



Southern Africa

Monthly Food Price Update

March 2016

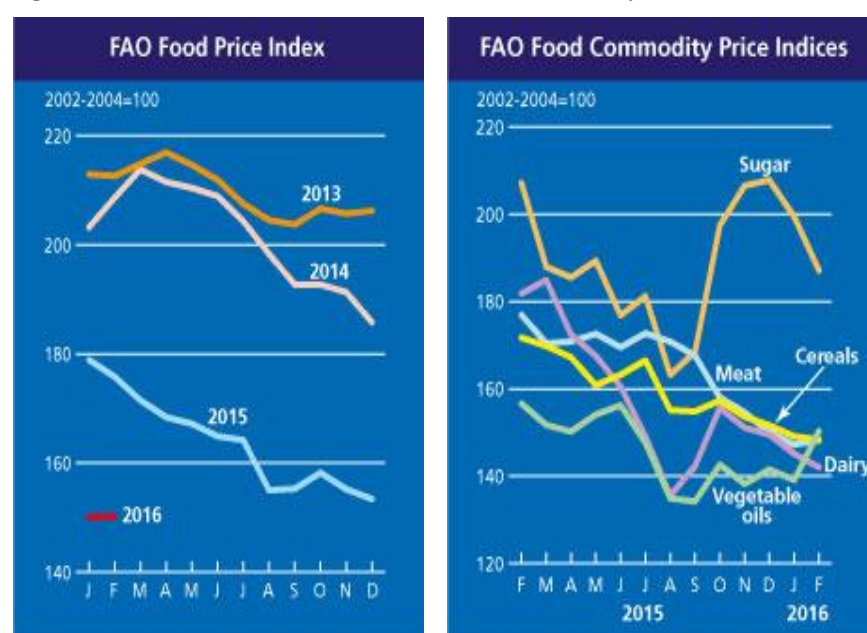
Highlights:

- South Africa's National Crop Estimate Committee's third maize production estimate came out at 7.1 million tonnes, which is 3% lower than the previous estimate (January). White maize production estimate was revised down to 3.1 million tonnes, from 3.2 million tonnes. Yellow maize production was revised down to 4 million tonnes, from 4.1 million tonnes (Grain SA, 2016). The five-year average (2011–2015) harvest for South Africa is at 12.3 million tonnes, representing a decrease of 42.3 percent.
- Maize prices in February 2016 have continued to increase across the region. They are currently above their five-year average levels for the time of year. The retail price of maize in Malawi in February 2016 was at 98.4% above its four-year average level for the time of year. The retail price of maize in February 2016 compared to five-year average levels across Southern Africa was as follows: Mozambique stood at 117.6%; South Africa 111.4%; Zambia 48.9%; Swaziland 35.8% (maize meal); Lesotho 34% (maize meal); Tanzania 33.4% and Zimbabwe 21.9%.
- WFP ALPS¹: 77.9 percent (102 out of 131) of ALPS monitored markets in southern Africa were either in Stress, Alert or Crisis in February 2016; up from 72.5 percent of markets in January 2016. The countries with the highest reported number of ALPS monitored markets in Alert and Crisis across Southern Africa were Malawi (97.7%) and Mozambique (100%).
- Further food price increases are expected as the lean season progresses across the region. Food price increases are primarily instigated by low regional cereal stocks and speculation of El Niño weather vagaries on the 2015-16 regional cereal harvest.

✓ **Current International Food Staple Price Trend**

FAO's Food Price Index (FFPI) averaged 150.2 in February 2016 and remained nearly unchanged since January 2016 but decreased by 25.6 points (14.5%) compared to February 2016. Vegetable oil surged in price in February 2016 compared to January 2016 while meat prices slightly increased over the same period. All other monitored food commodities fell in price in February 2016 compared to the previous month. The FAO Cereal Price Index was at 148.3 points in February marginally down compared to January and 13.7% less than in February 2015.

Food commodity prices in southern Africa have started to decrease in February 2016 compared to the previous months however prices continue to be above their 5 year average levels. The high cereal prices in Southern Africa is primarily driven by the region experiencing reduced staple

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

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

¹ Alert on Price Spikes (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 the time of year. More information can be found on the ALPS website: <http://foodprices.vam.wfp.org/alps.aspx>

volumes on local markets due to a difficult 2013-14 harvest; significant national currency devaluations making imports more expensive reducing supply and driving up prices; high transportation costs especially for land-locked countries increasing the price of imported foods; and the prolonged dry-spell which is driving the second consecutive below average cereal harvest in the region.

- ✓ **Current Regional Food Staple Price Trend:** Maize prices across the region continued to increase in February 2016. The food price increases for the region started in July 2015 in Malawi and Zimbabwe, 3-4 months earlier than usual. Even though maize retail prices have slowed down in their rate of increase they nonetheless have continued to increase across the region with the exception of South Africa which saw a reduction in price of 9.3% compared to January 2016 and Tanzania which saw a decrease of 0.5% over the same period. By February 2016 the countries in the region reporting the biggest month-on-month increase in retail white maize prices were Swaziland (29% - maize meal), Mozambique (12.3%), Malawi (10.9%) and Lesotho (11.1%).

The region's current maize prices are well above their five – year averages for the time of year. Even though experiencing a slowing down in the rate of increase, retail maize prices have by-and-large increased across the region in February compared to January 2016. Following are retail national average maize prices in February 2016 compared to their five – year average levels: Mozambique 117.6%, South Africa 111.4%, Malawi 98.4% (four year average), Zambia 48.9%, Swaziland 35.8%, Lesotho 34%, Tanzania 33.4% and Zimbabwe at 21.9% (**Table 1**).

- ✓ **Expected Regional Food Staple Price Trend:** The weaker US Dollar in February 2016 has seen a relative strengthening of the SA Rand which has placed some much needed downward pressure on South Africa's maize prices. Nevertheless regardless of the strengthening SA Rand and the falling international food prices, key staple food prices in southern Africa are expected to continue to stay above their five-year average levels for the coming months. The reasons for which are: the continuation of the lean season; steep national currency devaluations to continue across the region, continuation of erratic weather disrupting crop growing patterns increasing the likelihood of a poor 2015-2016 harvest and high food import costs especially for the landlocked countries in the region.

Table 1: RBJ retail and wholesale staple food price trends of white maize comparing February 2016 to January 2016

Country	Nominal retail price in Feb. 2016 (USD/KG)	% change retail price since Jan. 2016	Current retail price compared to 5 year Feb. average price (%)		WFP wholesale tender price in Feb. 2016 (USD/MT)	% change WFP wholesale tender price since Jan 2016
			Nominal	Real		
Congo (RoC)						
Cassava flour	0.84	4.1	NA	NA	NA	NA
DRC****						
Cassava flour	0.57	0.5	-2.6	NA	380	8.6
Lesotho**	0.40	11.1	34	NA	NA	NA
Madagascar (Rice)****	0.42	0.5	1.9	-16.4	437	-2.9
Malawi****	0.32	10.9	98.4	89.5	381	34.7
Mozambique (Gorongosa)	0.42	12.3	117.6	NA	519.11	22.3
Swaziland**	0.69	29	35.8	15.1	362	13.1
Tanzania* (Arusha)	0.30	-0.5	33.4	25.1	369	NA
Zambia***	0.39	1.9	48.9	16.8	275	0.3
Zimbabwe	0.48	2.1	21.9	NA	NA	NA
South Africa* (Durban)	0.34	-9.3	111.4	82.3	430	1.9

Source: WFP VAM Portal² and FAO Food Price Monitoring Analysis³

*Maize wholesale prices

** Maize meal

*** 3 year average (2013-16)

**** 4 year average

² This is WFP's centralized system for reporting of national and regional food security and vulnerability analysis monitoring information related to chronic and acute food insecurity.

³ FAO's Food Price Monitoring and Analysis Tool is FAO's online food price monitoring, analysis and reporting system.

Alert on Price Spikes (ALPS): ALPS⁴ 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 the time of year. In February 2016, 21 ALPS markets across 5 countries (Malawi, Mozambique, Tanzania, Zimbabwe and Zambia) were found to be in Alert while 31 other markets across the region were in Stress see **Table 2**. Furthermore, 50 monitored markets across 3 countries (Malawi, Mozambique, Zambia) in southern Africa were found to be in Crisis, 40 of which were in Malawi, 8 in Mozambique and 2 in Zambia. The number of markets in Crisis across the region increased by 5 since January, an 11% increase. Malawi saw the greatest increase with an additional 4 markets (11% increase) being reported in Crisis, while Mozambique saw no change and Zambia instead saw the number of markets in Crisis reduce by one.

In general 77.9% (102 out of 131) of ALPS monitored markets in southern Africa are currently either in Stress, Alert or Crisis. This is a strong indication that food price levels on local markets in the region are well above their average trends for the time of year. The two countries in the region with most of their monitored maize markets in Alert or Crisis are Malawi (97.7%), Mozambique (100%).

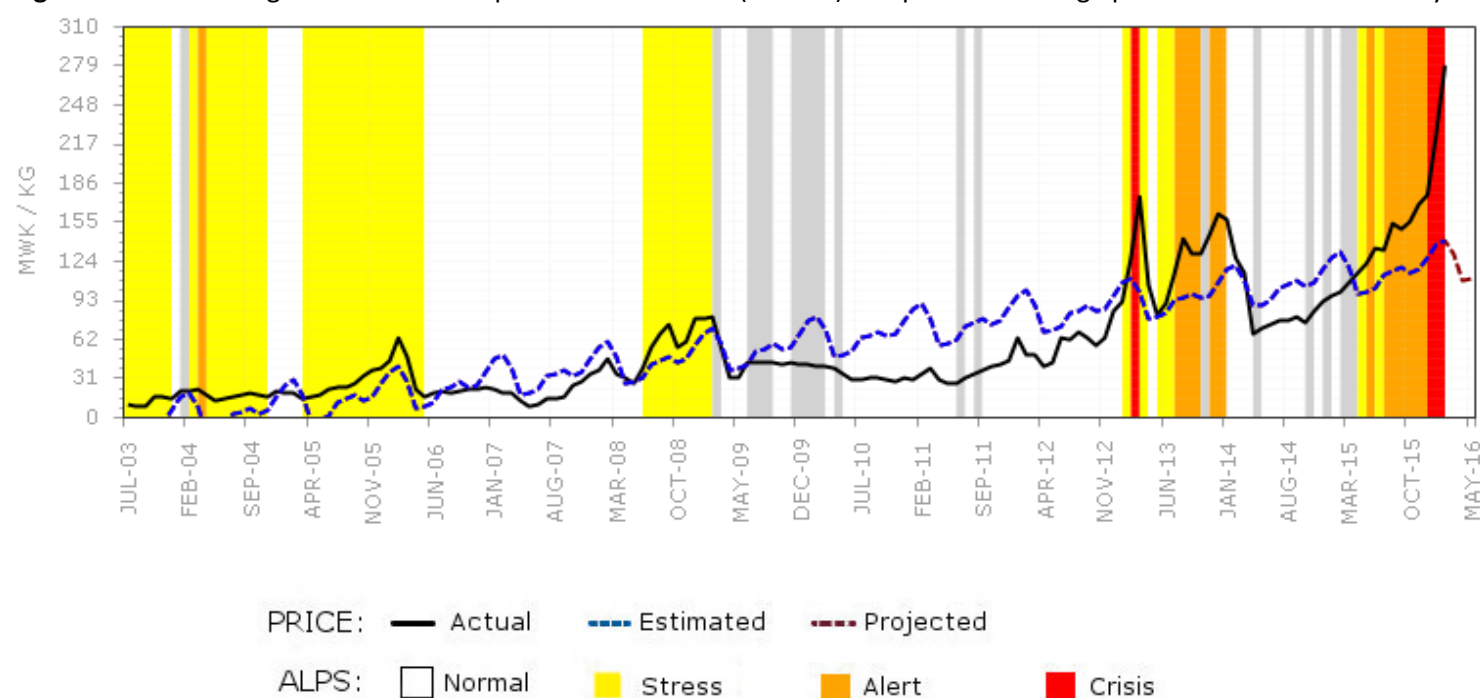
Table 2: Price Mode of Monitored Food Markets in Southern Africa in February 2016 – ALPS

Price Mode	Malawi	Mozambique	Tanzania	Zambia	Zimbabwe	Total markets for Southern Africa	% state of ALPS monitored markets in Southern Africa
Normal	0	0	8	17	4	29	22.1%
Stress	1	0	8	22	0	31	23.7%
Alert	3	1	4	12	1	21	16.0%
Crisis	40	8	0	2	0	50	38.2%
Total monitored markets per country	44	9	20	53	5	131	NA

Source: WFP

Malawi, Mozambique and Zambia have markets through-out the country which are either in Alert or Crisis. Tanzania's markets in Alert are found primarily in the north of the country.

Figure 2: ALPS maize grain retail market price trend in Lunzu (Malawi) compared to average price levels for the time of year



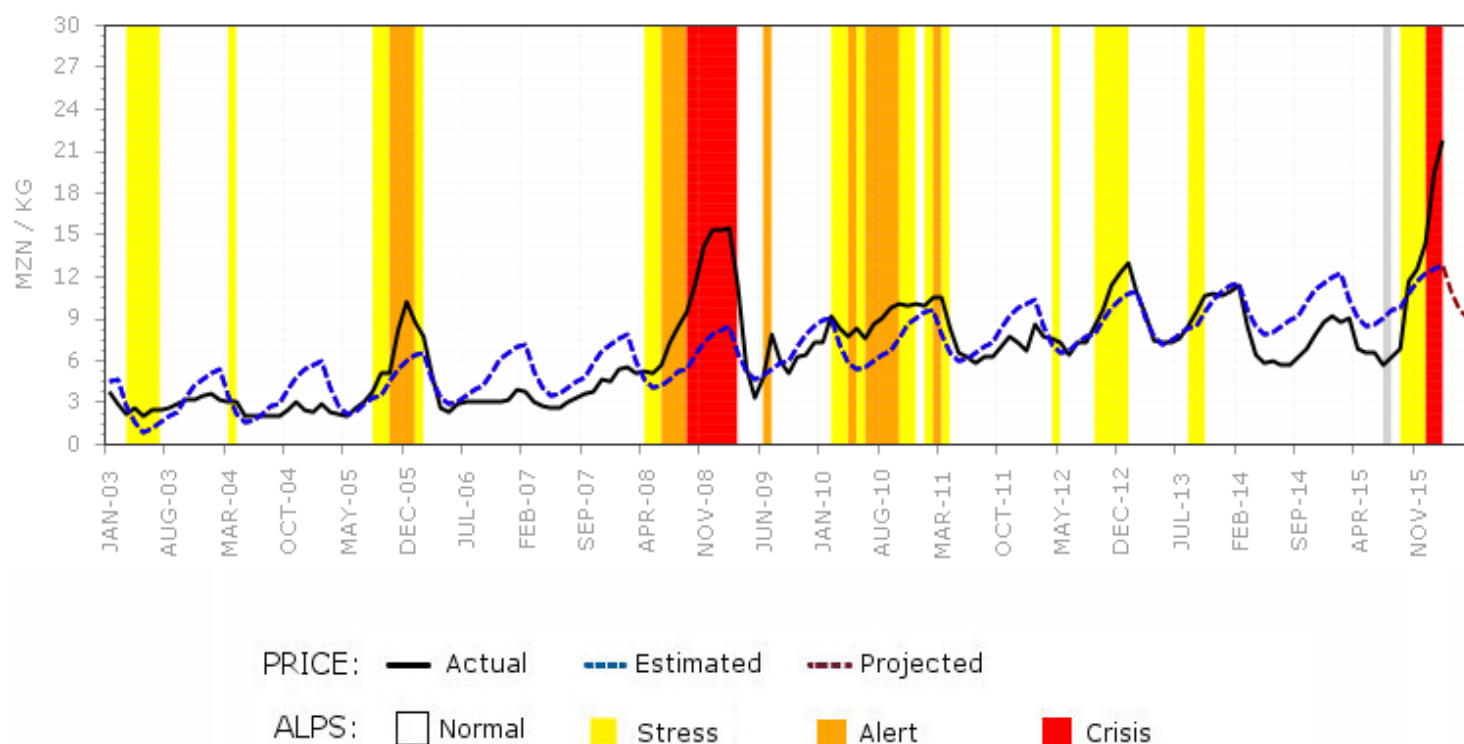
Source: WFP ALPS

⁴ ALPS classifies food price levels through four categories: Normal, Stress, Alert and Crisis. Under Normal the price is less than 0.25 standard deviations away from the mean for the time of year; under Stress the price is between 0.25 and 1 standard deviation from the mean for the time of year; under Alert the price is between 1 and 2 standard deviations from the mean for the time of year; and under Crisis the price is above 2 standard deviations from the mean for the time of year. More information can be found on the ALPS website: <http://foodprices.vam.wfp.org/alps.aspx>

Figure 2 (above) illustrates the retail price trend of white maize over time for Lunzu market, a prime maize grain market in Malawi. In this market maize prices have steadily been increasing over time, however, since June 2015 maize grain prices in Lunzu have been increasing and over the past six months the price increases have reached ALPS Crisis levels with prices continuing to increase above their usual levels for the time of year. The main reason for this unprecedented and continuous increase is the tightening of cereal supplies from the 2014-15 maize harvest. Neighbouring countries are also placing restrictions on export and there is speculation on a below average 2015-16 maize harvest due to extended dry spells during the 2015 crop planting season across southern Africa. The devaluation of the Malawian Kwacha which has devalued by 68% against the US Dollar compared to February 2015 levels also impacting prices as is inflation which is currently at 24%. Furthermore high transport costs are also expected to be having an impact on the movement of food across the country.

Mozambique's retail price of maize continues its relentless increase in 2016. White maize prices increased nationally from 20.25 Metical/kg in January 2016 to 24.47 Metical/kg in February 2016. Nationally maize prices now stand at 130% above their 5 year average levels for the time of year. This increase is due to maize food prices increasing rapidly in places like Gorongosa, a prime maize market in Mozambique and low maize stocks in neighbouring countries in the region. **Figure 3** illustrates the retail price trend of white maize over time for Gorongosa market. In this market maize prices have increased vertiginously by 234% over the past 8 months compared to a usual increase of 46.5% over this period. WFP ALPS has placed the town in Crisis phase for maize food price increases and maize prices will likely increase further at least until the harvest, April-May 2016. However, the increasing likelihood of a lower than average 2015-16 harvest will likely maintain prices higher than their usual average levels for the time of year.

Figure 3: ALPS Maize Grain Market Price Trend in Gorongosa (Mozambique) Compared to Month Average Price Levels



Source: WFP ALPS <http://foodprices.vam.wfp.org/alps.aspx>

- ✓ **Plans/Upcoming Assessments in 2016:** Market assessments to be undertaken in Malawi, Mozambique and Tanzania (March – April). Crop assessments across the region (March-May) and VAC assessments across the region (April – June).