



NAMMC

Promoting market access for South African agriculture



2019

Food Price

Monitor

November Issue



EXECUTIVE SUMMARY

During October 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 3.7% and 3.6% (y-o-y), respectively, from 4.1% and 3.9% reported in September 2019.

Prices were compared for selected food items in rural and urban areas for October 2019. Food items showing the largest price differences between urban and rural areas in October 2019 include: sunflower oil (750ml) at a difference of R3.35, Ceylon/black tea (62.5g) at R3.32 difference, and super maize meal (2.5kg) at a difference of R1.19. This indicates that urban consumers pay R0.37 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 full cream long life milk (1ℓ)), than their urban counterparts.

The FAO Food Price Index (FFPI) in nominal terms, averaged 172.7 points in October 2019, up 1.7% (3 points) from September 2019 and 6% higher than in the corresponding period last year. The increase in October 2019 marked the first significant m-o-m increase in the value of the Index since May 2019, as surges in the prices of sugar, cereals and, to a lesser extent, meat and vegetable oils, more than offset a small decline in the value of the dairy sub-index.

During October 2019, the nominal cost of the NAMC's 28-item urban food basket amounted to R866.08 compared to the R865.27 reported during September 2019, resulting in a monthly percentage increase of 0.1%. When compared to October 2018, an annual (y-o-y) percentage increase of 2.3% was reported.

Comparing October 2019 vs. October 2018 retail prices, higher price increases (6% or more) were observed for the following products within the NAMC's 28-item food basket: super maize meal, peanut butter, polony, apples, potatoes, cabbage, canned pilchards, baked beans tinned, brown bread and bananas. When comparing price changes for October 2019 vs. October 2018 with July 2019 vs. July 2018 higher price increases were reported for bread & cereals, meat and fish.

Expectation on food inflation during the last quarter of 2019 was that it would break through the 4% level. This was driven by depreciated exchange rates (compared to the first half of 2019) and strong(-er) commodity prices. This could be a strong indication of weak demand and dampened consumer confidence. Revised expectation going into the New Year is that food inflation will stay between 3.5% and 3.8%. The upside risk to this will be driven by exchange rates and the weather conditions prevailing over the coming couple of months. Key factors that could affect exchange rate movements over the outlook period is the fiscal health of South Africa culminating in the national budget speech in February; the ability of our electricity provider to keep the lights on; and how global trade tensions that have been looming over the past 18 months, will play out.



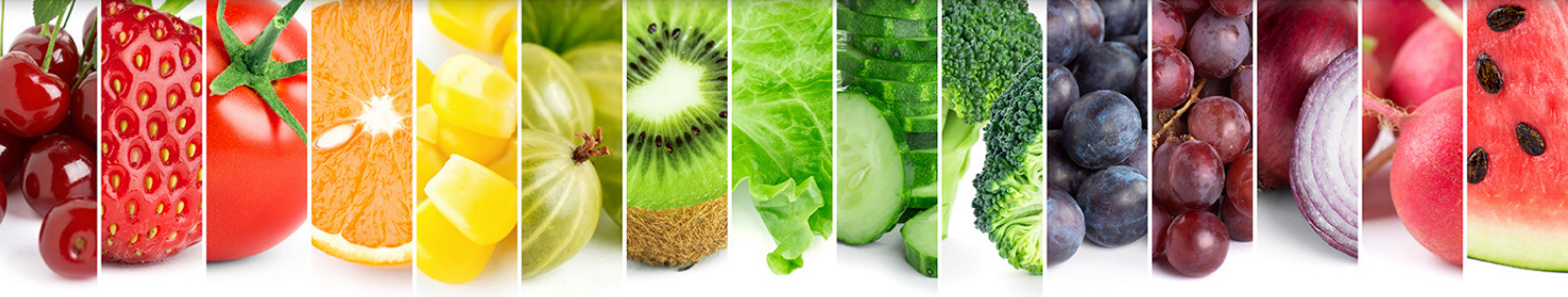


Table of Contents

01	Introduction
02	Overall inflation and food inflation: South Africa and selected countries
03	Urban and rural food price trends: October 2019 vs. October 2018
06	Comparison between urban and rural prices: October 2019
07	International food prices
10	Estimated impact of food inflation on consumers
14	Outlook
15	APPENDIX: DATA COLLECTION



Introduction

During October 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 3.7% and 3.6%, respectively. The same indices were 4.1% and 3.9% during September 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 October 2019.

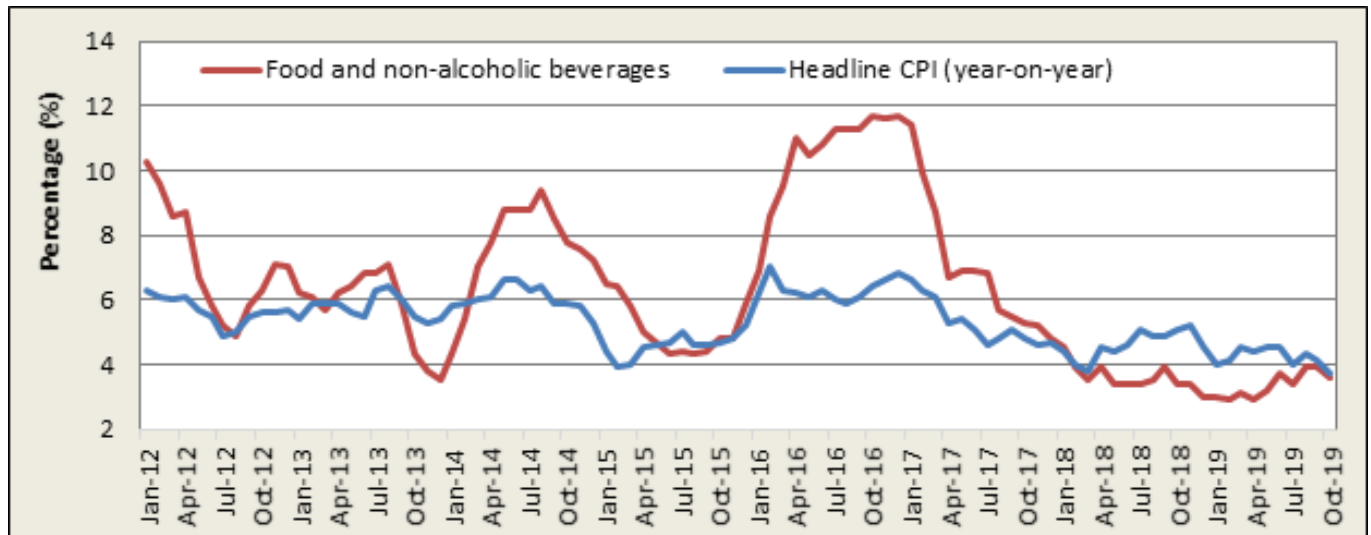


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2019

Figure 2 presents the components of the food and non-alcoholic beverage index changes. During October 2019 vs. October 2018, the following changes, in descending order, were reported: bread & cereals (8.5%), fish (7.5%), fruit (5.1%), processed foods (4.4%), other food items (4.1%), vegetables (3.6%), sugary foods (2.9%), unprocessed foods (2.7%), oils & fats (2.6%), milk, eggs and cheese (2.4%), and meat (1.1%). The monthly percentage changes are also illustrated.

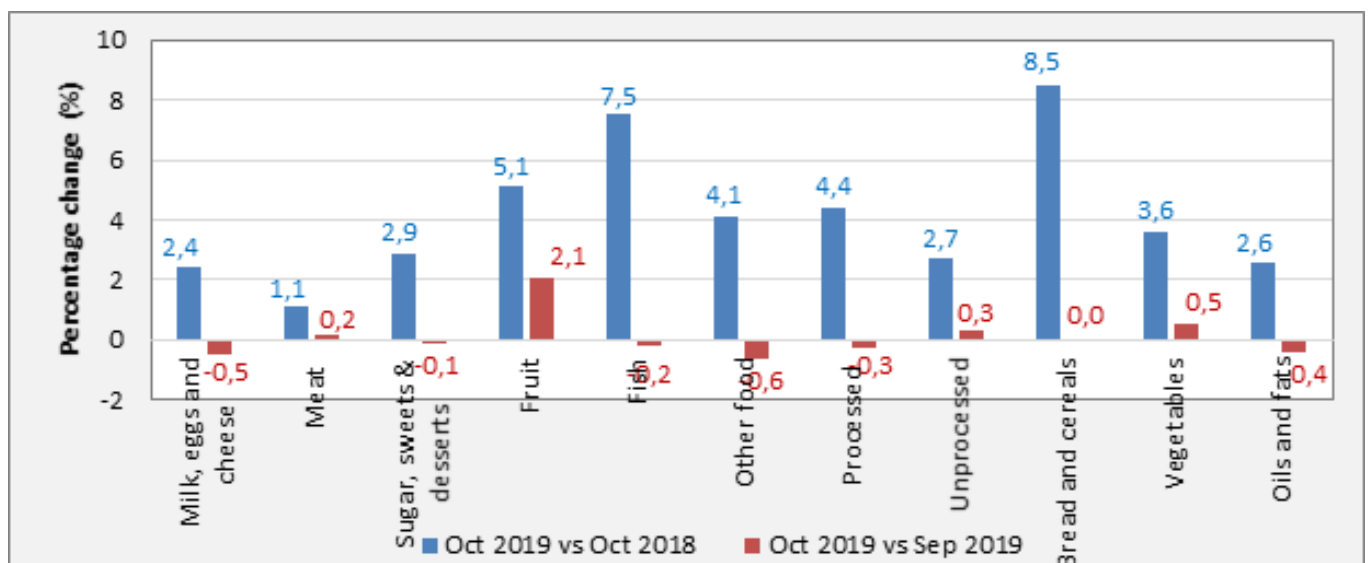


Figure 2: Annual (October 2019 vs. October 2018) and monthly (October 2019 vs. September 2019) CPI changes for different food categories

Source: Stats SA, 2019

Overall inflation and food inflation: South Africa and selected countries

Table 1 shows the y-o-y overall inflation and food inflation rates for October 2019 for South Africa and other selected countries. South Africa's overall inflation for October 2019 reached 3.7% with food inflation reaching 3.6%. The food categories with the largest annual contribution to South African food inflation include bread & cereals, fish and fruit. The Zambian overall inflation rate for October 2019 reached 10.7%, with food inflation at 13.3%. Botswana's overall inflation rate reached 2.4%, with food inflation reaching 2.5%, during October 2019. Considering inflation rates of the BRIC countries, Brazil recorded the lowest annual inflation of 2.5%, with China recording the highest food inflation rate of 15.5%.

Table 1: Overall inflation and food inflation during August 2019 to October 2019

	August 2019		September 2019		October 2019	
Country	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)
Botswana	2.9	2.0	3.0	2.5	2.4	2.5
Brazil	3.4	4.1	2.9	3.6	2.5	3.0
China	2.8	10.0	3.0	11.2	3.8	15.5
India	3.3	3.0	4.0	5.1	4.6	7.9
Namibia	3.7	4.1	3.3	4.4	3.0	4.0
Russia	4.3	5.6	4.0	5.1	3.8	4.7
South Africa	4.3	3.9	4.1	3.9	3.7	3.6
Turkey	15.0	17.2	9.3	9.5	8.6	7.9
United Kingdom	1.7	1.8	1.7	1.8	1.5	1.3
United States (US)	1.7	1.7	1.7	1.8	1.8	2.1
Zambia	9.3	10.3	10.5	12.4	10.7	13.3

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



Urban and rural food price trends: October 2019 vs. October 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 (October 2019 vs. October 2018)

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Loaf of white bread (each)	-12,2%	Eggs 2.5 dozen	-11,6%	Sweet potatoes - fresh per kg	-9,2%
Cake flour 5kg	-4,2%	Eggs 0.5 dozen	-10,5%	Beans - dried 1kg	-5,8%
Rice 10kg	-3,9%	Powdered milk 400g	-9,3%	Pears - fresh per kg	-4,1%
Cake flour 1kg	-3,4%	Eggs 1.5 dozen	-6,9%	Onions - fresh per kg	-4,0%
Sunflower oil 750ml	-2,4%	IQF chicken portions - 1kg	-6,0%	Oranges - fresh per kg	-1,7%
Brick margarine 125g	-1,1%	Lamb - offal per kg	-5,5%	Beans - dried 500g	-1,3%
Margarine spread 500g	-0,4%	Lamb - loin chop per kg	-4,7%	Beetroot - fresh per kg	0,0%
Brick margarine 500g	0,0%	Lamb - neck per kg	-3,5%	Naartjies - fresh per kg	1,9%
Cake flour 2.5kg	0,3%	Powdered milk 250g	-3,4%	Pumpkin - fresh per kg	2,0%
Cold cereals 400g	0,8%	Lamb - rib chop per kg	-3,4%	Tomatoes - fresh per kg	3,2%
Brick margarine 1kg	1,1%	Lamb - stew per kg	-3,1%	Beans - dried 2kg	5,7%
Margarine spread 1kg	1,8%	Lamb - leg per kg	-2,8%	Bananas - fresh per kg	6,2%
Sunflower oil 2l	2,6%	Beef mince - fresh per kg	-2,4%	Baked beans - tinned 410g	7,3%
Rice 1kg	3,6%	Beef fillet - fresh per kg	-2,2%	Cabbage - fresh per kg	7,8%
Loaf of white bread 700g	4,3%	Cheddar cheese per kg	-1,9%	Cabbage - fresh each	7,8%
Loaf of white bread 600g	4,3%	Beef chuck - fresh per kg	-1,4%	Potatoes - fresh per kg	7,8%
Pasta 500g	4,4%	Beef brisket - fresh per kg	-1,3%	Cauliflower - fresh per kg	8,7%
Sunflower oil 4l	5,0%	Beef sirloin - fresh per kg	-0,5%	Apples - fresh per kg	9,1%
Rice 2kg	5,0%	Beef stew - per kg	-0,5%		
Instant noodles 85g	5,0%	Chicken giblets per kg	-0,1%		
Macaroni 500g	5,4%	Powdered milk 900g	0,0%		
Cold cereals 500g	5,9%	Full cream milk - fresh 250ml	0,1%	Other	%
Rice 500g	6,1%	IQF chicken portions - 1,5kg	0,1%	Instant coffee 250g	-1,0%
Loaf of brown bread 600g	6,5%	Ham 500g	0,2%	White sugar 10kg	0,2%
Peanut butter 800g	6,6%	IQF chicken portions - 1,8kg	0,2%	Instant coffee 500g	0,3%
Instant noodles 73g	6,8%	Pork chops - fresh per kg	0,2%	Ceylon/black tea 500g	1,0%
Loaf of brown bread 700g	7,2%	Sausage 500g	0,2%	Instant coffee 200g	1,2%
Spaghetti 500g	7,4%	Beef T-bone - fresh per kg	0,3%	White sugar 1kg	1,4%
Cold cereals 450g	7,8%	Beef offal - fresh per kg	1,1%	Ceylon/black tea 62.5g	2,5%
Brick margarine 250g	8,2%	Low fat milk - long life 1,5l	1,2%	Instant coffee 750g	2,5%
Pasta 1kg	9,0%	Low fat milk - fresh 1l	1,3%	White sugar 2.5kg	2,6%
Peanut butter 400g	9,3%	Full cream milk - fresh 1l	2,4%	White sugar 500g	3,3%
Rice 5kg	10,9%	Full cream milk - long life 6x1l	2,8%	Ceylon/black tea 250g	4,9%
Instant noodles 75g	11,2%	Full cream milk - fresh 500ml	3,0%	White sugar 5kg	5,0%
Cold cereals 750g	11,2%	IQF chicken portions - 2kg	3,1%	Ceylon/black tea 125g	6,7%
Spaghetti 1kg	11,9%	Whole chicken - fresh per kg	3,3%	Instant coffee 100g	7,1%
Special maize 10kg	13,4%	Tuna - tinned 170g	3,3%	White sugar 2kg	8,8%

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Instant noodles 78g	13,7%	Beef rump steak - fresh per kg	3,3%		
Super maize 1kg	14,1%	IQF chicken portions - 5kg	3,5%		
Peanut butter 250g	14,6%	Corned beef 300g	3,6%		
Macaroni 1kg	15,8%	Bacon 250g	3,8%		
Super maize 5kg	17,8%	Low fat milk - fresh 2ℓ	4,9%		
Special maize 2.5kg	23,3%	Pork - ribs per kg	5,6%		
Special maize 5kg	24,4%	Chicken portions - fresh per kg	5,7%		
Special maize 1kg	26,9%	Full cream milk - long life 500mℓ	6,0%		
Sunflower oil 500mℓ	32,5%	Low fat milk - long life 1ℓ	6,3%		
		Fish (excl. tuna) - tinned 215g	6,8%		
		Fish (excl. tuna) - tinned 400g	7,6%		
		Full cream milk - fresh 2ℓ	8,0%		
		Chicken portions frozen - non IQF average per kg	8,7%		
		Chicken portions frozen - non IQF per kg (real)	8,7%		
		Polony per kg	9,1%		
		Powdered milk 500g	9,9%		
		Fish (excl. tuna) - tinned 155g	11,3%		

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 (October 2019 vs. October 2018)

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Brick margarine 500g	-2,7%	Eggs 1/2 dozen	-4,7%	Beans dried 2kg	-7,8%
Sunflower oil 500ml	-1,9%	Beef fillet - fresh per kg	-4,5%	Onions - fresh per kg	-5,8%
Margarine spread (tub) 1kg	-0,2%	Beef T-bone - fresh per kg	-0,2%	Potatoes - fresh per kg	-3,7%
Rice 500g	-0,2%	Fish (excl. tuna) - tinned 425g	0,0%	Oranges - fresh per kg	-2,0%
Peanut butter 270g	0,3%	Low fat milk - fresh 2l	0,6%	Beans dried 1kg	-0,2%
Rice 1kg	0,4%	Full cream milk - long life 500ml	0,7%	Bananas - fresh per kg	0,0%
Margarine spread (tub) 500g	0,7%	Beef chuck - fresh per kg	1,2%	Tomatoes - fresh per kg	0,8%
Brick margarine 250g	1,6%	Beef brisket - fresh per kg	1,8%	Beans dried 500g	1,0%
Sunflower oil 2l	2,8%	Full cream milk - fresh 2l	2,1%	Apples - fresh per kg	4,2%
Brick margarine 125g	3,2%	Full cream milk - fresh 500ml	2,7%	Potatoes - fresh 10kg	43,1%
Sunflower oil 750ml	3,3%	Full cream milk - fresh 1l	2,8%		
Peanut butter 400g	3,5%	Fish (excl. tuna) - tinned 155g	4,2%		
Loaf of brown bread 600g	4,0%	Full cream milk - long life 1l	5,5%	Other products	%
Loaf of white bread 600g	4,4%	Beef rump steak -fresh per kg	8,0%	White sugar 500g	-5,6%
Rice 2kg	4,9%	Low fat milk - fresh 1l	18,7%	Ceylon/black tea 200g	-4,8%
Super maize 1kg	5,6%			Instant coffee 250g	-0,2%
Loaf of white bread 700g	5,7%			Instant coffee 100g	0,4%
Loaf of brown bread 700g	6,5%			White sugar 2.5kg	1,0%
Special maize 1kg	8,1%			White sugar 1kg	1,0%
Super maize 5kg	8,8%			Ceylon/black tea 62.5g	2,2%
Peanut butter 800g	8,9%			Instant coffee 750g	6,1%
Super maize 2.5kg	9,2%			Ceylon/black tea 250g	7,9%
Special maize 5kg	20,6%			Ceylon/black tea 125g	8,2%
Special maize 2.5kg	21,1%				

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: October 2019 vs. October 2018

During the period October 2019 vs. October 2018, the international price of wheat (US No.2, Hard Red Winter ord. Prot., US FOB Gulf) decreased by 6.5%, while the domestic wheat prices increased by 2.3%. Urban consumers paid 7.2% and 4.3% more for a loaf of brown and white bread (700g), respectively. Domestic yellow maize prices increased by 16.7%, while international yellow maize prices increased by 4.3%. Super and special maize meal prices (2.5kg) increased by 17.9% and 23.3%, respectively, in urban areas. During the same period, the urban prices of sunflower oil (750ml) decreased by 2.4%. Domestic prices of sunflower seed increased by 10.3% annually, while the international sunflower seed prices decreased by 3.2%.

During October 2019 vs. October 2018, the average beef producer prices (R/kg) of classes A2/A3, B2/B3 and C2/C3 decreased by 0.7%, 7.6% and 9.2%, respectively. Lamb/mutton producer prices (R/kg) of classes A2/A3, B2/B3 and C2/C3 decreased by 10.2%, 21.1% and 23.1%, respectively. Producer prices of frozen and individually quick frozen (IQF) chicken portions (R/kg) decreased both by 1.4%, while fresh chicken portions (R/kg) increased by 5% over the same period. Porker and baconer producer prices (R/kg) increased by 0.6% and 1.1%, respectively.

Comparison between urban and rural prices: October 2019

Table 4 compares prices of selected food items in rural and urban areas for October 2019. Food items showing the largest price differences between urban and rural areas in October 2019 were: sunflower oil (750mℓ) at a difference of R3.35, Ceylon/black tea (62.5g) at R3.32 difference, and super maize meal (2.5kg) at a difference of R1.19. This indicates that urban consumers pay R0.37 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 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 October 2019	Rural Food Prices October 2019	Price difference R/unit
Full cream milk – long life 1ℓ	14.63	15.57	-0.94
Loaf of brown bread 700g	12.53	12.57	-0.04
Loaf of white bread 700g	13.71	13.60	0.11
Special maize 2.5 kg	21.57	20.55	1.02
Super maize 2.5 kg	24.32	23.13	1.19
Margarine spread 500g	26.84	28.29	-1.45
Peanut butter 400g	30.47	30.53	-0.06
Rice 2kg	26.84	27.00	-0.16
Sunflower oil 750mℓ	21.94	18.59	3.35
Ceylon/black tea 62.5g	16.45	13.13	3.32
White sugar 2.5kg	40.01	42.28	-2.27
Average difference (R/unit)			0.37

Source: Stats SA, 2019



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 October 2019 reaching an index level of 135.80 percentage points.

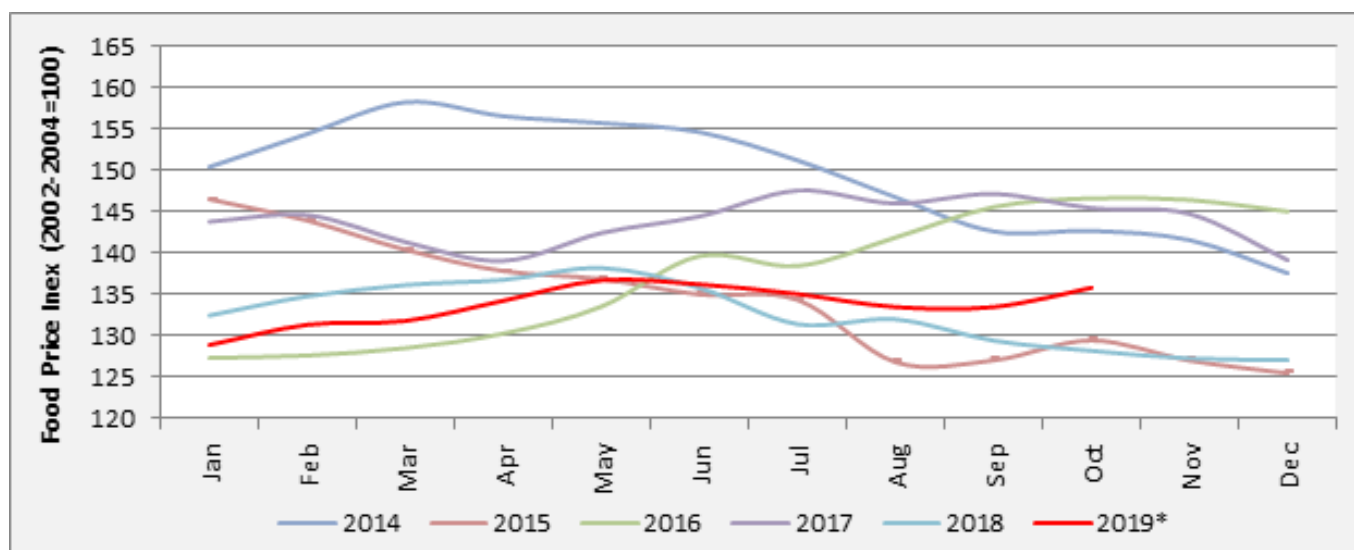


Figure 3: International monthly real FPI

Source: FAO, 2019

*Note: Current year



Figure 4 shows the price indices (real terms) for five food categories, in real terms. The monthly (October 2019 vs. September 2019) growth percentages indicated increasing trends for the Meat, Cereals, Oils and Sugar Price Indexes. The annual (October 2019 vs. October 2018) growth percentages indicated increasing trends for all Indexes, with the exception of the Cereals Price Index reflecting an annual decrease of 1%. The Meat Price Index reflected the largest annual growth of 13.9% during the same period.

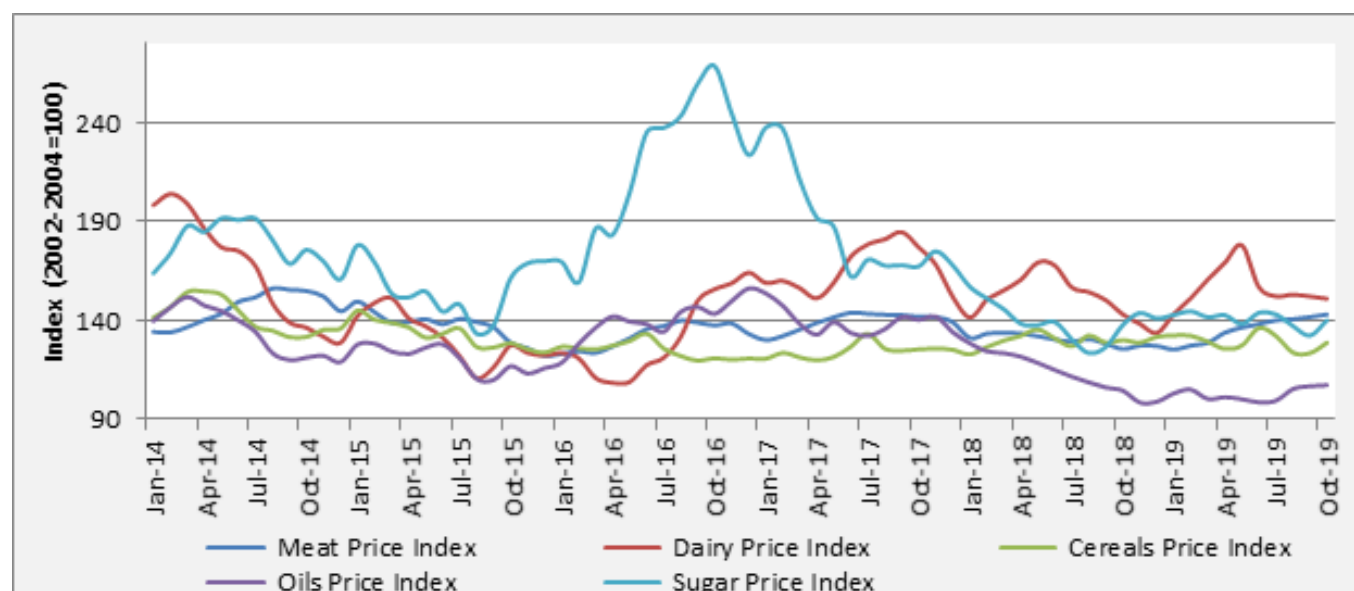


Figure 4: Real price indices for five food categories

Source: FAO, 2019

The FAO Food Price Index (FFPI) in nominal terms, averaged 172.7 points in October 2019, up 1.7% (3 points) from September 2019 and 6% higher than in the corresponding period last year. The increase in October 2019 marked the first significant m-o-m increase in the value of the Index since May 2019, as surges in the prices of sugar, cereals and, to a lesser extent, meat and vegetable oils, more than offset a small decline in the value of the dairy sub-index.

The FAO Cereal Price Index in nominal terms, averaged 164 points in October 2019, up 4.2% (nearly 7 points) from September 2019 but still 1% below its October 2018 level. International wheat prices moved up sharply in October 2019 largely because of robust trade activities and lower crop prospects in Argentina and Australia. Among major coarse grains, maize export prices also surged in October 2019 from very low levels in September 2019, reflecting not only reduced crops in the US and worries over planting conditions in Argentina, but also a pick-up in export sales. By

contrast, FAO's rice price index subsided in October 2019, driven by declines in fragrant rice quotations prompted by low demand and prospects of an abundant basmati harvest.

The FAO Vegetable Oil Price Index in nominal terms, averaged 136.4 points in October 2019, up 0.5% (or 0.7 points) from the previous month and marking the highest level since September 2018. The small m-o-m increase mainly reflects higher palm oil price quotations, which more than offset lower values for sunflower and rapeseed oils. International palm oil prices rose for the third consecutive month, fuelled by firm global import demand and expectations of an output slowdown in leading producing countries, as well as news of higher biodiesel mandates in Indonesia during next year. By contrast, sunflower oil price quotations fell on active farmer selling in the wake of bumper sunflower seed harvests in the Black Sea region, while higher than expected rapeseed crushing in the EU weighed on rapeseed oil prices.



The FAO Dairy Price Index in nominal terms, averaged almost 192 points in October 2019, down 0.7% (1.4 points) from the previous month, representing the second consecutive month of decline but still 5.6% above its level in the corresponding month last year. The October 2019 decline was the result of notably lower quotations for cheese, more than offsetting increases in those for Skim Milk Powder (SMP) and Whole Milk Powder (WMP). Increased export availabilities in New Zealand were the principal factor behind the latest decline in cheese price quotations. By contrast, strong import demand, especially from Asia for short-term deliveries, underpinned the price increases of SMP and WMP. After four months of continuous decline, butter prices began to stabilize, reflecting renewed import interests.

The FAO Meat Price Index in nominal terms, averaged 182.7 points in October 2019, up 0.9% (1.7 points) from September 2019, representing the ninth consecutive monthly increase. International price quotations for bovine and ovine meats continued to rise, with buoyant import demand, especially from China, providing

support. Quotations for pig meat also increased, albeit moderately, reflecting continued import demand in Asia despite seasonally increasing supplies from Europe and higher export availabilities in Brazil. Prices of poultry meat fell under downward pressure due to increased export availabilities in main producing regions.

The FAO Sugar Price Index in nominal terms, averaged 178.3 points in October 2019, up 5.8% (9.8 points) from its reduced September 2019 average. The sharp rebound in international sugar prices in October 2019 was mainly underpinned by expectation of much tighter supply prospects in 2019/20. Latest indications point to a significant contraction in sugar output in India, the world's largest sugar producer, mainly because of a 10% reduction in sugarcane planted area compared to the previous season. Likewise, sugar output in Thailand, the world's second largest sugar exporter, is seen lower by 7% from last year as a result of protracted dry conditions. Still, sugar prices remained volatile, influenced by swings in crude oil prices, changing weather conditions in India, and movements in the Brazilian Real against the US Dollar.

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.

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 basket (originally compiled by the Food Price Monitoring Committee in 2003, revised in January 2017), based on monthly average food price data for the period October 2019 vs. October 2018.

During October 2019, the nominal cost of the NAMC's 28-item urban food basket amounted to R866.08, increasing by 0.1% from September 2019 (m-o-m) and by 2.3% from October 2018 (y-o-y). The cost of this food basket expressed as a share of the average monthly income of the poorest 30% of the population increased from 56.9% in October 2018 to 58.2% in October 2019. The cost of the food basket expressed as a share of the average monthly income of the wealthiest 20% of the population increased from 3% in October 2018 to 3.1% in October 2019 (Figure 5).

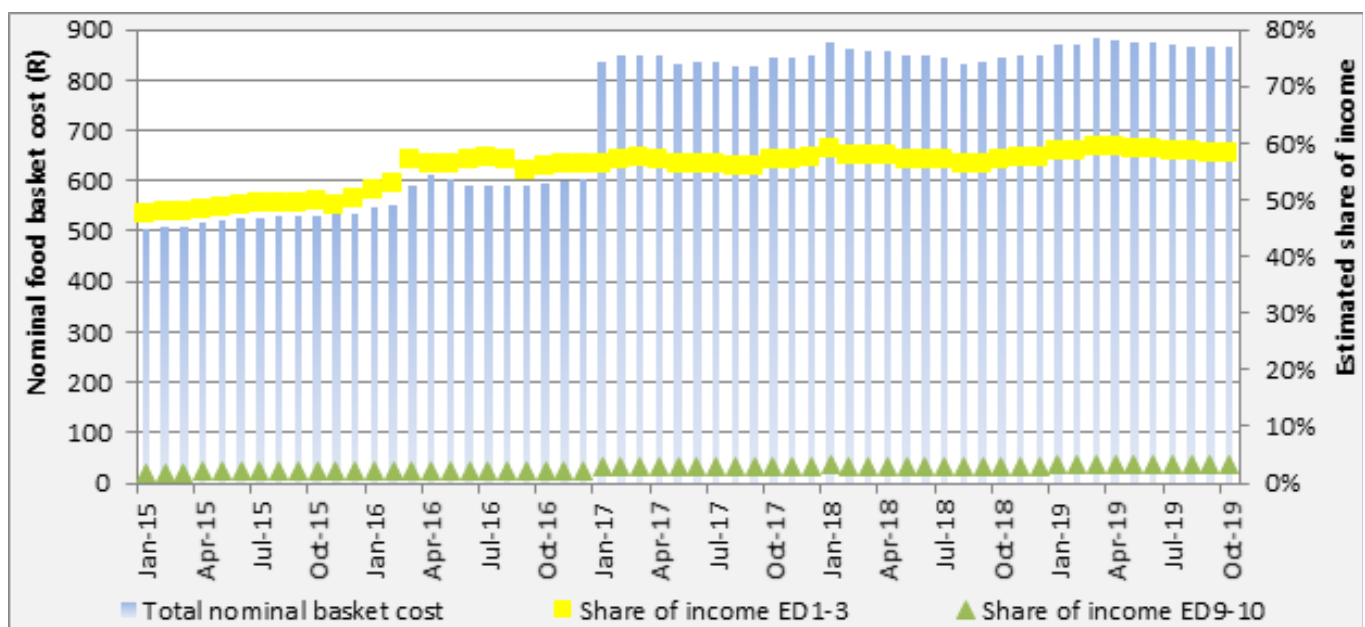


Figure 5: The cost of a typical consumer food basket for the period January 2015 to October 2019, expressed in nominal terms and as share of the average income of the poorest 30% of households (Expenditure Deciles 1-3) and the wealthiest 20% of households (ED 9-10)

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 October 2019 vs. October 2018 (y-o-y) and October 2019 vs. September 2019 (m-o-m). Food categories within this 28-item food basket experiencing the highest annual inflation included bread & cereals, bean products and fresh produce (fruit and vegetables).

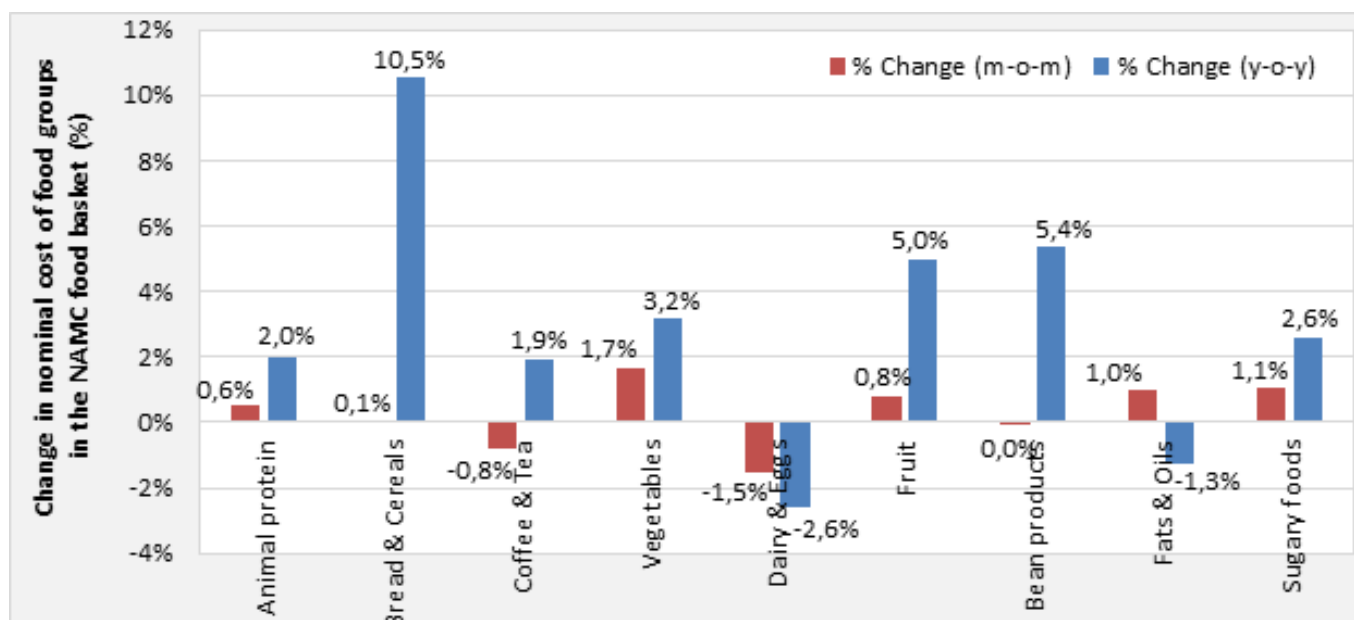


Figure 6: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing October 2019 vs. October 2018 and October 2019 vs. September 2019

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, October 2019 vs. October 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
	Oct 2019 vs. Oct 2018	Jul 2019 vs. Jul 2018*				
Animal protein	+2%	+0.04%	Polony (+9.1%) Tinned fish (+7.6%) IQF chicken portions (+3.1%)	Beef offal (+1.1%)	Beef mince (-2.4%) Chicken giblets (-0.1%)	Inflation on polony, tinned fish and IQF chicken portions.
Bread and cereals	+10.5%	+10%	Maize meal (+17.8%) Brown bread (+7.2%) Rice (+5%) White bread (+4.3%)	None	None	Most significant inflation on maize meal, brown bread and rice.
Vegetables	+3.2%	+4.9%	Cabbage (+7.8%) Potatoes (+7.8%) Tomatoes (+3.2%)	None	Onions (-4%)	High inflation on cabbage, potatoes and tomatoes.
Fruit	+5%	+12%	Apples (+9.1%) Bananas (+6.2%)	None	Oranges (-1.7%)	High inflation on bananas and apples.
Dairy	+3.2%	+4.4%	Full cream milk (+5.1%)	None	Cheddar cheese (-1.9%)	Inflation on milk, deflation on eggs and cheese.
Eggs	-6.9%	-7.7%	None	None	Eggs (-6.9%)	
Fats and oils	-1.3%	-0.8%	None	None	Brick margarine (-0.05%) Sunflower oil (-2.4%)	Deflation on sunflower oil and margarine.
Bean products	+5.4%	+5.9%	Peanut butter (+9.3%) Baked beans (+7.3%)	None	Dried beans (-1.3%)	Inflation baked beans and peanut butter. Deflation on dried beans.
Coffee and tea	+1.9%	+3%	Ceylon/black tea (+4.9%)	None	Instant coffee (-1%)	Inflation on tea, deflation on coffee.
Sugary foods	+2.6%	+11.1%	White sugar (+2.6%)	None	None	Inflation on sugar.

Sources: BFAP & NAMC calculations, Stats SA, 2019

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

When comparing October 2019 vs. October 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): super maize meal, peanut butter, polony, apples, potatoes, cabbage, canned pilchards, baked beans tinned, brown bread and bananas. The items with high inflation could have negative implications in terms of basic food security (staple food inflation) as well as dietary diversity (e.g. inflation on meat, fruit and vegetables). When comparing price changes for October 2019 vs. October 2018 with July 2019 vs. July 2018 (i.e. the previous Food Price Monitor analysis period), higher price increases were reported for bread & cereals, meat and fish.

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.

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, 2000 ; Oldewage-Theron et al, 2005). **Figure 7** illustrates the estimated portion costs for these foods, calculated from food price data for October 2019 vs. October 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 7**.

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 48% more in this case for October 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 October 2019 vs. October 2018 prices, the results in **Figure 7** indicate inflation of approximately 9.4% (from R5.54 to R6.06 for the typical portion selection). All items revealed positive inflation, in particular maize meal, brown bread, milk and tea. Comparing October 2019 vs. September 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 0.1%.

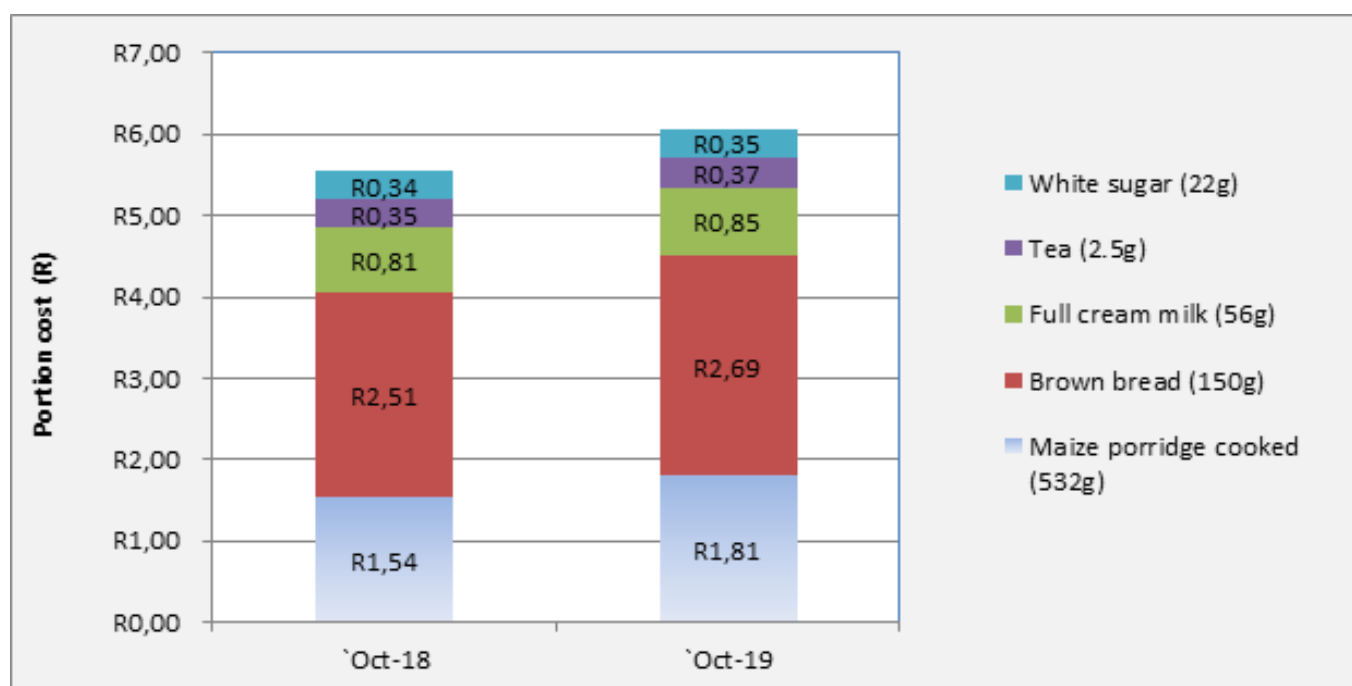


Figure 7: Average nominal cost for the typical portions of the five food items most widely consumed by very poor consumers in South Africa, October 2019 vs. October 2018

Sources: BFAP calculations, Stats SA, 2019

Food and non-alcoholic beverages increased by 3.6% y-o-y in October 2019. Although marginally lower than the rates recorded for September 2019, breads and cereals are the main contributor to keeping food inflation above 3%. The *breads and cereals* category have persistent inflation of around 8.5% over the past quarter, it is therefore worthwhile to explore the underlying trends. White maize prices in 2019Q3 have increased by 28.5% compared to 2018Q3. Wheat prices, in turn, were roughly 10% higher in 2019Q3 compared to 2018Q3. With regards to annual comparisons, white maize price are still substantially higher (approximately 12%) than in November 2018. Monthly comparisons however indicated that white maize prices are losing momentum with average November 2019 prices being approximately 6% lower than in October 2019. This trend is expected to manifest in maize meal prices in the first quarter of 2020. Movements in wheat has been less profound than that of maize. Wheat prices are up by approximately 2% compared to November 2018. Monthly comparisons in turn, indicate a softening of prices of around 3%. The effects of this (although marginal) could also be expected in early 2020. The slight deceleration of commodity prices since October 2019 could enable inflation rates to dip below the 3% mark in the early months of 2020. This is provided that we do not experience severe exchange rate or weather shocks in the next three months.

Meat prices have been the saving grace associated with inflation of food baskets in South Africa in 2019. Meat inflation stayed constant between September and October 2019 at 1.12%. This, although still low, has turned positive from deflationary trends apparent earlier this year. This is largely attributable to the increase in exports subsequent the Foot-and-Mouth-Disease (FMD) outbreak at the beginning of 2019 combined with the weakening of the exchange rate. Over the coming three months, meat inflation is expected to increase due to persistence of the factors mentioned above

combined with an uptick in demand during the festive season. A counter factor could however be the recent FMD outbreak in the Limpopo province. This resulted in all cattle auctions in Limpopo and the neighbouring provinces being halted. This could result in a supply glut at feedlot level once auctions are retaken which could result in depressed retail market prices in the second quarter of 2020.

In terms of *fresh produce*, fruit price inflation during October 2019 remained fairly constant at 5.14% whilst vegetable inflation experienced spectacular deceleration since the first half of 2019. Despite the modest inflation in vegetables, calculations show that vegetables contributed 10.63% to total food inflation which is around two percentage points higher than its expenditure share. This, combined with strong inflation in staples, as mentioned above, are affecting food affordability of low(-er) income households negatively. It is expected that both fresh produce categories will have demand support during the festive season which would maintain inflation rates close to current levels.

Earlier expectation on food inflation during the last quarter of 2019 was that it would break through the 4% level. This was driven by depreciated exchange rates (compared to the first half of 2019) and strong(-er) commodity prices. This could be a strong indication of weak demand and dampened consumer confidence. Revised expectation going into the New Year is that food inflation will stay between 3.5% and 3.8%. The upside risk to this will be driven by exchange rates and the weather conditions prevailing over the coming couple of months. Key factors that could affect exchange rate movements over the outlook period is the fiscal health of South Africa culminating in the national budget speech in February; the ability of our electricity provider to keep the lights on; and how global trade tensions that have been looming over the past 18 months, will play out.

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.

Compiled by:

Price trends:
Rika Verwey

Outlook/BFAP:
Hester Vermeulen
Marlene Labuschagne

Design by Sylvester Moatshe

Enquiries: Dr. Christo Joubert: +27 12 341 1115 or christo@namc.co.za

Stats SA is acknowledged for assistance provided to the NAMC in terms of food price data.

© 2019. Published by the National Agricultural Marketing Council (NAMC).

Disclaimer:

Information contained in this document results from research funded wholly or in part by the NAMC acting in good faith. Opinions, attitudes and points of view expressed herein do not necessarily reflect the official position or policies of the NAMC. The NAMC makes no claims, promises, or guarantees about the accuracy, completeness, or adequacy of the contents of this document and expressly disclaims liability for errors and omissions regarding the content thereof. No warranty of any kind, implied, expressed, or statutory, including but not limited to the warranties of non-infringement of third-party rights, title, merchantability, fitness for a particular purpose or freedom from computer virus is given with respect to the contents of this document in hardcopy, electronic format or electronic links thereto. Reference made to any specific product, process, and service by trade name, trade mark, manufacturer or another commercial commodity or entity are for informational purposes only and do not constitute or imply approval, endorsement or favouring by the NAMC.