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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 Income and Expenditure Survey (IES) of 2014/15', compiled by Statistics South Africa (Stats SA). This food 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 since been altered.

Stats SA introduced additional products from January 2017 and excluded some of the pre-January 2017 products. The food basket has been adjusted to include these additional observations /products and as a result, annual comparisons are now possible.

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

Highlights

- *Food inflation further decelerated to 3.9% during February 2018, year-on-year (y-o-y), from 4.5% reported in January 2018, as a result of a decline in agricultural commodity prices from higher output levels of the previous production season.*
- *Meat price inflation eased to 11.4% (y-o-y) from 13.4%, with slaughtering activity declining by 28.2% (m-o-m) when compared with January 2018. Egg prices remain high as a result of the avian flu outbreak.*
- *The outlook for food inflation should continue to ease in the coming months. This will be influenced by relatively large grain stocks from the previous season, expectations of a good harvest in the summer crop growing areas of the country, and the expected normalisation in livestock slaughtering activities. The implementation of the sugar tax in April 2018 is likely to cause an increase in food inflation. According to the South African Reserve Bank Monetary Policy Committee, food price inflation is expected to average 5.2% during 2018.*
- *In February 2018, the cost of the NAMC's 28-item urban food basket reached R860.02 compared to the R874.86 reported in January 2018, indicating a month-on-month (m-o-m) decrease of 1.7%. When compared to February 2017, an annual (y-o-y) increase of 1.5% was reported.*
- *Remark on the Listeriosis outbreak: As polony has been identified as the primary product source of the outbreak, current trends indicate that polony price (per kg) has decreased by 7.5% m-o-m but reported growth of 1.7% when compared to February 2017. The possible impact at retail level could be assessed in four months (the average time lag between producer and retail level).*

1. Introduction

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 issue four quarterly Food Price Monitoring Reports annually and, since 2005, also publishes an annual Food Cost Review, 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.

2. Overall inflation and food inflation

The February 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% and 3.9%, respectively, compared to the 4.4% and 4.5% reported in January 2018. **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 February 2018.

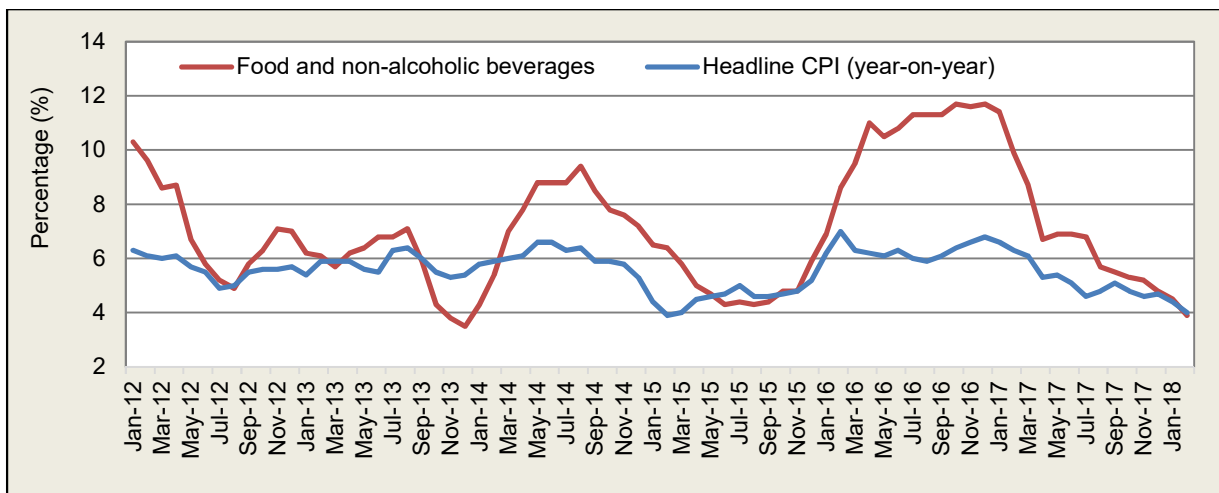


Figure 1: Headline CPI and food and non-alcoholic beverage CPI
Source: Stats SA, 2018

3. Comparison between urban and rural prices: February 2018

Table 1 compares prices of selected food items in rural and urban areas for February 2018. The food items which showed the largest price differences between **urban** and **rural** areas in February 2018 were: sunflower oil 750ml at a difference of R4.70, Ceylon/black tea 62.5g at R2.88 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 margarine spread 500g), than their urban counterparts.

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

Product	Urban Food Prices February 2018	Rural Food Prices February 2018	Price difference (R/unit)
Full cream milk – long life 1ℓ	13.96	14.59	-0.63
Loaf of brown bread 700g	12.14	11.61	0.53
Loaf of white bread 700g	13.08	12.56	0.52
Special maize 2.5 kg	19.62	19.60	0.02
Super maize 2.5 kg	22.50	22.21	0.29
Margarine spread 500g	27.43	28.08	-0.65
Peanut butter 400g	28.01	29.05	-1.04
Rice 2kg	25.22	25.74	-0.52
Sunflower oil 750mℓ	22.52	17.82	4.70
Ceylon/black tea 62.5g	15.00	12.12	2.88
White sugar 2.5kg	38.52	41.92	-3.40
Average			0.24

Source: Stats SA, 2018

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 February 2018 vs. February 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 February 2018, the cost of this 28-item NAMC urban food basket amounted to **R860.02** compared to the **R874.86** reported in January 2018, indicated a m-o-m decrease of 1.7%. 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 1.5%.

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 (7.3%), eggs 1.5 dozen (19.7%), beef mince – fresh per kg (12%), chicken giblets per kg (15.1%), IQF chicken portions – 2kg (8.5%), cabbage – fresh per kg (17.1%), and onions – fresh per kg (31%).

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

Category	Product	Feb-17	Jan-18	Feb-18	% change y-o-y	% change m-o-m
Beans	Baked beans - tinned 410g	9.37	9.55	9.62	2.7%	0.7%
Beans	Beans - dried 500g	20.15	19.61	19.64	-2.5%	0.2%
Beans	Peanut butter 400g	27.76	27.31	28.01	0.9%	2.6%
Coffee, Tea	Instant coffee 250g	34.91	35.02	35.50	1.7%	1.4%
Coffee, Tea	Ceylon/black tea 250g	31.02	33.57	33.27	7.3%	-0.9%
Dairy, Eggs	Full cream milk - long life 1ℓ	13.89	13.94	13.96	0.5%	0.1%
Dairy, Eggs	Eggs 1.5 dozen	37.89	45.53	45.37	19.7%	-0.4%
Dairy, Eggs	Cheddar cheese per kg	101.78	109.96	106.55	4.7%	-3.1%
Fats, Oils	Brick margarine 500g	22.35	22.89	22.70	1.6%	-0.8%
Fats, Oils	Sunflower oil 750mℓ	22.58	22.29	22.52	-0.3%	1.0%
Fruit	Apples - fresh per kg	18.48	18.59	20.48	10.8%	10.2%
Fruit	Bananas - fresh per kg	15.85	14.44	13.54	-14.6%	-6.2%
Fruit	Oranges - fresh per kg	27.22	20.38	24.22	-11.0%	18.8%
Protein	Beef mince - fresh per kg	73.50	80.52	82.32	12.0%	2.2%
Protein	Beef offal - fresh per kg	42.46	50.28	35.22	-17.1%	-30.0%
Protein	Chicken giblets per kg	30.80	35.14	35.44	15.1%	0.9%
Protein	IQF chicken portions - 2kg	62.76	68.98	68.11	8.5%	-1.3%
Protein	Fish (excl. tuna) - tinned 400g	17.63	17.87	18.20	3.2%	1.8%
Protein	Polony per kg	39.66	43.59	40.32	1.7%	-7.5%
Bread & Cereals	Loaf of brown bread 700g	12.23	12.04	12.14	-0.7%	0.8%
Bread & Cereals	Loaf of white bread 700g	13.38	12.92	13.08	-2.2%	1.2%
Bread & Cereals	Super maize meal 5kg	52.53	41.52	37.93	-27.8%	-8.6%
Bread & Cereals	Rice 2kg	26.48	25.58	25.22	-4.8%	-1.4%
Vegetables	Cabbage - fresh per kg	13.42	14.99	15.71	17.1%	4.8%
Vegetables	Onions - fresh per kg	10.79	13.17	14.14	31.0%	7.4%
Vegetables	Potatoes - fresh per kg	12.49	11.93	11.81	-5.4%	-1.0%
Vegetables	Tomatoes - fresh per kg	18.46	15.09	16.48	-10.7%	9.2%
Sugary foods	White sugar 2.5kg	37.06	38.16	38.52	3.9%	0.9%
Basket	Total Rand Value	846.90	874.86	860.02	1.5%	-1.7%

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	Feb-17	Jan-18	Feb-18	% change y-o-y	% change m-o-m
Protein	Chicken portions – fresh per kg	55.97	58.80	58.64	4.8%	-0.3%
Protein	Chicken portions frozen – non IQF average per kg	43.04	49.44	48.91	13.6%	-1.1%
Protein	IQF chicken portions – 1kg	20.46	32.99	32.28	57.8%	-2.2%

Source: Stats SA, 2017

To further explore the impact of inflation on consumers, **Figure 2** presents an illustration of the average nominal cost growth of specific food groups within the 28-item NAMC food basket, comparing the periods February 2018 vs. February 2017 (y-o-y) and February 2018 vs. January 2018 (m-o-m). The following food categories in this basket experienced increased inflation m-o-m: fruit, vegetables, bean products, sugary foods, coffee & tea, and fat & oils.

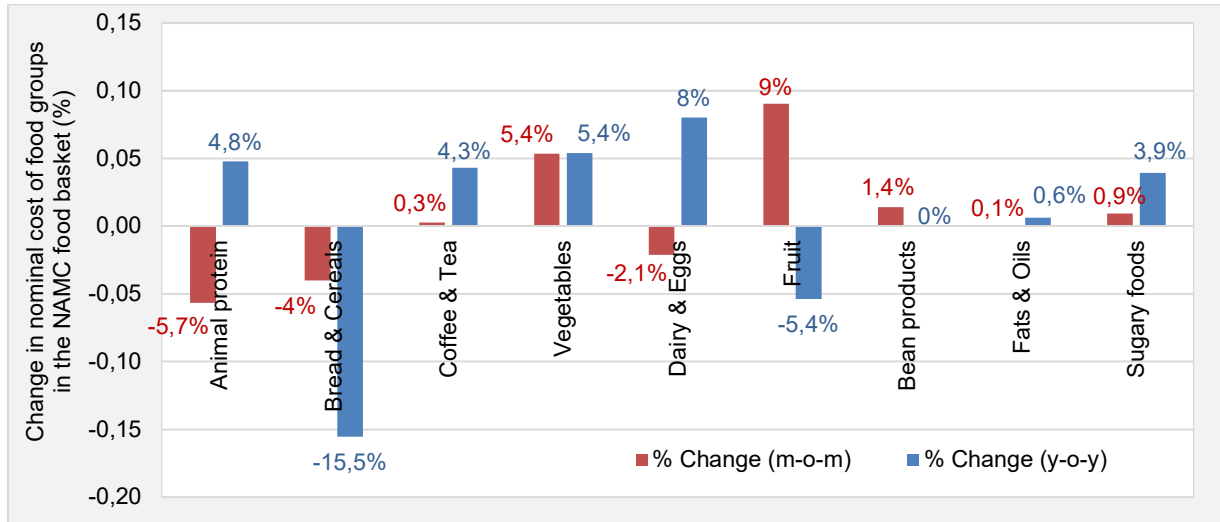


Figure 2: Nominal cost growth of specific food groups within the 28-item NAMC food basket, comparing February 2018 vs. January 2018 and February 2018 vs. February 2017

Source: BFAP & NAMC calculations, Stats SA data, 2018

5. Remarks on the impact of Listeriosis

The outbreak and subsequent spreading of listeriosis contamination will likely not lead to short-term job losses as most were probably permanent employees with the company having business contingency plans in place. It will have an impact though on the profits margins of the companies.

Table 4 monitors four additional protein cuts at retail level on the back of the recent listeriosis outbreak. As polony has been identified as the primary product source of the outbreak, current trends indicate that polony price (per kg) has decreased by 7.5% m-o-m but reported growth of 1.7% when compared to February 2017.

Table 4: Percentage change in processed meat items

Category	Product	Feb-17	Jan-18	Feb-18	% change y-o-y	% change m-o-m
Protein	Bacon 250g	29.69	37.99	37.49	26.3%	-1.3%
Protein	Corned beef 300g	21.69	23.90	23.79	9.7%	-0.5%
Protein	Ham 500g	35.92	37.45	37.67	4.9%	0.6%
Protein	Polony per kg	39.66	43.59	40.32	1.7%	-7.5%
Protein	Sausage 500g	43.18	46.26	46.91	8.6%	1.4%

Source: Stats SA, 2017

Note: The possible impact at retail level could be assessed in four months (the average time lag between producer and retail level).

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