

MERC

Markets & Economic Research
Centre

Food

BASKET PRICE MONTHLY

*28 Selected food
basket price items:*

NAMC urban food
basket



NAMC

Promoting market access for South African agriculture

Food Basket Price Monthly

November 2020 - October 2020 data

Important note

The COVID-19 pandemic has fundamentally impacted the South African economy. Statistics South Africa (Stats SA) also experience challenges with the collection of data. Statistics South Africa released available CPI data for October 2020 on Wednesday the 25th of November 2020.

<http://www.statssa.gov.za/publications/P0141/P0141October2020.pdf>

This report will now contain the official October 2020 data. The official release of the November 2020 CPI data is scheduled for Wednesday the 9th of December 2020. Certain price comparisons would not be possible, for example, rural comparisons.

Highlights

- During October 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to R955.71 compared to the R951.48 reported during September 2020. This resulted in a monthly increase of 0.4%. When compared to October 2019, an annual (y-o-y) increase of 10.3% is observed.
 - Within the NAMC's 28-item urban food basket, dairy & eggs and bread & cereals price categories were the highest food inflation contributors (y-o-y) with 22.6% and 19.1%, respectively, while tea and coffee prices deflated by 0.2%, during the same period.
 - Rice, oranges and bananas were among the commodities with the highest annual food inflation which can be attributed to higher global prices for rice due to higher demand associated with fears around a second wave of COVID-19 and restrictions to exports by leading global producers when compared to this time last year. The increase in orange prices can be linked to Covid-19 which result in a higher demand for fruit, especially fruit with Vitamin C, which resulted in higher global prices, higher quantities exported and lower supply to the local market while local demand also remains high, the same trend was observed during September 2020. The increase in the price of bananas can be attributed to very low prices the previous season and a shift in climatic conditions in the current production period.
- In November 2020 fuel prices for 93 Unleaded Petrol (ULP) decreased by R0.27/ℓ m-o-m to reach R14.39/ℓ, while 95 ULP decreased by R0.27/ℓ to R14.59/ℓ, representing a decrease of 1.84% and 1.82% m-o-m for 93 ULP and 95ULP, respectively. Diesel 500ppm decreased by R0.12/ℓ (0.97%) m-o-m to reach R12.25/ℓ on the 4th of November 2020.
 - The Rand appreciated from R16.42/US\$ at the end of October 2020 to R15.32/US\$ at 24th of November 2020,
 - The stronger rand towards the end of November has positively affected fuel price recovery per litre.
 - December 2020 expectations: Petrol prices are expected to decrease for both grades with more than 30 cents per litre while diesel prices are expected to decline marginal.



Overall inflation and food inflation

The official October 2020 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) on November 25th 2020, indicated that, the headline CPI and the food and non-alcoholic beverage both increased by 0.3% and 1.5%, respectively and reached 3.3% and 5.4%. The same indices were 3.0% and 3.9% during September 2020. **Figure 1** shows the trends in the headline CPI and food and non-alcoholic beverage inflation rates on a monthly basis, from January 2015 to October 2020.

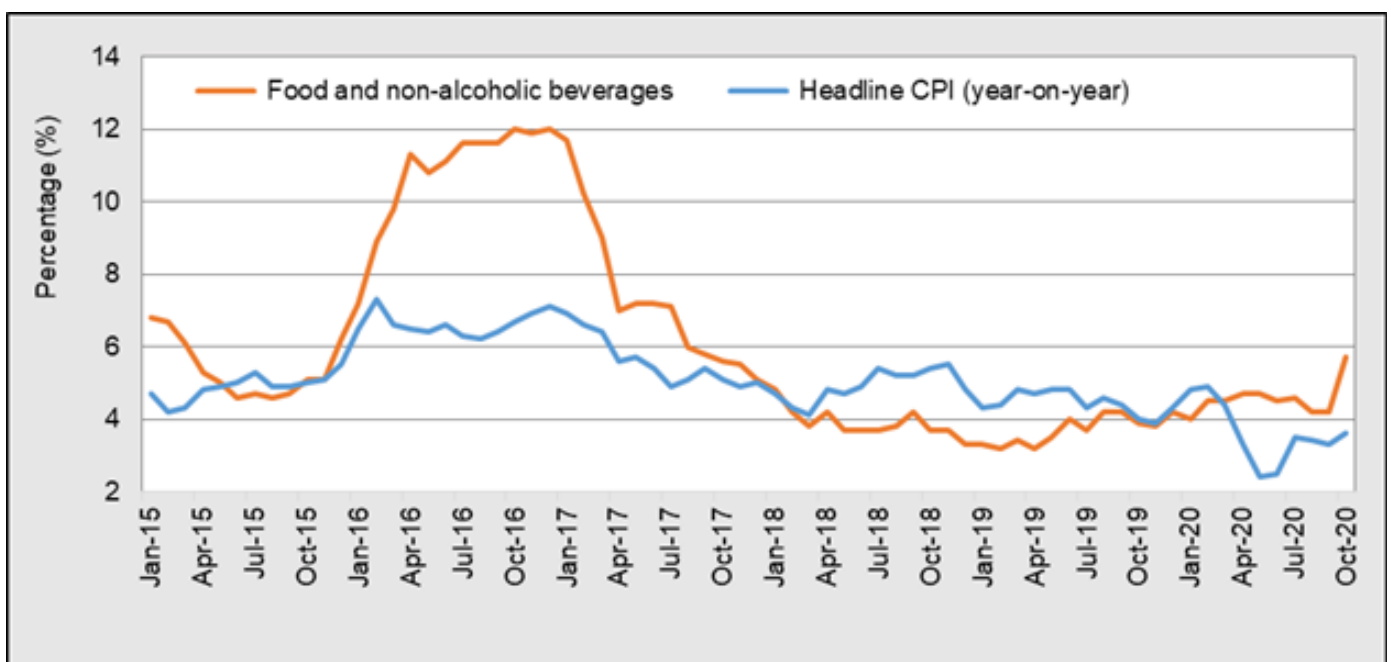


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2020

Comparison between urban prices: October 2020 vs. September 2020

Table 1 compares prices of selected food items in urban areas for October 2020 vs. September 2020. The food items which showed the largest price differences between October 2020 and September 2020 for urban areas were: rice (2kg) with a price difference of R3.58 followed by Ceylon/black tea (62.5g) at R1.38, peanut butter (400g) at R1.26, super maize (2.5 kg) at R0.64, margarine spread (500g) with a price difference of R0.61, white sugar (2.5kg) at R0.53 and sunflower oil (750ml) at R0.27. A loaf of white bread (700g) and loaf of brown bread (700g) at R0.07 and R0.04, respectively, were food items with the least price differences when compared to September 2020. Full cream milk – long life (1L) was the only selected product that cost -R0.03 less in October compared to September 2020. This indicates that urban consumers paid R0.78 more on average, for these 11 food items during October 2020 when compared to September 2020.

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

Product	Urban Food Prices September 2020 (R/unit)	Urban Food Prices October 2020 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.71	15.68	-0.03
Loaf of brown bread 700g	3.84	13.88	0.04
Loaf of white bread 700g	15.03	15.10	0.07
Special maize 2.5 kg	22.55	22.74	0.19
Super maize 2.5kg	24.88	25.52	0.64
Margarine spread 500g	24.80	25.41	0.61
Peanut butter 400g	31.68	32.94	1.26
Rice 2kg	39.64	43.22	3.58
Sunflower oil 750ml	23.84	24.11	0.27
Ceylon/black tea 62.5g	14.62	15.99	1.38
White sugar 2.5kg	43.62	44.15	0.53
Average difference (R/unit)			0.78

Source: Stats SA, 2020

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 October 2020 vs. October 2019. Composition of the current food basket (revised in 2017) include: apples per kg, baked beans – tinned (410g), bananas per kg, beans – dried (500g), beef mince per kg, beef offal 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), brown bread (700g), white bread (700g), margarine brick (500g), onions per kg, oranges per kg, peanut butter (400g), polony per kg, potatoes per kg, rice (2kg), sugar white (2.5kg), sunflower oil (750ml), super maize meal (5kg) and tomatoes per kg.

During October 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to R955.71 compared to the R951.48 reported during September 2020, resulting in a monthly percentage increase of 0.4%. When compared to October 2019, annual (y-o-y) percentage increase of 10.3% 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: rice 2kg (61.0%), oranges - fresh per kg (38.5%), bananas per kg (31.0%), Beans - dried 500g (26.6%), cheddar cheese per kg (24.6%), eggs 1.5 dozen (22.9%), potatoes - fresh per kg (14.7%), cabbage – fresh per kg (14.1%), loaf of brown bread 700g (10.8%), white sugar 2.5kg (10.3%), loaf of white bread 700g (10.1%), tomatoes – fresh per kg (10.1%), sunflower oil 750ml (9.9%), IQF chicken portions - 2kg (9.1%), peanut butter 400g (8.1%), full cream milk - long life 1ℓ (7.2%), chicken giblets per kg (7.0%) and beef mince – fresh per kg (6.5%).

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

Category	Product	Jul 19	Jun-20	Jul-20	% change y-o-y	%change m-o-m
Beans	Baked beans - tinned 410g	10.78	13.89	10.84	0.6	-22.0
Beans	Beans - dried 500g	19.07	21.52	24.15	26.6	12.2
Beans	Peanut butter 400g	30.47	31.68	32.94	8.1	4.0
Coffee, Tea	Instant coffee 250g	35.61	37.60	37.00	3.9	-1.6
Coffee, Tea	Ceylon/black tea 250g	36.64	32.09	35.11	-4.2	9.4
Dairy, Eggs	Full cream milk - long life 1ℓ	14.63	15.71	15.68	7.2	-0.2
Dairy, Eggs	Eggs 1.5 dozen	39.80	46.72	48.91	22.9	4.7
Dairy, Eggs	Cheddar cheese per kg*	103.47	128.32	128.96	24.6	0.5
Fats, Oils	Brick margarine 500g	22.18	22.49	22.72	2.4	1.0
Fats, Oils	Sunflower oil 750ml	21.94	23.84	24.11	9.9	1.1
Fruit	Apples - fresh per kg	21.54	15.60	14.48	-32.8	-7.2
Fruit	Bananas - fresh per kg	13.52	16.45	17.71	31.0	7.7
Fruit	Oranges - fresh per kg	14.19	19.12	19.66	38.5	2.8
Protein	Beef mince - fresh per kg	83.08	96.34	88.47	6.5	-8.2
Protein	Beef offal - fresh per kg	36.29	38.09	37.77	4.1	-0.8
Protein	Chicken giblets per kg	34.18	36.21	36.57	7.0	1.0
Protein	IQF chicken portions - 2kg	66.58	71.42	72.67	9.1	1.8
Protein	Fish (excl. tuna) - tinned 400g	19.42	20.13	20.21	4.1	0.4
Protein	Polony per kg / 1kg	46.32	42.50	43.33	-6.5	2.0
Bread & Cereals	Loaf of brown bread 700g	12.53	13.84	13.88	10.8	0.3
Bread & Cereals	Loaf of white bread 700g	13.71	15.03	15.10	10.1	0.5
Bread & Cereals	Super maize meal 5kg	42.61	44.88	41.76	-2.0	-7.0
Bread & Cereals	Rice 2kg	26.84	39.64	43.22	61.0	9.0
Vegetables	Cabbage - fresh per kg	13.09	15.91	14.93	14.1	-6.1
Vegetables	Onions - fresh per kg	14.84	14.88	14.72	-0.8	-1.1
Vegetables	Potatoes - fresh per kg	13.06	13.52	14.98	14.7	10.8
Vegetables	Tomatoes - fresh per kg	19.68	20.44	21.67	10.1	6.0
Sugary foods	White sugar 2.5kg	40.01	43.62	44.15	10.3	1.2
	Total Rand Value*	866.08	951.48	955.71	10.3	0.4

Source: Stats SA and BFAP, 2020

*Note: Missing and/or unverified prices adjusted with product group inflation for October 2020.

To further explore the impact of inflation on consumers, **Figure 2** presents an illustration of the average nominal cost growth of the specific food groups within the NAMC’s 28-item food basket, comparing the periods October 2020 vs. October 2019 (y-o-y) and October 2020 vs. September 2020 (m-o-m). Food categories in this 28-item food basket experiencing the highest annual inflation include dairy & eggs (22.6% y-o-y) and bread & cereals (19.1% y-o-y). When considering monthly contributors’ beans - dried, potatoes and rice reported increases of 12.2%, 10.8% and 9.0%, respectively.

South Africa is a net importer of rice thus domestic prices depends on factors that affect global supply, and rice was among the highest inflation rate changes. Based on the International Grain Council (IGC) data, export prices for rice remained relatively higher during October 2020 underpinned by the increasing demand globally. Potato prices increased due to an under supply from Limpopo province which is a major supplying region. The under supply was due to colder than usual winter which reduced yields thus the supply and subsequently negatively affecting prices. Orange prices remained higher during October 2020 following the same trend observed in September due to increased demand which can be linked to higher demand for vitamin-C due to Covid-19.

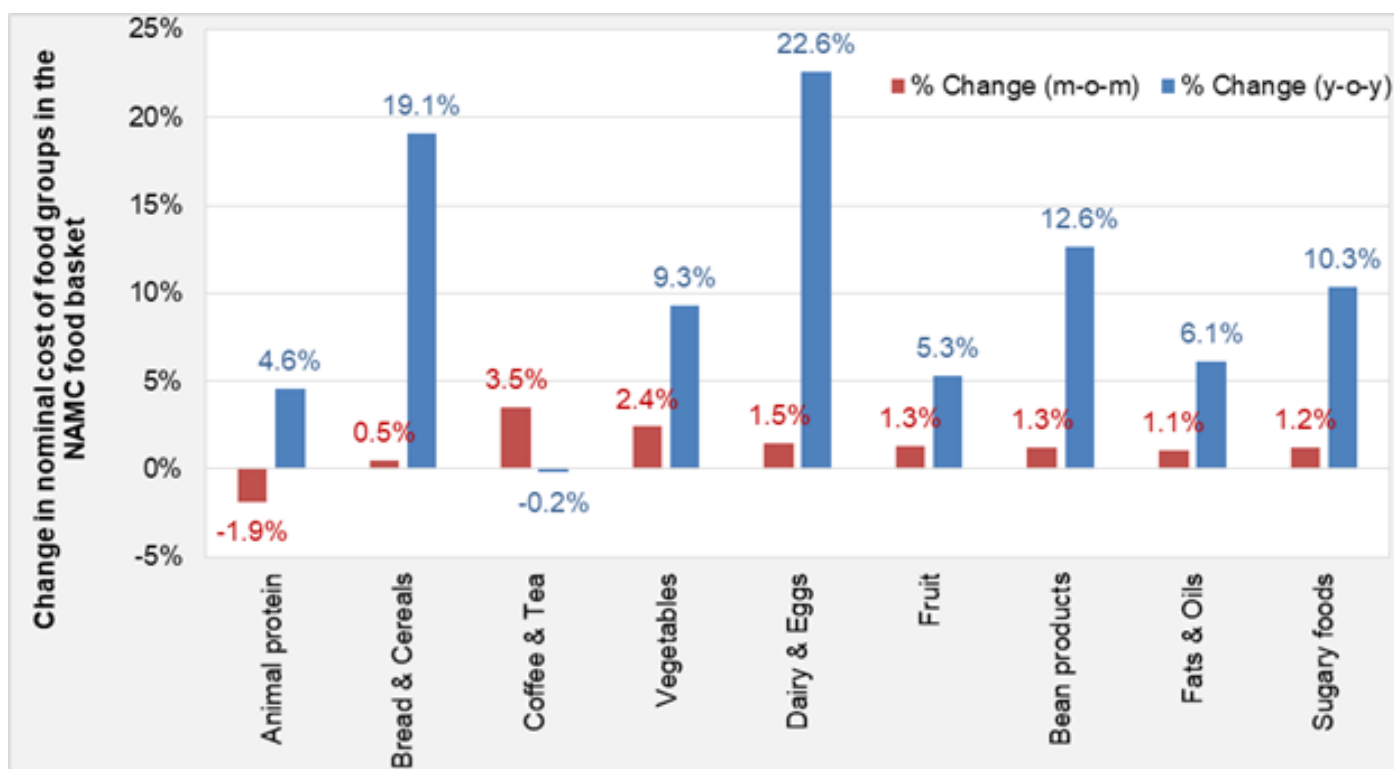


Figure 2: Nominal cost growth of specific food groups within the NAMC’s 28-item food basket, comparing October 2020 vs. October 2019 and October 2020 vs. September 2020

Source: NAMC calculations, Stats SA data, 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.

Compiled by:

Trends and discussion on selected topics:

Thabile Nkunjana
Corne Dempers

BFAP:
Hester Vermulen

Designed by:

Sylvester Moatshe
Majara Monamodi

Enquiries: Dr. Christo Joubert: +27 12341 1115 or +27 76 999 7766 or christo@namc.co.za

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