

MERC

Markets & Economic Research
Centre

Food

BASKET PRICE
MONTHLY

*28 Selected food
basket price items:*

NAMC urban food
basket





Food Basket Price Monthly December 2019

Highlights

- Food and non-alcoholic beverage inflation eased to 3.5% during November 2019 year-on-year (y-o-y), with Headline inflation decreasing to 3.6%.
 - o Bread & cereals and fish remained the highest food inflation contributors (y-o-y) with 8% and 7.6%, respectively, with vegetable price inflation 1.5% higher than a year ago.
- Fuel prices increased by 22c/ℓ in December 2019 to reach R15.88/ℓ (+1.4%) for 93ULP and R16.30/ℓ (+1.37%) for 95ULP, respectively. Diesel 500ppm decreased by 15c/ℓ (-1.02%) to reach R14.53/ℓ.
 - o The main driver for the price hike in petrol was due to the increased costs of international petroleum products. This was offset slightly by a stronger Rand over the period. The Rand appreciated against the US dollar during the period 01 November 2019 to 28 November 2019 and reached R14.80/\$ compared to R14.93/\$ reported during the previous period.
- During November 2019, the nominal cost of the NAMC's 28-item urban food basket amounted to R869.94 compared to the R866.08 reported during October 2019, resulting in a monthly percentage increase of 0.4%. When compared to November 2018, an annual (y-o-y) percentage increase of 2.4% 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 report, 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 November 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 3.6% and 3.5% (y-o-y), respectively, from 3.7% and 3.6% reported during October 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 November 2019.

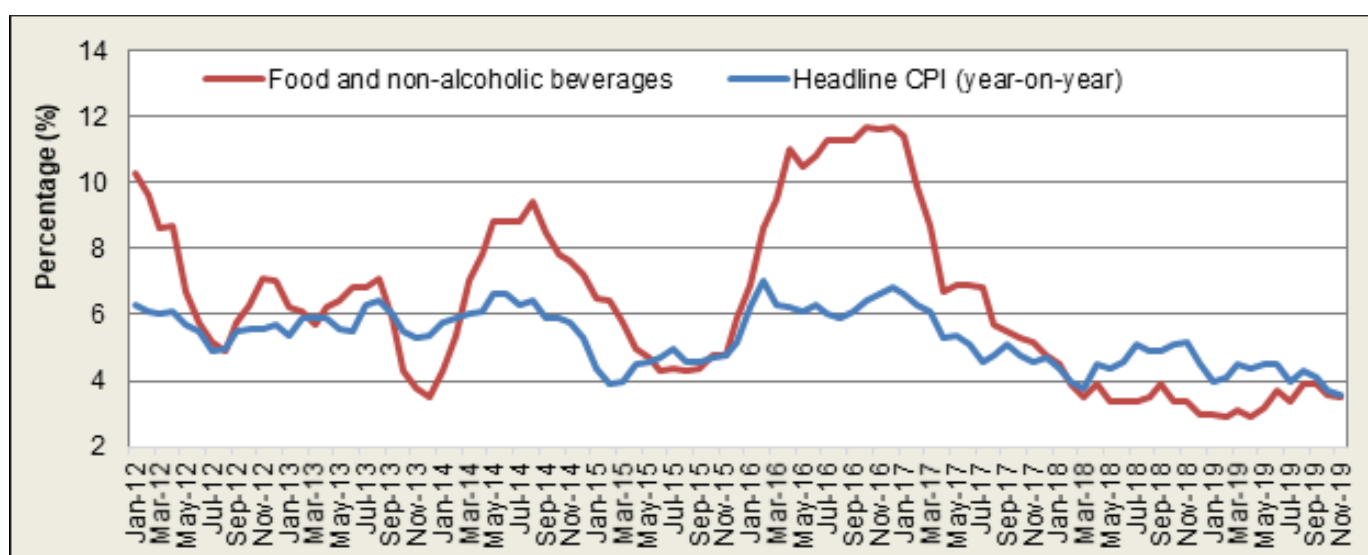


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA (2019)



Comparison between urban and rural prices: November 2019

Table 1 compares prices of selected food items in rural and urban areas for November 2019. The food items which showed the largest price differences between urban and rural areas in November 2019 were: Ceylon/black tea (62.5g) at R3.19 difference, sunflower oil (750ml) at a difference of R3.02, and special maize meal (2.5kg) at a difference of R1.83. This indicates that urban consumers pay 50 cents more on average, for these 11 food items. In other cases, however, rural consumers paid more for certain products including: white sugar (2.5kg), full cream long life milk (1l) and rice (2kg), than their urban counterparts.

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

Product	Urban Food Prices November 2019 (R/unit)	Rural Food Prices November 2019 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1l	14,57	15,48	-0,91
Loaf of brown bread 700g	12,48	12,51	-0,03
Loaf of white bread 700g	13,62	13,51	0,11
Special maize 2.5kg	21,63	19,80	1,83
Super maize 2.5kg	24,73	23,30	1,43
Margarine spread 500g	26,89	26,95	-0,06
Peanut butter 400g	31,46	31,46	0,00
Rice 2kg	27,28	27,55	-0,27
Sunflower oil 750ml	21,68	18,66	3,02
Ceylon/black tea 62.5g	16,32	13,13	3,19
White sugar 2.5kg	40,29	43,07	-2,78
Average			0.50

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 November 2019 vs. November 2018. Composition of the current food basket (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 November 2019, the nominal cost of the NAMC's 28-item urban food basket amounted to **R869.94** compared to the **R866.08** reported during October 2019, resulting in a monthly percentage increase of 0.4%. When compared to November 2018, an annual (y-o-y) percentage increase of 2.4% 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 (7.9%), peanut butter 400g (12.3%), apples – fresh per kg (8%), bananas – fresh per kg (6.1%), oranges – fresh per kg (11.5%), IQF chicken portions - 2kg (6%), fish (excl. tuna) – tinned 400g (6.8%), polony per kg (8.6%), and super maize meal 5kg (13.7%).



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

Category	Product	Nov-18	Oct-19	Nov-19	% change y-o-y	%change m-o-m
Beans	Baked beans - tinned 410g	10,05	10,78	10,84	7,9%	0,6%
Beans	Beans - dried 500g	19,34	19,07	18,71	-3,3%	-1,9%
Beans	Peanut butter 400g	28,02	30,47	31,46	12,3%	3,2%
Coffee, Tea	Instant coffee 250g	35,74	35,61	35,76	0,1%	0,4%
Coffee, Tea	Ceylon/black tea 250g	35,33	36,64	35,94	1,7%	-1,9%
Dairy, Eggs	Full cream milk - long life 1ℓ	13,93	14,63	14,57	4,6%	-0,4%
Dairy, Eggs	Eggs 1.5 dozen	42,92	39,80	40,32	-6,1%	1,3%
Dairy, Eggs	Cheddar cheese per kg	104,55	103,47	105,92	1,3%	2,4%
Fats, Oils	Brick margarine 500g	22,44	22,18	21,95	-2,2%	-1,0%
Fats, Oils	Sunflower oil 750ml	22,88	21,94	21,68	-5,2%	-1,2%
Fruit	Apples - fresh per kg	19,77	21,54	21,36	8,0%	-0,8%
Fruit	Bananas - fresh per kg	13,83	13,52	14,68	6,1%	8,6%
Fruit	Oranges - fresh per kg	13,79	14,19	15,38	11,5%	8,4%
Protein	Beef mince - fresh per kg	84,79	83,08	82,77	-2,4%	-0,4%
Protein	Beef offal - fresh per kg	35,04	36,29	36,62	4,5%	0,9%
Protein	Chicken giblets per kg	34,39	34,18	33,27	-3,3%	-2,7%
Protein	IQF chicken portions - 2kg	63,17	66,58	66,96	6,0%	0,6%
Protein	Fish (excl. tuna) - tinned 400g	18,27	19,42	19,51	6,8%	0,5%
Protein	Polony per kg	42,24	46,32	45,87	8,6%	-1,0%
Bread & Cereals	Loaf of brown bread 700g	11,80	12,53	12,48	5,8%	-0,4%
Bread & Cereals	Loaf of white bread 700g	13,17	13,71	13,62	3,4%	-0,7%
Bread & Cereals	Super maize meal 5kg	38,04	42,61	43,26	13,7%	1,5%
Bread & Cereals	Rice 2kg	26,09	26,84	27,28	4,6%	1,6%
Vegetables	Cabbage - fresh per kg	12,63	13,09	13,22	4,6%	0,9%
Vegetables	Onions - fresh per kg	14,88	14,84	15,01	0,9%	1,1%
Vegetables	Potatoes - fresh per kg	12,62	13,06	12,73	0,9%	-2,5%
Vegetables	Tomatoes - fresh per kg	20,21	19,68	18,48	-8,6%	-6,1%
Sugary foods	White sugar 2.5kg	39,76	40,01	40,29	1,3%	0,7%
Basket	Total Rand Value	849,69	866,08	869,94	2,4%	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 November 2019 vs. November 2018 (y-o-y) and November 2019 vs. October 2019 (m-o-m). Food categories in this 28-item food basket experiencing the highest annual inflation include: fruit, bread & cereals, and bean products.

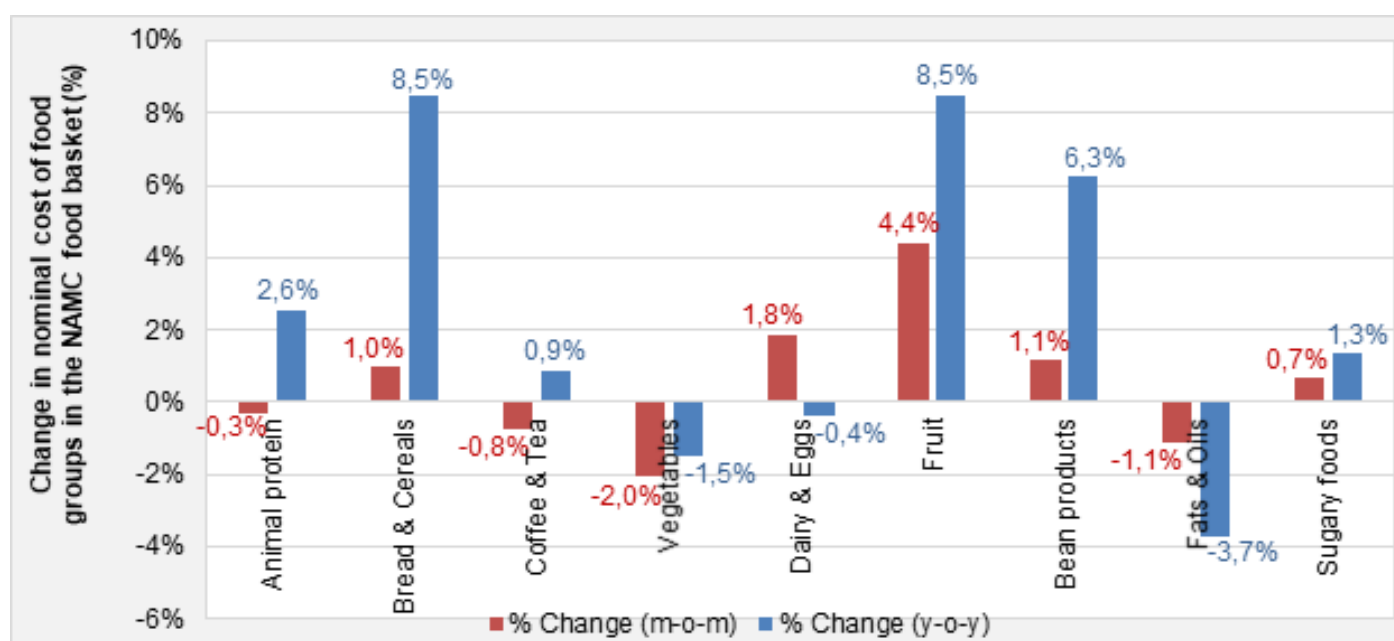


Figure 2: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing November 2019 vs. November 2018 and November 2019 vs. October 2019

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

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

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