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Food Basket Price Monthly

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FOOD BASKET PRICE MONTHLY

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The basket of food products included in this publication is derived from the latest release of the Income and Expenditure Survey (IES) of 2014/15', compiled by Statistics South Africa (Stats SA). This basket is to be representative of consumer spending on food and, as a result of the IES 2014/15 release and the CPI base year (2016=100) change, the food basket had to be altered.

In the latest price information, Stats SA introduced additional products as from January 2017, and excluded some of the pre-January 2017 products. The food basket below will now have to be re-calculated using the new information, taking additional observations/products obtained to include in the new basket. As a result, annual comparisons in this publication, will not be possible in the short-term, but will indicate the monthly changes from January 2017.

The NAMC will continue to investigate and involve industry experts in finalising a new basket, based on the latest consumer behaviour. Cognisance of the above background should therefore be taken when interpreting the data.

HIGHLIGHTS

- *Food inflation decelerated to 4.8% during December 2017, year-on-year (y-o-y), from 5.2% reported in November 2017.*
- *The overall decrease was largely driven by lower agricultural commodity prices on the back of the large 2016/17 production season harvest.*
- *Meat price inflation eased to 14% y-o-y, predicted to prevail as the livestock industry continue to normalize after the recent drought. Lower supply and logistical import challenges facing the poultry sector (AVI) also contributed.*
- *The outlook for food inflation is expected to remain relatively stable in the short term as a result of buffer stocks, normalization in the livestock industry and a recovery of the sugar belt.*
- *In December 2017, the cost of the NAMC's 28-item urban food basket reached R849.22 compared to the R844.08 reported in November 2017, indicating a month-on-month (m-o-m) increase of 0.61%.*

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 2017 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 reached 4.7% and 4.8%, respectively, compared to the 4.6% and 5.2% reported in November 2017. **Figure 1** show the trends in the headline CPI and food and non-alcoholic beverage inflation rates on a monthly basis, from January 2012 to December 2017.

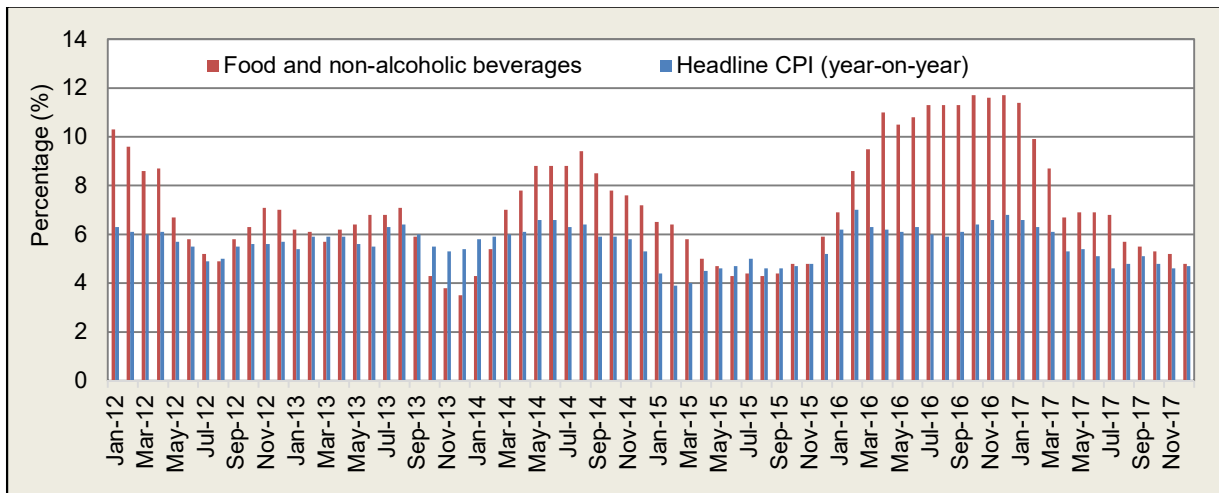


Figure 1: Headline CPI and food and non-alcoholic beverage CPI
Source: Stats SA, 2018

3. Comparison between urban and rural prices: December 2017

Table 1 compares prices of selected food items in rural and urban areas for December 2017. The food items which showed the largest price differences between **urban** and **rural** areas in December 2017 were: sunflower oil 750ml at a difference of R4.30, Ceylon/black tea 62.5g at R1.80 difference and a loaf of brown bread 700g at a difference of R0.55. 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 special maize meal 2.5kg), than their urban counterparts.

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

Product	Rural Food Prices December 2017	Urban Food Prices December 2017	Price difference (R/unit)
Full cream milk – long life 1ℓ	14.70	14.01	-0.69
Loaf of brown bread 700g	11.44	11.99	0.55
Loaf of white bread 700g	12.53	12.91	0.38
Special maize 2.5 kg	20.76	19.46	-1.30
Super maize 2.5 kg	23.61	22.65	-0.96
Margarine spread 500g	27.85	27.90	0.05
Peanut butter 400g	29.54	27.88	-1.66
Rice 2kg	24.47	24.52	0.05
Sunflower oil 750mℓ	17.76	22.06	4.30
Ceylon/black tea 62.5g	12.54	14.34	1.80
White sugar 2.5kg	40.49	37.09	-3.40
Average			-0.08

Source: Stats SA, 2017

4. The NAMC food basket

This section is based on the cost of a basic 28-item NAMC food basket, based on average food price data for the period December 2017 vs. December 2016. Composition of the current food basket (as revised in 2017) is as follows: apples (per kg), baked beans – tinned (410g), bananas fresh (per kg), beans – dried (500g), beef mince fresh (per kg), beef offal fresh (per kg), cabbage (per kg), Ceylon/black tea (250g), cheddar cheese (per kg), chicken giblets per kg, eggs (1.5 dozen), fish (excl. tuna) - tinned (400g), full cream milk - long life (1ℓ), instant coffee (250g), IQF chicken portions (2kg), loaf of brown bread (700g), loaf of white bread (700g), margarine brick (500g), onions fresh (per kg), oranges (per kg), peanut butter (400g), polony (per kg), potatoes fresh (per kg), rice (2kg), sugar white (2.5kg), sunflower oil (750mℓ), super maize meal (5kg) and tomatoes fresh (per kg).

In December 2017, the cost of this 28-item NAMC urban food basket was **R849.22** compared to the **R844.08** reported in November 2017, indicating a month-on-month increase of 0.61%. Due to the inclusion of additional products in the new CPI basket (dried beans, 2kg frozen chicken, beef offal and chicken offal) (with no observations for these new products prior to January 2017), no annual comparison can be made for the current basket with December 2016.

The 28-item NAMC food basket products highlighted in **Table 2** whose **annual** inflation rates exceed the South African Reserve Bank's (SARB) inflation upper band of 6%, include the following: Ceylon/black tea 250g (8.3%), eggs 1.5 dozen (22.2%), cheddar cheese per kg (7.4%), apples – fresh per kg (6.5%), beef mince – fresh per kg (11%), cabbage – fresh per kg (42.6%), and onions – fresh per kg (14%).

Table 2: Percentage change in a basic NAMC food basket (28 item) prices

Category	Product	Dec-16	Nov-17	Dec-17	% change y-o-y	% change m-o-m
Beans	Baked beans - tinned 410g	9.26	9.59	9.63	4.0%	0.4%
Beans	Beans - dried 500g	18.80	19.40	19.31	2.7%	-0.5%
Beans	Peanut butter 400g	27.33	27.48	27.88	2.0%	1.5%
Coffee, Tea	Instant coffee 250g	34.79	35.75	36.10	3.8%	1.0%
Coffee, Tea	Ceylon/black tea 250g	29.51	33.08	31.96	8.3%	-3.4%
Dairy, Eggs	Full cream milk - long life 1ℓ	13.94	14.00	14.01	0.5%	0.1%
Dairy, Eggs	Eggs 1.5 dozen	36.36	42.65	44.45	22.2%	4.2%
Dairy, Eggs	Cheddar cheese per kg	99.05	106.72	106.37	7.4%	-0.3%
Fats, Oils	Brick margarine 500g	21.86	21.69	22.38	2.4%	3.2%
Fats, Oils	Sunflower oil 750ml	22.51	22.24	22.06	-2.0%	-0.8%
Fruit	Apples - fresh per kg	17.93	18.83	19.10	6.5%	1.4%
Fruit	Bananas - fresh per kg	16.10	14.38	14.87	-7.6%	3.4%
Fruit	Oranges - fresh per kg	18.71	14.86	15.91	-15.0%	7.1%
Protein	Beef mince - fresh per kg	71.03	79.50	78.82	11.0%	-0.9%
Protein	Beef offal - fresh per kg	-	42.52	42.77	N/A until Feb'18	0.6%
Protein	Chicken giblets per kg	-	34.59	35.77	N/A until Feb'18	3.4%
Protein	IQF chicken portions - 2kg	-	65.62	67.08	N/A until Feb'18	2.2%
Protein	Fish (excl. tuna) - tinned 400g	17.75	17.27	17.23	-2.9%	-0.2%
Protein	Polony per kg	41.80	41.29	42.15	0.8%	2.1%
Bread & Cereals	Loaf of brown bread 700g	12.28	11.87	11.99	-2.4%	1.0%
Bread & Cereals	Loaf of white bread 700g	13.60	12.92	12.91	-5.1%	-0.1%
Bread & Cereals	Super maize meal 5kg	52.87	38.36	40.57	-23.3%	5.8%
Bread & Cereals	Rice 2kg	25.54	25.49	24.52	-4.0%	-3.8%
Vegetables	Cabbage - fresh per kg	9.09	12.99	12.96	42.6%	-0.2%
Vegetables	Onions - fresh per kg	11.43	13.69	13.03	14.0%	-4.8%
Vegetables	Potatoes - fresh per kg	12.14	11.79	11.82	-2.6%	0.3%
Vegetables	Tomatoes - fresh per kg	17.93	17.21	16.48	-8.1%	-4.2%
Sugary foods	White sugar 2.5kg	36.75	38.30	37.09	0.9%	-3.2%
Basket	Total Rand Value		844.08	849.22		0.61%

Source: Stats SA and BFAP, 2017

Table 3 below monitors three additional protein cuts that were either part of the previous CPI food basket (pre-January 2017) or are newly included products in the CPI basket (post-January 2017).

Table 3: Percentage change in additional chicken items

Category	Product	Dec-16	Nov-17	Dec-17	% change y-o-y	% change m-o-m
Protein	Chicken portions – fresh per kg	54.91	58.31	58.51	6.6%	0.3%
Protein	Chicken portions frozen – non IQF average per kg	-	50.12	49.49	N/A until Feb'18	-1.3%
Protein	IQF chicken portions – 1kg	-	22.66	31.24	N/A until Feb'18	37.9%

Source: Stats SA and BFAP, 2017

To further explore the impact of inflation on consumers, **Figure 2** presents an illustration of the average monthly nominal cost **growth** of specific food groups within the 28-item NAMC food basket, comparing the period December vs. November 2017. **Figure 2** illustrates that the following food categories within the cost of the basic food basket experienced increased inflation month-on-month: animal protein, bread & cereals, dairy & eggs, fruit, bean products and fat & oils.

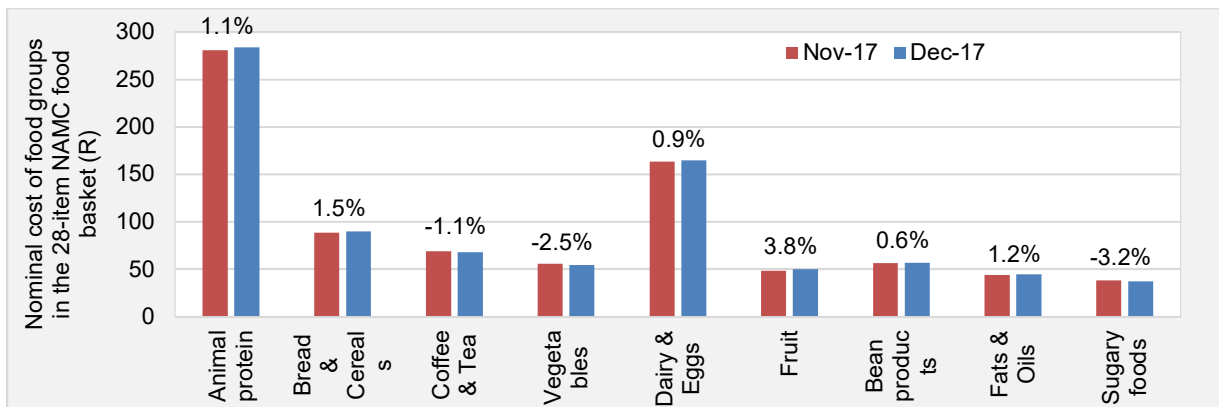


Figure 2: Nominal monthly cost growth of specific food groups within the 28-item NAMC food basket, comparing December vs. November 2017

Source: BFAP calculations, based on Stats SA monitored price data for urban areas, 2018

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