticked upward in April, and surpassed the 5YA for the first time since December 2017. At 555 XAF/kg, it was 6 percent above last year's price and 5 percent above the 5YA.

Figure 3 Monthly Average Prices from Select Countries



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



■ 5 Year Avg ■ Avg.National Price

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).

In **Zambia**, markets continue to appear experiencing unusually high maize prices. Of the 56 markets monitored in April, nearly

89% (50 markets) were in either the “Stress,” “Alert,” or “Crisis” phase. The number of markets which had maize prices in the “Crisis” phase increased from 8 in March to 17 in April.

From March to April, the number of markets indicating “Stress” or “Alert” for maize prices in **Mozambique** decreased (only Maputo and Massinga in the south, and Angonia in the central region). In general, market function and trade flows generally appear to have recovered post-cyclone Idai in the central region.

Figure 4 Status of Monitored Food Markets in Southern Africa: February and March – ALPS (Maize)

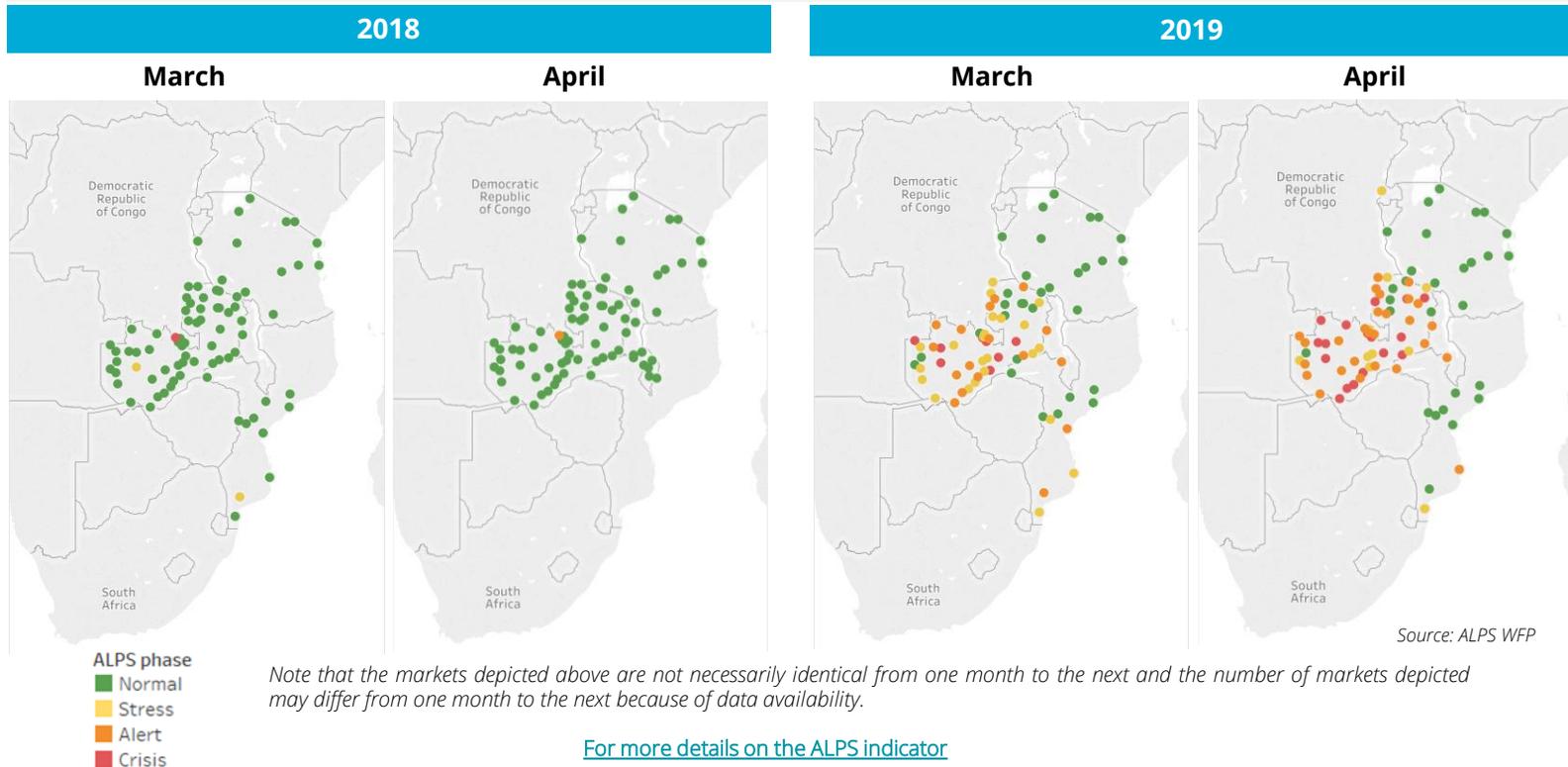


Table 1 shows the exchange rates for select countries from March to May in both 2018 and 2019. The Lesotho loti, Namibian dollar, and eSwatini lilangeni are pegged to the South African rand, and thus show the same movement.

On a y-o-y comparison, all countries saw their currencies depreciate against the USD in May 2019 (Figure 5A). In terms of m-o-m changes, from April to May 2019, only the Mozambican metical and Tanzanian shilling saw their currencies slightly appreciate vis-à-vis the USD (Figure 5B).

Exchange rate trends of select countries are shown in Figure 6.

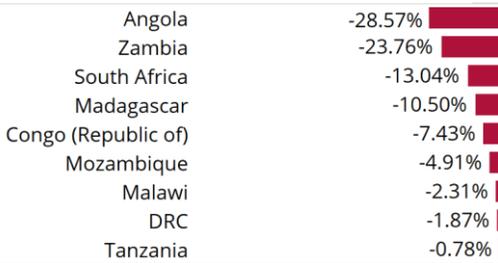
*M-o-m is comparison between the current month and the previous month; y-o-y is comparison between the current month and the same month of the previous year.

Table 1 Exchange Rates (USD)

Country	2018			2019		
	March	April	May	March	April	May
Madagascar	3,138.4	3,210.6	3,242.6	3,528.2	3,580.4	3,623.0
Tanzania	2,253.5	2,269.0	2,277.1	2,338.0	2,306.1	2,295.0
DRC	1,596.0	1,595.5	1,600.3	1,628.8	1,629.3	1,630.9
Malawi	713.4	714.7	713.7	720.1	723.5	730.6
Congo (Republic of)	550.5	552.2	571.2	612.8	614.4	617.0
Angola	213.8	217.5	232.0	314.3	317.3	324.7
Mozambique	61.9	60.0	59.5	62.4	63.7	62.5
South Africa	11.8	12.1	12.5	14.4	14.1	14.4
Zambia	9.6	9.5	10.1	12.0	12.3	13.2

Figure 5 Changes in the Value of Local Currencies Against the USD

5A: % Change (y-o-y)*, May 2018 — May 2019



5B: % Change (m-o-m)*, April 2019 — May 2019

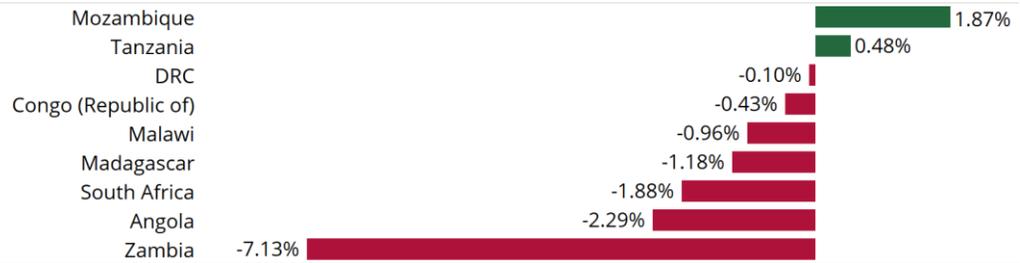
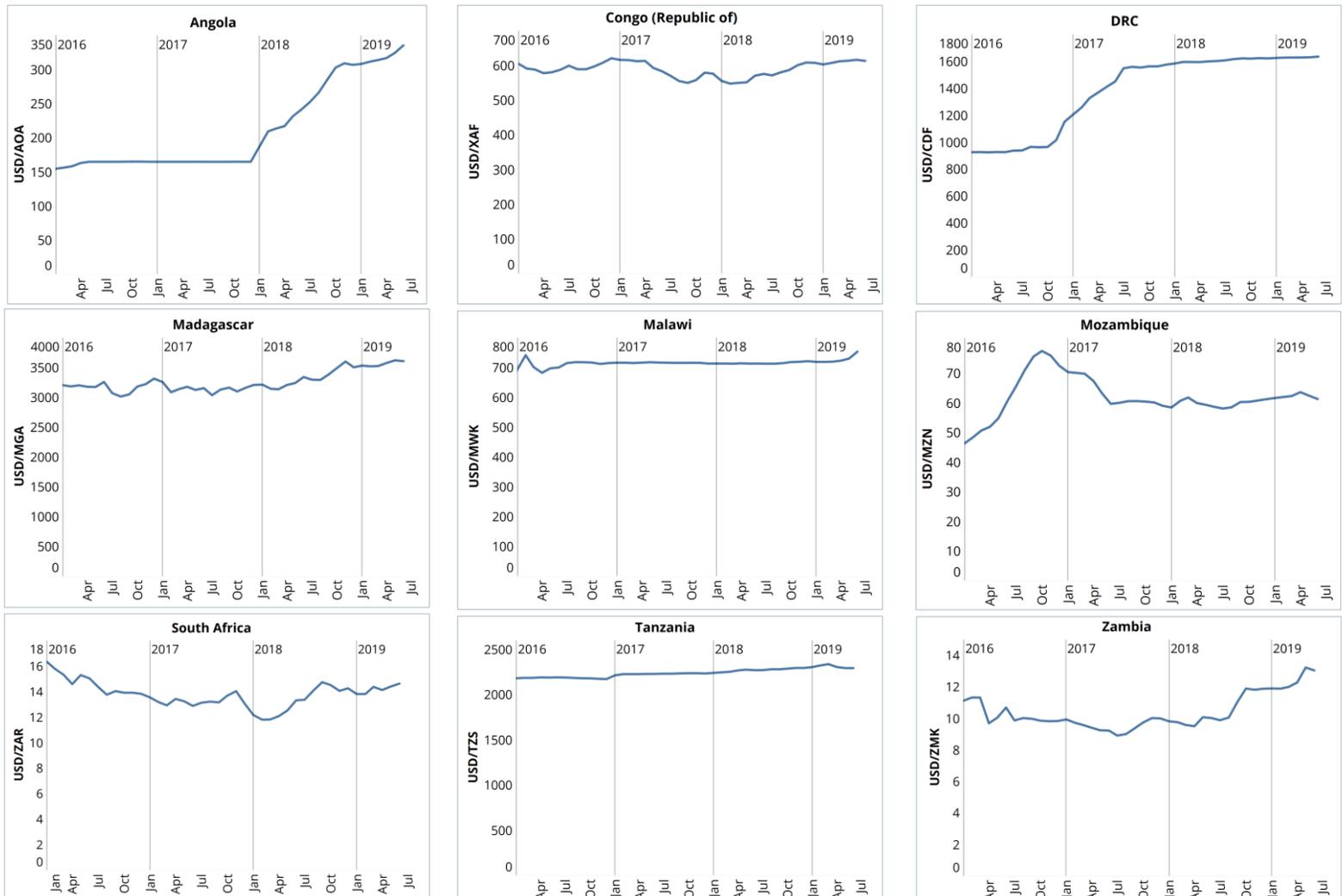


Figure 6 Exchange Rate Movements



Data Source for Table 1 and Figures 5 and 6: <http://www.tradingeconomics.com>

Updated inflation rates for each country were approximately as follows: Zimbabwe, 98 percent (May); Angola, 17 percent (May); Malawi, 9 percent (May); DRC, 8 percent (March); Zambia, 8 percent (May); Madagascar, 6 percent (February); Lesotho, 5 percent (March); South Africa, 5 percent (May); Namibia, 4 percent (May); Tanzania 4 percent (May); Eswatini, 2 percent (April); and Mozambique, 2 percent (May).

In May, **Namibia** recorded its lowest inflation rate for the year (4.1 percent), and its food inflation rate also dipped to 4.4 percent (**Figure 7**).

Both **Zimbabwe** inflation rate and food inflation rate continued to rise, and in May reached 97.85 percent and 126.3 percent respectively. In early June, the government doubled the producer price of maize as the local currency continued to lose value against the USD. On 24 June, the central bank declared that effective immediately, foreign currencies including the US dollar and South African rand are no longer accepted as legal tender. The Zimbabwe dollar, coterminous with bond notes and the RTGS dollar (electronic currency), is now the sole legal tender in the country. The discontinued use of foreign currency in local trading could result in

price speculative behavior and price increases for imports with relatively inelastic demand (e.g. food and fuel). Given that Zimbabwe's estimated maize production dropped by 54 percent from the previous season, potential shortfalls could further exacerbate inflationary pressures.

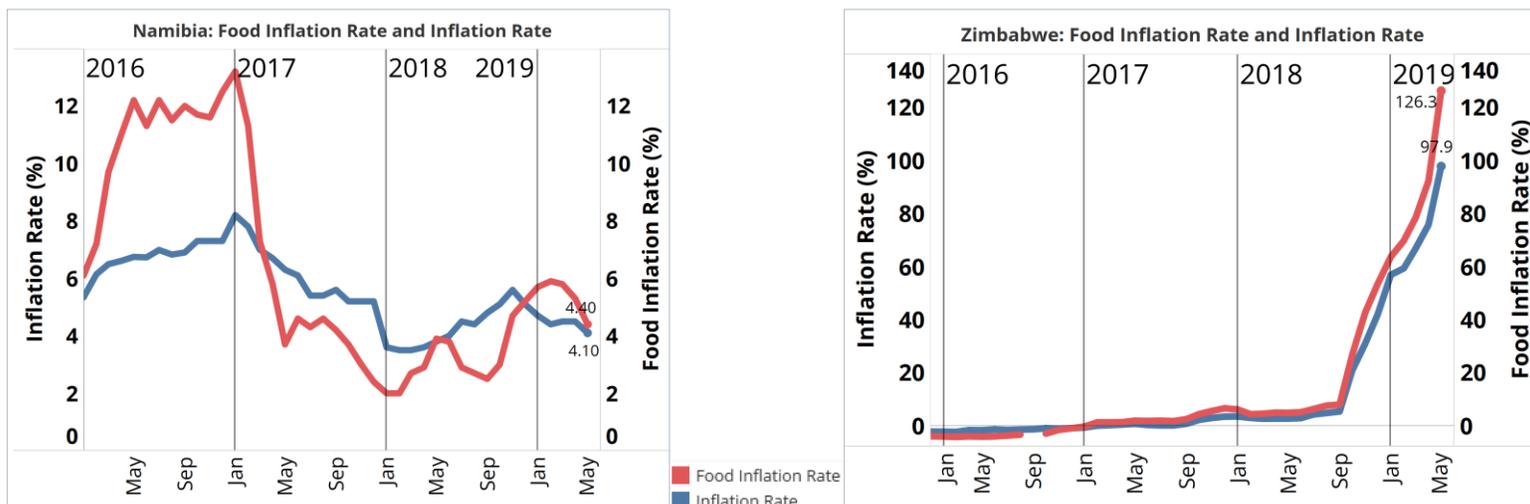
Furthermore, on 28 June, new regulations were introduced to control the sale/ transport of maize and to prohibit purchase other than through the Grain Marketing Board. Such measures also reflect the tightening maize supply conditions in the country.

The IMF projects Zimbabwe's headline year-on-year inflation to remain high throughout the rest of the year, and negative real GDP growth in 2019 (-2.1 percent).

Eswatini's inflation rate dropped from 5.3 percent in March to 1.8 percent in April. According to the Central Statistical Office, prices of housing and utilities had remained the same for over 12 months, and given that this category accounts for a large share of the CPI, it resulted in lower headline inflation.

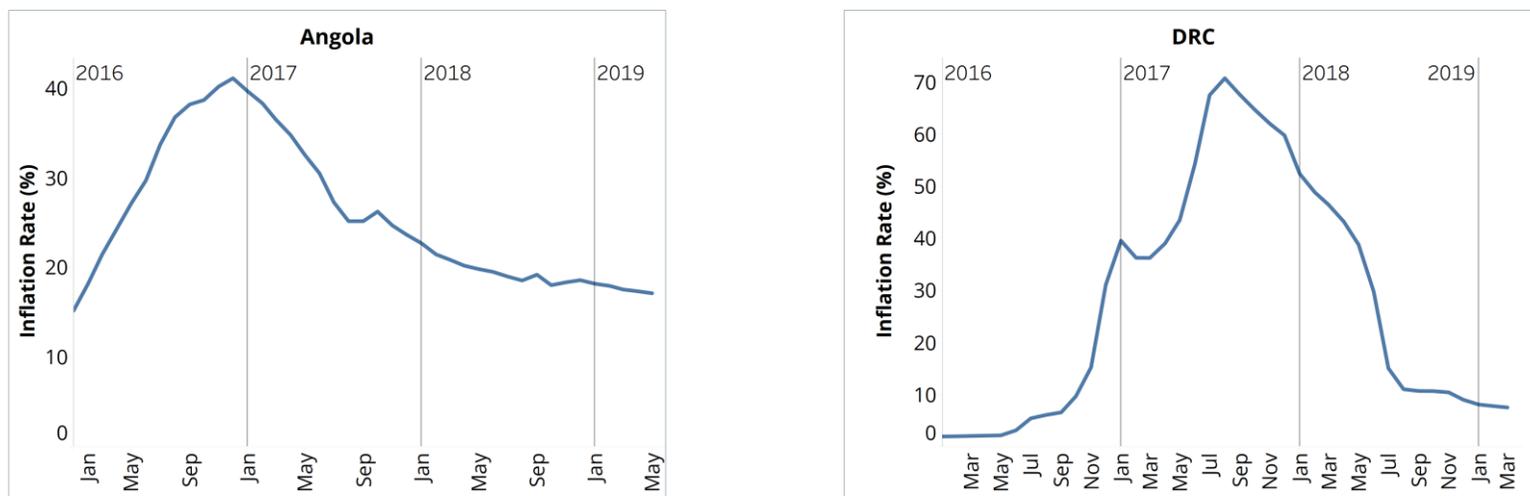
Inflation rate trends of select countries are shown in **Figure 8**.

Figure 7 Inflation Rates and Food Inflation Rates for Namibia and Zimbabwe

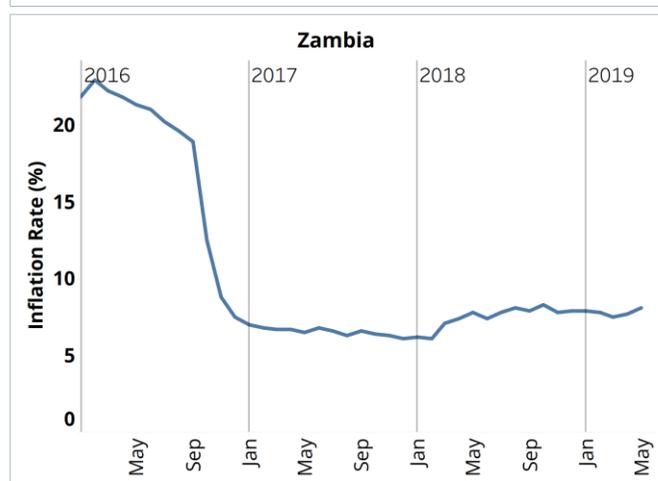
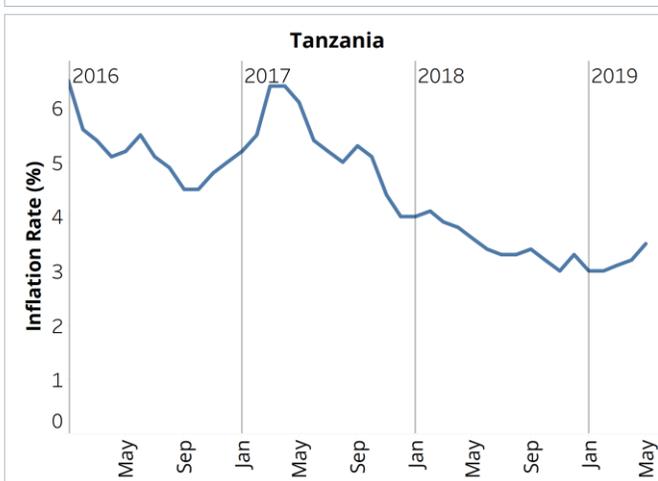
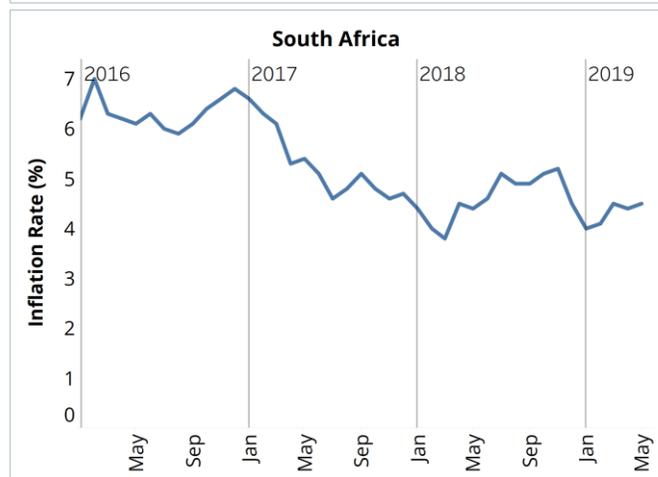
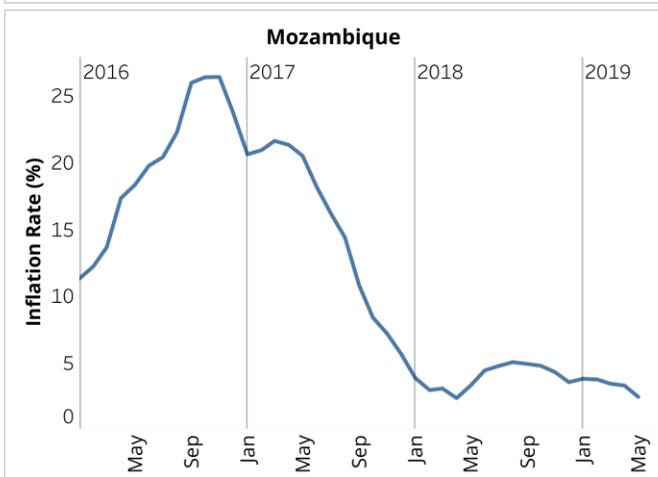
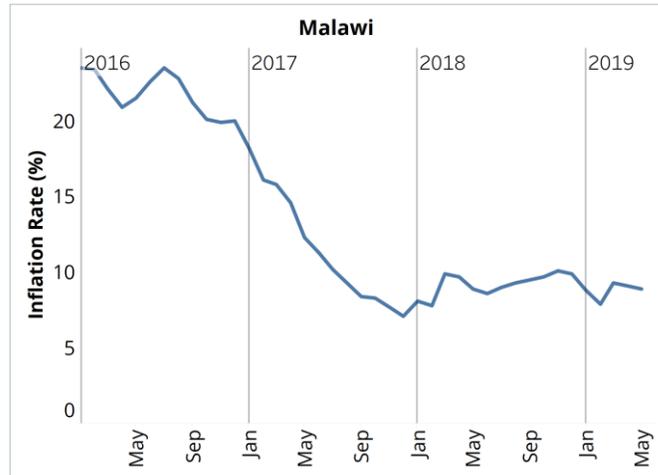
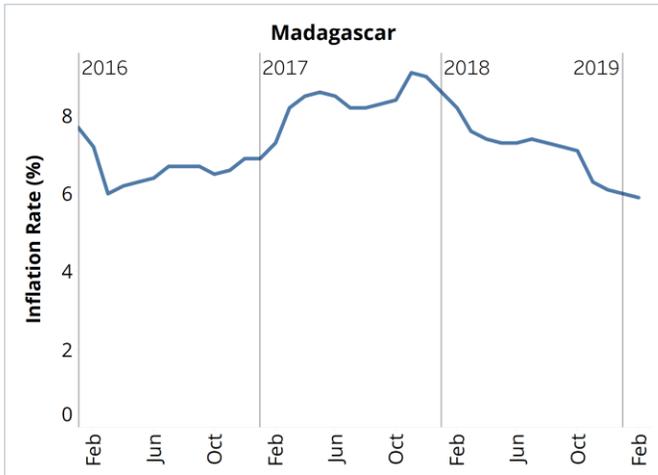
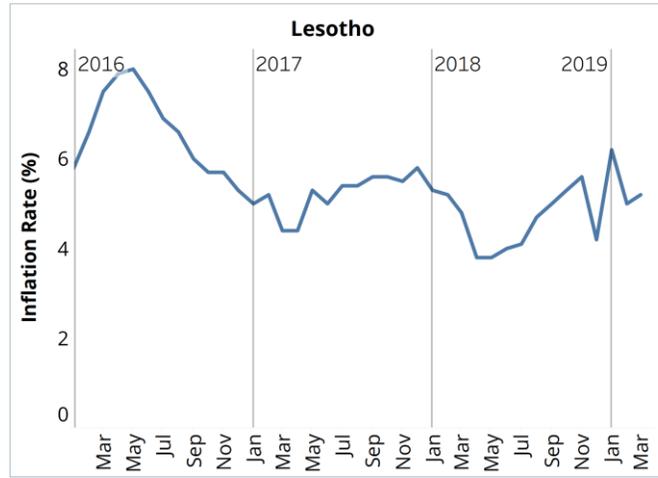
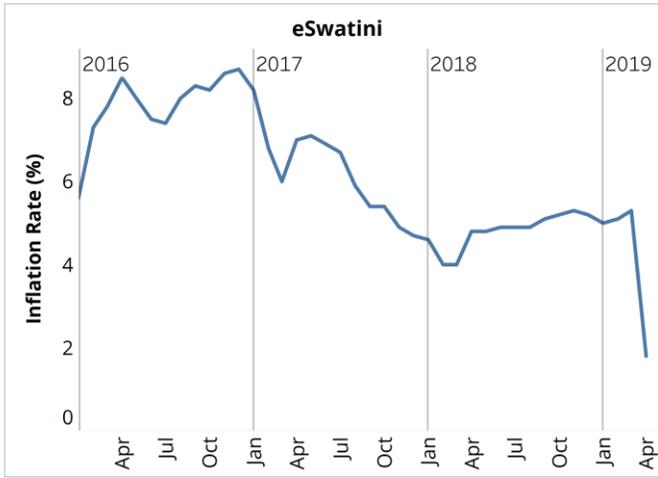


Data Source: <http://www.tradingeconomics.com>

Figure 8 Inflation Rates for Other Countries



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



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