



National Agricultural
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Promoting market access for South African agriculture

Markets and Economic Research Centre



Food Basket Price Monthly

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FOOD BASKET PRICE MONTHLY

January 2017

Food inflation rose to 11.7 % in December 2016

NAMC Food Basket cost rose with 10.10 %, from R 547.02 (Des 2015) to R 602.25 (Dec) 2016

1. Introduction

The NAMC monitors food prices at the retail level and releases regular authoritative reports. The Department of Agriculture, Forestry and Fisheries (DAFF) established the Food Price Monitoring Committee (FPMC) at the NAMC to track and report on food price trends in South Africa and also to provide explanations on the observed trends and advise the department on any possible action that could be taken when national and household food security is threatened. The FPMC was established after the high food price episode of 2000/01 season. The functions of the FPMC were assumed by the NAMC after the FPMC completed its work in August 2004. The NAMC issues four quarterly Food Price Monitoring Reports annually and, since 2005, also publishes an annual Food Cost Review, which documents the margins between farm prices and retail prices of the major food products, amongst other topics. In 2015, the NAMC began releasing a quarterly Farm-to-Retail-Price-Spread (FTRPS) publication, which seeks to provide more insight into the factors driving commodity and food price margins. This publication, the Food Basket Price Monthly Report, is a result of recent discussions with industry, and the need to keep watch on the movements of food prices on a more regular basis.

2. Overall inflation and food inflation

The December 2016 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) indicated that the headline CPI and the food and non-alcoholic beverage price indices were 6.8 % and 11.7 %, respectively, compared to the 6.6 % and 11.6 % of November 2016. **Figure 1** show trends in the headline CPI and food and non-alcoholic beverage inflation rates on a monthly basis, from January 2012 to December 2016.

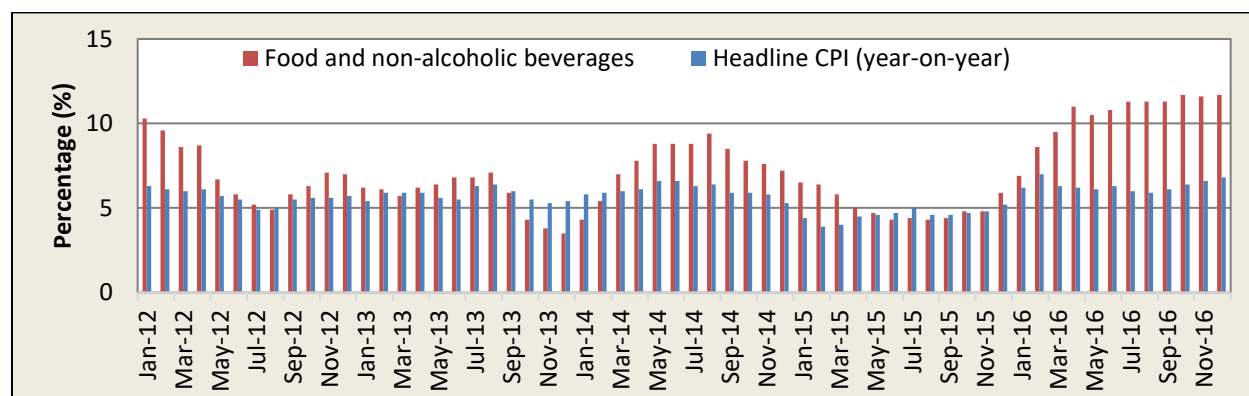


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2017

3. Comparison between urban and rural prices: December 2016

Table 1 compares prices of selected food items in rural and urban areas for December 2016. The food items which showed the largest price differences between **urban** and **rural** areas in December 2016 were: sunflower oil 750ml at a difference of R4.22, margarine spread 500g at a R3.65 difference, special and super maize meal 2.5kg at R2.81 and R1.68, respectively, and a loaf of white bread 700g at a R1.16 difference. This indicates that urban consumers paid more for some of these food items than their rural counterparts. In other cases, however, rural consumers paid more for certain products (e.g. white sugar 2.5kg, peanut butter 400g and full cream milk – long life 1ℓ) than their urban counterparts.

Table 1: Comparison between urban and rural food prices (selected food items)

Product	Rural Food Prices December 2016	Urban Food Prices December 2016	Price difference R/unit
Full cream milk – long life 1ℓ	14,59	13,94	-0,65
Loaf of brown bread 700g	11,37	12,28	0,91
Loaf of white bread 700g	12,44	13,60	1,16
Special maize 2.5 kg	23,33	26,14	2,81
Super maize 2.5 kg	27,36	29,04	1,68
Margarine spread 500g	21,34	24,99	3,65
Peanut butter 400g	28,33	27,33	-1,00
Rice 2kg	25,33	25,54	0,21
Sunflower oil 750ml	18,29	22,51	4,22
Ceylon/black tea 62.5g	12,22	12,79	0,57
White sugar 2.5kg	39,99	36,75	-3,24
Average			0.94

Source: Stats SA, 2017

4. The NAMC food basket

As a response to the increasing number of queries with regards to average price information, Stats SA recently introduced additional specific codes for different packaging sizes as from January 2016, instead of converting variable sizes to one standardised unit (pre-January 2016). Therefore, the food basket below will be re-calculated using this new methodology, taking all observations obtained and then calculates an average price per kilogram.

This section is based on the cost of a basic food basket, based on monthly average food price data for the period December 2015 to December 2016. Composition of the current food basket is as follows: apples (per kg), bananas (per kg), beef chuck (per kg), brick margarine (500g), baked beans - tinned (410g), cabbage (per kg), Ceylon/black tea (62.5g), chicken portions - fresh (per kg), chicken portions - frozen (weighted average per kg), eggs (1.5 dozen), canned fish (excl. tuna) (425g), full cream milk - long life (1ℓ), instant coffee (750g), loaf of brown bread (700g), loaf of white bread (700g), maize meal super (5kg), onions (per kg), oranges (per kg), peanut butter (400g), potatoes (per kg), rice (2kg), sunflower oil (750ml) and tomatoes (per kg). From December 2015 to December 2016, the cost of this basic 23 item food basket increased by approximately **R 55.23 (+ 10.10 %)**, in nominal terms from **R 547.02** to **R 602.25**.

The food basket products highlighted in **Table 2** whose **annual** inflation rates exceed the South African Reserve Bank's (SARB) inflation upper band of 6 % are: baked beans – tinned 410 g (11.03 %) peanut

butter 400g (17.20 %), instant coffee 750g (9.49 %), Ceylon/black tea 62.5g (11.02 %), full cream milk – long life 1ℓ (11.16 %), brick margarine 500g (8.00 %), sunflower oil 750mℓ (8.43 %), bananas – fresh per kg (27.07 %), oranges – fresh per kg (74.05 %), beef chuck – fresh per kg (6.72 %), chicken portions – fresh per kg (6.02 %), chicken portions – frozen weighted average per kg (7.18 %), fish (excl. tuna) – tinned 425g (7.60 %), loaf of brown bread 700g (13.49 %); loaf of white bread 700g (14.29 %); maize meal 5kg (super) (40.09 %), rice 2kg (8.04 %), onions – fresh per kg (18.45 %) and potatoes – fresh per kg (26.06 %).

Table 2: Basic food basket (23 item) prices

Product	Dec-15	Nov-16	Dec-16	% change y-o-y	% change m-o-m
Baked beans - tinned 410g	8,34	9,28	9,26	11,03%	-0,22%
Peanut butter 400g	23,32	27,82	27,33	17,20%	-1,76%
Instant coffee 750g	70,26	78,89	76,93	9,49%	-2,48%
Ceylon/black tea 62.5g	11,52	12,89	12,79	11,02%	-0,78%
Full cream milk - long life 1ℓ	12,54	13,87	13,94	11,16%	0,50%
Eggs 1.5 dozen	36,95	36,49	36,36	-1,60%	-0,36%
Brick margarine 500g	20,24	21,81	21,86	8,00%	0,23%
Sunflower oil 750mℓ	20,76	22,63	22,51	8,43%	-0,53%
Apples - fresh per kg	18,05	17,39	17,93	-0,66%	3,11%
Bananas - fresh per kg	12,67	16,00	16,10	27,07%	0,63%
Oranges - fresh per kg	10,75	15,84	18,71	74,05%	18,12%
Beef chuck - fresh per kg	66,56	70,51	71,03	6,72%	0,74%
Chicken portions - fresh per kg	51,79	54,39	54,91	6,02%	0,96%
Chicken portions - frozen weighted average per kg	28,40	28,74	30,44	7,18%	5,92%
Fish (excl. tuna) - tinned 425g	16,05	17,34	17,27	7,60%	-0,40%
Loaf of brown bread 700g	10,82	12,24	12,28	13,49%	0,33%
Loaf of white bread 700g	11,90	13,61	13,60	14,29%	-0,07%
Super maize meal 5kg	37,74	52,58	52,87	40,09%	0,55%
Rice 2kg	23,64	26,12	25,54	8,04%	-2,22%
Cabbage - fresh per kg	11,79	9,69	9,09	-22,90%	-6,19%
Onions - fresh per kg	9,65	12,33	11,43	18,45%	-7,30%
Potatoes - fresh per kg	9,63	12,23	12,14	26,06%	-0,74%
Tomatoes - fresh per kg	23,65	15,91	17,93	-24,19%	12,70%
Total Rand Value	547,02	598,60	602,25	10,10%	0,61%

Source: Stats SA and BFAP, 2017

To further explore the impact of inflation on consumers, **Figure 2** presents an illustration of the average annual nominal cost **growth** of specific food groups within the 23-item food basket, for the period December 2015 to December 2016. During December 2016, **Figure 2** illustrates the dominance of fruit, bread/cereals, bean products and coffee/tea, within the cost of the basic food basket.

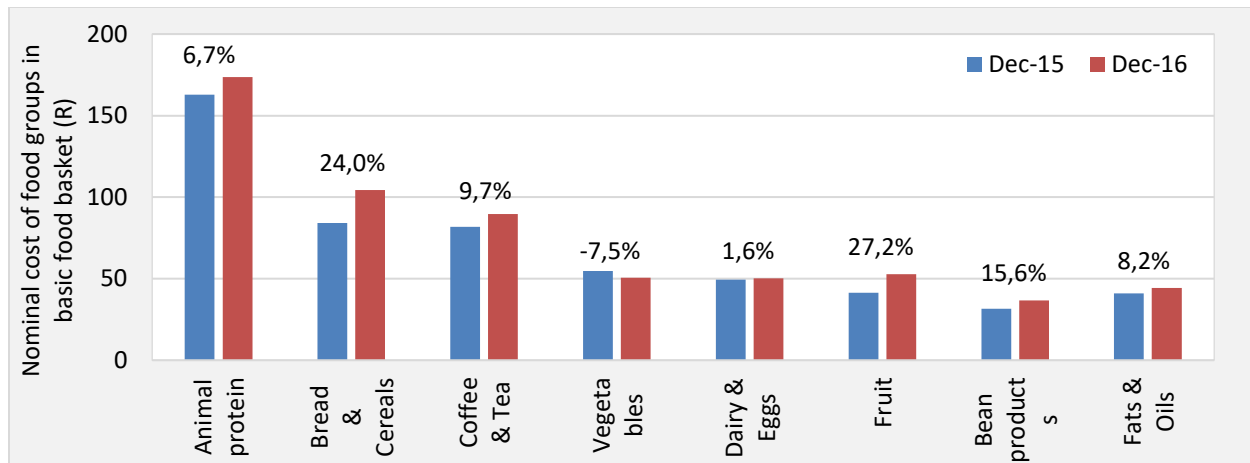


Figure 2: Nominal annual cost growth of specific food groups within the basic food basket, comparing December 2015 to December 2016

Source: BFAP calculations, based on Stats SA monitored price data for urban areas, 2017

Readers of this document must be cognisant that the information in this report is based on the official data released by Statistics South Africa. Due to the sensitivity of information contained in this document. Caution should, therefore, be taken in its interpretation to avoid any misrepresentation.

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