

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

April 2021 - March 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 March 2021 CPI data were published on Wednesday the 21st of April 2021 (see link below from the Stats SA website):

http://www.statssa.gov.za/publications/P0141/P0141March2021_Tables.pdf

This report will now contain the official March 2021 data, as the official release of the April 2021 CPI data is scheduled for May 19th, 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 March 2021, the nominal cost of the NAMC's 28-item urban food basket amounted to R982.11 compared to the R974.80 reported during February 2021, resulting in a monthly increase of 0.8%. When compared to March 2020, an annual (y-o-y) increase of 9.7% was observed.
 - Within the NAMC's 28-item urban food basket, bread & cereals, bean products and fat & oils categories were the highest food inflation contributors during March 2021 (y-o-y) with 24.2%, 17.2% and 13.8%, respectively, with fruit prices reporting deflation of 10.7% during the same period.
 - Rice (52.8%) 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 late last year-to-early 2021, however, things are noticeable improving globally and things should normalize locally in the next few weeks.
- In March 2021 fuel prices for both 93 Unleaded Petrol (ULP) and 95ULP had increased by R0.65/ℓ m-o-m, to reach R16.15/ℓ and R16.32, respectively while diesel 500ppm prices had increased by R0.54/ℓ (3.98%) m-o-m to reach R14.13/ℓ on the 3rd March 2021, from R13.58/ℓ observed in February 2021. This meant petrol prices during March 2021 had increased by 4.19% m-o-m for 93ULP and 4.15% for 95ULP.
 - The Rand slightly appreciated towards the end of February 2021, from R15.06 on the 1st of February 2021 to R15.04 on the 28th of February 2021. This had little impact on fuel prices to improve during March 2021 as a result a slight increase in fuel prices was observed.
 - **April 2021 expectations:** fuel prices are expected to increase and reach records high primarily due to increase in the oil price from the global market. This is expected to have a negative effect on food prices during April.



Overall inflation and food inflation

Figure 1 shows the trends in the headline CPI and food and non-alcoholic beverage inflation rates, from March 2015 to March 2021. The official March 2021 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) on April 21st, 2021, indicated that the annual headline CPI increased to 3.2% in March 2021 from 2.9% in February 2021. Food and non-alcoholic beverages price inflation has increased to 5.7% year-on-year in March 2021, from 5.2% year-on-year in the previous month (February 2021). This can be attributed largely to a significant increase in vegetable prices due lower supplies while demand had increased and bread & cereals prices remained high when compared to the same period last year. Also, fuel prices continue to put more pressure on food prices, and this is likely to be the case throughout April and beginning of May 2021 due to rising demand for fuel attributed to harvesting period for summer grains and oilseeds. The weakening rand against the dollar is putting an added pressure on the local consumers as things stand due to high parity prices, however, the new season's larger supplies of commodities such as maize, soybean and wheat to mention a few are likely to ease the pressure.

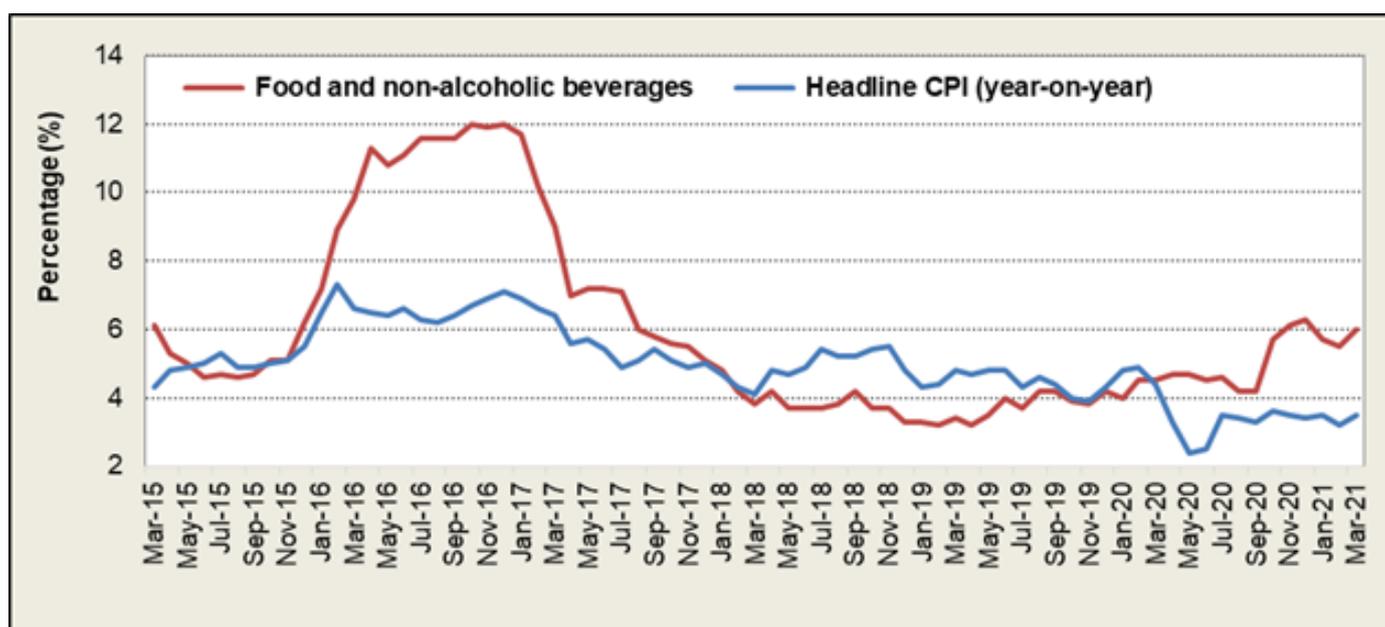


Figure 1: Headline CPI and food and non-alcoholic beverages CPI

Source: Stats SA, 2021

Comparison between urban prices: March 2021 vs. February 2020

Table 1 compares prices of selected food items in urban areas for March 2021 against February 2021. The food items which showed the largest price differences during this period were: sunflower oil which increased by R1.73, followed by Ceylon/black tea (R0.86), white sugar (R0.72), special maize meal (R0.57), peanut butter (R0.44) and super maize meal which had increased by R0.02. In March 2021 we saw a price decrease in a number of food items. Rice had decreased by R1.30 while a loaf of brown bread cost R0.37 less, margarine spread R0.34, a loaf of white bread R0.16 and long-life full cream milk R0.07. Overall urban consumers paid R0.19 more on average for these 11 food items during March 2021 when compared to February 2021.

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

Product	Urban Food Prices February 2021 (R/unit)	Urban Food Prices March 2021 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.84	15.77	-0.07
A loaf of brown bread 700g	14.20	13.83	-0.37
A loaf of white bread 700g	15.81	15.65	-0.16
Special maize 2.5 kg	27.71	28.28	0.57
Super maize 2.5 kg	27.75	27.77	0.02
Margarine spread 500g	25.97	25.63	-0.34
Peanut butter 400g	33.64	34.08	0.44
Rice 2kg	43.41	42.11	-1.30
Sunflower oil 750ml	25.12	26.85	1.73
Ceylon/black tea 62.5g	12.83	13.68	0.86
White sugar 2.5kg	45.31	46.03	0.72
Average difference (R/unit)			0.19

Source: Stats SA, 2021

The NAMC food basket: March 2021 vs March 2020

This section presents the nominal cost of the NAMC's 28-item urban food basket¹, based on average food price data for March 2021 vs. March 2020. The nominal cost of the NAMC's 28-item urban food basket amounted to R982.11 in March 2021 compared to the R974.80 reported during February 2021, an increase of 0.8% m-o-m as compared to an annual increase of 9.7%.

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 (52.8%), dried beans (39.2%), fresh tomatoes (37.7%), polony (26.9%), eggs (21.5%), sunflower oil (17.9%), a loaf of white bread (14.6%), super maize meal (13.1%), beef mince (11.3%), a loaf of brown

¹ 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.

bread (10.6%), cheddar cheese and chicken giblets increased both with 10.3%, peanut butter (9.6%), brick margarine (9.5%), white sugar (8.5%) and instant coffee (7.6%).

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

Category	Product	Mar 20 R/unit	Feb 21 R/unit	Mar 21 R/unit	% change y-o-y	% change m-o-m
Beans	Baked beans - tinned 410g	11.13	11.40	11.26	1.2	-1.2
Beans	Beans - dried 500g	18.76	26.95	26.11	39.2	-3.1
Beans	Peanut butter 400g	31.10	33.64	34.08	9.6	1.3
Coffee, Tea	Instant coffee 250g	35.33	37.11	38.01	7.6	2.4
Coffee, Tea	Ceylon/black tea 250g	36.01	28.16	30.04	-16.6	6.7
Dairy, Eggs	Full cream milk - long life 1ℓ	14.96	15.84	15.77	5.4	-0.4
Dairy, Eggs	Eggs 1.5 dozen	40.63	53.18	49.36	21.5	-7.2
Dairy, Eggs	Cheddar cheese per kg	106.06	115.46	116.96	10.3	1.3
Fats, Oils	Brick margarine 500g	21.25	22.66	23.26	9.5	2.6
Fats, Oils	Sunflower oil 750ml	22.78	25.12	26.85	17.9	6.9
Fruit	Apples - fresh per kg	22.32	22.56	16.92	-24.2	-25.0
Fruit	Bananas - fresh per kg	18.48	17.22	18.58	0.5	7.9
Fruit	Oranges - fresh per kg	32.16	29.99	29.62	-7.9	-1.2
Protein	Beef mince - fresh per kg	85.85	97.00	95.54	11.3	-1.5
Protein	Beef offal - fresh per kg	36.31	38.14	37.61	3.6	-1.4
Protein	Chicken giblets per kg	34.18	30.43	37.70	10.3	23.9
Protein	IQF chicken portions - 2kg	68.95	73.90	71.77	4.1	-2.9
Protein	Fish (excl. tuna) - tinned 400g	20.85	21.46	21.82	4.7	1.7
Protein	Polony per kg / 1kg	34.25	44.04	43.45	26.9	-1.3
Bread & Cereals	Loaf of brown bread 700g	12.50	14.20	13.83	10.6	-2.6
Bread & Cereals	Loaf of white bread 700g	13.66	15.81	15.65	14.6	-1.0
Bread & Cereals	Super maize meal 5kg	43.73	50.98	49.45	13.1	-3.0
Bread & Cereals	Rice 2kg	27.56	43.41	42.11	52.8	-3.0
Vegetables	Cabbage - fresh per kg	15.07	12.48	14.61	-3.1	17.0
Vegetables	Onions - fresh per kg	15.30	14.33	14.57	-4.8	1.7
Vegetables	Potatoes - fresh per kg	13.21	13.19	13.13	-0.6	-0.5
Vegetables	Tomatoes - fresh per kg	20.35	20.83	28.03	37.7	34.6
Sugary foods	White sugar 2.5kg	42.44	45.31	46.03	8.5	1.6
	Total Rand Value*	895.18	974.80	982.11	9.7	0.8

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 March 2021 vs. March 2020 (y-o-y) and March 2021 vs. February 2021 (m-o-m).

Food categories recording the highest annual inflation include bread & cereals, bean products and fats & oils at 24.2%, 17.2% and 13.8%, respectively on a y-o-y basis. Even though there is a positive trend in exports prices across the globe, rice remains the biggest contributor at 52.8% on the annual inflation prices, but, the rice-index currently seating at -3% annually and things should continue improving in the coming weeks. Rice was followed by dried beans (39.2%) and fresh tomatoes (37.7%). Month-on-month inflation figures for fresh tomatoes were also the largest contributor at 34.6% followed by chicken giblets (23.9%) and fresh cabbage (17.0%).

Dried bean prices are recovering from the global slump associated with poor weather conditions that had negatively affected global supply. This had negatively affected prices for net-importing countries like South Africa. However, new local stock entered into the market during March and a slight improvement when compared to previous month (February) prices was observed.

The sharp increase in tomato prices is due to low supply that resulted from excessive rains that had negatively impacted on production output early this year as well as an increase in exports attributed to a rising demand from the neighbouring countries mainly to Mozambique, Botswana and Namibia. Like tomatoes, cabbage prices were selling at ceiling prices due to a significant increase in sales to the neighbouring countries such as Zimbabwe and Mozambique. The demand had continued to rise and it is likely that prices will remain elevated in April to early May 2021.

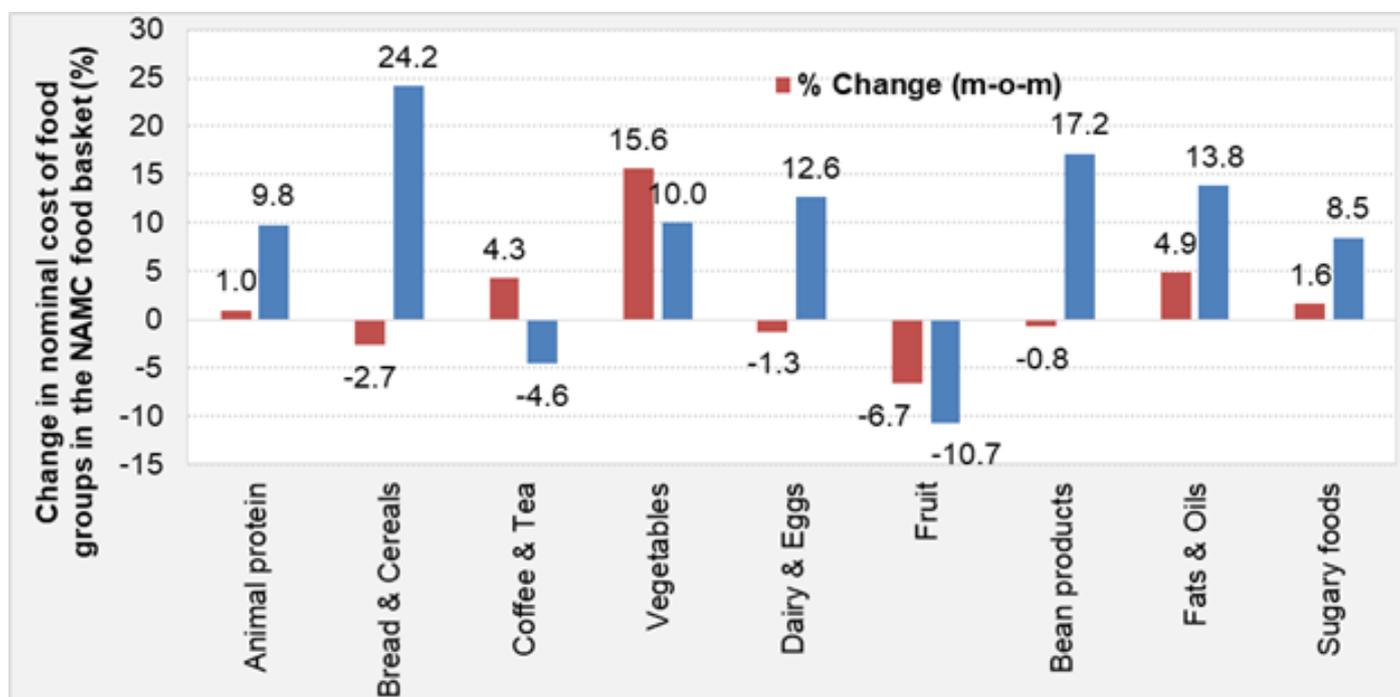


Figure 2: Nominal cost growth of specific food groups within the NAMC’s 28-item food basket, comparing March 2021 vs. March 2020 and March 2021 vs. February 2021

Source: NAMC calculations, Stats SA data, 2021

South Africa’s role in the Southern Africa Region as a leading exporter for agricultural products has become clear during the staple food hikes such as maize late 2020 to early 2021. While South Africa is producing enough food to feed its local population it is clear to see that, factors that affect neighbouring countries production have spill over effects to South African consumers which can be linked to the free market. Shortages in food from neighbouring countries is putting more pressure on South African consumers. To mitigate this, local production needs to improve to supply food for the growing Southern Africa population and the urbanizing South Africa. This can be done by focusing on rural provinces that still have pockets of land to expand South Africa’s agricultural primary production. Also, South Africa needs to work closely with its neighbours to improve their production and somewhat reduce the pressure on major food prices.

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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