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Food Basket Price Monthly

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FOOD BASKET PRICE MONTHLY

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The basket of food products included in this publication is derived from the latest release of the Income and Expenditure Survey (IES) of 2014/15', compiled by Statistics South Africa (Stats SA). This basket is to be representative of consumer spending on food and, as a result of the IES 2014/15 release and the CPI base year (2016=100) adjustment, the food basket had to be altered.

Stats SA introduced additional products from January 2017, and excluded some of the pre-January 2017 products. The food basket has been adjusted by including the additional observations /products. As a result, annual comparisons will now be possible.

Cognisance of the above background should therefore be taken when interpreting the data.

Highlights

- *Food inflation further decelerated to 4.5% during January 2018, year-on-year (y-o-y), from 4.8% reported in December 2017, the lowest level in two years.*
- *Meat price inflation eased to 13.4% y-o-y, with increased monthly slaughtering activity of 10%, when compared to December 2017.*
- *The outlook for food inflation is expected to remain relatively stable (or even decreasing) in the short run, as a result of the relatively large grain stock from the previous production season; a good harvest expected from the summer crop (grain and oilseed) growing areas; a recovery in the sugar belt; a decline in wheat import tariff, and normalisation in livestock slaughtering activity.*
- *In January 2018, the cost of the NAMC's 28-item urban food basket reached R874.86 compared to the R849.22 reported in December 2017, indicating a month-on-month (m-o-m) increase of 3.02%. When compared to January 2017, an annual (y-o-y) increase of 4.78% is reported.*

1. Introduction

The NAMC monitors food prices at the 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 on food price trends in South Africa and also to provide explanations on the observed trends and advise the department on any possible action that could be taken when national and household food security is 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, which documents the margins between farm prices 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.

2. Overall inflation and food inflation

The January 2018 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 4.4% and 4.5%, respectively, compared to the 4.7% and 4.8% reported in December 2017. **Figure 1** show the trends in the headline CPI and food and non-alcoholic beverage inflation rates on a monthly basis, from January 2012 to January 2018.

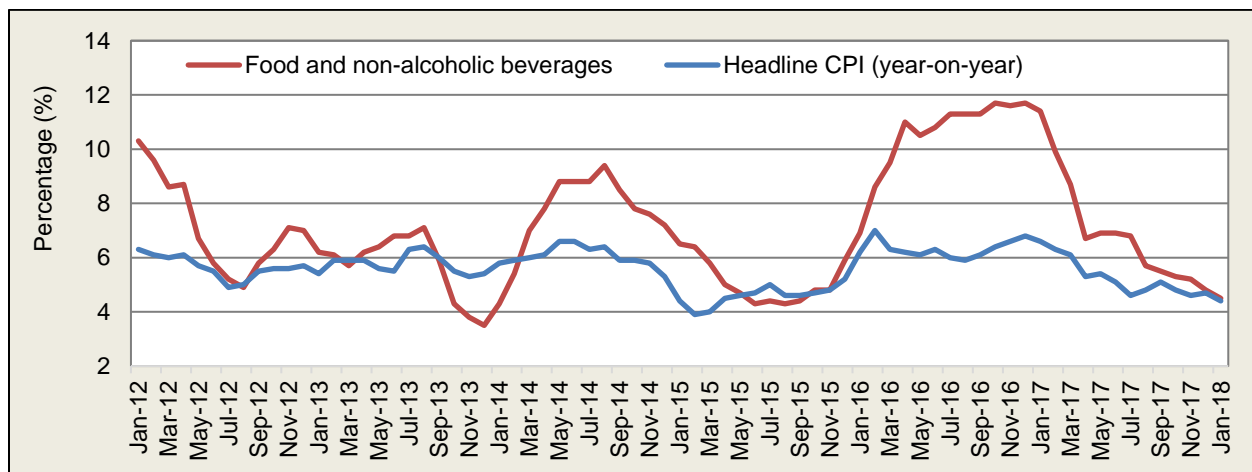


Figure 1: Headline CPI and food and non-alcoholic beverage CPI
Source: Stats SA, 2018

3. Comparison between urban and rural prices: January 2018

Table 1 compares prices of selected food items in rural and urban areas for January 2018. The food items which showed the largest price differences between **urban** and **rural** areas in January 2018 were: sunflower oil 750ml at a difference of R4.58, Ceylon/black tea 62.5g at R2.49 difference and a loaf of brown bread 700g at a difference of R0.53. This indicates that urban consumers paid more for some of these food

items than their rural counterparts. In other cases, however, rural consumers paid more for certain products (e.g. white sugar 2.5kg, peanut butter 400g and special maize meal 2.5kg), than their urban counterparts.

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

Product	Rural Food Prices January 2018	Urban Food Prices January 2018	Price difference (R/unit)
Full cream milk – long life 1ℓ	14.67	13.94	-0.73
Loaf of brown bread 700g	11.51	12.04	0.53
Loaf of white bread 700g	12.51	12.92	0.41
Special maize 2.5 kg	20.43	19.47	-0.96
Super maize 2.5 kg	23.06	22.70	-0.36
Margarine spread 500g	27.76	27.92	0.16
Peanut butter 400g	28.95	27.31	-1.64
Rice 2kg	25.48	25.58	0.10
Sunflower oil 750mℓ	17.71	22.29	4.58
Ceylon/black tea 62.5g	12.27	14.76	2.49
White sugar 2.5kg	41.25	38.16	-3.09
Average			0.14

Source: Stats SA, 2017

4. The NAMC food basket

This section analyses the cost of a basic 28-item NAMC food basket, based on average food price data for the period January 2018 vs. January 2017. Composition of the current food basket (as revised in 2017) include: apples (per kg), baked beans – tinned (410g), bananas fresh (per kg), beans – dried (500g), beef mince fresh (per kg), beef offal fresh (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), loaf of brown bread (700g), loaf of white bread (700g), margarine brick (500g), onions fresh (per kg), oranges (per kg), peanut butter (400g), polony (per kg), potatoes fresh (per kg), rice (2kg), sugar white (2.5kg), sunflower oil (750mℓ), super maize meal (5kg) and tomatoes fresh (per kg).

In January 2018, the cost of this 28-item NAMC urban food basket amounted to **R874.86** compared to the **R849.22** reported during December 2017, indicated a m-o-m increase of 3.02%. Due to the inclusion of additional products in the Stats SA CPI basket from January 2017 (i.e. dried beans, frozen chicken, beef and chicken offal products), an annual (y-o-y) comparison indicated an increase of 4.78%.

The 28-item NAMC food basket products are highlighted in **Table 2**. Products exceeding the South African Reserve Bank's (SARB) upper annual inflation band of 6%, include the following: Ceylon/black tea 250g (9.5%), eggs 1.5 dozen (22.5%), cheddar cheese per kg (11.6%), beef mince – fresh per kg (12.9%), beef offal – fresh per kg (16.3%), chicken giblets per kg (13.8%), IQF chicken portions – 2kg (12.2%), cabbage – fresh per kg (36.3%), and onions – fresh per kg (19.1%).

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

Category	Product	Jan-17	Dec-17	Jan-18	% change y-o-y	% change m-o-m
Beans	Baked beans - tinned 410g	9.34	9.63	9.55	2.2%	-0.8%
Beans	Beans - dried 500g	19.86	19.31	19.61	-1.3%	1.6%
Beans	Peanut butter 400g	27.31	27.88	27.31	0.0%	-2.0%
Coffee, Tea	Instant coffee 250g	34.83	36.10	35.02	0.5%	-3.0%
Coffee, Tea	Ceylon/black tea 250g	30.66	31.96	33.57	9.5%	5.0%
Dairy, Eggs	Full cream milk - long life 1ℓ	14.01	14.01	13.94	-0.5%	-0.5%
Dairy, Eggs	Eggs 1.5 dozen	37.17	44.45	45.53	22.5%	2.4%
Dairy, Eggs	Cheddar cheese per kg	98.54	106.37	109.96	11.6%	3.4%
Fats, Oils	Brick margarine 500g	22.82	22.38	22.89	0.3%	2.3%
Fats, Oils	Sunflower oil 750ml	22.48	22.06	22.29	-0.8%	1.0%
Fruit	Apples - fresh per kg	18.24	19.10	18.59	1.9%	-2.7%
Fruit	Bananas - fresh per kg	16.33	14.87	14.44	-11.6%	-2.9%
Fruit	Oranges - fresh per kg	21.49	15.91	20.38	-5.2%	28.1%
Protein	Beef mince - fresh per kg	71.34	78.82	80.52	12.9%	2.2%
Protein	Beef offal - fresh per kg	43.23	42.77	50.28	16.3%	17.6%
Protein	Chicken giblets per kg	30.89	35.77	35.14	13.8%	-1.8%
Protein	IQF chicken portions - 2kg	61.47	67.08	68.98	12.2%	2.8%
Protein	Fish (excl. tuna) - tinned 400g	18.10	17.23	17.87	-1.3%	3.7%
Protein	Polony per kg	42.04	42.15	43.59	3.7%	3.4%
Bread & Cereals	Loaf of brown bread 700g	12.31	11.99	12.04	-2.2%	0.4%
Bread & Cereals	Loaf of white bread 700g	13.41	12.91	12.92	-3.7%	0.1%
Bread & Cereals	Super maize meal 5kg	54.39	40.57	41.52	-23.7%	2.3%
Bread & Cereals	Rice 2kg	26.87	24.52	25.58	-4.8%	4.3%
Vegetables	Cabbage - fresh per kg	11.00	12.96	14.99	36.3%	15.7%
Vegetables	Onions - fresh per kg	11.06	13.03	13.17	19.1%	1.1%
Vegetables	Potatoes - fresh per kg	12.51	11.82	11.93	-4.6%	0.9%
Vegetables	Tomatoes - fresh per kg	16.04	16.48	15.09	-5.9%	-8.4%
Sugary foods	White sugar 2.5kg	37.18	37.09	38.16	2.6%	2.9%
Basket	Total Rand Value	834.92	849.22	874.86	4.78%	3.02%

Source: Stats SA and BFAP, 2017

Table 3 below monitors three additional protein cuts that were newly included products in the CPI basket (post-January 2017).

Table 3: Percentage change in additional chicken items

Category	Product	Jan-17	Dec-17	Jan-18	% change y-o-y	% change m-o-m
Protein	Chicken portions – fresh per kg	56.04	58.51	58.80	4.9%	0.5%
Protein	Chicken portions frozen – non IQF average per kg	56.51	49.49	49.44	-12.51%	-0.1%
Protein	IQF chicken portions – 1kg	20.89	31.24	32.99	57.92%	5.6%

Source: Stats SA and BFAP, 2017

To further explore the impact of inflation on consumers, **Figure 2** presents an illustration of the average monthly nominal cost growth of specific food groups within the 28-item NAMC food basket, comparing the period January 2018 vs. December 2017. The following food categories in this basket experienced increased inflation m-o-m: animal protein, bread & cereals, coffee & tea, vegetables, dairy & eggs, fruit, fat & oils and sugary foods.

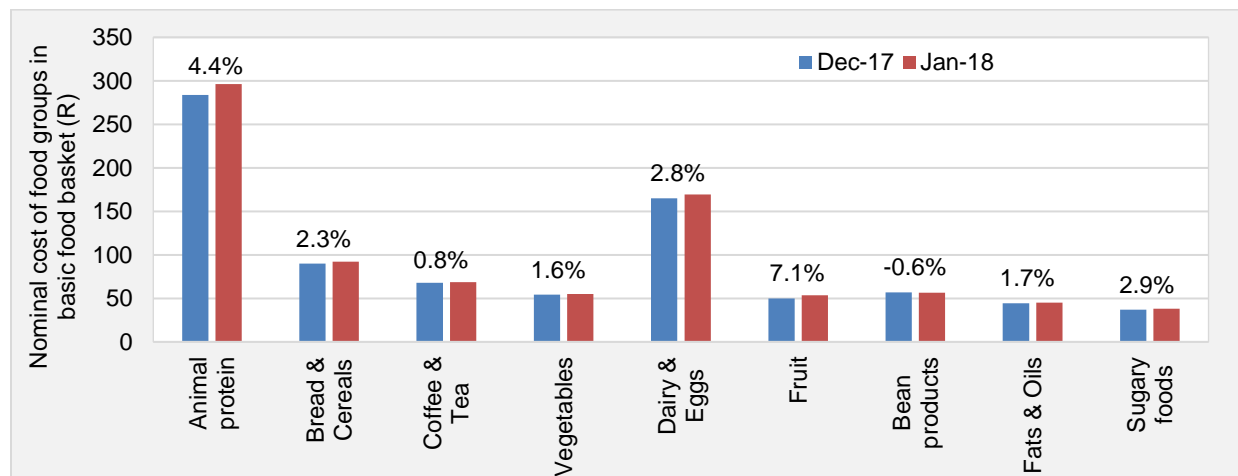


Figure 2: Nominal monthly cost growth of specific food groups within the 28-item NAMC food basket, comparing January 2018 vs. December 2017

Source: BFAP calculations, based on Stats SA monitored price data for urban areas, 2018

Figure 3 presents an illustration of the average annual nominal cost growth of specific food groups within the 28-item NAMC food basket, comparing the period January 2018 vs. January 2017. **Figure 2** shows that the following food categories within this food basket experienced increased inflation annually: animal protein, coffee & tea, vegetables, dairy & eggs, and sugary foods.

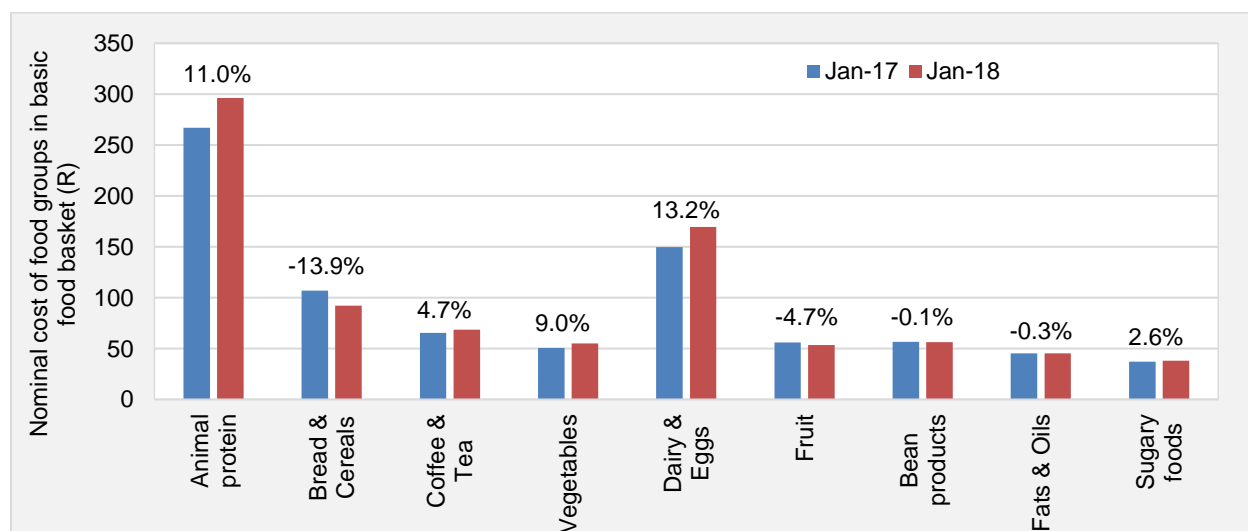


Figure 3: Nominal annual cost growth of specific food groups within the 28-item NAMC food basket, comparing January 2018 vs. January 2017

Source: BFAP calculations, based on Stats SA monitored price data for urban areas, 2018

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