



National Agricultural  
Marketing Council  
Promoting market access for South African agriculture

# Markets and Economic Research Centre



## Food Basket Price Monthly

*Issue 19 – July/2017*

# FOOD BASKET PRICE MONTHLY

## July 2017

*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 FROM THIS PUBLICATION

- *Food inflation remained at 6.9% in June 2017, year-on-year (y-o-y).*
- *The stability of food inflation at 6.9% during June 2017 (y-o-y), could largely be attributed to the increase in meat inflation, balanced off by all other food products that have shown a softening trend from the previous month as we recover from the remaining effects of the 2015/16 drought. Increased slaughtering activity remains a key upward risk in food inflation, as does the outbreak of the recent avian influenza (bird flu) in the poultry sector. The grain, dairy and vegetable related food products inflation decelerated on the back of a recovery in agricultural production during this season.*
- *In June 2017, the cost of the NAMC's 28-item urban food basket was R836.11 compared to the R833.13 reported in May 2017, indicating only a marginal month-on-month (m-o-m) increase of 0.36%.*

## 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 June 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 were 5.1% and 6.9%, respectively, compared to the 5.4% and 6.9% in May 2017. **Figure 1** shows trends in the headline CPI and food and non-alcoholic beverage inflation rates on a monthly basis, from January 2012 to June 2017.

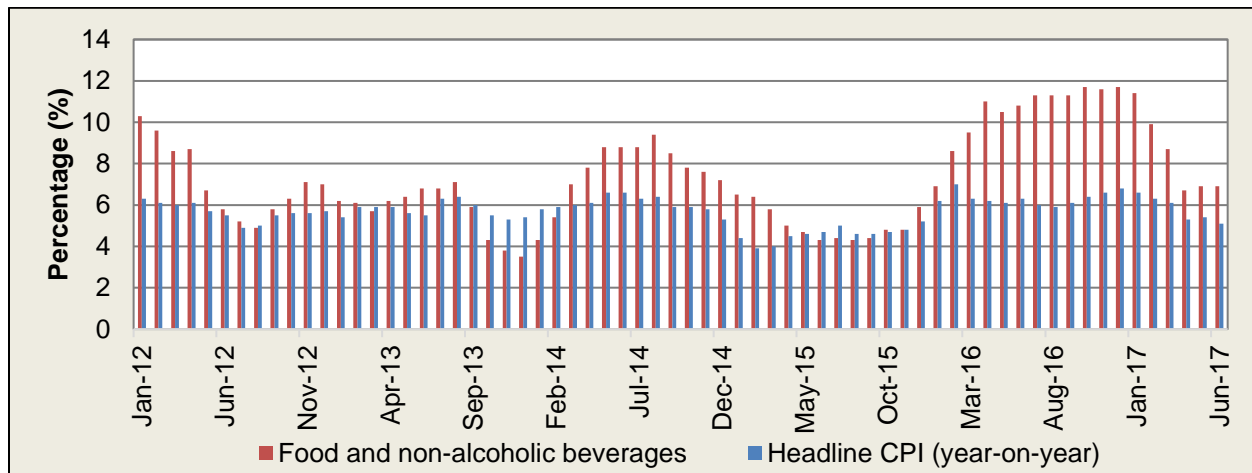


Figure 1: Headline CPI and food and non-alcoholic beverage CPI  
Source: Stats SA, 2017

## 3. Comparison between urban and rural prices: June 2017

**Table 1** compares prices of selected food items in rural and urban areas for June 2017. The food items which showed the largest price differences between **urban** and **rural** areas in June 2017 were: sunflower oil 750ml at a difference of R4.34, margarine spread 500g at a R2.92 difference, Ceylon/black tea 62.5g at a R2.61 difference, and a loaf of white bread 700g at R0.88. 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. super maize meal 2.5kg, full cream milk – long life 1l, peanut butter 400g, and white sugar 2.5kg), than their urban counterparts.

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

| Product                        | Rural Food Prices<br>June 2017 | Urban Food Prices<br>June 2017 | Price difference<br>(R/unit) |
|--------------------------------|--------------------------------|--------------------------------|------------------------------|
| Full cream milk – long life 1l | 14.65                          | 13.92                          | -0.73                        |
| Loaf of brown bread 700g       | 11.53                          | 12.24                          | 0.71                         |
| Loaf of white bread 700g       | 12.48                          | 13.36                          | 0.88                         |
| Special maize 2.5 kg           | 24.24                          | 25.04                          | 0.80                         |
| Super maize 2.5 kg             | 25.95                          | 25.70                          | -0.25                        |
| Margarine spread 500g          | 23.02                          | 25.94                          | 2.92                         |
| Peanut butter 400g             | 28.96                          | 27.74                          | -1.22                        |
| Rice 2kg                       | 25.43                          | 26.25                          | 0.82                         |
| Sunflower oil 750ml            | 17.53                          | 21.87                          | 4.34                         |

| Product                | Rural Food Prices<br>June 2017 | Urban Food Prices<br>June 2017 | Price difference R/unit |
|------------------------|--------------------------------|--------------------------------|-------------------------|
| Ceylon/black tea 62.5g | 12.02                          | 14.63                          | 2.61                    |
| White sugar 2.5kg      | 42.18                          | 39.63                          | -2.55                   |
| <b>Average</b>         |                                |                                | <b>0.76</b>             |

Source: Stats SA, 2017

## 4. The NAMC food basket

This section is based on the cost of a basic 28-item food basket, based on average food price data for the period June 2016 to June 2017. 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 June 2017, the cost of this basic urban food basket was **R836.11** compared to the **R833.13** in May 2017, indicating a month-on-month increase of 0.36%. 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 June 2016, until February 2018.

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 %, include the following: peanut butter 400g (15.2%), instant coffee 250g (6.87%), Ceylon/black tea 250g (11.53%), cheddar cheese per kg (11.75%), bananas – fresh per kg (15.94%), oranges – fresh per kg (13.85%), beef mince – fresh per kg (9.87%), polony per kg (12.68%), and white sugar 2.5kg (24.08%).

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

| Category    | Product                        | Jun-16 | May-17 | Jun-17 | %<br>change<br>y-o-y | %<br>change<br>m-o-m |
|-------------|--------------------------------|--------|--------|--------|----------------------|----------------------|
| Beans       | Baked beans - tinned 410g      | 8.74   | 9.50   | 9.26   | 5.95%                | -2.53%               |
| Beans       | Beans - dried 500g             | -      | 19.79  | 19.48  | N/A until<br>Feb'18  | -1.57%               |
| Beans       | Peanut butter 400g             | 24.08  | 27.28  | 27.74  | 15.20%               | 1.69%                |
| Coffee, Tea | Instant coffee 250g            | 33.90  | 35.23  | 36.23  | 6.87%                | 2.84%                |
| Coffee, Tea | Ceylon/black tea 250g          | 28.27  | 30.51  | 31.53  | 11.53%               | 3.34%                |
| Dairy, Eggs | Full cream milk - long life 1ℓ | 13.52  | 13.98  | 13.92  | 2.96%                | -0.43%               |
| Dairy, Eggs | Eggs 1.5 dozen                 | 36.86  | 38.07  | 37.43  | 1.55%                | -1.68%               |
| Dairy, Eggs | Cheddar cheese per kg          | 94.53  | 96.96  | 105.64 | 11.75%               | 8.95%                |
| Fats, Oils  | Brick margarine 500g           | 21.41  | 22.04  | 22.33  | 4.30%                | 1.32%                |
| Fats, Oils  | Sunflower oil 750mℓ            | 22.91  | 22.33  | 21.87  | -4.54%               | -2.06%               |
| Fruit       | Apples - fresh per kg          | 17.52  | 18.68  | 17.17  | -2.00%               | -8.08%               |
| Fruit       | Bananas - fresh per kg         | 13.11  | 17.26  | 15.20  | 15.94%               | -11.94%              |

| Category        | Product                         | Jun-16 | May-17        | Jun-17        | % change y-o-y   | % change m-o-m |
|-----------------|---------------------------------|--------|---------------|---------------|------------------|----------------|
| Fruit           | Oranges - fresh per kg          | 12.71  | 18.89         | 14.47         | 13.85%           | -23.40%        |
| Protein         | Beef mince - fresh per kg       | 69.50  | 75.68         | 76.36         | 9.87%            | 0.90%          |
| Protein         | Beef offal - fresh per kg       | -      | 42.58         | 42.61         | N/A until Feb'18 | 0.07%          |
| Protein         | Chicken giblets per kg          | -      | 31.45         | 32.59         | N/A until Feb'18 | 3.62%          |
| Protein         | IQF chicken portions - 2kg      | -      | 62.24         | 62.23         | N/A until Feb'18 | -0.02%         |
| Protein         | Fish (excl. tuna) - tinned 400g | 17.14  | 17.13         | 17.24         | 0.58%            | 0.64%          |
| Protein         | Polony per kg                   | 38.79  | 41.59         | 43.71         | 12.68%           | 5.10%          |
| Bread & Cereals | Loaf of brown bread 700g        | 11.66  | 12.14         | 12.24         | 4.97%            | 0.82%          |
| Bread & Cereals | Loaf of white bread 700g        | 12.85  | 13.37         | 13.36         | 3.97%            | -0.07%         |
| Bread & Cereals | Super maize meal 5kg            | 50.92  | 46.92         | 45.70         | -10.25%          | -2.60%         |
| Bread & Cereals | Rice 2kg                        | 25.34  | 26.12         | 26.25         | 3.59%            | 0.50%          |
| Vegetables      | Cabbage - fresh per kg          | 12.48  | 13.13         | 12.26         | -1.76%           | -6.63%         |
| Vegetables      | Onions -fresh per kg            | 14.23  | 10.86         | 11.65         | -18.13%          | 7.27%          |
| Vegetables      | Potatoes - fresh per kg         | 13.50  | 11.55         | 11.21         | -16.96%          | -2.94%         |
| Vegetables      | Tomatoes - fresh per kg         | 16.71  | 18.10         | 16.80         | 0.54%            | -7.18%         |
| Sugary foods    | White sugar 2.5kg               | 31.94  | 39.75         | 39.63         | 24.08%           | -0.30%         |
| <b>Basket</b>   | <b>Total Rand Value</b>         |        | <b>833.13</b> | <b>836.11</b> |                  | <b>0.36%</b>   |

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  | Jun-16 | May-17 | Jun-17 | % change y-o-y   | % change m-o-m |
|----------|--|--------|--------|--------|------------------|----------------|
| Protein  | Chicken portions – fresh per kg                  | 54.84  | 56.38  | 56.62  | 3.25%            | 0.43%          |
| Protein  | Chicken portions frozen – non IQF average per kg | -      | 46.56  | 46.14  | N/A until Feb'18 | -0.90%         |
| Protein  | IQF chicken portions – 1kg                       | -      | 19.08  | 18.32  | N/A until Feb'18 | -3.98%         |

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 food basket, comparing the period June vs. May 2017. Comparing June vs. May 2017 monthly prices, **Figure 2** illustrates the following food categories experienced increased inflation: dairy & eggs, coffee & tea and animal protein, within the cost of the basic food basket.

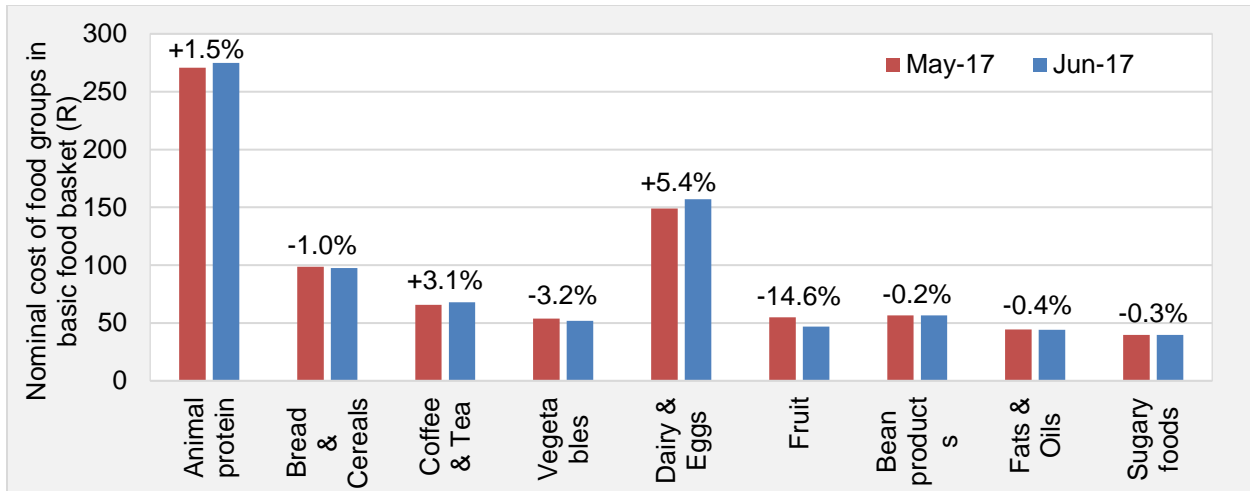


Figure 2: Nominal monthly cost growth of specific food groups within the basic food basket, comparing June vs. May 2017

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

Compiled by:

Trends and discussion on selected topics:  
Rika Verwey

BFAP:  
Hester Vermeulen

Enquiries: Christo Joubert: +27 12 341 1115 or +27 76 999 7766 or [christo@namc.co.za](mailto:christo@namc.co.za)

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