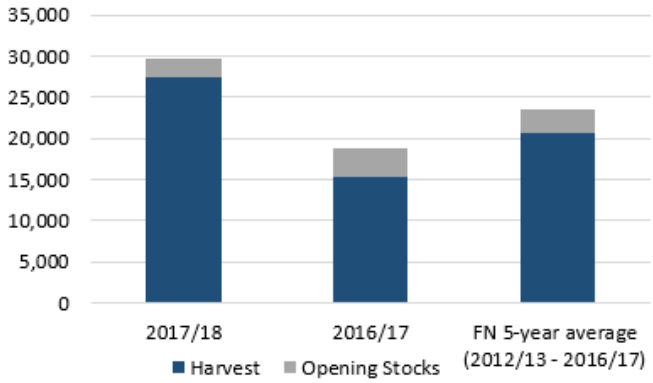
SOUTHERN AFRICA Regional Supply and Market Outlook

August 31, 2017

KEY MESSAGES

- Maize supplies in Southern Africa are above-average, owing to high production levels during the 2016/17 production year (**Figure 1)**. Production for the 2017/18 marketing year is estimated to be average to above average across the region, with substantially above-average harvests reported in South Africa.
- Regional maize surpluses for the 2017/18 marketing year are expected to be substantially higher than average levels. This is a significant shift from the 2016/17 marketing year, when maize supplies were severely constrained by the El Nino induced drought, triggering record-high international imports and influencing opening-stocks for the 2017/18 marketing year.
- The 2017/18 surplus will satisfy national import requirements among structurally-deficit countries. Furthermore, given large surpluses and relatively low prices, the region is expected to export internationally to satisfy maize gaps in East Asia and East Africa during the 2017/18 marketing year.
- Tanzania, which is typically surplus-producing for maize, has below-average net supplies (***Annex 1***) and is importing maize from Zambia and Malawi.
- Maize prices in Malawi and Mozambique have recovered from the exceptionally high levels experienced during the last two marketing seasons. Elsewhere in the region, maize prices are at or below average levels and expected to remain so throughout the 2017/18 marketing year (**Figure 2**). Exceptions to this trend may likely be in Tanzania where prices are expected to remain above average.

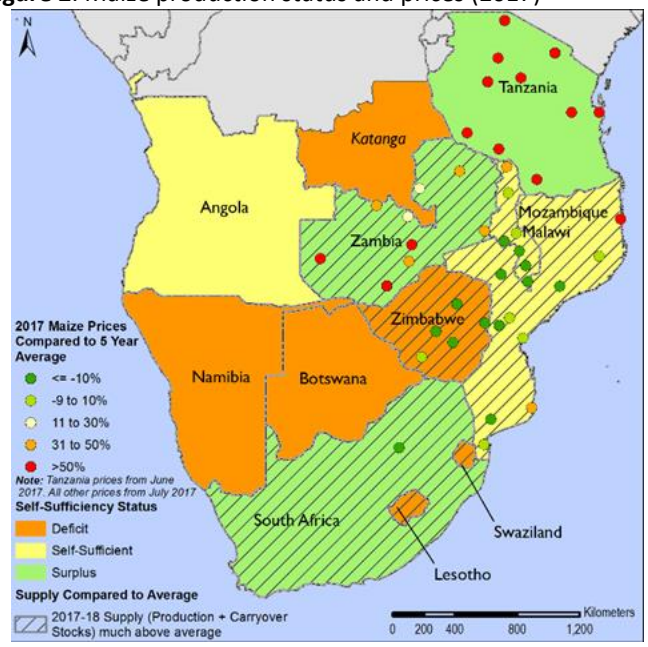
Figure 1. Regional maize supply estimates (000s MT)



Note: Figures presented in this chart include Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe.

Source: FEWS NET estimates

Figure 2. Maize production status and prices (2017)



Source: FEWS NET estimates.

ABOUT THIS REPORT

The Famine Early Warning Systems Network (FEWS NET) monitors trends in staple food supply and price trends in countries at risk of food insecurity. 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. FEWS NET gratefully acknowledges partner organizations, national ministries of agriculture, national market information systems, regional organizations, and others for their assistance in providing the harvest estimates, commodity balance sheets, as well as trade and price data used in this report. To learn more about typical market conditions in Southern Africa, readers are invited to explore the Southern Africa Regional Maize Market Fundamentals Summary.

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CURRENT MAIZE SUPPLY AND PRICES

- Regional net maize supplies are currently at record high levels following above-average production in the 2016/17 agricultural year (***Annex 3***).[1] Most countries across the region had above-average harvests. This is a significant turnaround from the two previous seasons where large deficits were registered for Southern Africa, a region typically self-sufficient in maize. The previous 2016/17 marketing year had a significant regional deficit which, coupled with low global commodity price trends, triggered record-level international maize imports and a large-scale regional humanitarian response.

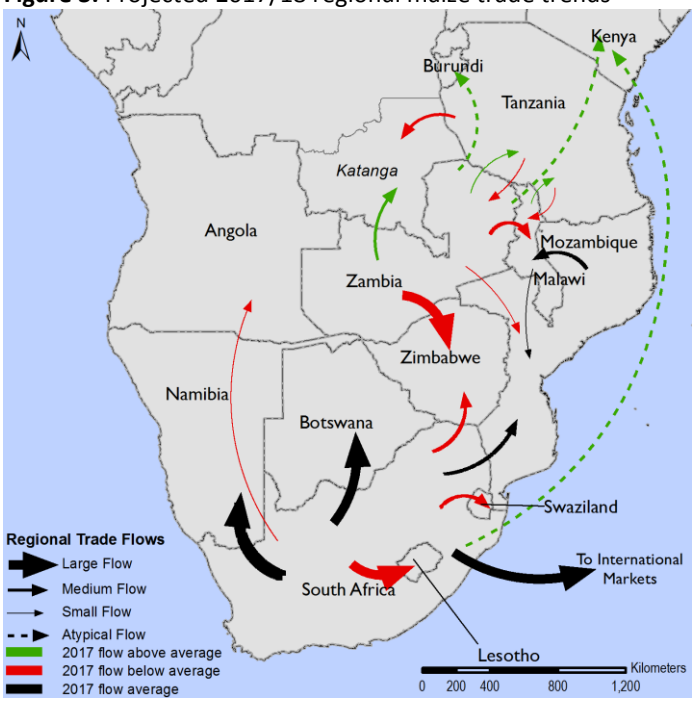
- Above-average 2017 harvests have offset the effects of below-average opening stock levels driven by tight maize supplies during the previous marketing year. An exception to this trend is Malawi where opening stocks are above average owing to exceptionally high levels of maize imports from neighboring Zambia by government and private traders.

- South Africa, the largest maize producer and exporter in the region has well above-average net supplies of maize, having registered a record level harvest this year (16 million MT), which has been 36% above average (12 million MT), and double the 2016 harvest (8 million MT). Zambia, the second largest exporter also has above-average net supplies, having realized a harvest 27% above average. Tanzania, which is typically surplus in maize, has below-average net supplies.

- Net maize supplies in typically maize-deficit countries of Zimbabwe and Lesotho are 72 % and 84% above average, respectively, owing to record harvest levels. Domestic maize supplies in Mozambique and Swaziland are above average, with harvests that are 24% and 27% above average, respectively. An exception to this trend is Madagascar where net supplies are below average as maize harvests are 9% below average, a trend that has been maintained for a third consecutive year. Net rice supplies are below average in Madagascar and Mozambique, owing to harvests 9% and 21% below average, respectively. Madagascar and Mozambique typically augment domestic rice supplies with substantial international imports.

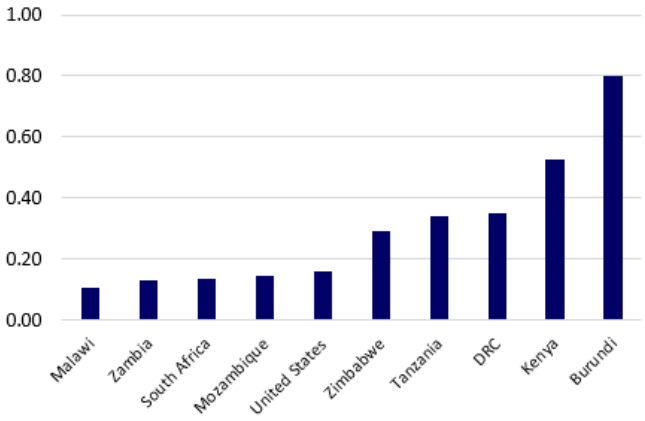
- Marketable maize surpluses are high in South Africa and Zambia, covering national deficits within the region. Regional trade is facilitating movement of maize surpluses from South Africa to Botswana, Lesotho, Namibia, Swaziland, Mozambique, and Zimbabwe, while surpluses from Zambia are being moved to Malawi, DRC, Tanzania, and Zimbabwe.

Figure 3. Projected 2017/18 regional maize trade trends



Source: FEWS NET estimates.

Figure 4. Comparison of June 2017 maize prices (USD/kg)



Note: All prices have been converted to USD/kg for comparison. South Africa and United States price are FOB (export), Zambia and Tanzania prices are wholesale, while the rest are retail.

Source: FEWS NET and FAO GIEWS estimates.

[1] This report considers maize production and markets in Lesotho, Malawi, Mozambique, Zambia, and Zimbabwe, South Africa, Botswana, Namibia, and Swaziland in regional aggregates. Angola and Mauritius are not included, while Tanzania, Madagascar, and the DRC are mentioned but are not included in the regional aggregate.

Maize is also being exported typically from Mozambique to southern Malawi; and northern Malawi to Tanzania. This is despite import restrictions in Zimbabwe and the export ban in Malawi.

- Zambia has removed both the export ban in place from April 2016 to May 2017 and the export duty in place from November 2016 to June 2017 to encourage trade. The export ban in place in Tanzania is not expected to have a direct influence on trade in Southern Africa. The region is expected to have a 2.8 million MT surplus after filling domestic import requirements. South Africa is currently exporting to East Africa (particularly Kenya) and East Asia, while Zambia is exporting to Burundi and Kenya. These exports are being driven by large price differentials between Southern Africa and East Africa (**Figure 4**).

- After reaching exceptionally high levels in 2016/17, maize prices in the region are at or below-average levels owing to above-average domestic supply. Exceptions are Tanzania where prices are above average due to slightly below average net supplies (**Figure 5**). In Malawi and Mozambique maize prices have recovered from exceptionally high levels during the last two marketing seasons. Parity prices (expressed in USD/kg) are low for most of the countries in the region but high for Tanzania and DRC as well as in the East African countries of Kenya and Burundi. Preference for non-GMO maize and lower marketing costs is pushing more of Zambian rather than South African maize to the East African market.

- The Zambian Food Reserve Agency (FRA) has yet to begin purchases of maize for the Strategic Grain Reserve. The pace of purchases in Malawi are also slow because the Agricultural Development and Marketing Corporation (ADMARC) is currently cash strained to fulfill its mandate of grain purchases from farmers while sitting on a large maize stock with little market demand. In Zimbabwe, maize grain purchases by the Grain Marketing Board (GMB) are ongoing. Institutional purchase prices are favorable in Malawi and Zimbabwe as they are higher than or close to the ceiling of prevailing market prices (**Table 1**).

Table 1. Comparison of institutional purchase and prevailing market prices (July 2017)

Institution	Institutional buying price for 2017/18	Prevailing market prices in July/Aug 2017
Grain Marketing Board, Zimbabwe (USD/kg)	0.39	0.14 - 0.46
ADMARC, Malawi (MWK/kg)	170.00	65.00- 134.00
Food Reserve Agency, Zambia (ZMW/kg)	1.20	1.11-2.11

Source: FEWS NET 2017.

PROJECTED MARKET TRENDS FOR 2017/18

- The region is expected to have above-average net maize supplies over the 2017/18 marketing year. The regional maize surplus (excluding Tanzania which typically trades with East African countries and DRC) is expected to substantially higher than average levels (**Table 2**). Given recent trade flow patterns, current demand structure, and the price differentials and marketing costs the most likely scenario is that Tanzania will be drawing from the surplus in Southern Africa. Even in the presence of this external demand, the region is expected to maintain its surplus maize conditions **(Annex 2-3)**.

Table 2 : Regional maize balance sheet (April 2017 – March 2018, 000s MT)

	2017/18	2016/17	FN 5-year average (2012/13 - 2016/17)	% change over one year	% change over 5 year average	Change one year	Change 5 year average
Harvest	27,339	15,401	20,550	78%	33%	▲	▲
Opening Stocks	2,266	3,443	2,938	-34%	-23%	▼	▼
Supply	29,605	18,844	23,488	57%	26%	▲	▲
Requirements	23,239	22,149	21,391	5%	9%	►	►
SGR Carry over	2,055	2,096	1,976	-2%	4%	►	►
Net Supply	4,310	-5,401	121				
Self sufficiency	127%	78%	101%	64%	26%	▲	▲

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

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

- South Africa's maize surplus is expected to be more than four times average levels and likely to be exported regionally and internationally, supported by globally competitive prices, which are trending at or slightly below those of major producers, USA and Argentina. The main international market for South African maize is likely to be Asia, with less of the exports destined for the East African market due to the GMO nature of South African maize.

- Zambia's exportable surplus will be more than 40 percent above average and likely serve to fill deficits as far as East Africa, where effective demand is likely to remain high due to shortages, particularly in Kenya. Trade with regional grain deficit countries is likely to be relatively weak while trade with the East African countries of Kenya and Burundi may be strong and sustained by high effective demand and large price differentials. Despite this strong demand from East Africa, it is unlikely to absorb all of Zambia's exportable surplus.

- The Zambian Food Reserve Agency is likely to purchase its 500,000 MT maize grain target given high levels of supply and low regional demand. The agency's current low buying price may see market prices falling slightly during the purchase period. The Agricultural Development and Marketing Corporation (ADMARC) in Malawi may purchase below-normal levels of maize owing to high carryover stock levels and financial constraints. In Zimbabwe, maize grain deliveries to the Grain Marketing Board (GMB) may be above average owing to high domestic availability and favorable purchase prices. Humanitarian contributions to the cereal supply in the region is expected to be below-normal levels during the November to March lean season, especially in Malawi, Mozambique, and Zimbabwe where domestic supplies are above average.

- Maize grain prices are expected to follow seasonal trends and be near average or below-average throughout the marketing year (Figure 5 and Figure 6). In South Africa, maize prices are likely to remain depressed throughout the marketing year. Despite the cash crisis in Zimbabwe, maize prices are expected to follow normal trends, as buyers and sellers in informal markets are likely to continue transactions with the minimal cash in circulation while retail outlets continue to accept electronic debit cards and mobile money. Maize prices will most likely remain above average in Tanzania.

- International forecast models indicate that the El Niño-Southern Oscillation (ENSO) will continue to be neutral and a weakly positive Southern Indian Ocean Dipole (SIOD) is likely during the main cropping season. These conditions will result in average to above average seasonal rainfall in most of unimodal Southern Africa and average to below-average rainfall in southern areas during the October 2017-March 2018 period. These conditions may result in average domestic level supplies for the 2018/19 marketing year. This is a difficult season to forecast accurately given the weak SIOD and ENSO signals, so international forecast models will need to be monitored closely in the coming months.

Figure 5. Maize price projections for selected regional markets July 2017 - March 2018

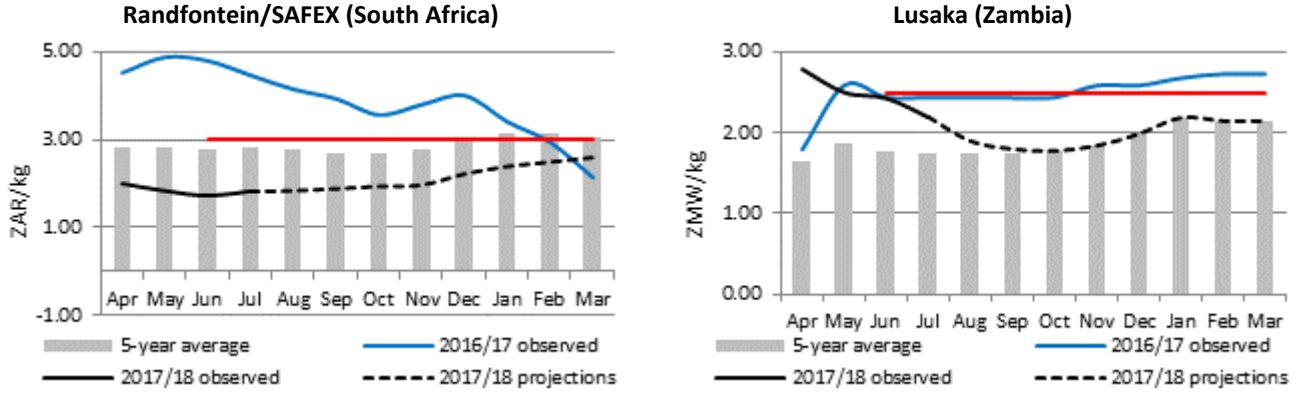
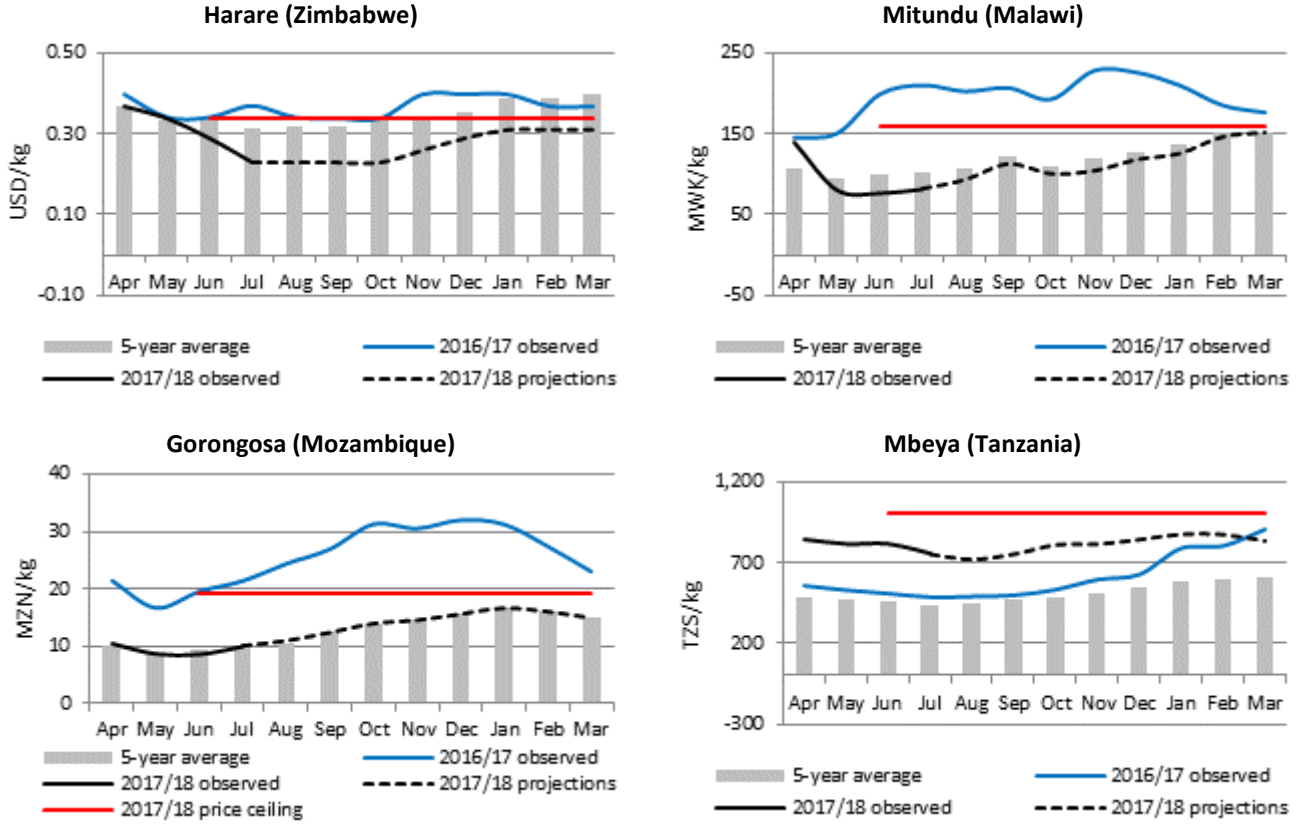


Figure 6. Maize price projections for selected regional markets July 2017 - March 2018



Source: FEWS NET estimates.

EVENTS THAT COULD CHANGE THE OUTLOOK

- Significantly large price differentials and strong demand for maize in Tanzania and/or other East African countries may result in higher than anticipated levels of grain exports from Malawi and elevate prices in source areas.
- Changes in anticipated climatic conditions and increased crop damage due to the Fall Armyworm (FAW) during the 2017/18 production year may lead to poor production prospects, resulting in higher than projected maize price increases during the peak of the lean season period from January to March 2018.
- Depreciation of exporting countries' currencies may have positive impact on import parity prices for deficit countries.

MARKET MONITORING INDICATORS FOR THE 2017/18 MARKETING YEAR

Indicator	Justification
SGR purchases	Purchases by national SGR have the potential to affect market behavior significantly. Purchases have not officially started across Southern Africa, but purchase quantities and prices should be monitored closely.
Regional maize trade flows	Regional maize grain and maize meal exports (private sector and government; formal and informal) volumes from Zambia and South Africa will assure needs of maize deficit countries in the region. Significant price differentials and strong demand in Tanzania and East Africa (especially Kenya and Burundi) may draw higher than normal levels of maize from Malawi and Zambia. Formal an informal trade flows, as well as prices should be monitored closely.
International maize exports	FEWS NET expects South Africa will continue exporting to international markets. Strong export demand may draw on the surplus that would otherwise cover regional deficits, while reduced demand may further depress prices. Exports should be monitored closely.

Currency fluctuations	The behavior of regional currencies throughout the region vis-à-vis the USD may impact import and export parity prices. The macroeconomic context in Zimbabwe needs to be monitored closely as the cash crisis may have a negative impact on maize prices. It may be useful to monitor maize for livestock or maize for casual labor Terms of Trade to get a better sense of purchasing power.
Food assistance	In-kind food assistance is known to typically fill cereal gaps in countries such as Malawi, Mozambique, and Zimbabwe and should be monitored.

ANNEX 1: Maize balance sheets by country[2]

Country	Item	2016/17	2017/18	FN 5-year average (2012/13 - 2016/17)	% change over one year	% change over 5 year average	Change one year	Change 5 year average
Botswana	Harvest	4	16	16	297%	0%	▲	►
Botswana	Opening Stocks	1	1	4	0%	-74%	►	▼
Botswana	Supply	5	17	20	238%	-14%	▲	▼
Botswana	Requirements	221	221	204	0%	8%	►	►
Botswana	SGR Carry over	40	40	40	-1%	0%	►	►
Botswana	Net Supply	-256	-244	-224	-	-	-	-
Botswana	Self sufficiency	2%	8%	10%	238%	-21%	▲	▼
DRC - Katanga	Harvest	599	804	804	34%	0%	▲	►
DRC - Katanga	Opening Stocks	0	0	0	-	-	-	-
DRC - Katanga	Supply	599	804	804	34%	0%	▲	►
DRC - Katanga	Requirements	2,850	2,850	2,850	0%	0%	►	►
DRC - Katanga	SGR Carry over	0	0	0	-	-	-	-
DRC - Katanga	Net Supply	-2,252	-2,046	-2,046	-	-	-	-
DRC - Katanga	Self sufficiency	21%	28%	28%	34%	0%	▲	►
Lesotho	Harvest	25	200	63	701%	220%	▲	▲
Lesotho	Opening Stocks	22	20	26	-9%	-22%	►	▼
Lesotho	Supply	47	220	88	368%	149%	▲	▲
Lesotho	Requirements	253	245	251	-3%	-3%	►	►
Lesotho	SGR Carry over	2	2	1	0%	56%	►	▲
Lesotho	Net Supply	-208	-27	-167	-	-	-	-
Lesotho	Self sufficiency	19%	90%	35%	384%	155%	▲	▲
Madagascar	Harvest	301	320	352	6%	-9%	►	►
Madagascar	Opening Stocks	0	0	0	-	-	-	-
Madagascar	Supply	301	352	352	17%	0%	▲	►
Madagascar	Requirements	364	364	407	0%	-11%	►	▼
Madagascar	SGR Carry over	0	0	0	0	-	-	-
Madagascar	Net Supply	-63	-12	-55	-	-	-	-
Madagascar	Self sufficiency	83%	97%	86%	17%	12%	▲	▲
Malawi	Harvest	2,122	3,093	3,147	46%	-2%	▲	►
Malawi	Opening Stocks	21	302	30	1340%	894%	▲	▲
Malawi	Supply	2,143	3,396	3,177	58%	7%	▲	►
Malawi	Requirements	2,813	3,228	3,024	15%	7%	▲	►
Malawi	SGR Carry over	283	217	166	-23%	31%	▼	▲
Malawi	Net Supply	-953	-49	-65	-	-	-	-
Malawi	Self sufficiency	76%	105%	105%	38%	0%	▲	►

[2] Data for the 2017/18 marketing year (MY 2017/18) are FEWS NET estimates as of July 31st 2017; ► denotes less than or equal to 10 percent change; ▲denotes greater than 10 percent increase; ▼denotes greater than 10 percent decrease.

Country	Item	2016/17	2017/18	FN 5-year average (2012/13 - 2016/17)	% change over one year	% change over 5 year average	Change one year	Change 5 year average
Mozambique	Harvest	1,794	2,040	1,641	14%	24%	▲	▲
Mozambique	Opening Stocks	97	40	162	-59%	-75%	▼	▼
Mozambique	Supply	1,891	2,080	1,803	10%	15%	►	▲
Mozambique	Requirements	2,330	2,330	2,296	0%	1%	►	►
Mozambique	SGR Carry over	10	10	6	0%	67%	►	▲
Mozambique	Net Supply	-449	-260	-473	-	-	-	-
Mozambique	Self sufficiency	81%	89%	79%	10%	14%	►	▲
Namibia	Harvest	77	62	62	-20%	0%	▼	►
Namibia	Opening Stocks	0	2	8	-	-75%	-	▼
Namibia	Supply	77	64	70	-17%	-9%	▼	►
Namibia	Requirements	163	163	158	0%	3%	►	►
Namibia	SGR Carry over	10	10	10	0%	0%	►	►
Namibia	Net Supply	-96	-109	-93	-	-	-	-
Namibia	Self sufficiency	47%	39%	45%	-17%	-12%	▼	▼
South Africa	Harvest	7,973	16,067	11,806	102%	36%	▲	▲
South Africa	Opening Stocks	2,475	1,095	1,510	-56%	-27%	▼	▼
South Africa	Supply	10,448	17,162	13,316	64%	29%	▲	▲
South Africa	Requirements	11,453	11,805	11,188	3%	6%	►	►
South Africa	SGR Carry over	1,251	1,273	1,198	2%	6%	►	►
South Africa	Net Supply	-2,256	4,084	929	-	-	-	-
South Africa	Self sufficiency	91%	145%	119%	59%	22%	▲	▲
Swaziland	Harvest	33	98	77	198%	27%	▲	▲
Swaziland	Opening Stocks	9	0	3	-99%	-96%	▼	▼
Swaziland	Supply	42	98	80	134%	23%	▲	▲
Swaziland	Requirements	157	135	131	-14%	3%	▼	►
Swaziland	SGR Carry over	0	3	3	-	0%	-	►
Swaziland	Net Supply	-115	-40	-54	-	-	-	-
Swaziland	Self sufficiency	27%	73%	61%	172%	19%	▲	▲
Tanzania	Harvest	4,815	5,347	5,436	11%	-2%	▲	►
Tanzania	Opening Stocks	674	298	327	-56%	-9%	▼	►
Tanzania	Supply	5,489	5,645	5,762	3%	-2%	►	►
Tanzania	Requirements	5,244	5,396	4,863	3%	11%	►	▲
Tanzania	SGR Carry over	450	270	270	-40%	0%	▼	►
Tanzania	Net Supply	-205	-21	630	-	-	-	-
Tanzania	Self sufficiency	105%	105%	118%	0%	-12%	►	▼

Country	Item	2016/17	2017/18	FN 5-year average (2012/13 - 2016/17)	% change over one year	% change over 5 year average	Change one year	Change 5 year average
Zambia	Harvest	2,873	3,607	2,845	26%	27%	▲	▲
Zambia	Opening Stocks	668	569	767	-15%	-26%	▼	▼
Zambia	Supply	3,541	4,176	3,613	18%	16%	▲	▲
Zambia	Requirements	2,406	2,497	2,282	4%	9%	►	►
Zambia	SGR Carry over	500	500	500	0%	0%	►	►
Zambia	Net Supply	635	1,179	1,031	-	-	-	-
Zambia	Self sufficiency	147%	167%	158%	14%	6%	▲	►
Zimbabwe	Harvest	500	2,156	893	331%	141%	▲	▲
Zimbabwe	Opening Stocks	150	236	428	57%	-45%	▲	▼
Zimbabwe	Supply	650	2,391	1,321	268%	81%	▲	▲
Zimbabwe	Requirements	2,353	2,615	1,856	11%	41%	▲	▲
Zimbabwe	SGR Carry over	0	0	252	-	-	-	▼
Zimbabwe	Net Supply	-1,703	-224	-787	-	-	-	-
Zimbabwe	Self sufficiency	500	2,156	893	331%	141%	▲	▲

Source: FEWS NET estiamtes based on SAGIS, SADC, FAO/GIEWS, and Ministry of Agriculture data.

Annex 2 : Regional maize balance sheet, including Tanzania (April – March) in '000 MT

	2017/18	2016/17	FN 5-year average (2012/13 - 2016/17)	% change over one year	% change over 5 year average	Change one year	Change 5 year average
Harvest	32,686	20,216	25,985	62%	26%	▲	▲
Opening Stocks	2,564	4,117	3,265	-38%	-21%	▼	▼
Supply	35,249	24,333	29,250	45%	21%	▲	▲
Requirements	28,636	27,392	26,254	5%	9%	►	►
SGR Carry over	2,325	2,546	2,246	-9%	4%	►	►
Net Supply	4,289	-5,605	750				
Self sufficiency	123%	81%	103%	-51%	19%	▼	▲

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

Source: FEWS NET estiamtes based on SAGIS, SADC, FAO/GIEWS, and Ministry of Agriculture data.

Annex 3 : Regional maize balance sheet, including Tanzania and DRC- Katanga (April – March) in '000 MT

	2017/18	2016/17	FN 5-year average (2012/13 - 2016/17)	% change over one year	% change over 5 year average	Change one year	Change 5 year average
Harvest	33,489	20,815	26,789	61%	25%	▲	▲
Opening Stocks	2,564	4,117	3,265	-38%	-21%	▼	▼
Supply	36,053	24,932	30,054	45%	20%	▲	▲
Requirements	31,486	30,242	29,104	4%	8%	►	►
SGR Carry over	2,325	2,546	2,246	-9%	4%	►	►
Net Supply	2,243	-7,857	-1,296				
Self sufficiency	115%	76%	96%	-51%	19%	▼	▲

Note: This table considers data from all countries considered in Annex 2, in addition to DRC – Katanga.

Source: FEWS NET estiamtes based on SAGIS, SADC and Ministry of Agriculture data.