Southern Africa Region Food Price Update

2020 March
The FAO Food Price Index (FFPI) averaged 172.2 points in March 2020, down 7.8 points (4.3 percent) from February, though still 4.6 points (2.7 percent) higher than in March 2019. The sharp decline in March marked the second month-on-month drop in the value of the FFPI, largely driven by COVID-19 pandemic-demand contractions. While the latest fall in prices was most pronounced for vegetable oils and sugar, the other sub-indices also registered lower values in March.

The FAO Cereal Price Index averaged 164.6 points in March, down 3.2 points (1.9 percent) from February and now almost at the same level as in March 2019, as export prices of all the major cereals, except rice, fell for the second consecutive month. Wheat prices averaged lower in March compared to February despite worries over COVID-19, which boosted trade activity, especially by countries in North Africa, and the imposition of some export limitations, albeit small, by the Russian Federation. Large global supplies, combined with generally favourable crop prospects, kept international wheat prices under downward pressure. Similarly, in coarse grain markets, international maize prices registered a further decline in March, pressured by not only large supplies but also much weaker demand especially from the biofuel sector stemming from a plunge in crude oil prices. By contrast, international rice prices extended their upward trend into a third straight month, reaching their highest level since June 2018, as Indica quotations were buoyed by stockpiling spurred by concerns over the COVID-19 pandemic and news of Viet Nam temporarily halting new export contracts to review its domestic supply situation and export policy.

Summary

• National average maize grain prices remain significantly above average across several countries in the southern Africa region.

• From end January to early April, several countries have seen their currencies significantly depreciate against the USD, some as much as by 20%.

• Although maize availability is expected to increase with the main harvest season starting in April in many countries, lock downs and restrictions in movement as a result of the Covid 19 pandemic will have an impact on supply chains.

• A few countries have already seen increases in food prices, especially of imported products.

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With the start of the lockdown to curb the spread of Covid-19 in South Africa, white maize prices jumped in March to over 3 ZAR/kg, the highest level seen since the 2016/17 season (3). This was likely a temporary spike, however, and prices appear to be adjusting.

South Africa’s maize supply is stable; South Africa Crop Estimates Committee’s 2nd forecast estimates 2019/20 commercial maize harvest at 14.8 million tonnes, approximately 30% higher than the previous year.

A good harvest will help keep maize prices stable despite weakening of the South African rand. From end January to end March, the South African rand depreciated by approximately 20% against the USD (1). Although this will negatively impact farmers’ access to inputs, crashing international oil prices benefitted them ahead of the maize harvesting season. From January to April, petrol and diesel prices dropped by 13% (4). The trend of lower fuel prices may, however, be short-lived if international oil prices pick up again while the rand continues to depreciate.
• The Zambian kwacha depreciated by over 20% from end January to early April (1).

• Although Zambia’s food inflation rate appears to have flattened since 2020, it remains at 15% (2). Zambia’s national average maize price has continued to soar, reaching 5.5 ZMW/kg (3). At more than 150% above the 5 year average level and double the year earlier value, the national average maize price is trending higher than the peak price following the 2015/16 El Niño (2.8 ZMW/kg in February 2017).

• In March, of the 56 markets being monitored, 52 were indicating “Crisis” level maize prices (4). Although the 2019/20 maize harvest is expected to be better compared to previous seasons, close price monitoring is needed.

Source: WFP Dataviz, wholesale prices

Source: ALPS WFP

For more details on the ALPS indicator
Mozambique's national average maize price has not stopped increasing since mid-2019. In February 2020, it reached 28 MZN/kg, close to its highest record of 30 MZN/kg in January 2017 following the 2015/16 El Niño (3).

In February, all monitored markets were indicating higher than usual maize price levels (4). Montepuez in Cabo Delgado and Massinga in Inhambane were in “Crisis,” while the 10 remaining markets were in “Alert” or “Stress.”

Since December 2019, Mozambique’s food inflation rate has been steady at 8%, the highest level since October 2017 (2). From end January to early April, Mozambique’s metical has depreciated by 6% against the USD (1).

According to price data collected by OMR (Observatório do Meio Rural) in Maputo City, Beira, and Nampula during the first and last week of March:

- There was a price increase for imported products (i.e., onions, potatoes, and eggs) mainly from South Africa. Onion prices saw a significant increase in all 3 cities. Imported rice, however, did not show significant price variations, indicating sufficient stock at the time.
- No significant price variations yet for domestically produced food items.
- Additional transport costs were not yet being reflected in food prices.
Tanzania’s food inflation rate has steadily risen since mid-2019 and has remained steady at approximately 6% (2).

In February 2020, Tanzania’s national average maize price remained high at 42% above the 5 year average (5YA) and 70% above the year earlier value (3). This was in part due to higher demand from countries such as Kenya and Zimbabwe and flooding which limited trader mobility in late 2019 and early 2020. Maize prices did, however, show signs of starting to decrease/stabilize in line with seasonal trends.

In February, 8 out of 14 monitored markets were indicating higher than usual maize price levels (4). Mtwara was in “Crisis” while the remaining 7 were in “Alert” or “Stress.”
In Malawi, the harvest season has begun in parts of the southern and central regions, and maize grain prices are beginning to decrease. There is increased availability as most households in the south have begun to consume from their own production, a trend that is typical for this time of year.

According to WFP mVAM price monitoring, as of the last week of March 2020, monitored markets experienced a significant drop in maize grain prices. “Old” maize (harvested in the 2018/2019 season) was trading at an average price of 285 MWK/kg, the lowest price observed since mid-December 2019 (3). However, this was still 48% above the 5 year average (5YA) level and 68 percent above the year earlier value.

“New” maize grain (harvested in the 2019/2020 season) was trading at a national average of 199 MWK/kg. “New” maize grain prices are typically lower in the south and higher in the north this time of the year because the harvest begins first in the south.

To offset farmers’ production costs, the Government has set a minimum maize grain price of 200 MWK/kg for the 2020/2021 agriculture marketing season – 11% higher than the previous season. Early entry into the maize market by the Agricultural Development and Marketing Corporation (ADMARC) in April will help support adherence to the set minimum farm gate prices. The Malawi Energy Regulatory Authority has also reduced petrol and diesel prices by approximately 16% and 14% respectively as a means of easing transport costs during this marketing season.

On the back of two consecutive above-average harvest (2018/2019 and 2019/2020), a further weakening of maize grain prices is expected in several weeks. However, other factors will also come into play, such as the impact of local and regional restrictions emanating from the COVID-19 pandemic on food value chains and logistics.
According to the Zimbabwe Harmonised Markets Monitoring: Weekly Price Monitoring Bulletin, from 30 March to 3 April:

- As a result of the government mandated lockdown in response to Covid 19, traders of green produce across the country saw large volumes of their produce spoiling as markets were forced to close despite having been considered a critical service to remain open.

- People employed in the informal sector are struggling to access food due to disruptions to their normal income sources.

- Panic buying and hoarding appears to have created a “false” market demand resulting in higher prices of goods and services. Price increases could also be attributed to a delayed market reaction to the increase in parallel market exchange rates.

- While the official exchange rate remained stable at USD/ZWL 25, the parallel market rate stood at USD/ZWL 40.5, and the USD/Bond at 29.5 (1).

- Less than 2% of interviewed traders confirmed that they had maize grain readily available to sell. This is attributed to poor supply. The 2019/20 maize harvest is expected to become available in markets sometime between April and July 2020.

- In the urban areas, maize grain was only available in Mutare urban district and in 26% of the markets visited in this town. The average price in Mutare urban district was 10.80 ZWL/kg, and was only being sold in bond notes.

- In rural districts, only Nkayi, Chiredzi, and Gokwe North had maize grain available in the market, with Nkayi having the most markets with maize grain available for sale.
• As of February, DRC’s national average price of cassava flour was 10% below the year earlier value and 3% below the 5 year average level.

• Following lockdown in Brazzaville, food prices have reportedly increased due to higher costs at source, higher transportation costs, and fuel shortages.

• ROC’s national average price of cassava flour has steadily increased from late 2019. In March, at 647 XAF/kg, it was 17% above the 5 year average level.

DRC | ROC

DRC (USD/CDF)

ROC (USD/XAF)

DRC, National Average Price of Cassava Flour (CDF/kg)

ROC, National Average Price of Cassava Flour (XAF/kg)
Exchange Rates and Inflation Rates | Other Countries


- The eSwatini lilangeni Lesotho loti, Namibian dollar, and are pegged to the South African rand, and thus show the same movement.