

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

January 2021 - December 2020 data

Important note

The COVID-19 pandemic has fundamentally impacted the South African economy and Statistics South Africa's (Stats SA) ability to measure the impact. As a result, the compilation and release of December 2020 CPI data were published on Wednesday the 20th of January 2021 (see link below from the Stats SA website:

<http://www.statssa.gov.za/publications/P0141/P0141December2020.pdf>

This report will now contain the official December 2020 data, as the official release of the January 2021 CPI data is scheduled for February 17th, 2021. Because rural data is still not monitored by Stats SA price comparisons between rural and urban is still not feasible at this stage.

Highlights

- During December 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to R959.62 compared to the R973.53 reported during November 2020, resulting in a monthly decrease of 1.4%. When compared to December 2019, an annual (y-o-y) increase of 10.0% was observed.
- Within the NAMC's 28-item urban food basket, bread & cereals and bean products price categories were the highest food inflation contributors (y-o-y) with 22.9% and 14.1%, respectively.
- Rice and bean products were among commodities with the highest annual food inflation which can be attributed to higher global prices for rice associated to higher demand linked to fears around a second wave of COVID-19 and restrictions to exports by leading global producers when compared to this time last year and for bean products, low supply negatively affected prices linked to weather patterns.
- In January 2021 fuel prices for both 93 Unleaded Petrol (ULP) and 95ULP increased by R0.43/ℓ m-o-m to and R0.40/ℓ, respectively to reach R14.69/ℓ and R14.86/ℓ, respectively, and this represented an increase of 3.02% m-o-m for 93ULP and 2.77% for 95ULP. Diesel 500ppm increased by R0.55/ℓ (4.42%) m-o-m to reach R13.00/ℓ on the 6th of January 2021 from R12.45/ℓ observed during December 2020.
- The Rand appreciated from R15.55/US\$ during December 2020 to R14.91/US\$ on the 20th of January 2021.
- The stronger rand during December 2020 has positively affected fuel price recovery per litre since the Brent crude oil price risen by 18.2% between November and December 2020.
- **January 2021 expectations:** Fuel prices are expected to increase due to the uncertainty surrounding the second wave of the Covid-19 and its effect on the global economy as well as the continuous increase of the oil price.



Overall inflation and food inflation

The official December 2020 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) on January 20th, 2021, indicated that the annual headline CPI reached 3.1% in December 2020 down from 3.2% in November 2020, representing a decrease of 0.9 percentage points on a year-on-year basis. The food and non-alcoholic beverage increased by 0.2 percentage points and reached 6.0% in December up from 5.8% in November 2020. The stronger Rand against the US Dollar positively affected inflation prices at the beginning of December 2020 by making imports more affordable, which positively affected domestic prices for imported commodities thus becoming more affordable for consumers. However, as we progressed towards the end of December and entered January 2021 prices were observed to be showing an uptick due to higher demand on export prices for key commodities.

Figure 1 shows the trends in the headline CPI and food and non-alcoholic beverage inflation rates, from January 2015 to December 2020.

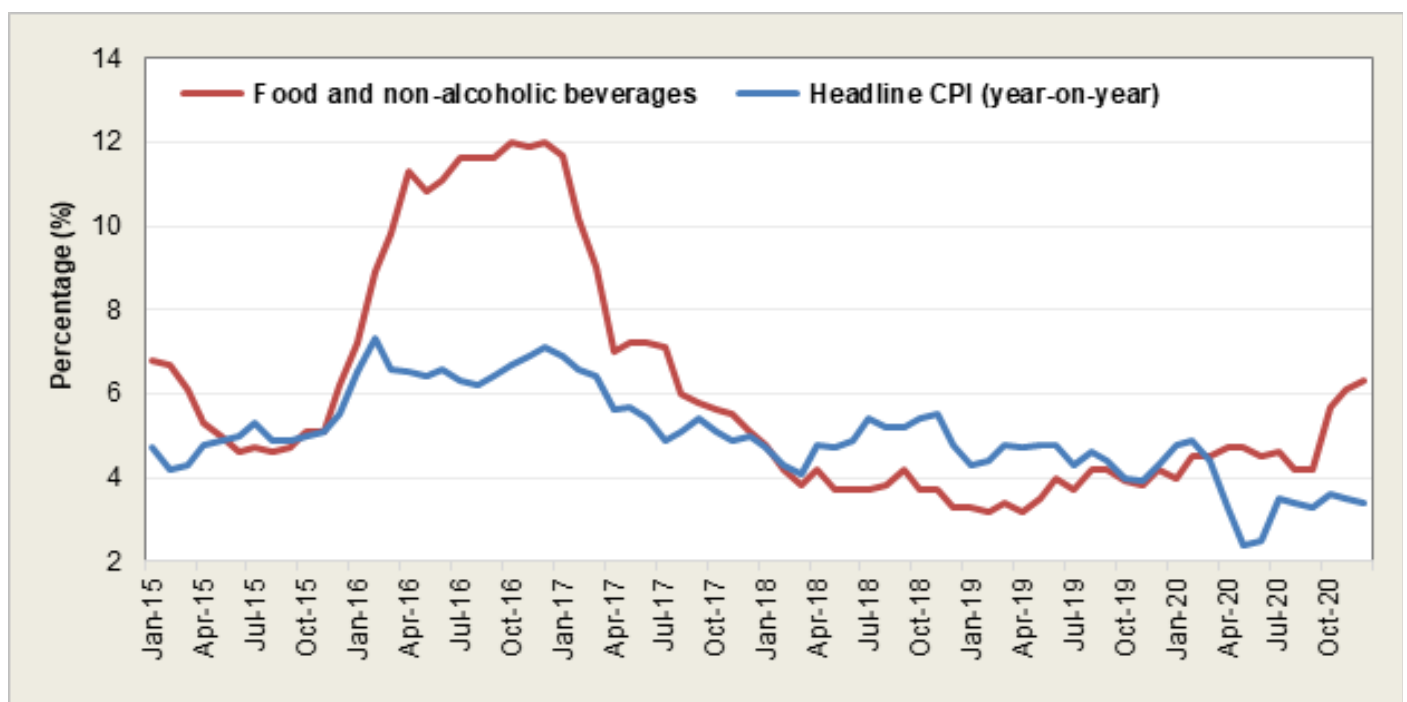


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2021

Comparison between urban prices: December 2020 vs. November 2020

Table 1 compares prices of selected food items in urban areas for December 2020 vs. November 2020. The food items which showed the largest price differences between these two months for urban areas were: sunflower oil (750ml) with a price difference of R0.71, peanut butter (400g) at R0.39, special maize 2.5kg R0.36 followed by margarine spread (500g) with a price difference of R0.29, super maize meal 2.5kg at R0.12 and white sugar (2.5kg) at R0.11. A loaf of brown bread (700g) showed the least increased price difference of R0.08 when compared to November 2020. For rice (2kg), Ceylon/black tea (62.5g), a loaf of white bread (700g), and full cream milk – long life (1ℓ) consumers paid R3.82, R0.85, R0.21, and R0.09 respectively less in December 2020 when compared to the previous month (November 2020). This indicates that urban consumers paid R0.26 less on average, for these 11 food items during December 2020 when compared to November 2020.

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

Product	Urban Food Prices November 2020 (R/unit)	Urban Food Prices December 2020 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.48	15.39	-0.09
Loaf of brown bread 700g	14.06	14.14	0.08
Loaf of white bread 700g	15.42	15.21	-0.21
Special maize 2.5kg	25.15	25.51	0.36
Super maize 2.5kg	26.54	26.66	0.12
Margarine spread 500g	26.03	26.32	0.29
Peanut butter 400g	32.45	32.84	0.39
Rice 2kg	43.24	39.42	-3.82
Sunflower oil 750ml	24.66	25.37	0.71
Ceylon/black tea 62.5g	17.85	17.00	-0.85
White sugar 2.5kg	44.63	44.74	0.11
Average difference (R/unit)			-0.26

Source: Stats SA, 2021

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 December 2020 vs. December 2019. Composition of the current food basket (revised in 2017) includes 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 December 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to R959.62 compared to the R973.53 reported during November 2020, resulting in a monthly decrease of 1.4%. When compared to December 2019, an annual (y-o-y) increase of 10.0% 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 (45.5%), beans - dried 500g (34.1%), oranges - fresh per kg (21.4%), bananas per kg (18.2%), sunflower oil 750ml (16.0%), super maize meal 5kg (14.5%), IQF chicken portions - 2kg (14.2%), eggs 1.5 dozen and loaf of brown bread 700g (13.8%) each, chicken giblets per kg (13.0%), loaf of white bread 700g (12.6%), potatoes - fresh per kg (11.2%), cheddar cheese per kg (10.3%), beef offal - fresh per kg (9.3%), tomatoes – fresh per kg (9.0%), beef mince – fresh per kg (8.8%) and white sugar 2.5kg (8.7%).

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

Category	Product	Dec-19 R/unit	Nov-20 R/unit	Dec-20 R/unit	% change y-o-y	%change m-o-m
Beans	Baked beans - tinned 410g	10.87	11.21	11.38	4.7	1.5
Beans	Beans - dried 500g	18.62	24.51	24.97	34.1	1.9
Beans	Peanut butter 400g	31.17	32.45	32.84	5.4	1.2
Coffee, Tea	Instant coffee 250g	36.18	37.63	38.05	5.2	1.1
Coffee, Tea	Ceylon/black tea 250g	36.16	39.19	37.33	3.2	-4.7
Dairy, Eggs	Full cream milk - long life 1ℓ	14.59	15.48	15.39	5.5	-0.6
Dairy, Eggs	Eggs 1.5 dozen	38.71	51.44	44.04	13.8	-14.4
Dairy, Eggs	Cheddar cheese per kg	105.03	120.32	115.81	10.3	-3.7
Fats, Oils	Brick margarine 500g	22.13	22.79	22.78	2.9	0.0
Fats, Oils	Sunflower oil 750ml	21.87	24.66	25.37	16.0	2.9
Fruit	Apples - fresh per kg	21.21	15.11	15.76	-25.7	4.3
Fruit	Bananas - fresh per kg	15.41	19.47	18.22	18.2	-6.4
Fruit	Oranges - fresh per kg	16.99	18.92	20.62	21.4	9.0
Protein	Beef mince - fresh per kg	83.56	91.13	90.93	8.82	-0.2
Protein	Beef offal - fresh per kg	35.98	38.96	39.33	9.3	0.9
Protein	Chicken giblets per kg	33.58	35.99	37.94	13.0	5.4
Protein	IQF chicken portions - 2kg	66.98	73.81	76.50	14.2	3.6
Protein	Fish (excl. tuna) - tinned 400g	19.73	20.14	20.87	5.8	3.6
Protein	Polony per kg / 1kg	45.87	45.67	44.21	-3.6	-3.2
Bread & Cereals	Loaf of brown bread 700g	12.42	14.06	14.14	13.8	0.6
Bread & Cereals	Loaf of white bread 700g	13.51	15.42	15.21	12.6	-1.4
Bread & Cereals	Super maize meal 5kg	43.02	49.70	4.27	14.5	-0.9
Bread & Cereals	Rice 2kg	27.10	43.24	39.42	45.5	-8.8
Vegetables	Cabbage - fresh per kg	13.52	14.28	13.48	-0.3	-5.6
Vegetables	Onions - fresh per kg	15.13	15.33	15.57	2.9	1.6
Vegetables	Potatoes - fresh per kg	13.23	15.79	14.71	11.2	-6.8
Vegetables	Tomatoes - fresh per kg	19.03	22.20	20.74	9.0	-6.6
Sugary foods	White sugar 2.5kg	41.16	44.63	44.74	8.7	0.2
	Total Rand Value*	872.76	973.53	959.62	10.0	-1.4

Source: Stats SA and BFAP, 2021

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 December 2020 vs. December 2019 (y-o-y) and December 2020 vs. November 2020 (m-o-m). Food categories in this 28-item food basket experiencing the highest annual inflation include bread & cereals (22.9% y-o-y) and bean products (14.1% y-o-y). Oranges fresh – per kg (9.0%) and chicken giblets per kg (5.4%) were the main contributors to the month-on-month inflation figures.

Generally, December 2020 was not a bad month for consumers. The surge in export prices of rice from the global market had spilled over effects on the domestic market. South Africa imports almost all its rice and export prices are bound to impact domestic prices thus the significant increase in rice prices during December. This is likely to be observed during January 2021 prices despite new stocks getting into the market due to sporadic export prices associated with second-wave for Covid-19 across the world. Nonetheless, this can be confirmed when CPI data is released in February 2021.

When it comes to oranges the noticeable increase of 9.0% can be attributed to the fact that oranges in South Africa were low in supply as they are out of season domestically and people are still consuming oranges in high quantities something that can be linked to Covid-19.

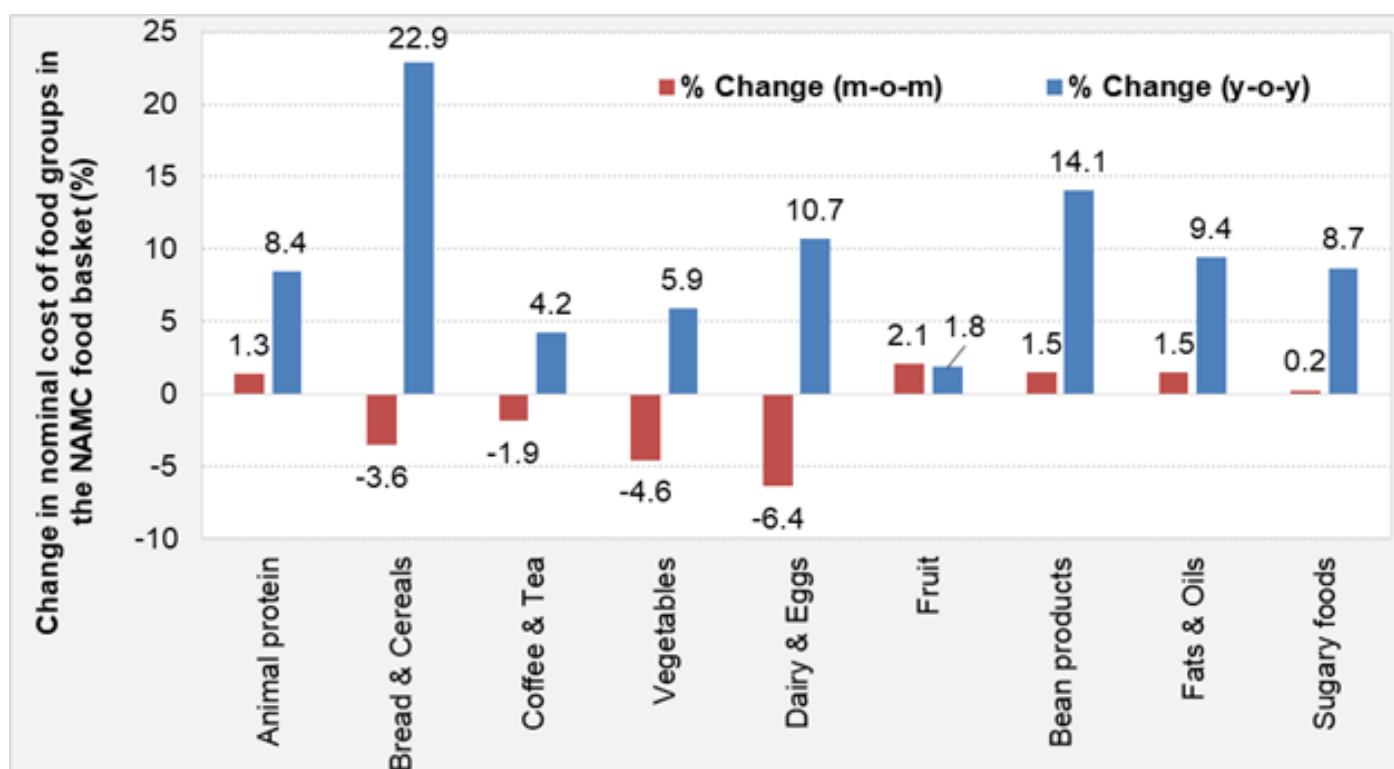


Figure 2: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing December 2020 vs. December 2019 and December 2020 vs. November 2020

Source: NAMC calculations, Stats SA data, 2021

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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