

Southern Africa

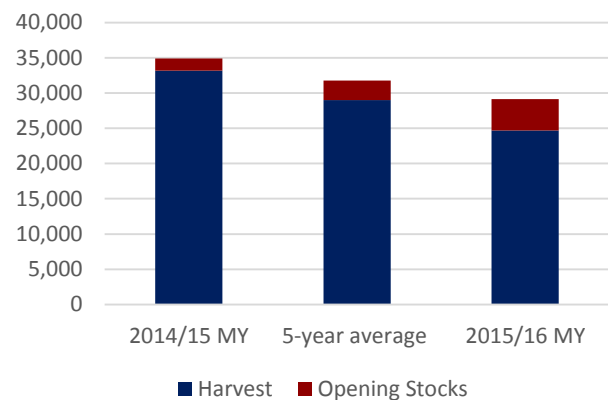
ABOUT THIS REPORT

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.

KEY MESSAGES

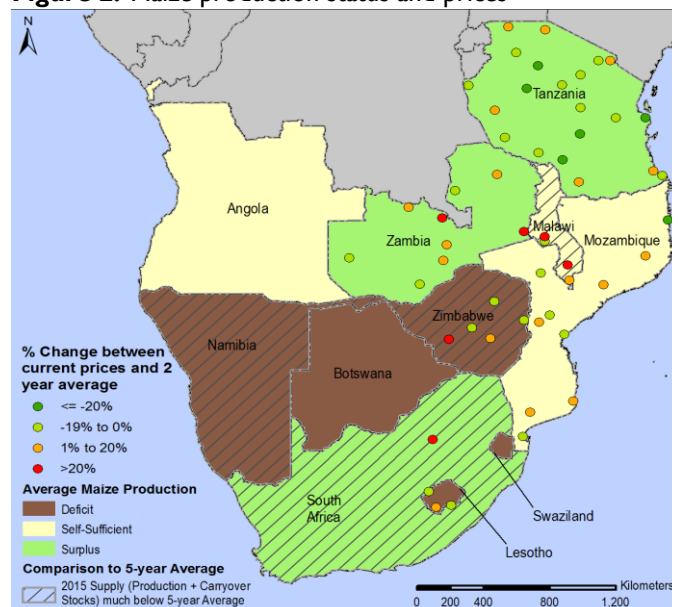
- Regional maize supplies in southern Africa are expected to be below average over the remainder of the 2015/16 marketing year (Figure 1). Every country in the region is expected to have a deficit, except South Africa, Zambia, and Tanzania, which will have below-average exportable surpluses. As regional maize production is not adequate to meet requirements, large and atypical supply gaps are likely.
- Prices are expected to increase atypically as the lean season approaches and be more variable than usual, due to atypically thin markets region-wide. Maize prices are expected to remain above average through the 2015/16 marketing year (Figure 2).
- South Africa, the main regional maize exporter, will have well below-average surpluses. Tanzania is expected to export its maize surpluses to neighboring countries in East Africa. Together, these factors will limit the ability of deficit countries to fill import gaps through regional supplies.
- Regional market monitoring should focus on international import volumes, government interventions (in Malawi and Zambia in particular), and food assistance programming and maize prices in Malawi and Zimbabwe. Export parity prices and export volumes from South Africa and Zambia should also be monitored closely.
- Opportunities for local and regional procurement of maize for in-kind assistance programs are limited. The design of cash and voucher programs should take into consideration the very thin markets and resulting high and variable prices anticipated over the remainder of the 2015/16 marketing year.

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



Source: FEWSNET

Figure 2. Maize production status and prices



Source: FEWS NET

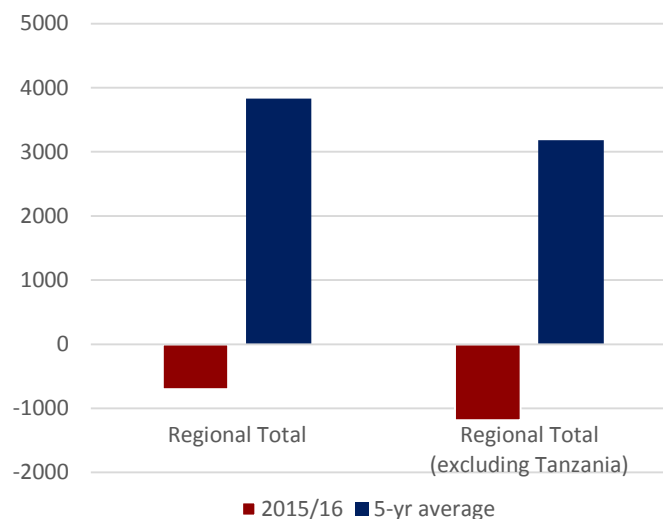
INTRODUCTION

- Maize is the dominant staple food in southern Africa. Supplies of regionally-produced maize typically meet or exceed regional requirements for both human and industrial use. On average, between the 2010/11 and 2014/15 marketing years, maize contributed to over 80 percent of total grain food production in southern Africa.¹ Given the dependence of many countries in the region on maize, the monitoring of production and marketing dynamics is essential for understanding regional food availability and access. While maize production, surpluses, and anticipated market dynamics are the focus of this report, it is important to note that cassava, rice, millet, sorghum, and wheat also contribute to food availability region-wide.
- Southern African maize harvests for the 2015/16 marketing year (April 2015 – March 2016) ended in June (Figure 4).² This report considers the most recent 2015/16 production and carry-over stock estimates presented at the regional Southern Africa Development Community Regional Vulnerability Assessment Committee (SADC RVAC) meeting on July 24, 2015, as well as a variety of sources, including SADC RVAC, government ministries, and FEWS NET staff. Updates will be provided as the season progresses. Domestic maize requirements estimated by FEWS NET take into consideration historical levels, including the 2014/15 marketing year and five-year averages.
- This report consider maize production and markets in Lesotho, Malawi, Mozambique, Tanzania, Zambia, and Zimbabwe (countries monitored by FEWS NET in southern Africa) as well as South Africa, Botswana, Namibia, and Swaziland.³

BACKGROUND

- Southern Africa, as a region, is typically structurally surplus in maize supply (Figure 3). This means that, on average, total regional production and carry-over stocks satisfy regional maize requirements, including consumption and industrial use, and government strategic grain reserve (SGR) stocks. However, national-level production and self-sufficiency vary widely from country to country. (Figure 2).
- South Africa, the region's largest maize producer, contributes, on average, to over 40 percent of regional maize production.⁴ Although its domestic requirements far exceed those of other countries in the region, South Africa still typically produces a large exportable surplus of maize. South Africa exports, on average, 690,000 MT of maize to the region annually, making it the main source of maize supply for structurally-deficit countries in the region.⁵
- Recently, Zambia has become an important regional maize exporter, as local production has increased progressively. Although Tanzania often produces an exportable surplus, its role as a regional supplier is less reliable as it often exports much of its maize to higher-income, structurally-deficit countries in the Greater Horn of Africa, Kenya in particular, due to strong effective demand and higher prices in that region.

Figure 3. FEWS NET regional maize surplus estimates (000s MT)



Source: FEWS NET

¹ Based on grain production estimates by SADC RVAC. Does not include cassava.

² Tanzania is an exception. It's maize harvest calendar is as follows: May- August (*Msimu* harvest), July – September (*Masika* harvest), January – March (*Vuli* harvest).

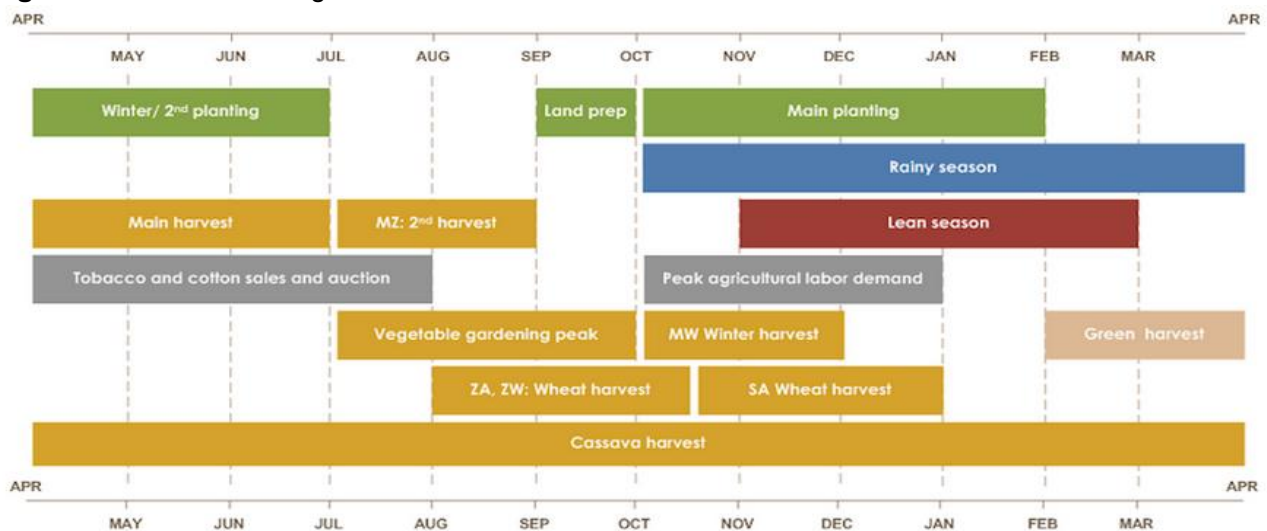
³ Angola and Madagascar (countries monitored remotely by FEWS NET), and Mauritius are not strongly integrated in the southern Africa marketing basin and therefore do not have a significant effect on the supply and demand dynamics of the region or any of its individual countries. For this reason, these three countries are not included in the aggregate regional calculations or statements. The Democratic Republic of the Congo (DRC) is also excluded due to unavailability of data for the current marketing year. As a result of these differences, the aggregate results in this report differ from those reported by the SADC RVAC.

⁴ This percentage increases to over 50% when Tanzania is excluded from regional estimates.

⁵ South Africa Grain Information Service.

- In addition to the large formal flows of maize exports from South Africa and Zambia (and Tanzania, to a lesser extent) to the region, informal trade flows between surplus and deficit areas of the region play a major role in distribution. In particular, informal maize flows from Mozambique to Malawi, South Africa to Zimbabwe, and Tanzania to Zambia fill localized deficits.
- The magnitude (metric tonnage) of the deficits in Zimbabwe is the greatest in the region, on average (Annex 1). Domestic supplies in Botswana cover the smallest proportion of national demand (less than 20 percent) in the region.
- The maize harvest in most of southern Africa spans April to June. Prices are typically at their lowest levels in June and gradually increase in July until they reach their highest levels in January and February at the peak of the lean season (Figure 4). Prices typically decline rapidly over March and April as households consume from green harvests and supplies from the harvest reach the markets.

Figure 4. Southern Africa regional seasonal calendar



Source: FEWS NET

CURRENT MAIZE SUPPLY AND PRICES

- Regional maize harvests for the current (2015/16) marketing year are estimated to be 10 to 15 percent below average due to poor growing conditions during the 2014/15 production year. All three of the region's surplus-producing countries, South Africa, Zambia, and Tanzania, had below-average maize harvests this year. This amounted to a combined 3.4 million MT less than average production for these three countries, with important implications for total regional supply and trade prospects.
- Countries with significantly below-average production (25 percent or more) include structurally-deficit Zimbabwe, Namibia, and Botswana, as well as self-sufficient Malawi (Annex 1).
- Carry-over stocks are another source of supply in the region. Above-average carry-over stocks from the bumper harvest of 2014/15 partially offset the effects of well below-average regional production. Stocks are especially high compared to average in Tanzania and Zambia, while South Africa remains the regional leader in total carry-over stock tonnage. Stocks are not large enough, however, to fill this year's supply gap.
- Evidence of regional maize deficits is reflected in prices. Current maize prices are above 2014 and average levels across the region, even in countries that had above-average harvests this year as well as those that are typically surplus-producing.⁶ In Malawi and South Africa, maize prices increased by more than 10 percent during the harvest and post-harvest period, providing an early indication of thin market supplies.

⁶ Tanzania is an exception, where prices are similar to 2014 levels in some areas.

PROJECTED MAIZE MARKET TRENDS FOR 2015/16

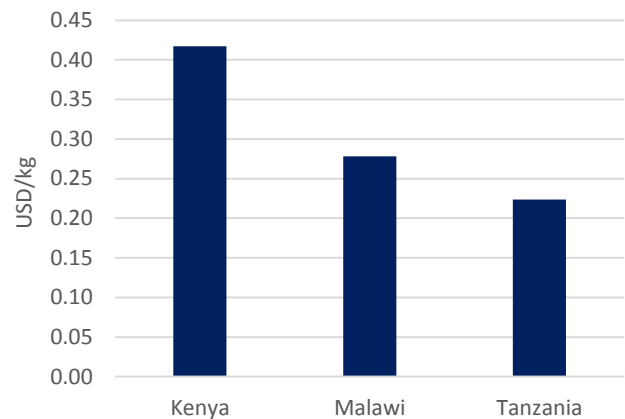
Regional trends

- Southern Africa is estimated to have a regional maize deficit of 1.4 million MT for the 2015/16 marketing year.⁷ This deficit increases to 1.9 million MT when Tanzania is omitted from the regional estimates, which is the likely scenario based on trade flow patterns, current demand structure, and the price differentials between Tanzania, the Greater Horn of Africa, and southern Africa (Figure 5).
- Given the below-average supplies in South Africa, Zambia, and Tanzania this year, flows from within the region will not be adequate to fill the expected deficits. It is currently unclear how remaining supply gaps will be filled over the 2015/16 marketing year. In order to obtain adequate maize supplies to cover requirements, maize imports from international markets will likely be required. Based on infrastructure capacity, South Africa is the most likely point of entry for those imports.
- Maize prices are expected to remain high and variable region-wide, and above their respective 2014 and five-year averages, reflecting the regional supply deficit and atypically thin markets (Figure 7 and 8). High prices in the region's exporting countries are likely to be transmitted to countries experiencing deficits. In addition, current weather forecasts indicate below average rains and a late or erratic start of the upcoming season, generating concerns over the 2015/16 harvest levels and market behavior implications for the 2016/17 marketing year. Given these uncertainties, prices may increase more than they typically do during the peak of the lean season, between January and March 2016.

Country-specific trends

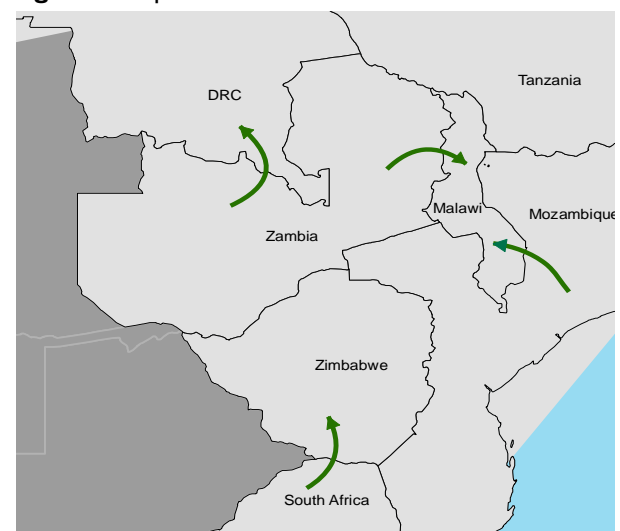
- Supplies in every country in the region except South Africa, Zambia, and Tanzania, are estimated to be insufficient to cover their respective national requirements for 2015/16 marketing year.
- Zimbabwe and Malawi are expected to have significant maize deficits this year. Although Zimbabwe is a structurally deficit country, this year's national maize deficit of 1.1 million MT is twice as high as the five-year average. Malawi, a typically a maize self-sufficient country, has a projected maize deficit this year of approximately 500,000 MT, marking the first time in many years that the country has had a national-level deficit.
- The estimated surplus quantities in South Africa, Zambia, and Tanzania this year are marginal and well below their respective average levels. Prices in South Africa and Zambia are expected to be above their respective 2014 and five-year average levels.
- Prices are expected to be especially high and variable in Zimbabwe and Malawi, particularly in the southern regions of both countries (Figure 8). In Gwanda, a deficit area of southern Zimbabwe, prices are expected to remain very high given the scarcity of maize grain market supplies during the post-harvest period. Maize grain is not likely to be available on markets at the start of the marketing year and households in that particular area will only have access to maize meal sourced from Bulawayo and South Africa. This was also the case during the 2012/13 marketing year.

Figure 5. Average national maize prices (June 2015)



Source: FEWS NET.

Figure 6. Expected informal maize trade flows



Source: FEWS NET

⁷ As mentioned above, national maize requirements are calculated from estimates of domestic requirements and SGR stocks, informed by partners and governmental ministries.

Figure 7. Maize price projections in structurally-surplus areas July – December 2015

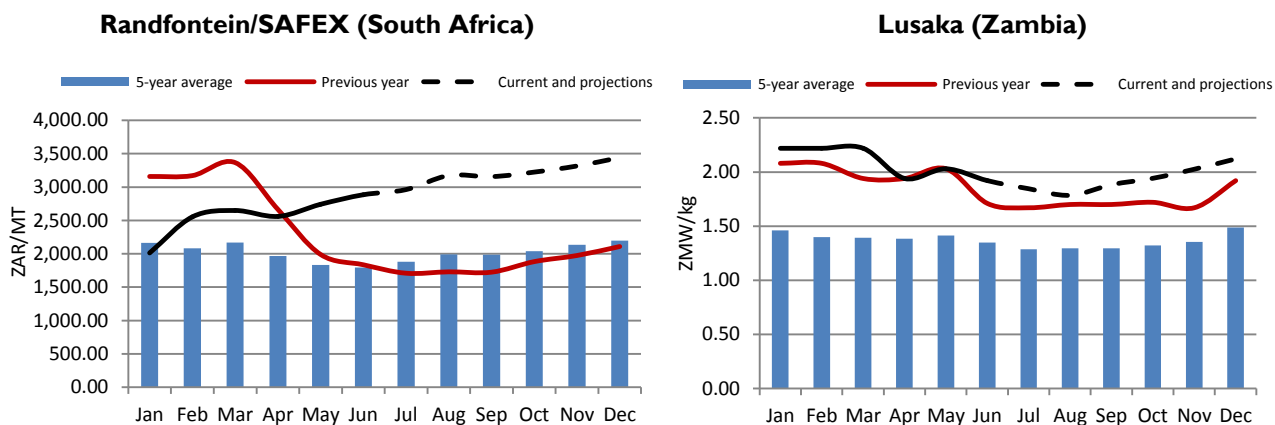
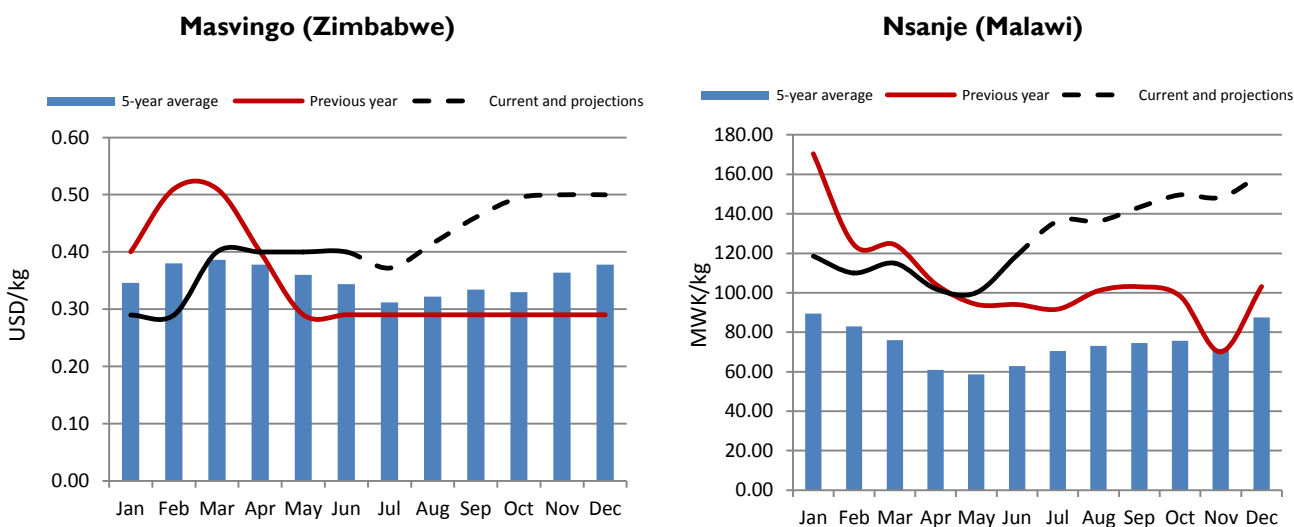


Figure 8. Maize price projections in structurally-deficit areas July – December 2015



Source: FEWS NET

EVENTS THAT COULD CHANGE THE OUTLOOK

Based on the estimated available supplies in the region and expected regional market trends, it is possible that the region could experience significantly high prices over the remainder of the 2015/16 marketing year. This applies to both the prices of maize grain and substitute crops. However, there are two main factors could potentially increase supplies and moderate prices.

	Factor	Justification
Supply side	International imports to South Africa	Currently, international maize prices are almost 25 percent below last year’s price levels and supplies are very high, creating an opportunity for imports by South Africa and other countries. South Africa has already started importing white maize from Argentina.
Demand side	Decrease in national strategic grain reserve requirements	A decrease in the quantity that governments retain for the strategic grain reserves could allow for more of the maize supply to reach or remain in markets.

MARKET MONITORING INDICATORS FOR 2015/16 MARKETING YEAR

Based on the projected maize availability, prices over the 2015/16 marketing year, and the current high level of uncertainty regarding the evolution of those dynamics, a number of key indicators are recommended for ongoing monitoring.

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.
International maize grain imports	FEWS NET expects imports from international markets to likely play an important role in assuring adequate maize supply over the 2015/16 marketing year. In particular, South Africa will likely import from international markets, but others as well.
Regional maize imports and exports	<p>Regional maize grain and maize meal export (private sector and government; formal and informal) volumes from Zambia and South Africa will partially assure needs of maize deficit countries in the region.</p> <p>Imports to South Africa from Zambia should also be monitored as South Africa has recently imported white maize from Zambia and may continue to do so.</p> <p>For Tanzania, trade flows to East Africa (especially Kenya) and agreements between governments will be important indicators of available regional supplies for southern Africa deficit countries.</p> <p>In southern Malawi and Zimbabwe, imports are expected to be important sources of additional supplies to fill the national gap. Mainly, formal imports from Zambia, South Africa, and Tanzania are important to monitor. The Malawi Government announced plans to import 70,000 MT of maize formally from Tanzania and 30,000 MT of maize from Zambia. However, this is yet to be implemented and should be monitored closely.</p>
Currency fluctuations	Ongoing depreciation of currencies throughout the region vis-à-vis the USD may impact import and export parity prices.
Food assistance	In-kind food assistance and sales of government stocks may help fill import gaps.

Annex I. FEWS NET Southern Africa Maize Supply Projections for MY 2015/16 (000s MT)⁸

Country	Item	MY 2014/15	5-year Average	MY 2015/16	% change one year	% change 5 year average	Change one year	Change 5 year average
Botswana	Opening stocks	10	10	3	-69%	-69%	▼	▼
	Harvest	35	22	15	-57%	-32%	▼	▼
	Supply	45	32	18	-59%	-43%	▼	▼
	Requirements	177	146	216	22%	49%	▲	▲
	SGR carry over	38	32	40	5%	25%	►	▲
	Self sufficiency ⁹	21%	18%	7%	-66%	-61%	▼	▼
Lesotho	Opening stocks	25	25	43	75%	75%	▲	▲
	Harvest	86	83	74	-14%	-11%	▼	▼
	Supply	110	108	117	6%	8%	►	►
	Requirements	246	252	247	0%	-2%	►	►
	SGR carry over	2	2	2	0%	0%	►	►
	Self sufficiency	44%	42%	47%	6%	11%	►	▲
Malawi	Opening stocks	2	87	67	3200%	-23%	▲	▼
	Harvest	3,929	3,701	2,776	-29%	-25%	▼	▼
	Supply	3,931	3,788	2,843	-28%	-25%	▼	▼
	Requirements	3,298	2,961	3,758	14%	27%	▲	▲
	SGR carry over	150	118	118	-21%	0%	▼	►
	Self sufficiency	114%	123%	73%	-36%	-40%	▼	▼
Mozambique	Opening stocks	40	157	40	0%	-75%	►	▼
	Harvest	1,858	1,752	1,877	1%	7%	►	►
	Supply	1,898	1,910	1,917	1%	0%	►	►
	Requirements	2,330	2,212	2,330	0%	5%	►	►
	SGR carry over	10	10	10	0%	0%	►	►
	Self sufficiency	81%	86%	82%	1%	-5%	►	►
Namibia	Opening stocks	10	10	17	60%	60%	▲	▲
	Harvest	68	61	38	-44%	-38%	▼	▼
	Supply	78	72	55	-30%	-24%	▼	▼
	Requirements	149	159	163	9%	2%	►	►
	SGR carry over	10	10	10	-2%	0%	►	►
	Self sufficiency	49%	42%	32%	-35%	-25%	▼	▼
South Africa	Opening stocks	594	1,494	2,074	249%	39%	▲	▲
	Harvest	13,890	12,652	10,514	-24%	-17%	▼	▼
	Supply	14,484	14,146	12,588	-13%	-11%	▼	▼
	Requirements	11,056	10,800	11,081	0%	3%	►	►
	SGR carry over	1,128	1,113	1,193	6%	7%	►	►
	Self sufficiency	119%	119%	103%	-14%	-14%	▼	▼

⁸ Data for the 2015/16 marketing year (MY 2015/16) are FEWS NET estimates as of August 7th, 2015; ► denotes less than or equal to 10 percent change; ▲ denotes greater than 10 percent increase; ▼ denotes greater than 10 percent decrease.

⁹ Self-sufficiency is defined as the ratio of total supply to requirements (including domestic requirements and SGR stocks).

Country	Item	MY 2014/15	5-year Average	MY 2015/16	% change one year	% change 5 year average	Change one year	Change 5 year average
Swaziland	Opening stocks	2	1	3	33%	142%	▲	▲
	Harvest	101	84	94	-7%	12%	▶	▲
	Supply	103	85	96	-6%	14%	▶	▲
	Requirements	119	114	147	24%	29%	▲	▲
	SGR carry over	-	2	12	-	525%	-	▲
	Self sufficiency	87%	73%	61%	-30%	-17%	▼	▼
Tanzania	Opening stocks	130	115	680	423%	490%	▲	▲
	Harvest	6,734	5,319	4,337	-36%	-18%	▼	▼
	Supply	6,864	5,434	5,017	-27%	-8%	▼	▶
	Requirements	4,894	4,637	4,080	-17%	-12%	▼	▼
	SGR carry over	150	149	450	200%	202%	▲	▲
	Self sufficiency	136%	114%	111%	-19%	-2%	▼	▶
Zambia	Opening stocks	597	594	1,345	125%	126%	▲	▲
	Harvest	3,351	2,910	2,618	-22%	-10%	▼	▼
	Supply	3,948	3,505	3,963	0%	13%	▶	▲
	Requirements	2,295	2,023	2,587	13%	28%	▲	▲
	SGR carry over	500	388	500	0%	29%	▶	▲
	Self sufficiency	141%	145%	128%	-9%	-12%	▶	▼
Zimbabwe	Opening stocks	320	269	148	-54%	-45%	▼	▼
	Harvest	1,456	1,200	742	-49%	-38%	▼	▼
	Supply	1,776	1,470	890	-50%	-39%	▼	▼
	Requirements	1,427	1,767	1,767	24%	0%	▲	▶
	SGR carry over	0	221	250	-	13%	-	▲
	Self sufficiency	124%	74%	44%	-65%	-40%	▼	▼
Total	Opening stocks	1,730	2,763	4,420	155%	60%	▲	▲
	Harvest	31,508	27,786	23,085	-27%	-17%	▼	▼
	Supply	33,238	30,549	27,505	-17%	-10%	▼	▶
	Requirements	25,991	25,071	26,376	1%	5%	▶	▶
	SGR carry over	1,988	2,045	2,585	30%	26%	▲	▲
	Self sufficiency	119%	113%	95%	-20%	-16%	▼	▼
Total (Excluding TZ)	Opening stocks	1,600	2,648	3,740	134%	41%	▲	▲
	Harvest	24,774	22,467	18,748	-24%	-17%	▼	▼
	Supply	26,374	25,115	22,488	-15%	-10%	▼	▼
	Requirements	21,097	20,434	22,296	6%	9%	▶	▶
	SGR carry over	1,838	1,897	2,135	16%	13%	▲	▲
	Self sufficiency	115%	112%	92%	-20%	-18%	▼	▼