



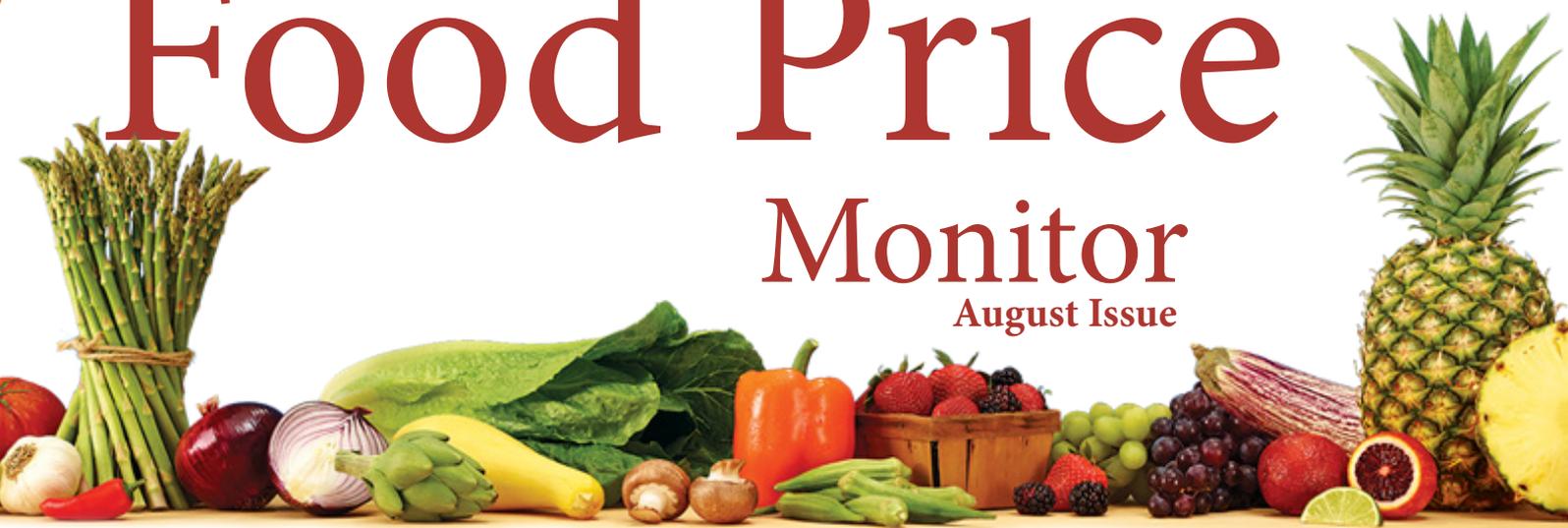
NAMMC
Promoting market access for South African agriculture



2020

Food Price

Monitor
August Issue



Important note

The collection and compilation practices for the CPI largely normalised in July in the context of further easing of lockdown restrictions. Due to health and safety requirements, Stats SA's CPI unit is not operating at full capacity. More specifically, approximately 1/3 of our field-based price collection team is classified as vulnerable and therefore not able to visit stores to collect price information. Available field staff are not distributed evenly through the country. As a result prices recorded across all regions (including online prices) have been pooled to create national average price changes which are then applied to each elementary index at a regional level. This means that the geographic index changes will only vary according to different weights and not different price changes. The July 2020 CPI data was published on Wednesday August 26, 2020 (see document below):

<http://www.statssa.gov.za/publications/P0141/P0141July2020.pdf>

Certain price comparisons would not be feasible at this stage such as the urban vs. rural price comparison.

EXECUTIVE SUMMARY

During July 2020, the 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 3.2% and 4.3%, respectively. The same indices were 2.2% and 4.2% during June 2020.

Prices were compared for selected food items in urban areas for July 2020 vs. June 2020. Food items showing the largest price differences between June 2020 and July 2020 urban areas: super maize (2.5kg) at a difference of R3.26, sunflower oil (750ml) at a difference of R1.23, margarine spread (500g) at a difference of R0.63 and peanut butter (400g) at a difference of R0.49. This indicates that urban consumers paid R0.58 more on average, for these 11 food items during July 2020.

The FAO Food Price Index (FFPI) in nominal terms, averaged 94.2 points in July 2020, up 1.1 points (1.2%) from June 2020 and at almost the same level of July 2019. The July 2020 incline marked the second consecutive monthly increase in the value of the Index; largely attributed to several negative impacts on international food markets arising from the COVID-19 pandemic. Similar to June, further increases in the prices of vegetable oils, dairy products and sugar outweighed lower prices in the meat markets amid overall steady value of the cereal price index.



During July 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to R957.45, compared to the R964.52 reported during June 2020, increasing by 10% from July 2019 (y-o-y) and decrease by 0.7% from June 2020 m-o-m.

Comparing July 2019 to July 2020 retail prices, higher price inflation (6% or more) were observed for the following products within the NAMC food basket (in order from highest to lowest inflation): Rice, eggs, oranges, dried beans, onions, cheddar cheese, potatoes, tomatoes, beef offal, IQF chicken portions, white bread, super maize meal, beef mince, peanut butter, white sugar, bananas and brown bread. The items with high inflation could have negative implication in terms of basic food security (staple food inflation) as well as dietary diversity (e.g. inflation on fish and fruit. When comparing the inflation rates for July 2019 to July 2020, with April 2019 to April 2020 (i.e. the previous Food Price Monitor analysis period) the rate of inflation was higher for animal protein foods, bread & cereals, vegetables, dairy, eggs and bean products.

Although food inflation dipped below 4% in the second half of 2019, since February 2020 it has consistently been above 4%. The biggest contributor to this is meat prices. Its contribution is twofold. The first is that it comprises the largest proportion of the expenditure basket (35%) but prices in this category are also markedly higher (5.1%) compared to a year ago. This can be attributed to the low base associated with 2019 on the back of foot and mouth disease restrictions that constrained exports. With restrictions on liquor being relaxed since the mid- August it is expected that primal cuts can find price support from increased uptake from the hospitality industry. This could help sustain price increases for meat over the rest of the year. Restricted consumer income that does however not seem to be reflected in retail prices of meat yet and as the economic aftermath of the lock-down unfolds we could see dampened demand providing a ceiling for price growth.



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Introduction

As August 2020 official CPI data will only be released by September 30th 2020, this section contains data up to July 2020.

During July 2020, the 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 3.2% and 4.3%, respectively. The same indices were 2.2% and 4.2% during June 2020. **Figure 1** shows trends of the headline CPI and food and non-alcoholic beverage inflation rates on a monthly basis, from January 2015 to July 2020.

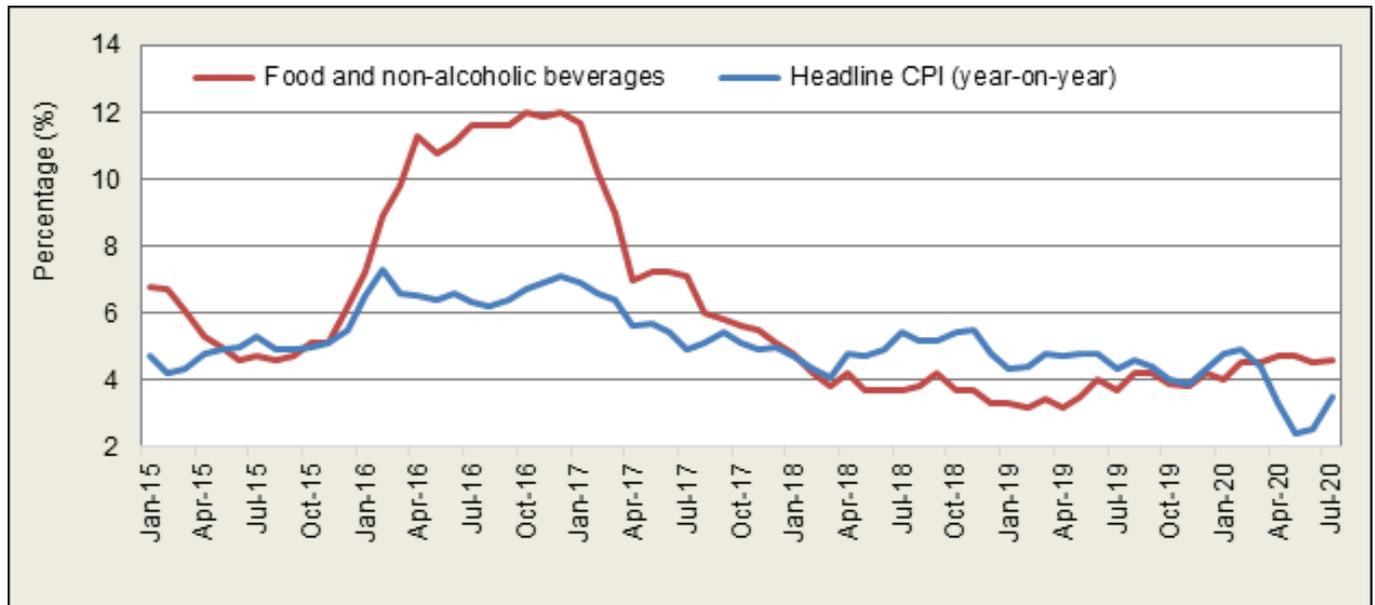


Figure 1:Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2020

Figure 2 presents the components of the food and non-alcoholic beverage index changes. During July 2020 vs. July 2019, the following changes, in descending order, were reported: fruit (12.1%), oils & fats (9.0%), sugary foods (6.6%), milk, eggs & cheese (6.1%), meat (5.1%), unprocessed foods (4.8%), processed foods (4.3%), fish (3.9%), bread & cereals (2.8%), other food items (2.6%), and vegetables (1.6%). The monthly percentage changes are also illustrated.

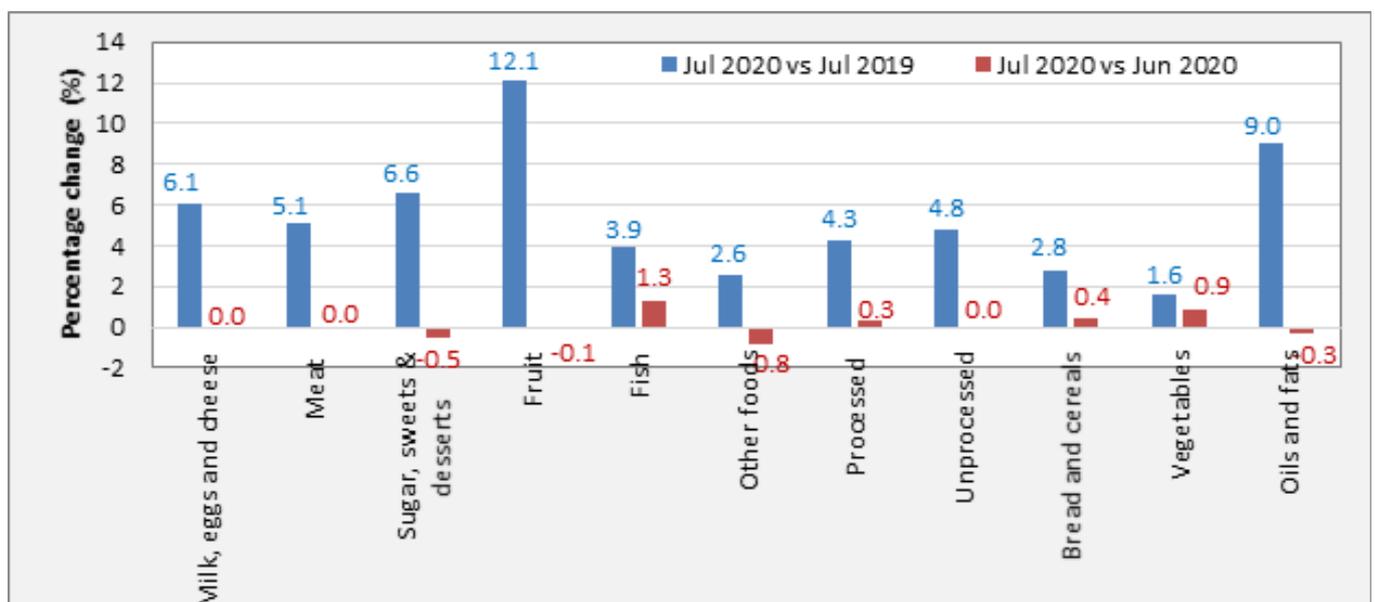


Figure 2: Annual (July 2020 vs. July 2019) and monthly (July 2020 vs. June 2020) CPI changes for different food categories

Source: Stats SA, 2020

Overall inflation and food inflation: South Africa and selected countries

Table 1 shows the annual year-on-year (y-o-y) overall inflation and food inflation rates for July 2020 for South Africa and other selected countries. South Africa's overall inflation for July 2020 reached 3.2% with food inflation reaching 4.3%. The food categories with the largest annual contribution to South African food inflation include fruit, oils & fats and sugary foods categories. The Zambian overall inflation rate for July 2020 reached 15.8%, with food inflation reaching 16.1%. Botswana's overall inflation rate was 0.9%, with food inflation figures not available for July 2020. Considering inflation rates of the BRIC countries, Brazil recorded the lowest overall inflation of 2.3%, with China remaining the highest food inflation contributor at 13.2%.

Table 1: Overall inflation and food inflation during May 2020 to July 2020

Country	May 2020		June 2020		July 2020	
	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)
Botswana	2.4	3.2	0.9	3.6	0.9	X
Brazil	1.9	6.9	2.1	7.6	2.3	7.6
China	2.4	10.6	2.5	11.1	2.7	13.2
India	6.3	9.3	6.1	7.9	6.9	9.6
Namibia	2.1	4.7	2.1	4.7	2.1	6.1
Russia	3.0	3.9	3.2	3.6	3.4	4.7
South Africa	2.1	4.4	2.2	4.2	3.2	4.3
Turkey	11.4	12.9	12.6	12.9	11.8	12.7
United Kingdom	0.5	1.8	0.6	1.1	1.0	0.8
United States	0.1	4.0	0.6	4.5	1.0	4.1
Zambia	16.6	17.5	15.9	16.3	15.8	16.1

Sources: Central banks and statistics reporting institutions of these countries, 2020



Urban food price trends: July 2020* vs. July 2019

As a result of the Covid-19 global pandemic, rural prices could not be monitored during July 2020, therefore this section will rank urban price for July 2020 vs. July 2019.

Table 2 rank selected food items pertaining to urban areas according to their various inflation rates. The food products highlighted in Table 2 are those with annual urban inflation rates exceeding the South African Reserve Bank's (SARB) inflation upper band of 6%:

Table 2: Food items in the urban areas ranked (July 2020 vs. July 2019)

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Margarine spread 500g	-11.0%	Ham 500g	-12.2%	Cauliflower - fresh per kg / each	-54.4%
Brick margarine 1kg	-8.8%	Polony per kg / 1kg	-7.3%	Apples - fresh per kg	-24.7%
Pasta 500g	-3.2%	Pork - ribs per kg	-6.7%	Pears - fresh per kg	-2.6%
Brick margarine 500g	-1.5%	Chicken giblets per kg	-3.0%	Cabbage - fresh each	-1.3%
Spaghetti 500g	0.9%	Low fat milk - fresh 1ℓ	-2.7%	Cabbage - fresh per kg	-1.3%
Special maize 5kg	1.0%	Tuna - tinned 170g	-2.7%	Baked beans - tinned 410g	-0.9%
Sunflower oil 750mℓ	1.7%	Beef chuck - fresh per kg	0.1%	Sweet potatoes - fresh per kg	3.4%
Special maize 2.5kg	3.3%	Powdered milk 900g	0.5%	Beetroot - fresh per kg	5.4%
Super maize 2.5kg	5.8%	Low fat milk - fresh 2ℓ	0.7%	Bananas - fresh per kg	6.2%
Loaf of brown bread 700g	6.2%	Pork chops - fresh per kg	0.7%	Pumpkin - fresh per kg	12.1%
Peanut butter 400g	6.4%	Bacon 250g	1.0%	Tomatoes - fresh per kg	15.6%
Cold cereals 500g	7.5%	Chicken portions frozen - non IQF average per kg	1.5%	Potatoes - fresh per kg	17.9%
Super maize 5kg	7.9%	Chicken portions frozen - non IQF per kg (real)	1.5%	Onions - fresh per kg	19.4%
Super maize 1kg	7.9%	Beef brisket - fresh per kg	1.6%	Beans - dried 500g	19.8%
Loaf of white bread 700g	8.8%	Fish (excl. tuna) - tinned 400g	2.0%	Oranges - fresh per kg	40.8%
Instant noodles 73g	9.4%	Beef T-bone - fresh per kg	3.8%	Carrots - fresh per kg	45.3%
Macaroni 500g	12.6%	Full cream milk - long life 1ℓ	5.1%		
Cake flour 2.5kg	16.7%	Full cream milk - fresh 1ℓ	7.4%		
Rice 2kg	58.5%	Beef mince - fresh per kg	7.6%	Other	%
Rice 1kg	70.7%	Low fat milk - long life 1ℓ	8.4%	Ceylon/black tea 250g	-18.1%
		Full cream milk - fresh 2ℓ	8.7%	Ceylon/black tea 62.5g	-13.5%
		Sausage 500g	9.5%	Instant coffee 250g	2.4%
		IQF chicken portions - 2kg	10.0%	White sugar 2.5kg	6.3%
		Lamb - neck per kg	10.3%		
		Lamb - leg per kg	10.5%		
		Beef offal - fresh per kg	11.0%		
		IQF chicken portions - 1kg	12.5%		
		Beef sirloin - fresh per kg	13.3%		

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
		Lamb - offal per kg	14.3%		
		Corned beef 300g	14.7%		
		Beef rump steak - fresh per kg	17.1%		
		Beef stew - per kg	19.4%		
		Cheddar cheese per kg	19.4%		
		Lamb - stew per kg	22.4%		
		Lamb - rib chop per kg	24.5%		
		Beef fillet - fresh per kg	24.9%		
		Eggs 0.5 dozen	25.9%		
		Lamb - loin chop per kg	26.1%		
		Chicken portions - fresh per kg	32.1%		
		Whole chicken - fresh per kg	33.0%		
		Eggs 1.5 dozen	50.7%		

Source: Stats SA, 2020

Note: Food items highlighted in the table above experienced price increases above the SARB inflation target of 6%.

A closer look at annual food price trends: July 2020 vs July 2019

During the period July 2020 vs. July 2019, the international price of wheat (US No.2, Hard Red Winter ord. Prot., US FOB Gulf) increased by 1.1%, while domestic wheat prices increased by 27.6%. Urban consumers paid 6.2% and 8.8% more for a loaf of brown and white bread (700g), respectively. Domestic yellow maize prices decreased by 4.3%, while international yellow maize prices decreased by 19.5%. Super and special maize meal prices (2.5kg) increased by 5.8% and 3.3%, respectively in urban areas. During the same period, the urban prices of sunflower oil (750ml) increased by 1.7%. Domestic prices of sunflower seed increased by 17.8% annually, while international sunflower seed prices increased by 18.2%.

During July 2020 vs. July 2019, average beef producer prices (R/kg) of classes B2/B3 and C2/C3 increased by 3.9% and 4.3%, respectively while the price of class A2/A3 decreased by 2.7% during the same period. Lamb/mutton producer prices (R/kg) of classes A2/A3, B2/B3 and C2/C3 increased by 24%, 26.9% and 24.6%, respectively. Producer prices of fresh, frozen and individually quick frozen (IQF) chicken portions (R/kg) decreased by 12.3%, 11.8%, and 5.1%, respectively. Porker and baconer producer prices (R/kg) decreased by 12.8% and 12.7%, respectively, during the same period.



Comparison between urban: July 2020 vs. June 2020

2020

Table 3 compares prices of selected food items in urban areas for July 2020 vs. June 2020. Food items showing the largest price differences between June 2020 and July 2020 urban areas: super maize (2.5kg) at a difference of R3.26, sunflower oil (750ml) at a difference of R1.23, margarine spread (500g) at a difference of R0.63 and peanut butter (400g) at a difference of R0.49. This indicates that urban consumers paid R0.58 more on average, for these 11 food items during July 2020.

Table 3: Comparison between urban food prices (selected food items)

Product	Urban Food Prices June 2020	Urban Food Estimated Prices July 2020 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.76	15.37	(0.39)
Loaf of brown bread 700g	13.32	13.40	0.08
Loaf of white bread 700g	15.19	15.05	(0.14)
Special maize 2.5kg	21.49	21.37	(0.12)
Super maize 2.5kg	21.99	25.25	3.26
Margarine spread 500g	23.49	24.12	0.63
Peanut butter 400g	31.49	31.98	0.49
Rice 2kg	41.49	41.94	0.45
Sunflower oil 750ml	20.99	22.22	1.23
Ceylon/black tea 62.5g	13.69	14.11	0.42
White sugar 2.5kg	41.75	42.23	0.48
Average difference (R/unit)			R0.58

Source: Stats SA, 2020



International food prices

The Food and Agricultural Organization (FAO) of the United Nations (UN) publishes its Food Price Index (FPI) on a monthly basis. The FPI consists of five commodity group price indices, namely, the Meat Price Index, the Dairy Price Index, the Cereals Price Index, the Oils Price Index and the Sugar Price Index. These indices are weighted with the average export shares of each of the groups for 2014 to 2016. In total, 24 commodities and 95 price quotations, considered by FAO commodity specialists as representing the international prices of the noted food commodities, are included in the overall index. Figure 3 shows the overall monthly real (deflated) FAO FPI from 2016 to 2020, with July 2020 reaching an index level of 95.2 points, up 1.2% from June 2020.

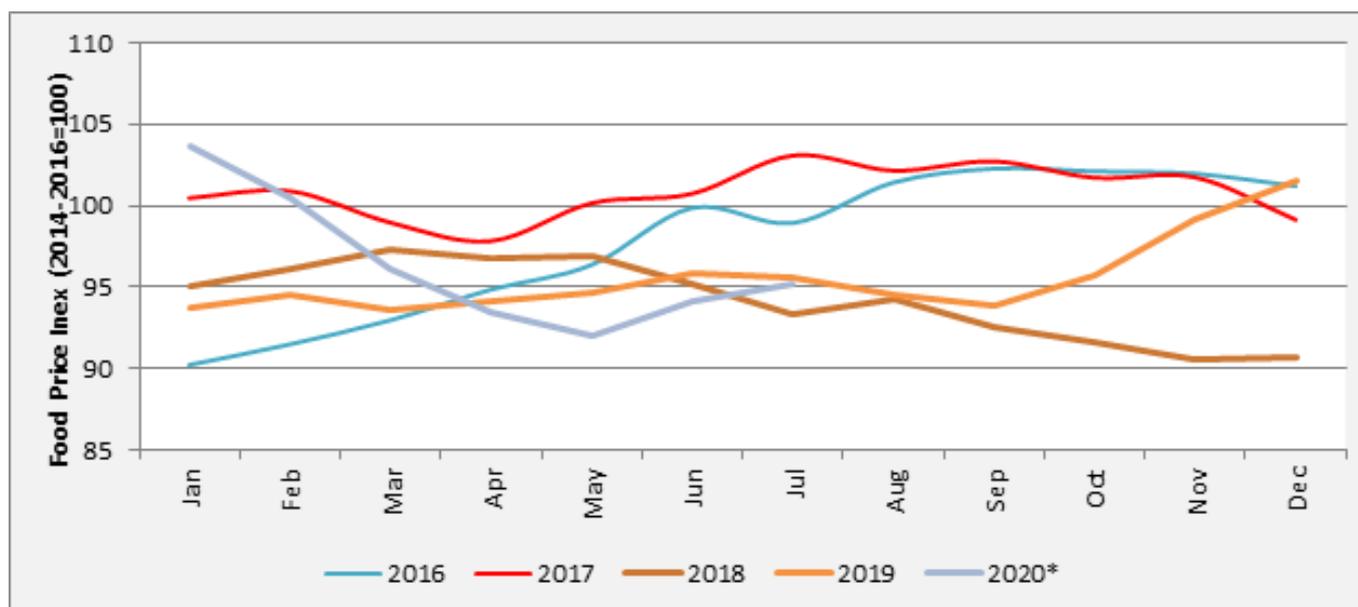


Figure 3: International monthly real FPI

Source: FAO, 2020

*Note: Current year



Figure 4 shows the price indices in real terms for five food categories. The monthly (July 2020 vs. June 2020) growth percentages indicated increasing trends for four of the five Indices. The annual (July 2020 vs. July 2019) growth percentages indicated increasing trends of 19.9% for Oils Price Index and 1.2% for the Dairy Price Index, whilst the Meat Price Index reflected the largest annual decline percentage of 8.7%.

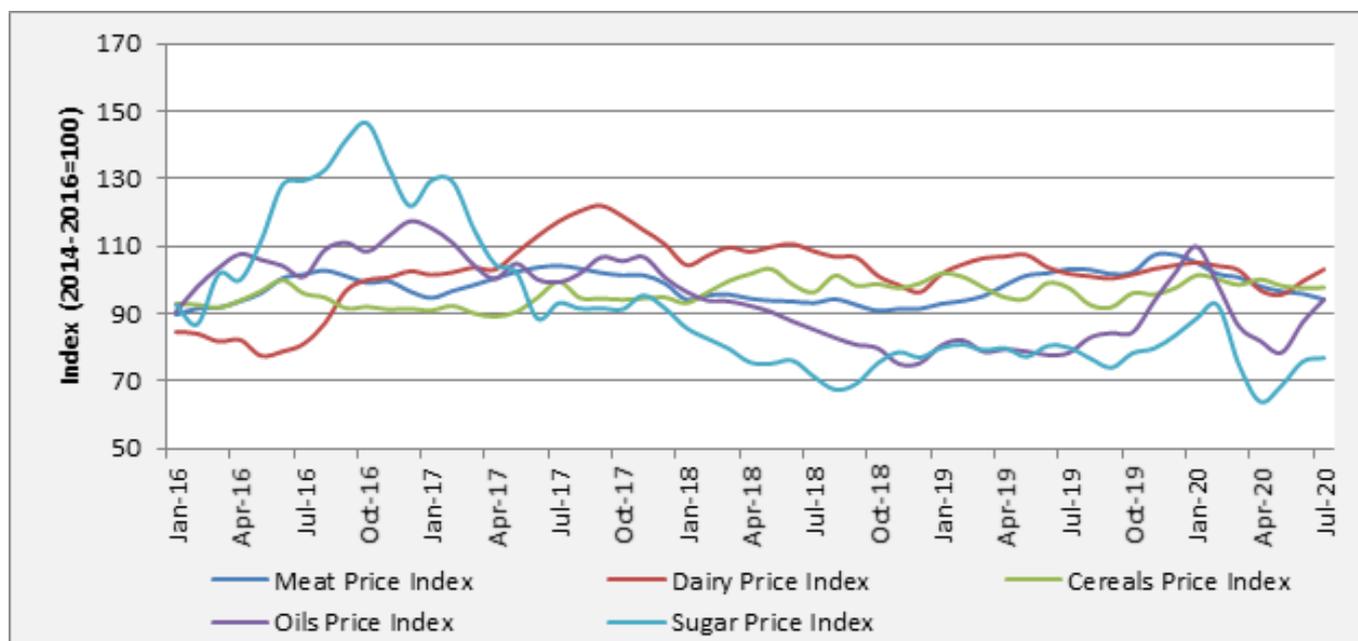


Figure 4: Real price indices for five food categories

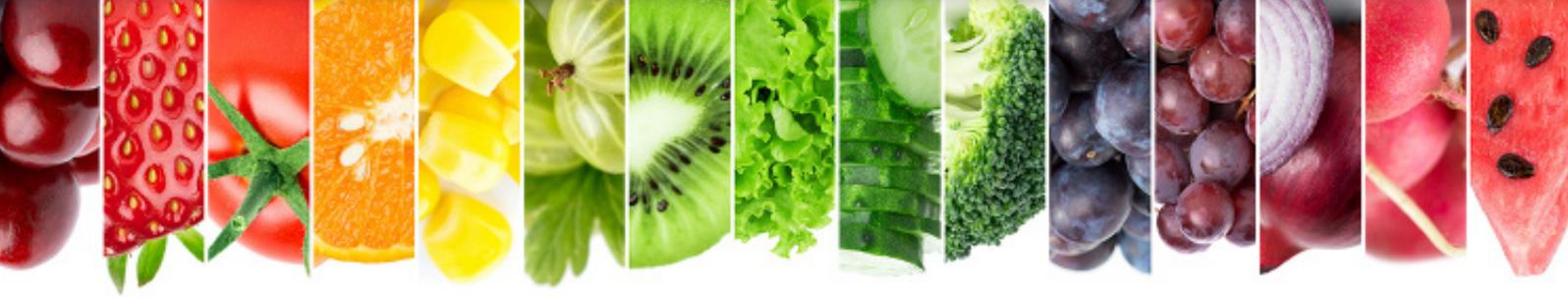
Source: FAO, 2020

The **FAO Food Price Index (FFPI)**¹ in nominal terms, averaged 94.2 points in July 2020, up 1.1 points (1.2%) from June 2020 and at almost the same level of July 2019. The July 2020 incline marked the second consecutive monthly increase in the value of the Index; largely attributed to several negative impacts on international food markets arising from the COVID-19 pandemic. Similar to June, further increases in the prices of vegetable oils, dairy products and sugar outweighed lower prices in the meat markets amid overall steady value of the cereal price index.

The **FAO Cereal Price Index** in nominal terms, averaged 96.9 points in July 2020, almost unchanged from June 2020 but still up with 2% from July 2019. Among the major cereals, the prices of wheat changed

little month-on-month, while maize and sorghum prices registered sharp gains and those of rice fell. In the wheat markets, despite a weaker US dollar and concerns about production prospects in Europe, the Black Sea region and Argentina, slow trade activity and early expectation of a strong production recovery in Australia kept the average July value at around the same level as in the previous month. While barley prices also remained stable, export price quotations for both sorghum and maize registered strong increases in July, up 5.8% and 3.7%, respectively, from June (14% and 10.4% from July 2019). While the surge in sorghum and maize prices were primarily driven by recent large purchases by China of both grains from the United States of America, weather concerns and the depreciation in the US dollar also lent support. By

¹Unlike for other commodity groups, most prices utilized in the calculation of the FAO Meat Price Index are not available when the FAO Food Price Index is computed and published; therefore, the value of the Meat Price Index for the most recent months is derived from a mixture of projected and observed prices. This can, at times, require significant revisions in the final value of the FAO Meat Price Index which could in turn influence the value of the FAO Food Price Index.



contrast, prospects of large 2020 harvests and quiet market activities pushed down international rice prices to four-month lows, despite renewed concerns over logistical bottlenecks caused by COVID-19.

The **FAO Vegetable Oil Price Index** in nominal terms, averaged 93.2 points in July 2020, gaining 6.6 points (or 7.6%) from last month and hitting a five-month high. The continued strength of the index primarily reflects firmer values for palm, soy and rapeseed oils. International palm oil quotations rose for a second consecutive month in July, largely underpinned by prospective production slowdowns in major producing countries due to localized floods following heavy rainfall. Larger than expected global import demand and lingering concerns over migrant labour shortages in Malaysia lent additional support to palm oil prices. International soy-oil prices also increased markedly, mainly on account of tightening supplies in Brazil, one of the world's leading soy-oil exporters. Rapeseed oil values were sustained by fresh demand from both the biodiesel and food sectors in the EU.

The **FAO Dairy Price Index** in nominal terms, averaged 101.8 points in July 2020, up 3.5 points (3.5%) from June 2020. In July, quotations for all the dairy products represented in the index increased, moving the overall value 0.7 points (0.7%) above the corresponding month last year and for the first time above the pre-pandemic level of March 2020. Quotations for milk powders, especially whole milk powder (WMP), rose on account of strong import demand by Asian buyers with some concerns over the eventual size of export availabilities in Oceania in the 2020/21 production season. Meanwhile, although they remained below the pre-pandemic levels, quotations for butter and cheese

continued to increase, buoyed by robust import demand amid seasonally declining export supplies and steadily rising internal demand in Europe.

The **FAO Meat Price Index**² in nominal terms, averaged 93 points in July 2020, down 1.7 points (1.8%) from June 2020 and 9.4 points (9.2%) below corresponding month last year. Price quotations for pig and bovine meats both fell in July, as global import demand volumes remained below export availabilities, notwithstanding the coronavirus-induced disruptions to slaughtering, processing and export activities in key exporting regions. Quotations for poultry meat registered a recovery, following five months of consecutive declines, largely reflecting production cuts in Brazil, triggered by high feed costs and concerns over demand outlook moving forward. Following a sharp increase in June, ovine meat prices increased only slightly in July, reflecting a more subdued demand.

The **FAO Sugar Price Index** in nominal terms, averaged 76 points in July 2020, up 1 point (1.4%) from June 2020 and 3.4 points (4.3%) from July 2019. Rising energy prices, combined with lower sugar production prospects due to a severe drought in Thailand, the world's second largest sugar exporter, underpinned sugar price movements in July. However, the strong sugar crush numbers from Brazil, the world's largest sugar producer, which showed mills favouring sugar to ethanol, limited the overall price increase.

²Unlike for other commodity groups, most prices utilized in the calculation of the FAO Meat Price Index are not available when the FAO Food Price Index is computed and published; therefore, the value of the Meat Price Index for the most recent months is derived from a mixture of projected and observed prices. This can, at times, require significant revisions in the final value of the FAO Meat Price Index which could in turn influence the value of the FAO Food Price Index

Estimated impact of food inflation on consumers

The purpose of this section is to illustrate the impact of food inflation on consumers. The analysis presented in the first part of this section is based on the cost of a basic food basket³ (as originally compiled by the Food Price Monitoring Committee in 2003, which was revised in January 2017) and, based on monthly average food price data for the period July 2019 to July 2020.

In July 2020, the cost of this basic urban food basket was R957.35, increasing by 10.0% from July 2019 (year-on-year increase) and decreasing by 0.7% from June 2020 (month-on-month change). The cost of this food basket expressed as a share of the average monthly income⁴ of the poorest 30% of the population increased from 58.8% in July 2019 to 64.3% in July 2020. The cost of the food basket expressed as a share of the average monthly income of the wealthiest 20% of the population increased from 3.1% in July 2019 to 3.4% in July 2020 (Figure 5).

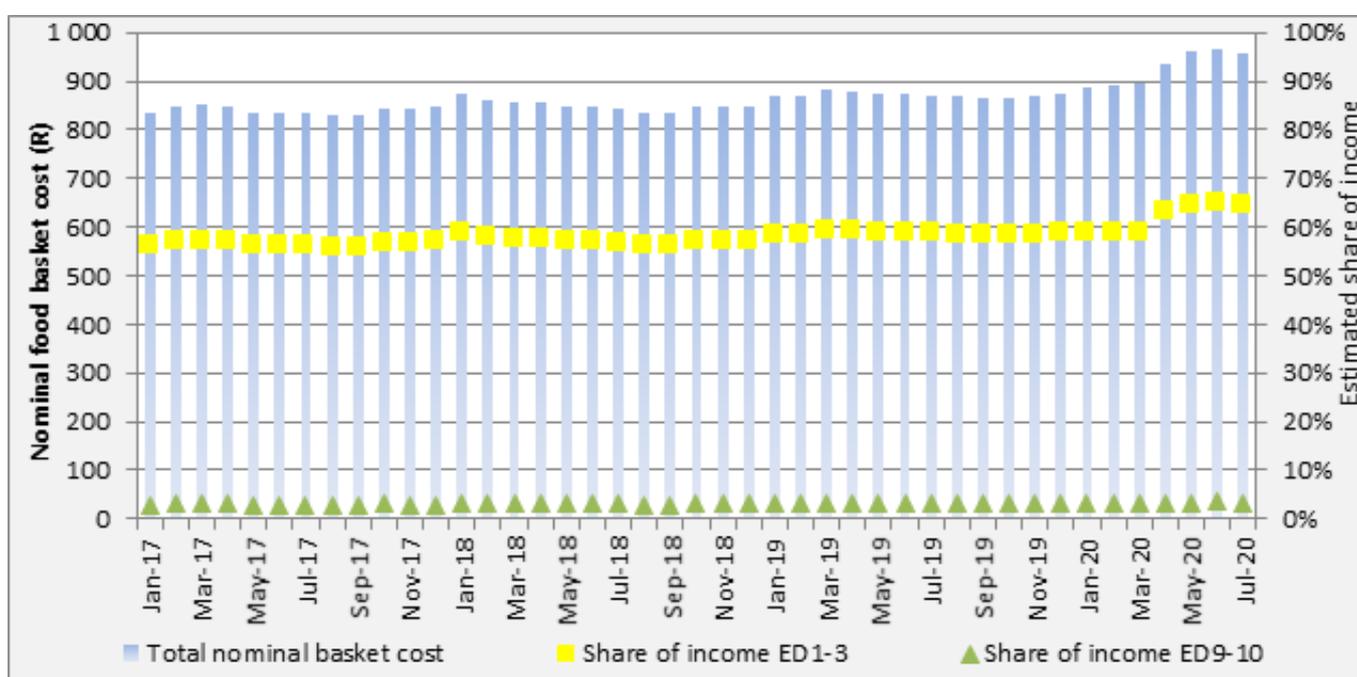


Figure 5: The cost of a typical consumer food basket for the period January 2017 to July 2020, expressed in nominal terms and as share of the average income of the poorest 30% of households (Expenditure Deciles [ED] 1-3) and the wealthiest 20% of households (ED 9-10)

Sources: BFAP calculations, based on Stats SA monitored price data for urban areas, 2020

³Composition of food basket: Apples fresh (per kg), Baked beans tinned (410g), Bananas fresh (per kg), Beans dried (500g), Beef mince fresh (per kg), Beef offal fresh (per kg), Bread loaf brown (700g), Bread loaf white (700g), Cabbage fresh (per kg), Cheese cheddar (per kg), Chicken giblets (per kg), Chicken portions IQF (2kg), Coffee instant (250g), Eggs (1.5 dozen), Fish (excl. tuna) tinned (400g), Maize meal super (5kg), Margarine brick (500g), Milk full cream long life (1ℓ), Onions fresh (per kg), Oranges fresh (per kg), Peanut butter (400g), Polony (per kg), Potatoes fresh (per kg), Rice (2kg), Sugar white (2.5kg), Sunflower oil (750ml), Tea Ceylon/black (250g), Tomatoes fresh (per kg).

⁴The cost of the typical food basket was expressed as a share of estimated average monthly income of Expenditure Deciles 1 to 3, the poorest 30% of the population, as calculated from the STATSSA Living Conditions Survey 2014/2015 (household income estimated by total expenditure of households on all items)

To further explore the impact of inflation on consumers, **Figure 6** presents an illustration of the average monthly nominal cost of specific food groups within the basic food basket, comparing July 2019 to July 2020. Food groups with more prominent inflation included dairy, eggs, bread & cereals, vegetables and bean products.

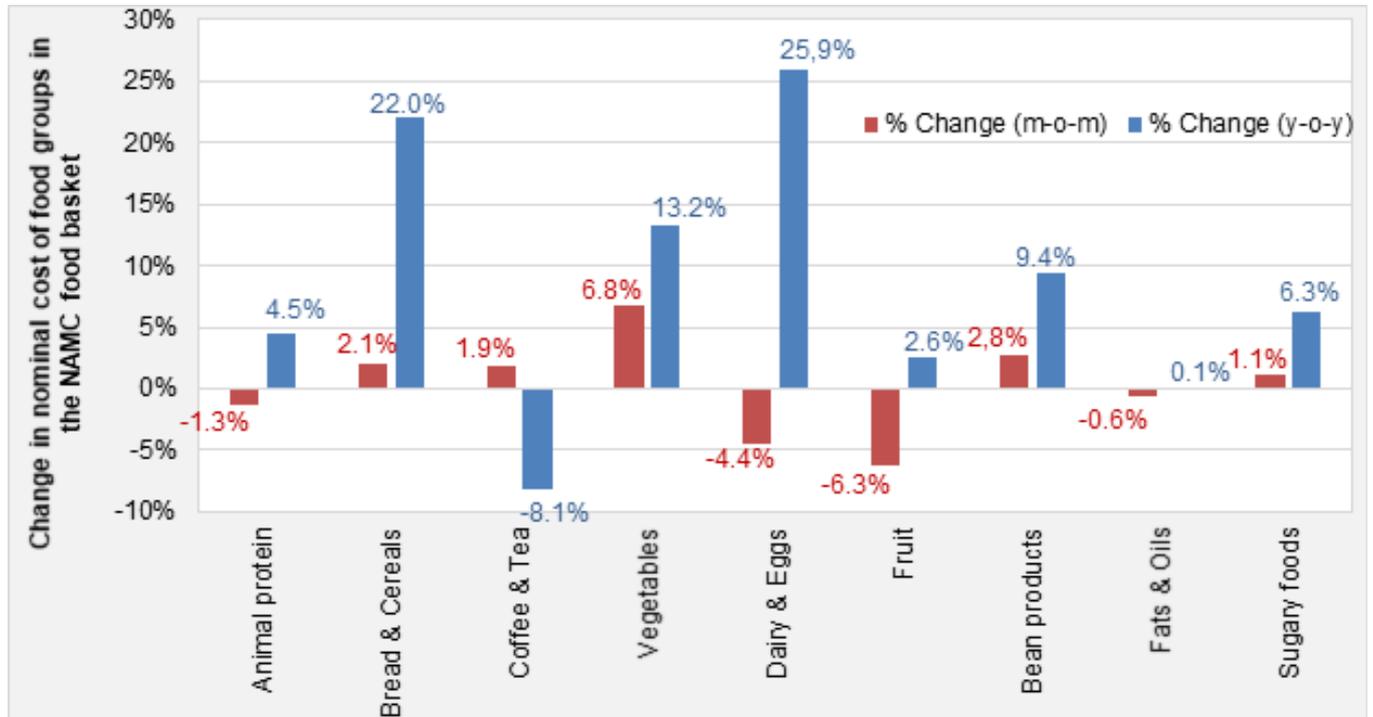


Figure 6: Nominal cost growth of specific food groups within the NAMC’s 28-item food basket, comparing July 2020 vs. July 2019 (y-o-y) and July 2020 vs. June 2020 (m-o-m)

Sources: BFAP & NAMC calculations, Stats SA, 2020

The various food groups within this food basket are discussed in more detail in **Table 5** below.

Table 5: Overview of contributions to annual food price increases within the 28-item NAMC food basket, July 2020 vs. July 2019

Food group	Overall inflation rate		Major contributors to inflation in this category	Minor contributors to inflation in this category	Non-contributors to inflation in this category	Comments
	Jul 2020 vs. Jul 2019	Apr 2020 vs. Apr 2019*				
Animal protein	+4.5%	-1.8%	Beef offal (+11%) IQF chicken portions (+10%) Beef mince (+7.6%)	Tinned fish (+2%)	Polony (-7.3%) Chicken giblets (-3%)	Most significant inflation on beef offal and IQF chicken portions.
Bread and cereals	+22.0%	+4.4%	Rice (+58.5%) White bread (+8.8%) Maize meal (+7.9%) Brown bread (+6.2%)	None	None	Most significant inflation on rice, but also high inflation on other staple options.
Vegetables	+13.2%	-6.3%	Onions (+19.4%) Potatoes (+17.9%) Tomatoes (+15.6%)	None	Cabbage (-1.3%)	Inflation on onions, potatoes and tomatoes.
Fruit	+2.6%	+6.2%	Oranges (+40.8%) Bananas (+6.2%)	None	Apples (-24.7%)	High inflation on oranges and some inflation on bananas.
Dairy	+12.3%	+4.8%	Cheddar cheese (+19.4%) Full cream milk (+5.1%)	None	None	High inflation on eggs and cheese.
Eggs	+50.7%	+22.0%	Eggs (+50.7%)			
Fats and oils	+0.1%	+15.5%	None	Sunflower oil (+1.7%)	Brick margarine (-1.5%)	Low inflation on sunflower oil.
Bean products	+9.4%	+1.2%	Dried beans (+19.8%) Peanut butter (+6.4%)	None	Baked beans (-0.9%)	Inflation mainly on baked beans and peanut butter.
Coffee and tea	-8.1%	+7.0%	None	Instant coffee (+2.4%)	Ceylon/black tea (-18.1%)	Low inflation on coffee.
Sugary foods	+6.3%	+7.8%	White sugar (+6.3%)	None	None	Inflation on sugar.

Sources: BFAP & NAMC calculations, Stats SA, 2020

*Note: Previous Food Price Monitor analysis period prior to July 2020 vs. July 2019

Thus, when comparing July 2019 to July 2020 retail prices, higher price inflation (6% or more) were observed for the following products within the NAMC food basket (in order from highest to lowest inflation): Rice, eggs, oranges, dried beans, onions, cheddar cheese, potatoes, tomatoes, beef offal, IQF chicken portions, white bread, super maize meal, beef mince, peanut butter, white sugar, bananas and brown bread. The items with high inflation could have negative implication in terms of basic food security (staple food inflation) as well as dietary diversity (e.g. inflation on fish and fruit). When comparing the inflation rates for July 2019 to July 2020, with April 2019 to April 2020 (i.e. the previous Food Price Monitor analysis period) the rate of inflation was higher for animal protein foods, bread & cereals, vegetables, dairy, eggs and bean products.

The impact of inflation on very poor consumers is further explored below, based on the typical portion sizes of very poor consumers of the five most widely consumed food items in South Africa represented by maize porridge, brown bread, sugar, tea and full cream milk (National Food Consumption Survey - Steyn & Labadarios, 2000⁵; Oldewage⁶ -Theron et al, 2005). **Figure 7** illustrates the estimated portion costs for these foods, calculated from monthly food price data for July 2019 and July 2020. Similar to other Food Price Monitor analysis periods, the significant cost contribution of maize meal and bread to the typical basic daily food selection for poor consumers are emphasised by the results in **Figure 7**.

Furthermore, despite the relatively low actual food weight contribution of bread to this 'food plate', the bread component costs more than the maize porridge component (about 50% more in this case for July 2020). When comparing, the costs associated with the typical portion sizes of very poor consumers for the five most widely consumed food items in South Africa, based on July 2020 vs July 2019 prices the results in **Figure 7** indicated inflation of about 5.0% (from R6.05 to R6.36 for the selection of typical portions). All items except tea revealed positive inflation. From June 2020 to July 2020 the costs associated with the typical portion sizes of very poor consumers for the five most widely consumed food items in South Africa increased by 1.5%.

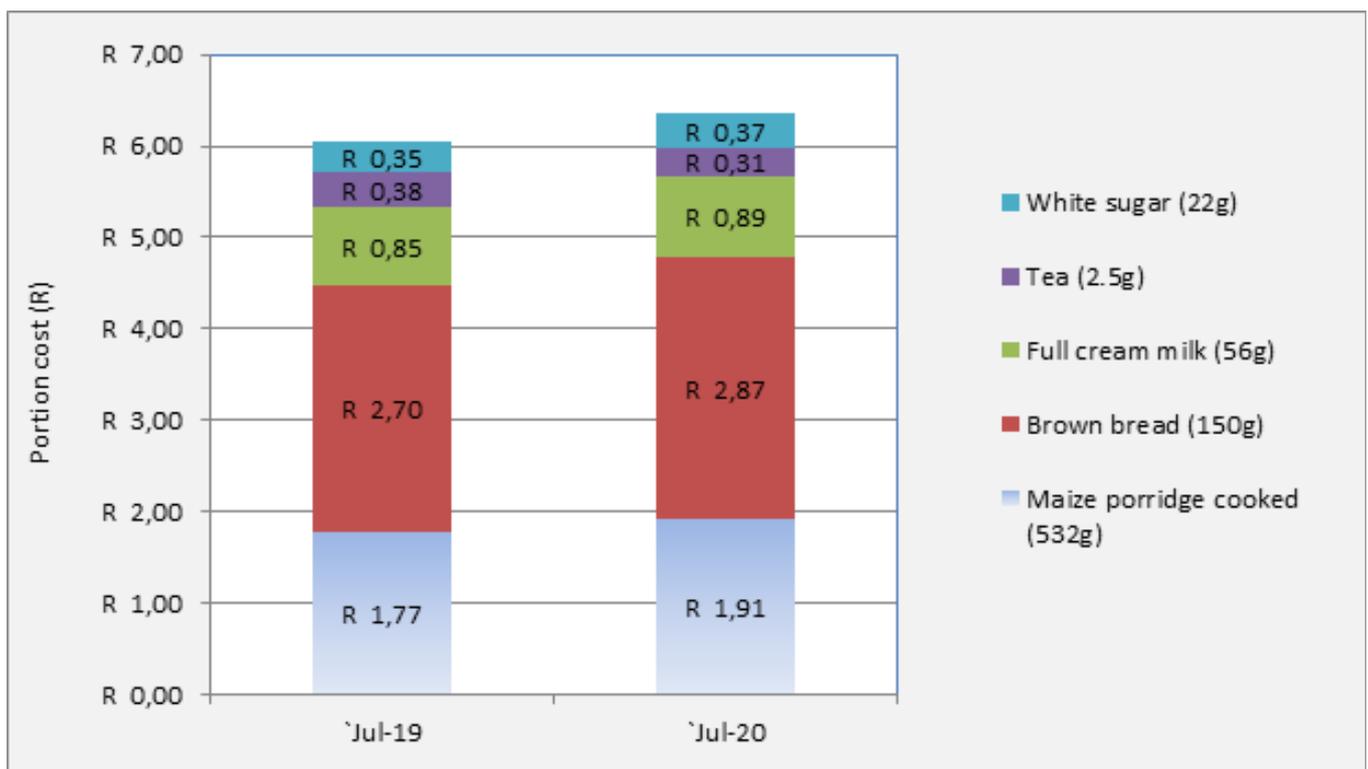


Figure 7: Average nominal cost for the typical portions of the five food items most widely consumed by very poor consumers in South Africa, July 2020 vs. July 2019

Sources: BFAP calculations, Stats SA, 2020

⁵ Steyn NP, Labadarios D. National Food Consumption Survey: Children aged 1–9 years, South Africa, 1999. Cape Town: The Department of Health Directorate Nutrition, 2000.

⁶Oldewage-theron W, Dicks E, Napier C, et al. Situation analysis of an informal settlement in the Vaal Triangle. Development Southern Africa 2005; 22 (1): 13-26

In the past four months, it has been noted in StatsSA CPI releases that the way in which data was collected changed, with April fully reliant on online prices and the sample of prices after that (May to July) continuing with an online price compliment of around 20%. Although information on the online compliment for each category and sub-category is not available it should be noted that online prices could behave vastly differently in an online context compared to that of a physical retail space. There are also multiple instances, especially in the meat category, where actual prices for July was not recorded but imputed from average inflation in the sub-category. We acknowledge that this is best practice in terms of compiling a continuous and consistent inflationary series. In terms of actual food affordability this could give a biased view. In the case of meat, multiple product prices were imputed resulting in a 5.1% year on year increase and a sideways movement month on month. If other month on month meat price sources are considered there has however been a downward tendency in beef products. This is more in line with the fundamentals of depressed demand. Although beef prices are still slightly higher compared to 2019, it should be kept in mind that 2019 represents a low base of FMD issues during this time.

Although food inflation dipped below 4% in the second half of 2019, since February 2020 it has consistently been above 4%. The biggest contributor to this is meat prices. Its contribution is twofold. The first is that it comprises the largest proportion of the expenditure basket (35%) but prices in this category are also markedly higher (5.1%) compared to a year ago. This can be attributed to the low base associated with 2019 on the back of foot and mouth disease restrictions that constrained exports. With restrictions on liquor being relaxed since the mid-August it is expected that primal cuts can find price support from increased uptake from the hospitality industry. This could help sustain price increases for meat over the rest of the year. Restricted consumer income that does however not seem to be

reflected in retail prices of meat yet and as the economic aftermath of the lock-down unfolds we could see dampened demand providing a ceiling for price growth.

Although fresh produce comprises a much smaller expenditure share of the food basket, compared to meat, this category also exhibited notable inflation of 12.1%. As mentioned, this can be mainly attributed to lower volumes of bananas and oranges traded in the local market. This is also true for vegetable products such as tomatoes and carrots. It is expected that volumes will increase on the back of warmer weather as we enter spring and as a result it is expected that price increases during the rest of the year will be less pronounced. Factors that could however still provide price support for products such as potatoes and onions is the progressive relaxation of restrictions related to the hospitality industry.

Oils and fats are expected to increase further due to strong price growth in soybean prices. Whilst milk, egg and cheese prices are expected to continue to show high year on year price increases due to the structural price change during lock-down. Month-on-month data does however seem to suggest that egg prices have normalised and there might even be a slight contraction. Official inflation in this group might therefore also tend lower over the rest of the year. Bread and cereal inflation, in turn, are expected to remain low over the outlook period due to large maize surpluses associated with the 2019/2020 harvest.

Although there are numerous fundamental factors that suggest that food inflation should move sideways or tend lower, it should however be noted that PPI for the production of food in July was recorded at 3.2% This shows that there are upward pressures on production cost of food which could add upward pressure on food prices over the rest of 2020.

BACKGROUND INFORMATION

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 report, 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.

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