

Food Price 2020 Monitor View

EXECUTIVE SUMMARY

During January 2020, 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 4.5% and 3.7%, respectively. The same indices were 4% and 3.9% during December 2019.

Prices were compared for selected food items in rural and urban areas for January 2020. Food items showing the largest price differences between urban and rural areas in January 2020 were: Ceylon/black tea (62.5g) at a R3.73 difference, sunflower oil (750ml) at a difference of R3.11, and super maize meal (2.5kg) at a difference of R2.07. This indicates that urban consumers pay R0.56 more, on average, for some of these food items. In other cases, however, rural consumers paid more for certain products (white sugar (2.5kg), peanut butter (400g), and full cream long life milk (1l), than their urban counterparts.

The FAO Food Price Index (FFPI) in nominal terms, averaged 182.5 points in January 2020, up 1.3 points (0.7%) from December 2019 and 11.3% higher than January 2019. The increase in January 2020 marked the fourth consecutive month that FFPI has been on the upward trend. The latest rise is largely driven by continued strength in the prices of vegetable oils, sugar and, to a lesser extent, cereals and dairy products, more than offsetting a sharp drop in meat prices.

During January 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to R875.95 compared to the R872.76 reported during December 2019, resulting in a monthly percentage increase of 0.4%. When compared to January 2019, a year-on-year (y-o-y) percentage increase of 0.7% was reported.

Comparing January 2020 vs. January 2019 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): oranges (fresh), super maize meal, peanut butter, bananas (fresh), baked beans tinned, canned pilchards, white sugar, full cream milk long life and IQF chicken portions. When comparing price changes for January 2020 vs. January 2019 with October 2019 vs. October 2018 higher price increases were reported for fruit and sugar.

If the effect of the Foot-and-Mouth-Disease (FMD) will linger over the medium term, this, combined with low maize prices associated with a huge projected harvest for the current season, could steady food inflation between 3.5% and 3.7% over the next three months. The upside risk is then predominantly associated with the exchange rate. A severe depreciation will add to the primary commodity, manufacturing and distribution cost which would ultimately push food inflation to levels closer to 5%. The national budget speech to be delivered on the 26th of February 2020 and the Moody's credit rating decision due by the end of March 2020 are key variables that could have significant impacts on exchange rate levels. The cost of electricity and the recurring periods of load shedding is expected to add to inflationary pressures associated with manufacturing and other value chain costs. Whether already underpressured consumers would be able to absorb this, remains to be seen.





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Introduction

During January 2020, 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 4.5% and 3.7%, respectively. The same indices were 4% and 3.9% during December 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 January 2020.



Figure 1: Headline CPI and food and non-alcoholic beverage CPI Source: Stats SA, 2020

Figure 2 presents the components of the food and non-alcoholic beverage index changes. During January 2020 vs. January 2019, the following changes, in descending order, were reported: fruit (8.7%), fish (6.7%), sugary foods (6%), bread & cereals (6%), other food items (5%), processed foods (4%), oils & fats (3.6%), unprocessed foods (3.4%), milk, eggs & cheese (3%), meat (2.4%), and vegetables (1.1%). The monthly percentage changes are also illustrated.





Source: Stats SA, 2020

Overall inflation and food inflation: South Africa and selected countries

Table 1 shows the annual year-on-year (y-o-y) overall inflation and food inflation rates for January 2020 for South Africa and other selected countries. South Africa's overall inflation for January 2020 reached 4.5% with food inflation reaching 3.7%. The food categories with the largest annual contribution to South African food inflation include fruit, fish, bread & cereals, and sugary foods. The Zambian overall inflation rate for January 2020 reached 12.5%, with food inflation reaching 3.2% during January 2020. Considering inflation rates of the BRIC countries, Russia recorded the lowest overall inflation of 2.4%, with China remaining the highest food inflation contributor at 20.6%.

	November 2019		Decemb	er 2019	January 2020		
Country	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)	
Botswana	2,1	2,7	2,2	3,0	2,2	3,2	
Brazil	3,3	3,4	4,3	6,4	4,2	5,8	
China	4,5	19,1	4,5	17,4	5,4	20,6	
India	5,5	10,0	7,4	14,1	7,6	13,6	
Namibia	2,5	2,9	2,6	1,7	2,1	2,1*	
Russia	3,5	4,0	3,0	2,8	2,4	2,1	
South Africa	3,6	3,5	4,0	3,9	4,5	3,7	
Turkey	10,6	8,9	11,8	10,9	12,2	9,0	
United Kingdom	1,5	2,1	1,3	1,7	1,8	1,4	
United States	2,1	2,0	2,3	1,8	2,5	1,8	
Zambia	10,8	13,5	11,7	15,2	12,5	15,4	

Table 1: Overall inflation and food inflation during November 2019 to January 2020

Sources: Central banks and statistics reporting institutions of these countries, 2020

*Note: Projected value



Urban and rural food price trends: January 2020 vs. January 2019

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%:

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs		Fresh and processed fruits and vegetables	%
Sunflower oil 750mł	-4,4%	Polony per kg	-24,2% Cauliflower - fresh per kg		-52,0%
Cake flour 2.5kg	-2,6%	Eggs 1.5 dozen	-10,9%	Sweet potatoes - fresh per kg	-11,2%
Brick margarine 500g	-0,7%	Eggs 0.5 dozen	-6,7%	Tomatoes - fresh per kg	-8,1%
Margarine spread 500g	-0,2%	Chicken giblets per kg	-4,6%	Lettuce - fresh per kg	-6,0%
Loaf of white bread 700g	0,4%	Lamb - stew per kg	-2,9%	Beans - dried 500g	-4,4%
Macaroni 500g	2,0%	Cheddar cheese per kg	-2,5%	Apples - fresh per kg	-3,3%
Loaf of brown bread 700g	2,1%	Beef mince - fresh per kg	-2,2%	Pumpkin - fresh per kg	-3,0%
Pasta 500g	2,2%	Beef fillet - fresh per kg	-1,4%	Pears - fresh per kg	-2,8%
Spaghetti 500g	2,2%	Sausage 500g	-0,9%	Potatoes - fresh per kg	-0,4%
Rice 1kg	3,8%	Powdered milk 900g	-0,3%	Cabbage - fresh per kg	2,0%
Rice 2kg	3,9%	Lamb - neck per kg	0,3%	Cabbage - fresh each	2,0%
Cold cereals 500g	6,0%	Pork chops - fresh per kg	0,6%	Onions - fresh per kg	5,9%
Instant noodles 73g	9,0%	Beef sirloin - fresh per kg	0,9%	Baked beans - tinned 410g	8,7%
Super maize 1kg	11,1%	Lamb - loin chop per kg	1,0%	Bananas - fresh per kg	9,9%
Peanut butter 400g	11,3%	Lamb - leg per kg	1,4% Beetroot - fresh per kg		12,3%
Super maize 5kg	13,5%	Beef T-bone - fresh per kg	g 1,6% Oranges - fresh per kg		36,1%
Super maize 2.5kg 18,7%		Chicken portions frozen - non IQF average per kg	tions frozen - non IQF 1,8%		
Special maize 2.5kg	18,7%	Bacon 250g	1,8%		
Special maize 1kg	19,0%	Ham 500g	1,9%		
		Beef chuck - fresh per kg	2,1%		
		Beef brisket - fresh per kg	2,6%		
		Lamb - offal per kg	2,6%	Other	%
		Lamb - rib chop per kg	2,8%	Instant coffee 250g	-1,3%
		Beef stew - per kg	3,3%	Ceylon/black tea 250g	3,5%
		IQF chicken portions - 1kg	3,7%	White sugar 2.5kg	6,6%
		Pork - ribs per kg	4,2%	Ceylon/black tea 62.5g	7,2%
		Corned beef 300g	4,7%		
		Beef rump steak - fresh per kg	4,7%		
		Low fat milk - long life 1ℓ	5,5%		
		Full cream milk - fresh 2ł	5,6%		
		Low fat milk - fresh 2ℓ	5,9%		
		IQF chicken portions - 2kg	6,1%		
		Full cream milk - long life 1≀	6,2%		

Table 2: Food items in the urban areas ranked (January 2020 vs. January 2019)

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
		Chicken portions - fresh per kg 6,			
		Tuna - tinned 170g	6,7%		
		Fish (excl. tuna) - tinned 400g	6,9%		
		Beef offal - fresh per kg	8,0%		
		Whole chicken - fresh per kg	9,3%		

Source: Stats SA, 2020

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.



Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Brick margarine 125g	-1,7%	Beef fillet - fresh per kg	-4,5%	Oranges - fresh per kg	-8,2%
Margarine spread (tub) 500g	-0,6%	Beef T-bone - fresh per kg	-2,8%	Beans dried 1kg	-2,9%
Brick margarine 500g	-0,4%	Eggs 1/2 dozen	-2,6%	Potatoes - fresh per kg	-2,7%
Rice 1kg	0,1%	Fish (excl. tuna) - tinned 425g	0,0%	Beans dried 2kg	-0,7%
Margarine spread (tub) 1kg	0,8%	Full cream milk - fresh 500mł	0,3%	Apples - fresh per kg	-0,6%
Loaf of white bread 700g	1,3%	Beef rump steak -fresh per kg	0,4%	Beans dried 500g	-0,6%
Loaf of brown bread 700g	1,3%	Beef brisket - fresh per kg	1,4%	Potatoes - fresh 10kg	0,3%
Rice 500g	2,0%	Beef chuck - fresh per kg	1,7%	Tomatoes - fresh per kg	3,2%
Peanut butter 270g	2,3%	Full cream milk - fresh 2ł	2,3%	Onions - fresh per kg	4,9%
Sunflower oil 750mł	2,5%	Full cream milk - long life 500mℓ	2,9%	Bananas - fresh per kg	13,0%
Rice 2kg	3,6%	Full cream milk - long life 1ℓ	4,0%		
Brick margarine 250g	3,6%	Fish (excl. tuna) - tinned 155g	5,9%		
Sunflower oil 2ł	4,2%	Full cream milk - fresh 1{	5,9%	Other products	%
Peanut butter 400g	4,7%	Low fat milk - fresh 2ł	9,5%	Ceylon/black tea 200g	-7,5%
Loaf of white bread 600g	4,8%	Low fat milk - fresh 1≀	18,7%	Instant coffee 750g	-0,2%
Loaf of brown bread 600g	5,1%			Instant coffee 100g	1,4%
Super maize 1kg	5,3%			Ceylon/black tea 62.5g	2,1%
Peanut butter 800g	7,3%			White sugar 1kg	2,2%
Special maize 1kg	7,4%			Instant coffee 250g	2,3%
Super maize 2.5kg	9,2%			White sugar 2.5kg	5,3%
Special maize 5kg	13,9%			Ceylon/black tea 250g	5,4%
Super maize 5kg	14,2%			White sugar 500g	7,1%
Special maize 2.5kg	15,0%			Ceylon/black tea 125g	9,8%
Sunflower oil 500mł	15,4%				

Table 3: Food items in the rural areas ranked (January 2020 vs. January 2019)

Source: Stats SA, 2020

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: January 2020 vs. January 2019

During the period January 2020 vs. January 2019, the international price of wheat (US No.2, Hard Red Winter ord. Prot., US FOB Gulf) increased by 7%, while domestic wheat prices increased by 2.8%. Urban consumers paid 2.1% and 0.4% more for a loaf of brown and white bread (700g), respectively. Domestic yellow maize prices increased by 2.5%, while international yellow maize prices increased by 3%. Super and special maize meal prices (2.5kg) increased by 18.7% respectively in urban areas. During the same period, the urban prices of sunflower oil (750m²) decreased by 4.4%. Domestic prices of sunflower seed increased by 0.6% annually, while international sunflower seed prices increased by 12.3%.

During January 2020 vs. January 2019, average beef producer prices (R/kg) of classes A2/A3, B2/B3 and C2/C3 increased by 5.8%, 4.3% and 0.3%, respectively. Lamb/mutton producer prices (R/kg) of class A2/A3 increased by 8.7%, while the price of classes B2/B3 and C2/C3 decreased by 2.8% and 1.6%, respectively. Producer prices of frozen, individually quick frozen (IQF) and fresh chicken portions (R/kg) increased by 7.8%, 9.8%, and 6.1%, respectively. Porker and baconer producer prices (R/kg) decreased by 6.1% and 5.5%, respectively, over the same period.

Comparison between urban and rural prices: January 2020

Table 4 compares prices of selected food items in rural and urban areas for January 2020. Food items showing the largest price differences between urban and rural areas in January 2020 were: Ceylon/black tea (62.5g) at R3.73 difference, sunflower oil (750ml) at a difference of R3.11, and super maize meal (2.5kg) at a difference of R2.07. This indicates that urban consumers pay 56 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), peanut butter (400g) and full cream long life milk (1l) than their urban counterparts.

Product	Urban Food Prices	Rural Food Prices	Price difference
	January 2020	January 2020	R/unit
Full cream milk – long life 1ℓ	14,84	15,48	-0,64
Loaf of brown bread 700g	12,42	12,41	0,01
Loaf of white bread 700g	13,51	13,45	0,06
Special maize 2.5 kg	22,11	21,06	1,05
Super maize 2.5 kg	25,32	23,25	2,07
Margarine spread 500g	27,00	27,35	-0,35
Peanut butter 400g	30,47	31,77	-1,30
Rice 2kg	27,69	27,29	0,40
Sunflower oil 750mł	21,95	18,84	3,11
Ceylon/black tea 62.5g	16,93	13,20	3,73
White sugar 2.5kg	42,24	44,17	-1,93
Average difference (R/unit)			R0.56

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

Source: Stats SA, 2020



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 2020, with January 2020 reaching an index level of 143.53 percentage points.



Figure 3: International monthly real FPI Source: FAO, 2020 *Note: Current year



Figure 4 shows the price indices in real terms for five food categories. The monthly (January 2020 vs. December 2019) growth percentages indicated increasing trends for the Dairy, Cereals, Oils and Sugar Price Indexes, while a 4% monthly decrease was reported for the Meat Price Index. The annual (January 2020 vs. January 2019) growth percentages indicated increasing trends for all Indexes with the Oils Price Index reflecting the largest annual growth percentage of 34.4%.



Figure 4: Real price indices for five food categories Source: FAO, 2020

The **FAO Food Price Index (FFPI)**¹ in nominal terms, averaged 182.5 points in January 2020, up 1.3 points (0.7%) from December 2019 and 11.3% higher than January 2019. The increase in January 2020 marked the fourth consecutive month that FFPI has been on the upward trend. The latest rise is largely driven by continued strength in the prices of vegetable oils, sugar and, to a lesser extent, cereals and dairy products, more than offsetting a sharp drop in meat prices.

The **FAO Cereal Price Index** in nominal terms, averaged 169.2 points in January 2020, up 4.8 points (2.9%) from December 2019 and reaching its highest value since May 2018. International prices of all major cereals increased in January 2020. Wheat prices rose the most, supported by faster pace in purchases by several

countries amid slowed shipments from France, due to port strikes, and a report of a possible introduction of an export quota by the Russian Federation until 30 June 2020 because of high domestic prices. Export prices of maize also registered significant gains in January 2020, reflecting robust trade activity and seasonal supply tightening in southern hemisphere exporting countries. International rice prices edged up on easing harvest pressure and concerns over the impact of weather on exporters' output.

The **FAO Vegetable Oil Price Index** in nominal terms, averaged 176.3 points in January 2020, up 11.6 points (7%) from December 2019, hitting a three-year high. International palm oil values rose for the sixth consecutive month, underpinned by prospects of tightening global

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.



supplies amid brisk demand from the biodiesel sector. Prices of soy and sunflower oils also kept rising, as robust global import demand coincided with lower than anticipated export availabilities. Meanwhile, rapeseed oil quotations climbed to their highest level since May 2014, reflecting continued tightness in global supplies. From mid-January 2020 onwards, however, prices across the vegetable oil complex lost strength, largely reflecting uncertainties over the implications of the US-China trade deal and concerns about the potential impact of the global coronavirus health emergency. In the case of palm oil, trade tensions between India and Malaysia added to the downward pressure on prices.

The **FAO Dairy Price Index** in nominal terms, averaged 200.6 points in January 2020, up nearly 1.8 points (0.9%) from December 2019. Currently, the Index stands 18.5 points (10.2%) above its value in the corresponding month last year. In January 2020, price quotations for butter, cheese and skim milk powder (SMP) all rose, reflecting strong import demand, combined with limited spot availabilities in Europe as well as in Oceania. Seasonal-low milk production in Oceania provided additional price support. By contrast, quotations for whole milk powder (WMP) fell, reflecting limited global demand during the first half of January 2020.

The **FAO Meat Price Index** in nominal terms, averaged 182.5 points in January 2020, down 7.5 points (4%) from December 2019, marking a break from eleven months of continued increases. At this level, the Index exceeds by 22.4 points (14%) that of January 2019. Price quotations for all meat categories represented in the Index dropped in January 2020, with those of ovine meat falling the most, followed by bovine, pig and poultry meats, pressured by reduced purchases, especially from China and the Far East after large imports towards the end of 2019. Furthermore, large export availabilities, especially of pig and bovine meats, weighed on export prices in recent weeks.

The **FAO Sugar Price Index** in nominal terms, averaged 200.7 points in January 2020, up 10.4 points (5.5%) from December 2019, marking the fourth consecutive monthly increase and the highest level since December 2017. The latest increase was propelled by expectations of a 17% drop in India's sugar output, a 66% production fall in Brazil's largest producing region (the Centre-South) and a 25% contraction in Mexico's harvest. However, recent declines in crude oil prices and the continuous weakness of the Brazilian currency (Real) against the United States Dollar (US\$) limited the extent of the increase in international sugar prices.

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 January 2020 vs. January 2019.

During January 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to **R875.95**, increasing by 0.7% from January 2019 (y-o-y) and by 0.4% from December 2019 month-on-month (m-o-m). The cost of this food basket expressed as a share of the average monthly income³ of the poorest 30% of the population increased from 58.5% in January 2019 to 58.9% in January 2020. The cost of the food basket expressed as a share of the average monthly income at 3.1% when comparing January 2020 with January 2019 (**Figure 5**).



Figure 5: The cost of a typical consumer food basket for the period January 2017 to January 2020, 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, 2020

*Note: New basket composition from January 2017

²Composition of the 28-item 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 annual nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing the periods January 2020 vs. January 2019 (y-o-y) and January 2020 vs. December 2019 (m-o-m). Food categories within this 28-item food basket experiencing the highest annual inflation include: fruits, bread & cereals, sugary foods and bean products.



Figure 6: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing January 2020 vs. January 2019 and January 2020 vs. December 2019 Sources: BFAP & NAMC calculations, Stats SA, 2020

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,

	Overall inflation rate						
Food group	Jan 2020 vs. Jan 2019	Oct 2019 vs. Oct 2018*	Major contributors to inflation in this category	Minor contributors to inflation in this category	Non- contributors to inflation in this category	Comments	
Animal protein	-2.6%	+2%	Tinned fish (+6.9%) IQF chicken portions (+6.1%) Beef offal (+5.9%)	None	Polony (-24.2%) Chicken giblets (-4.6%) Beef mince (-2.2%)	Inflation on tinned fish, IQF chicken portions and beef offal.	
Bread and cereals	+7.2%	+10.5%	Maize meal (+13.5%) Rice (+3.9%) Brown bread (+2.1%) White bread (+0.4%)	None	None	Most significant infla- tion on maize meal and rice, but also on bread.	
Vegetables	-1%	+3.2%	Onions (+5.9%) Cabbage (+2%)	None	Tomatoes (-8.1%) Potatoes (-0.4%)	Inflation on onions and cabbage, deflation on potatoes and tomatoes.	
Fruit	+14.6%	+5%	Oranges (+36.1%) Bananas (+9.9%)	None	Apples (-3.3%)	High inflation on oranges and bananas.	
Dairy	+1.8%	+3.2%	Full cream milk (+6.2%)	None	Cheddar cheese (-2.5%)	Inflation on milk, deflation on eggs and	
Eggs.	-10.9%	-6.9%	None	None	Eggs (-10.9%)	cheese.	
Fats and oils	-2.6%	-1.3%	None	None	Sunflower oil (-4.4%) Brick margarine (-0.7%)	Deflation on sunflower oil and margarine.	
Bean products	+5.5%	+5.4%	Peanut butter (+11.3%) Baked beans (+8.7%)	None	Dried beans (-4.4%)	Inflation mainly on baked beans and peanut butter.	
Coffee and tea	+1.1%	+1.9%	Ceylon/black tea (+3.5%)	None	Instant coffee (-1.3%)	Inflation on tea, with slight deflation on the price of coffee.	
Sugary foods	+6.6%	+2.6%	White sugar (+6.6%)	None	None	Inflation on sugar.	

January 2020 vs. January 2019

Sources: BFAP & NAMC calculations, Stats SA, 2020

*Note: Previous Food Price Monitor analysis period prior to January 2020 vs. January 2019

When comparing January 2020 vs. January 2019 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): oranges (fresh), super maize meal, peanut butter, bananas (fresh), baked beans tinned, canned pilchards, white sugar, full cream milk long life and IQF chicken portions. The items with high inflation could have negative implications in terms of basic food security i.e. staple food inflation, as well as on the dietary diversity i.e. inflation on fish and fruit. When comparing the price changes for January 2020 vs. January 2019 with October 2019 vs. October 2018 (i.e. the previous Food Price Monitor analysis period), higher price increases were reported for fruit 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 7** illustrates the estimated portion costs for these foods, calculated from food price data for January 2020 vs. January 2019. 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 44% more in this case for January 2020). 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 January 2020 vs. January 2019 prices, the results in **Figure 7** indicate inflation of approximately 6.2% (from R5.75 to R6.11 for the typical portion selection). All items revealed positive inflation, in particular maize meal, milk and sugar. Comparing January 2020 vs. December 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, based on January 2020 vs. December 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 0.8%.



Figure 7: Average nominal cost for the typical portions of the five food items most widely consumed by very poor consumers in South Africa, January 2020 vs. January 2019 Sources: BFAP calculations, Stats SA, 2020

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.

Outlook

Annual (y-o-y) inflation on food and non-alcoholic beverages was recorded at 3.7% in January 2020, slightly less than December 2019 figure of 3.9%. Bread & cereals made the biggest contribution to food inflation in January 2020, contributing 47.17% to the total food inflation figure. This also amounts to roughly double the expenditure share attributable to bread & cereals in the food basket. The slight dip in inflation since December 2019 is however also as a result of bread & cereals inflation slowing down since the last guarter of 2019. During 2019Q4 bread & cereals price approached double digits but this was due to low or even negative inflationary rates and low statistical base rates in the year before. It seems that the promise of a large summer grain harvest has caused maize prices to level off and start on a downward trajectory with y-o-y maize prices 0.5% lower than in December 2019 and 1.6% lower compared to January 2019. In terms of wheat prices in January 2020, m-o-m and y-o-y prices were slightly higher at 3.3% and 2.8% respectively. This timid price trajectory combined with the prices of maize tending lower is expected to ease commodity price pressures for grains.

Meat price inflation is still relatively benign at 2.4% after 2019 marked a year with average meat inflation of around 0.4%. The positive growth in inflation rate is, similar to maize, attributable to low base effects of January 2019. In terms of red meat specifically, the Foot and Mouth Disease (FMD) are still serving as a buffer from exchange rate depreciation and world price dynamics with prices at the end of 2019 around 2% lower than the comparative period in 2018. Chicken, in turn, has experienced inflationary pressures during 2019 which resulted in y-o-y price growth of just above 6%. This is largely as a result of exchange rate and global factors. Meat inflation is expected to increase marginally over the next three months due to the discussed base effects but strong growth is unlikely due to the poor performance of the economy in general.

In terms of fresh produce, January 2020 exhibited a reversed trend of high vegetable and low fruit inflation with vegetable inflation amounting to 1.1% and fruit amounting to 8.7%. This can again be described with the prevailing base effects of January 2019 and should not be interpreted as a reversal of the underlying fundamental factors that have caused low inflation in fruit and high inflation in vegetables during 2019. Looking forward over the next three months, vegetable inflation is expected to pick up. The ample rains in the beginning of the year caused prices of leafy vegetables to spike and would most probably be evident in inflation data for February this year. Fruit inflation, in turn, is expected to be subdued. This is due to the base effects discussed above, but also possibly the effect of the Corona virus on the global economy that have led to a decrease in demand.

If we assume the effect of the FMD will linger over the medium term, this, combined with low maize prices associated with a huge projected harvest for the current season, could steady food inflation between 3.5% and 3.7% over the next three months. The upside risk to this is predominantly associated with the exchange rate. A severe depreciation will add to the primary commodity, manufacturing and distribution cost which would ultimately push food inflation to levels closer to 5%. The national budget speech to be delivered on the 26th of February 2020 and the Moody's credit rating decision due by the end of March 2020 are key variables that could have significant impacts on exchange rate levels. The cost of electricity and the recurring periods of load shedding is expected to add to inflationary pressures associated with manufacturing and other value chain costs. To what extent already under-pressured consumers would be able to absorb this, remains to be seen.

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 collections 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:

<u>Price trends</u>: Rika Verwey <u>Outlook/BFAP</u>: Hester Vermeulen Marlene Labuschagne

Design by Sylvester Moatshe

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

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