

SOUTHERN AFRICA

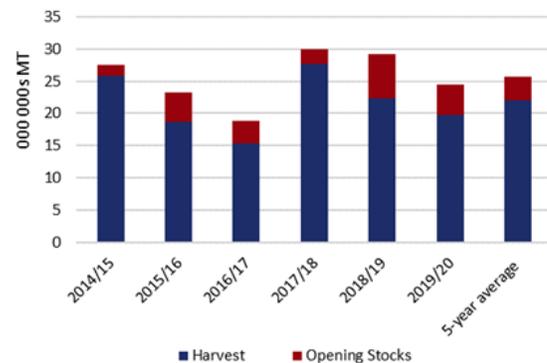
September 11, 2019

Regional Maize Supply and Market Outlook

KEY MESSAGES

- The Southern Africa region, which is typically self-sufficient in maize, will have a below-average net maize supply in the 2019/20 marketing year. This supply will also be lower than that of the 2018/19 marketing year (**Figure 1**). The region is expected to register a net maize supply of 100,000 MT, which is less than a tenth of the five-year average net supply. This is the lowest that supplies have been since the 2016/17 marketing year when supplies were exceptionally low as a result of El Niño conditions.
- The region's 2019 maize harvest was 10 percent below average due to an unusual dichotomy of severe drought, cyclones, and flooding experienced during the 2018/19 agricultural season. Most countries are likely to post maize deficits while a few will register minor surpluses in the 2019/20 marketing year (**Figure 2**). South Africa and Zambia, the two key maize producing countries in the region have seen maize harvest declines of 9 percent and 32 percent respectively compared to their respective five-year averages.
- Due to tighter than normal regional maize supplies this marketing year, the region will need imports to satisfy national requirements among structurally maize deficit countries. Atypically large imports of maize grain from international markets are likely to flow into South Africa and Zimbabwe.
- In terms of intra-regional trade, South Africa's maize export volumes to Zimbabwe are likely to be above average to meet these countries national requirements in the upcoming marketing year. Due to a reduced harvest, atypically low volumes of maize are expected to flow from Zambia to neighboring countries such as Zimbabwe, Malawi, and Haut-Katanga in DRC. Although Tanzania is expecting an above-average surplus, the bulk of its exports are likely to be destined for Kenya while a small proportion likely to flow to Zimbabwe.
- Maize grain prices are generally above five-year average levels. In Malawi and Zambia, maize prices are significantly above average. Prices are expected to remain above average in the region throughout the marketing year.

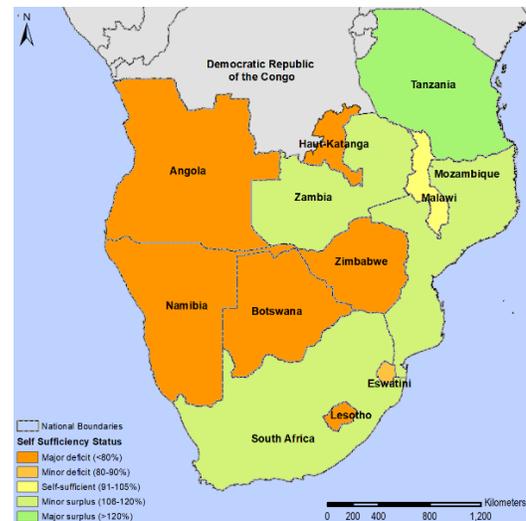
Figure 1. Regional maize supply estimates (000 000s MT)



Note: Figures presented in this chart include Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe. 5-year average covers 2014/15 – 2018/19.

Source: FEWS NET, IAPRI, WFP Estimates.

Figure 2. Maize self-sufficiency status (2019/20 marketing year)



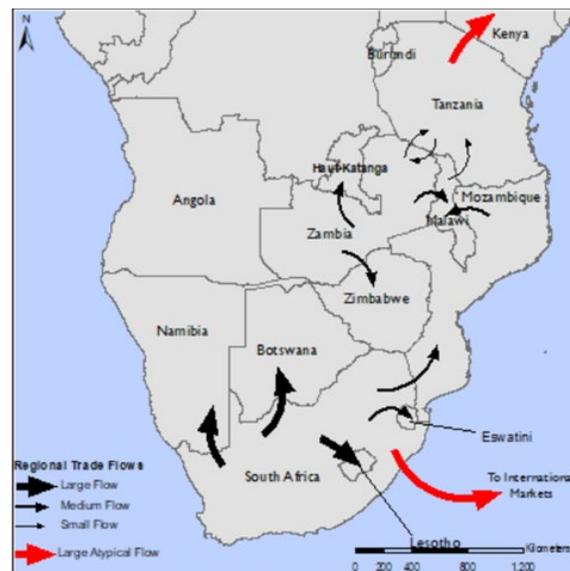
Source: FEWS NET, IAPRI, WFP estimates.

The Regional Supply and Market Outlook report provides a summary of regional staple food availability, surpluses and deficits during the current marketing year, projected price behavior, implications for local and regional commodity procurement, and essential market monitoring indicators. To learn more about typical market conditions in Southern Africa, readers are invited to explore the [Southern Africa Regional Maize Market Fundamentals Summary](#).

CURRENT MAIZE SUPPLY AND TRADE TRENDS¹

- Regional² level opening stocks were significantly above average. In South Africa, the largest maize producer in the region, stocks were high at 2.8 million MT, which was 33 percent above average. Other countries contributing to this high level of opening stocks were Mozambique (0.6 million MT) and Zimbabwe (0.6 million MT). However, in Zambia, one of the key maize-producing countries in the region, opening stocks were 41 percent below average. Although Tanzania is not included in this regional picture (as it typically exports its surplus to east African grain deficit countries such as Kenya), it had high opening stocks of 1.3 million MT.
- During the 2018/19 agricultural season, the region experienced an unusual dichotomy of severe drought, cyclones, and flooding and as a result, its 2019 maize harvest was 10 percent below average. Countries which posted large declines in their maize harvest compared to the five-year average were those which were particularly affected by poor rainfall, namely: Botswana (-98 percent), Lesotho (-61 percent), Zimbabwe (-34 percent), Zambia (-32 percent), Angola (-30 percent) and Namibia (-25 percent).
- South Africa's maize grain harvest in 2019 was 9 percent below average, with the yellow maize crop having been severely affected by drought conditions. As a result, there is insufficient supply of yellow maize for local and regional demand, and this is evident from the changes in the country's maize grain trade flows. In the 2018/19 marketing year, South Africa did not import any maize from international markets, and the vast majority (over 80 percent) of its maize exports were to international markets, mostly in East Asia (**Figure 3**).
- Since the beginning of the current marketing year, however, South Africa has been importing increasing volumes of yellow maize from international markets (i.e. Argentina); between April and July 2019, South Africa imported more than 200,000 MT of yellow maize grain (close to 2015/16 levels) and atypically large imports are expected to continue throughout this marketing year (**Figure 4**). South Africa's exports to regional grain deficit countries such as Botswana, Eswatini and Namibia have strengthened since April, with export levels being 14 percent above average.

- In Zambia, maize export restrictions are in place owing to reduced harvests. The country's maize exports are significantly below-average, with negligible formal outflows to regional grain deficit countries such as Zimbabwe. Between April and June 2019 however, informal maize grain and maize meal outflows to DRC picked up, doubling their respective 2018 volumes. Aggregate formal and informal outflows however remained below-average.

Figure 3. Estimated 2018/19 regional maize trade trends

Source: FEWS NET estimates.

Figure 4. Projected 2019/20 regional maize trade trends

Source: FEWS NET, IAPRI, WFP estimates.

¹ The analysis in this report refers to white maize grain, unless otherwise specified.

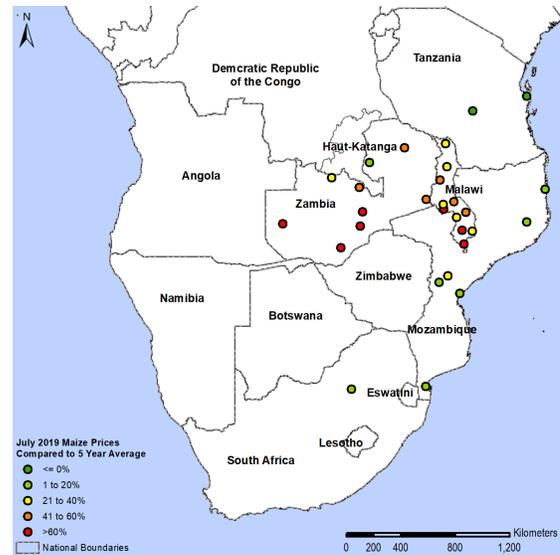
² Region in this case excludes Tanzania, DRC – Haut Katanga, Madagascar, Mauritius and Angola. The DRC does not maintain any national or local food security stocks. This report focuses on the DRC – Haut Katanga province where markets are strongly integrated with neighboring regions of Zambia and there is heavy reliance on commodity flows from Zambia through the Kasumbalesa border point.

- Atypical informal trade trends have been observed between Zimbabwe and Zambia since April. Trade flows are in reverse mode as a result of extreme drought conditions experienced in southern Zambia during the 2018/19 agricultural season, as well as the strength of the Zambian Kwacha (ZMW) over the Zimbabwean Dollar (ZWL). Informal cross border traders have been moving maize grain from northern surplus producing areas of Zimbabwe³ to the southern districts of Zambia. While a trade ban is in place in Zimbabwe, these outflows have been increasing, and customs officials had in July begun limiting quantities exempt from duty to 90 kilograms per person per single entry.
- Tanzania’s informal maize grain exports to East African markets have been strong since January, with volumes surpassing those from Uganda, which has typically been the dominant exporter⁴. Maize supplies in Uganda are tight as 2019 harvests are anticipated to be below-average. Kenya, the main recipient of Tanzanian maize, is experiencing maize shortages.

CURRENT MAIZE PRICES AND RESERVE PROCUREMENTS

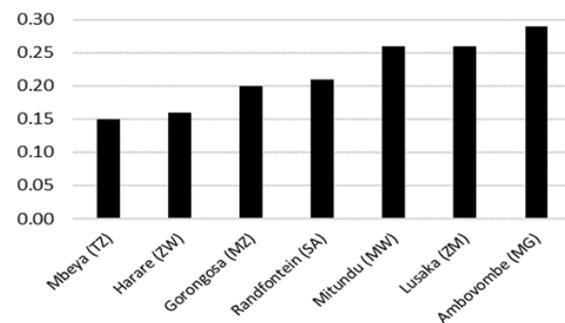
- Reduced harvests have seen maize grain prices in the region trending at significantly above-average levels (Figure 5). Prices of maize grain at main regional markets are between 10 percent and 80 percent higher than their respective five-year average.
- In Zimbabwe and Malawi, prices have been following atypical trends, increasing very rapidly in between June and July when they should have been stable. Since April, maize grain prices in Zambia have also been trending at levels up to 53 percent above average. In USD terms, the maize grain prices have been lowest in Tanzania and Zimbabwe while very high in Malawi, Zambia, and Madagascar (Figure 6).
- Despite it being harvest time, maize prices in Zimbabwe have been on a steep increase since introduction of the Zimbabwe Dollar (ZWL) in February (Figure 7). In recent months several monetary changes in Zimbabwe have seen the new currency, the ZWL, depreciate by up to 187 percent against the USD between March and July. In addition, continued increases in fuel prices have exerted pressure on maize prices in the same reporting period.
- Food reserve agencies in Malawi and Zambia face stiff competition from private traders this marketing year due to tight maize supplies. As a result, the agencies may fail to procure their targeted volumes of maize grain. Zambia’s Food Reserve Agency (FRA) has expressed intentions to purchase only 300,000 MT of maize grain this marketing year, which is less than the typical 500,000 MT. Taking into consideration increased production costs, the agency increased its maize purchase price in July by nearly 50 percent, i.e. from ZMW 75 per 50 kg bag (USD 0.12 per kilogram) last year to ZMW 110 per 50 kg bag (USD 0.17 per kilogram).
- While this has been a positive development for producers, concerns remain about delays by the agency to honor payment obligations. As of August 9, 2019, the agency had

Figure 5. July 2019 maize prices compared to 5-year average



Source: FEWS NET.

Figure 6. July 2019 maize grain prices at selected regional markets (USD/kg)



Note: All prices are at the retail level, except for Mbeya where prices are at the wholesale level. Ambovombe (MG) prices are for yellow maize.

Source: FEWS NET estimates.

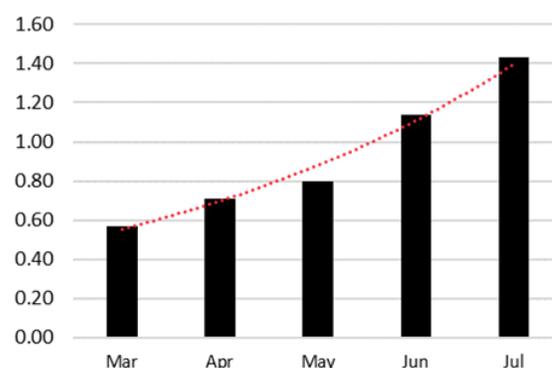
³ The FEWS NET informal cross border trade system reports main source as Makonde district.

⁴ East Africa Cross Border Trade bulletin April 2019.

managed to purchase just over 51,000 MT, against a targeted total of 300,000 MT.

- In Malawi, the Agricultural Development and Marketing Corporation (ADMARC), the state-owned agency involved in grain marketing and storage, is facing increasing competition from private traders. The agency began maize grain procurements in early July. However, deliveries have been low as the producer price of MWK 150 (USD 0.20 per kilogram) has been below market prices, which ranged between USD 0.22 and USD 0.34 in July. Recent⁵ maize producer price revisions of MWK 200 per kilogram (USD 0.27 per kilogram) may improve deliveries to ADMARC. Maize procurements by traders and ADMARC saw prices rise steeply between June and July.
- The Government of Zimbabwe exclusively mandated the Grain Marketing Board (GMB) for maize marketing through implementation of statutory Instrument 145 of 2019. This however has not been fully enforced as some informal maize outflows to Zambia have been observed. The GMB is targeting purchase of close to 450,000 MT from farmers. By end of July 100,000 MT of grain had been procured after revision of the producer price from ZWL 1,400 per MT (USD 0.16 per kilogram) to ZWL 2,100 per MT (USD 0.24 per kilogram).

Figure 7. Zimbabwe March to July 2019 maize grain prices (ZWL/kg)



Source: FEWS NET estimates.

PROJECTED MARKET TRENDS FOR 2019/20

- Despite above-average opening stock levels of 4.7 million MT, the southern Africa region, which is typically self-sufficient in maize, is expected to register a minor maize surplus slightly above 100,000 MT in the 2019/20 marketing year (**Table 1**). Countries such as Zimbabwe and Botswana are expected to have above-average deficits of about 0.8 million MT and 0.3 million MT respectively. The region is expected to have a significantly below-average net maize supply of 100,000 MT which is less than a tenth of the five-year average. This is the lowest that supplies have been since the 2016/17 marketing year when supplies were exceptionally low as a result of El Niño conditions.
- Due to tighter regional maize supply this year, the region is expected to see atypical trends of large imports from international markets and no exports to international markets (**Figure 4**). South Africa is likely going to continue importing large volumes of yellow maize from Argentina which has ample supplies. Zimbabwe may source both white and yellow maize from regional and international markets.
- Although South Africa's 2019/20 surplus of 1 million MT will be 49 percent below average, it is still expected to help offset deficits in countries such as Botswana, Lesotho, Namibia, and Eswatini. South Africa's maize export volumes to Mozambique and Zimbabwe are likely to be significantly above average, and its exports to Mozambique are already above average⁶. South Africa's international yellow maize imports from international markets are likely to free up some of the country's white maize surplus, which may be availed in the region to off-set deficits of up to 300,000 MT in countries such as Zimbabwe⁷.
- Owing to low maize production, a modest surplus of approximately 0.2 million MT (75 percent below-average), and relatively high prices, Zambia's maize outflows to regional grain deficit countries, particularly Zimbabwe and DRC (Haut-Katanga), will be weak. Zambia's export restrictions (re-introduced in April 2019) are likely to stay in place; thus, informal trade and humanitarian aid are likely to constitute the majority of such trade. Informal maize inflows from Zimbabwe to Zambia may tail off in the coming months as the source country faces severe grain deficits.
- Tanzania has a relatively high exportable maize surplus this marketing year and trade with Kenya has been strong. A significant volume, estimated at up to 1 million MT, may be exported to Kenya in the 2019/20 marketing year while a small proportion may be destined for Zimbabwe. The 1 million MT commitment represents an all-time high for Tanzania. For the same reason, informal trade of maize from Malawi to Tanzania is expected to be negligible this marketing year.

⁵ August 16, 2019 announcement by the Government of Malawi

⁶ Although Annex 1 suggest above-average opening stocks and an average harvest for Mozambique, the figures are still under review and updated figures are to be released.

⁷ Estimates based on consultations with stakeholders in the South African maize marketing system.

- In terms of local procurements by food reserve agencies, commitments of 300,000 MT by Zambia's FRA and 450,000 MT by Zimbabwe's GMB may not fully materialize given trader competition. Zimbabwe's GMB may require regional or international imports to fill this gap. However, economic challenges, particularly ongoing liquidity shortfalls in the country, may restrain full procurement. Review of producer prices in Malawi may see a good proportion of NFRA's 40,000 MT and ADMARC's intended procurements of 16,000 MT realized. However, the targeted procurements are well below normal levels.
- Maize grain prices in the region are expected to remain above average throughout the 2019/20 marketing year (**Figures 8-10**). Significantly above average prices are expected in Malawi and Zambia partly due to upward revisions of maize producer prices in July 2019. In South Africa, maize prices are expected to be marginally above average and there are no expectations for exceptionally high price transmission to Botswana, Eswatini, Lesotho and Namibia. In Zimbabwe, macroeconomic imbalances will continue to exert inflationary pressure on maize grain prices throughout the marketing year.

Table I: Regional maize balance sheet (April 2019 – March 2020 in '000s MT)

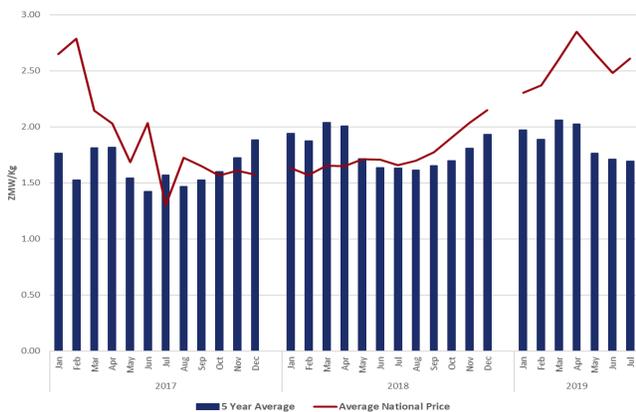
Item	2019/20	2018/19	FEWS NET 5-year average (2014/15 - 2018/19)	% Change over one year	% change over five years	Change one year	Change 5-year average
Harvest	19,768	22,315	21,984	-11%	-10%	▼	▼
Opening Stocks	4,664	6,819	3,743	-32%	25%	▼	▲
Supply	24,432	29,134	25,727	-16%	-5%	▼	►
Requirements	22,622	22,845	22,303	-1%	1%	►	►
SGR Carry over	1,708	2,064	2,071	-17%	-18%	▼	▼
Net Supply	102	4,225	1,353	-98%	-92%	▼	▼

Note: This table considers data from Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe.

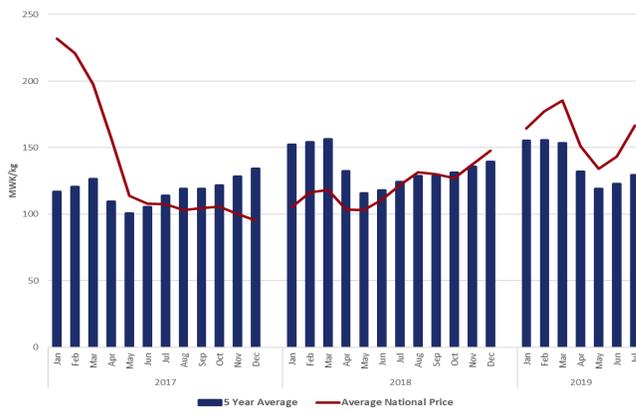
Source: FEWS NET, IAPRI, WFP Estimates estimates based on SAGIS, SADC, FAO/GIEWS, and Ministry of Agriculture data.

Annex IV. National Average Maize Prices for Select Countries

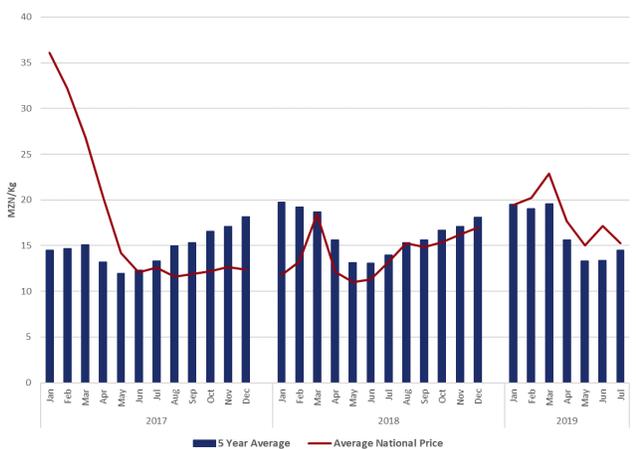
Zambia (ZMW/Kg)



Malawi (MWK/Kg)



Mozambique (MZN/Kg)



Tanzania (TZS/100kg)



Source: WFP.

Annex V. Global Cereal Supplies

Global commodity markets remain well supplied with maize rice and wheat (Figure 11). These supplies are expected to remain above average in 2019/20 despite expectations for lower U.S. maize production where excessive and prolonged spring rains have reduced yield prospects for the 2019/20 crop. The U.S. Department of Agriculture’s (USDA) combined maize, rice and wheat supply projections for the September 2019 to August 2020 marketing year, point to a modest increase mainly due to higher wheat production (USDA). Stock-to-use ratios are projected to be above five-year average levels for rice and wheat but will remain below five-year average levels for maize.

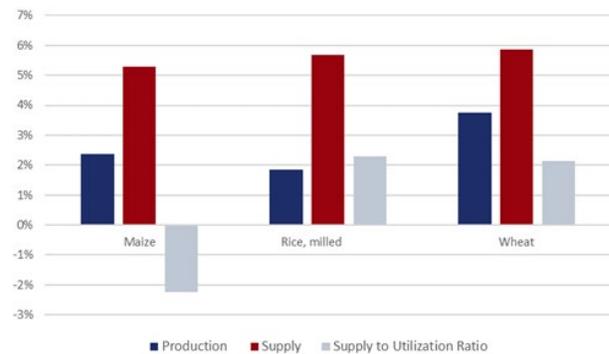
Global rice and wheat prices stabilized on average during the first half of 2019 while maize prices increased above 2018- and five-year average levels owing to reduced production prospects for the 2019 U.S. crop (Figure 12). Global cereal prices are on average expected to remain stable in 2019 but could increase by 2020 from lower 2019/20 U.S. crops along with higher energy and fertilizer costs (World Bank).

Key risks for the global cereal market include high energy and fertilizer prices, higher than expected demand for biofuels, sluggish global economic growth, domestic support and trade policy related risks, currency depreciation in emerging and developing economies, and poor weather patterns in major producer and export countries.

ENSO-neutral conditions are present and are forecast (50 – 55 percent chance) to continue through the Northern Hemisphere 2019/20 winter (NOAA). The impact of this forecast will vary geographically (Figure 13).

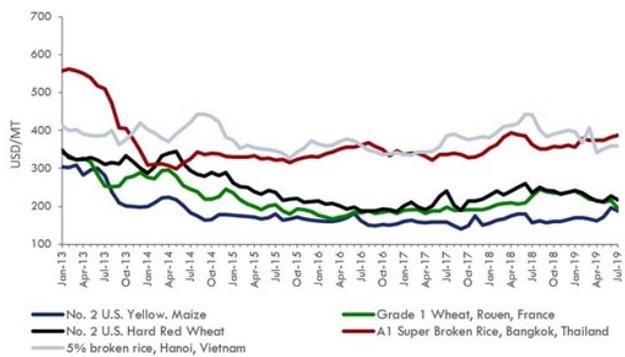
FEWS NET will continue to monitor the global commodity situation in the coming months as global 2019/20 commodity supply estimates by the USDA, International Grains Council (IGC), the FAO, and AMIS are updated.

Figure 11. Global maize, rice and wheat supply (2019/20 compared to 2014/15 - 2018/19 average)



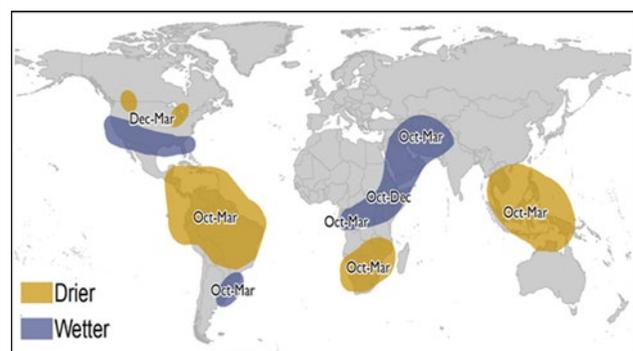
Source: FEWS NET calculations based on USDA July 2019 data.

Figure 12. Global commodity prices (USD/MT) 2013-2019



Source: Food and Agriculture Organization of the United Nations (FAO), World Bank, 2019.

Figure 6. Typical global El Niño impacts, October - March



Source: FEWS NET.