World Food Programme

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Southern Africa

Monthly Food Price Update

August 2016

Highlights:

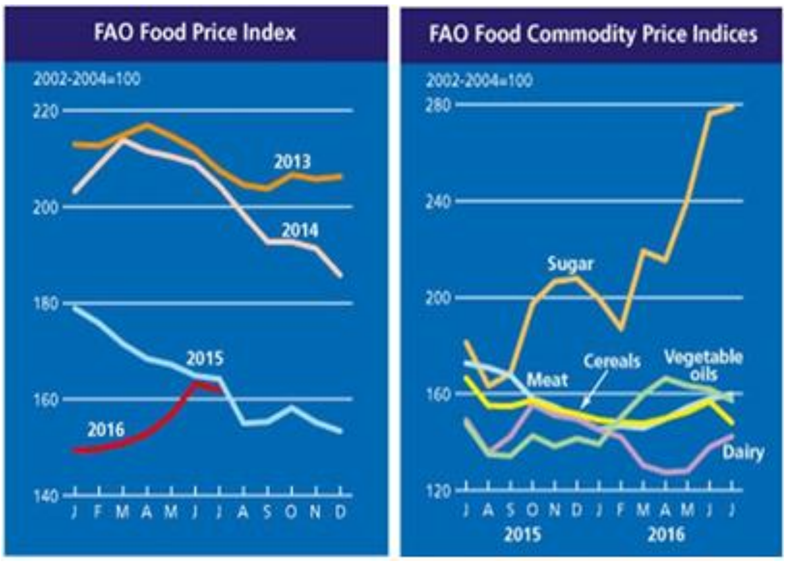
- *The South African National Crop Estimate Committee's (CEC) eighth maize production estimate (August 2016) stands at 7.29 million tonnes, up by 0.5 per cent from the previous estimate (July). The expected yields per hectare are 3.05 t/ha for white maize and 4.51 t/ha for yellow maize.*
- *Maize month-on-month price trends in July 2016 increased generally throughout the region with the exception of Lesotho and Swaziland. These trends indicate a possible early start to the lean season as prices are increasing two to three months ahead of normal. Prices remain well above their five-year-average levels. The retail price of white maize in July 2016 compared to five-year-average levels across southern Africa were as follows: Mozambique 165 per cent; Malawi 156 per cent (four – year average); South Africa 94 per cent; Swaziland 52 per cent; Lesotho 46 per cent; Zimbabwe 45 per cent; Zambia 42 per cent; and Tanzania 19 per cent. The price of cassava flour in DRC was 6 per cent above its five-year-average.*
- *WFP ALPS: 67 per cent (86 out of 129) of ALPS monitored markets in southern Africa were either in Stress, Alert or Crisis in July 2016; down from 71 per cent of markets in May 2016. In July the countries with the highest reported number of ALPS monitored markets in Alert and Crisis across southern Africa were Malawi (98 per cent) and Mozambique (100 per cent).*
- *Cereal prices in southern Africa are expected to continue to rise until the next harvest in (April – June 2017). The price of cereals in the region is expected to remain above its five-year-averages.*

✓ Current International Food Staple Price Trend

FAO Food Price Index (FPPI) and Food Commodity Price Indices Trend averaged 161.9 in July 2016, down 1.3 points (0.8 per cent) from June and 1.4 per cent below July 2015 (**Figure 1**). The decline of the Index is largely attributed to drops in international quotations of grains and vegetable oils which more than offset price increases in dairy, meat and sugar.

The FAO Cereal Price Index for July averaged 148.1 points, down 8.3 points (5.6 per cent) from June. This was led by a sharp drop in maize prices due to favourable weather conditions in key growing regions of the largest maize producer and exporter (The United States of America). Wheat prices also fell in July led by abundant harvests while rice prices strengthened somewhat due to dwindling availability.

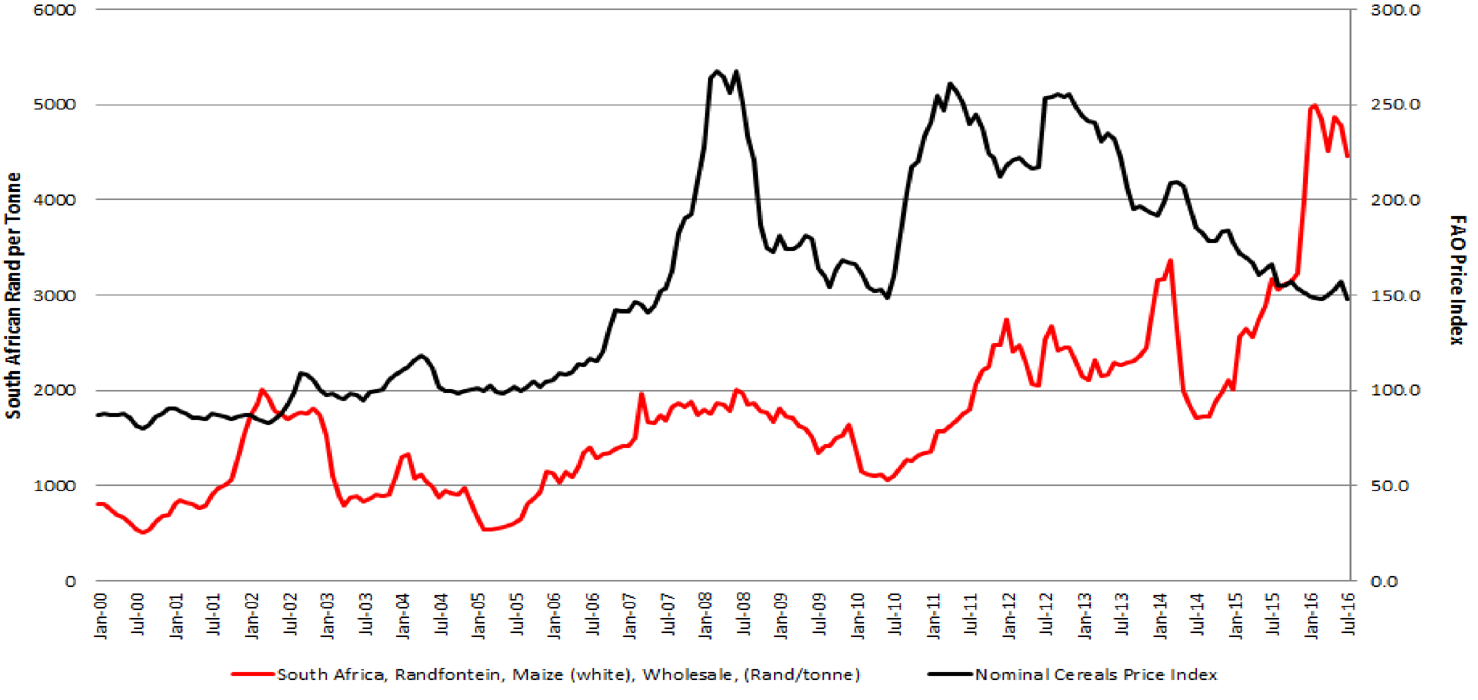
Figure 1: FAO's Food Commodity Price Index (FFPI)



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

July 2016 wholesale white maize prices in southern Africa were at 4,453.45 Rand/MT, falling by 6.9 per cent compared to the price in June 2016 (4,781.76 Rand/MT – see **Figure 2**). Southern Africa's high maize prices are primarily driven by the region's deficit in cereals harvest for 2015-16 (5.1 million tonnes for maize and 9.3 million tonnes for cereals). Currency devaluations across the region are making imports more expensive and high transportation costs especially for land-locked countries are affecting maize sales prices.

Figure 2: Wholesale price of white maize in South Africa compared to the FAO Food Price Index over time



Source: WFP

✓ **Current Regional Food Staple Price Trend:** July's month-on-month (m-o-m) maize retail prices saw general increases across southern Africa with the exception of Lesotho and Swaziland which saw decreases in the price of maize meal and South Africa which saw a decrease in the price of wholesale maize grain by 6.9 per cent. Countries in the region saw the following increases in the national average price of maize (Malawi 8.9 per cent, Mozambique 2.7 per cent, Tanzania 6.8 per cent and Zambia 6.6 per cent). Zimbabwe's price of maize remained stable. To note DRC saw a m-o-m increase in the price of cassava flour (5.6 per cent), **Table 1**.

Across southern Africa the price of maize in July remained above five-year-average levels for the time of year: Mozambique 165.3 per cent, Malawi 155.5 per cent (four year average), South Africa 94 per cent, Swaziland 52 per cent, Lesotho 46 per cent, Zimbabwe 45.1 per cent, Zambia 41.5 per cent, and Tanzania 18.6 per cent (**Table 1**). National average cassava flour prices in DRC were 5.6 per cent higher than the five-year-average.

Table 1: RBJ retail staple food price trends for white maize grain – July 2016

Country	Nominal retail price in July 2016 (USD/KG)	% change retail price since June 2016	Current retail price compared to 5 year July average price (%)	
			Nominal	Real
Congo (RoC) Cassava Flour**	NA	NA	NA	NA
Congo (DRC) Cassava Flour	0.53	5.6	-3.7	NA
Lesotho (Maize Meal)	0.49	-5.1	46	34.3
Madagascar (Rice)	NA	NA	NA	NA
Malawi***	0.31	8.9	155.5	126
Mozambique	0.33	2.7	165.3	NA
Swaziland (Maize Meal)	0.82	-1.3	52	26.2
Tanzania*	0.33	6.8	18.6	-1.2
Zambia	0.21	6.6	41.5	-8.4
Zimbabwe	0.47	0	45.1	NA
South Africa* (Durban)	0.31	-6.9	94	64.8

Source: WFP VAM Portal[1] and FAO Food Price Monitoring Analysis[2]

** Wholesale*

*** 2 year average*

**** 4 year average*

[1] 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.

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

✓ **Expected Regional Staple Food Price Trend:** Southern Africa's 2015-16 regional cereals harvest is below the regional average. South Africa, the region's biggest producer of maize is reporting that it will have to import 3.65 million tonnes of maize in 2016-17. The region is expected to have an overall maize deficit of 5.1 million tonnes and an overall cereals deficit of 9.3 million tonnes for the 2016-17 marketing season, up from 7.8 million tonnes deficit for the 2015-16 marketing season. As a result of the drought affecting the region, SADC is appealing for US $2.4 billion to support humanitarian needs of affected people in the region. Countries across the region are starting to implement maize related polices: Zambia, the only country in southern Africa (other than Tanzania) to register a maize surplus harvest, has already implemented an administrative restriction on commercial maize exports till September 2016 to build-up it strategic reserves. Lesotho is providing subsidies on maize meal purchases, while Zimbabwe has blocked South African imports.

Maize prices have been increasing for a second month running across most of southern Africa, indicating a possible early start to the lean season; two to three months ahead of normal. Food prices remain above their five-year-average levels for the time of year and the prospect is that they will remain above their five-year-average levels at least until the next harvest (April – June 2017). The issues expected to continue having a negative impact on the region's food security in the coming months are: lack of cereal stocks at regional level leading to increased levels of imports; enactment of national policies limiting the movement of food commodities across borders; continued falling commodity prices; increased unemployment rates; continued national currency devaluations across the region; fall in the value and quantity of remittances and higher food import costs especially for the landlocked countries in the region.

✓ **Alert on Price Spikes (ALPS):** ALPS[3] 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 July 2016, 14 ALPS markets across southern Africa, 4 in Malawi, 1 in Tanzania, 7 in Zambia and 2 in Zimbabwe were found to be in Alert, while 16 other markets across the region were in Stress (**Table 2)**. Furthermore, 56 monitored markets across 4 countries in southern Africa were found to be in Crisis, up from 45 in May (increase of 24.4%). Out of the markets in Crisis 37 were in Malawi (up 19.4 per cent compared to May), 8 were in Zambia (up 25 per cent compared to May), 8 were in Mozambique (up 60 per cent compared to May) and 1 was in Tanzania.

In general 66.7 per cent (86 out of 129) of ALPS monitored markets in southern Africa were either in Stress, Alert or Crisis in May. This is a strong indication that food price levels on local markets in the region remain well above their average trend for the time of year. The two countries in the region with the most monitored maize markets in Crisis were Malawi (88 per cent) and Mozambique (100 per cent).

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

Price Mode	Malawi	Mozambique	Tanzania	Zambia	Zimbabwe	Total markets for Southern Africa	% of total ALPS monitored markets in Southern Africa[4]
Normal	0	0	15	27	1	43	33.3%
Stress	1	0	3	11	1	16	12.4%
Alert	4	0	1	7	2	14	10.9%
Crisis	37	8	1	10	0	56	43.4%
Total monitored markets per country	42	8	20	55	4	129	NA

Source: WFP

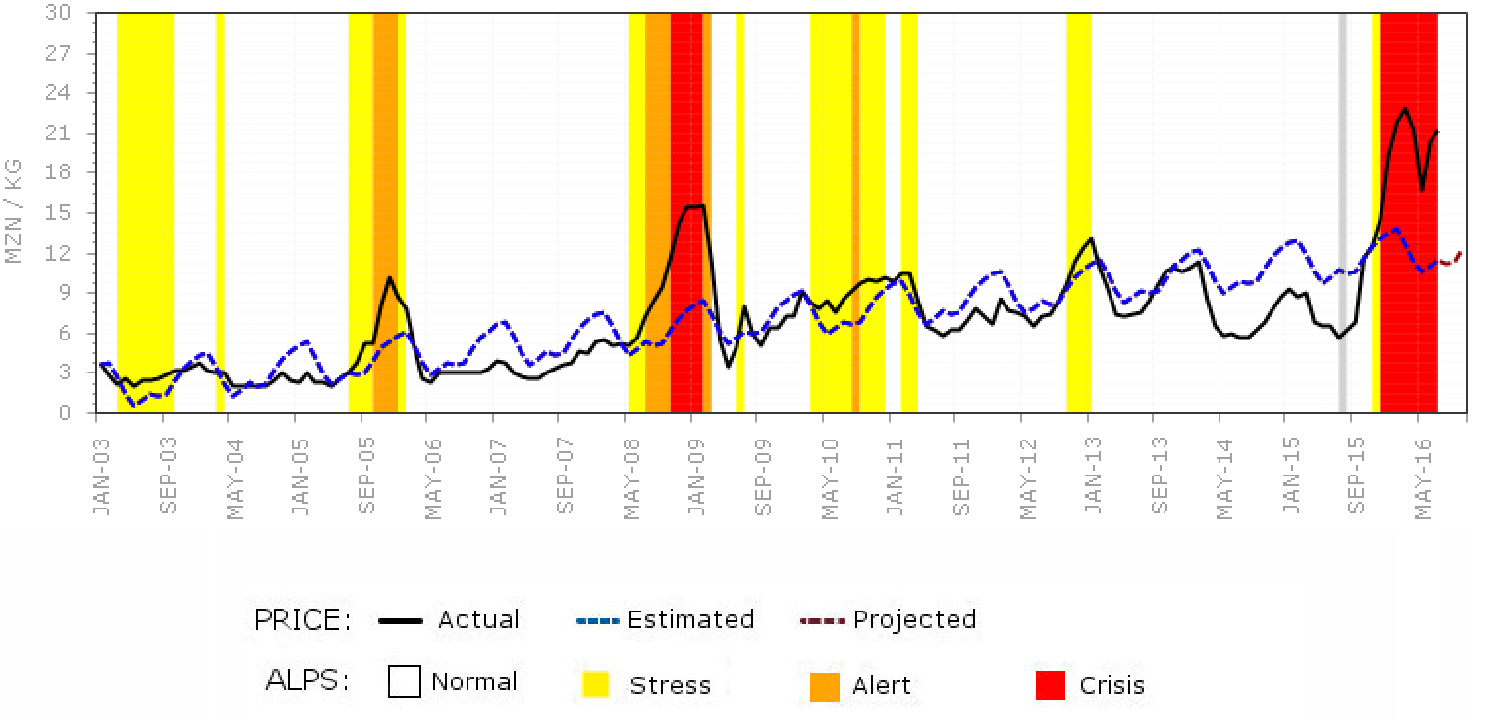
✓ **Focus on Mozambique:** July saw a continued increase in the retail price of white maize across Mozambique as prices rose by 2.7 per cent nationally compared to June 2016. Prices have also continued to increase in Gorongoza, a prime maize market in Mozambique. In this market, prices rose by more than the national average (4 per cent) indicating a possible start to the lean season, 2 – 3 months earlier than usual. In July, white maize grain retail prices in Gorongoza stood at 230 per cent above their five-year-average for the time of year, highlighting the crisis level of food markets in the country (**Fig. 3**).

[3] 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

[4] Data does not include ALPS market for Zambia therefore regional change is not comparable to previous monthly reports

Mozambique's high maize prices are due to low maize stocks across the country (especially in the central and southern maize producing provinces) as well as harvest deficits in neighbouring South Africa, Malawi and Zimbabwe. The high rate of devaluation of the Meticais, which has halved in value in the space of a year, is making food imports more expensive by the day. Hostilities between opposing political factions in the country continue to hamper the free movement of trade throughout the country, thereby pushing-up prices even further.

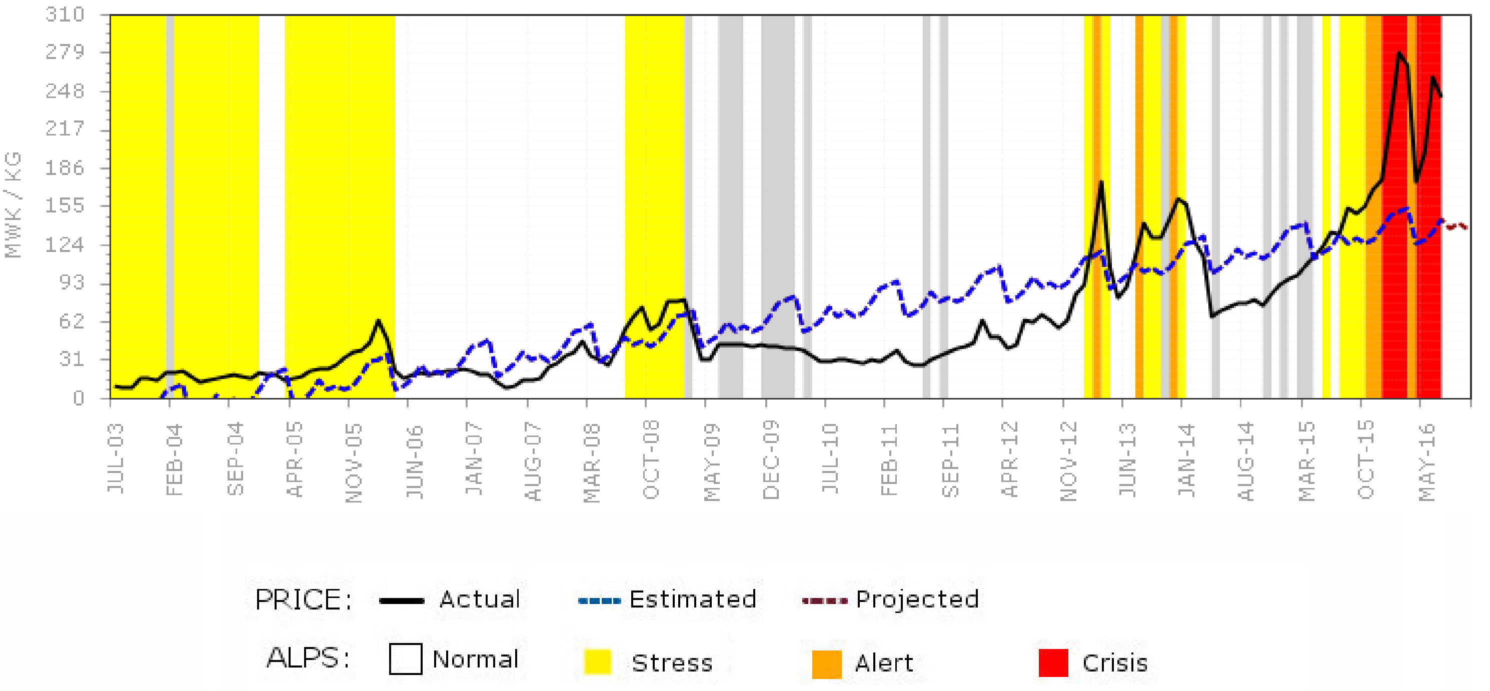
Figure 3: ALPS Maize Grain Market Price Trend in Gorongoza (Mozambique) compared to Month Average Price Levels



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

Focus on Malawi: Figure 4 illustrates the retail price trend of white maize over time for Lunzu market, a prime maize grain market in Malawi. The retail maize grain prices have dipped slightly (-6.2 per cent) in July 2016 compared to the previous month after a considerable increase in June (30.4 per cent since May 2016). Maize prices remain well above their five-year average for July at 151 per cent. Even though fluctuating, maize prices in Lunzu have generally started increasing again, ahead of September-October when maize prices usually start to increase, anticipating the lean season and indicating tight supply of maize in the region.

Figure 4: ALPS maize grain retail market price trend in Lunzu (Malawi) compared to average price levels for the time of year



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

- ✓ **Plans/Upcoming Assessments in 2016:** CFSAM to take place in Madagascar in August, Lesotho is planning an Urban Assessment in September and Lesotho, Malawi, Mozambique and Zimbabwe are planning Vulnerability Analysis Assessments in October – November 2016 .

- ✓ **Regional Exchange rate patterns compared to the US Dollar:** Currency changes vis-à-vis the US Dollar have been mixed across southern Africa between March and July 2016. Mozambique has experienced the largest depreciation of nearly 37 per cent against the US Dollar over this time span. The Congolese Franc, the Angolan Kwanza, the Malawian Kwacha and the Tanzanian Shilling have also depreciated. The Zambian Kwacha appreciated by over 10 per cent, and The South African Rand and The Malagasy Ariary increased in value by nearly 9 per cent between March and July (**Table 3**).

Table 3: Comparing SADC countries' currency variations to US $

First and last date	USD/ ZAR	USD/ ZMW	USD/ MZN	USD/ TZS	USD/ MWK	USD/ MGA	USD/ CDF	USD/ AOA
3/13/2016	15.2	11.3	49.9	2,182	702.8	3,202	914	158.2
7/31/2016	13.9	10.2	68.3	2,184	710.7	2,927	971	165.1
% price change	8.9%	10.1%	-36.9%	-0.1%	-1.1%	8.6%	-6.2%	-4.4%

Source: Olanda https://www.oanda.com/solutions-for-business/historical-rates/main.html