

MERC

Markets & Economic Research
Centre

Food

Basket Price
Monthly

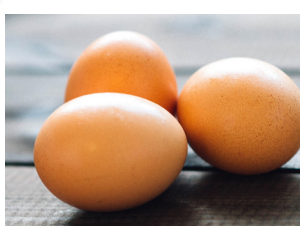
*28 Selected food
basket price items:*

NAMC urban food
basket



NAMC

Promoting market access for South African agriculture



COMPARISON BETWEEN URBAN AND RURAL PRICES: JULY 2019



FOOD BASKET PRICE MONTHLY

August 2019

Highlights

- Food and non-alcoholic beverage inflation eased to 3.4% from 3.7% during July 2019 year-on-year (y-o-y), with Headline inflation decreasing to 4%.
 - o Sugary foods and bread & cereals remain the highest food inflation contributors (y-o-y) with 8.7% and 7.9%, respectively, with meat price inflation 0.2% lower than a year ago.
- Fuel prices increased by 10c/ℓ in August 2019 to reach R15.72/ℓ (93ULP) and R15.92/ℓ (95ULP), respectively. Diesel 500ppm decreased from R14.46/ℓ to R14.33/ℓ (-13c/ℓ).
 - o The driver behind the price changes in August include the international cost of petroleum products (mainly influenced by international oil prices), the weakening of the rand/dollar exchange rate, local politics and warnings regarding the economy.
- o September 2019 fuel prices are predicted to increase by 10-12c/ℓ for petrol, with diesel expected to increase by 15-16c/ℓ. The main reasons include rand weakness after a lengthy period of stability which has added pressure to the fuel price and left SA fuel users at the mercy of international oil markets.
- During July 2019, the nominal cost of the NAMC's 28-item urban food basket amounted to R870.47 compared to the R873.75 reported during June 2019, resulting in a monthly percentage decline of 0.4%. When compared to July 2018, an annual (y-o-y) percentage increase of 3% was reported.



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 issues 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.

Overall inflation and food inflation

The July 2019 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 3.4% (y-o-y), respectively, from 4.5% and 3.7% reported during June 2019. 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 July 2019.

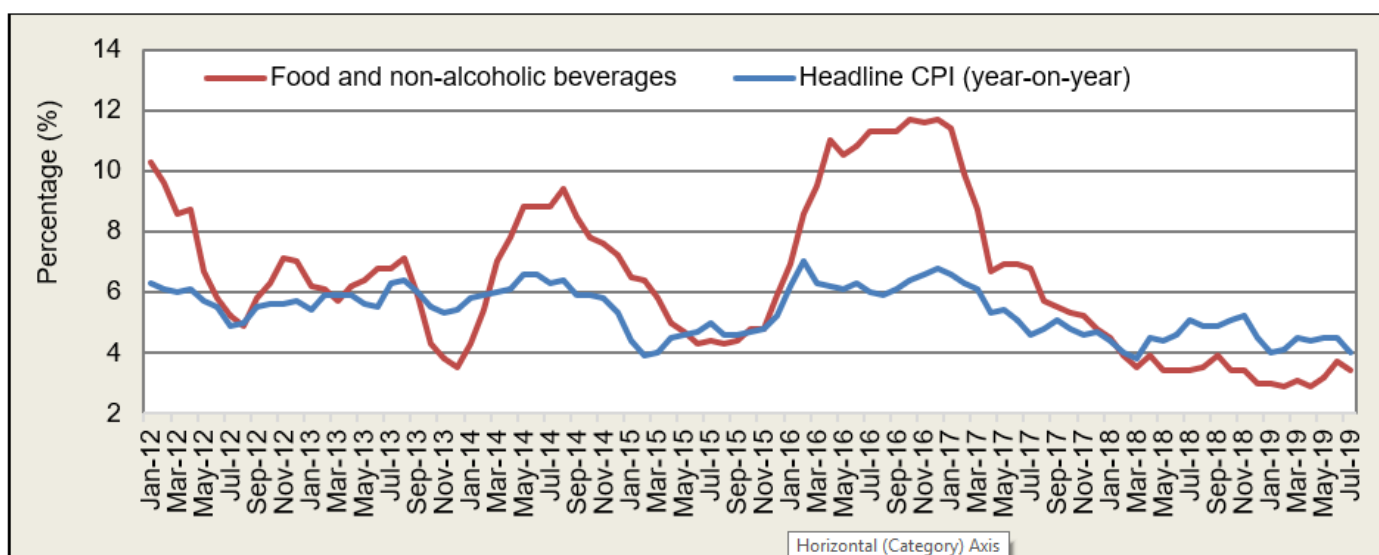


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2019

Comparison between urban and rural prices July 2019

Table 1 compares prices of selected food items in rural and urban areas for July 2019. The food items which showed the largest price differences between urban and rural areas in July 2019 were: sunflower oil (750ml) at a difference of R3.70, Ceylon/black tea (62.5g) at R3.17 difference, and super maize meal (2.5kg) at a difference of R1.29. This indicates that urban consumers pay R0.34 more, on average, for some of these food items. In other cases, however, rural consumers paid more for certain products (white sugar (2.5kg), margarine spread (500g), and peanut butter (400g)), than their urban counterparts.

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

Product	Urban Food Prices July 2019 (R/unit)	Rural Food Prices July 2019 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	14.62	15.16	-0.54
Loaf of brown bread 700g	12.62	12.58	0.04
Loaf of white bread 700g	13.83	13.58	0.25
Special maize 2.5 kg	20.68	19.49	1.19
Super maize 2.5kg	23.86	22.57	1.29
Margarine spread 500g	27.10	28.53	-1.43
Peanut butter 400g	30.05	30.97	-0.92
Rice 2kg	26.46	27.13	-0.67
Sunflower oil 750ml	21.85	18.15	3.70
Ceylon/black tea 62.5g	16.30	13.13	3.17
White sugar 2.5kg	39.72	42.09	-2.37
Average			0.34

Source: Stats SA, 2019

The NAMC food basket

This section analyses the nominal cost of a basic 28-item NAMC urban food basket, based on average food price data for the July 2019 vs. July 2018. 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), a loaf of brown bread (700g), a 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).

During July 2019, the nominal cost of the NAMC's 28-item urban food basket amounted to R870.47 compared to the R873.75 reported during June 2019, resulting in a monthly percentage decrease of 0.4%. When compared to July 2018, an annual (y-o-y) percentage increase of 3% was reported.

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: baked beans - tinned 410g (8.6%), peanut butter 400g (7.9%), Ceylon/black tea 250g (7.9%), full cream milk - long life 1ℓ (6.7%), apples – fresh per kg (13.8%), bananas – fresh per kg (22.8%), fish (excl. tuna) - tinned 400g (6.2%), loaf of brown bread 700g (11.3%), loaf of white bread 700g (6.8%), super maize meal 5kg (16.7%), cabbage – fresh per kg (6.8%), and white sugar 2.5kg (11.1%).



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

Category	Product	Jun-18	May-19	Jun-19	% change y-o-y	%change m-o-m
Beans	Baked beans - tinned 410g	9.84	10.77	10.69	8.6%	-0.7%
Beans	Beans - dried 500g	18.90	19.31	19.22	1.7%	-0.5%
Beans	Peanut butter 400g	27.86	29.64	30.05	7.9%	1.4%
Coffee, Tea	Instant coffee 250g	36.42	35.61	35.78	-1.8%	0.5%
Coffee, Tea	Ceylon/black tea 250g	35.05	37.26	37.82	7.9%	1.5%
Dairy, Eggs	Full cream milk - long life 1ℓ	13.70	14.50	14.62	6.7%	0.8%
Dairy, Eggs	Eggs 1.5 dozen	43.78	40.40	40.40	-7.7%	0.0%
Dairy, Eggs	Cheddar cheese per kg	105.12	108.65	107.26	2.0%	-1.3%
Fats, Oils	Brick margarine 500g	22.27	22.13	21.54	-3.3%	-2.7%
Fats, Oils	Sunflower oil 750ml	21.47	21.64	21.85	1.8%	1.0%
Fruit	Apples - fresh per kg	18.96	22.27	21.58	13.8%	-3.1%
Fruit	Bananas - fresh per kg	13.24	15.65	16.26	22.8%	3.9%
Fruit	Oranges - fresh per kg	13.99	15.53	13.87	-0.9%	-10.7%
Protein	Beef mince - fresh per kg	84.73	83.74	82.98	-2.1%	-0.9%
Protein	Beef offal - fresh per kg	35.80	35.06	35.35	-1.3%	0.8%
Protein	Chicken giblets per kg	34.41	34.20	34.68	0.8%	1.4%
Protein	IQF chicken portions - 2kg	68.16	66.73	66.60	-2.3%	-0.2%
Protein	Fish (excl. tuna) - tinned 400g	18.34	19.42	19.48	6.2%	0.3%
Protein	Polony per kg	44.19	46.64	46.64	5.5%	0.0%
Bread & Cereals	Loaf of brown bread 700g	11.34	12.65	12.62	11.3%	-0.2%
Bread & Cereals	Loaf of white bread 700g	12.95	13.90	13.83	6.8%	-0.5%
Bread & Cereals	Super maize meal 5kg	35.72	40.96	41.67	16.7%	1.7%
Bread & Cereals	Rice 2kg	26.01	26.47	26.46	1.7%	0.0%
Vegetables	Cabbage - fresh per kg	12.51	14.16	13.36	6.8%	-5.7%
Vegetables	Onions - fresh per kg	14.44	14.18	14.84	2.8%	4.7%
Vegetables	Potatoes - fresh per kg	11.72	12.58	12.27	4.7%	-2.5%
Vegetables	Tomatoes - fresh per kg	18.04	20.19	19.03	5.5%	-5.7%
Sugary foods	White sugar 2.5kg	35.76	39.51	39.72	11.1%	0.5%
Basket	Total Rand Value	844.72	873.75	870.47	3.0%	-0.4%

Source: Stats SA and BFAP, 2019



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 NAMC’s 28-item food basket, comparing the periods July 2019 vs. July 2018 (y-o-y) and July 2019 vs. June 2019 (m-o-m). Food categories in this 28-item food basket experiencing the highest annual inflation includes fruit, sugary foods, and bread & cereals.

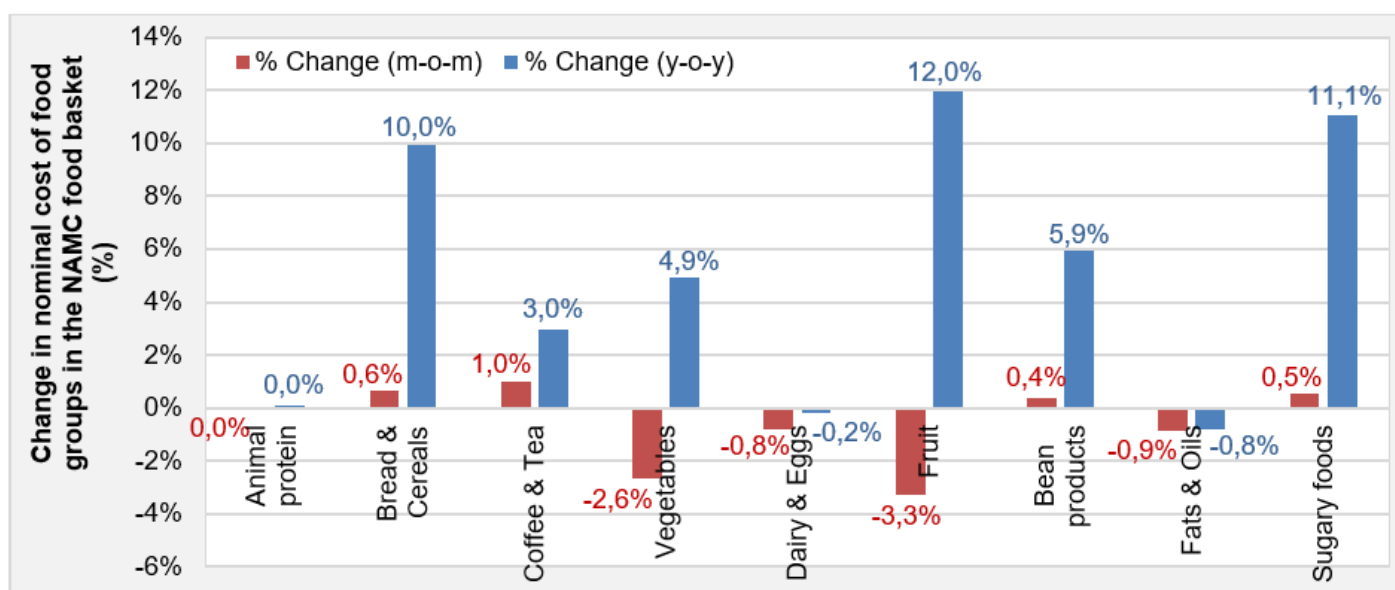


Figure 2: Nominal cost growth of specific food groups within the NAMC’s 28-item food basket, comparing July 2019 vs. July 2018 and July 2019 vs. June 2019

Source: BFAP & NAMC calculations, Stats SA data, 2019

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