

Food

BASKET PRICE MONTHLY

MERC

Markets & Economic Research
Centre

*28 Selected food
basket price items:*

*NAMC urban food
basket*



NAMC

Promoting market access for South African agriculture



Food Basket Price Monthly April 2020

Highlights

- Food and non-alcoholic beverage inflation remained at 4.2% during March 2020 year-on-year (y-o-y), with Headline inflation decreasing to 4.1%.
 - o Fruit and sugary food price changes remained the highest food inflation contributors (y-o-y) with 7.1% and 6%, respectively, with vegetable price inflation 1.6% higher than a year ago.
- In April 2020 fuel prices decreased by R1.76/ℓ for 93ULP and by R1.88/ℓ for 95ULP to reach R13.76/ℓ (-11.3% m-o-m) and R13.96/ℓ (-11.9% m-o-m), respectively. Diesel 500ppm decreased by R1.34/ℓ (-9.6% m-o-m) to reach R12.69/ℓ on April 01, 2020.
 - o The massive decline in prices were attributed to the recent coronavirus (Covid-19) pandemic, while a price war between Russia and Saudi Arabia saw oil prices crumble. This will assist essential services to operate, as well as assisting Eskom which relies on diesel-powered electricity generation.
 - o The Rand has depreciated from R14.98/US\$ to R16.43/US\$ for the period 28 February to 26 March 2020, but depreciated even further to R18.74/US\$ on April 22nd, 2020.
 - o Fuel and the Road Accident Fund levies also came into effect on 01 April 2020, increasing the levies on both petrol and diesel by 16c/ℓ and 9c/ℓ, respectively. Added to this is the implementation of the increased in transport tariffs, despite the decrease in the prices.
- **May 2020 expectation:** If current market conditions persist to end of April 2020, petrol prices could drop by between R1.81/ℓ and R1.89/ℓ, while diesel prices could drop by between R1.14/ℓ and R1.17/ℓ, despite the 25c/ℓ increase in fuel taxes implemented in April 2020. The currency remains under pressure amid Covid-19, as well as being downgraded to junk status by Moody's.
- During March 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to R895.18 compared to the R890.85 reported during February 2020, resulting in a monthly percentage increase of 0.5%. When compared to March 2019, an annual (y-o-y) percentage increase of 1.4% was reported.



Overall inflation and food inflation

The March 2020 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 4.2% (y-o-y), respectively, from 4.6% and 4.2% reported during February 2020. **Figure 1** shows the trends in the headline CPI and food and non-alcoholic beverage inflation rates on a monthly basis, from January 2012 to March 2020.

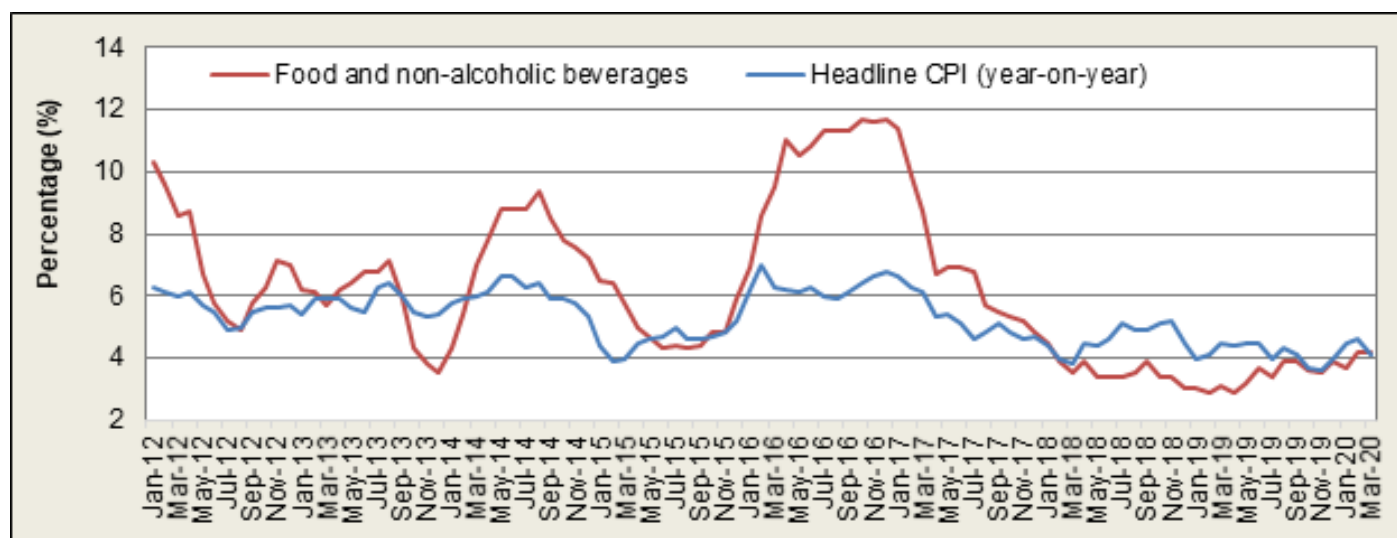


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2020

Comparison between urban and rural prices: March 2020

Table 1 compares prices of selected food items in rural and urban areas for March 2020. The food items which showed the largest price differences between urban and rural areas in March 2020 were: sunflower oil (750ml) at a difference of R3.58, Ceylon/black tea (62.5g) at R3.06 difference, and super maize meal (2.5kg) at a difference of R1.67. This indicates that urban consumers pay 49 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.

Note: Important to note is that data collection by Stats SA for March 2020 was completed before the domestic lockdown period announced by the President Ramaphosa effective March 27th, 2020. CPI is calculated based on an averaged weighted price collected during the first three weeks of any month. The fourth week is utilised for data capturing and ensuring credibility. The prices collected during the lockdown period will then only be eminent in the next Food Basket Price Monthly Report, due end of April 2020.

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

Product	Urban Food Prices March 2020 (R/unit)	Rural Food Prices March 2020 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	14,96	15,53	-0,57
Loaf of brown bread 700g	12,50	12,67	-0,17
Loaf of white bread 700g	13,66	13,64	0,02
Special maize 2.5 kg	21,95	21,49	0,46
Super maize 2.5 kg	25,26	23,59	1,67
Margarine spread 500g	27,53	27,49	0,04
Peanut butter 400g	31,10	32,38	-1,28
Rice 2kg	27,56	27,30	0,26
Sunflower oil 750ml	22,78	19,20	3,58
Ceylon/black tea 62.5g	16,40	13,35	3,06
White sugar 2.5kg	42,44	44,07	-1,63
Average difference (R/unit)	R0.49		

Source: Stats SA, 2020

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 March 2020 vs. March 2019. 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 March 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to **R895.18**

compared to the **R890.85** reported during February 2020, resulting in a monthly percentage increase of 0.5%. When compared to March 2019, an annual (y-o-y) percentage increase of 1.4% 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 (6%), peanut butter 400g (9.4%), bananas – fresh per kg (7.9%), oranges – fresh per kg (15.2%), IQF chicken portions - 2kg (7.3%), fish (excl. tuna) – tinned 400g (8.7%), super maize meal 5kg (13.7%), cabbage – fresh per kg (9.4%), onions – fresh per kg (11.3%), and white sugar 2.5kg (6.9%).



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

Category	Product	Mar-19	Feb-20	Mar-20	% change y-o-y	%change m-o-m
Beans	Baked beans - tinned 410g	10,50	11,14	11,13	6,0%	-0,1%
Beans	Beans - dried 500g	19,21	19,16	18,76	-2,3%	-2,1%
Beans	Peanut butter 400g	28,43	30,81	31,10	9,4%	0,9%
Coffee, Tea	Instant coffee 250g	35,51	35,55	35,33	-0,5%	-0,6%
Coffee, Tea	Ceylon/black tea 250g	35,67	36,82	36,01	1,0%	-2,2%
Dairy, Eggs	Full cream milk - long life 1ℓ	14,30	14,90	14,96	4,6%	0,4%
Dairy, Eggs	Eggs 1.5 dozen	42,02	40,04	40,63	-3,3%	1,5%
Dairy, Eggs	Cheddar cheese per kg	106,46	105,63	106,06	-0,4%	0,4%
Fats, Oils	Brick margarine 500g	22,31	22,44	21,25	-4,8%	-5,3%
Fats, Oils	Sunflower oil 750ml	22,77	22,49	22,78	0,0%	1,3%
Fruit	Apples - fresh per kg	23,17	22,34	22,32	-3,7%	-0,1%
Fruit	Bananas - fresh per kg	17,12	16,60	18,48	7,9%	11,3%
Fruit	Oranges - fresh per kg	27,92	31,31	32,16	15,2%	2,7%
Protein	Beef mince - fresh per kg	84,19	84,43	85,85	2,0%	1,7%
Protein	Beef offal - fresh per kg	34,50	37,19	36,31	5,2%	-2,4%
Protein	Chicken giblets per kg	34,36	32,47	34,18	-0,5%	5,3%
Protein	IQF chicken portions - 2kg	64,28	68,50	68,95	7,3%	0,7%
Protein	Fish (excl. tuna) - tinned 400g	19,18	20,49	20,85	8,7%	1,8%
Protein	Polony per kg	46,42	34,40	34,25	-26,2%	-0,4%
Bread & Cereals	Loaf of brown bread 700g	12,57	12,47	12,50	-0,6%	0,2%
Bread & Cereals	Loaf of white bread 700g	13,86	13,63	13,66	-1,4%	0,2%
Bread & Cereals	Super maize meal 5kg	38,45	44,58	43,73	13,7%	-1,9%
Bread & Cereals	Rice 2kg	26,30	27,50	27,56	4,8%	0,2%
Vegetables	Cabbage - fresh per kg	13,77	14,68	15,07	9,4%	2,7%
Vegetables	Onions - fresh per kg	13,75	15,01	15,30	11,3%	1,9%
Vegetables	Potatoes - fresh per kg	12,59	13,21	13,21	4,9%	0,0%
Vegetables	Tomatoes - fresh per kg	23,86	20,42	20,35	-14,7%	-0,3%
Sugary foods	White sugar 2.5kg	39,69	42,64	42,44	6,9%	-0,5%
	Total Basket (Rand value)	R883,16	R890,85	R895,18	1,4%	0,5%

Source: Stats SA and BFAP, 2020



To further explore the impact of inflation on consumers, **Figure 2** presents an illustration of the average nominal cost growth of the specific food groups within the NAMC's 28-item food basket, comparing the periods March 2020 vs. March 2019 (y-o-y) and March 2020 vs. February 2020 (m-o-m). Food categories in this 28-item food basket experiencing the highest annual inflation remains fruit, sugary food products and bread & cereals. When considering the monthly contributors, fruit remains the highest monthly contributor with 3.9%, with fresh bananas per kg reporting the highest monthly increase of 11.3%.

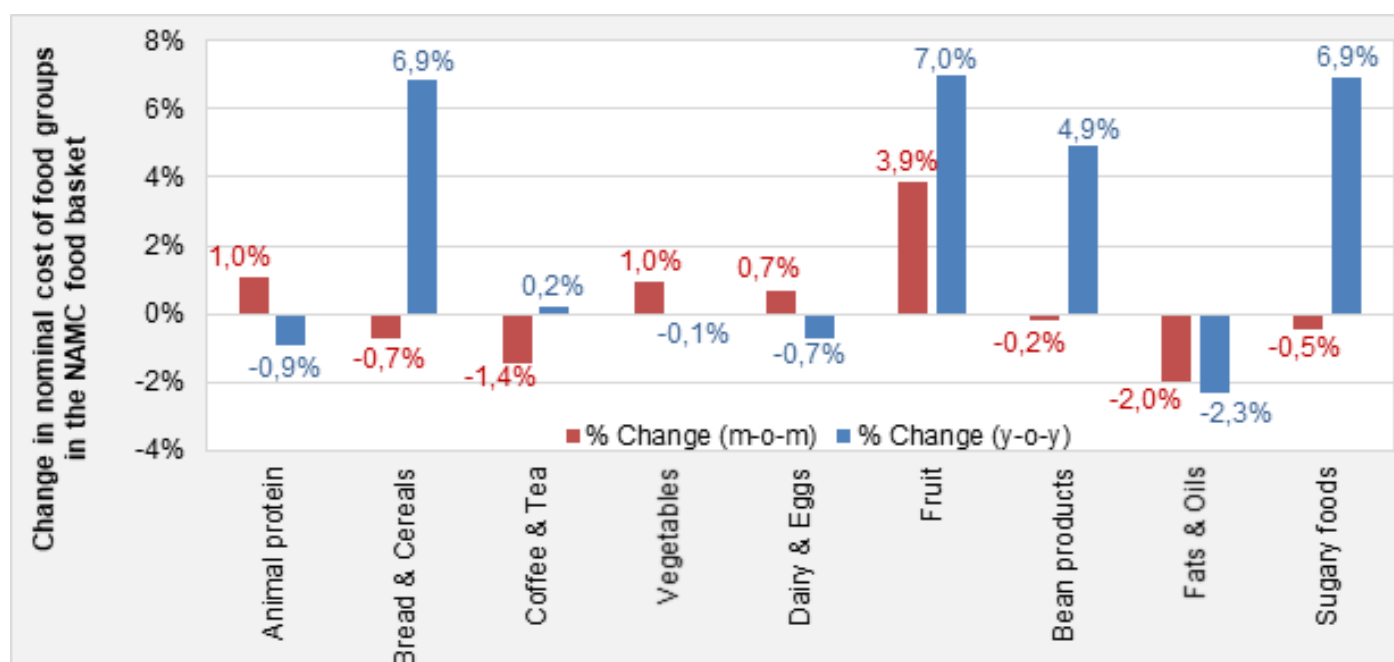


Figure 2: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing March 2020 vs. March 2019 and March 2020 vs. February 2020

Source: BFAP & NAMC calculations, Stats SA data, 2020



Considering the percentage/share the poorest 30% of the population spends on the 28-item food basket on a monthly basis, March 2020 amounts to 58.9% of their average monthly income¹. The cost of the 28-item food basket expressed as a share of the average monthly income of the wealthiest 20% of the population, amounts to 3.1% of their income spent during March 2020 (**Figure 3**).

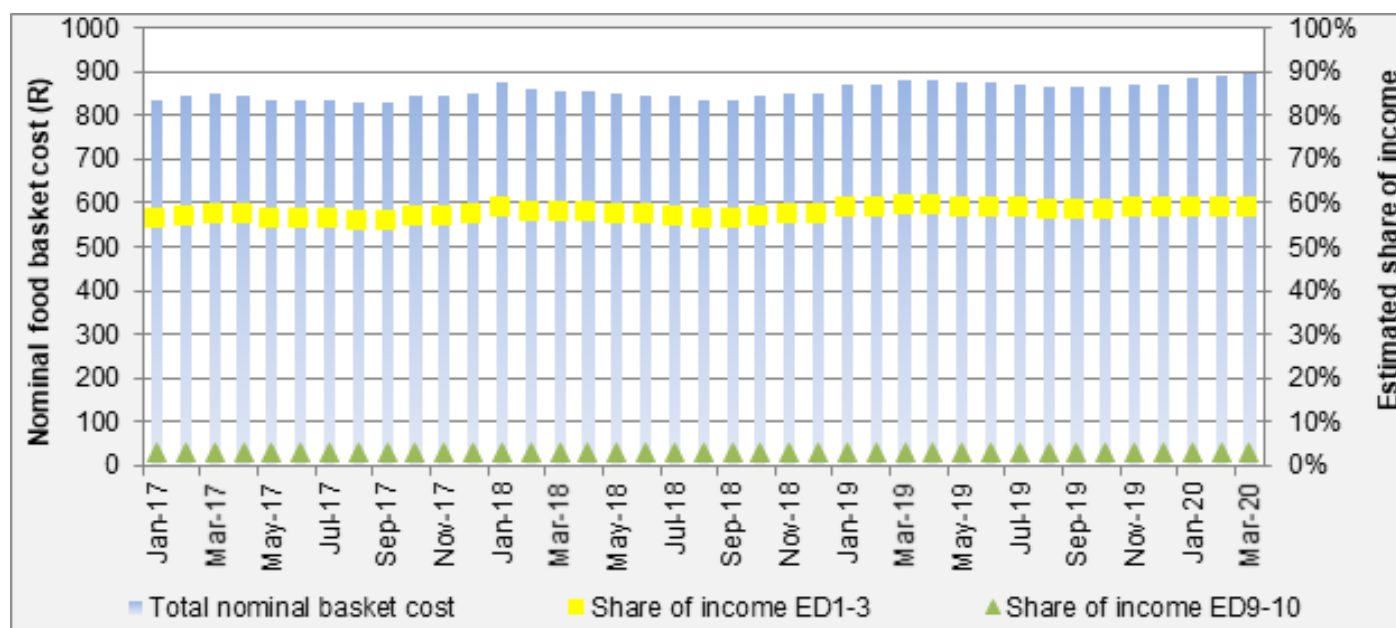


Figure 3: The cost of the 28-item food basket for the period January 2017 to March 2020, expressed in nominal terms and as share of the average income of the poorest 30% of households (ED 1-3) and the wealthiest 20% of households (ED 9-10)

Sources: BFAP calculations, Stats SA, 2020

¹The cost of the NAMC's 28-item 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. The wealthiest 20% of the population was expressed as a share of the estimated average monthly income of Expenditure Deciles 9-10.

Background Information

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.

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