

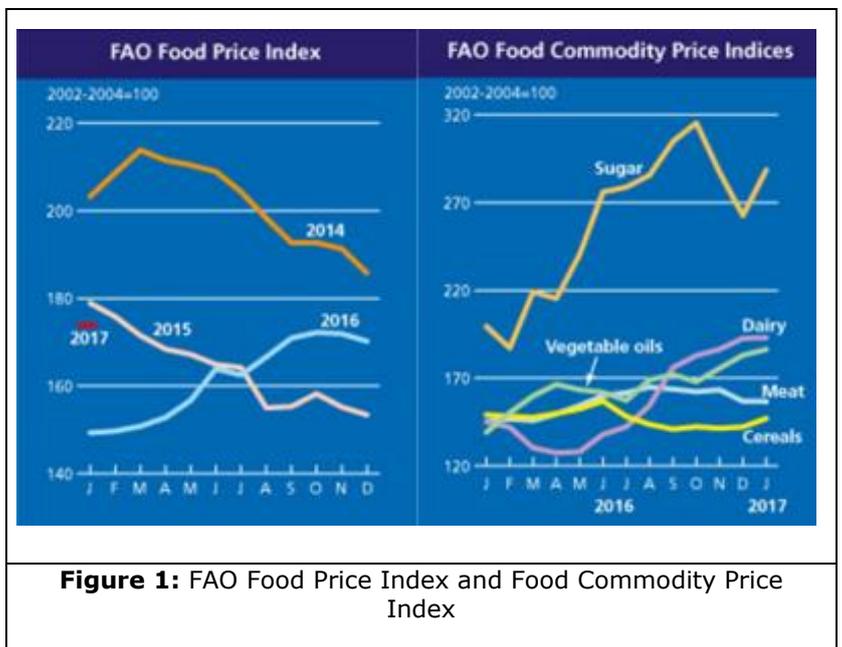


**Highlights**

- *Maize prices continued to increase in January in most countries in the region. The upward pressure is likely to be due to the peak of the lean season. Overall, maize prices will remain above their average price trend at least until the next harvest. Malawi and Mozambique have the highest number of Maize markets in ALPS Crisis at 71 percent and 100 percent respectively.*
- *Trend analysis of maize prices from 2011 to 2016 shows that real and nominal price of white maize in South Africa has dropped below the five-year average prices. If the downward trend continues in South Africa, the expectation is that this price decline will spill over to Botswana, Namibia, Lesotho and Swaziland (BNLS) that rely heavily on South Africa's export.*

The **FAO Food Price Index\* (FFPI)** averaged 173.8 points in January 2017, up 3.7 points (2.1 percent) from the revised December value. At this level, the FFPI is at its highest value since February 2015 and as much as 24.5 points (16.4 percent) above its level in the corresponding period last year. The strong rebound in the January value of the FFPI was driven by a surge in international sugar quotations and sharp increases in export prices of cereals as well as vegetable oils. Meat and dairy markets remained more stable.

The **FAO Cereal Price Index** averaged 147 points in January, 4.8 points (3.4 percent) above December and representing a six-month high. International prices of all major cereals strengthened in January. Wheat values rose mostly on concerns over unfavourable weather hampering 2017 crops and the reported reduction in winter wheat area in the United States. The firming of maize values largely reflected strong demand and uncertain crop prospects in South America. International rice prices also increased, amid expectations of a return of important buyers to the market, coupled with lower export availabilities in India as a result of ongoing state procurement.

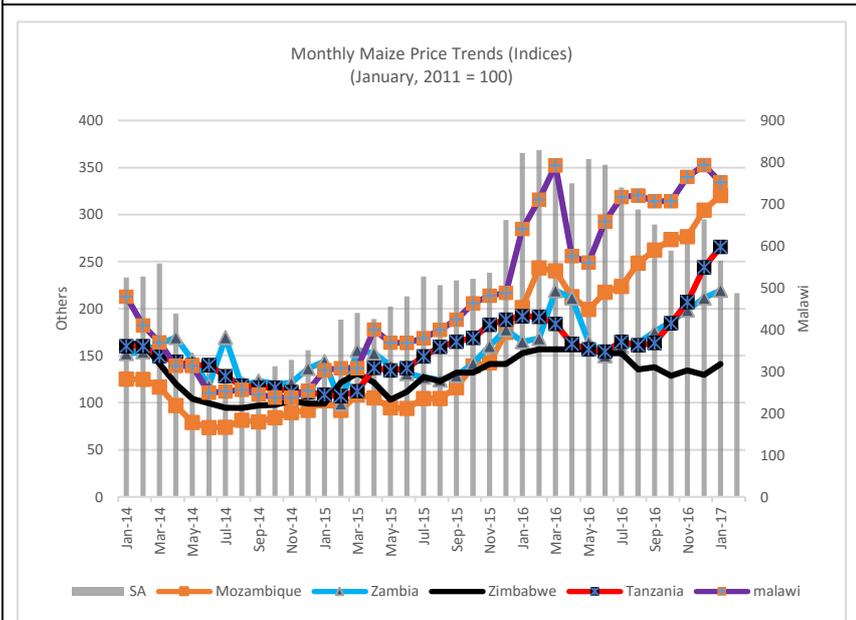


**Figure 1:** FAO Food Price Index and Food Commodity Price Index

**Regional Food Staple Price Trends**

January saw mainly increases in the retail prices of main staples with the exception of South Africa (SA), Swaziland and Malawi. Tanzania and Zimbabwe experienced the highest month on month (m-o-m) increase in nominal prices of maize since December, 8.94 percent and 8.70 percent respectively (**Table 1**). South Africa, which is a primary market for maize in the region, wholesale white maize prices declined by 14.83 percent and 13.79 percent in January and February respectively (**Figure 2**).

**Figure 2: Average monthly maize price trends (Jan, 2014 – Jan, 2017) from selected countries in Southern Africa**

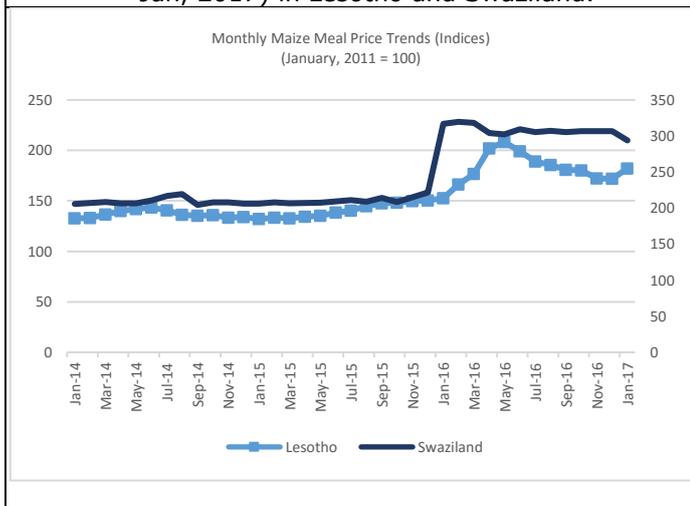


Note: South Africa (Prices available up to February)

Early producer deliveries is expected to soon get momentum and sustain the drop in prices which started in November which hopefully will spill over to other countries in the region, especially the BNLS. Swaziland recorded a 4 percent m-o-m decrease in the price of maize meal while Lesotho experienced about 6 percent increase in the price of maize meal (**Figure 3**). Both the DRC and RoC experienced increase in the retail price of Cassava with the DRC registering the highest increase of nearly 15 percent (**Figure 4**).

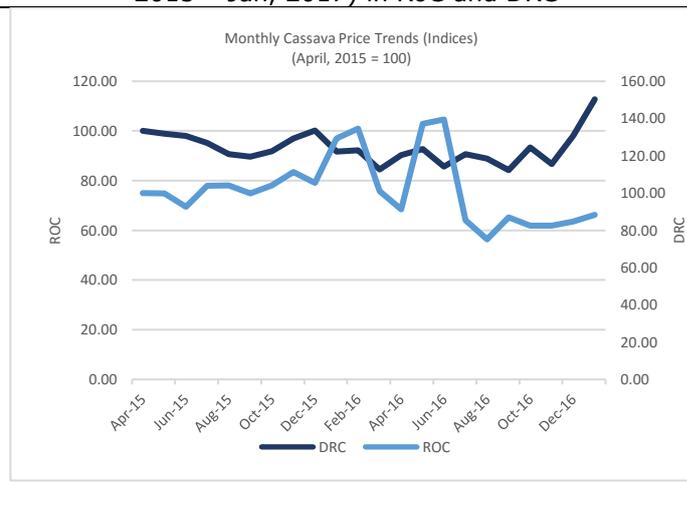
Across most of Southern Africa the price of maize continued to remain above the 5 year average level for the same time of the year with Mozambique standing high at about 154 percent. Zimbabwe's price of maize is 1.66 percent below the 5 year average in January 2017 while SA is 3.67 percent below the 5 year average in February 2017.

**Figure 3: Monthly Maize meal price trends (Jan, 2014 – Jan, 2017) in Lesotho and Swaziland.**



Source: WFP

**Figure 4: Monthly Cassava flour price trends (Apr, 2015 – Jan, 2017) in RoC and DRC**



**Figure 5** depicts the nominal and real price of South African maize. The nominal prices were deflated using the headline CPI from Statistics South Africa. Both the Nominal and Real wholesale prices of maize are on a downward trend and most importantly, the Real price of maize is 15.6 percent below its 5 year average in February 2017. Considering that SA is the key producer and exporter of maize in the region, and given the current forecast of weather condition coupled with the downward price trend of maize in SA, prices of maize can be expected to decrease in other countries in the region as early as next harvest as long as other factors such exchange depreciations are minimal. This situation suggests that we are on the road to recovery especially for South Africa.

**Table 1:** RBJ retail staple food price for white maize grain –January 2017

Chart Area	Nominal Retail Price in January 2017 (USD/KG)	%Change Retail Price Dec 2016 – Jan 2017	Current Retail Price compared to 5 year Dec average price (%)
Congo (RDC) Cassava Flour	0.82	4.37	NA
Congo (DRC) Cassava Flour	0.54	14.85	12.94
Lesotho (Maize Meal)	0.50	5.89	36.48
Madagascar(Local Rice)	NA	NA	NA
Malawi****	0.32	-5.21	75.59
Mozambique	0.46	5.07	153.54
Swaziland (Maize Meal)	0.94	-4.05	26.23
Tanzania*	42.20	8.94	64.86
Zambia	0.27	3.79	50.21
Zimbabwe	0.43	8.70	-1.66

**South Africa**

South Africa*	Nominal Retail Price (USD/KG)		%Change Retail Price		Current Retail Price compared to 5 year corresponding month Average (%)	
	Jan 2017	Feb 2017	Dec 2016- Jan 2017	Jan 2017- Feb 2017	Jan 2017	Feb 2017
	249.68	216.37	-14.83	-13.79	13.31	-3.67

Source: WFP VAM Portal and FAO Food Price Monitoring Analysis, \*Wholesale: (TZ = 100 Kg), (SA = 1000 Kg), \*\*\*\* 4 Year Average

Note: South Africa (Prices available up to February)

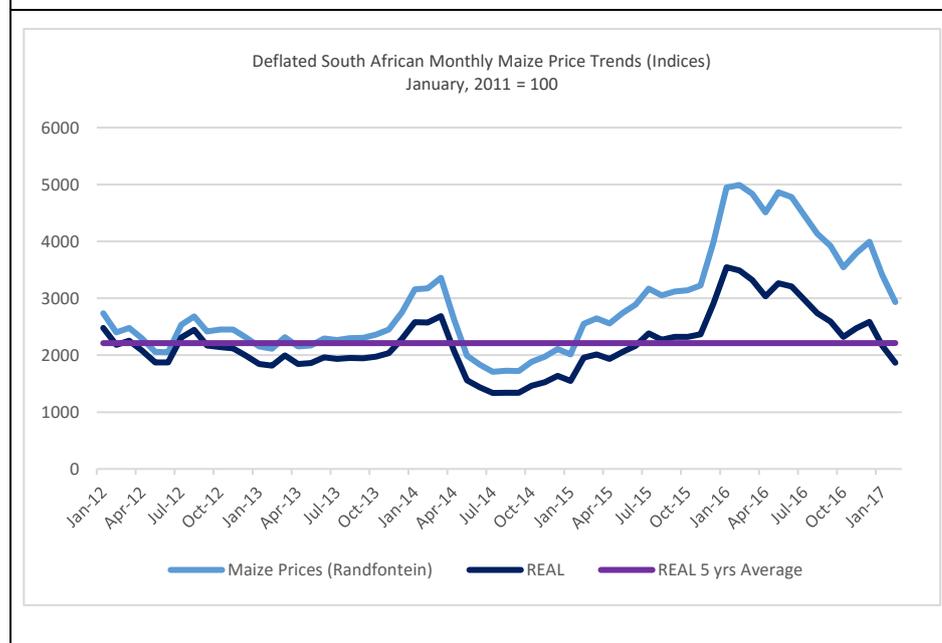
**Alert on Price Spikes (ALPS):**

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 January 2017, 28 markets across southern Africa were in Alert. This is a 15 percent decrease from December 2016. Out of the 33 markets in Alert, 15 were in Zambia, 5 in Tanzania and 8 in Malawi. The number of markets in Stress went down by 10 percent. Most of these markets in Stress were in Zambia (13 out of 18). Furthermore, 65 monitored markets across 5 countries were in Crisis. Of these 65 markets, 24 were in Malawi (down 25 percent from December), 18 in Zambia (up 6 percent from December), 7 in Mozambique (unchanged from August) and 15 in Tanzania (up 200 percent from 5 to 15). The number of markets

reporting normal price levels of maize fell by 20 percent (from 15 to 12).

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



Overall 90 percent or 111 out of 123 of ALPS monitored markets in southern Africa were either in Stress, Alert or Crisis in December (Table 2), 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 (71 percent of its markets) and Mozambique (100 percent of its markets).

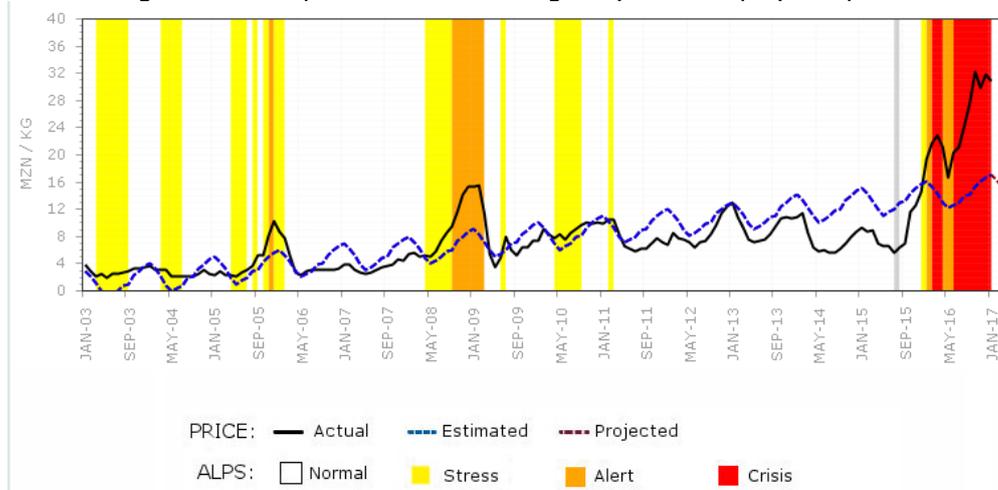
**Table 2:** Status of Monitored Food Markets in Southern Africa in November 2016 – ALPS

Price Mode	DRC*	Malawi	Mozambique	Tanzania	Zambia	Zimbabwe	Total markets for Southern Africa	% of total ALPS monitored markets in Southern Africa
Normal	2	0	0	0	10	0	12	9.76%
Stress	3	2	0	0	13	0	18	14.63%
Alert	0	8	0	5	15	0	28	22.76%
Crisis	1	24	7	15	18	0	65	52.85%
Total monitored markets per country	6	34	7	20	56	0	123	NA

Source: WFP.  
\*Cassava Flour

**Focus on Mozambique:** January saw an increase in the national average retail price of white maize (5 percent) relative to December in Gorongosa, a prime maize market in Mozambique. In January 2017, prices dropped by 3.4 percent and remain at ALPS Crisis mode standing 160 percent above its November 5 year average (**Figure 6**).

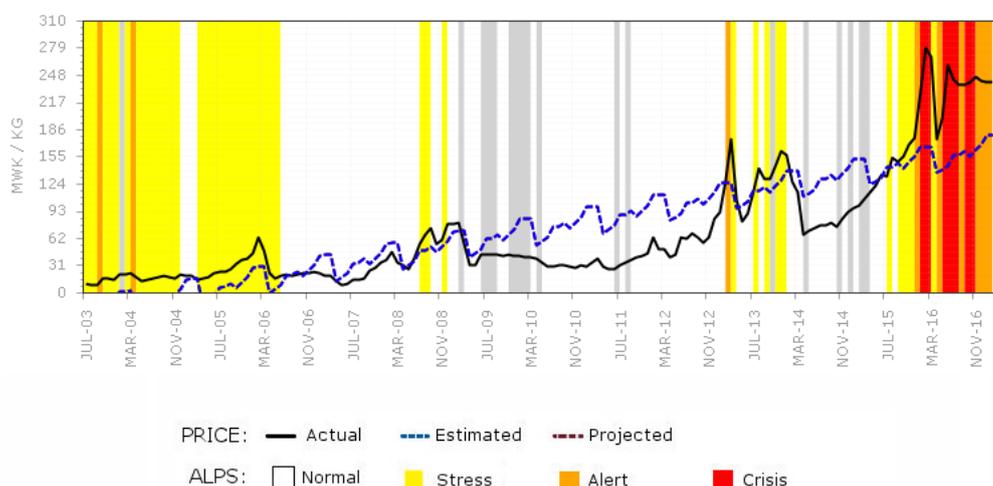
**Figure 6:** ALPS maize grain market price trend in Gorongosa (Mozambique) compared to monthly price levels



Source: <http://foodprices.vam.wfp.org/ALPS-chart.aspx?iso=MOZ&mid=318&cid=67&ptid=15>

**Focus on Malawi:** **Figure 7** illustrates the retail price trend of white maize for Lunzu market, a prime maize grain market in Malawi. The national average retail price of maize in Malawi decreased by about -5.2 percent in January 2017 relative to December 2016. Similarly, the retail price of maize decreased slightly (1 percent) in Lunzu market during the same period. The price of maize in Lunzu market remains 78 percent above its 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: <http://foodprices.vam.wfp.org/ALPS-chart.aspx?iso=MWI&mid=784&cid=51&ptid=15>

## Regional Exchange rate patterns compared to the US Dollar

Year-on-year (y-o-y) foreign exchange rates vis-à-vis the US Dollar has improved across Southern Africa with the exception the DRC, Mozambique, Roc and Tanzania. South Africa (and the pegged currencies of Lesotho, Namibia and Swaziland) has seen the highest gain against the US Dollar. Similarly most countries across the regions have seen their currencies improve visa-à-vis the US Dollar with the exception of the DRC and Tanzania (**Figure 8**).

Inflation Rates: Inflation rates in the region in January 2017 were as follows (**Figure 8**): Mozambique (20.6 percent), Malawi (18 percent), DRC (33.89 percent), Zambia (7 percent), Tanzania (5 percent), and South Africa (6.6 percent).

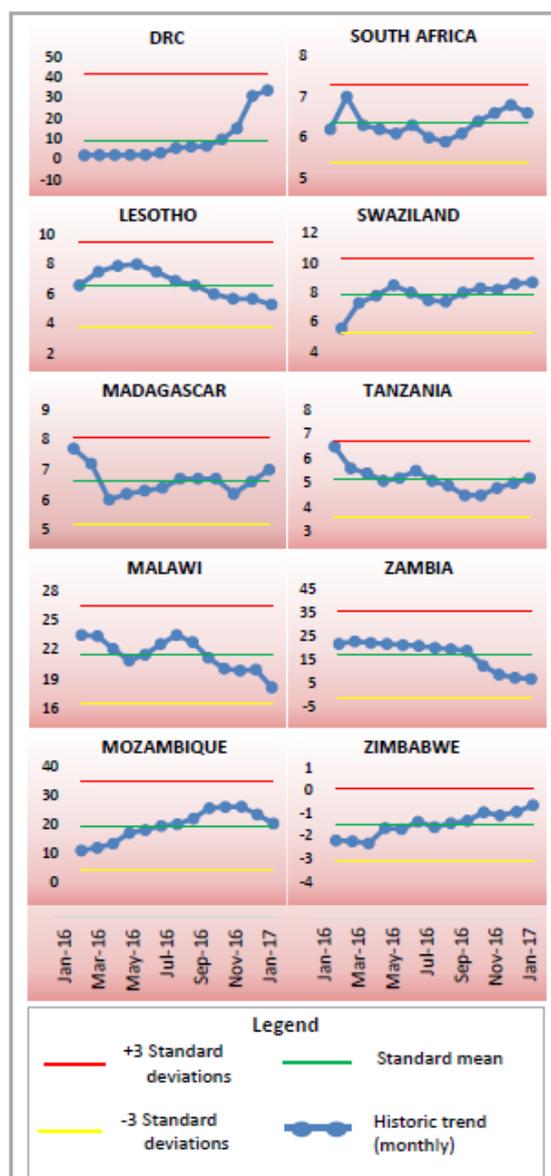
Note that Zimbabwe is still in a state of deflation or negative inflation (a reduction of the general level of prices in the economy) though decelerating. Persistent negative inflation is a reflection of insufficient liquidity conditions in the economy that could send the country into a tailspin of shrinking demand and falling production.

**Figure 8:** Forex & Inflation – January 2017

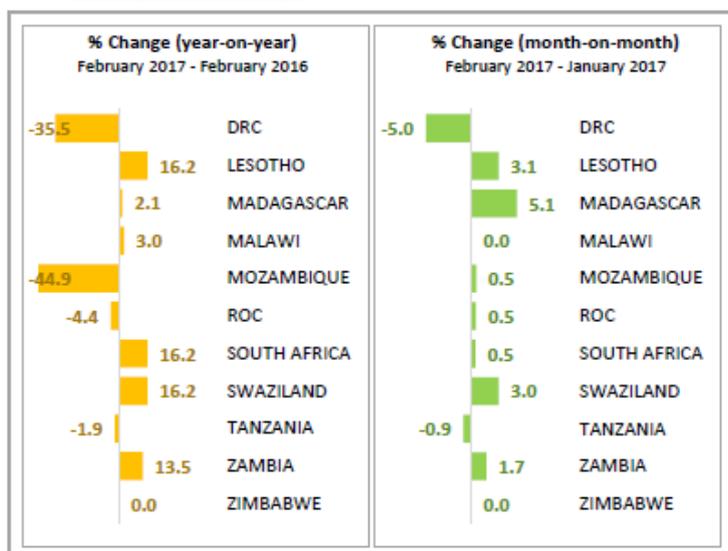
**Exchange Rate Table**

Country	Exchange rate compared to 1 USD			% Change (y-o-y)*	% Change (m-o-m)*
	23-Feb-16	23-Jan-17	23-Feb-17		
DRC	927.9	1,196.5	1,256.8	-35.5	-5.0
LESOTHO	15.8	13.6	13.2	16.2	3.1
MADAGASCAR	3,180.2	3,280.6	3,113.2	2.1	5.1
MALAWI	739.0	716.9	716.7	3.0	0.0
MOZAMBIQUE	48.5	70.6	70.2	-44.9	0.5
ROC	589.7	618.9	615.6	-4.4	0.5
SOUTH AFRICA	15.8	13.6	13.2	16.2	0.5
SWAZILAND	15.8	13.6	13.2	16.2	3.0
TANZANIA	2,185.3	2,208.6	2,227.7	-1.9	-0.9
ZAMBIA	11.3	10.0	9.8	13.5	1.7
ZIMBABWE	361.9	361.9	361.9	0.0	0.0

**Inflation**



**Exchange Rate % Change**



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Data source: <http://www.xe.com>, [www.tradingeconomics.com/](http://www.tradingeconomics.com/)

\*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.