



## Highlights

- *Maize prices continued to increase in December in most countries in the region. The upward pressure is likely due to the peak of the lean season. Overall, maize prices are very likely to remain above their average price trend at least until the next harvest. The two countries in the region with the maximum monitored maize market in ALPS Crisis were Malawi (89% of its markets) and Mozambique (100% of its markets).*
- *Trend analysis of real and nominal maize prices from 2011 to 2016 suggests that the price increase observed since 2014 is a temporary situation induced largely by the two successive drought seasons experienced in the region. Therefore, nominal prices are expected to come down in the post-harvest season of 2017 if the rainfall season develops as forecasted for 2016/2017 production season.*
- *Armyworms infestation have been detected in Zambia, Zimbabwe, Malawi, Mozambique, Namibia and South Africa. Reports indicate that it is largely under control in most of the areas of infestation but the impact on regional cereal production is yet to be quantified.*

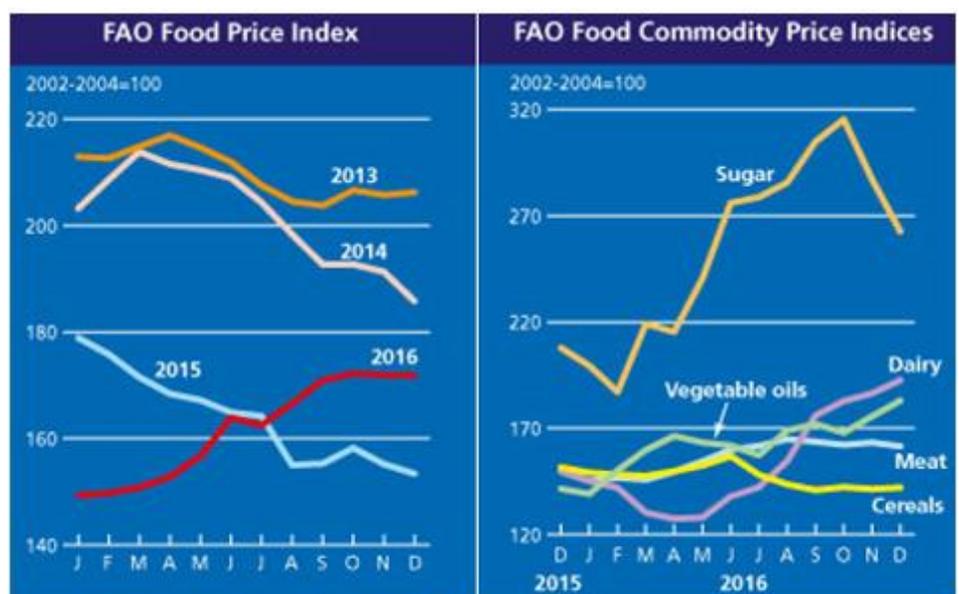
## International Food Staple Price Trend

The **FAO Food Price Index\*** (FFPI) averaged almost 172 points in December 2016, unchanged from November and 12% above December 2015. Strong gains in the prices of vegetable oil and dairy largely offset a fall in sugar and meat prices. For 2016 as a whole, the index averaged 161.6 points, down 1.5 percent from 2015, representing the fifth consecutive annual decline. While prices of sugar and vegetable oil rose significantly in 2016, falling prices in cereal, meat and dairy markets kept the Index below its 2015 average.

The **FAO Cereal Price Index** averaged 142.1 points in December, up just 0.5 percent from November and broadly stable since September. International rice prices increased somewhat in December, sustained by official measures put in place in Thailand to prop-up local prices and also by the strong demand from Pakistan. While maize value also increased in December,

mostly due to weather concerns and brisk demand, wheat values weakened as a result of larger than expected production estimates in Australia, Canada and the Russian Federation as well as good crop prospects in Argentina. Overall, the Cereal Price Index averaged around 147 points in 2016, down 9.6 percent from 2015 and as much as 39 percent lower than its peak in 2011.

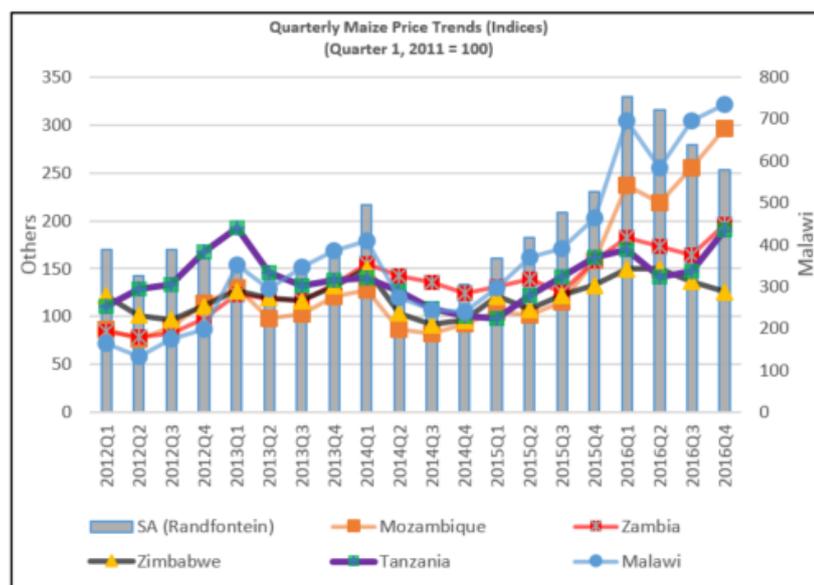
**Figure 1: FAO Food Price Index and Food Commodity Price Index**



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

## Overview of maize price movements in 2016

**Figure 2:** Average quarterly maize price trends (2011-2016) from selected countries in Southern Africa

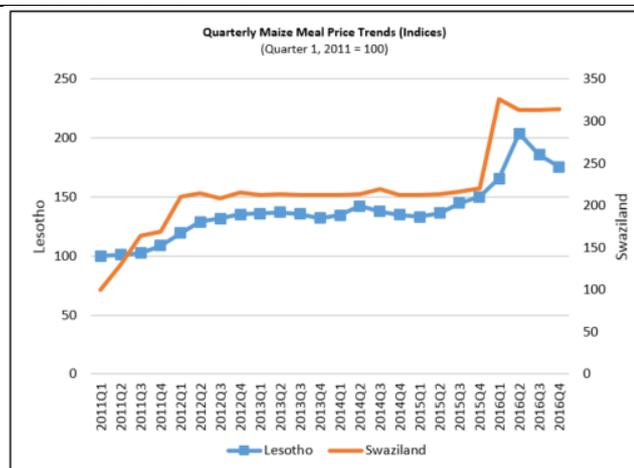


Since 2015, maize prices have been increasing in South Africa, Zambia, Tanzania, Mozambique, Zimbabwe and Malawi reflecting the effect of the El Niño induced drought on maize production during 2015/2016 (Figure 2). In 2016 prices dropped on average between the first and second quarter of 2016 in all these countries on average. However, maize prices in Malawi, Tanzania, Mozambique and Zambia ended 2016 on an upward trend higher than they were in the last two years. On the other hand, South Africa and Zimbabwe experienced a decrease in maize prices throughout 2016, but still remained above their 2015 levels. Considering that SA is the major maize exporter to the region and if its prices keep on decreasing, we can expect prices to also drop in those countries that rely on maize import from South Africa. Armyworms were detected in Zambia towards the end of December 2016.

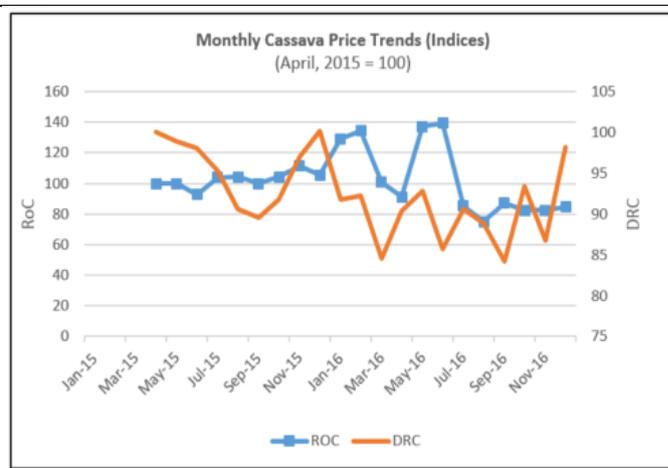
In Lesotho and Swaziland, the price of maize meal displays similar trends to that of maize in South Africa in (Figure 3). This is expected since Swaziland and Lesotho import significant quantities of maize from South Africa. Overall, Maize meal retail prices declined in 2016, but remained above those of 2015.

Figure 4 depicts the price of cassava flour in the Democratic Republic of Congo and the Republic of Congo. Prices of cassava flour fluctuated considerably in 2016 in both countries, but no permanent upward increase were experienced.

**Figure 3:** Quarterly maize meal price trends (2011-2016) in Lesotho and Swaziland



**Figure 4:** Monthly cassava price trends (2015-2016) in DRC and RoC



## Production Outlook in 2017

The National Crop Estimate Committee's preliminary plantings data showed that RSA farmers white and yellow maize plantings increased by 53% and 6% year-on-year respectively (Agbiz, [www.agbiz.co.za](http://www.agbiz.co.za)).

Armyworms infestation was first reported in Zambia in December 2016. They have since been detected in Zimbabwe, Malawi, Mozambique, South Africa and Namibia. There are reports of a new pest, the pest which unlike the African army worm, is difficult and expensive to control. Namibia, South Africa and Zambia have sent pest samples for taxonomic identification and the results are awaited to confirm the type of pestilence. The impact on the regional cereal production is yet to be quantified. 2017 looks promising for maize production, favourable weather conditions are expected. Rains have been timely and the main planting season is underway in most of Southern Africa with the exception of Tanzania, Northern Mozambique and Madagascar. La Niña conditions are weakening and are expected to give way to neutral conditions by February. Hence, above average rainfall is

expected for most of southern Africa (refer to <http://www.geoglam-crop-monitor.org/pages/currentreport.php> for more details). If weather conditions develops as expected, we can in turn expect favourable harvest and anticipate that prices start coming down in the post-harvest season of 2017.

### Regional Food Staple Price Trends

December saw mixed trends in the retail prices of the main staples in the region. **Table 1** shows that Tanzania experienced the highest month on month (m-o-m) increase in nominal prices of maize since November of 17.8 % followed by Mozambique at 10.3 %. For South Africa, which is a primary market for maize, wholesale white maize prices for December 2016 were at ZAR 3995.97 /MT, up by 5.4 % from November 2016. The increase in the price of maize is likely due to the intensification of the lean season and because maize has become even scarcer. The price of maize remains 46.7 % above the December 5 year average in 2016. South Africa's high maize prices are driven primarily by a deficit in cereal harvests and high demand for maize in the region. Furthermore, currency depreciation across much of the region has made imports more expensive and high transportation costs have contributed to the increase as well.

Zambia registered a 6.5% increase in the price of maize since November, and Malawi a 3.6% increase. The DRC registered a m-o-m price increase of 13.2% (for cassava flour). On the other hand, in Zimbabwe prices declined by 3.52% and Lesotho and Swaziland experienced minor declines of 0.14% and 0.1% respectively

**Table1:** RBJ retail staple food price trends for white maize grain – December 2016.

Country	Nominal Retail Price in 2016 (USD/KG)	%Change Retail Price since Nov 2016	Current Retail Price compared to 5 year Dec average price (%)
Congo (RoC) Cassava Flour	0.78	NA	NA
Congo (DRC) Cassava Flour	0.52	13.2	-1.76
Lesotho (Maize Meal)	0.47	-0.14	29.9
Madagascar(Local Rice)	NA	NA	NA
Malawi***	0.34	3.6	129.5
Mozambique	0.43	10.3	158.5
Swaziland (Maize Meal)	0.97	-0.1	48.7
Tanzania*	0.39	17.8	55.4
Zambia****	0.26	6.5	48.7
Zimbabwe	0.40	-3.52	1.5
South Africa*	0.29	5.4	46.7

Across most of Southern Africa the price of maize continued to remain above the 5 year average level for the same time of the year. Mozambique is 158.5% above, Malawi\*\*\* 129.5%, Tanzania\* 55.4%, Zambia\*\*\*\* (48.7%), South Africa\* (46.7%), and finally Lesotho (29.9%). The national average cassava flour price increased in the DRC but remained below the 5 year average in December.

Source: WFP VAM Portal and FAO Food Price Monitoring Analysis

\*Wholesale

\*\*\* 3 Year Average

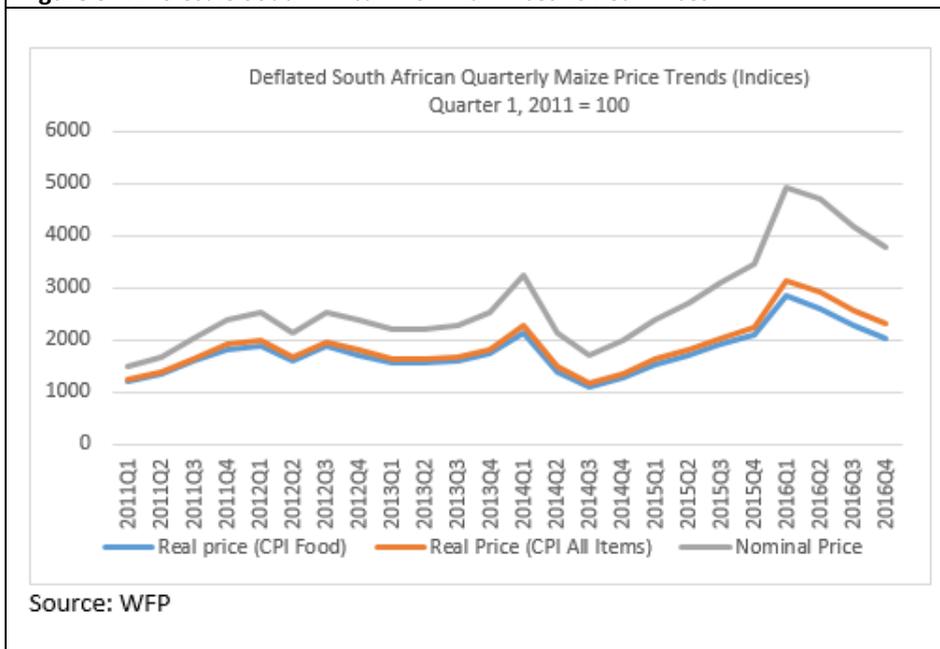
\*\*\*\* 4 Year Average

**Figure 5** depicts the nominal and real price of South African maize. The nominal prices were deflated using both the headline CPI and the Food and Non Alcoholic beverages index from Statistics South Africa.

Real wholesale prices of maize followed a trend similar to that of the nominal wholesale price. The gap between nominal and real prices started expanding gradually towards the end of 2014, pulling the real price of maize up. Considering that South Africa's maize prices greatly influence maize prices of other countries in the region, we can generalise this argument to the entire region.

The figure suggests that the nominal price increase experienced in the region since 2014 is a temporary situation mainly due to the harvest deficit induced by the drought during 2015/2016. Therefore, nominal prices are expected to come down during 2017 if weather conditions develop as expected. The real price of maize is on a declining trend and so is the nominal price. This decline in real price is good news as it shows that maize is being exchanged at a cheaper price in real terms

**Figure 5: Wholesale South African Nominal Prices vs Real Prices**



**Alert on Price Spikes (ALPS):**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 a specific month of the year. In December 2016, 33 markets across southern Africa were in Alert. This is a 22% increase from November 2016. Out of the 33 markets in Alert, 17 were in Zambia, 12 in Tanzania and 4 in Malawi. The number of markets in Stress went down by 23%. Most of these markets in Stress were in Zambia (15 out of 20). Furthermore, 61 monitored markets across 4 countries were in Crisis, which has remained unchanged since November 2016. Of these 61 markets, 32 were in Malawi (down 8.6% from November), 17 in Zambia (unchanged from November), 7 in Mozambique (unchanged from August) and 5 in Tanzania (up 150 % from 2 to 5). The number of markets reporting normal price levels of maize fell by 6.7% (from 16 to 15).

Overall 88% or 114 out of 129 of ALPS monitored markets in southern Africa were either in Stress, Alert or Crisis in December (**Table 2**), unchanged from November, reflecting continued low availability of maize in the region. Maize prices are very likely to remain above their average price trend at least until the next harvest (April – June 2017). The two countries in the region with the maximum monitored maize markets in crisis were Malawi (89% of its markets) and Mozambique (100% of its markets).

**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	0	7	3	15	11.54%
Stress	1	0	0	3	15	1	20	15.38%
Alert	0	4	0	12	17	0	33	25.38%
Crisis	0	32	7	5	17	0	61	46.92%
Total monitored markets per country	6	36	7	20	56	4	129	NA

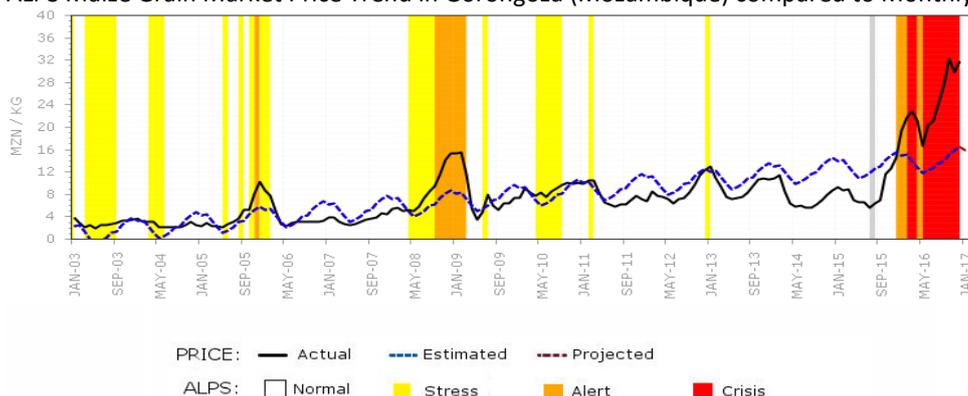
Source: WFP

\*Cassava flour

**Focus on Mozambique: December** saw a considerable increase in the national average retail price of white maize (10.3%) relative to November. In Gorongosa, a prime maize market in Mozambique, prices fell for the first time since April 2016 in November 2016 (down 7.1% relative to October 2016). However, prices picked up again in December 2016 (up 6.8%) reversing most of the gains from November (**Figure 6**). Prices remain at ALPS Crisis mode and stand 198% above its November 5 year average. To note, inflation went from about 26.8% in November to about 25% in December (a 6.7% decline) and the currency appreciated by 4.4%

against the US dollar. Thus, the upward pressure on prices in December is likely due to the fact that the region is nearing the peak of the lean season.

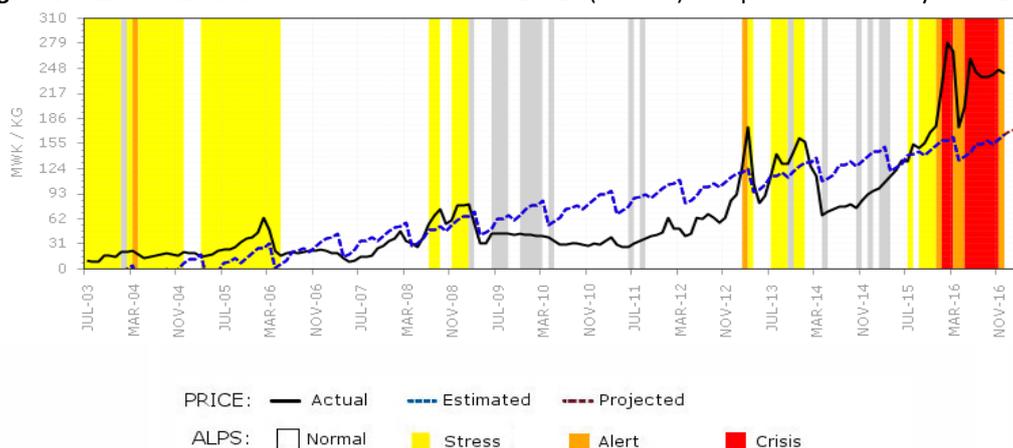
**Figure 6: ALPS Maize Grain Market Price Trend in Gorongosa (Mozambique) compared to Monthly Price Levels**



Source: WFP ALPS <http://foodprices.vam.wfp.org/ALPS-at-a-glance.aspx>

**Focus on Malawi:** Figure 7 illustrates the retail price trend of white maize over time for Lunzu market, a prime maize grain market in Malawi. The national average retail price of maize in Malawi increased by 3.6% in December 2016 relative to November 2016. In contrast, the retail price of maize decreased by 1.6% in Lunzu market during the same period. The price of maize in Lunzu market remains 88% above its December 5 year average. The market has shifted from ALPS Crisis mode to ALPS Alert mode where it has remained since the second quarter of 2016. Price are expected to remain above average as the lean season intensifies further in the first quarter of 2017.

**Figure 7: ALPS Maize Grain Market Price Trend in Lunzu (Malawi) Compared to Monthly Price Levels**



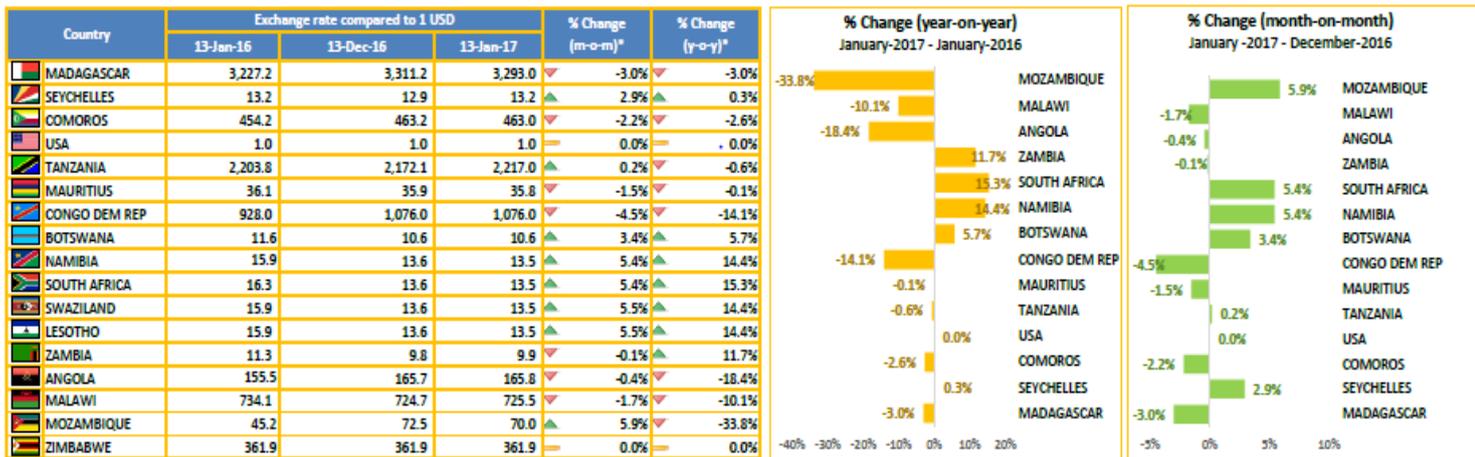
Source: WFP ALPS <http://foodprices.vam.wfp.org/ALPS-at-a-glance.aspx>

### Regional Exchange rate patterns compared to the US Dollar

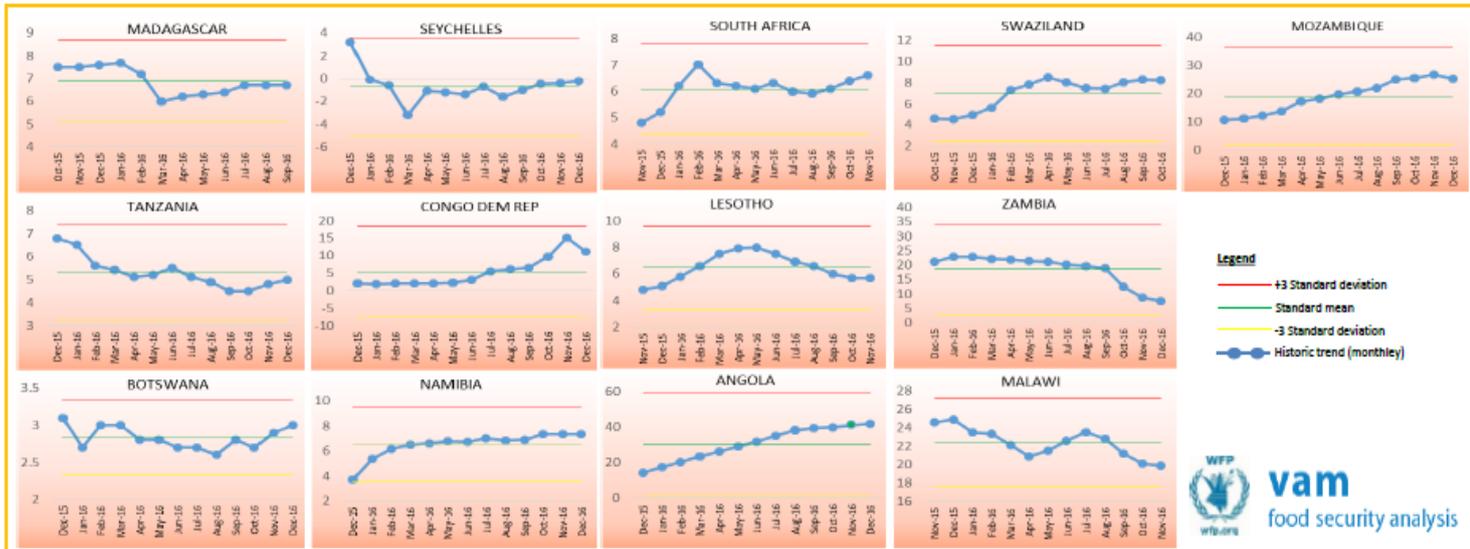
Year-on-year (y-o-y) foreign exchange rates vis-à-vis the US Dollar have continued to fall across Southern Africa with the exception of South Africa (and the pegged currencies of Lesotho, Namibia and Swaziland), Seychelles, Botswana and Zambia. These countries saw their national currencies appreciate against the US Dollar between January 2016 and January 2017 (from 0.3% in Seychelles to 15.3% in South Africa). All the other countries in the region saw their currencies devalue against the US Dollar (from -0.1% in Mauritius to -33.8% in Mozambique) between January 2016 and January 2017.

**Inflation Rates:** Inflation rates in the region in January 2017 were as follows (Figure 8): Angola (41.9%), Mozambique (20.6%), Malawi (20%), DRC (9.7%), Zambia (7%), Namibia (7.3%), Tanzania (5%), and Botswana (3%), South Africa (6.8%).

Figure 8: Forex & Inflation – January 2017



**Inflation Rate**



Data source: <http://www.xe.com> (last accessed on 13th January 2017)

\*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.

