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EXECUTIVE SUMMARY

During April 2019, the 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 2.9%, respectively, compared to the 4.5% and 3.1% reported in March 2019.

Prices were compared for selected food items in rural and urban areas for April 2019. Food items showing the largest price differences between urban and rural areas in April 2019 included: sunflower oil (750ml) at a difference of R4.33, Ceylon/black tea (62.5g) at R3.30 difference, and special maize meal (2.5kg) at a difference of R1.58. 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 (peanut butter (400g), white sugar (2.5kg) and full cream long life milk (1l)), than their urban counterparts.

The FAO Food Price Index (FFPI) rose in April 2019 to around 170 points, 1.5% (2.5 points) higher than in March and marking its highest value since June 2018. At this level, the FFPI would still remain 2.3% below its level in the corresponding month last year. Except for the sub-index for cereals, all the other sub-indices firmed in April, led by dairy and meat, and to a lesser extent vegetable oils and sugar.

During April 2019, the nominal cost of the NAMC's 28-item urban food basket amounted to **R879.38** compared to the **R883.16** reported during March 2019, resulting in a monthly percentage decrease of 0.4%. When compared to April 2018, an annual (y-o-y) percentage increase of 2.5% was reported.

Comparing April 2019 vs. April 2018 retail prices, higher price increases (6% or more) were observed for the following products within the NAMC's 28-item food basket: tomatoes, cabbage, polony, bananas, apples, brown bread, baked beans and white bread. When comparing price changes for April 2019 vs. April 2018 with January 2019 vs. January 2018 higher price increases were reported for meat, bread & cereals, vegetables, dairy, fats & oils, bean products and sugar.

Over the next three months, key factors pose an upside risk to the expectations for the various food categories. These include the electricity price hikes as announced by the National Energy Regulator in March 2018 and the exchange rate movements. For 2019 it was announced that the electricity prices would increase by 9.1%. This could add significant cost pressures to food manufacturing and retailing costs over the outlook period. In terms of the exchange rate, all eyes are on South African politics to see how cabinet choices speak to the structural problems facing the fiscus and State-Owned Enterprises (SOE's). If the appointments do not show the commitment to solve these problems, disinvestment and a possible investment status down-grade could cause sharp depreciation in exchange rates.

Table of Contents

| | |
|---|----|
| 1. Introduction | 1 |
| 2. Overall inflation and food inflation: South Africa and selected countries..... | 2 |
| 3. Urban and rural food price trends: April 2019 vs. April 2018 | 2 |
| 4. Comparison between urban and rural prices: April 2019 | 5 |
| 5. International food prices | 5 |
| 6. Estimated impact of food inflation on consumers..... | 8 |
| 7. Outlook | 11 |
| APPENDIX: DATA COLLECTION..... | 13 |

1. Introduction

During April 2019, the 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 2.9%, respectively. The same indices were at 4.5% and 3.1% respectively, during March 2019. **Figure 1** shows trends of the headline CPI and food and non-alcoholic beverage inflation rates on a monthly basis, from January 2012 to April 2019.

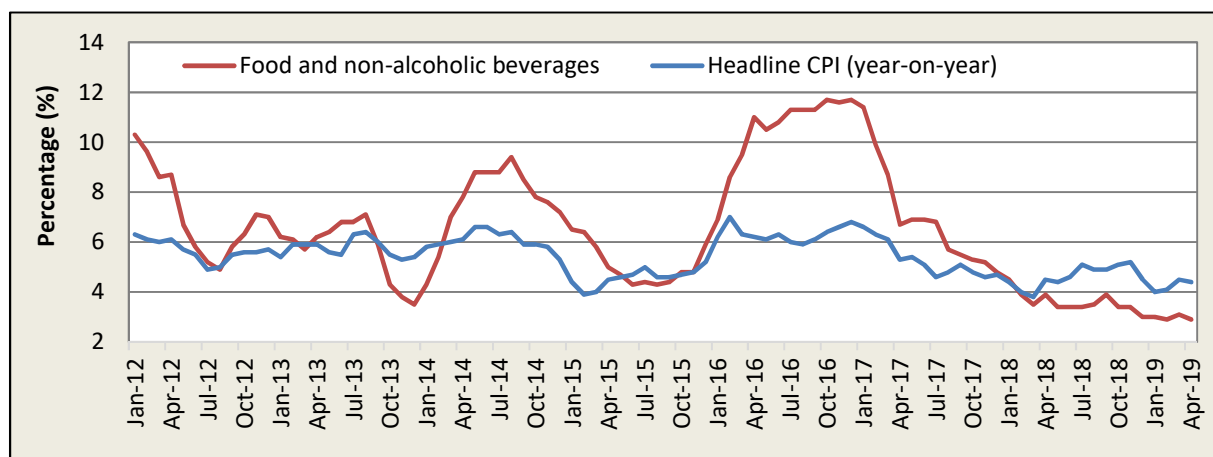


Figure 1: Headline CPI and food and non-alcoholic beverage CPI
Source: Stats SA, 2019

Figure 2 presents the components of the food and non-alcoholic beverage index changes. During April 2019 vs. April 2018, the following changes, in descending order, were reported: vegetables (10.1%), fruit (6.4%), bread & cereals (6.1%), sugary foods (5.2%), fish (4.9%), processed foods (4.2%), other food items (2.9%), oils & fats (2.1%), unprocessed foods (0.9%), milk, eggs and cheese (0.8%), and meat (-1.2%). The monthly percentage changes are also illustrated.

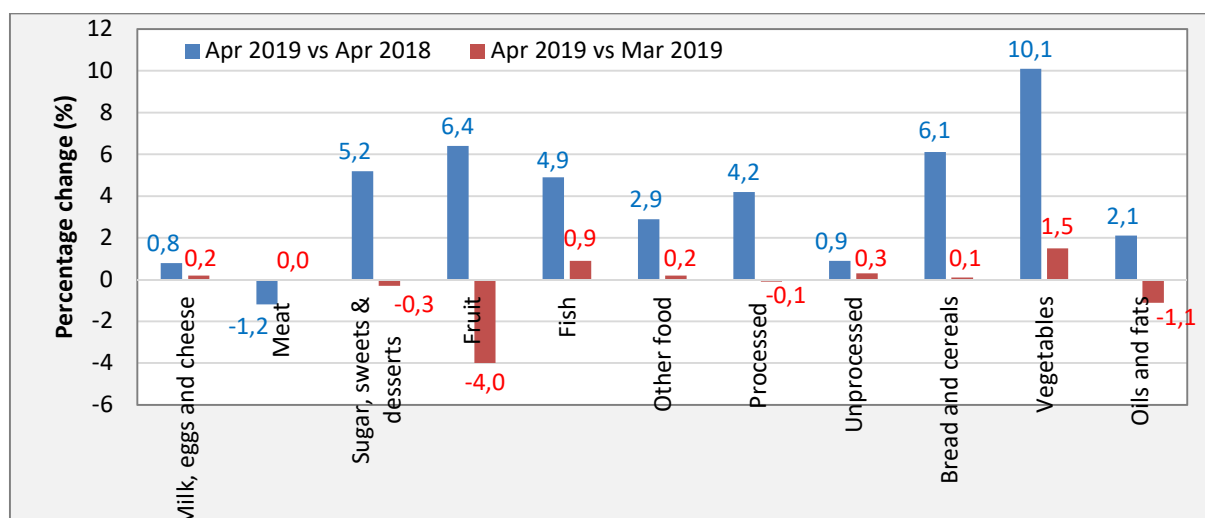


Figure 2: Annual (April 2019 vs. April 2018) and monthly (April 2019 vs. March 2019) CPI changes for different food categories
Source: Stats SA, 2019

2. Overall inflation and food inflation: South Africa and selected countries

Table 1 shows the y-o-y overall inflation and food inflation rates for April 2019 for South Africa and other selected countries. South Africa's overall inflation for April 2019 reached 4.4% with food inflation reaching 2.9%. The food categories with the largest annual contribution to South African food inflation include vegetables, fruit and bread & cereals. The Zambian overall inflation rate for April 2019 reached 7.7%, with food inflation at 8.3%. Botswana's overall inflation rate reached 2.5%, with a projected food inflation rate of 0.4%, during April 2019. Turkey's overall inflation rate reached 19.5%, compared to their food inflation rate of 31.9%. Considering inflation rates of the BRIC countries, Russia reported the highest overall inflation rate of 5.2%, with food inflation of 7.5, with China recording the lowest annual inflation of 2.5%. India recorded the lowest food inflation of 1.1%.

Table 1: Overall inflation and food inflation during February 2019 to April 2019

| Country | February 2019 | | March 2019 | | April 2019 | |
|--------------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|--------------------|
| | Overall inflation (%) | Food inflation (%) | Overall inflation (%) | Food inflation (%) | Overall inflation (%) | Food inflation (%) |
| Botswana | 3.3 | -0.2 | 3.3 | 0.1 | 2.5 | 0.4* |
| Brazil | 3.9 | 5.4 | 4.6 | 6.7 | 4.9 | 7.3 |
| China | 1.5 | 0.7 | 2.3 | 4.1 | 2.5 | 6.1 |
| India | 2.6 | -0.7 | 2.9 | 0.3 | 2.9 | 1.1 |
| Namibia | 4.4 | 5.9 | 4.5 | 5.8 | 4.5 | 5.3 |
| Russia | 5.2 | 6.7 | 5.3 | 6.7 | 5.2 | 7.5* |
| South Africa | 4.1 | 2.9 | 4.5 | 3.1 | 4.4 | 2.9 |
| Turkey | 19.7 | 29.3 | 19.7 | 29.8 | 19.5 | 31.9 |
| United Kingdom | 1.9 | 1.1 | 1.9 | 0.8 | 2.1 | 0.7 |
| United States (US) | 1.5 | 2.0 | 1.9 | 2.1 | 2.0 | 1.8 |
| Zambia | 7.8 | 7.7 | 7.5 | 8.2 | 7.7 | 8.3 |

Sources: Central banks and statistics reporting institutions of these countries, 2019

*Note: Projected value

3. Urban and rural food price trends: April 2019 vs. April 2018

Tables 2 and **3** rank selected food items pertaining to urban and rural areas, according to their various inflation rates. The food products highlighted in **Table 2** are those with annual urban inflation rates exceeding the South African Reserve Bank's (SARB) inflation upper band of 6%:

Table 2: Food items in the urban areas ranked (April 2019 vs. April 2018)

| Grain and grain products | % | Meat, meat products, dairy, dairy products and eggs | % | Fresh and processed fruits and vegetables | % |
|----------------------------|-------|---|--------|---|--------|
| Special maize 10kg | -5.4% | Eggs 2.5 dozen | -15.1% | Nectarines - fresh per kg | -12.1% |
| Rice 10kg | -5.3% | Powdered milk 400g | -14.1% | Beans - dried 1kg | -4.8% |
| Margarine spread 1kg | -4.9% | Beef sirloin - fresh per kg | -8.3% | Onions - fresh per kg | -0.9% |
| Loaf of brown bread (each) | -3.9% | IQF chicken portions - 1,8kg | -7.0% | Beans - dried 2kg | 0.1% |

| Grain and grain products | % | Meat, meat products, dairy, dairy products and eggs | % | Fresh and processed fruits and vegetables | % |
|----------------------------|-------|---|-------|---|-------|
| Macaroni 1kg | -2.0% | Eggs 1.5 dozen | -6.5% | Sweet potatoes - fresh per kg | 0.2% |
| Margarine spread 500g | -0.4% | Beef stew - per kg | -6.5% | Beans - dried 500g | 0.2% |
| Brick margarine 1kg | -0.3% | Beef chuck - fresh per kg | -6.3% | Oranges - fresh per kg | 1.9% |
| Cake flour 5kg | 0.4% | Beef fillet - fresh per kg | -6.2% | Potatoes - fresh per kg | 3.9% |
| Sunflower oil 750ml | 0.6% | IQF chicken portions - 2kg | -5.8% | Pears - fresh per kg | 3.9% |
| Loaf of white bread (each) | 0.9% | Beef brisket - fresh per kg | -5.7% | Baked beans - tinned 410g | 6.8% |
| Peanut butter 250g | 0.9% | IQF chicken portions - 5kg | -5.6% | Cauliflower - fresh per kg | 9.5% |
| Peanut butter 800g | 1.8% | Beef rump steak - fresh per kg | -4.6% | Apples - fresh per kg | 9.9% |
| Peanut butter 400g | 1.8% | Powdered milk 500g | -4.5% | Bananas - fresh per kg | 10.1% |
| Cake flour 1kg | 1.9% | Chicken portions frozen - non IQF average per kg | -3.7% | Cabbage - fresh each | 16.6% |
| Brick margarine 250g | 2.0% | Chicken portions frozen - non IQF per kg (real) | -3.7% | Pumpkin - fresh per kg | 19.1% |
| Brick margarine 500g | 2.1% | Pork chops - fresh per kg | -3.3% | Cabbage - fresh per kg | 33.5% |
| Macaroni 500g | 2.5% | Pork - ribs per kg | -3.3% | Beetroot - fresh per kg | 35.2% |
| Rice 2kg | 3.0% | Cheddar cheese per kg | -2.6% | Tomatoes - fresh per kg | 38.5% |
| Cake flour 2.5kg | 3.0% | Chicken giblets per kg | -2.5% | | |
| Pasta 500g | 3.1% | Beef T-bone - fresh per kg | -2.2% | | |
| Super maize 5kg | 3.4% | Corned beef 300g | -2.2% | | |
| Rice 1kg | 4.3% | Tuna - tinned 170g | -2.2% | Other | % |
| Spaghetti 500g | 4.6% | Lamb - loin chop per kg | -2.1% | Instant coffee 200g | -7.3% |
| Loaf of white bread 600g | 5.2% | Powdered milk 900g | -1.8% | Instant coffee 250g | -0.1% |
| Instant noodles 73g | 5.5% | Lamb - rib chop per kg | -1.7% | Instant coffee 100g | 0.4% |
| Rice 500g | 5.5% | Full cream milk - long life 6x1l | -1.0% | Instant coffee 750g | 0.5% |
| Sunflower oil 2l | 5.8% | Lamb - leg per kg | -0.8% | Instant coffee 500g | 3.6% |
| Super maize 1kg | 6.0% | Full cream milk - long life 500ml | -0.7% | White sugar 10kg | 4.3% |
| Loaf of white bread 700g | 6.1% | Beef offal - fresh per kg | -0.5% | Ceylon/black tea 250g | 4.7% |
| Cold cereals 450g | 6.4% | Lamb - offal per kg | -0.2% | White sugar 5kg | 5.0% |
| Spaghetti 1kg | 6.7% | Beef mince - fresh per kg | 0.6% | White sugar 500g | 5.2% |
| Cold cereals 500g | 6.7% | Eggs 0.5 dozen | 1.0% | Ceylon/black tea 500g | 5.3% |
| Brick margarine 125g | 6.8% | Low fat milk - long life 1,5l | 1.0% | White sugar 2.5kg | 5.8% |
| Super maize 2.5kg | 6.8% | Lamb - neck per kg | 1.1% | White sugar 1kg | 6.1% |
| Sunflower oil 4l | 6.9% | Powdered milk 250g | 1.2% | Ceylon/black tea 62.5g | 8.5% |
| Instant noodles 85g | 6.9% | Low fat milk - fresh 1l | 1.6% | Ceylon/black tea 125g | 11.1% |
| Loaf of brown bread 600g | 8.8% | Lamb - stew per kg | 1.9% | White sugar 2kg | 13.3% |
| Loaf of brown bread 700g | 9.5% | Low fat milk - fresh 2l | 2.1% | | |
| Cold cereals 750g | 10.8% | Full cream milk - fresh 1l | 2.4% | | |
| Rice 5kg | 12.2% | Full cream milk - long life 1l | 2.4% | | |
| Instant noodles 78g | 12.3% | IQF chicken portions - 1,5kg | 2.6% | | |
| Instant noodles 75g | 12.8% | Full cream milk - fresh 2l | 2.6% | | |
| Special maize 5kg | 12.9% | Low fat milk - long life 1l | 2.7% | | |
| Special maize 1kg | 14.6% | Ham 500g | 3.2% | | |
| Special maize 2.5kg | 15.4% | Whole chicken - fresh per kg | 3.4% | | |
| Cold cereals 400g | 17.9% | Full cream milk - fresh 250ml | 3.7% | | |
| Pasta 1kg | 28.8% | Full cream milk - fresh 500ml | 4.2% | | |
| Sunflower oil 500ml | 55.1% | Chicken portions - fresh per kg | 5.1% | | |

| Grain and grain products | % | Meat, meat products, dairy, dairy products and eggs | % | Fresh and processed fruits and vegetables | % |
|--------------------------|---|---|-------|---|---|
| | | Fish (excl. tuna) - tinned 400g | 5.3% | | |
| | | Fish (excl. tuna) - tinned 215g | 5.8% | | |
| | | IQF chicken portions - 4kg | 6.7% | | |
| | | Fish (excl. tuna) - tinned 155g | 6.7% | | |
| | | Sausage 500g | 8.2% | | |
| | | Bacon 250g | 11.1% | | |
| | | Polony per kg | 15.7% | | |
| | | IQF chicken portions - 1kg | 30.3% | | |

Source: Stats SA, 2019

Note: Food items highlighted in the table above experienced price increases above the South African Reserve Bank's (SARB) inflation target of 6%.

The food products highlighted in **Table 3** record selected products exceeding the SARB annual inflation rate of 6% in the rural areas.

Table 3: Food items in the rural areas ranked (April 2019 vs. April 2018)

| Grain and grain products | % | Meat, meat products, dairy, dairy products and eggs | % | Fresh and processed fruits and vegetables | % |
|-----------------------------|-------|---|-------|---|----------|
| Brick margarine 250g | -4.5% | Full cream milk - long life 500ml | -1.9% | Potatoes - fresh 10kg | -6.7% |
| Sunflower oil 2l | -2.6% | Beef brisket - fresh per kg | -1.7% | Beans dried 1kg | -4.8% |
| Special maize 2.5kg | -2.0% | Beef chuck - fresh per kg | -0.8% | Onions - fresh per kg | -4.0% |
| Brick margarine 500g | -1.8% | Fish (excl. tuna) - tinned 425g | 0.0% | Beans dried 500g | 2.6% |
| Special maize 1kg | -0.7% | Full cream milk - fresh 2l | 0.1% | Potatoes - fresh per kg | 8.6% |
| Special maize 5kg | -0.7% | Low fat milk - fresh 2l | 0.1% | Beans dried 2kg | 8.7% |
| Loaf of brown bread 600g | -0.4% | Beef T-bone - fresh per kg | 0.4% | Apples - fresh per kg | 10.4% |
| Sunflower oil 500ml | 0.0% | Beef fillet - fresh per kg | 1.3% | Bananas - fresh per kg | 18.5% |
| Peanut butter 800g | 0.0% | Full cream milk - fresh 500ml | 3.5% | Tomatoes - fresh per kg | 29.0% |
| Super maize 5kg | 0.3% | Full cream milk - long life 1l | 3.6% | Oranges - fresh per kg | 54.4% |
| Super maize 1kg | 1.7% | Full cream milk - fresh 1l | 4.0% | | |
| Rice 1kg | 1.7% | Beef rump steak -fresh per kg | 4.6% | | |
| Loaf of white bread 600g | 1.8% | Fish (excl. tuna) - tinned 155g | 5.0% | Other products | % |
| Super maize 2.5kg | 2.1% | Low fat milk - fresh 1l | 7.1% | White sugar 500g | -10.5% |
| Rice 2kg | 2.6% | Eggs 1/2 dozen | 7.9% | Instant coffee 250g | -3.9% |
| Margarine spread (tub) 500g | 3.2% | | | Instant coffee 750g | -3.8% |
| Margarine spread (tub) 1kg | 3.7% | | | Ceylon/black tea 200g | -2.0% |
| Peanut butter 270g | 4.0% | | | White sugar 2.5kg | 0.3% |
| Sunflower oil 750ml | 4.8% | | | Ceylon/black tea 250g | 0.8% |
| Peanut butter 400g | 6.2% | | | White sugar 1kg | 1.6% |
| Loaf of white bread 700g | 6.4% | | | Instant coffee 100g | 2.4% |
| Brick margarine 125g | 6.7% | | | Ceylon/black tea 125g | 5.8% |
| Loaf of brown bread 700g | 8.2% | | | Ceylon/black tea 62.5g | 8.5% |
| Rice 500g | 8.5% | | | | |

Source: Stats SA, 2019

Note: Food items highlighted in the table above experienced price increases above the South African Reserve Bank's (SARB) inflation target of 6%.

A closer look at annual food price trends: April 2019 vs. April 2018

During the period April 2019 vs. April 2018, the international price of wheat (US No.2, Hard Red Winter ord. Prot., US FOB Gulf) decreased by 6.7%, while the domestic wheat prices increased by 18.6%. Urban consumers paid 9.5% and 6.1% more for a loaf of brown and white bread (700g), respectively. Domestic yellow maize prices increased by 24.1%, while international yellow maize prices decreased by 8%. Super and special maize meal prices (2.5kg) increased by 6.8% and 15.4%, respectively, in urban areas. During the same period, the urban prices of sunflower oil (750ml) increased by 0.6%. Domestic prices of sunflower seed increased by 9% annually, whilst the international sunflower seed prices decreased by 6.8%.

During April 2019 vs. April 2018, the average beef producer prices (R/kg) of classes A2/A3, B2/B3 and C2/C3 decreased by 7.2%, 11.6% and 8.7%, respectively. Lamb/mutton producer prices (R/kg) of classes A2/A3, B2/B3 and C2/C3 decreased by 8.1%, 8% and 7.5%, respectively. Producer prices of frozen, fresh and individually quick frozen (IQF) chicken portions (R/kg) decreased by 2.4%, 2.2% and 1.1%, respectively. Porker and baconer producer prices (R/kg) increased by 3.9% and 13.2%, respectively.

4. Comparison between urban and rural prices: April 2019

Table 4 compares prices of selected food items in rural and urban areas for April 2019. Food items showing the largest price differences between urban and rural areas in April 2019 were: sunflower oil (750ml) at a difference of R4.33, Ceylon/black tea (62.5g) at R3.30 difference, and special maize meal (2.5kg), at a difference of R1.58. 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. peanut butter (400g), white sugar (2.5kg), and full cream long life milk (1l)), than their urban counterparts.

Table 4: Comparison between urban and rural food prices (selected food items)

| Product | Urban Food Prices April 2019 | Rural Food Prices April 2019 | Price difference R/unit |
|--------------------------------|---------------------------------|---------------------------------|----------------------------|
| Full cream milk – long life 1l | 14.30 | 15.15 | -0.85 |
| Loaf of brown bread 700g | 12.56 | 12.58 | -0.02 |
| Loaf of white bread 700g | 13.85 | 13.51 | 0.34 |
| Special maize 2.5 kg | 21.82 | 20.24 | 1.58 |
| Super maize 2.5 kg | 23.33 | 22.00 | 1.33 |
| Margarine spread 500g | 27.26 | 27.76 | -0.50 |
| Peanut butter 400g | 28.79 | 31.10 | -2.31 |
| Rice 2kg | 26.12 | 26.48 | -0.36 |
| Sunflower oil 750ml | 22.62 | 18.29 | 4.33 |
| Ceylon/black tea 62.5g | 16.15 | 12.85 | 3.30 |
| White sugar 2.5kg | 39.66 | 41.60 | -1.94 |
| Average | | | 0.45 |

Source: Stats SA, 2019

5. International food prices

The Food and Agricultural Organization (FAO) of the United Nations (UN) publishes its Food Price Index (FPI) on a monthly basis. The FPI consists of five commodity group price indices, namely, the Meat Price Index, the Dairy Price Index, the Cereals Price Index, the Oils Price Index and the Sugar Price Index. These

indices are weighted with the average export shares of each of the groups for 2002 to 2004. In total, 55 commodity quotations, considered by FAO commodity specialists as representing the international prices of the noted food commodities, are included in the overall index. **Figure 3** shows the overall monthly real (deflated) FAO FPI from 2014 to 2019, with April 2019 reaching an index level of 133.74 percentage points.

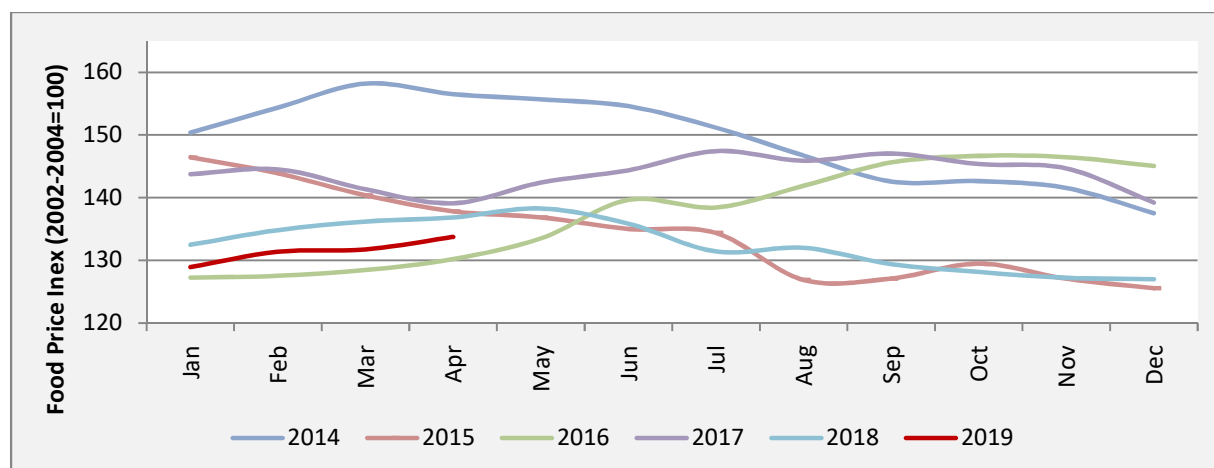


Figure 3: International monthly real FPI
Source: FAO, 2019

Figure 4 shows the price indices (real terms) for five food categories, in real terms. The monthly (April 2019 vs. March 2019) growth percentages indicate an increasing trend for most price indexes, with the exception of Cereals. The annual (April 2019 vs. April 2018) growth percentages indicate a decreasing trend for most indexes, with the exceptions of the Cereals and Oils Price Index. The Dairy Price Index reflects the largest annual growth of 5.3%, whilst the Oils Price Index reflected the largest annual decline of 16.7%.

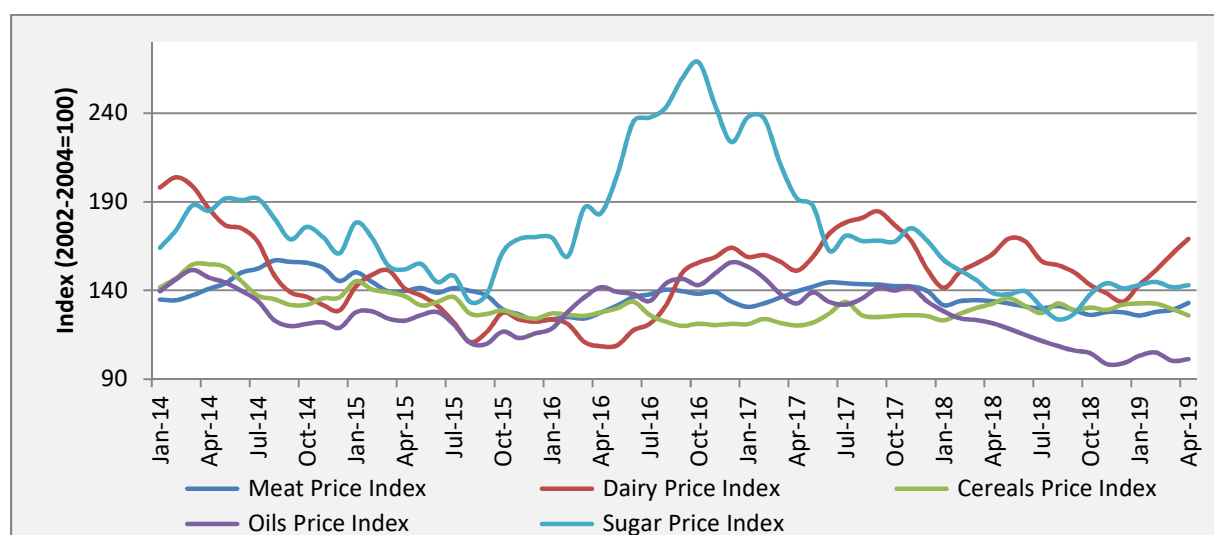


Figure 4: Real price indices for five food categories
Source: FAO, 2019

The **FAO Food Price Index (FFPI)**¹, in nominal terms, rose in April 2019 to around 170 points, 1.5% (2.5 points) higher than in March and marking its highest value since June 2018. At this level, the FFPI would still remain 2.3% below its level in the corresponding month last year. Except for the sub-index for cereals, all the other sub-indices firmed in April, led by dairy and meat, and to a lesser extent vegetable oils and sugar.

The **FAO Cereal Price Index**, in nominal terms, averaged 160 points in April, down 2.8% (4.7 points) from March and 5% below its April 2018 value. The sub-index fell for the fourth consecutive month, pressured by large export availabilities and slowing trade. Among the cereals, wheat prices fell the most in April, influenced by prospects for a strong rebound in the 2019 production, amid large exportable supplies. Maize prices were also lower, mostly because of expectations of larger South American crops. By contrast, FAO's rice price index was generally stable in April, amid diverging trends across the various market segments and origin.

The **FAO Vegetable Oil Price Index**, in nominal terms, averaged 128.7 points in April, up 1.1 points (or 0.9%) from the previous month. The rise mainly reflects slight increases in palm and soybean oil values. International palm oil price quotations rebounded somewhat on rising global import demand, combined with inventory drawdowns in major exporting countries. Soy-oil prices, on the other hand, notched up, underpinned primarily by robust domestic demand in the United States stemming from both the biodiesel and food sectors. Firming crude oil values also lent support to international vegetable oil prices.

The **FAO Dairy Price Index**, in nominal terms, averaged 215 points in April, up 10.7 points (5.2%) from March, representing the fourth consecutive month of increase. In April, international price quotations for butter, Whole Milk Powder (WMP) and cheese rose, as global import demand continued to be robust in anticipation of a further tightening in export availabilities from Oceania with dry weather conditions reinforcing the seasonal milk production drop. By contrast, Skim Milk Powder (SMP) prices slipped for a second consecutive month from the February high, underpinned by continued slowdown in demand.

The **FAO Meat Price Index**, in nominal terms, averaged just over 169 points in April, up 4.9 points (3%) from March, with month-on-month price quotation increases registered for pig and bovine meats and, more moderately, for poultry and ovine meats. International price quotations of pig meat rose sharply due to a surge in import demand in Asia, primarily in China, caused by a sharp fall in the country's pig meat production associated with the rapid spread of the African Swine Fever. Bovine, poultry and ovine meat prices all firmed reflecting an overall tightening of global meat markets.

The **FAO Sugar Price Index**, in nominal terms, averaged 181.7 points in April 2019, up almost 1.4 points (0.8%) from March and now 3.2% above its April 2018 value. The latest rise in international sugar prices was largely driven by firmer crude oil prices. Stronger energy prices lend support to international sugar prices by affecting Brazilian sugar exports to the world market, as higher energy prices encourage producers to process sugarcane into ethanol for local sale. On the other hand, the continued weakness of the Brazilian Real against the United States Dollar capped the extent of the increase in international sugar price quotations.

¹Unlike for other commodity groups, most prices utilized in the calculation of the FAO Meat Price Index are not available when the FAO Food Price Index is computed and published; therefore, the value of the Meat Price Index for the most recent months is derived from a mixture of projected and observed prices. This can, at times, require significant revisions in the final value of the FAO Meat Price Index which could in turn influence the value of the FAO Food Price Index.

6. Estimated impact of food inflation on consumers

The estimated impact of food inflation on consumers

The purpose of this section is to illustrate the impact of food inflation on consumers. The analysis presented in this section is based on the cost of a NAMC's 28-item food basket² (originally compiled by the Food Price Monitoring Committee in 2003, revised in January 2017), based on monthly average food price data for the period April 2019 vs. April 2018.

During April 2019, the nominal cost of the NAMC's 28-item urban food basket amounted to **R879.38**, decreasing by 0.4% from March 2019 (m-o-m) and increasing by 2.5% from April 2018 (y-o-y). The cost of this food basket expressed as a share of the average monthly income of the poorest 30%³ of the population was 59.1% in April 2019, and 57.6% in April 2018. The cost of the food basket expressed as a share of the average monthly income of the wealthiest 20% of the population was 3.1% in April 2019 and in April 2018 (Figure 5).

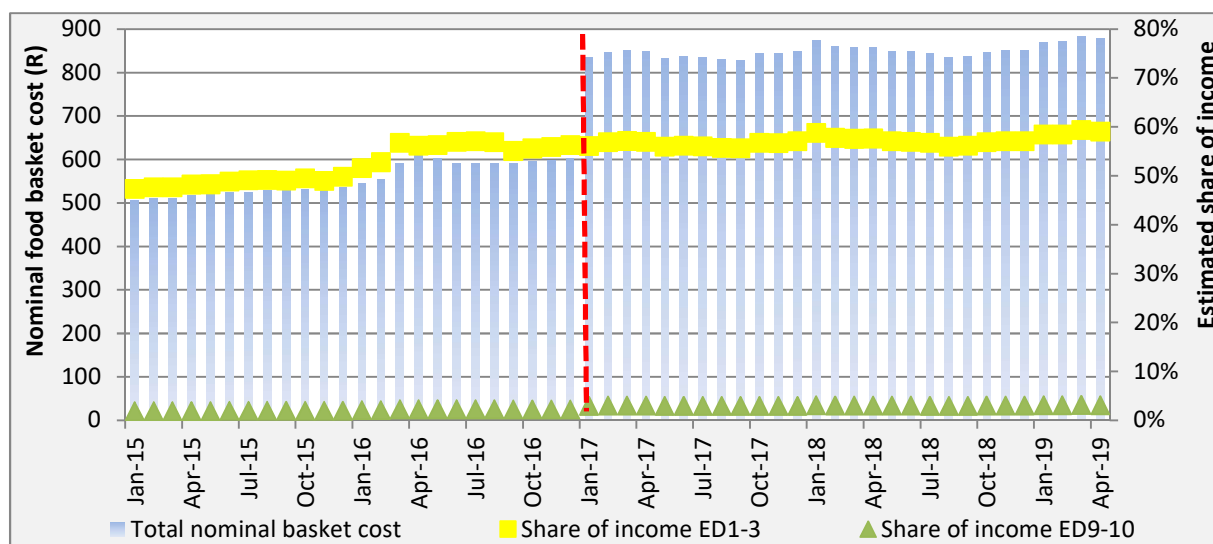


Figure 5: The cost of a typical consumer food basket for the period January 2015 to April 2019, expressed in nominal terms and as share of the average income of the poorest 30% of households (Expenditure Deciles [ED] 1-3) and the wealthiest 20% of households (ED 9-10)

Sources: BFAP calculations, Stats SA, 2019

**Note: New basket composition from January 2017*

²Composition of the NAMC food basket: Apples fresh (per kg), Baked beans tinned (410g), Bananas fresh (per kg), Beans dried (500g), Beef mince fresh (per kg), Beef offal fresh (per kg), Bread loaf brown (700g), Bread loaf white (700g), Cabbage fresh (per kg), Cheese cheddar (per kg), Chicken giblets (per kg), Chicken portions IQF (2kg), Coffee instant (250g), Eggs (1.5 dozen), Fish (excl. tuna) tinned (400g), Maize meal super (5kg), Margarine brick (500g), Milk full cream long life (1ℓ), Onions fresh (per kg), Oranges fresh (per kg), Peanut butter (400g), Polony (per kg), Potatoes fresh (per kg), Rice (2kg), Sugar white (2.5kg), Sunflower oil (750ml), Tea Ceylon/black (250g) and Tomatoes fresh (per kg).

³The cost of the typical food basket was expressed as a share of the estimated average monthly income of Expenditure Deciles 1-3, the poorest 30% of the population, as calculated from the Stats SA Living Conditions Survey (LCS) 2014/15 (household income estimated by total expenditure of households on all items). The wealthiest 20% of the population was expressed as a share of the estimated average monthly income of Expenditure Deciles 9-10.

To further explore the impact of inflation on consumers, **Figure 6** presents an illustration of the average nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing the periods April 2019 vs. April 2018 (y-o-y) and April 2019 vs. March 2019 (m-o-m). The following food categories in this basket experienced more prominent price increases: fresh products (particularly vegetables, also fruit), sugary foods, and bread & cereals.

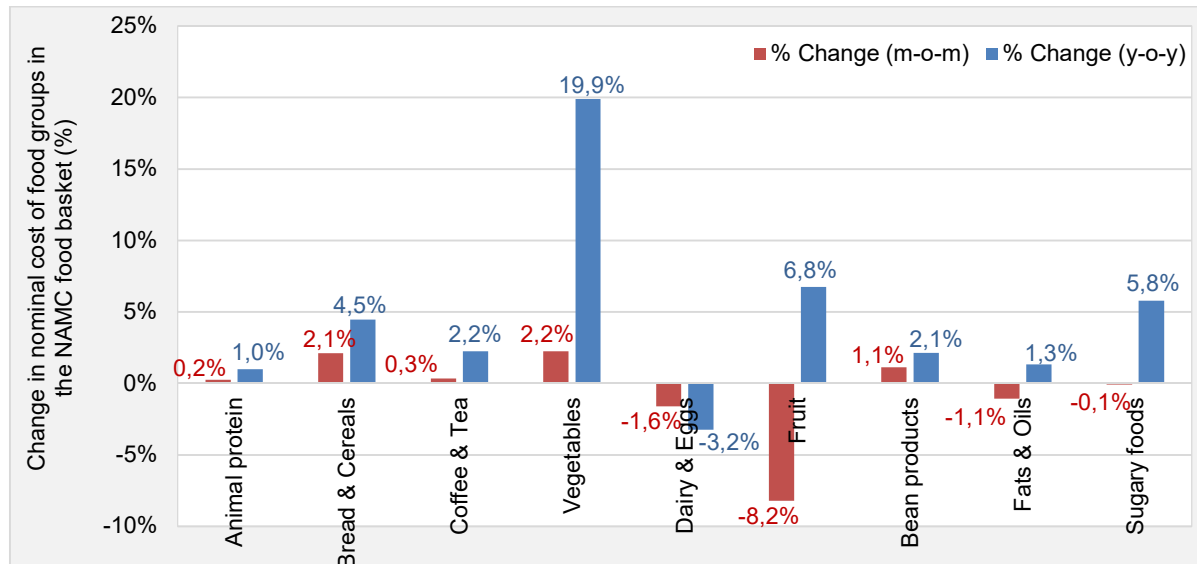


Figure 6: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing April 2019 vs. April 2018 and April 2019 vs. March 2019

Sources: BFAP & NAMC calculations, Stats SA, 2019

The various food groups within the NAMC's 28-item food basket are discussed in more detail in **Table 5** below.

Table 5: Overview of contributions to annual food price increases within the 28-item NAMC food basket, April 2019 vs. April 2018

| Food group | Overall inflation rate | | Major contributors to inflation in this category | Minor contributors to inflation in this category | Non-contributors to inflation in this category | Comments |
|-------------------|------------------------|------------------------|--|--|---|---|
| | Apr 2019 vs. Apr 2018 | Jan 2019 vs. Jan 2018* | | | | |
| Animal protein | +1.0% | -4.3% | Polony (+15.7%) Tinned fish (+5.3%) | Beef mince (+0.6%) | Beef offal (-0.5%) Chicken giblets (-2.5%) IQF chicken portions (-5.8%) | Inflation on polony and tinned fish. |
| Bread and cereals | +4.5% | -1.7% | Brown bread (+9.5%) White bread (+6.1%) Maize meal (+3.4%) Rice (+3%) | None | None | Significant inflation on bread, followed by maize meal and rice. |
| Vegetables | +19.9% | +11.8% | Tomatoes (+38.5%) Cabbage (+33.5%) Potatoes (+3.9%) | None | Onions (-0.9%) | High inflation on tomatoes and cabbages. |
| Fruit | +6.8% | +9.9% | Bananas (+10.1%) Apples (+9.9%) | Oranges (+1.9%) | None | High inflation on fruit in general. |
| Dairy | -0.1% | -2.2% | Full cream milk (+2.4%) | None | Cheddar cheese (-2.6%) | Some inflation on milk, deflation on cheese and eggs. |
| Eggs | -6.5% | -6.6% | None | None | Eggs (-6.5%) | |
| Fats and oils | +1.3% | +1.1% | Brick margarine (+2.1%) | Sunflower oil (+0.6%) | None | Some inflation on margarine. |
| Bean products | +2.1% | +0.8% | Baked beans (+6.8%) | Peanut butter (+1.8%) Dried beans (+0.2%) | None | Inflation mainly on baked beans, with lower inflation on peanut butter. |
| Coffee and tea | +2.2% | +4.8% | Ceylon/black tea (+4.7%) | None | Instant coffee (-0.1%) | Inflation on tea, with slight deflation on the price of coffee. |
| Sugary foods | +5.8% | +3.9% | White sugar (+5.8%) | None | None | Inflation on sugar. |

Sources: BFAP & NAMC calculations, Stats SA, 2019

**Note: Previous Food Price Monitor analysis period prior to April 2019 vs. April 2018*

When comparing April 2019 vs. April 2018 retail prices, higher price increases (6% or more) were observed for the following products within the NAMC's 28-item food basket (in order from highest to lowest): tomatoes, cabbage, polony, bananas, apples, brown bread, baked beans and white bread. The items with high inflation could have negative implications in terms of dietary diversity. When comparing price changes for April 2019 vs. April 2018 with January 2019 vs. January 2018 (i.e. the previous Food Price Monitor analysis period), higher price increases were reported for meat, bread & cereals, vegetables, dairy, fats & oils, bean products and sugar.

The impact of inflation on very poor consumers is based on the typical portion sizes of very poor consumers with regards to the five most widely consumed food items in South Africa represented by maize porridge, brown bread, sugar, tea and full cream milk (National Food Consumption Survey - Steyn & Labadarios, 2000⁴; Oldewage-Theron et al, 2005⁵). **Figure 8** illustrates the estimated portion costs for these foods, calculated from food price data for April 2019 vs. April 2018. The significant cost contribution of maize meal and bread to the typical basic daily food selection of poor consumers, are emphasised by the results in **Figure 8**.

Despite the relatively low actual food weight contribution of bread to this 'food plate', the bread component costs more than the maize porridge component (about 56% more in this case for April 2019). When comparing the costs associated with the typical portion sizes of very poor consumers with regards to the five most widely consumed food items in South Africa, based on April 2019 vs. April 2018 prices, the results in **Figure 8** indicate deflation of approximately 6.2% (from R5.61 to R5.95 for the typical portion selections). All items revealed positive inflation, in particular brown bread, sugar, tea and maize meal. Comparing April 2019 vs. March 2019, the costs associated with the typical portion sizes of very poor consumers with regards to the five most widely consumed food items in South Africa, increased by 1.5%.

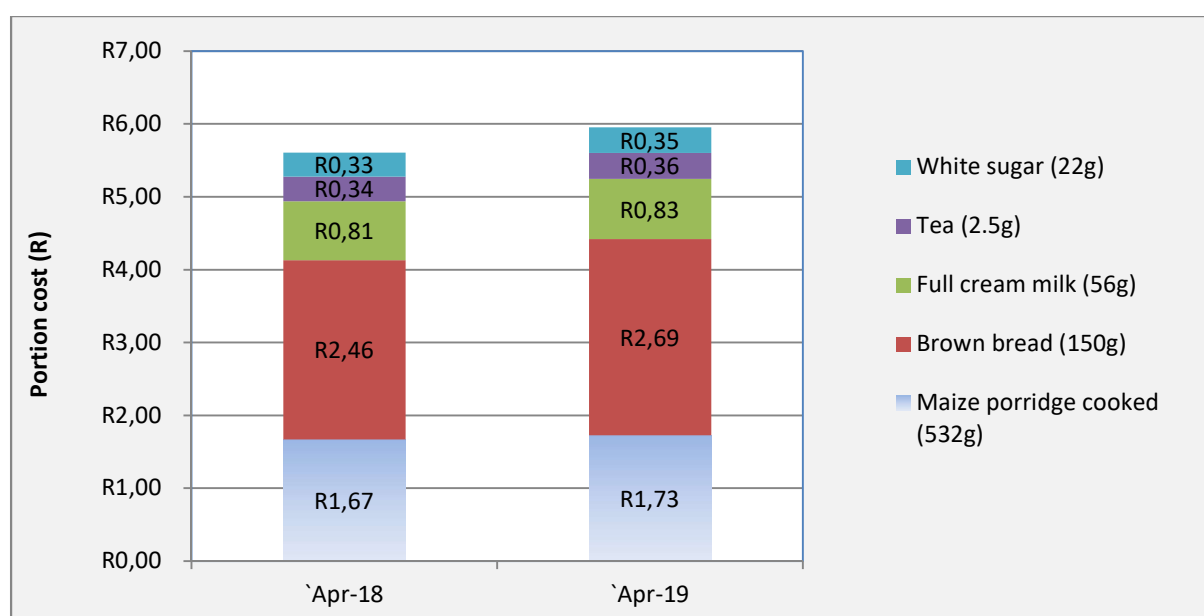


Figure 7: Average nominal cost for the typical portions of the five food items most widely consumed by very poor consumers in South Africa, April 2019 vs. April 2018

Sources: BFAP calculations, Stats SA, 2019

7. Outlook

Food and non-alcoholic beverage inflation for April reached 2.9% with food (excluding beverages) even lower at 2.3%, unchanged from March 2019 figures. This is surprising since Easter is usually associated with increased price levels based on demand growth. The marginal slowdown is largely attributable to meat

⁴Steyn NP, Labadarios D. National Food Consumption Survey: Children aged 1–9 years, South Africa, 1999. Cape Town: The Department of Health Directorate Nutrition, 2000.

⁵Oldewage-Theron W, Dicks E, Napier C, et al. Situation analysis of an informal settlement in the Vaal Triangle. Development Southern Africa 2005; 22 (1): 13-26.

inflation which has lost momentum since April 2018. This loss in momentum was amplified by the Foot-and-Mouth Disease (FMD) outbreak in January 2019. The combination of the FMD and muted demand are putting downward pressure on meat prices. With South African consumers under pressure, demand pull for affordable eating options, such as grains and vegetables, are relatively strong but in more luxurious food groups such as meat, consumption is reduced. The main contributors of inflation in April were vegetables with y-o-y inflation of 10.1%, fruit (6.4%) and breads & cereals (6.1%).

In April maize meal prices continued their upward trend which was prevalent from the last quarter of 2018. Y-o-y prices increased by roughly 6% whilst m-o-m prices increased by just below 2%. Y-o-y average SAFEX white maize prices for May, in turn, showed an increase of 23.6%. M-o-m, however the effect was marginal with average monthly white maize SAFEX prices only increasing by 1.9%. This could signal that short-term price are moving sideways. The significant increase between 2018 and 2019 could however support y-o-y inflation figures over the outlook period. Since April 2018, bread prices increased by 10.3%. Although the m-o-m movement between March 2019 and April 2019 was marginal, y-o-y increased wheat prices suggest that that bread prices could experience upward cost pressures over the next three months.

Price movement in meat is the key driver in the benign food inflation of late. As mentioned above, the FMD along with muted demand are causing meat prices to increase at a slow(-er) rate. In terms of red meat, producer prices for A2/A3 beef carcasses prices in April 2019 were roughly 7% lower than the corresponding month in 2018. Price changes between March 2019 and April 2019 did however increase by around 6% which could possibly be explained with the Easter period falling in April. It is expected that beef prices will move sideways over the outlook period based on the prevailing FMD and demand conditions. Producer prices for IQF pieces in April 2019 is 3.6% lower compared to April 2018. The expectation is that the sideways movement in poultry prices will continue over the next 3 months.

With regards to fresh produce, y-o-y fruit inflation was around 6% in April. Contrastingly, if m-o-m inflation on fruit is regarded, general fruit prices decreased by around 4% between March and April 2019. Vegetables, as mentioned above, were the largest contributors to inflation, continuing an upward inflationary trend since October 2018. Potatoes recorded a y-o-y increase of just below 4%, whilst m-o-m prices traded sideways (increased by roughly 1%). The slight upward trend is much less profound than the large price increases recorded at the beginning of 2019 due to the drought and heat wave experienced by the Northern part of South Africa late in 2018. Based on the stabilization in supply m-o-m increases are expected to be marginal over the outlook period. Y-o-y, prices are however still expected to be significantly higher over the next quarter due to strong demand pull for vegetables.

Key factors that pose upside risk to the expectations for the various categories mentioned above are the electricity price hikes as announced by the National Energy Regulator in March 2018 and the exchange rate movements. For 2019 it was announced that the electricity prices would increase by 9.1%. This could add significant cost pressures to food manufacturing and retailing costs over the outlook period. In terms of the exchange rate, all eyes are on South African politics to see how cabinet choices speak to the structural problems facing the fiscus and State-Owned Enterprises (SOE's). If the appointments do not show the commitment to solve these problems, disinvestment and a possible investment status down-grade could cause sharp depreciation in exchange rates.

APPENDIX: DATA COLLECTION

Urban food prices reported on in this media release are obtained from Statistics South Africa (Stats SA). The prices obtained are regarded as being representative of changes in food prices in South Africa for the following reasons:

- Stats SA price data on all products are sampled from approximately 1 800 different data collection points across the country on a monthly basis. Food price data is not collected from all the data collection points since some stores that are sampled do not necessarily sell food. In addition, certain food prices are not sampled in all provinces. Food price data collection by Stats SA also involves fieldwork where price collectors visit stores to collect data, after which such data undergoes a rigorous process to ensure its integrity. The basket of food products included was derived from the Living Conditions Survey of 2014/15' compiled by Stats SA to ensure that the basket is representative of consumer spending on food. For more detailed information on the methodological process involved in the collection of prices visit the Stats SA website: <http://www.StatsSA.gov.za/>.
- This media release also reports food prices in rural areas. Rural food prices were collected from 190 outlets/shops by field workers on a monthly basis.

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