



Southern Africa

Highlights:

Main staples prices were generally higher during quarter 1 of 2017 compared to the previous quarter in the region. Zambia and Malawi saw significant month-on-month (m-o-m) price decline of their main staple; from February to March. Zambia registered the highest drop in the number of markets in ALPS Crisis mode reflecting increased availability while the lifting of the maize export ban indicate the certainty of improved stocks.

However, Price of maize continued to remain above the 5 year average level with Tanzania standing high at about 94 percent. After consistently dropping during Q1-2017 to pre-2014 level, maize prices in SA are still dropping (about 6 percent in April 2017 and lies 29 percent below the 5 year average) but at a declining pace in line with expectations. It can be anticipated that South African maize prices would stabilize around the current level soon.

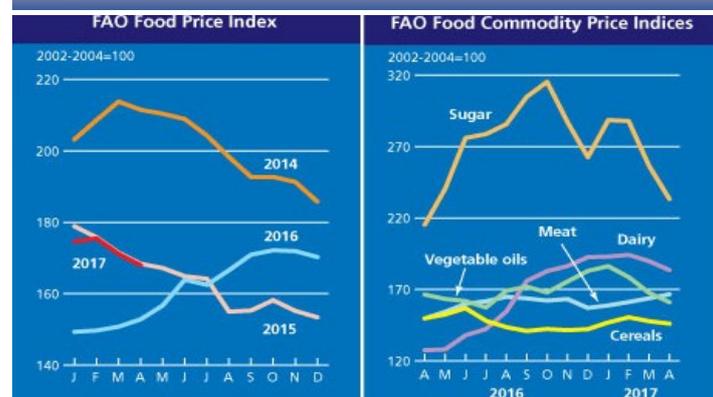
Supplies of maize are expected to be average to above average this marketing year as a result of good harvest prospects for most countries in the region except Tanzania. South Africa (SA), Zambia, Zimbabwe and Malawi are forecast to harvest large crop of maize this marketing year according to Agricultural assessments reports. This could translate in continued price declines in the coming months across the region.

International Food Staple Price

The **FAO Food Price Index** (FFPI) averaged 168.0 points in April 2017, down 3.1 points (1.8 percent) from March, but still 15.2 points (10 percent) higher than in April 2016. As in March, all commodity indices used in the calculation of the FFPI subsided in April, with the exception of meat values.

The **FAO Cereal Price Index** averaged 146.0 points in April, down 1.8 points (1.2 percent) from the previous month and 3.8 points (2.5 percent) from its value in April 2016. Strong export competition and expectations that global cereal availabilities will remain ample in the 2017/18 season and continue to weigh on international prices of most cereals, wheat in particular. International rice prices, by contrast, firmed in April, buoyed by a more upbeat pace of sales, especially to Near Eastern buyers.

Figure 1: FAO Food Price Index and Food Commodity Price



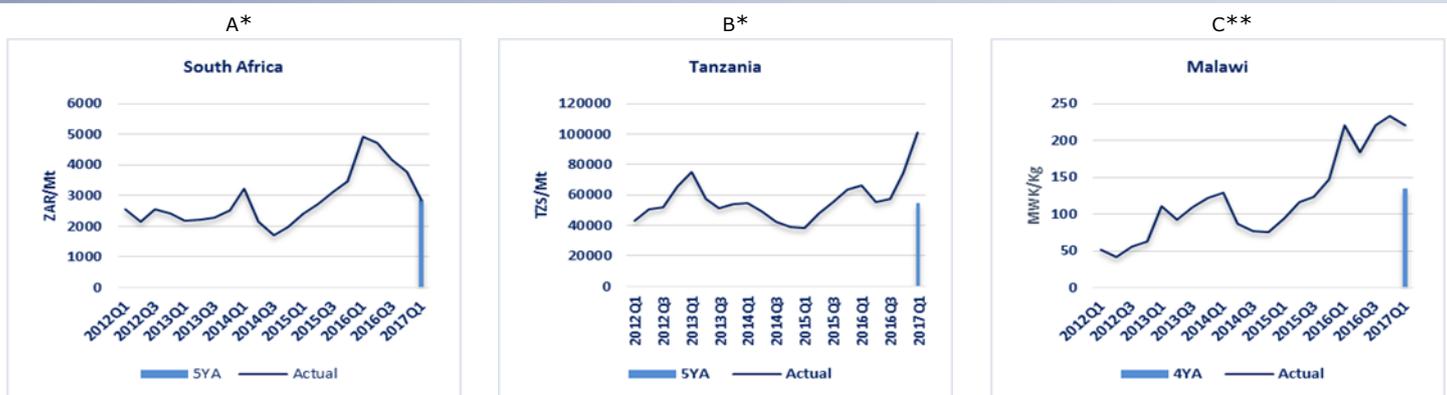
Source: <http://www.fao.org/worldfoodsituation/foodpricesindex/en/Index>

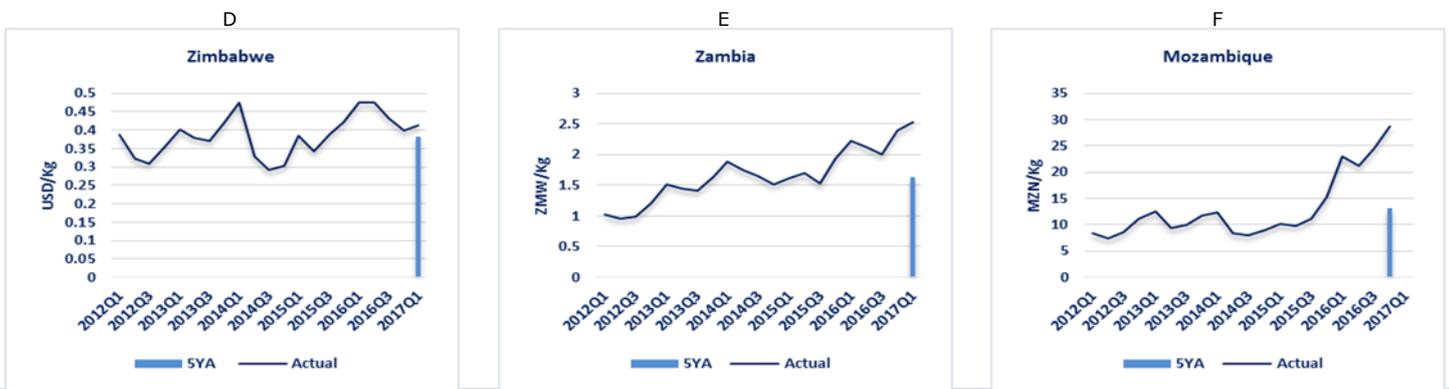
Regional Food Staple Price Trends

Brief Overview of Q1-2017

Regionally, main staples prices were generally higher during Q1-2017 compared to the previous quarter (**Figure 2 & 3**). Maize prices were increased in most countries during the same period except SA and Malawi, which saw prices of maize decreased, especially South Africa. SA maize prices dropped close to its 5 year average (5YA) level while in the other countries, maize prices remained above their respective 5YA level (**Figure 2, A-E**).

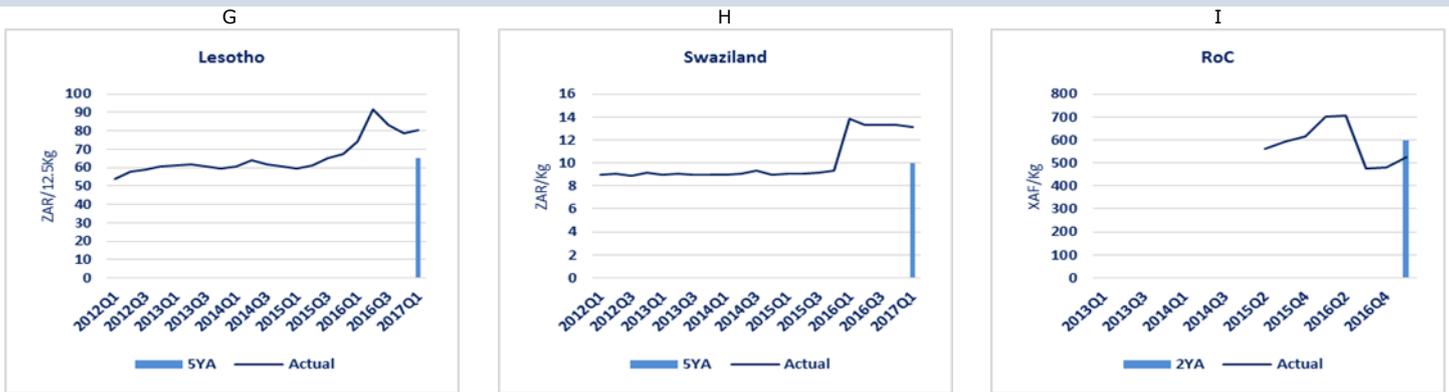
Figure 2: Average quarterly white maize price from selected countries in Southern Africa





Source: WFP

Figure 3: Average quarterly maize meal price trends in Lesotho & Swaziland and Cassava flour prices RoC & DRC (Note: RoC_ 2 Year Average)



Maize meal prices remained generally stable during Q1-2017 in both Swaziland and Lesotho but stayed above their respective 5 year average level (Figure 3, G & H). Prices of cassava flour went up in Q1-2017 compared to the previous quarter in RoC and more so in the DRC (Figure 4, I & J).

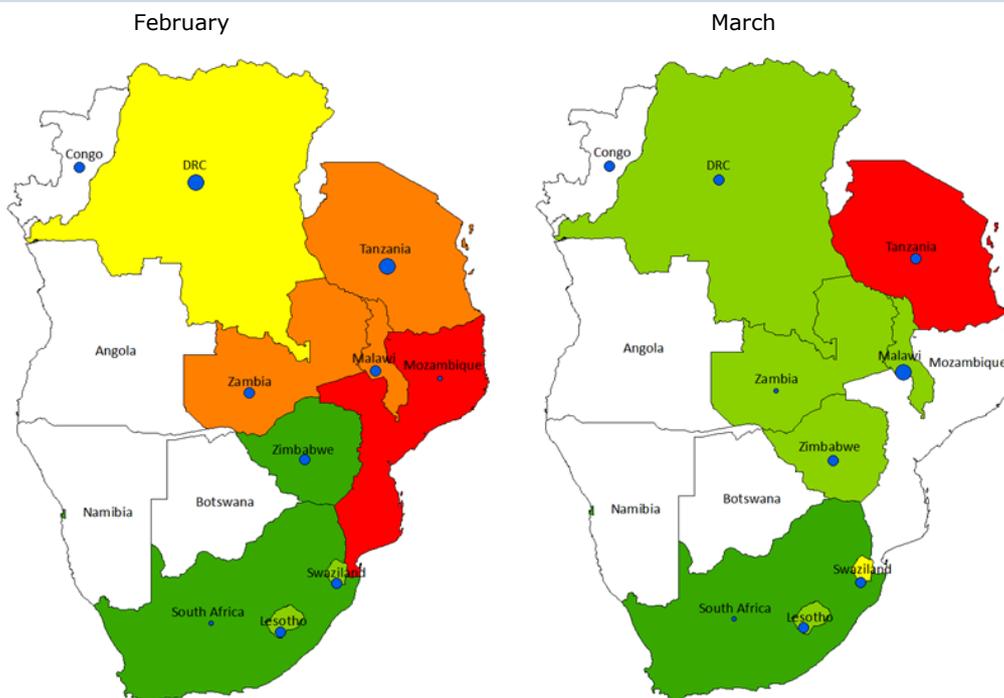
The lean season reached its peak during Q1-2017 and this largely contributed to inflationary pressures across the region. Overall, prices of main staples were above

Monthly price changes compared to 5 year average

RoC experienced increase of roughly 4.5 percent in the retail price of cassava flour while the DRC registered a price decline of approximately 6 percent. March prices were 26 percent above the 5YA in the DRC and 8 percent below the 2YA in RoC. White Maize prices were stable or declining except in Zimbabwe (slight increase 2.5 percent in April 2017 and 4.5 percent above the 5YA).

Source: WFP

Figure 5 : RBJ retail staple food price change



In Tanzania, prices were stable in March compared to the previous month but remains significantly high relative to the 5 year average (94 percent).

Zambia and Malawi registered considerable decline in white maize prices in March (-23 and -15 percent respectively). Their respective prices stand at 18 and 20 percent above their 5 year average respectively (Figure 5).

South Africa white maize nominal prices dropped by about 6 percent in April 2017¹ and lies 29 percent below the 5 year average (Figure 5).

1 Month Price Change	5 Year Price Change
◆ (-30 : -6)	■ (-30 : 0]
● (-6 : 6)	■ (0 : 30]
● (6 : 18)	■ (30 : 60]
● (18 : 30)	■ (60 : 90]
	■ (90 : 120]

¹ In March 2017, white maize prices dropped by more than 25 percent, this suggests that prices are dropping at a declining pace. This is in line with expectations that prices are nearing a floor and should be expected to start stabilizing around this level.

Main drivers of Price movements in March 2017: Food prices have dropped due to reduced market demand as households start to consume their own produce and new supplies which are lowering prices.

Near term : April–June 2017: prices are expected to decline further in line with seasonal trends and reach their lowest in June/July, which should contribute to improved staple food access for net food buying households. The good harvest prospect and the potential of surplus this year in Zambia has resulted in the lifting of the ban on export of maize and mealie meal. The expected surplus will potentially be exported. This will help relieve some of the inflationary pressures being felt in Haut-Katanga province in neighbouring DRC (See **Outlook**).

Figure 6 depicts the nominal and real price³ of South African maize. The nominal prices were deflated using the food and non-alcoholic beverages 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 approximately 43 percent below its 5 year average in April 2017.

Figure 6: SA– Nominal and real white maize wholesale prices



Source: WFP

Outlook

Supplies of maize are expected to be average to above average from March onward as a result of good harvest prospects for most countries in the region except Tanzania whose maize production for 2017 is expected to be below average. South Africa and Zambia are set to harvest substantial large crop this year. SA is expects the second biggest maize crop on record after 1980/81 (just above 14 million metric tonnes as reaffirmed by the National Crop Estimate Committee). Similarly, Zambia is set to harvest more than 3.5 million tonnes the this year, the highest ever in Zambia history. According to the National Food Balance of Zambia, total availability is projected to be in excess of 4.1 million metric tonnes of which approximately 1.18 million metric tonnes is expected surpluses. The expected surpluses represents great potential for export to other countries in the region. Considering that SA is the key exporter of maize in the region and is expected to harvest a large crop along Zambia, Zimbabwe and Malawi, the region can expect to see continued price declines in the coming months similar to that of SA in Q1-2017 as long as other factors such currency depreciations are minimal.

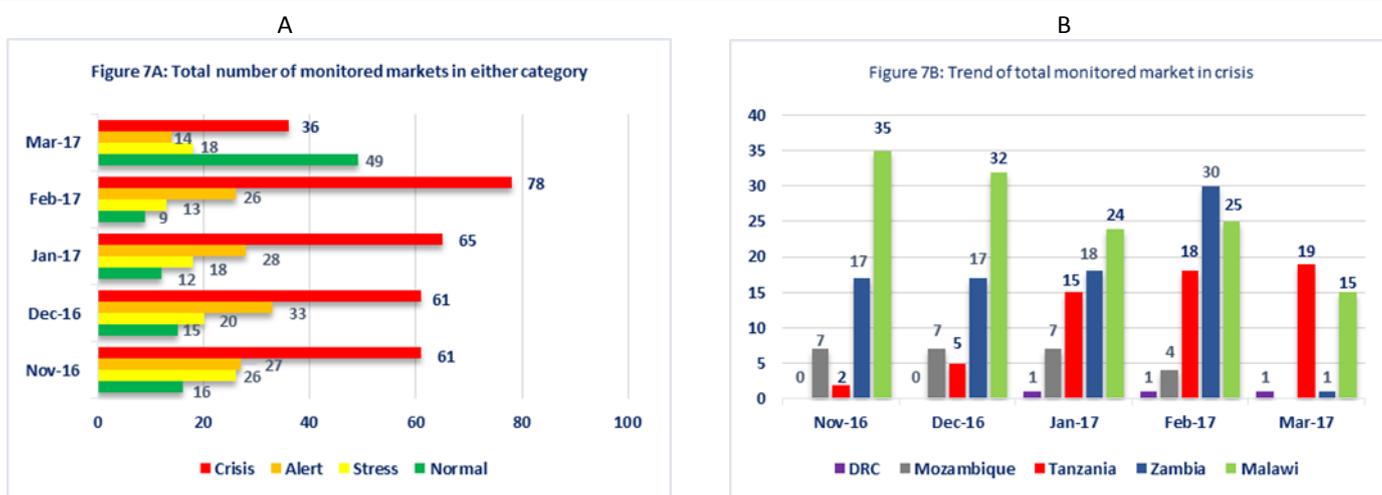
Alert on Price Spikes (ALPS)

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 March 2017, 14 of ALPS monitored markets across southern Africa were in Alert². This is a 41 percent decrease from February 2017. Out of the 14 markets in Alert, 6 were in Zambia, 1 in Tanzania, 6 in Malawi and 1 in the DRC.

36 monitored markets across 4 countries were in Crisis (**Figure 7A**). Of these 36 markets, 15 were in Malawi (Down 40 percent from February) 1 in Zambia (down by a staggering **97 percent**), and 19 in Tanzania (up 5 percent from February 2017 (**Figure 7B**)).

The drop in the total number of markets in crisis in the ALPS indicator is mainly driven by Zambia (from 30 in March to 1 in April, **Figure 7B**). This confirms the price decline observed in **Figure 5** for Zambia. The number of markets reporting normal price levels of maize grew from 9 in February to 49 in March overall. Once again the increase is mainly driven by Zambia suggesting that overall food prices in Zambia are returning to normal levels.

Figure 7: Status of Monitored Food Markets in Southern Africa in March 2017 – ALPS



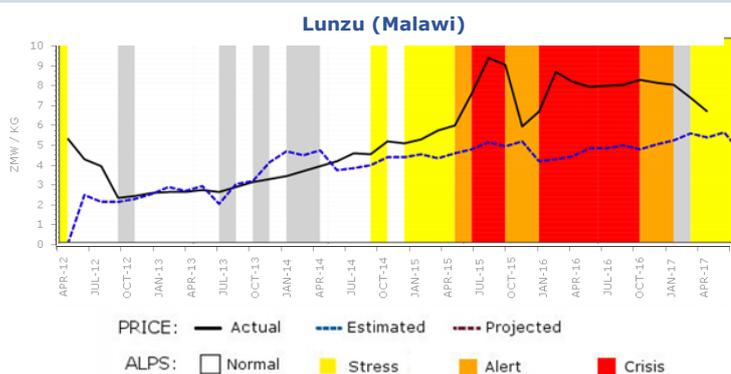
Source: WFP

Overall 58 percent or 68 out 117 of ALPS monitored markets in southern Africa were either in Stress, Alert or Crisis in March (**7A**), a considerable decline relative to February (93 percent) reflecting improved market supply resulting from early harvest. Maize prices are very likely to remain above their average price trend at least until the in May.

² Mozambique data were not available and hence not included in the analysis.

³ Nominal price measures the value of a product at current prices. Real prices on the other hand are nominal prices adjusted for inflation (i.e. exclude the effect of inflation).

Figure 8: ALPS maize grain market price trend in Lunzu market (Malawi) levels



Focus on Malawi: Figure 8 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 dropped by 15 percent in March relative to February. The market experienced consistent price decline since January 2017 as reflected by the shift from ALPS Alert mode to ALPS Stress mode in March. Price are expected to remain above average in May.

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 a 3 percent loss against the US Dollar in April 2017. Similarly most countries across the regions have seen their currencies decline m-o-m vis-à-vis the US Dollar (Figure 9).

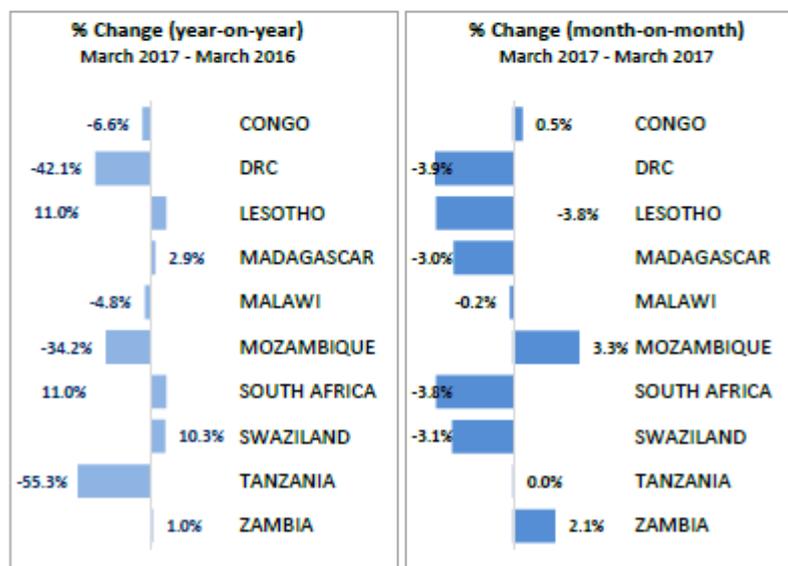
Inflation Rates: Inflation rates in the region in April 2017 were as follows (Figure 9): Mozambique (21.3 percent), Malawi (14.6 percent), Zambia (6.7 percent), Tanzania (6.4 percent), and South Africa (6 percent). Note that Zimbabwe inflation was slightly positive in April (0.5 percent). Persistent wide liquidity challenges in the country resulted in depressed demand and negative inflation in 2016 and beginning 2017. The Zimbabwean Central Bank has recently urged the public to replace the US Dollar with the South African Rand as the country's main currency in order to address the liquidity problem that the country is facing.

Figure 9: Forex & Inflation – April 2017

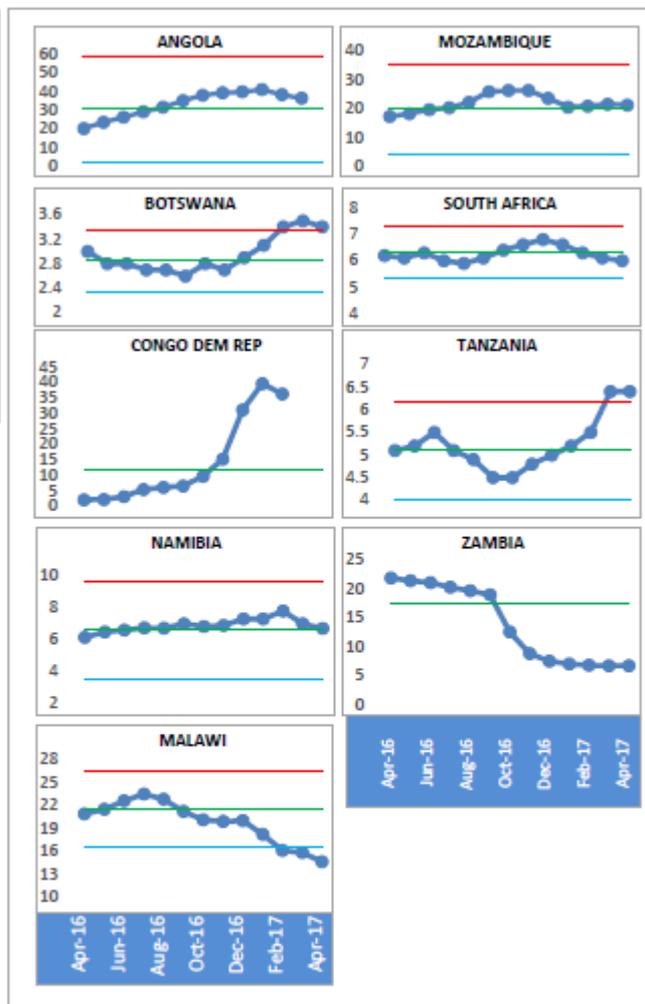
Exchange Rate Table

Country	Exchange rate compared to 1 USD			% Change (y-o-y)*	% Change (m-o-m)*
	Apr-16	Mar-17	Apr-17		
CONGO	579	616.8	613.9	-6.6%	0.5%
DRC	928.1	1 318.8	1370.1	-42.1%	-3.9%
LESOTHO	14.6	13.0	14	11.0%	-3.8%
MADAGASCAR	3 180.4	3 088.6	3180.0	2.9%	-3.0%
MALAWI	682.8	715.8	716.9	-4.8%	-0.2%
MOZAMBIQUE	52.0	69.8	67.5	-34.2%	3.3%
SOUTH AFRICA	14.6	13.0	14	11.0%	-3.8%
SWAZILAND	14.6	13.1	13.5	10.3%	-3.1%
TANZANIA	1 435	2 228.2	2227.9	-55.3%	0.0%
ZAMBIA	9.7	9.6	9.4	1.0%	2.1%

Exchange Rate % Change



Inflation



Legend



vam
food security analysis

Data source: <http://www.xe.com>, 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.