

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

February 2021 - January 2021 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 January 2021 CPI data were published on Wednesday the 17th of February 2021 (see link below from the Stats SA website:

<http://www.statssa.gov.za/publications/P0141/P0141January2021.pdf>

This report will now contain the official January 2021 data, as the official release of the February 2021 CPI data is scheduled for March 24th, 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 January 2021, the nominal cost of the NAMC's 28-item urban food basket amounted to R971.98 compared to the R959.62 reported during December 2020, resulting in a monthly increase of 1.3%. When compared to January 2020, an annual (y-o-y) increase of 9.8% was observed.
 - o Within the NAMC's 28-item urban food basket, bread & cereals and bean products price categories were the highest food inflation contributors during January 2021 (y-o-y) with 25.6% and 17.9%, respectively, with fruit prices reporting deflation of 4.0% during the same period.
 - o Rice (52.7%) was amongst the commodities with the highest annual food inflation which can be attributed to higher global exports prices for rice associated to higher demand and restrictions to exports by leading global producers when compared to the previous year.
- In February 2021 fuel prices for both 93 Unleaded Petrol (ULP) and 95ULP increased by R0.81/ℓ m-o-m, to reach R15.50/ℓ and R15.67, respectively. This represented an increase of 5.51% m-o-m for 93ULP and 5.45% for 95ULP. Diesel 500ppm increased by R0.58/ℓ (4.46%) m-o-m to reach R13.58/ℓ on the 3rd of February 2021, from R13.00/ℓ observed during January 2021.
 - o The Rand slightly depreciated towards the end of January 2021, from R14.66 on the 1st of January 2021 to R15.18 on the 31st of January 2021. This has negatively affected fuel price recovery per litre thus a slight increase in fuel prices was observed at the beginning of February.
 - o **February 2021 expectations:** fuel prices are expected to increase primarily due to increase in the oil price from the global market specifically from North America associated to higher demand for fuel due to freezing weather.



Overall inflation and food inflation

Figure 1 shows the trends in the headline CPI and food and non-alcoholic beverage inflation rates, from January 2015 to January 2021. The official January 2021 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) on February 17th, 2021, indicated that the annual headline CPI increased from 3.1% in December 2020 to 3.2% in January 2021. Food and non-alcoholic beverages price inflation has decreased to 5.4% year-on-year in January 2021, from 6% year-on-year in the previous month (December 2020). Fruit, vegetables and meat prices contributed to the decline in food and non-alcoholic beverages price inflation. A relatively stronger Rand against the US Dollar at the beginning of January 2021, also positively affected inflation prices. Nonetheless, food commodity prices mid-January 2021 were still increasing, and this might negatively affect domestic prices for goods that South Africa is a net-importer for.

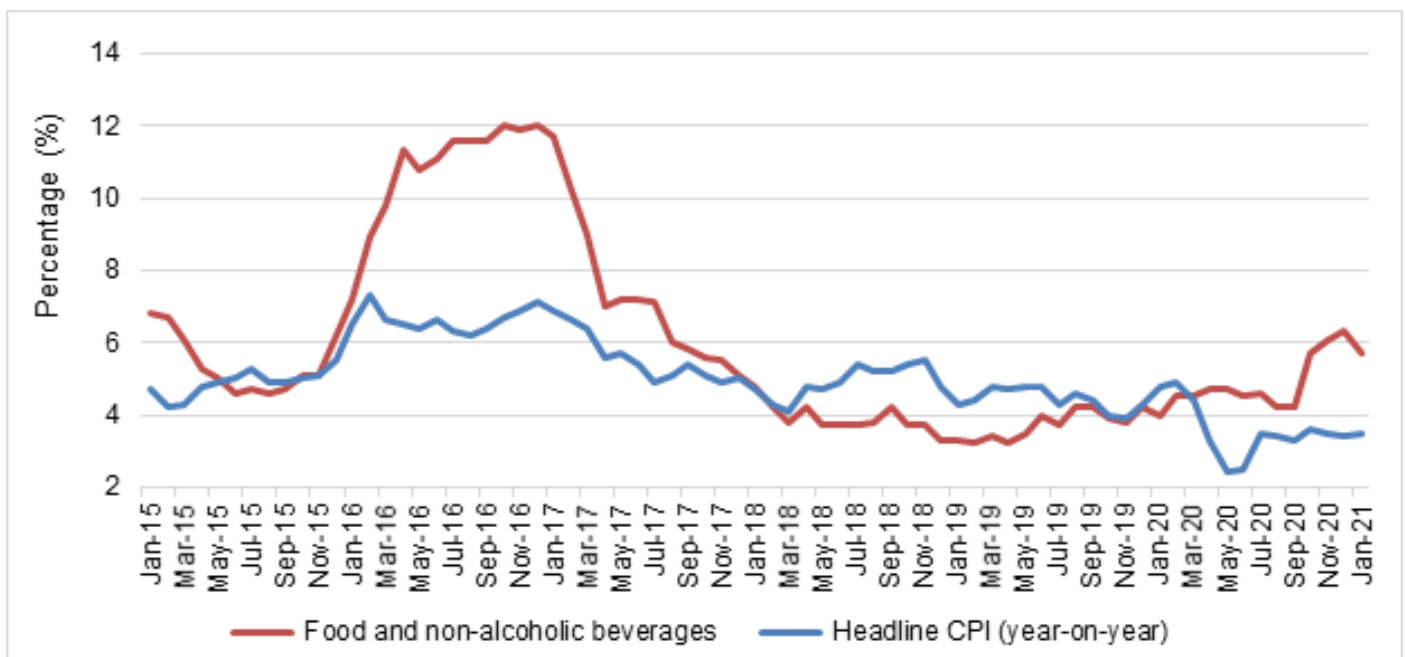


Figure 1: Headline CPI and food and non-alcoholic beverages CPI

Source: Stats SA, 2021

Comparison between urban prices: January 2021 vs. December 2020

Table 1 compares prices of selected food items in urban areas for January 2021 against December 2020. The food items which showed the largest price differences during this period were: rice (2kg) which increased by R2.86, followed by special maize 2.5kg (R1.21), super maize meal 2.5kg (R1.13), peanut butter 400g (R0.48), a loaf of white bread 700g (R0.42) and full cream milk – long life 1ℓ (R0.21). In January 2021, prices for Ceylon/black tea (62.5g), margarine spread (500g), white sugar (2.5kg), sunflower oil (750ml) and a loaf of brown bread (700g) had decreased by R2.82, R1.49, R1.25, R1.12, and R0.03, respectively. Overall urban consumers paid R0.04 less on average for these 11 food items during January 2021 when compared to December 2020.

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

Product	Urban Food Prices December 2020 (R/unit)	Urban Food Prices January 2021 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.39	15.60	0.21
A loaf of brown bread 700g	14.14	14.11	-0.03
A loaf of white bread 700g	15.21	15.63	0.42
Special maize 2.5kg	25.51	26.72	1.21
Super maize 2.5kg	26.66	27.79	1.13
Margarine spread 500g	26.32	24.83	-1.49
Peanut butter 400g	32.84	33.32	0.48
Rice 2kg	39.42	42.28	2.86
Sunflower oil 750ml	25.37	24.25	-1.12
Ceylon/black tea 62.5g	17.00	14.18	-2.82
White sugar 2.5kg	44.74	43.49	-1.25
Average difference (R/unit)			-0.04

Source: Stats SA, 2021

The NAMC food basket: January 2021 vs January 2020

This section presents the nominal cost of the NAMC's 28-item urban food basket¹, based on average food price data for January 2021 vs. January 2020. The nominal cost of the NAMC's 28-item urban food basket amounted to R971.98 in January 2021 compared to the R959.62 reported during December 2020, an increase of 1.3% m-o-m as compared to an annual increase of 9.8%.

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 (52.7%), beans - dried 500g (40.2%), polony per kg/1kg (30.5%), eggs 1.5 dozen (19.9%), beef offal - fresh per kg (16.4%), loaf of white bread 700g (15.7%), super maize meal 5kg (14.9%), IQF chicken

¹Composition 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.

portions - 2kg (14.6%), loaf of brown bread 700g (13.6%), chicken giblets per kg (13.6%), bananas per kg (11.8%), instant coffee 250g (11.2%), sunflower oil 750ml (10.5%), peanut butter 400g (9.4%), beef mince – fresh per kg (6.6%) and cheddar cheese per kg (6.1%).

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

Category	Product	Jan 20 R/unit	Dec 20 R/unit	Jan 21 R/unit	% change y-o-y	%change m-o-m
Beans	Baked beans - tinned 410g	10.92	11.38	11.36	4.0	-0.2
Beans	Beans - dried 500g	18.62	24.97	26.10	40.2	4.5
Beans	Peanut butter 400g	30.47	32.84	33.32	9.4	1.5
Coffee, Tea	Instant coffee 250g	35.52	38.05	39.51	11.2	3.8
Coffee, Tea	Ceylon/black tea 250g	37.17	37.33	31.13	-16.2	-16.6
Dairy, Eggs	Full cream milk - long life 1ℓ	14.84	15.39	15.60	5.1	1.4
Dairy, Eggs	Eggs 1.5 dozen	39.94	44.04	47.87	19.9	8.7
Dairy, Eggs	Cheddar cheese per kg	108.17	115.81	114.77	6.1	-0.9
Fats, Oils	Brick margarine 500g	22.55	22.78	22.61	0.3	-0.7
Fats, Oils	Sunflower oil 750ml	21.95	25.37	24.25	10.5	-4.4
Fruit	Apples - fresh per kg	21.22	15.76	20.35	-4.1	29.1
Fruit	Bananas - fresh per kg	16.59	18.22	18.54	11.8	1.8
Fruit	Oranges - fresh per kg	29.46	20.62	25.67	-12.9	24.5
Protein	Beef mince - fresh per kg	84.23	90.93	89.75	6.6	-1.3
Protein	Beef offal - fresh per kg	36.47	39.33	42.45	16.4	7.9
Protein	Chicken giblets per kg	33.01	37.94	37.51	13.6	-1.1
Protein	IQF chicken portions - 2kg	67.74	76.50	77.61	14.6	1.5
Protein	Fish (excl. tuna) - tinned 400g	20.30	20.87	21.49	5.9	3.0
Protein	Polony per kg / 1kg	34.66	44.21	45.22	30.5	2.3
Bread & Cereals	Loaf of brown bread 700g	12.42	14.14	14.11	13.6	-0.2
Bread & Cereals	Loaf of white bread 700g	13.51	15.21	15.63	15.7	2.8
Bread & Cereals	Super maize meal 5kg	44.22	4.27	50.83	14.9	3.2
Bread & Cereals	Rice 2kg	27.69	39.42	42.28	52.7	7.3
Vegetables	Cabbage - fresh per kg	13.94	13.48	12.68	-9.1	-6.0
Vegetables	Onions - fresh per kg	14.91	15.57	14.50	-2.7	-6.9
Vegetables	Potatoes - fresh per kg	13.40	14.71	13.41	0.1	-8.8
Vegetables	Tomatoes - fresh per kg	18.83	20.74	19.94	5.9	-3.9
Sugary foods	White sugar 2.5kg	42.24	44.74	43.49	3.0	-2.8
	Total Rand Value*	884.99	959.62	971.98	9.8	1.3

Source: Stats SA and BFAP, 2021

To further explore the impact of price inflation on consumers, **Figure 2** presents the average nominal cost growth of specific food groups within the NAMC's 28-item food basket comparing the periods January 2021 vs. January 2020 (y-o-y) and January 2021 vs. December 2020 (m-o-m). Food categories recording the highest annual inflation include bread & cereals, bean products, and animal protein at 25.6%, 17.9%, and 13.6, respectively on y-o-y basis. Apples fresh per kg (29.1%), oranges fresh – per kg (24.5%) and eggs 1.5 dozen (8.7%) were the main contributors to the month-on-month inflation figures.

For rice, the significant increase (52.7%) when compared to the previous year is due to increasing demand from the global market, mainly from the Middle-East and Sub-Saharan Africa which are dominant importers of rice. South Africa being an importer of rice, an increase in export prices is likely to have an impact for South Africa domestic prices as observed in recent months.

South Africa is a net-importer for dried beans and the global supply was negatively affected by bad weather conditions such as early snow in USA and Canada, drought in South America and torrential rain in China during the second half of 2020. These events led to an increased international prices thus an annual increase of 40.2% was observed on domestic prices. Domestic prices were further negatively affected by short supply domestically, due to reduced planted area and flood damage to the crop that was suppose to enter the market in March 2021.

The retail price of apples increased by 29.1% in January 2021 compared to December 2020. This can be linked to a two-month low supply on the national fresh produce markets as the new season’s harvest only entered the market at the end of January 2021. For oranges, the significant increase of 24.5% m-o-m can be linked to low supply both domestically and globally. Furthermore, it is important to note that oranges are seasonal and currently out of season and yet demand stil exists. To meet local demand SA is compelled to import oranges. In turn, local demand and dwindling local supply are likely to increase domestic prices for oranges. However, prices are likely to decrease as we approach winter season.

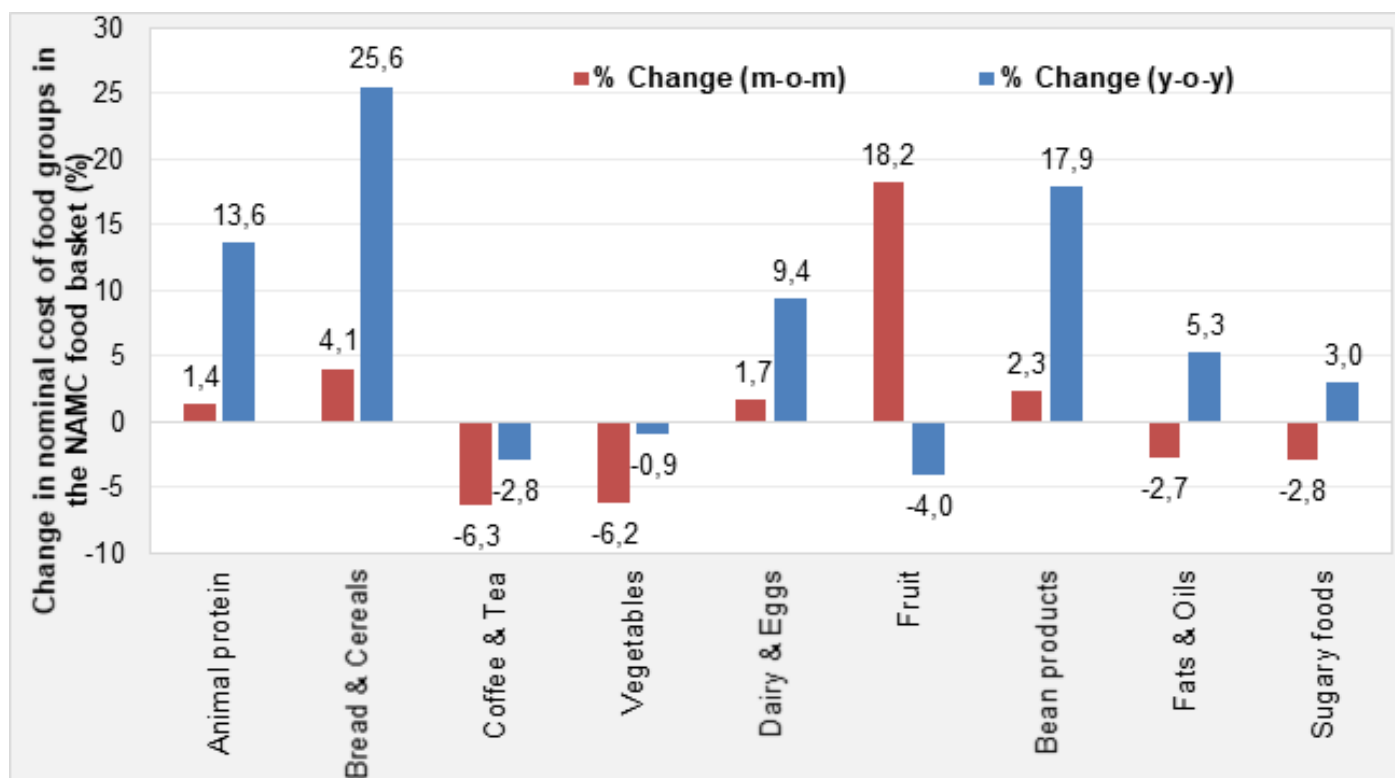


Figure 2: Nominal cost growth of specific food groups within the NAMC’s 28-item food basket, comparing January 2021 vs. January 2020 and January 2021 vs. December 2020

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.

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