



National Agricultural
Marketing Council
Promoting market access for South African agriculture

Markets and Economic Research Centre



Food Basket Price Monthly

Issue 31 – July/2018

FOOD BASKET PRICE MONTHLY

July 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 some of 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.

Highlights

- *Food inflation remained at 3.4% during June 2018, year-on-year (y-o-y), with Headline inflation increasing by 0.2%.*
- *The unchanged food inflation rate is attributed to low food prices offsetting the effect of the increased fuel prices over the last month.*
- *Meat price inflation eased to 6.8% (y-o-y) from 7.8%, with vegetables increasing by 5.7% (y-o-y) from 3.6%.*
- *The outlook for food price inflation is anticipated to increase over the next few months emanating from the increased VAT rate. Higher fuel prices (resulting from increased transport costs and fuel taxes), higher global oil prices and exchange rate depreciation might cause upward pressure on inflation in the coming months.*
- *In June 2018, the nominal cost of the NAMC's 28-item urban food basket reached R847.58 compared to the R849.11 reported in May 2018, indicating a month-on-month (m-o-m) decrease of 0.2%. When compared to June 2017, an annual (y-o-y) increase of 1.4% was reported.*
- *Remarks on the Listeriosis outbreak:*
 - *The current price of polony (per kg) reflects a decreasing trend of 8.4% (m-o-m), and 14.3% (y-o-y), respectively.*
 - *Other processed meat products indicate increasing price trends when compared to June 2017: bacon 250g (6.2%), corned beef 300g (1.7%), ham 500g (2.9%) and sausage 500g (3.5%).*

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 June 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 4.6% and 3.4%, respectively, compared to the 4.4% and 3.4% reported in May 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 June 2018.

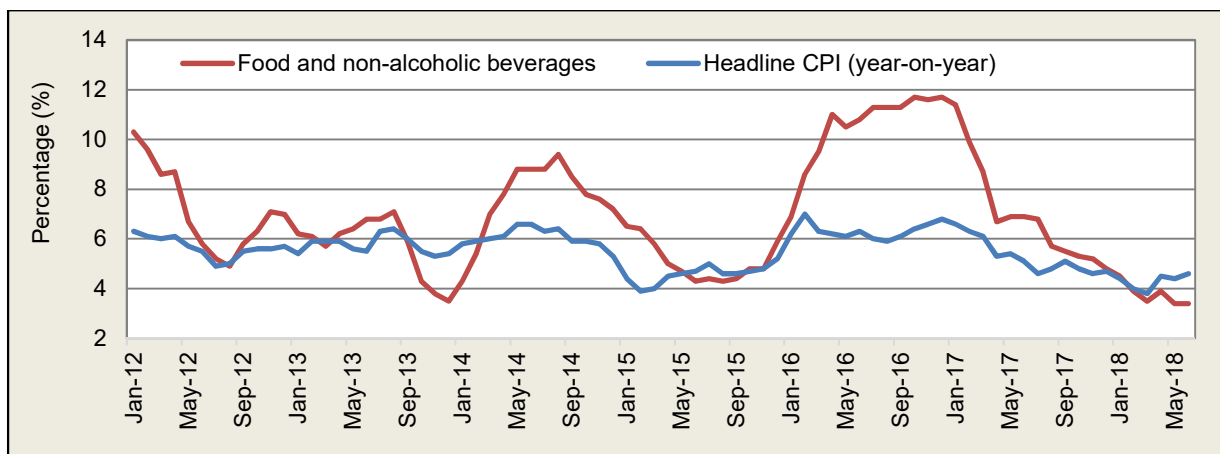


Figure 1: Headline CPI and food and non-alcoholic beverage CPI
Source: Stats SA, 2018

3. Comparison between urban and rural prices: June 2018

Table 1 compares prices of selected food items in rural and urban areas for June 2018. The food items which showed the largest price differences between **urban** and **rural** areas in June 2018 were: sunflower oil (750ml) at a difference of R4.23, Ceylon/black tea (62.5g) at R2.98 difference, and a loaf of white bread (700g) at a difference of R0.32. 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), special maize meal (2.5kg), and margarine spread (500g)), than their urban counterparts.

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

Product	Urban Food Prices June 2018 (R/unit)	Rural Food Prices June 2018 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	13.91	14.66	-0.75
Loaf of brown bread 700g	11.53	11.62	-0.09
Loaf of white bread 700g	12.96	12.64	0.32
Special maize 2.5 kg	18.59	19.87	-1.28
Super maize 2.5 kg	21.48	21.40	0.08
Margarine spread 500g	26.91	28.13	-1.22
Peanut butter 400g	28.08	29.22	-1.14
Rice 2kg	25.31	25.90	-0.59
Sunflower oil 750mℓ	21.91	17.68	4.23
Ceylon/black tea 62.5g	15.51	12.53	2.98
White sugar 2.5kg	36.02	40.90	-4.88
Average			-0.21

Source: Stats SA, 2018

4. The NAMC food basket

This section analyses the nominal cost of a basic 28-item NAMC urban food basket, based on average food price data for the period June 2018 vs. June 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 June 2018, the nominal cost of this 28-item NAMC urban food basket reached **R847.58** compared to the **R849.11** reported in May 2018, indicating a m-o-m decrease of 0.2%. When compared to June 2017, an annual (y-o-y) increase of 1.4%, was reported.

The 28-item NAMC urban food basket products (in nominal terms) are highlighted in **Table 2**. Products exceeding the South African Reserve Bank's (SARB) upper annual inflation band of 6%, include the following: baked beans tinned 410g (8%), eggs 1.5 dozen (18%), apples – fresh per kg (12%), oranges - fresh per kg (27.6%), beef mince – fresh per kg (10.2%), chicken giblets per kg (12.9%), IQF chicken portions – 2kg (10.4%), fish (excl. tuna) - tinned 400g (6.2%), onions – fresh per kg (16.5%), and tomatoes – fresh per kg (16.8%).

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

Category	Product	Jun-17	May-18	Jun-18	% change y-o-y	% change m-o-m
Beans	Baked beans - tinned 410g	9.26	9.99	10.00	8.0%	0.1%
Beans	Beans - dried 500g	19.48	19.06	19.14	-1.7%	0.4%
Beans	Peanut butter 400g	27.74	27.81	28.08	1.2%	1.0%
Coffee, Tea	Instant coffee 250g	36.23	35.45	36.41	0.5%	2.7%
Coffee, Tea	Ceylon/black tea 250g	31.53	34.77	33.42	6.0%	-3.9%
Dairy, Eggs	Full cream milk - long life 1ℓ	13.92	13.89	13.91	-0.1%	0.1%
Dairy, Eggs	Eggs 1.5 dozen	37.43	44.21	44.16	18.0%	-0.1%
Dairy, Eggs	Cheddar cheese per kg	105.64	106.12	105.23	-0.4%	-0.8%
Fats, Oils	Brick margarine 500g	22.33	22.35	22.39	0.3%	0.2%
Fats, Oils	Sunflower oil 750mℓ	21.87	22.28	21.91	0.2%	-1.7%
Fruit	Apples - fresh per kg	17.17	19.85	19.23	12.0%	-3.1%
Fruit	Bananas - fresh per kg	15.20	14.48	13.82	-9.1%	-4.6%
Fruit	Oranges - fresh per kg	14.47	18.47	18.47	27.6%	0.0%
Protein	Beef mince - fresh per kg	76.36	83.94	84.17	10.2%	0.3%
Protein	Beef offal - fresh per kg	42.61	36.11	36.33	-14.7%	0.6%
Protein	Chicken giblets per kg	32.59	33.77	36.80	12.9%	9.0%
Protein	IQF chicken portions - 2kg	62.23	67.43	68.73	10.4%	1.9%
Protein	Fish (excl. tuna) - tinned 400g	17.24	18.25	18.31	6.2%	0.3%
Protein	Polony per kg	43.71	40.90	37.47	-14.3%	-8.4%
Bread & Cereals	Loaf of brown bread 700g	12.24	11.39	11.53	-5.8%	1.2%
Bread & Cereals	Loaf of white bread 700g	13.36	12.92	12.96	-3.0%	0.3%
Bread & Cereals	Super maize meal 5kg	45.70	36.55	36.63	-19.8%	0.2%
Bread & Cereals	Rice 2kg	26.25	25.40	25.31	-3.6%	-0.4%
Vegetables	Cabbage - fresh per kg	12.26	12.19	12.31	0.4%	1.0%
Vegetables	Onions - fresh per kg	11.65	13.68	13.57	16.5%	-0.8%
Vegetables	Potatoes - fresh per kg	11.21	12.05	11.64	3.8%	-3.4%
Vegetables	Tomatoes - fresh per kg	16.80	19.74	19.63	16.8%	-0.6%
Sugary foods	White sugar 2.5kg	39.63	36.06	36.02	-9.1%	-0.1%
Basket	Total Rand Value	836.11	849.11	847.58	1.4%	-0.2%

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	Jun-17	May-18	Jun-18	% change y-o-y	% change m-o-m
Protein	Chicken portions – fresh per kg	56.62	59.46	59.09	4.4%	-0.6%
Protein	Chicken portions frozen – non IQF average per kg	46.14	49.14	48.44	5.0%	-1.4%
Protein	IQF chicken portions – 1kg	18.32	39.74	40.49		1.9%

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 June 2018 vs. June 2017 (y-o-y) and June 2018 vs. May 2018 (m-o-m). The following food categories in this basket experienced increased annual inflation: vegetables, fruit, dairy & eggs, coffee & tea, animal protein, bean products, and fats & oils.

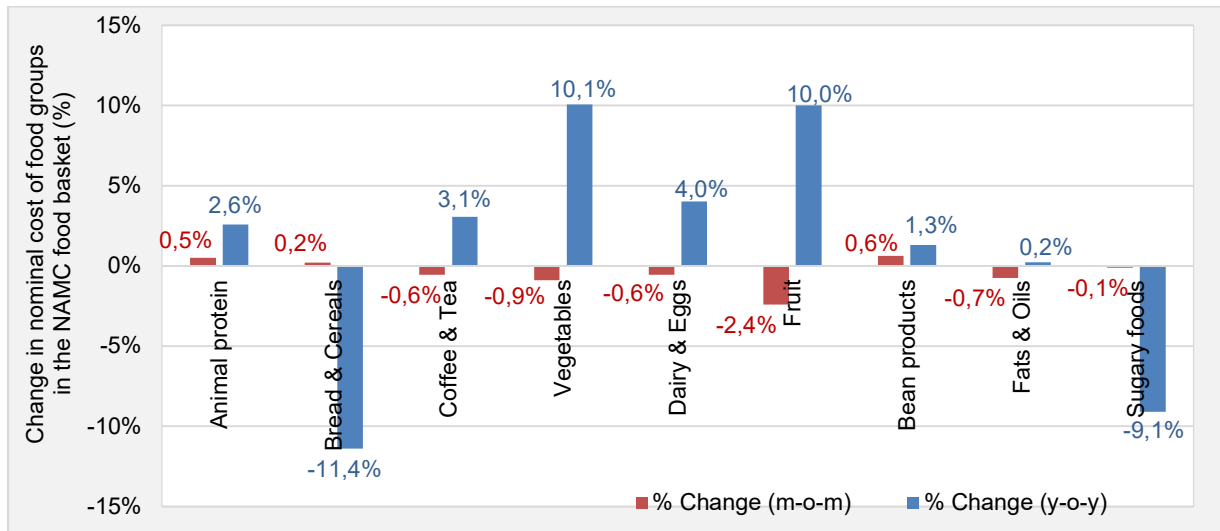


Figure 2: Nominal cost growth of specific food groups within the 28-item NAMC food basket, comparing June 2018 vs. June 2017 and June 2018 vs. May 2018

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

5. Remarks on the impact of Listeriosis

Table 4 monitors four processed protein cuts (besides polony) at retail level on the back of the listeriosis outbreak. The current price of polony (per kg) reflects a decreasing trend of 8.4% (m-o-m), and 14.3% (y-o-y), respectively. Other processed meat products indicate increasing price trends when compared to June 2017: bacon 250g (6.2%), corned beef 300g (1.7%), ham 500g (2.9%) and sausage 500g (3.5%).

Table 4: Percentage change in processed meat product prices

Category	Product	Jun-17	May-18	Jun-18	% change y-o-y	% change m-o-m
Protein	Bacon 250g	33.49	36.03	35.55	6.2%	-1.3%
Protein	Corned beef 300g	22.94	23.13	23.32	1.7%	0.8%
Protein	Ham 500g	35.84	37.76	36.88	2.9%	-2.3%
Protein	Polony per kg	43.71	40.90	37.47	-14.3%	-8.4%
Protein	Sausage 500g	45.42	46.90	46.99	3.5%	0.2%

Source: Stats SA, 2018

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Stats SA is acknowledged for assistance provided to the NAMC in terms of food price data.

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