WFP
World Food Programme




Southern Africa Region: Market Watch

SAVING LIVES
CHANGING LIVES

Johannesburg Regional Bureau | May 2021

Issue #6

SUMMARY

- Globally maize prices remain at their highest level since mid-2013.

- Regional maize prices are seasonally declining in response to the harvest in most countries in the region, driven by above normal harvest prospects. In the case of Malawi and Zambia, prices started decreasing earlier than normal this year.

- Although maize prices are on a downward trend in line with the harvest season, they are still 10% higher than the five-year average (5YA) in South Africa, 19% higher than the 5YA in Mozambique and 30% higher than the 5YA in Zambia.

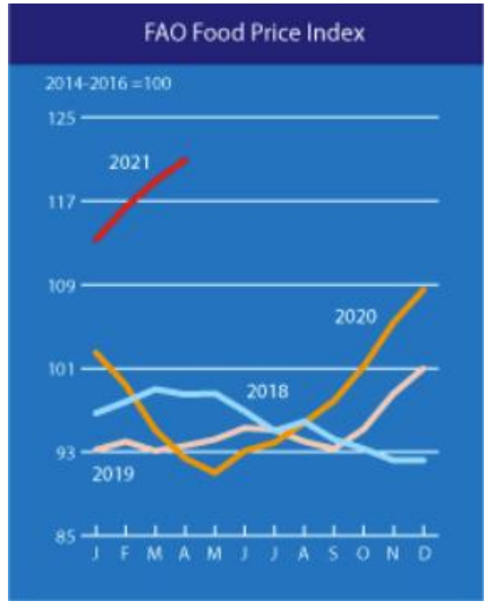
- Prices especially of internationally competitive maize (i.e. South Africa) are likely to be held up by high demand in the international market and transmitted to countries that rely on imports from South Africa (i.e. BNLS countries).

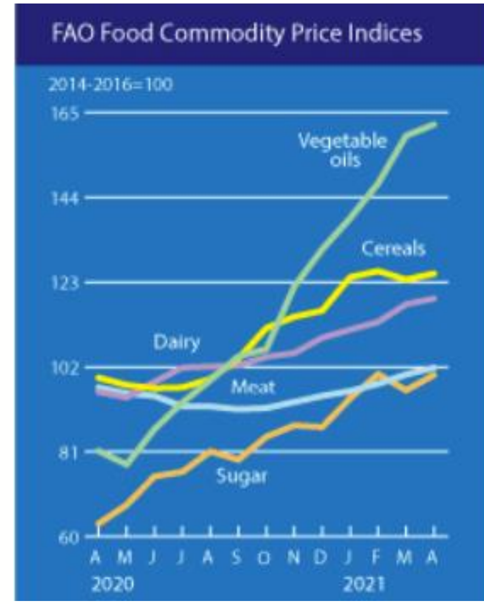
GLOBAL MARKET INFORMATION

The **FAO Food Price Index** averaged 120.9 points in April 2021, 2 points higher than in March and 28.4 points above the same period last year. The increase marked the 11th consecutive monthly rise in the value of the index to its highest level since May 2014.

The **FAO Cereal Price Index** averaged 125.1 points in April, 25.8 points above the year prior level. Concerns of crop conditions in South America and the US pushed maize prices up 5.7% in April, and they were 66.7% higher than a year prior. With overall **tightening maize supplies and continued strong demand, maize prices remain at their highest level since mid-2013**.

In contrast, international rice prices decreased again in April, mainly reflecting currency movements and slow trading activities, with persistent logistical constraints and freight costs continuing to hinder fresh deals.





Source: FAO

SOUTH AFRICA

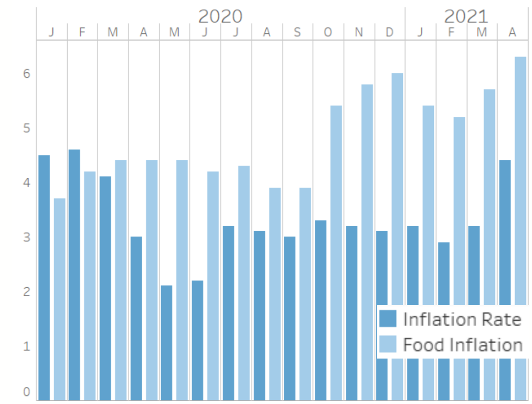
High global maize prices are dampening the effects of favourable supply expectations in South Africa, with maize prices remaining firm.

This year, South Africa's maize harvest is expected to be the 2nd largest on record (approximately 16 million MT). Other countries in the region are also expecting a good harvest (e.g. Zambia, Zimbabwe, Malawi). This favourable supply situation and the strengthening of the rand (1) both exert downward pressure on South Africa's domestic maize prices.

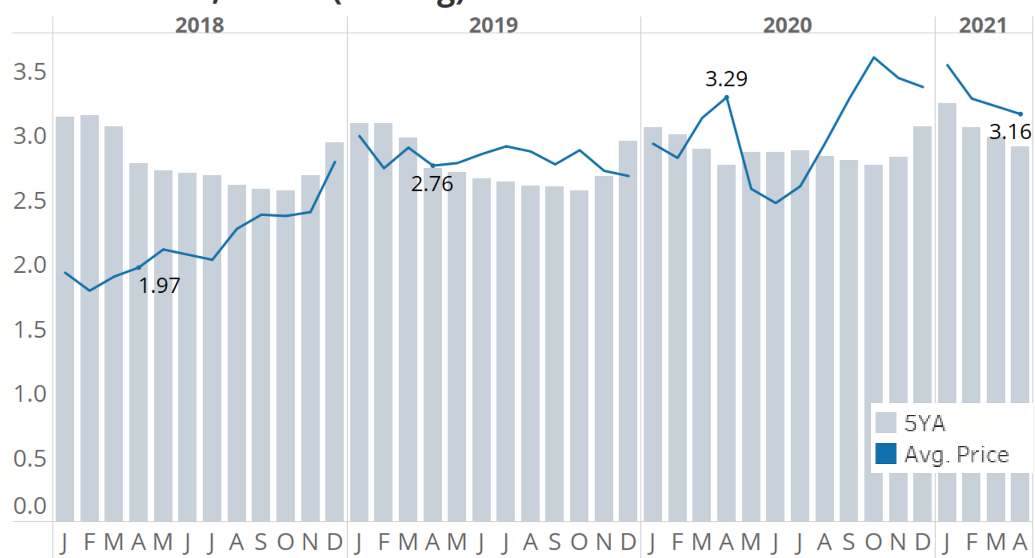
However, South Africa's maize prices have remained relatively firm (3). Although they have decreased in line with seasonal trends and are slightly below year prior levels, at over 3 ZAR/kg, they remain above the 5 year average (5YA).

1 **South Africa (USD/ZAR);** Lesotho (LSL), Namibia (NAD), Eswatini (SZL) are pegged to South Africa (ZAR) so show the same movement

2 **South Africa Inflation & Food Inflation (%)**



3 **South Africa, Maize (ZAR/kg)** Wholesale Prices



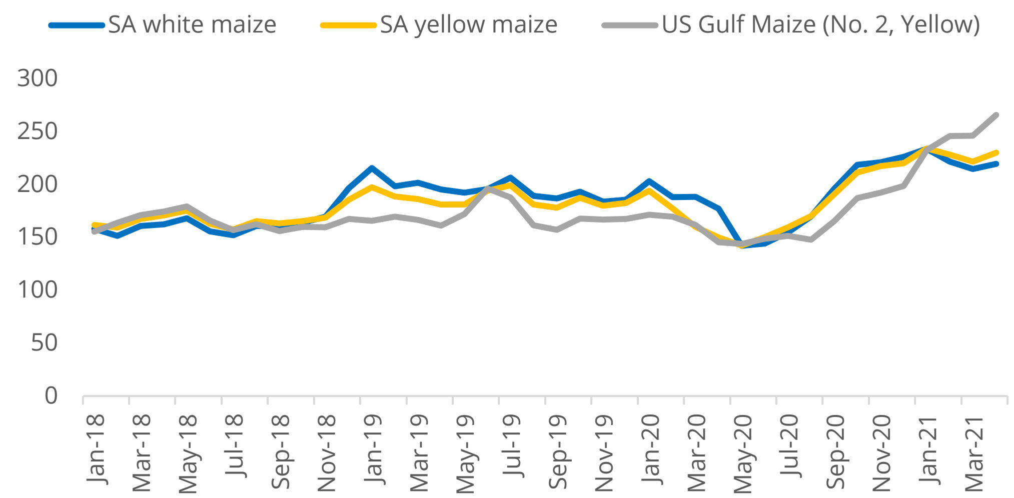
Data Source 1&2: http://www.tradingeconomics.com; 3: SAFEX; wholesale prices for white maize

SOUTH AFRICA

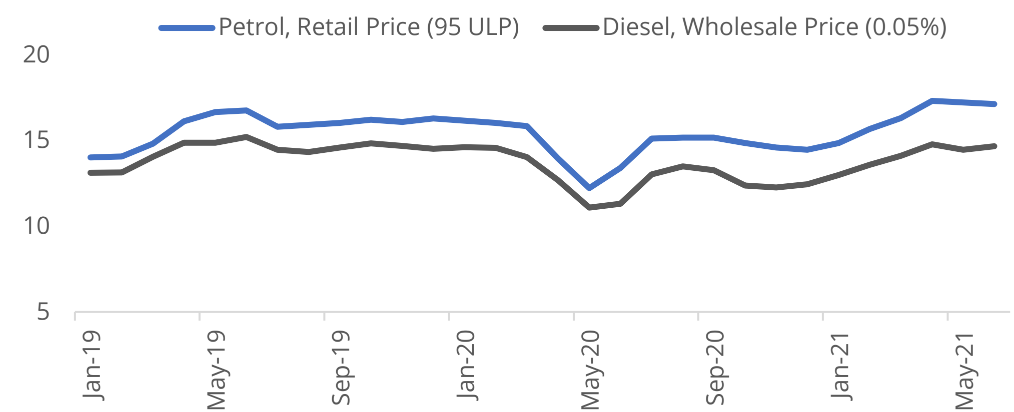
This is primarily due to higher global maize prices offsetting the effects of both the favourable supply situation and the stronger rand. Global maize stocks are currently tight, and demand remains strong. South Africa's maize is competitive in the international market (4), and until international demand softens, prices are likely to remain elevated.

Higher maize prices, combined with higher prices of meats and oils have resulted in South Africa's food inflation continuing its upward trend in recent months (2). Fuel prices have also steadily increased from the start of the year (5), adding to transport costs. Along with higher input costs (e.g. feed for livestock), this could be passed on to consumers in the form of higher food prices.

4 **South Africa and US Gulf Maize Prices (USD/tonne)**



5 **South Africa Fuel Prices (Rands/liter)**



Source: (top) SAFEX , USDA, FAO; South Africa prices are wholesale, Randfontein; (bottom) Central Energy Fund; Inland (Gauteng) prices

ZAMBIA

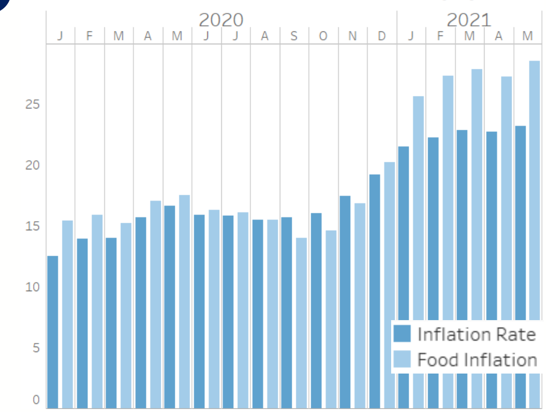
Favourable harvest prospects have led to an early seasonal decline in Zambia's national average maize price, however, it remains above average.

The Zambian kwacha continues to depreciate (1) and both headline and food inflation rates remain elevated (over 21%) since the beginning of this year (2).

Zambia is expecting a good maize harvest of approximately 3.6 million MT in 2021, and a surplus of 1.5 million MT in the 2021/22 marketing year. In response, the national average maize price began to slightly decline earlier than usual this year after peaking in February. In April, at 3.9 ZMW/kg, it was 20% below the year prior level, however, still 30% above the 5YA. The Food Reserve Agency (FRA) has set its purchasing price at 3 ZMW/kg this marketing season, but whether the market price will drop to this level is yet unclear. Maize exports remain regulated.

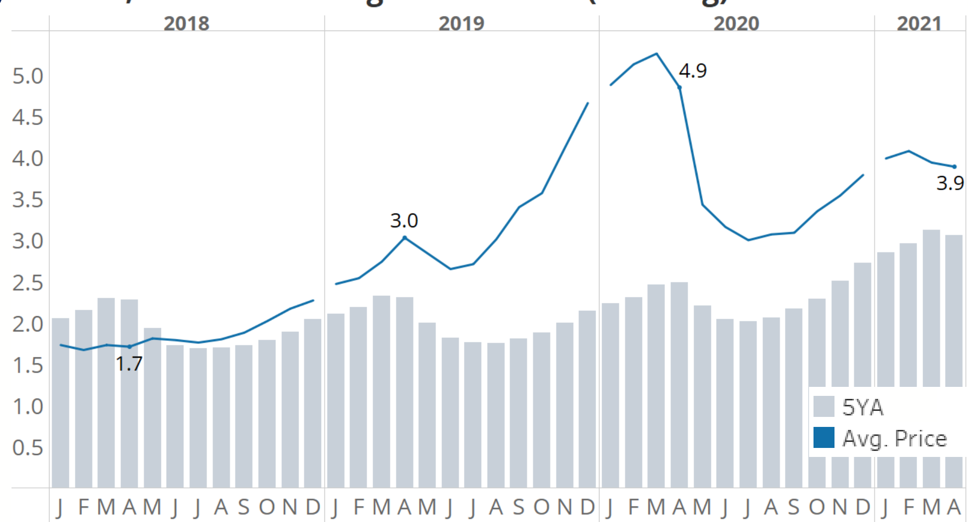
1 Zambia (USD/ZMK)

2 Zambia Inflation & Food Inflation (%)



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

3 Zambia, National Average Maize Price (ZMW/kg)



Source: FAO FPMA

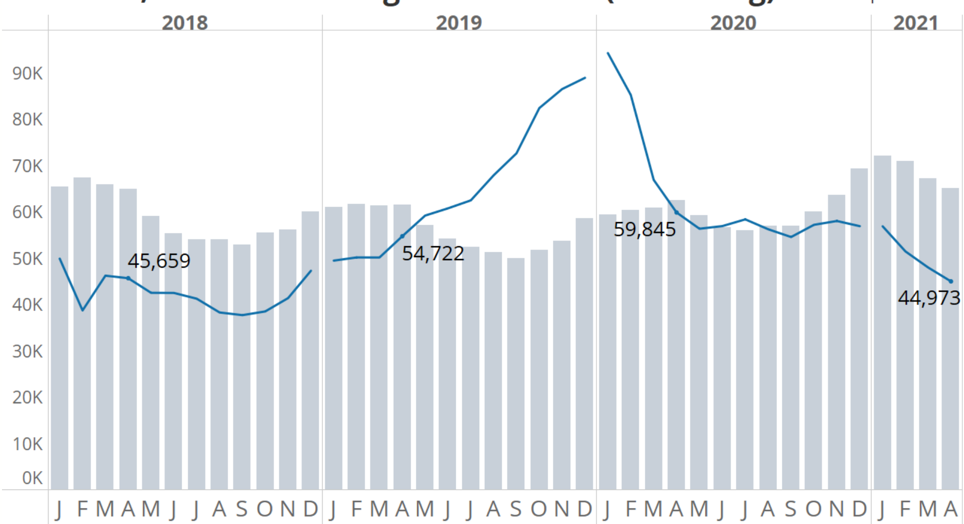
TANZANIA

Adequate supply is keeping Tanzania's national average maize price below both year prior and 5YA levels.

Tanzania's national average maize price has continued its downward trend, and in April, it was 30% below the 5YA and 25% below year prior levels (1). This can be attributed to above average supply in the 2020/21 marketing year, and with another above average harvest expected this year, the national average price is likely to remain relatively low in coming months.

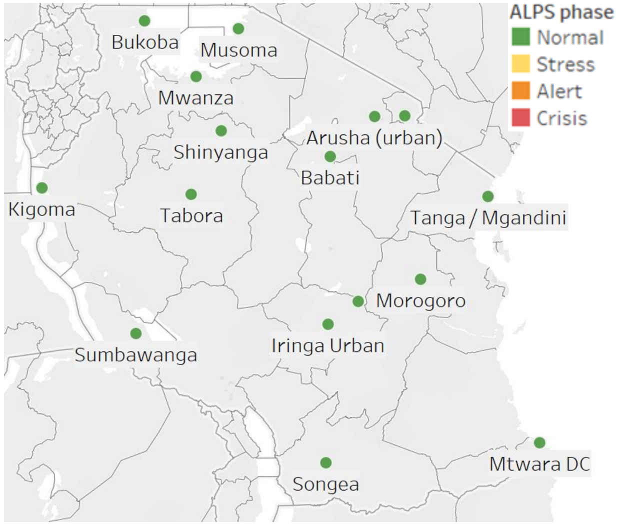
As of April 2021, all monitored markets in Tanzania were indicating normal maize prices (2).

1 **Tanzania, National Average Maize Price (TZS/100kg)** Wholesale price



Source: WFP Dataviz, wholesale prices

2 **April 2021 Maize Alert for Price Spikes**



For more details on the ALPS indicator

Source: ALPS WFP

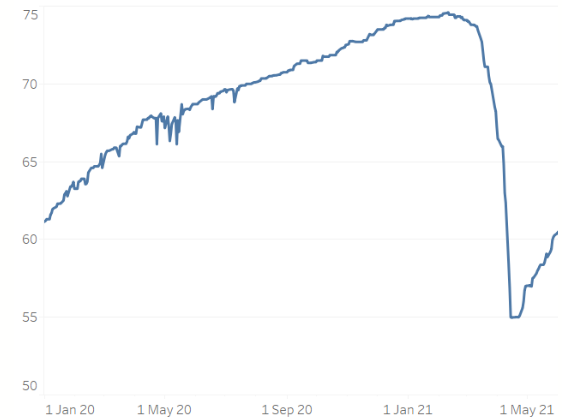
MOZAMBIQUE

Mozambique's national average maize price has been on a downward trend, and the sudden appreciation of the metical could help temporarily help ease import prices.

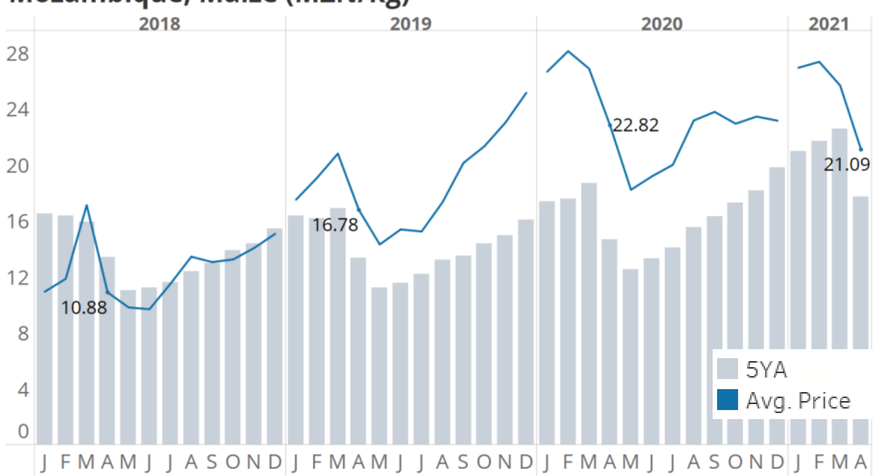
After depreciating over the course of 2020 and into early this year, the Mozambican metical suddenly appreciated by roughly 30% against the USD in April (1), largely due to a hike in interest rates. This could temporarily help ease import prices and temper inflation rates (3).

Mozambique's national average maize price has been dropping in line with seasonal trends, and in April was 8% below the year prior level but still 19% above the 5YA (2). In Pemba, maize grain price in April was 13% higher than a year prior and maize meal prices also remained elevated. With the ongoing conflict in Cabo Delgado and possibly below average production in parts of north-eastern Mozambique this year, continued monitoring of the situation is needed.

1 Mozambique (USD/MZN)

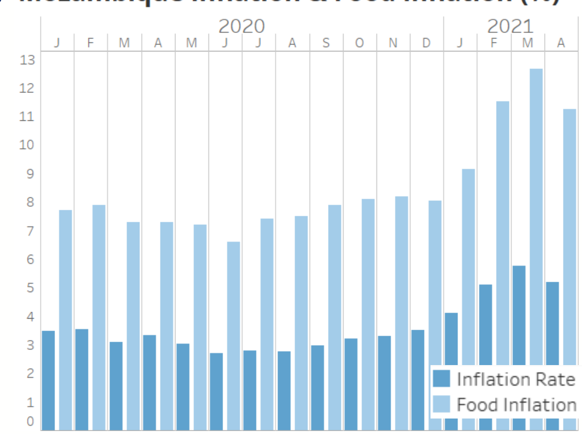


2 Mozambique, Maize (MZN/kg)



Source: WFP Dataviz

3 Mozambique Inflation & Food Inflation (%)



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

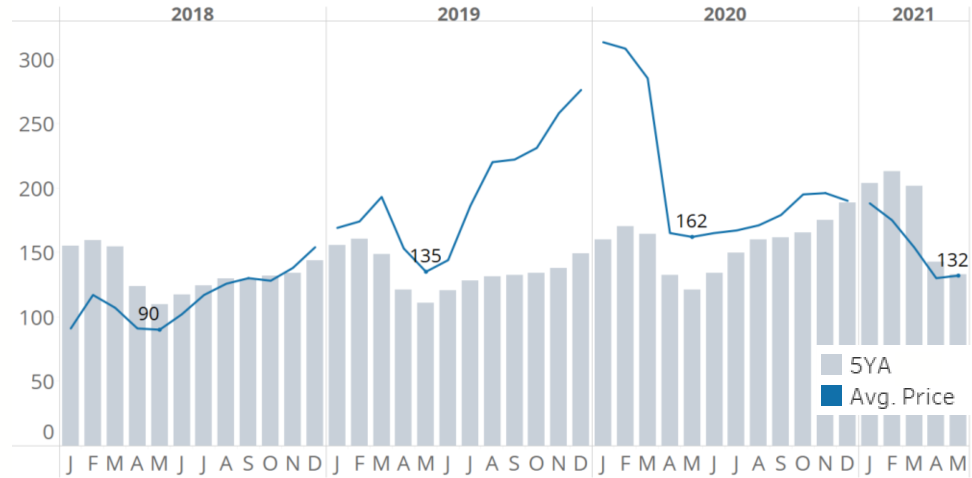
MALAWI

With another favorable maize harvest expected this year, maize prices in Malawi dropped steadily and earlier than usual this year.

Malawi is expecting another favourable maize harvest this year, and the availability of both old maize (from the previous season) and new maize (from this season) in the market has led to a steady decline in prices. In May, the national average maize price was 19% below the year prior level and at the 5YA level (1). According to the *Minimum Expenditure Basket in Malawi Issue No. 25 (22 – 26 March),* as per the usual pattern, maize prices were higher in the South (167 MWK/kg) compared to the North (148 MWK/kg) and the Centre (132 MWK/kg).

The Malawi kwacha continues to depreciate against the USD (2), and both headline and food inflation rates have overall been on a slightly upward trend in recent months (3).

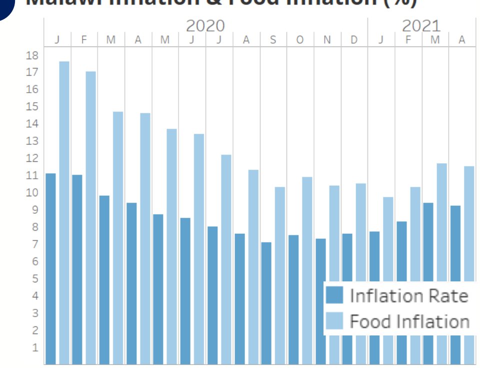
1 **Malawi, National Average Maize Price (MWK/kg)**



Source: WFP Dataviz

2 **Malawi (USD/MWK)**

3 **Malawi Inflation & Food Inflation (%)**



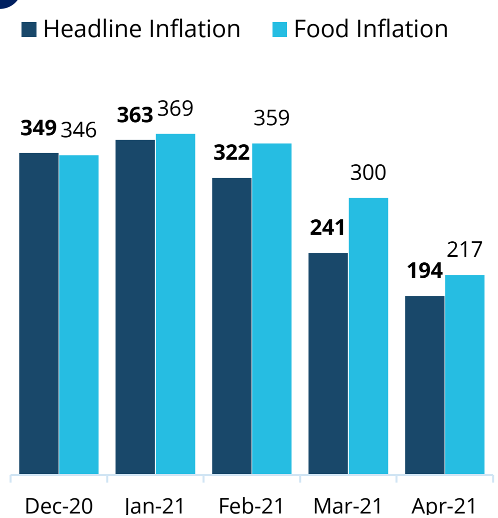
Data Source: http://www.tradingeconomics.com

ZIMBABWE

While Zimbabwe is expecting an above average maize harvest this year, various policies may continue to affect its marketing and accessibility.

Headline Inflation	**194.07%** *April 2021*
Food Inflation	**216.6%** *April 2021*
Exchange Rate	**84.7** **ZIMBABWECUR** *31 May 2021*

1 Zimbabwe's Inflation Rates



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

Zimbabwe is expecting an above average maize harvest of approximately 2.7 million MT in 2021, and total cereal production is estimated at 3 million MT against an annual national requirement of approximately 2.2 million. With the anticipated favourable supply, the government has suspended maize imports.

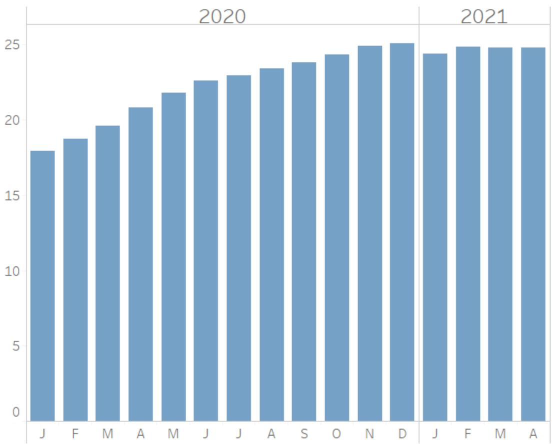
However, various policies may continue to affect domestic maize accessibility. Statutory Instrument 145 of 2019 which prohibits any transaction of maize over 250kg among private individuals and companies is still in effect, and this could affect marketing and accessibility of maize, especially in the lean season when households have already depleted their own stock.

According to the *Zimbabwe Food Security and Markets Monitoring Report for April 2021*, maize grain supply remained critically low across monitored rural markets. From March to April, average maize selling prices (in ZWL) in rural areas decreased by 3% but were 230% higher than the year prior level.

While Zimbabwe's inflation rates have been on a downward trend, they persist at a very high rate of roughly 200% (1). Stabilization of the foreign exchange rate has helped to curb inflation, but the effects of the new Statutory Instrument 127 of 2021 which requires businesses to accept the local currency at the official exchange rate need to be monitored.

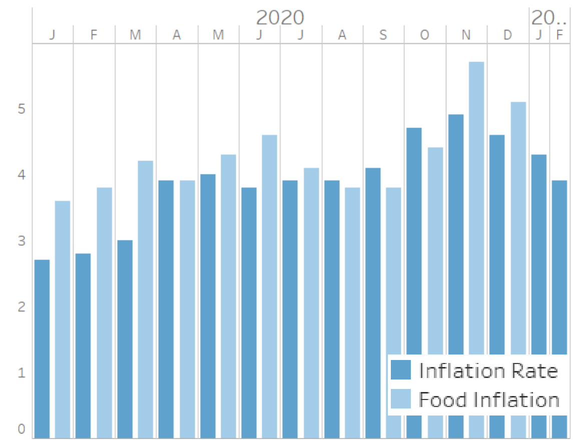
EXCHANGE RATES AND INFLATION RATES | OTHER COUNTRIES

Angola Inflation (%)

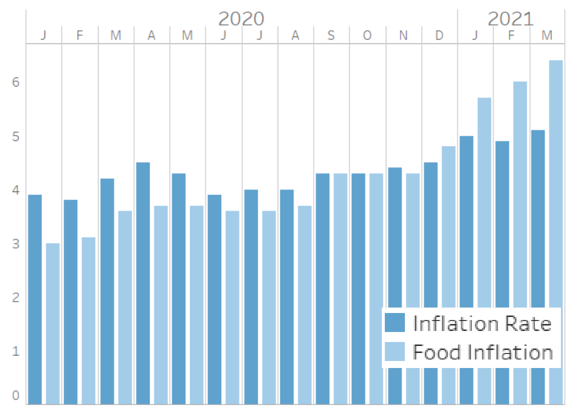


Angola (USD/AOA)

Eswatini Inflation & Food Inflation (%)

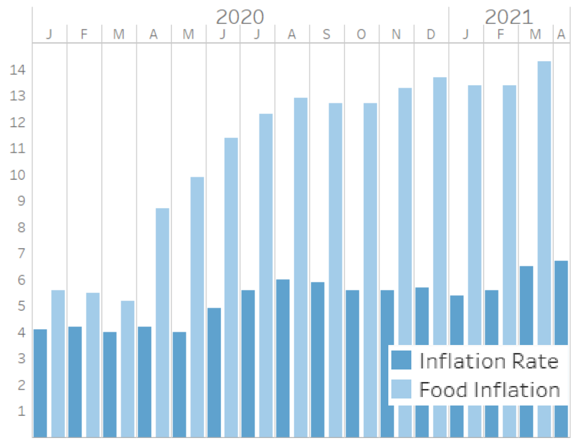


Madagascar Inflation & Food Inflation (%)



Madagascar (USD/MGA)

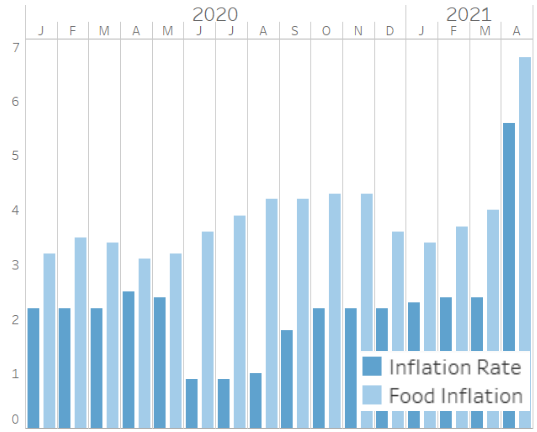
Lesotho Inflation & Food Inflation (%)



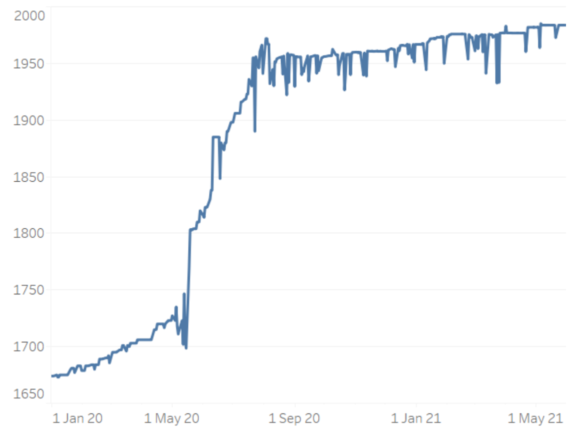
- *Data Source: http://www.tradingeconomics.com. Data available as of 1 March 2021.*
- *The eSwatini lilangeni Lesotho loti, Namibian dollar, and are pegged to the South African rand, and thus show the same movement.*

EXCHANGE RATES AND INFLATION RATES | OTHER COUNTRIES

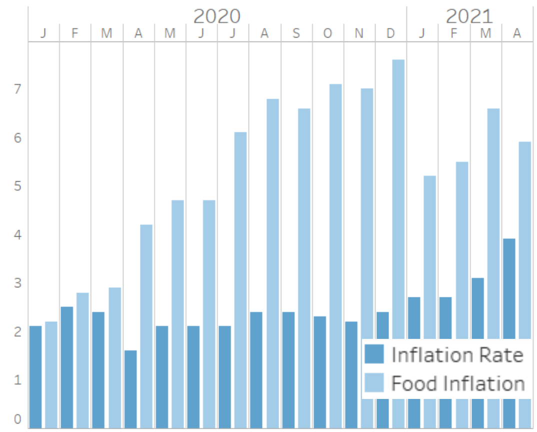
Botswana Inflation & Food Inflation (%)



DRC (USD/CDF)



Namibia Inflation & Food Inflation (%)

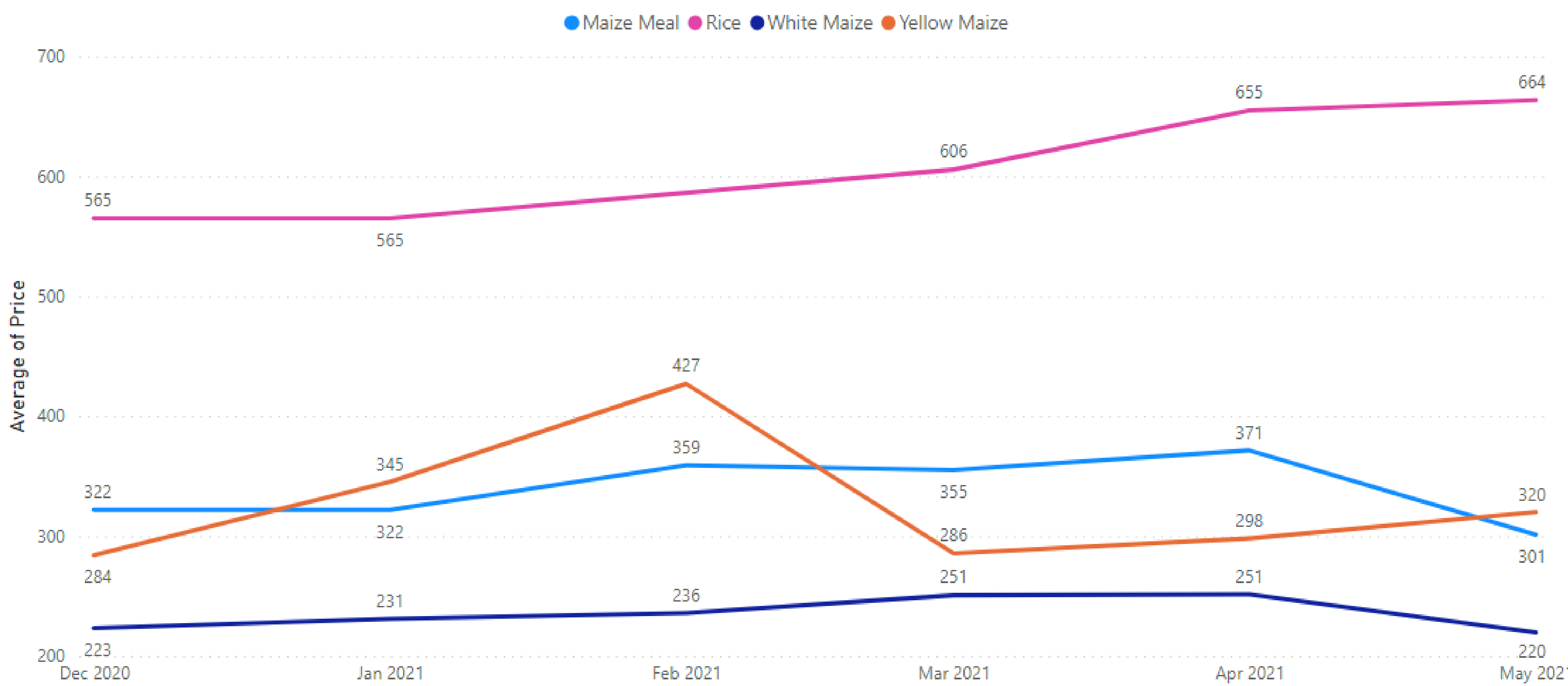


ROC (USD/XAF)

Data Source: http://www.tradingeconomics.com. Data available as of 1 June 2021.

SELECT REGIONAL PROCUREMENT PRICES: REGIONAL AVERAGE

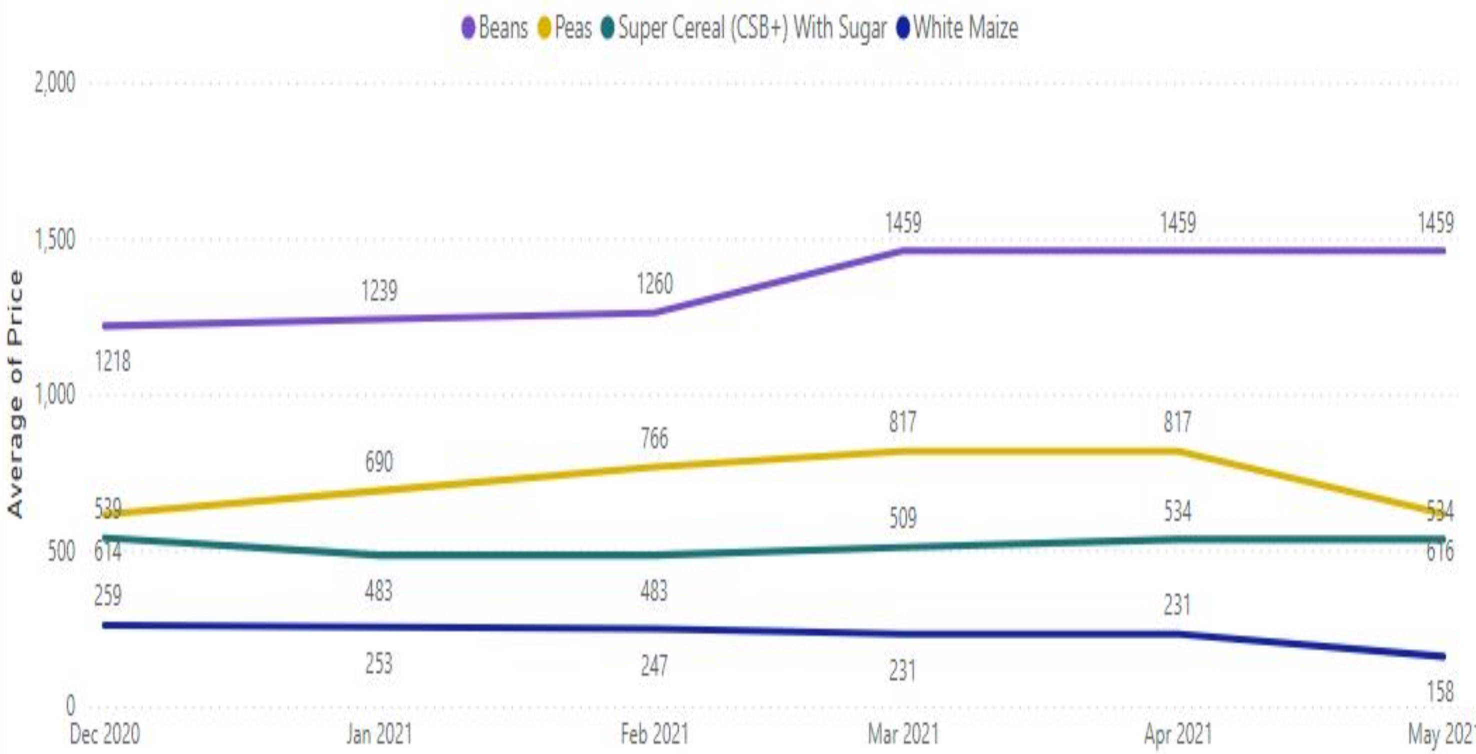
REGIONAL AVG



Date 1	Tuesday, December 1, 2020		Friday, January 1, 2021		Monday, February 1, 2021		Monday, March 1, 2021		Thursday, April 1, 2021		Saturday, May 1, 2021	
Commodity Group	Average of Price	Count of Location	Average of Price	Count of Location	Average of Price	Count of Location	Average of Price	Count of Location	Average of Price	Count of Location	Average of Price	Count of Location
Maize Meal	321.78	6	321.78	6	359.06	6	355.20	7	371.43	7	301.16	6
Rice	565.00	2	565.00	2		1	605.53	2	654.88	1	663.65	1
White Maize	223.22	9	230.99	9	235.79	8	250.64	7	251.37	7	219.63	11
Yellow Maize	284.00	1	345.14	2	426.99	2	285.50	1	298.00	1	320.00	1

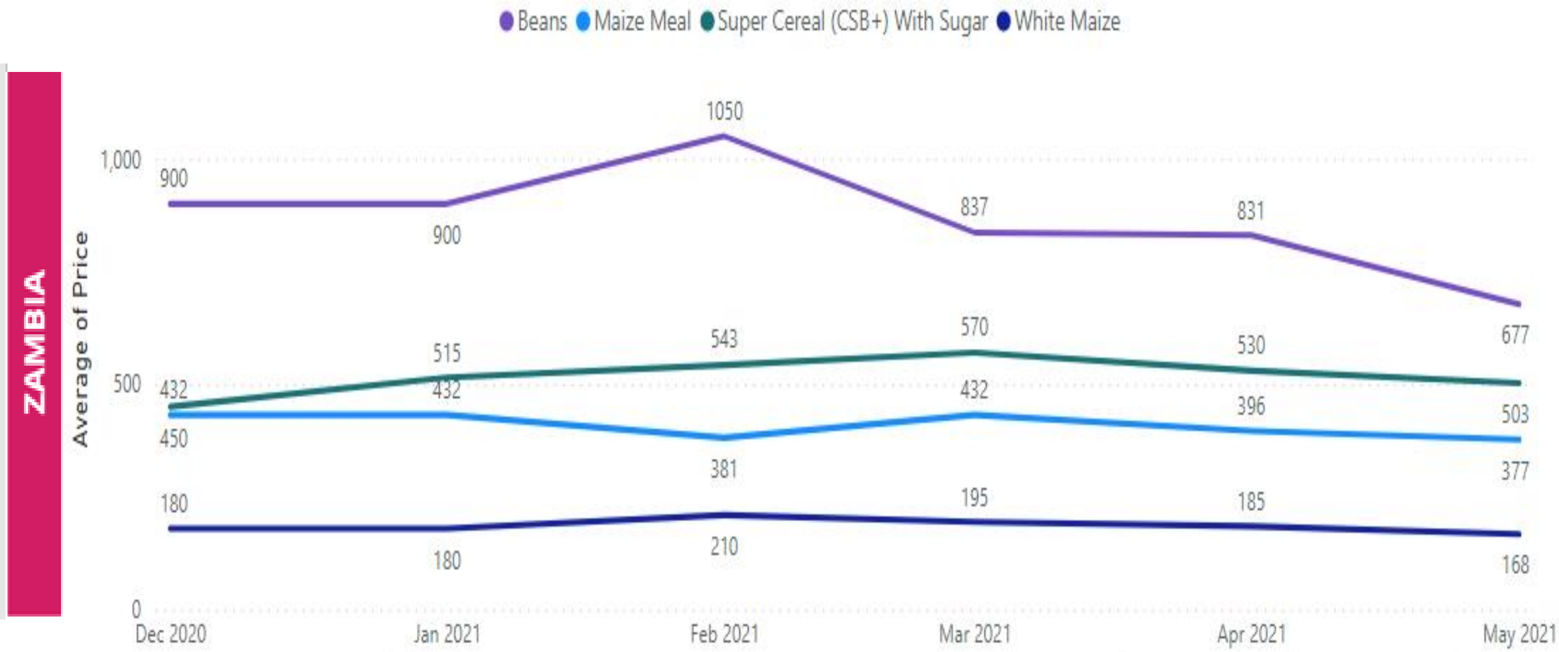
SELECT REGIONAL PROCUREMENT PRICES: MALAWI

MALAWI



Commodity Group	Tuesday, December 1, 2020	Friday, January 1, 2021	Monday, February 1, 2021	Monday, March 1, 2021	Thursday, April 1, 2021	Saturday, May 1, 2021
White Maize	259.00	253.00	247.00	230.50	230.50	158.00
Super Cereal (CSB+) With Sugar	539.00	483.00	483.00	508.50	534.00	534.00
Peas	613.50	689.75	766.00	816.50	816.50	616.00
Beans	1,218.00	1,239.00	1,260.00	1,459.00	1,459.00	1,459.00

SELECT REGIONAL PROCUREMENT PRICES: ZAMBIA



Commodity Group	Tuesday, December 1, 2020	Friday, January 1, 2021	Monday, February 1, 2021	Monday, March 1, 2021	Thursday, April 1, 2021	Saturday, May 1, 2021
White Maize	180.00	180.00	210.00	195.00	185.00	167.50
Super Cereal (CSB+) With Sugar	450.00	515.00	542.50	570.00	530.00	502.50
Maize Meal	432.00	432.00	381.33	432.00	396.18	377.14
Beans	900.00	900.00	1,050.00	836.78	830.89	677.00

TRADE RESTRICTIONS AND POLICIES

Many countries in the region have regulations on maize trade but allow for GMO processed products.

Madagascar

GMO cereals in general not permitted;

There is an import ban for whole grain maize; maize must be degermed/crushed.

Malawi

Malawi’s maize export ban has been temporarily lifted as from 15th March , allowing for exports to neighboring countries.

Mozambique

No official ban on maize and pulse imports but the regulations in place make it difficult for WFP to import commodities from neighbouring countries;

Exports to neighbouring countries are permitted.

Tanzania

GMO free maize is available; however, policy related complications makes importing Tanzanian maize into Zambia, Zimbabwe and Malawi difficult.

Zambia

Maize grain and maize meal exports remains regulated by Government.

Zimbabwe

Zimbabwe has instituted an import ban on maize, effective from 1 June 2021.

SUPPLY CHAIN CORRIDORS IN SOUTHERN AFRICA: JUNE 2021

South Africa to: *Madagascar, Democratic Republic of Congo, Republic of Congo, Tanzania, Mozambique and Angola.*

Namibia to: *Democratic Republic of Congo and Republic of Congo.*

Tanzania, Mozambique, and South Africa *also serve as transit corridors.*