



Southern Africa

Monthly Food
Price Update

September 2016

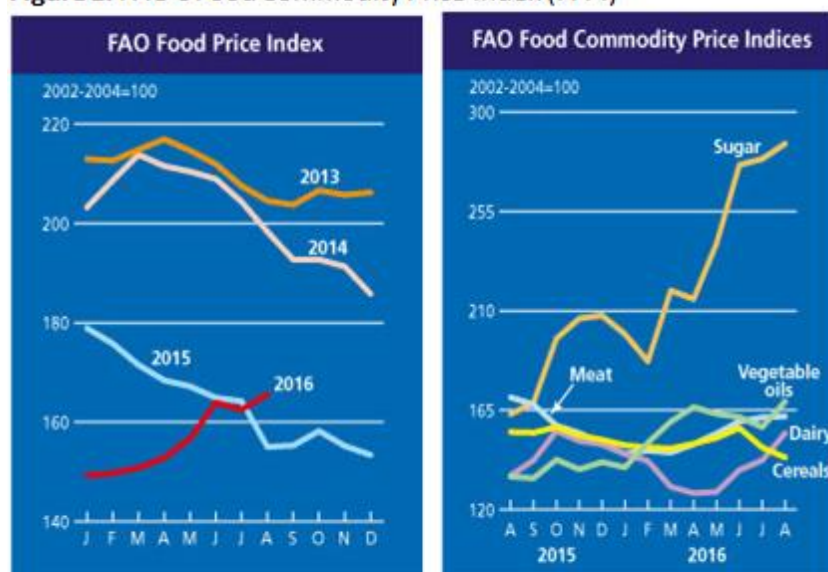
Highlights:

- The South African National Crop Committee's (CEC) final maize production estimate for the 2015-16 harvest stands at 7.5 million tons, up by 3% from their previous estimate, but down by 24% from the previous season. More specifically, yellow and white maize production estimates were revised up by 5% and 2% from the previous estimates to 4.28 million tons and 3.25 million tons, respectively (Agbiz, www.agbiz.co.za).
- South Africa's maize import for week ending 26 August 2016 came in at 140 328 tons, with 68% share being yellow maize from Argentina and Brazil and 32% share being white maize from Mexico. This placed South Africa's 2016/17 total white maize imports at 230 296 tons, which is 21% of the seasonal forecast. In addition, South Africa's 2016/17 yellow maize imports currently stand at 457 855 tons, 17% of the seasonal import forecast. Despite being a net importer this season, South Africa continues to export maize to regional markets across southern Africa (Agbiz, www.agbiz.co.za).
- Maize month-on-month (m-o-m) price trends in August 2016 saw general decreases across southern Africa with the exception of the following countries which recorded m-o-m increases in maize prices: Malawi (0.5 per cent), Mozambique (11 per cent), Swaziland (0.6 per cent) and Zambia (2.2 per cent). The following countries in the region saw decreases in the national average price of maize: Zimbabwe -11.5 per cent, South Africa -7.2 per cent, Tanzania -2.3 per cent and Lesotho -1.9 per cent. To note DRC and RoC saw m-o-m decreases in their national average price of cassava flour by -1.9 per cent and -9.1 per cent respectively. Nonetheless, the current prices remain between 17 per cent (in Tanzania) to 192 per cent (in Mozambique) above the five year average for August.
- WFP ALPS: 73 per cent (98 out of 135) of ALPS monitored markets in southern Africa were either in Stress, Alert or Crisis in August 2016; up from 66.7 per cent of markets in July 2016. In August the countries with the highest reported number of ALPS monitored markets in Alert and Crisis across southern Africa were Malawi (88 per cent) and Mozambique (87.5 per cent).

✓ **Current International Food Staple Price Trend**

FAO Food Price Index (FFPI) averaged 165.6 in August 2016, up 3.1 points (1.9 per cent) from July and nearly 7 per cent above August 2015 (Figure 1). The August FFPI value was the highest reported value since May 2015. Apart from cereal, all other commodities used in the FFPI calculation rose led by dairy, oils and sugar.

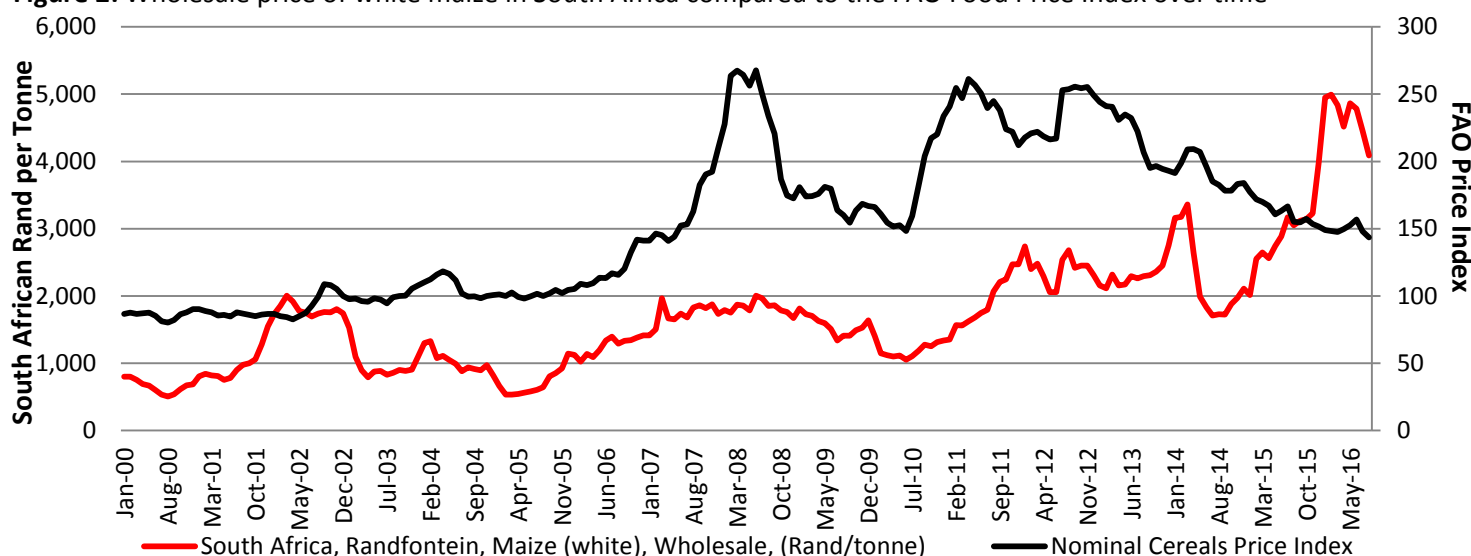
The FAO Cereal Price Index for July averaged 143.6 points, down 4.5 points (3 per cent) from July and 7.4 per cent below its July 2015 value. The main contributors to this fall were the good harvests of maize and the prospected good harvests of wheat in the northern hemisphere due to favourable weather conditions in key growing regions which and which have led to the fall the commodities' prices.

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

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

Wholesale white maize prices for August 2016 in southern Africa were at 4,088.2 Rand/MT, falling by 8.2 per cent compared to the price in July 2016 (**Figure 2**). Nevertheless, the price of maize remains well above five-year average levels. 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:** August's m-o-m maize retail prices saw general decreases across southern Africa with the exception of the following countries which instead saw m-o-m increases in maize prices: Malawi (0.5 per cent), Mozambique (11.1 percent), Swaziland (0.6 per cent) and Zambia (2.2 per cent). Countries in the region saw the following decreases in the national average price of maize Zimbabwe -11.5 per cent, South Africa -7.2 per cent, Tanzania -2.3 per cent and Lesotho -1.9 per cent. To note DRC and RoC saw m-o-m decreases in their national average price of cassava flour by -1.9 per cent and -9.1 per cent respectively (**Table 1**).

Across southern Africa the price of maize in August remained above five-year-average levels for the time of year: Mozambique 192.2 per cent, Malawi 138.6 per cent (four year average), South Africa 75 per cent, Zambia 56.6 per cent, Swaziland 53.3 per cent, Lesotho 43 per cent, Zimbabwe 25.2 per cent, and Tanzania 17 per cent (**Table 1**). National average cassava flour prices in DRC and RoC were 3.9 per cent and 12 per cent lower than the five and two year averages respectively.

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

Country	Nominal retail price in Aug 2016 (USD/KG)	% change retail price since July 2016	Current retail price compared to 5 year Aug average price (%)	
			Nominal	Real
Congo (RoC)** Cassava Flour	0.74	-9.1	-12	NA
Congo (DRC) Cassava Flour	0.51	-1.9	-3.9	NA
Lesotho (Maize Meal)	0.46	-1.9	43	NA
Madagascar*** (Local Rice)	0.48	NA	22.3	-1.6
Malawi***	0.31	0.5	138.6	42.3
Mozambique	0.34	11.1	192.2	NA
Swaziland (Maize Meal)	0.92	0.6	53.3	NA
Tanzania*	0.34	-2.3	17	15.2
Zambia	0.20	2.2	56.6	11.9
Zimbabwe	0.41	-11.5	25.2	NA
South Africa* (Durban)	0.30	-7.2	75	47.6

Source: WFP VAM Portal¹ and FAO Food Price Monitoring Analysis²

* 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:** The possibility of a weak to neutral La Niña in addition to South Africa's progress in importing maize and regionally exporting some of it to neighbouring countries has likely influenced speculators, placing downward pressure on maize prices across southern Africa. Nevertheless, some countries continued to experience increases in maize prices in August. These tended to be the countries most affected by the drought and with physical and economic constraints to import food such as Mozambique and Malawi. Zambia has likely been experiencing maize price increases due to heightened demand from neighbouring countries for its relatively cheaper maize. Nevertheless, maize prices remain above their five-year-average levels for the time of year and as the lean season takes hold, maize prices are expected to increase again across southern Africa. Zimbabwe has seen a fall in the national average price of maize grain, the causes of this fall could relate to households' liquidity challenges placing downward pressure on prices, maize imports and in-kind food assistance which may also be placing downward pressure on maize grain prices.

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 southern Africa; 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):** ALPS³ 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 August 2016, 19 ALPS markets across southern Africa, 4 in Malawi, 1 in Tanzania, 11 in Zambia and 2 in Zimbabwe were found to be in Alert (up from 14 in July representing an increase of 36 per cent), while 26 other markets across the region were in Stress, up from 16 in July, representing a 62.5 per cent increase since July (**Table 2**). Furthermore, 53 monitored markets across 4 countries in southern Africa were found to be in Crisis, down from 56 in July (-5 per cent since July). Out of the markets in Crisis, 37 were in Malawi (unchanged since July), 8 were in Zambia (down 20 per cent compared to July), 7 were in Mozambique (down 12.5 per cent compared to July) and 1 was in Tanzania (unchanged since July).

In general 73 per cent (98 out of 135) up by 6.3 per cent since July, of ALPS monitored markets in southern Africa were either in Stress, Alert or Crisis in August. 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 (87.5 per cent).

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

Price Mode	DRC*	Malawi	Mozambique	Tanzania	Zambia	Zimbabwe	Total markets for Southern Africa	% of total ALPS monitored markets in Southern Africa
Normal	4	0	0	14	18	0	36	26.70%
Stress	2	1	0	4	18	1	26	19.30%
Alert	0	4	1	1	11	2	19	14.10%
Crisis	0	37	7	1	8	0	53	39.30%
Total monitored markets per country	6	42	8	20	55	4	135	NA

Source: WFP

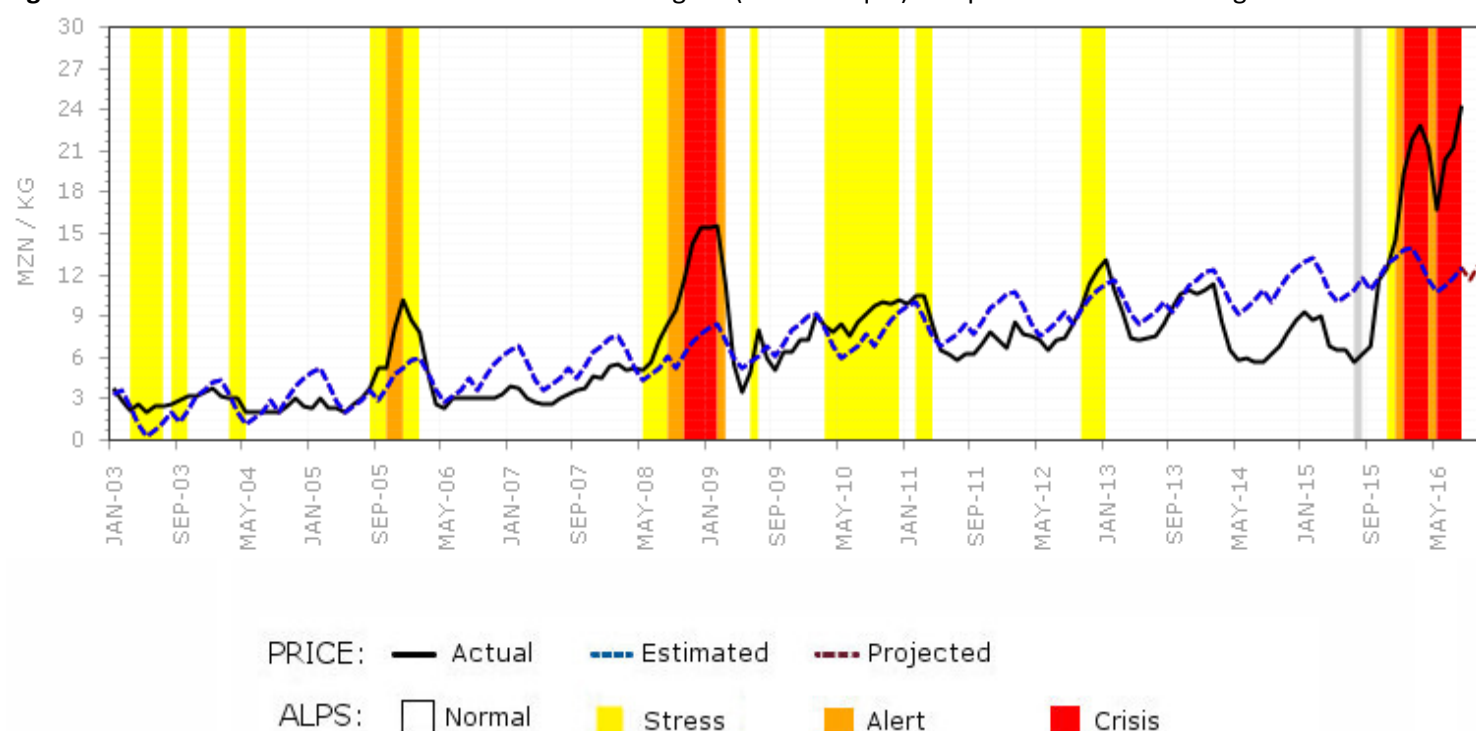
*Cassava flour

✓ **Focus on Mozambique:** August saw a continued increase in the retail price of white maize across Mozambique as prices rose by 11 per cent nationally compared to July 2016. Prices have also continued to increase in Gorongosa, a prime maize market in Mozambique. In this market, prices rose by more than the national average (14.2 per cent) giving increasing weight to the concern that the lean season already started 3 months earlier than usual. In August, white maize grain retail prices in Gorongosa stood at 250 per cent above their five-year-average for the time of year, highlighting the crisis level of food markets in the country (**Figure 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>

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 Meticals, which has more than halved in value so far in 2016, is making food imports more expensive by the day. Hostilities between opposing political factions in the country continue to hamper trade throughout the country, pushing-up prices even further.

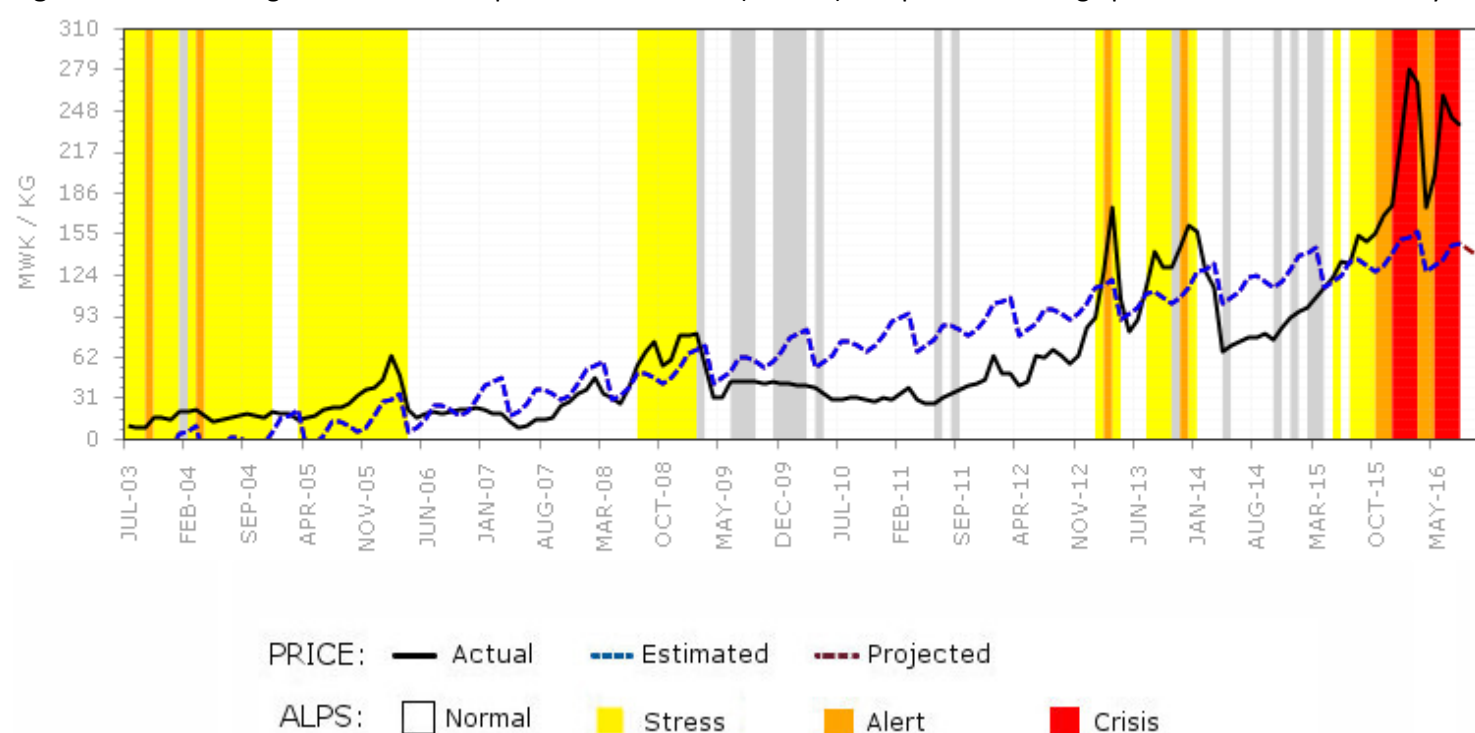
Figure 3: ALPS Maize Grain Market Price Trend in Gorongosa (Mozambique) compared to Month Average Price Levels



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

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 (-6.7 per cent) in August 2016 compared to the previous month. Maize prices remain well above their five-year average for August at 114 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:** Acute IPC training and analysis in Madagascar in September and October an IPC analysis in Mozambique in October. 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 December 2015 and August 2016. Mozambique has experienced the largest depreciation by over 53 per cent against the US Dollar during this time span. The Congolese Franc, the Angolan Kwanza, the Malawian Kwacha and the Tanzanian Shilling have also depreciated. Other currencies instead registered strengthened exchange rates over the same period. The South African Rand appreciated by over 8 per cent, the Zambian Kwacha appreciated by over 7 per cent, the Malagasy Ariary increased in value by nearly 6 per cent the Botswana Pula appreciated by nearly 5 per cent and the Central African Franc increased by nearly 3 per cent (**Table 3**).

M-o-m exchange rate changes show that Mozambique saw a depreciation of over 8 per cent between July and August, DRC’s Franc saw a depreciation of 3 per cent, Zambia’s Kwacha fell by nearly 2 per cent and the Malawi Kwacha fell by under 1 per cent. All other countries in the region saw their currencies strengthen between 31 July and 31 August 2016 (**Table 3**).

Table 3: Comparing SADC countries’ currency variations to US \$

First and last date	USD/ ZAR	USD/ ZMW	USD/ TZS	USD/ MZN	USD/ MWK	USD/ MGA	USD/ CDF	USD/ XAF	USD/ AOA	USD/ BWP
	South Africa	Zambia	Tanzania	Mozam bique	Malawi	Madag ascar	DRC	RoC	Angola	Botswana
31/12/2015	15.0	10.8	2109.6	46.2	616.3	3162	911.9	602.1	134.6	10.9
31/07/2016	14.4	9.8	2149.1	65.6	709.0	3045	944.4	592.7	165.1	10.6
31/8/2016	13.7	10.0	2144.6	70.8	714.1	2982	972.8	585.5	165.1	10.3
% change in exchange rate July 2016 to August 2016	4.4%	-1.8%	0.2%	-8.1%	-0.7%	2.0%	-3.0%	1.2%	0.0%	3.0%
% change in exchange rate Dec 2015 to August 2016	8.4%	7.4%	-1.7%	-53.4%	-15.9%	5.7%	-6.7%	2.8%	-22.6%	4.8%

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