



National Agricultural  
Marketing Council  
Promoting market access for South African agriculture

# Markets and Economic Research Centre



## Food Basket Price Monthly

*Issue 28 – April/2018*

# FOOD BASKET PRICE MONTHLY

## April 2018

*The basket of food products included in this publication is derived from the Income and Expenditure Survey (IES) of 2014/15', compiled by Statistics South Africa (Stats SA). This food 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) adjustment, the food basket had since been altered.*

*Stats SA introduced additional products from January 2017 and excluded some of the pre-January 2017 products. The food basket has been adjusted to include these additional observations /products and as a result, annual comparisons are now possible.*

*Cognisance of the above background should be taken when interpreting the data.*

- *Food inflation decelerated to 3.5% during March 2018, year-on-year (y-o-y), from 3.9% reported in February 2018.*
- *Meat price inflation eased to 10% (y-o-y) from 11.4%, as the cattle herd rebuilding process continues following the drought. This could keep beef, lamb and mutton meat prices relatively high in comparison with other meat products.*
- *The outlook for food prices could start to moderate as the long-term effect of the drought begins to dissipate. Price inflation is expected to remain fairly low on the back of large grain supplies from the current marketing season; expectations of a good summer grain harvest (resulting low maize prices levels for 2018/19); together with the 45% decline in the wheat import tariff to R394.85/ton. The implementation of the value-added and sugar taxes during April 2018, could also cause inflationary pressures in the coming months.*
- *In March 2018, the cost of the NAMC's 28-item urban food basket reached R857.10 compared to the R860.02 reported in February 2018, indicating a month-on-month (m-o-m) decrease of 0.3%. When compared to March 2017, an annual (y-o-y) increase of 0.8% was reported.*
- *Remarks on the Listeriosis outbreak:*
  - *Pork prices at primary level decreased dramatically. The industry experience further challenges to maintain sustainable production*
- *As polony has been identified as the primary product source of the outbreak, current trends indicate that the polony price (per kg) has increased by 3.1% m-o-m but reported a decrease of 3.6% when compared to March 2017.*

## 1. Introduction

The NAMC monitors food prices at 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 food price trends in South Africa; to provide explanations of the observed trends and to then advise the department on any possible action that could be taken should national and household food security be threatened. The FPMC was established after the high food price episode of 2000/01 season. The functions of the FPMC were continued 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 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, came as a result of discussions with industry to keep a more frequent watch on the movements of food prices.

## 2. Overall inflation and food inflation

The March 2018 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 3.8% and 3.5%, respectively, compared to the 4% and 3.9% reported in February 2018. **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 March 2018.

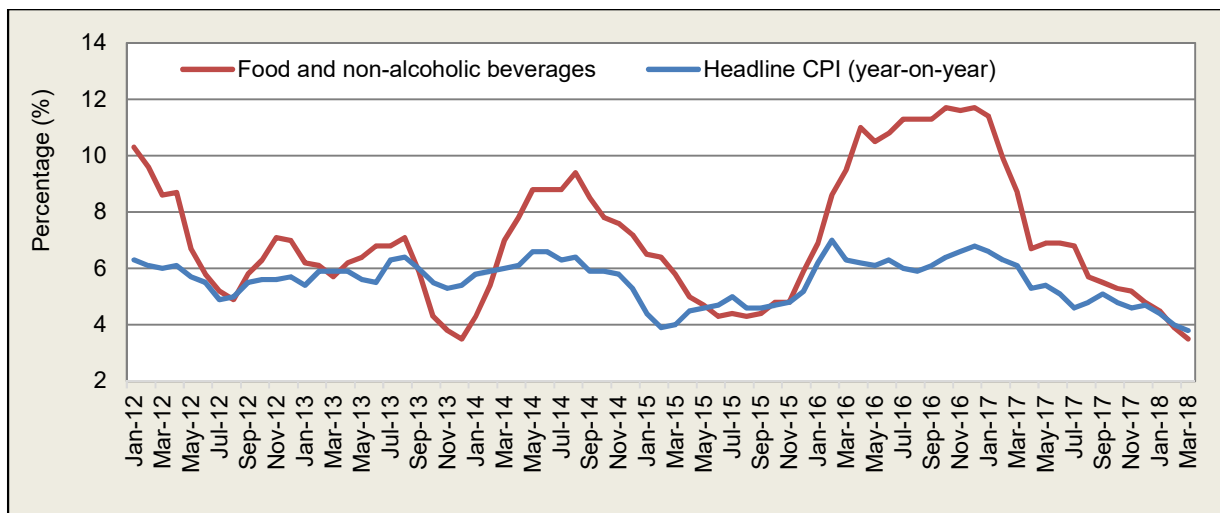


Figure 1: Headline CPI and food and non-alcoholic beverage CPI  
Source: Stats SA, 2018

## 3. Comparison between urban and rural prices: March 2018

**Table 1** compares prices of selected food items in rural and urban areas for March 2018. The food items which showed the largest price differences between **urban** and **rural** areas in March 2018 were: sunflower oil 750ml at a difference of R4.76, Ceylon/black tea 62.5g at R2.38 difference and a loaf of white bread 700g at a difference of R0.39. 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 margarine spread 500g), than their urban counterparts.

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

Product	Urban Food Prices March 2018 (R/unit)	Rural Food Prices March 2018 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	13.96	14.52	-0.56
Loaf of brown bread 700g	11.53	11.57	-0.04
Loaf of white bread 700g	12.95	12.56	0.39
Special maize 2.5 kg	19.57	19.62	-0.05
Super maize 2.5 kg	22.29	22.21	0.08
Margarine spread 500g	27.35	28.18	-0.83
Peanut butter 400g	27.93	29.54	-1.61
Rice 2kg	25.54	25.90	-0.36
Sunflower oil 750mℓ	22.47	17.71	4.76
Ceylon/black tea 62.5g	14.76	12.38	2.38
White sugar 2.5kg	38.34	41.68	-3.34
<b>Average</b>			<b>0.07</b>

Source: Stats SA, 2018

## 4. The NAMC food basket

This section analyses the cost of a basic 28-item NAMC food basket, based on average food price data for the period March 2018 vs. March 2017. Composition of the current food basket (as revised in 2017) include: 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), a loaf of brown bread (700g), a 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 March 2018, the cost of this 28-item NAMC urban food basket amounted to **R857.10** compared to the **R860.02** reported in February 2018, indicated a m-o-m decrease of 0.3%. Due to the inclusion of additional products in the Stats SA CPI basket since January 2017 (i.e. dried beans, frozen chicken, beef and chicken offal products), an annual (y-o-y) comparison indicated an increase of 0.8%.

The 28-item NAMC food basket products are highlighted in **Table 2**. Products exceeding the South African Reserve Bank's (SARB) upper annual inflation band of 6%, include the following: Ceylon/black tea 250g (9.8%), eggs 1.5 dozen (20.7%), apples – fresh per kg (12.9%), beef mince – fresh per kg (11.2%), chicken giblets per kg (13.7%), IQF chicken portions – 2kg (10.2%), and onions – fresh per kg (30.5%).

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

Category	Product	Mch-17	Feb-18	Mch-18	% change y-o-y	% change m-o-m
Beans	Baked beans - tinned 410g	9.40	9.62	9.73	3.5%	1.1%
Beans	Beans - dried 500g	20.48	19.64	19.69	-3.9%	0.3%
Beans	Peanut butter 400g	27.82	28.01	27.93	0.4%	-0.3%
Coffee, Tea	Instant coffee 250g	35.23	35.50	35.74	1.4%	0.7%
Coffee, Tea	Ceylon/black tea 250g	30.01	33.27	32.94	9.8%	-1.0%
Dairy, Eggs	Full cream milk - long life 1ℓ	13.81	13.96	13.96	1.1%	0.0%
Dairy, Eggs	Eggs 1.5 dozen	37.71	45.37	45.51	20.7%	0.3%
Dairy, Eggs	Cheddar cheese per kg	100.26	106.55	101.87	1.6%	-4.4%
Fats, Oils	Brick margarine 500g	22.28	22.70	22.34	0.3%	-1.6%
Fats, Oils	Sunflower oil 750mℓ	22.50	22.52	22.47	-0.1%	-0.2%
Fruit	Apples - fresh per kg	18.63	20.48	21.04	12.9%	2.7%
Fruit	Bananas - fresh per kg	16.04	13.54	13.65	-14.9%	0.8%
Fruit	Oranges - fresh per kg	28.99	24.22	25.93	-10.6%	7.1%
Protein	Beef mince - fresh per kg	74.99	82.32	83.42	11.2%	1.3%
Protein	Beef offal - fresh per kg	41.04	35.22	35.80	-12.8%	1.6%
Protein	Chicken giblets per kg	30.83	35.44	35.04	13.7%	-1.1%
Protein	IQF chicken portions - 2kg	62.38	68.11	68.72	10.2%	0.9%
Protein	Fish (excl. tuna) - tinned 400g	17.98	18.20	18.36	2.1%	0.9%
Protein	Polony per kg	43.13	40.32	41.56	-3.6%	3.1%
Bread & Cereals	Loaf of brown bread 700g	12.15	12.14	11.53	-5.1%	-5.0%
Bread & Cereals	Loaf of white bread 700g	13.43	13.08	12.95	-3.6%	-1.0%
Bread & Cereals	Super maize meal 5kg	52.60	37.93	38.22	-27.3%	0.8%
Bread & Cereals	Rice 2kg	26.58	25.22	25.54	-3.9%	1.3%
Vegetables	Cabbage - fresh per kg	11.31	15.71	10.59	-6.4%	-32.6%
Vegetables	Onions - fresh per kg	11.03	14.14	14.39	30.5%	1.8%
Vegetables	Potatoes - fresh per kg	12.31	11.81	11.86	-3.7%	0.4%
Vegetables	Tomatoes - fresh per kg	18.49	16.48	17.98	-2.8%	9.1%
Sugary foods	White sugar 2.5kg	39.08	38.52	38.34	-1.9%	-0.5%
Basket	<b>Total Rand Value</b>	<b>850.49</b>	<b>860.02</b>	<b>857.10</b>	<b>0.8%</b>	<b>-0.3%</b>

Source: Stats SA and BFAP, 2018

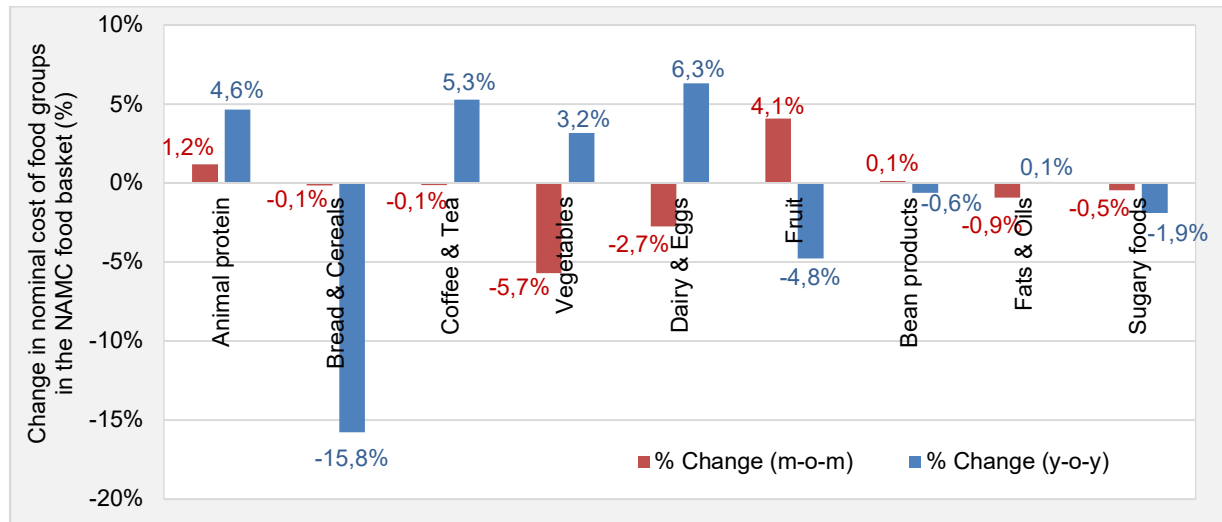
Table 3 below monitors three additional protein cuts that were included products in the CPI basket (post-January 2017).

**Table 3: Percentage change in additional chicken product prices**

Category	Product	Mch-17	Feb-18	Mch-18	% change y-o-y	% change m-o-m
Protein	Chicken portions – fresh per kg	55.72	58.64	58.64	5.2%	0.0%
Protein	Chicken portions frozen – non IQF average per kg	44.66	48.91	48.67	9.0%	-0.5%
Protein	IQF chicken portions – 1kg	20.99	32.28	32.80	56.3%	1.6%

Source: Stats SA, 2018

To further explore the impact of inflation on consumers, **Figure 2** presents an illustration of the average nominal cost growth of specific food groups within the 28-item NAMC food basket, comparing the periods March 2018 vs. March 2017 (y-o-y) and March 2018 vs. February 2018 (m-o-m). The following food categories in this basket experienced increased annual inflation: dairy & eggs, coffee & tea, animal protein, vegetables, and fats & oils.



**Figure 2: Nominal cost growth of specific food groups within the 28-item NAMC food basket, comparing March 2018 vs. March 2017 and March 2018 vs. February 2018**

Source: BFAP & NAMC calculations, Stats SA data, 2018

## 5. Remarks on the impact of Listeriosis

The outbreak of listeriosis contamination was predicted not to lead to short-term job losses, but this has since changed. Amongst the country's 125 commercial pig farmers and about 400 upcoming pig farmers, it is predicted that approximately 30 smaller producers will have to close its doors in the near future, resulting in 8 000 possible job losses for the industry.

The outbreak has led to producer prices falling as much as 40% (from R22/kg to R13/kg) early April 2018, resulting in millions of rands in losses for pork farmers. Approximately 50% of the pork industry's production is processed (including polony, viennas and sausages) while the other 50% being distributed as carcasses to the pork meat market. Since the outbreak, demand has decreased by 75% for polony and viennas with a decrease of 50% in other pork cold cuts. The decrease of 40% experienced by producers within one week during April, is predicted to filter through to retailers sooner than the average 4-month time lag, as seen in the March 2018 prices.

**Table 4** monitors four processed protein cuts (besides polony) at retail level on the back of the listeriosis outbreak. As polony has been identified as the primary product source of the outbreak, current trends indicate that polony (price per kg) increased by 3.1% m-o-m, with an annual decline of 3.6%, when compared to March 2017.

**Table 4: Percentage change in processed meat product prices**

Category	Product	Mch-17	Feb-18	Mch-18	% change y-o-y	% change m-o-m
Protein	Bacon 250g	32.39	37.49	37.00	14.2%	-1.3%
Protein	Corned beef 300g	22.02	23.79	23.12	5.0%	-2.8%
Protein	Ham 500g	35.35	37.67	39.26	11.1%	4.2%
Protein	Polony per kg	43.13	40.32	41.56	-3.6%	3.1%
Protein	Sausage 500g	43.49	46.91	47.07	8.2%	0.3%

**Source: Stats SA, 2018**

*Note: The possible impact at retail level would be assessed over an average time lag of four months (the average time lag between producer and retail level).*

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