



## Southern Africa

## Monthly Food Price Update

December 2016

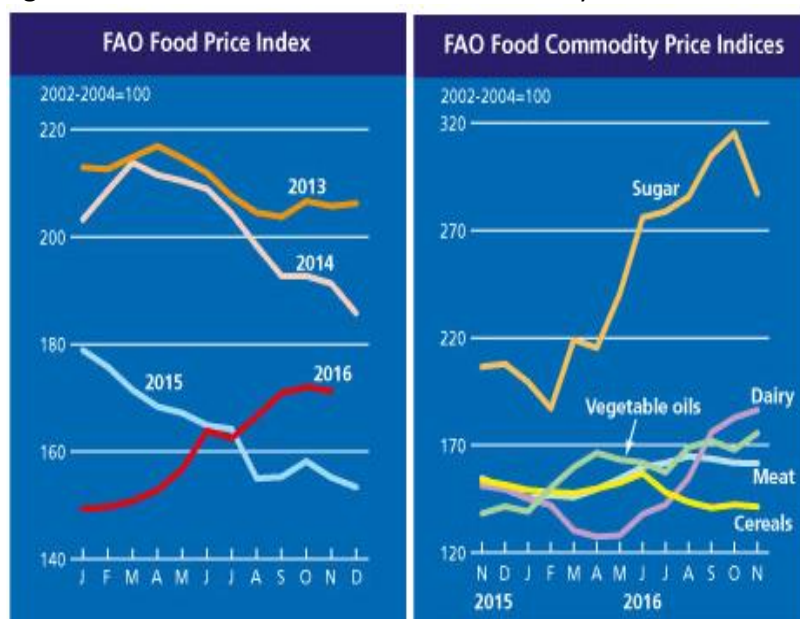
**Highlights:**

- 'Market estimates for South Africa's 2016/17 total maize production vary between 11.7 million tons and 13.0 million tons, which is well above the previous season's output of 7.5 million tons. If this materializes, South Africa would return to be a net exporter of maize as domestic annual consumption is just 10.5 million tons' – Agbiz, [www.agbiz.co.za](http://www.agbiz.co.za).
- South Africa's total maize imports currently stands at 1.63 million tonnes, which is 60% of the seasonal import forecast. The remaining balance is set to be imported early next year. About 80% of South Africa's grain is normally transported by road. Therefore, the expected fuel price increase will add pressure on the food value chain – Agbiz, [www.agbiz.co.za](http://www.agbiz.co.za).
- November's month-on-month (m-o-m) maize retail prices saw mixed price trends. Increases were experienced in Tanzania (12 per cent), Malawi (8.2 per cent), South Africa (6.9 per cent), Zambia (6.6 per cent), Zimbabwe (4.6 per cent), Mozambique (1 per cent) South Africa (1 per cent) and Swaziland (0.1 per cent). Only Lesotho saw a decrease in the national average maize retail price (-4.4). RoC recorded an increase in its national average price of cassava flour by 36.7 per cent between its national average prices in November vis-à-vis October. Average national maize prices remain above their five-year-average levels for November (between 11.9 per cent in Zimbabwe to 157.4 per cent in Mozambique), highlighting continued shortage of maize on markets across southern Africa.
- WFP Alert on Price Spikes (ALPS): 88 per cent (114 out of 130) of ALPS monitored markets in southern Africa were either in Stress, Alert or Crisis in October 2016; up from 78 markets (10 per cent) in October 2016. The countries with the highest reported number of ALPS monitored markets in Alert and Crisis across southern Africa In October were Malawi (95 per cent) and Mozambique (100 per cent).

✓ **Current International Food Staple Price Trend**

FAO Food Price Index (FPI) averaged 171.3 in November 2016, 1.3 points down (0.4 per cent) from October and 10.4 per cent above November 2015 (Figure 1). The slight dip in November's FPI value was mainly led by the sharp fall in sugar prices which more than offset increases in other food commodities.

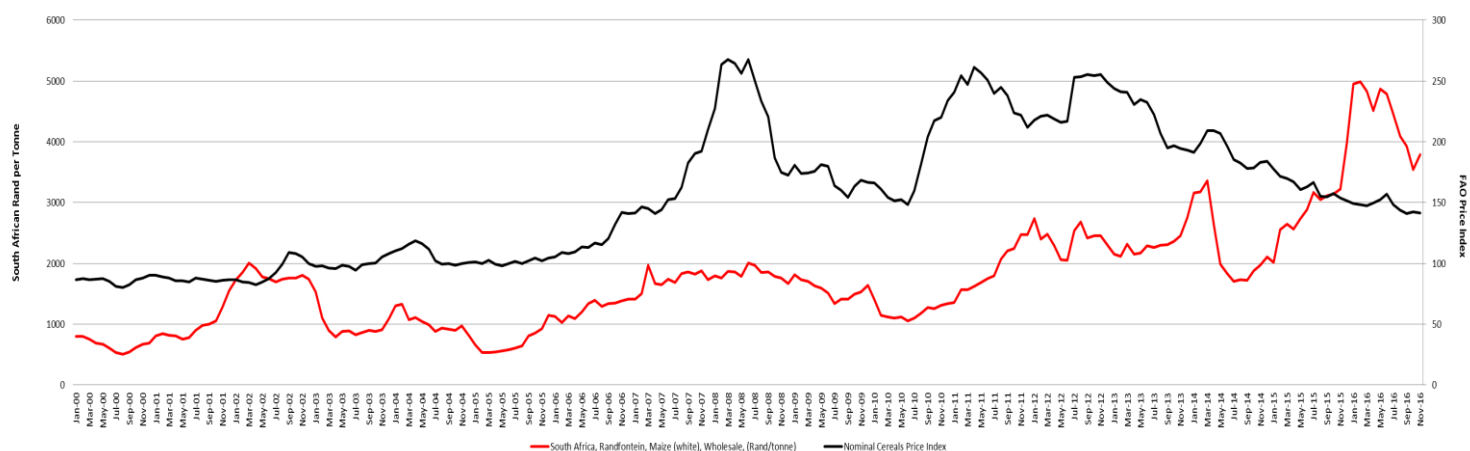
The FAO Cereal Price Index for November averaged 141.4 down 0.9 points (0.6 per cent) from October and 7.9 per cent below its November 2015 value. The strengthening of the US Dollar, the ample cereal supplies on the world market impacted on this trend. Of special note are the good wheat harvest prospects in Argentina and Australia. International rice prices remained on multi-year low levels due to ample supply and sluggish demand.

**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 November 2016 in South Africa were at 3,789.83 Rand/MT, increasing by 6.4 per cent compared to October 2016 (**Figure 2**). The increase in the price of maize is likely influenced by the onset of the lean season and that it is harder to find maize on the market. The price of maize remains 50.7 per cent above five-year average levels for the time of year. South Africa's high maize prices have been primarily driven by the region's deficit in cereals harvests for 2015-16 season (5.1 million tonnes for maize and 9.3 million tonnes for cereals in total) and the high demand for maize in the region. Currency devaluations across the region are making imports more expensive and high transportation costs, especially for land-locked countries, are affecting maize prices. The anticipated increase in oil prices will fuel these increases further.

**Figure 2:** Wholesale trend price of white maize in South Africa compared to the FAO Food Price Index (October 2016)



Source: WFP

- ✓ **Current Regional Food Staple Price Trend:** November saw mostly m-o-m main staple retail price trend increases, with only Lesotho registering an m-o-m decrease (4.4%), see **Table 1**. The following countries saw national average staple price increases: RoC (36.7 per cent), Tanzania (12 per cent), Malawi (8.2 per cent), South Africa (6.9 per cent), Zambia (6.6 per cent), Zimbabwe (4.6 per cent), Mozambique (1 per cent) South Africa (1 per cent) and Swaziland (0.1 per cent).

Across southern Africa the price of maize continued to remain above five-year-average levels for the time of year: Mozambique 157.4 per cent, Malawi 114.5 per cent (three year average), Swaziland 58 per cent, Zambia 54.1 per cent (four year average), South Africa 50.7 per cent, Tanzania 37.7 per cent, Lesotho 30.7 per cent, and Zimbabwe 11.9 per cent (**Table 1**). The national average cassava flour price in RoC was 12.2 per cent higher than the three year average for the time of year.

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

Country	Nominal retail price in Nov. 2016 (USD/KG)	% change retail price since Oct. 2016	Current retail price compared to 5 year Nov. average price (%)	
			Nominal	Real
Congo (RoC)** Cassava Flour	1.05	36.7	12.2	NA
Congo (DRC) Cassava Flour	NA	NA	NA	NA
Lesotho (Maize Meal)	0.44	-4.4	30.7	NA
Madagascar*** (Local Rice)	NA	NA	NA	NA
Malawi**	0.33	8.2	114.5	50.7
Mozambique	0.38	1	157.4	NA
Swaziland (Maize Meal)	0.96	0.1	58	NA
Tanzania*	0.36	12	37.7	19.3
Zambia***	0.24	6.6	54.1	NA
Zimbabwe	0.41	4.6	11.9	NA
South Africa* (Durban)	0.27	6.9	50.7	27.4

Source: WFP VAM Portal<sup>1</sup> and FAO Food Price Monitoring Analysis<sup>2</sup>

\* Wholesale

\*\* 3 year average

\*\*\* 4 year average

<sup>1</sup> 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.

<sup>2</sup> 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 has been experiencing abundant rains for the time of year. This has already made some analysts predict the 2016-17 harvest will be a very good one for most crops. South Africa, for one, is expected to return to a surplus of maize and cereals after two years of overall deficits. This trend and optimism is expected to spread to other countries in the region once assessments of planted hectares and expected yields are conducted.

As a result retail and wholesale maize price differences compared to their five year averages have already started falling; indicating general optimism in expected harvests. Nevertheless, m-o-m prices are still increasing. This is believed to be due to the lean season which will continue to intensify until February-March 2017. OPEC petrol prices have also risen in 2016 (66.3 per cent between 30/12/2015 and 30/12/2016). This has undoubtedly added increased transportation costs on to transported items, hereby increasing the sale price.

- ✓ **Alert on Price Spikes (ALPS):** ALPS<sup>3</sup> 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 November 2016, 27 ALPS markets across southern Africa were found to be in Alert. This is an increase of 59 per cent since October 2016. Out of the 27 markets in Alert, 20 were in Zambia, 5 were in Tanzania and 2 were in Malawi. The number of markets in Stress remained unchanged since August at 26. Furthermore, 61 monitored markets across 4 countries in southern Africa were found to be in Crisis, up from 58 in October (5 per cent) and 53 in August (15 per cent). Out of the markets in Crisis, 35 were in Malawi (down 10 per cent since October), 17 were in Zambia (up 42 per cent since October), and 7 were in Mozambique (unchanged since August). The number of markets reporting normal price levels of maize fell from 29 in October to 16 in November (-45 per cent).
- ✓ In general 88 per cent (114 out of 130) of ALPS monitored markets in southern Africa were either in Stress, Alert or Crisis in October (**Table 2**), up by 10 per cent compared to October, confirming continued low availability of maize in the region. Maize prices in the region will remain above their average price trend for the time of year at least until the next harvest (April-June 2017). The two countries in the region with the most monitored maize markets in Crisis were Malawi (95 per cent) and Mozambique (100 per cent).

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

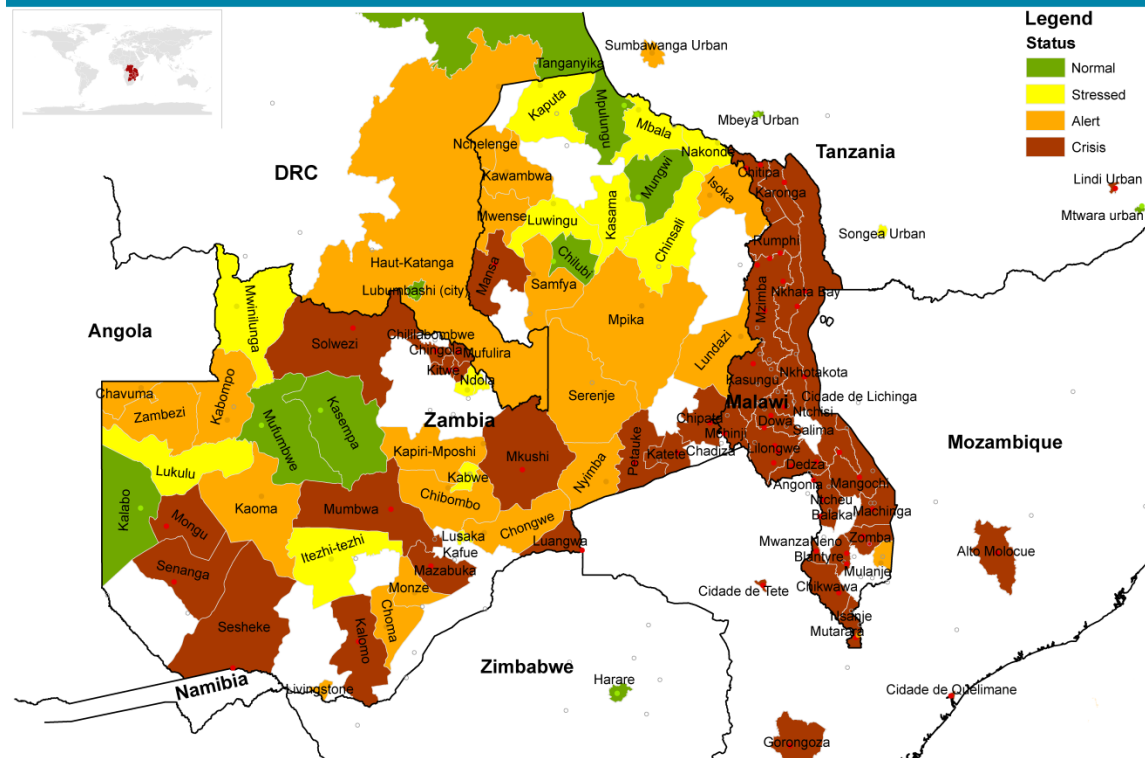
Price Mode	DRC*	Malawi	Mozambique	Tanzania	Zambia	Zimbabwe	Total markets for Southern Africa	% of total ALPS monitored markets in Southern Africa
Normal	5	0	0	2	6	3	16	12.3%
Stress	1	0	0	11	13	1	26	20%
Alert	0	2	0	5	20	0	27	20.8%
Crisis	0	35	7	2	17	0	61	46.9%
Total monitored markets per country	6	37	7	20	56	4	130	NA

Source: WFP

\*Cassava flour

<sup>3</sup> 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>

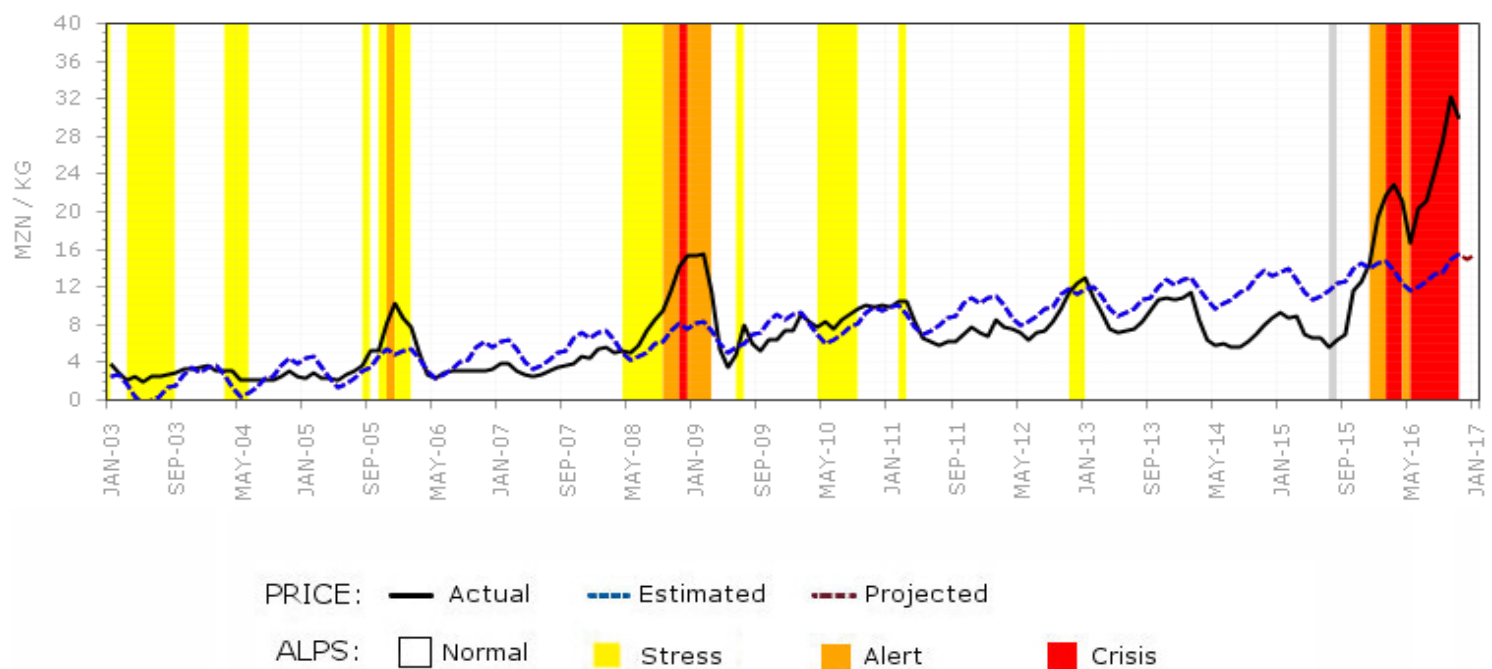




The above map visualizes the data from **Table 2**. The map highlights that most districts in Malawi are in ALPS Crisis status with regard to maize retail prices. The map also highlights districts in Mozambique as well as significant number of districts in Zambia to be in ALPS Crisis or Alert status.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

- ✓ **Focus on Mozambique:** November saw a slight increase in the national average retail price of white maize (1 per cent) compared to October 2016. Prices instead fell for the first time since April 2016 in Gorongosa, a prime maize market in Mozambique. In this market, prices fell by 7.1 per cent, which counters the general trend during this time of year. Even though maize retail prices did fall they remain at ALPS Crisis and at alarmingly high levels (195 per cent above 5 year average levels, **figure 3**). To note Mozambique generally experiences high fluctuations in the price of maize throughout the year. On average prices in Mozambique fluctuate by 60 per cent between June and February. It is therefore very likely that prices will continue to rise over the next months, sustaining prices above five year average levels. Moreover, a high and increasing inflation rate (26.83 per cent in November 2016) and a free-falling national currency (The Metical has depreciated in value by 33.8 per cent in one year, Dec 2015 – Dec 2016) is making food imports more expensive.

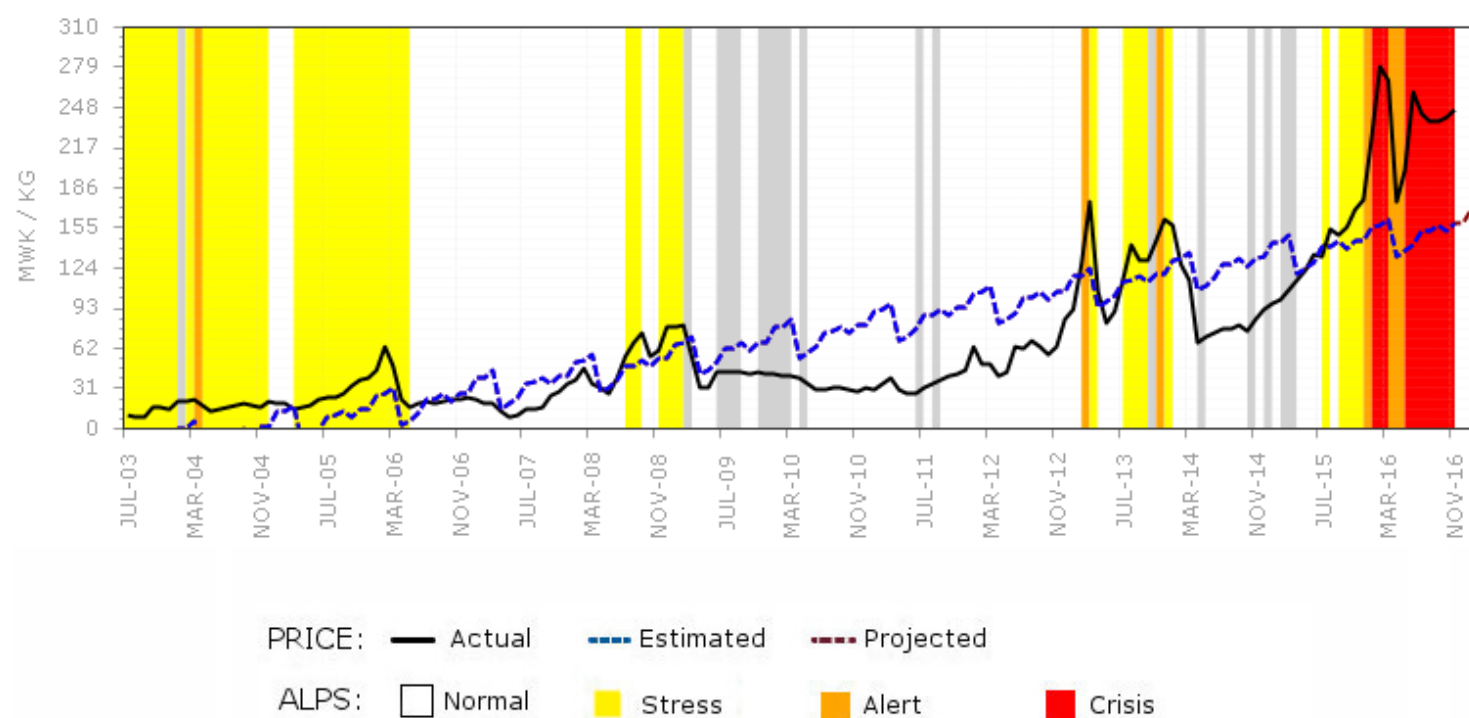
**Figure 3:** ALPS Maize Grain Market Price Trend in Gorongosa (Mozambique) compared to Month Average Price Levels



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 national average retail maize grain price in Malawi increased by 8 per cent in November 2016 compared to October 2016 however in comparison the retail price of maize grain increased by a lower margin in Lunzu market (2.6 per cent) over the same time period. Lunzu market's maize grain price remains well above its two-year average for the time of year (111 per cent above its November average). The market is currently in ALPS Crisis mode (Figure 4). With the lean season taking hold, prices are expected to remain above their average levels for the time of year.

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

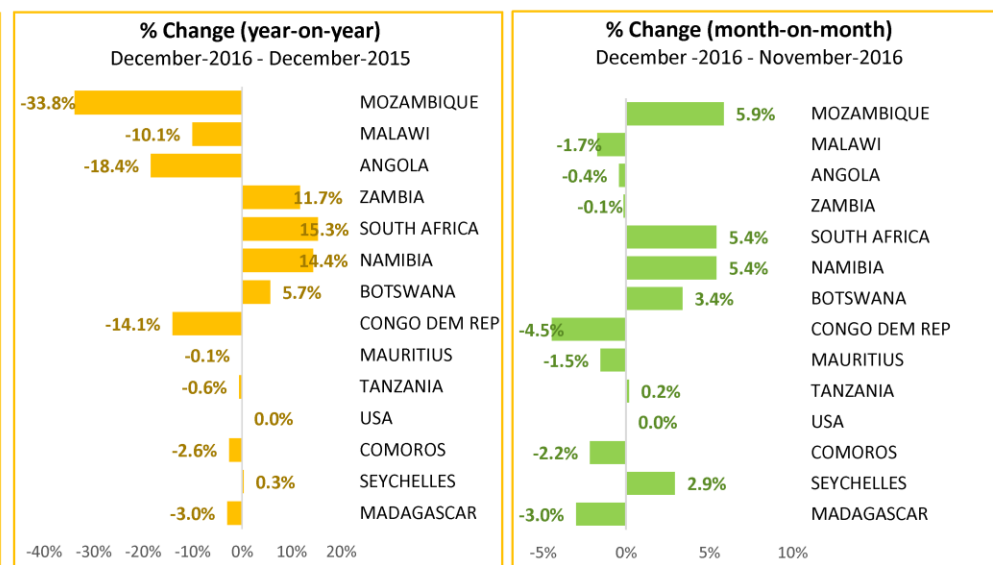


Source: WFP ALPS <http://foodprices.vam.wfp.org/alps.aspx>

- ✓ **Plans/Upcoming Assessments in 2017:** Market Assessment as well as CHS and SMART surveys in the first quarter of 2017 for Madagascar.
  - ✓ **Regional Exchange rate patterns compared to the US Dollar:** Year-on-year foreign exchange rates vis-à-vis the US Dollar have continued to fall across southern Africa. Only South Africa (includes Lesotho, Namibia and Swaziland), Madagascar, Botswana and Zambia saw their national currency appreciate compared to the US Dollar between December 2015 and December 2016 (from 5.7 per cent in Botswana to 15.3 per cent in South Africa). All other countries in the region saw their currency devalue against the US Dollar (from -0.1 per cent in Mauritius to -33.8 per cent in Mozambique) between December 2015 and December 2016 (Table 3).
- M-o-m exchange rate changes instead showed some different trends with improvements in the Tanzanian (0.2 per cent), Seychelles (2.9 per cent), and Mozambican (5.9 per cent) currencies vis-à-vis the US Dollar. DRC, Madagascar, Comoros, and Malawi were the currencies seeing the worst m-o-m devaluations with -4.5 per cent, -3 per cent -2.2 per cent and -1.7 per cent respectively (Table 3).
- ✓ **Inflation rates:** Countries across southern Africa registered the following inflation rates in December 2016: Angola (40 per cent), Mozambique (26.8 per cent), Malawi 20.1 (per cent), DRC (9.7), Zambia (8.8 per cent), Namibia (7.3 per cent), Tanzania (4.8 per cent), and Botswana (2.7 per cent). Southern Africa inflation rate trends can be viewed in Table 3 below.

**Table 3: Forex & Inflation Rate Monitoring - December 2016**

Country	Exchange rate compared to 1 USD			% Change (m-o-m)*	% Change (y-o-y)*
	13-Dec-15	13-Nov-16	13-Dec-16		
MADAGASCAR	3212.0	3212.0	3311.2	▼ -3.0%	▼ -3.0%
SEYCHELLES	13.0	13.3	12.9	▲ 2.9%	▲ 0.3%
COMOROS	451.0	453.2	463.2	▼ -2.2%	▼ -2.6%
USA	1.0	1.0	1.0	0.0%	0.0%
TANZANIA	2158.6	2176.0	2172.1	▲ 0.2%	▼ -0.6%
MAURITIUS	35.9	35.3	35.9	▼ -1.5%	▼ -0.1%
CONGO DEM REP	924.8	1028.0	1076.0	▼ -4.5%	▼ -14.1%
BOTSWANA	11.2	11.0	10.6	▲ 3.4%	▲ 5.7%
NAMIBIA	15.6	14.3	13.6	▲ 5.4%	▲ 14.4%
SOUTH AFRICA	15.7	14.3	13.6	▲ 5.4%	▲ 15.3%
SWAZILAND	15.6	14.3	13.6	▲ 5.5%	▲ 14.4%
LESOTHO	15.6	14.3	13.6	▲ 5.5%	▲ 14.4%
ZAMBIA	11.0	9.8	9.8	▼ -0.1%	▲ 11.7%
ANGOLA	135.3	165.1	165.7	▼ -0.4%	▼ -18.4%
MALAWI	651.8	712.1	724.7	▼ -1.7%	▼ -10.1%
MOZAMBIQUE	48.0	76.8	72.5	▲ 5.9%	▼ -33.8%
ZIMBABWE	361.9	361.9	361.9	0.0%	0.0%



## Inflation Rate

