



Southern Africa

Monthly Food Price Update

October 2016

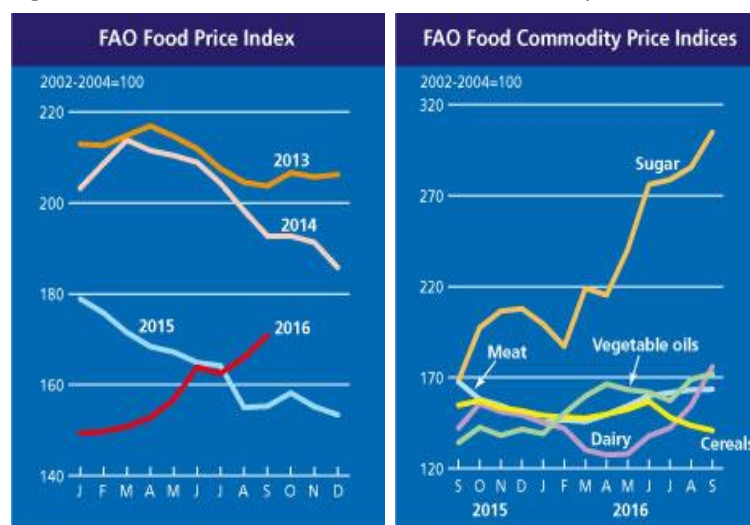
Highlights:

- The International Grains Council (IGC) maintained South Africa's 2016/17 maize production estimate of 12.9 million tons, which is 72% higher than the 2015/16 crop (Agbiz, www.agbiz.co.za).
- South Africa's total maize imports for the week ending 23 September 2016 came in at 75,799 tons, with 79% share being yellow maize from Argentina and Brazil and 21% being white maize from Mexico. This placed South Africa's 2016/17 yellow maize imports at 702,538 tons, which is 26% of the seasonal import forecast of 2.7 million tons. Meanwhile, South Africa's 2016/17 white maize imports currently stand at 316,426 tons, which is 30% of the seasonal import forecast of 1.1 million tons (Agbiz, www.agbiz.co.za).
- September's month-on-month (m-o-m) maize retail prices saw mixed price trends. Slight decreases were observed in South Africa (-5.2 per cent), Lesotho (-2.5 per cent), Malawi (-2.5 per cent) and Swaziland (-0.6 per cent). On the other hand m-o-m increases were seen in Zambia (7.3 per cent), Mozambique (5.6 per cent), Zimbabwe (1.8 per cent) and Tanzania (1.6 per cent). Cassava flour prices in DRC continued to decrease (-5.3 per cent) and instead increased in RoC (15.8 per cent) between August and September. Nonetheless, average national maize prices remain above the five year average for September (between 16 per cent in Tanzania to 180 per cent above five year average in Mozambique), highlighting shortage of maize on markets across southern Africa.
- WFP ALPS: 77 per cent (104 out of 135) of ALPS monitored markets in southern Africa were either in Stress, Alert or Crisis in September 2016; up from 73 per cent of markets in August 2016. The countries with the highest reported number of ALPS monitored markets in Alert and Crisis across southern Africa in September were Malawi (88 per cent) and Mozambique (100 per cent).

✓ **Current International Food Staple Price Trend**

FAO Food Price Index (FPPI) averaged 170.9 in September 2016, up 5 points (2.9 per cent) from July and 10 per cent above September 2015 (**Figure 1**). The September FPPI value was the highest reported value since March 2015. Apart from cereals, all other commodities used in the FPPI calculation rose led by a surge in the price of sugar and increases in the dairy, meat and oils prices.

The FAO Cereal Price Index for July averaged 140.9 points, down 2.7 points (1.9 per cent) from August and 8.9 per cent below its 2015 value. The main contributors to this 3-month falling trend have been the ample global supplies of cereals on markets and especially for export. The record wheat production this year together with an expected increase in global rice production and above average performance of coarse grains (especially maize) are influencing cereal export quotations.

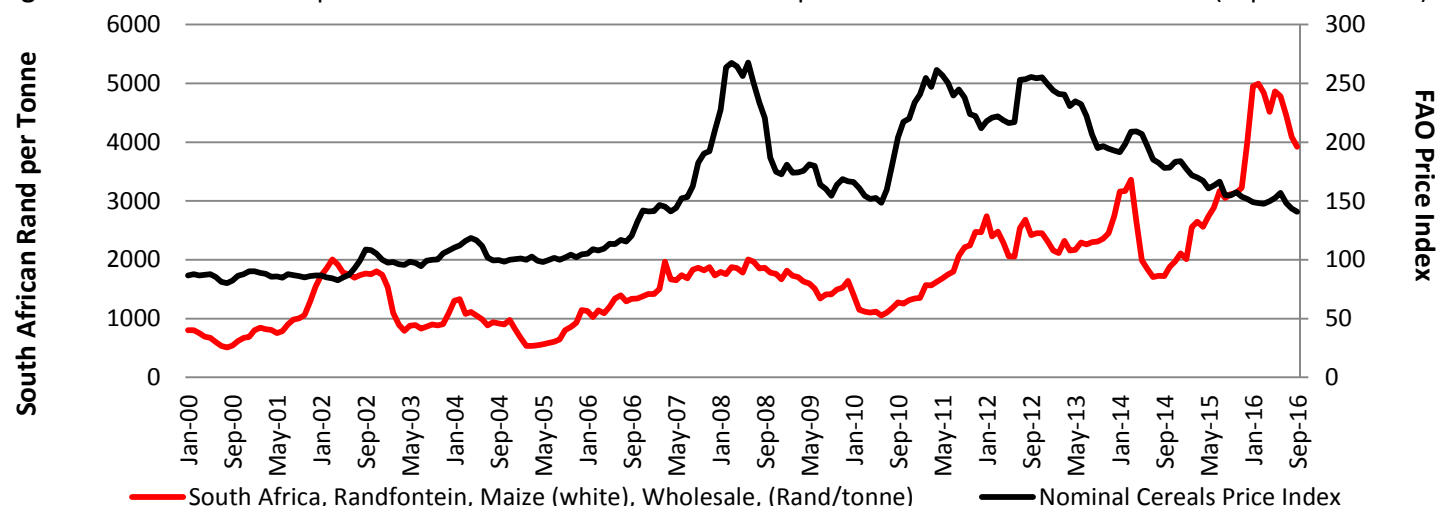
Fig 1: FAO Food Price Index and Food Commodity Price Index

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

Wholesale white maize prices for August 2016 in South Africa were at 3922.72 Rand/MT, falling by 4 per cent compared to August 2016 and 19 per cent since May 2016 (**Figure 2**). Nevertheless, the price of maize remains well above five-year

average levels. South 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) and the high demand for maize. 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 trend price of white maize in South Africa compared to the FAO Food Price Index (September 2016)



Source: WFP

- ✓ **Current Regional Food Staple Price Trend:** September's m-o-m maize retail prices saw mixed maize price trends. The following countries saw national average maize price decreases: South Africa (-5.2 per cent), Lesotho (-2.5 per cent), Malawi (-2.5 per cent) and Swaziland (-0.6 per cent). While Zambia (7.3 per cent), Mozambique (5.6 per cent), Zimbabwe (1.8 per cent) and Tanzania (1.6 per cent) saw national average food price increases. DRC saw a continued m-o-m decrease in its national average price of cassava flour by -5.3 per cent having fallen -1.9 per cent the previous month while RoC saw an increase of 15.8 per cent between August and September prices (**Table 1**).

Across southern Africa the price of maize in September continued to remain above five-year-average levels for the time of year: Mozambique 180 per cent, Malawi 168.4 per cent (four year average), South Africa 66.5 per cent, Zambia 63 per cent, Swaziland 57.6 per cent, Lesotho 38.5 per cent, Zimbabwe 22.8 per cent, and Tanzania 16 per cent (**Table 1**). National average cassava flour prices in DRC and RoC were 8.9 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 – September 2016

Country	Nominal retail price in Sept 2016 (USD/KG)	% change retail price since Aug 2016	Current retail price compared to 5 year Sept average price (%)	
			Nominal	Real
Congo (RoC)*** Cassava Flour	0.86	15.8	-12	NA
Congo (DRC) Cassava Flour	0.49	-5.3	-8.9	NA
Lesotho (Maize Meal)	0.47	-2.5	38.5	NA
Madagascar*** (Local Rice)	NA	NA	NA	NA
Malawi***	0.30	-2.5	168.4	61
Mozambique	0.34	5.6	180	NA
Swaziland (Maize Meal)***	0.96	-0.6	57.6	NA
Tanzania*	0.34	1.6	16	13.8
Zambia	0.22	7.3	63	17.9
Zimbabwe	0.42	1.8	22.8	NA
South Africa* (Durban)	0.28	-5.2	66.5	41.2

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:** South Africa, the region's largest maize producer, has seen a continuous drop in maize prices since February 2016, falling by 21 per cent over this period. With anticipated favourable rains for the 2016-17 planting season as well as continued maize imports from overseas markets, this downward trend is expected to continue. Other maize deficit countries across southern Africa however are experiencing a very different maize price trend. Only Swaziland and Lesotho which depend on South Africa's imports are seeing maize prices fall even though not by as much as in South Africa. Instead other countries, notably Mozambique and Malawi, are experiencing continued high food prices. Malawi's national maize price seems to have stabilized and has actually seen a slight decrease in September compared to August prices. Mozambique's maize prices though are well above the five year average (180 per cent) rising by 5.6 per cent between August and September 2016 alone. Due to the arrival of the lean season these countries are unlikely to see much easing in the price of maize.

Maize surplus countries (Tanzania and Zambia) were initially spared the brunt of the 2015-16 maize price hikes seen across most countries in southern Africa. However, recently maize prices have also been increasing in these two countries as their markets respond to the increased demand for maize from the region's deficit countries. Zambia is experiencing the most accentuated national average maize price increase (increasing by 17 per cent between June and September) out of the two (Tanzania saw a maize price increase of 6 per cent between June and September 2016). It is very likely that maize prices will continue to rise in both Tanzania and Zambia as demand for maize will increase from southern Africa's maize deficit countries as the lean season takes further hold.

- ✓ **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 September 2016, 23 ALPS markets across southern Africa were found to be in Alert. This is up by 21 per cent since August and up 86 per cent since July 2016. Out of the 23 markets in Alert, 4 were in Malawi, 1 was in Tanzania and 18 were in Zambia (up 63 per cent compared to August 2016). The number of markets in stress remained unchanged since August at 26. Furthermore, 55 monitored markets across 4 countries in southern Africa were found to be in Crisis, up from 53 in August (3.8 per cent). Out of the markets in Crisis, 37 were in Malawi (unchanged since July), 10 were in Zambia (up 20 per cent compared to August), 7 were in Mozambique (unchanged since August) and 1 was in Tanzania (unchanged since July). The number of markets reporting normal price levels of maize fell from 36 in August to 31 in September (13.9 per cent fall).
- ✓ In general 77 per cent (104 out of 135) of ALPS monitored markets in southern Africa were either in Stress, Alert or Crisis in September (**Table 2**). Compared to July 2016 this is an increase of 11.7 per cent (4 per cent increase since August), providing a strong indication that southern Africa has entered its 2016-2017 lean season. Food price levels on local markets in the region will therefore 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).

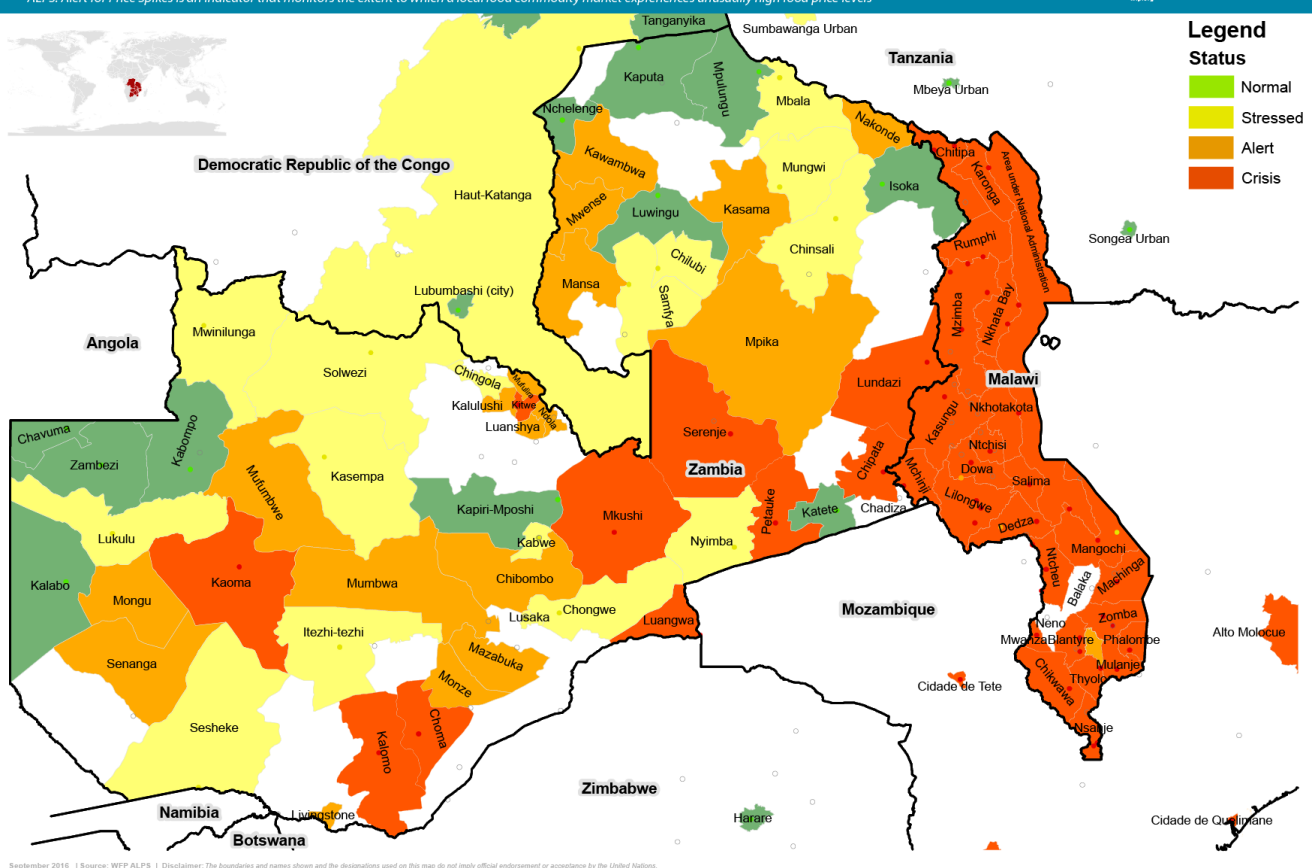
Table 2: Status of Monitored Food Markets in Southern Africa in September 2016 – ALPS

Price Mode	DRC*	Malawi	Mozambique	Tanzania	Zambia	Zimbabwe	Total markets for Southern Africa	% of total ALPS monitored markets in Southern Africa
Normal	3	0	0	15	11	2	31	23.0%
Stress	3	1	0	3	17	2	26	19.3%
Alert	0	4	0	1	18	0	23	17.0%
Crisis	0	37	7	1	10	0	55	40.7%
Total monitored markets per country	6	42	7	20	56	4	135	NA

Source: WFP

*Cassava flour

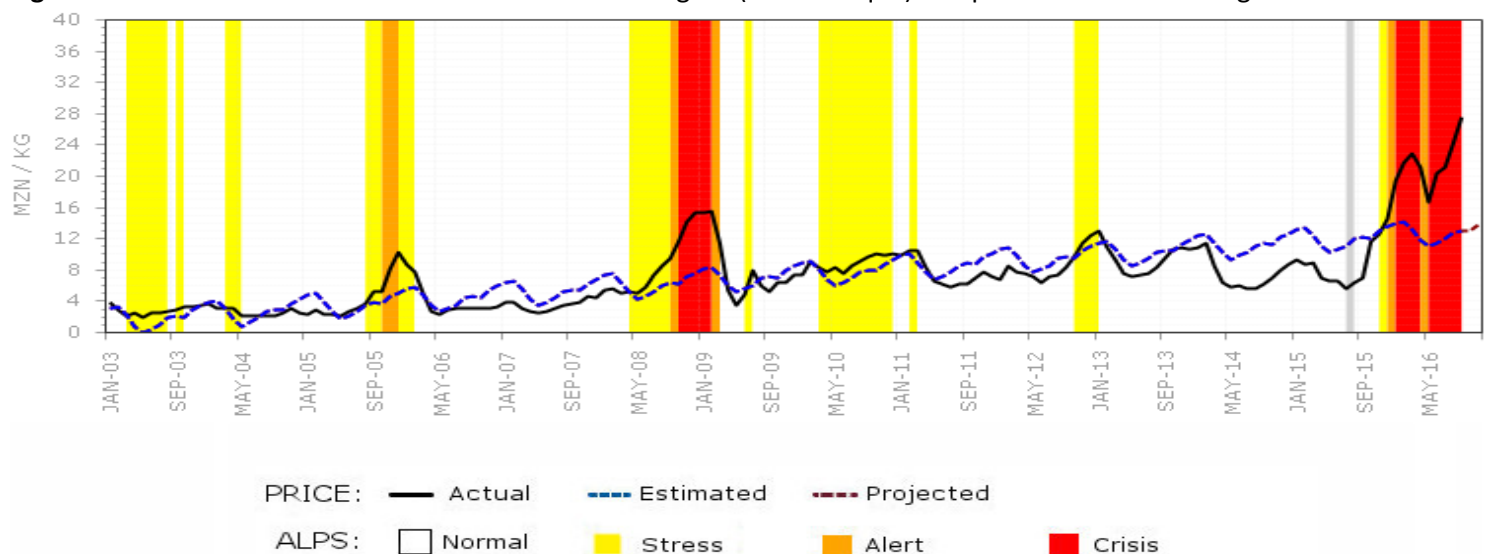
³ ALPS classifies food price levels through four categories: Normal, Stress, Alert and Crisis. Under Normal the price is less than 0.25 standard deviations away from the mean for the time of year; under Stress the price is between 0.25 and 1 standard deviation from the mean for the time of year; under 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>



The above map visualizes the data from **Table 2**. The map highlights that most districts in Malawi are in ALPS Crisis status with regard to maize retail prices. The map also highlights districts in Mozambique as well as significant number of districts in Zambia to be in ALPS Crisis or Alert status. The districts in white are not covered by ALPS analysis.

- ✓ **Focus on Mozambique:** September saw a continued increase in the retail price level of white maize across Mozambique as prices rose by national average of 5.6 per cent compared to August 2016. Prices have also continued to increase in Gorongosa, a prime maize market in Mozambique. In this market, prices rose by 13.7 per cent, nearly three times more than the national average. In September, white maize grain retail prices in Gorongosa stood at 268.4 per cent above its five-year-average price for the time of year, highlighting the crisis level of this prime maize market and outlining a desperate food access situation for the country (**Figure 3**). A high and increasing inflation rate (25 per cent in September 2016) and a free-falling national currency (The Metical has depreciated in value by 45 per cent in one year, Oct 2015 – Oct 2016) is making food imports more expensive.

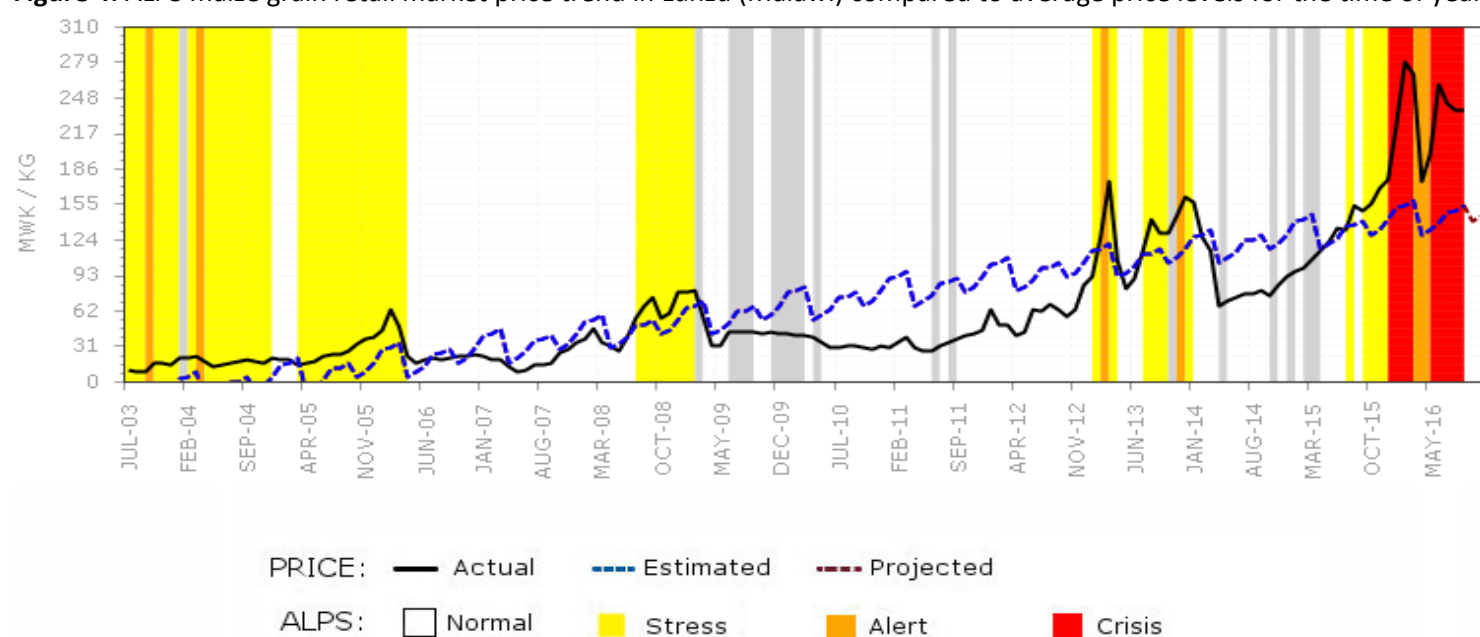
Figure 3: ALPS Maize Grain Market Price Trend in Gorongosa (Mozambique) compared to Month Average Price Levels



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 increased slightly (0.4 per cent) in September compared to August 2016. However, even though dipping slightly over the past two months, maize prices still remain well above their five-year average for the time of year (125 per cent above September average). Even though fluctuating, maize prices in Lunzu have generally started increasing again. With the lean season taking hold prices are expected to increase in coming months.

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

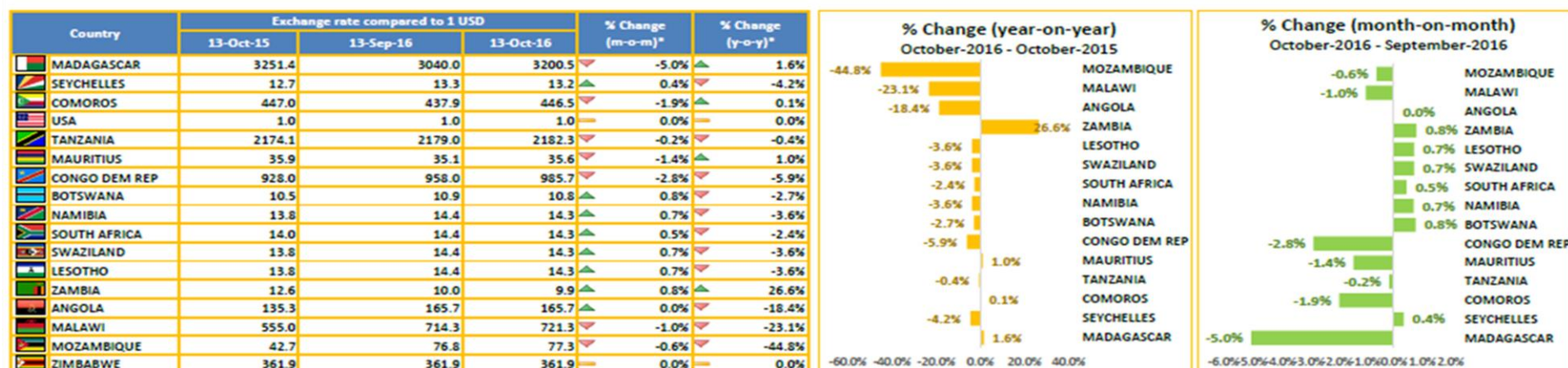


Source: WFP ALPS <http://foodprices.vam.wfp.org/alps.aspx>

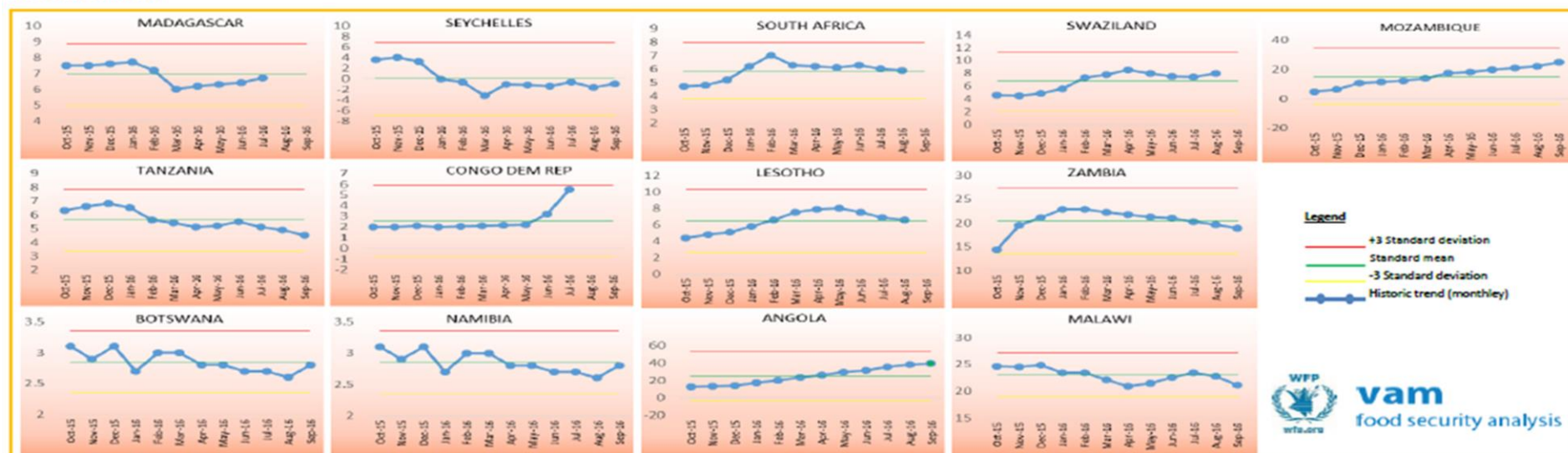
- ✓ **Plans/Upcoming Assessments in 2016:** Acute IPC training and analysis in Mozambique in October and Chronic IPC training and analysis in Swaziland in November. Lesotho is planning a CHS Assessment in October. Malawi, Madagascar, Zimbabwe and Swaziland are planning market assessments in October and November.
 - ✓ **Regional Exchange rate patterns compared to the US Dollar:** Year-on-year foreign exchange rates vis-à-vis the US Dollar have been largely falling across southern Africa. Only Zambia, Madagascar, Mauritius and Comoros saw their national currency appreciate compared to the US Dollar between October 2015 and October 2016 (from 0.1 per cent in Comoros to 26.6 per cent in Zambia). All other countries in the region saw their currency devalue against the US Dollar (from -0.4 per cent in Tanzania to -44.8 per cent in Mozambique) between October 2015 and October 2016 (**Table 3**).
- M-o-m exchange rate changes instead showed different trends with seven countries seeing their currencies appreciate (albeit all between 0.4 and 0.8 per cent) compared to the US Dollar. A further seven countries in the region experienced an m-o-m currency depreciation (from -0.2 per cent in Tanzania to -5 per cent in Madagascar (**Table 3**).
- ✓ **Inflation rates:** Countries across southern Africa registered the following inflation rates in September 2016: Angola (39.4 per cent), Mozambique (24.9 per cent), Malawi 21.2 (per cent), Zambia (18.9 per cent), Namibia 6.9 per cent), Tanzania (4.5 per cent), and Botswana (2.8 per cent). Inflation rates become more striking when trends are reviewed (**Table 3**). In southern Africa four countries (South Africa, Swaziland, Lesotho and Mauritius) saw inflation fall by 100 per cent compared to August 2015 while Malawi and Botswana also saw a fall in their inflation rate between September 2015 and September 2016 (by 14 and 10 per cent respectively). Other countries saw inflation rates increase between September 2015 and September 2016: Mozambique (425 per cent), Angola (218 per cent), Namibia (105 per cent), and Zambia (32 per cent).

Table 3: Forex and Inflation Rate Monitoring-October 2016

Table 3: For-Ex & Inflation Rate Monitoring - October 2016



Inflation Rate



Data source: <http://www.xe.com> (last accessed on 13th October 2016)

*m-o-m is comparison between the current month and the last month; y-o-y is comparison between the current month and the same month of last year.