

MERC

Markets & Economic Research
Centre

Food

BASKET PRICE
MONTHLY

*28 Selected food
basket price items:*

*NAMC urban food
basket*





Food Basket Price Monthly October 2019

Highlights

- Food and non-alcoholic beverage inflation remained unchanged at 3.9% during September 2019 year-on-year (y-o-y), with Headline inflation decreasing to 4.1%.
 - o Bread & cereals and fish were the highest food inflation contributors (y-o-y) with 8.5% and 7.2%, respectively, with meat price inflation 1.1% higher than a year ago.
- Fuel prices decreased by 4c/ℓ in October 2019 to reach R15.79/ℓ (93ULP), and increased by 18c/ℓ to reach R16.21/ℓ (95ULP). Diesel 500ppm increased to R14.84/ℓ (+25c/ℓ).
 - o The price increase for most grades of petrol and diesel is largely a result of higher international petroleum product costs, arising from a higher oil price following drone attacks on Saudi Arabia's oil plants. The Rand also appreciated against the US Dollar during this period.
 - o November 2019 fuel prices are predicted to increase by 10c/ℓ for 95-grade and decrease by 5c/ℓ for 93-grade petrol, with diesel expected to decrease by 2c/ℓ. An Eskom rescue package and robust economic reforms might strengthen the rand, but global instability involving the US-China trade war, could dampen the potential fuel cost reductions in November 2019.
- During September 2019, the nominal cost of the NAMC's 28-item urban food basket amounted to R865.27 compared to the R867.44 reported during August 2019, resulting in a monthly percentage decline of 0.3%. When compared to September 2018, an annual (y-o-y) percentage increase of 3.4% 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 September 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 4.1% and 3.9% (y-o-y), respectively, from 4.3% and 3.9% reported during August 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 September 2019.

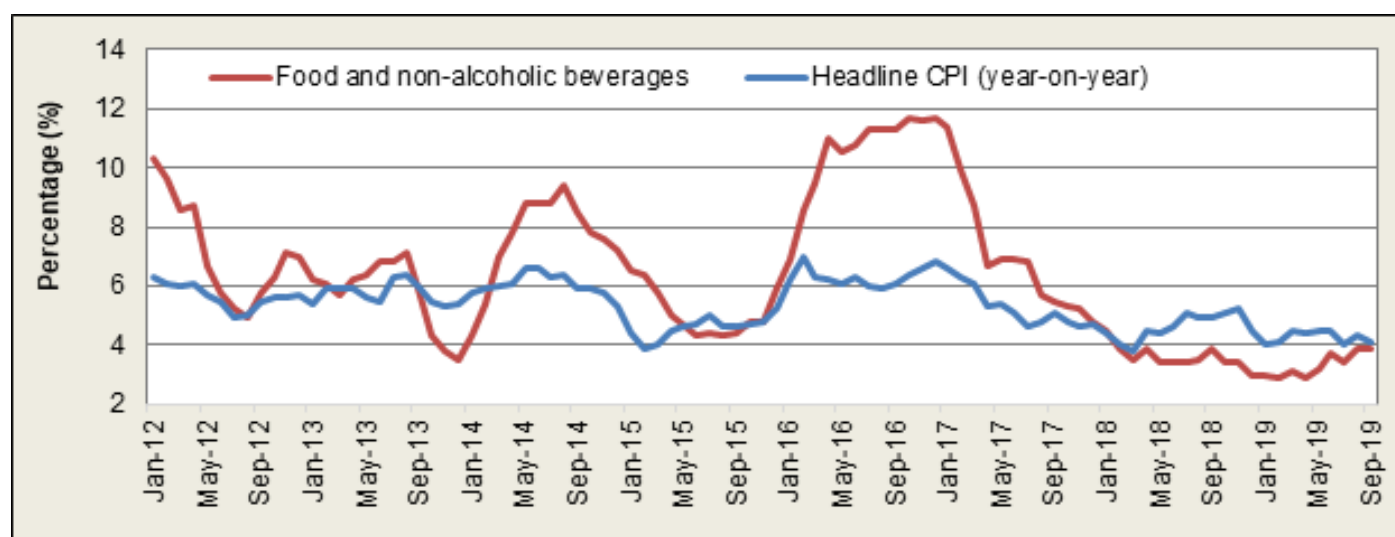


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA (2019)



Comparison between urban and rural prices: September 2019

Table 1 compares prices of selected food items in rural and urban areas for September 2019. The food items which showed the largest price differences between urban and rural areas in September 2019 were: sunflower oil (750ml) at a difference of R3.57, Ceylon/black tea (62.5g) at R3.36 difference, and super maize meal (2.5kg) at a difference of R1.56. This indicates that urban consumers pay 48 cents more on average, for these food items. In other cases, however, rural consumers paid more for certain products including, white sugar (2.5kg), peanut butter (400g) and full cream long life milk (1ℓ), than their urban counterparts.

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

Product	Urban Food Prices September 2019 (R/unit)	Rural Food Prices September 2019 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	14.70	15.44	-0.74
Loaf of brown bread 700g	12.51	12.59	-0.08
Loaf of white bread 700g	13.73	13.59	0.14
Special maize 2.5kg	21.59	20.55	1.04
Super maize 2.5kg	24.21	22.65	1.56
Margarine spread 500g	26.91	26.51	0.40
Peanut butter 400g	30.54	31.40	-0.86
Rice 2kg	26.95	27.25	-0.30
Sunflower oil 750ml	21.90	18.33	3.57
Ceylon/black tea 62.5g	16.44	13.08	3.36
White sugar 2.5kg	39.59	42.33	-2.74
Average			0.48

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 September 2019 vs. September 2018. Composition of the current food basket (as revised in 2017) include: 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.

During September 2019, the nominal cost of the NAMC's 28-item urban food basket amounted to R865.27 compared to the R867.44 reported during August 2019, resulting in a monthly percentage decrease of 0.3%. When compared to September 2018, an annual (y-o-y) percentage increase of 3.4% 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 (7.7%), peanut butter 400g (8.7%), apples – fresh per kg (12.6%), oranges – fresh per kg (8.5%), polony per kg (9.1%), loaf of brown bread 700g (7.3%), super maize meal 5kg (16.9%), rice 2kg (7.4%), potatoes – fresh per kg (6.3%) and tomatoes – fresh per kg (11.2%).



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

Category	Product	Sep-18	Aug-19	Sep-19	% change y-o-y	%change m-o-m
Beans	Baked beans - tinned 410g	10.03	10.72	10.80	7.7%	0.7%
Beans	Beans - dried 500g	19.01	18.84	19.00	-0.1%	0.8%
Beans	Peanut butter 400g	28.10	30.30	30.54	8.7%	0.8%
Coffee, Tea	Instant coffee 250g	36.06	35.39	35.61	-1.2%	0.6%
Coffee, Tea	Ceylon/black tea 250g	36.22	36.20	37.22	2.8%	2.8%
Dairy, Eggs	Full cream milk - long life 1ℓ	13.95	14.71	14.70	5.4%	-0.1%
Dairy, Eggs	Eggs 1.5 dozen	44.55	40.92	40.65	-8.8%	-0.7%
Dairy, Eggs	Cheddar cheese per kg	99.53	108.85	105.03	5.5%	-3.5%
Fats, Oils	Brick margarine 500g	22.12	21.98	21.79	-1.5%	-0.9%
Fats, Oils	Sunflower oil 750ml	22.28	21.90	21.90	-1.7%	0.0%
Fruit	Apples - fresh per kg	19.16	21.28	21.58	12.6%	1.4%
Fruit	Bananas - fresh per kg	12.47	14.53	12.75	2.2%	-12.3%
Fruit	Oranges - fresh per kg	13.39	14.28	14.53	8.5%	1.8%
Protein	Beef mince - fresh per kg	84.12	83.99	83.51	-0.7%	-0.6%
Protein	Beef offal - fresh per kg	35.25	35.10	35.77	1.5%	1.9%
Protein	Chicken giblets per kg	34.49	33.43	33.61	-2.6%	0.5%
Protein	IQF chicken portions - 2kg	64.75	66.68	65.64	1.4%	-1.6%
Protein	Fish (excl. tuna) - tinned 400g	18.38	19.52	19.45	5.8%	-0.4%
Protein	Polony per kg	42.46	46.64	46.32	9.1%	-0.7%
Bread & Cereals	Loaf of brown bread 700g	11.66	12.48	12.51	7.3%	0.2%
Bread & Cereals	Loaf of white bread 700g	13.14	13.75	13.73	4.5%	-0.1%
Bread & Cereals	Super maize meal 5kg	36.29	41.57	42.41	16.9%	2.0%
Bread & Cereals	Rice 2kg	25.09	26.76	26.95	7.4%	0.7%
Vegetables	Cabbage - fresh per kg	12.38	13.30	13.00	5.0%	-2.3%
Vegetables	Onions - fresh per kg	15.14	15.15	14.99	-1.0%	-1.1%
Vegetables	Potatoes - fresh per kg	11.64	12.10	12.37	6.3%	2.2%
Vegetables	Tomatoes - fresh per kg	17.38	17.11	19.32	11.2%	12.9%
Sugary foods	White sugar 2.5kg	37.45	39.96	39.59	5.7%	-0.9%
Basket	Total Rand Value	836.49	867.44	865.27	3.4%	-0.3%

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 September 2019 vs. September 2018 (y-o-y) and September 2019 vs. August 2019 (m-o-m). Food categories in this 28-item food basket experiencing the highest annual inflation includes bread & cereals, fruits and sugary foods.

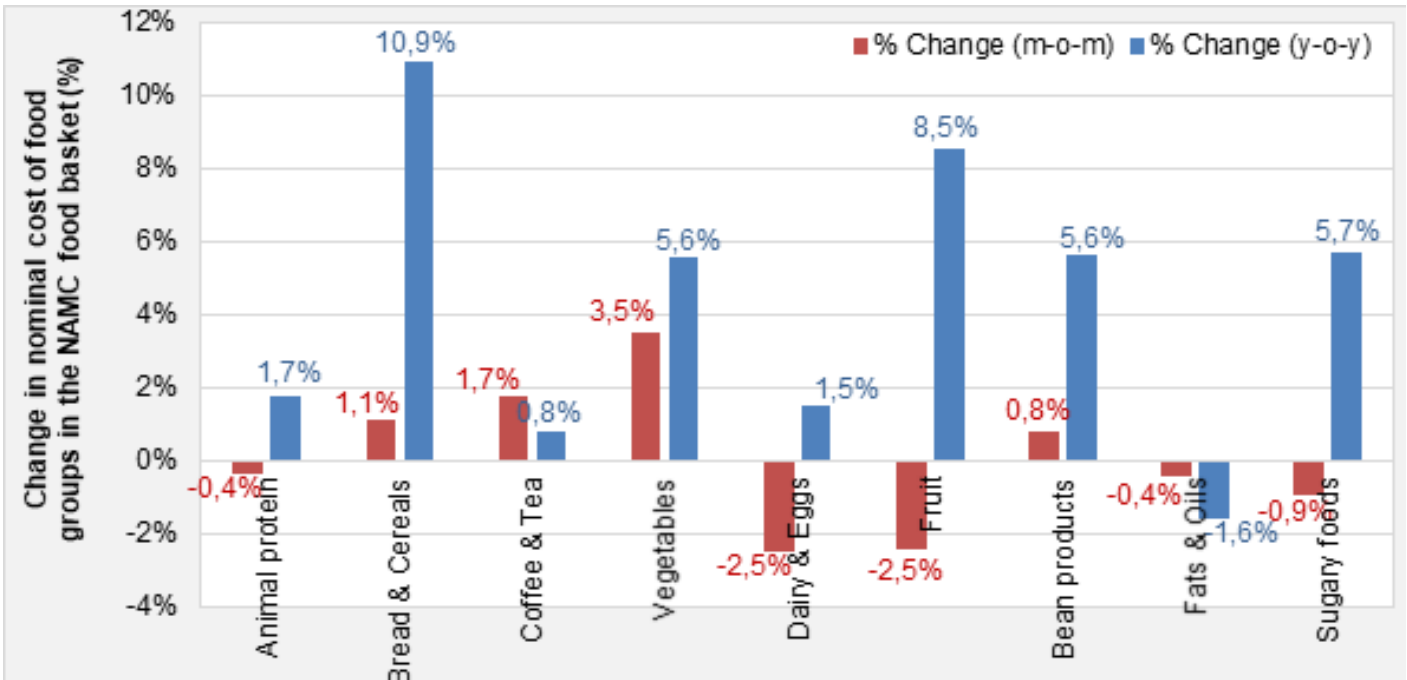


Figure 2: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing September 2019 vs. September 2018 and September 2019 vs. August 2019
Source: BFAP & NAMC calculations, Stats SA data (2019)

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