



NAMC
Promoting market access for South African agriculture

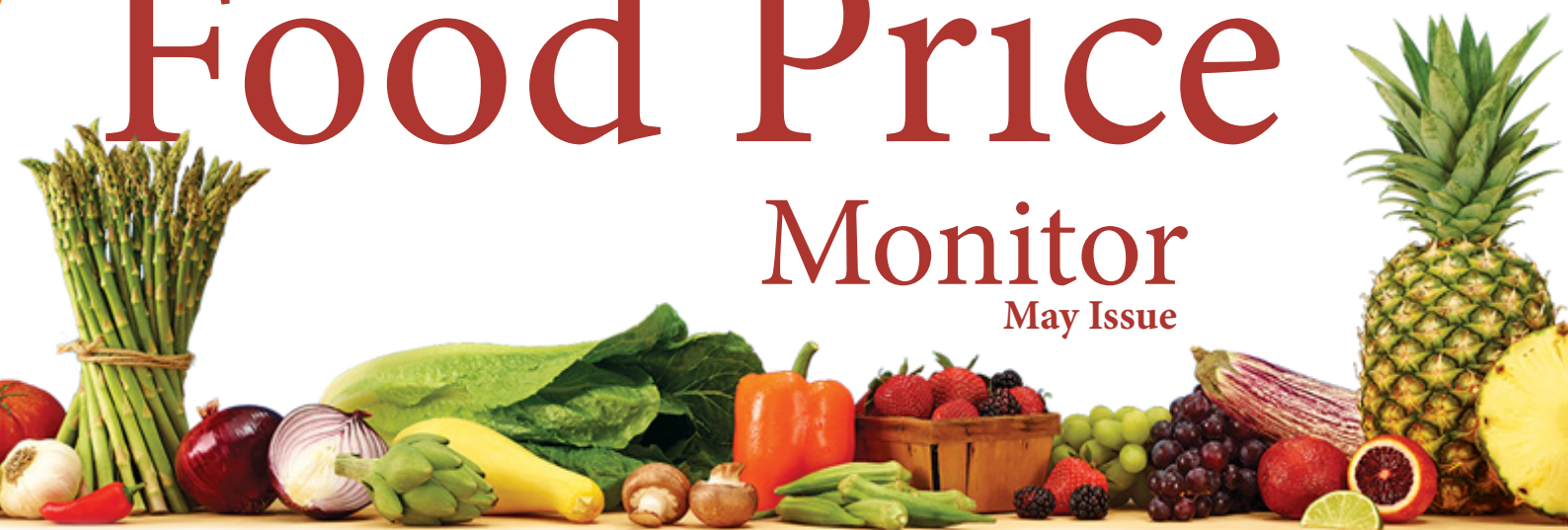


2020

Food Price

Monitor

May Issue



Important note

The COVID-19 pandemic has fundamentally impacted the South African economy and Statistics South Africa's (Stats SA) ability to measure the impact. As a result, changes to the compilation and release of the April 2020 Consumer Price Index (CPI) data as a result of the lockdown restrictions, resulted in the April 2020 CPI data to only be published on Wednesday June 24, 2020 (see document below: http://www.statssa.gov.za/cpi/documents/CPI_COVID_method_issues_21_05_20.pdf).

Cognisance should therefore be taken when interpreting the results as an estimated price for April 2020 had to be calculated based on document above until the official release of the actual April 2020 CPI data, scheduled for June 24th. As a result, certain price comparisons would not be feasible at this stage.

EXECUTIVE SUMMARY

During March 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 4.1% and 4.2%, respectively. The same indices were 4.6% and 4.2% during February 2020.

Prices were compared for selected food items in urban areas for April 2020* vs. March 2020. Food items showing the largest price differences between urban areas in April 2020* vs. March 2020 were: sunflower oil (750ml) at a difference of R7.05, Ceylon/black tea (62.5g) at R3.61 difference, and margarine spread (2.5kg) at a difference of R1.25. This indicates that urban consumers paid R1.90 more on average, for these 11 food items during April 2020.

The FAO Food Price Index (FFPI) in nominal terms, averaged 165.5 points in April 2020, down 5.7 points (3.4%) from March 2020 and the lowest since January 2019. The April 2020 decline marked the third consecutive monthly fall in the value of the Index; largely attributed to several negative impacts on international food markets arising from the COVID-19 pandemic. Except the cereal sub-index, which declined only slightly, all the other sub-indices of the overall Index registered significant month-on-month (m-o-m) declines in April 2020, in particular the sugar sub-index.

During April 2020, the estimated nominal cost of the NAMC's 28-item urban food basket amounted to R908.62



compared to the R895.18 reported during March 2020, resulting in a monthly percentage increase of 1.5%. When compared to April 2019, an annual (y-o-y) percentage increase of 3.3% was reported.

Comparing April 2020 vs. April 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): sunflower oil, Ceylon/black tea, eggs, potatoes, bananas, super maize meal, white sugar, peanut butter and beef offal. When comparing the price changes for April 2020* vs. April 2019 with January 2020 vs. January 2019 higher price increases were reported for dairy, eggs, fats & oils, coffee & tea, and sugar

In terms of an outlook over the coming months, the only certainty is seemingly the ever-increasing uncertainty. Key factors that could impact food inflation over the next three months include the exchange rate and possibly oil prices, as the global lockdown in various countries are starting to ease. Since the end of March 2020, the exchange rate has recovered from levels of around R19/USD to around R17.5/USD. The severe initial depreciation was expected to result in double digit food inflation, specifically for commodities such as Breads and Cereals, and Meat, but the strengthening of exchange rates during May 2020 however are expected to dampen cost pressure of primary commodities and other costs in the value chain substantially over the coming months. Although the inflationary picture related to the exchange rate volatility is substantially brighter than a month ago, cost pressures are still expected to be visible in food value chains. The extent to which these factors can drive prices up are dependent on the consumer's ability to absorb it which, seems limited for the foreseeable near future.



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Introduction

As April 2020 official CPI data will only be released by June 24th 2020, this section contains data up to March 2020.

During March 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 4.1% and 4.2%, respectively. The same indices were 4.6% and 4.2% during February 2020. **Figure 1** shows trends of the headline CPI and food and non-alcoholic beverage inflation rates on a monthly basis, from January 2015 to March 2020.

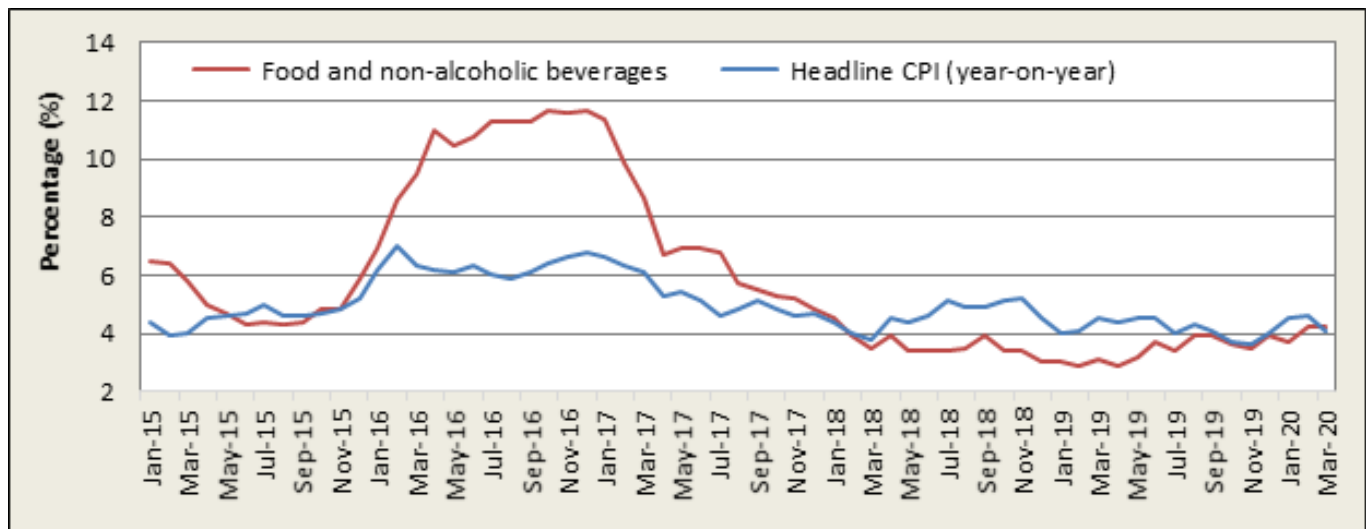


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2020

Figure 2 presents the components of the food and non-alcoholic beverage index changes. During March 2020 vs. March 2019, the following changes, in descending order, were reported: fruit (7.1%), sugary foods (6%), other food items (5.6%), fish (5.3%), meat (5%), unprocessed foods (4.9%), oils & fats (4.1%), processed foods (3.8%), bread & cereals (3.8%), milk, eggs & cheese (3.7%), and vegetables (1.6%). The monthly percentage changes are also illustrated.

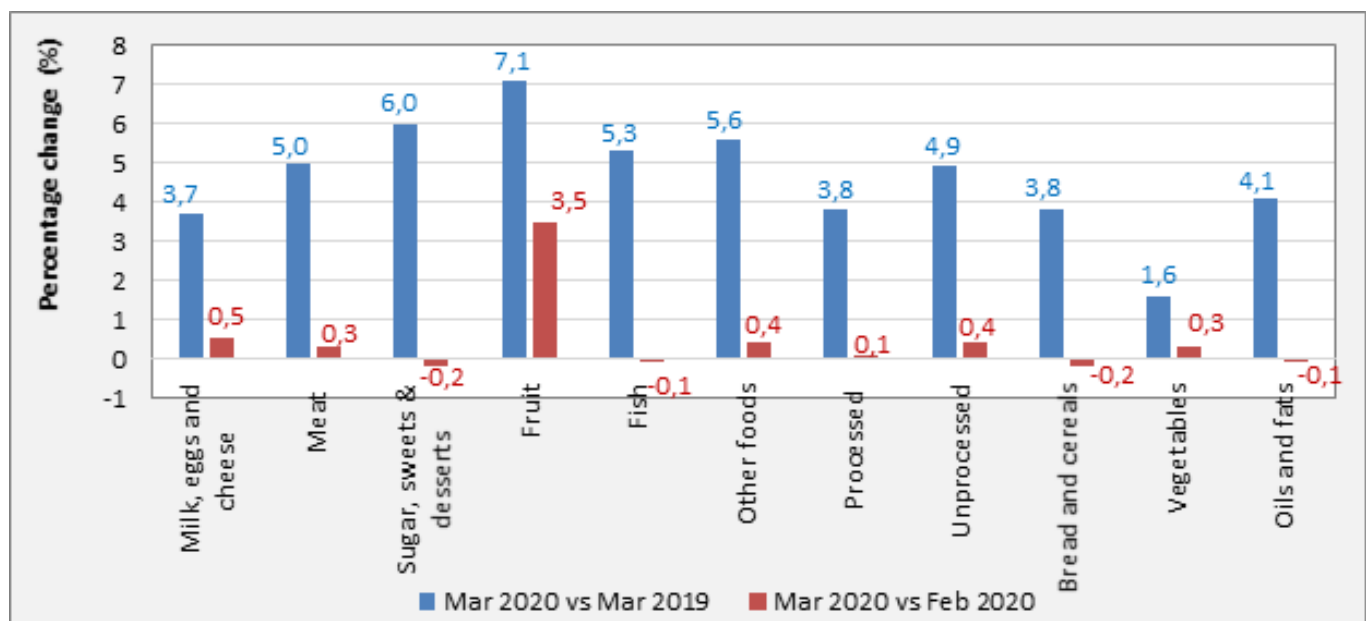


Figure 2: Annual (March 2020 vs. March 2019) and monthly (March 2020 vs. February 2020) CPI changes for different food categories

Source: Stats SA, 2020

Overall inflation and food inflation: South Africa and selected countries

As a result of the Covid-19 global pandemic, not all April 2020 data per country were available, therefore this section contains data up to March 2020.

Table 1 shows the annual year-on-year (y-o-y) overall inflation and food inflation rates for March 2020 for South Africa and other selected countries. South Africa's overall inflation for March 2020 reached 4.1% with food inflation reaching 4.4%. The food categories with the largest annual contribution to South African food inflation include fruit, sugary foods, and 'other' food categories. The Zambian overall inflation rate for March 2020 reached 14%, with food inflation reaching 15.2%. Botswana's overall inflation rate remained at 2.2%, with food inflation reaching 3.4% during March 2020. Considering inflation rates of the BRIC countries, Russia recorded the lowest overall inflation of 2.5%, with China remaining the highest food inflation contributor at 18.3%.

Table 1: Overall inflation and food inflation during January 2020 to March 2020

Country	January 2020		February 2020		March 2020	
	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)
Botswana	2,2	3,2	2,2	3,5	2,2	3,4
Brazil	4,2	5,8	4,0	5,1	3,3	4,9
China	5,4	20,6	5,2	21,9	4,3	18,3
India	7,6	13,6	6,6	10,8	5,9	8,8
Namibia	2,1	2,2	2,5	2,8	2,4	2,9
Russia	2,4	2,1	2,3	1,8	2,5	2,2
South Africa	4,5	3,7	4,6	4,2	4,1	4,4
Turkey	12,2	9,0	12,4	10,6	11,9	10,1
United Kingdom	1,8	1,4	1,7	1,2	1,5	1,3
United States	2,5	1,8	2,3	1,8	1,5	1,9
Zambia	12,5	15,4	13,9	15,9	14,0	15,2

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



Urban food price trends: April 2020* vs. April 2019

As a result of the Covid-19 global pandemic, rural prices could not be monitored during April 2020, therefore this section will rank an estimated urban price for April 2020* vs. April 2019.

Table 2 rank selected food items pertaining to urban 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 (April 2020* vs. April 2019)

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Brick margarine 1kg	-4,6%	Polony per kg / 1kg	-24,0%	Cauliflower - fresh per kg / each	-42,2%
Rice 1kg	-4,5%	Bacon 250g	-9,2%	Tomatoes - fresh per kg	-31,6%
Brick margarine 500g	-1,4%	Chicken portions frozen - non IQF average per kg	-1,7%	Beans - dried 500g	-7,7%
Spaghetti 500g	-0,7%	Chicken portions frozen - non IQF per kg (real)	-1,7%	Beetroot - fresh per kg	-3,9%
Loaf of white bread 700g	0,1%	Sausage 500g	-0,7%	Apples - fresh per kg	-0,3%
Rice 2kg	0,6%	Chicken giblets per kg	0,6%	Pears - fresh per kg	3,3%
Cold cereals 500g	1,2%	Corned beef 300g	0,8%	Baked beans - tinned 410g	4,1%
Macaroni 500g	1,8%	Beef mince - fresh per kg	1,2%	Oranges - fresh per kg	5,1%
Loaf of brown bread 700g	3,2%	Low fat milk - long life 1ℓ	1,9%	Onions - fresh per kg	5,3%
Super maize 1kg	3,8%	Powdered milk 900g	2,1%	Cabbage - fresh per kg	5,5%
Special maize 2.5kg	5,2%	IQF chicken portions - 1kg	2,7%	Cabbage - fresh each	5,5%
Margarine spread 500g	5,6%	Ham 500g	2,8%	Sweet potatoes - fresh per kg	6,6%
Peanut butter 400g	6,2%	IQF chicken portions - 2kg	3,0%	Bananas - fresh per kg	16,8%
Cake flour 2.5kg	7,8%	Low fat milk - fresh 1ℓ	3,9%	Potatoes - fresh per kg	18,0%
Special maize 5kg	8,5%	Lamb - neck per kg	4,6%		
Super maize 5kg	8,6%	Cheddar cheese per kg	4,7%		
Instant noodles 73g	9,9%	Beef T-bone - fresh per kg	4,9%	Other	%
Super maize 2.5kg	12,1%	Full cream milk - long life 1ℓ	4,9%	Instant coffee 250g	-9,4%
Pasta 500g	12,3%	Full cream milk - fresh 1ℓ	4,9%	White sugar 2.5kg	7,8%
Sunflower oil 750ml	31,9%	Pork - ribs per kg	5,0%	Ceylon/black tea 250g	23,4%
		Fish (excl. tuna) - tinned 400g	5,1%	Ceylon/black tea 62.5g	23,9%
		Beef fillet - fresh per kg	5,3%		
		Beef offal - fresh per kg	6,0%		
		Lamb - loin chop per kg	6,1%		
		Full cream milk - fresh 2ℓ	6,3%		
		Lamb - leg per kg	6,3%		
		Lamb - rib chop per kg	6,4%		
		Low fat milk - fresh 2ℓ	6,5%		

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%		
		Chicken portions - fresh per kg	9,6%		
		Whole chicken - fresh per kg	9,7%		
		Beef stew - per kg	10,5%		
		Tuna - tinned 170g	11,1%		
		Beef rump steak - fresh per kg	15,0%		
		Eggs 1.5 dozen	22,0%		
		Beef chuck - fresh per kg	22,4%		
		Eggs 0.5 dozen	28,1%		
		Beef sirloin - fresh per kg	39,5%		

Source: Stats SA, 2020

Note: Food items highlighted in the table above experienced price increases above the SARB inflation target of 6%.

*Note: Estimated April 2020 price

A closer look at annual food price trends: April 2020 vs. April 2019

During the period April 2020 vs. April 2019, the international price of wheat (US No.2, Hard Red Winter ord. Prot., US FOB Gulf) increased by 9.8%, while domestic wheat prices increased by 19.9%. Urban consumers paid 3.2% and 0.1% more for a loaf of brown and white bread (700g), respectively. Domestic yellow maize prices increased by 8.7%, while international yellow maize prices decreased by 9%. Super and special maize meal prices (2.5kg) increased by 12.1% and 5.2%, respectively in urban areas. During the same period, the urban prices of sunflower oil (750ml) increased by 31.9%. Domestic prices of sunflower seed increased by 19.1% annually, while international sunflower seed prices increased by 8.4%.

During April 2020 vs. April 2019, average beef producer prices (R/kg) of classes A2/A3, B2/B3 and C2/C3 increased by 3.3%, 3.8% and 2.2%, respectively. Lamb/mutton producer prices (R/kg) of classes A2/A3 and C2/C3 increased by 15.7% and 6.2%, respectively, while the price of class B2/B3 decreased by 2.8%. Producer prices of frozen, individually quick frozen (IQF) and fresh chicken portions (R/kg) increased by 4.2%, 3.3%, and 0.3%, respectively. Porker and baconer producer prices (R/kg) decreased by 1.6% and 0.2%, respectively, during the same period.



Comparison between urban: April 2020* vs. March 2020

Please note that the April 2020* prices utilised are an estimated urban price calculation.

Table 3 compares prices of selected food items in urban areas for April 2020* vs. March 2020. Food items showing the largest price differences between March 2020 and April 2020* urban areas: sunflower oil (750ml) at a difference of R7.05, Ceylon/black tea (62.5g) at R3.61 difference, and margarine spread (2.5kg) at a difference of R1.25. This indicates that urban consumers paid R1.90 more on average, for these 11 food items during April 2020.

Table 3: Comparison between urban food prices (selected food items)

Product	Urban Food Prices March 2020	Urban Food Estimated Prices April 2020* (R/unit)	Price difference (R/unit)
Full cream milk – long life 1l	14,96	15,00	0,04
Loaf of brown bread 700g	12,50	12,96	0,46
Loaf of white bread 700g	13,66	13,87	0,21
Special maize 2.5 kg	21,95	22,96	1,01
Super maize 2.5 kg	25,26	26,14	0,88
Margarine spread 500g	27,53	28,78	1,25
Peanut butter 400g	31,10	30,57	(0,53)
Rice 2kg	27,56	26,28	(1,28)
Sunflower oil 750ml	22,78	29,83	7,05
Ceylon/black tea 62.5g	16,40	20,02	3,61
White sugar 2.5kg	42,44	42,77	0,33
Average difference (R/unit)			R1.19

Source: Stats SA, 2020

*Note: Estimated April 2020 price



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 2016 to 2020, with April 2020 reaching an index level of 133.95 percentage points.

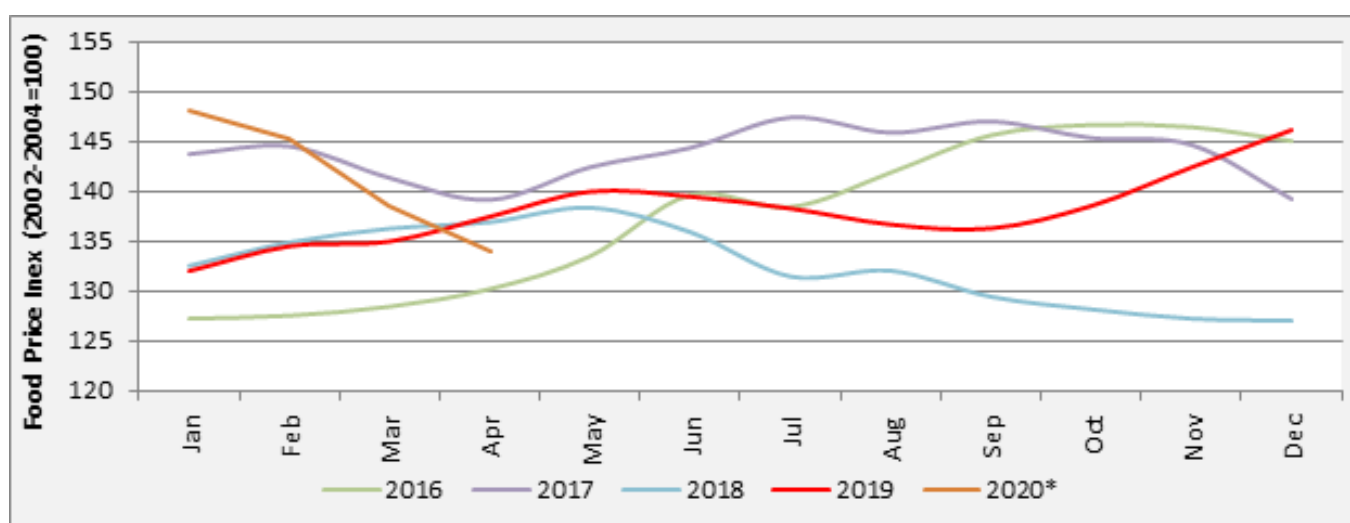


Figure 3: International monthly real FPI

Source: FAO, 2020

*Note: Current year



Figure 4 shows the price indices in real terms for five food categories. The monthly (April 2020 vs. March 2020) growth percentages indicated decreasing trends for all five Indexes. The annual (April 2020 vs. April 2019) growth percentages indicated increasing trends of 2.9% for both the Cereals and Oils Price Indexes, whilst the Sugar Price Index reflected the largest annual decline percentage of 19.9%.

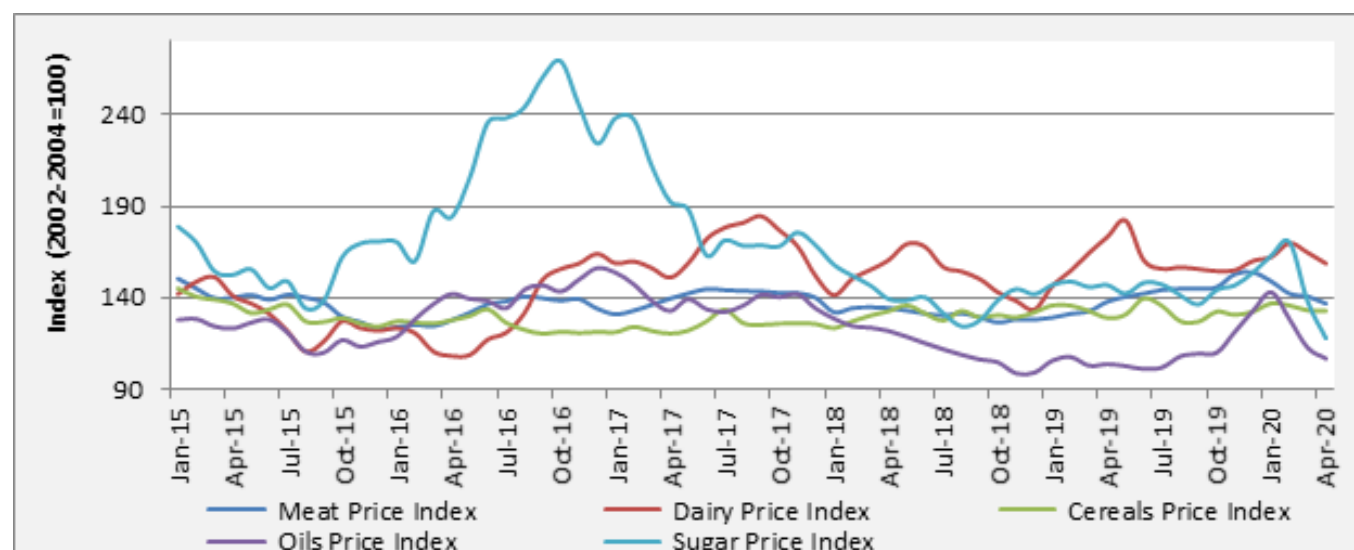


Figure 4: Real price indices for five food categories

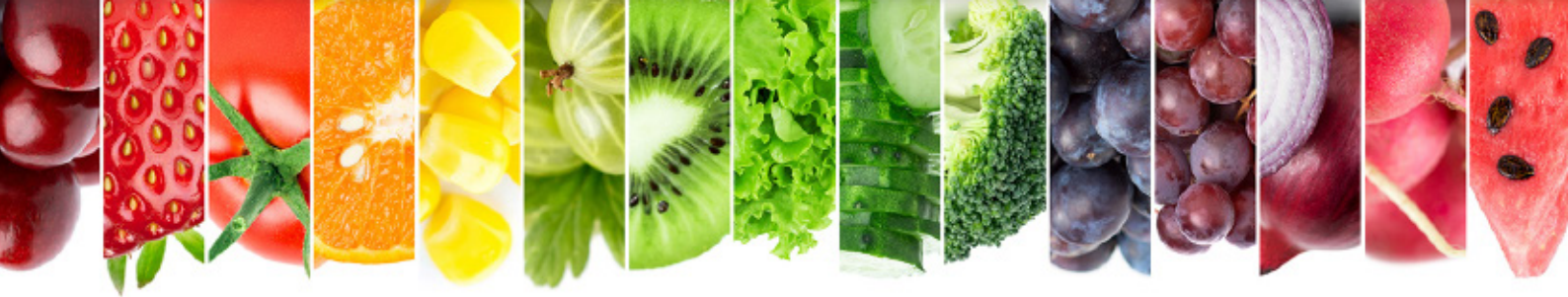
Source: FAO, 2020

The **FAO Food Price Index (FFPI)**¹ in nominal terms, averaged 165.5 points in April 2020, down 5.7 points (3.4%) from March 2020 and the lowest since January 2019. The April 2020 decline marked the third consecutive monthly fall in the value of the Index; largely attributed to several negative impacts on international food markets arising from the COVID-19 pandemic. Except the cereal sub-index, which declined only slightly, all the other sub-indices of the overall Index registered significant m-o-m declines in April 2020, in particular the sugar sub-index.

The **FAO Cereal Price Index** in nominal terms, averaged nearly 164 points in April 2020, down marginally from March 2020 but still up almost 4 points (2.4%) from April 2019. Among major cereals, international prices

of wheat and rice rose significantly in April 2020, but a sharp drop in maize quotations kept the overall value of the FAO Cereal Price Index close to its level in the previous month. Wheat prices averaged 2.5% higher m-o-m, reflecting strong international demand amid reports of a quick fulfilment of the export quota from the Russian Federation, which was implemented in late March 2020 and is not expected to be adjustable until the end of the current marketing season on 30 June 2020. The imposition of temporary export restrictions and logistical bottlenecks in some suppliers fuelled a 7.2% monthly increase in international rice prices, although increases were capped by the easing and eventual repeal of export limits, namely in Vietnam, towards the end of the month. By contrast, international maize prices registered a third consecutive month

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.



of decline, pushing down the overall value of the coarse grains index by 10% from the previous month. Already large export availabilities, supplemented by newly harvested crops in South America, amid weaker demand for animal feed and fuel ethanol, continued to put strong downward pressure on maize prices.

The **FAO Vegetable Oil Price Index** in nominal terms, averaged 131.8 points in April 2020, shedding 7.2 points (or 5.2%) from last month and hitting its lowest level since August 2019. The third consecutive monthly decrease in the index mainly reflects falling palm, soy and rapeseed oil values, whereas sunflower oil prices strengthened. The continued decline in palm oil prices was driven by the plunge in international crude oil quotations and sluggish global demand for palm oil in both the food and energy sectors because of the COVID-19 pandemic. Higher than expected palm oil output in Malaysia added to the downward pressure on prices. Weakening demand also pushed down soy and rapeseed oil prices, with soy oil values also affected by higher than anticipated crushing's in the United States. By contrast, international sunflower oil prices rebounded in April 2020, underpinned by firm import demand amid concerns over tightening exportable supplies.

The **FAO Dairy Price Index** in nominal terms, averaged 196.2 points in April 2020, down 7.3 points (3.6%) from March 2020, registering the second consecutive month of decline and now down 18.8 points (8.8%) from its value in the corresponding month last year. Quotations for butter, skim milk powder (SMP) and whole milk powder (WMP) fell by over 10% in April 2020, reflecting increased export availabilities and mounting inventories amid weak import demand. With milk production in the northern hemisphere normally rising at this time of the

year, diminished restaurant sales and reduced demand from food manufacturers also weighed on prices. By contrast, price quotations for cheese rebounded moderately on account of limited spot supplies from Oceania, where production is seasonally declining.

The **FAO Meat Price Index** in nominal terms, averaged 68.8 points in April 2020, down 4.7 points (2.7%) from March 2020, registering the fourth consecutive monthly decline. In April 2020, international quotations for all meat types represented in the index fell, as a partial recovery in import demand, mainly in China, was insufficient to balance a slump in imports from other countries, caused by continued COVID-19 related economic hardship, logistical bottlenecks and a steep fall in demand from the food services sector due to lockdowns. Notwithstanding reduced levels of meat processing as labour shortages mounted, plummeting restaurant sales led to increased stock build up and export availabilities, also weighing on meat price quotations.

The **FAO Sugar Price Index** in nominal terms, averaged 144. points in April 2020, down 24.7 points (14.6%) from March 2020, marking the second consecutive monthly decrease. This latest drop was mostly on the back of a collapse in international crude oil prices. Falling energy prices means that sugar mills divert more sugarcane for the production of sugar instead of ethanol, a substitute for gasoline, hence expanding sugar export availabilities. In addition, a contraction in sugar demand arising from the confinement measures imposed in a number of countries to contain the spread of COVID-19 spawned additional downward pressure on world sugar prices.

Estimated impact of food inflation on consumers

Please note that the April 2020* prices utilised are an estimated urban price calculation.

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 April 2020* vs. April 2019.

During April 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to **R908.62**, increasing by 3.3% from April 2019 (y-o-y) and by 1.5% from March 2020 m-o-m. The cost of this food basket expressed as a share of the average monthly income of the poorest 30% of the population increased from 59.1% in April 2019 to 61.1% in April 2020*. The cost of the food basket expressed as a share of the average monthly income of the wealthiest 20% of the population increased from 3.1% in April 2019 to 3.2% in April 2020* (Figure 5).

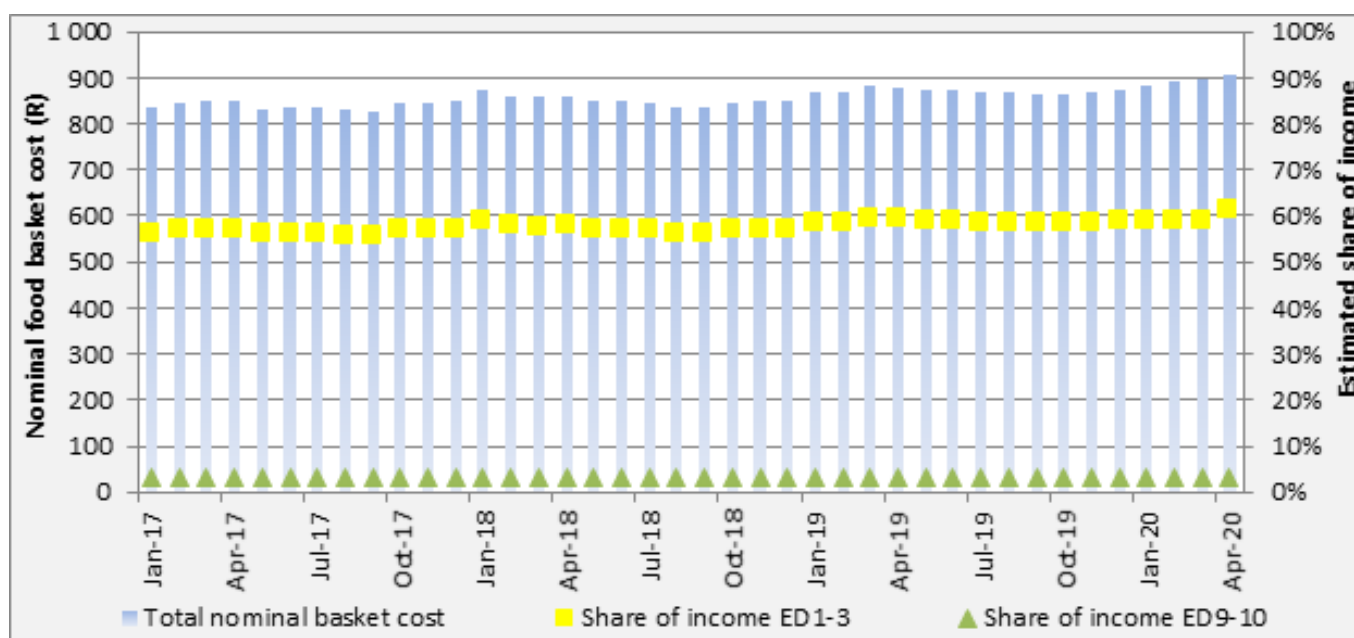


Figure 5: The cost of a typical consumer food basket for the period January 2017 to April 2020, expressed in nominal terms and as share of the average income of the poorest 30% of households (Expenditure Deciles [ED] 1-3) and the wealthiest 20% of households (ED 9-10)

Sources: BFAP calculations, Stats SA, 2020

*Note: Estimated April 2020 price

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).

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 April 2020* vs. April 2019 (y-o-y) and April 2020* vs. March 2020 (m-o-m). Food categories within this 28-item food basket experiencing the highest annual inflation include: fats & oils, dairy & eggs, and sugary foods.

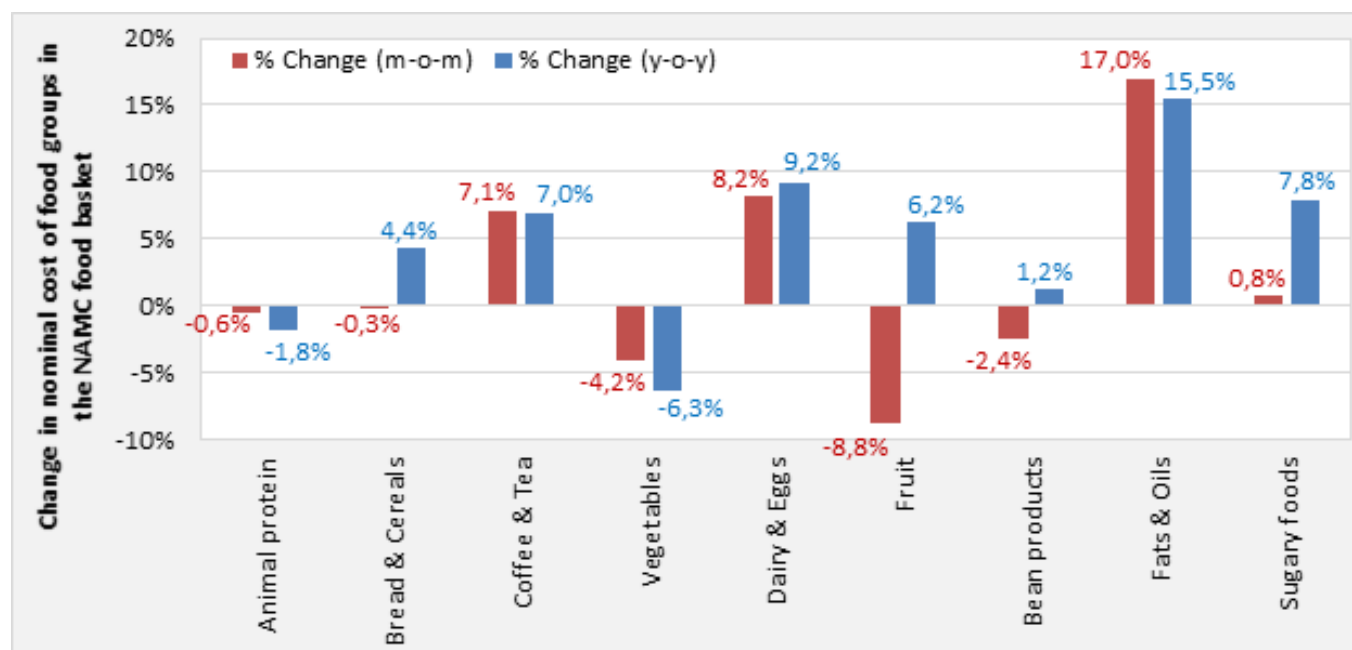


Figure 6: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing April 2020* vs. April 2019 and April 2020* vs. March 2020

Sources: BFAP & NAMC calculations, Stats SA, 2020

*Note: Estimated April 2020 price

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, April 2020* vs. April 2019

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
	Apr 2020* vs. Apr 2019	Jan 2020 vs. Jan 2019**				
Animal protein	-1.8%	-2.6%	Beef offal (+6%) Tinned fish (+5.1%) IQF chicken portions (+3%)	Beef mince (+1.2%) Chicken giblets (+0.6%)	Polony (-24%)	Most significant inflation on beef offal and tinned fish.
Bread and cereals	+4.4%	+7.2%	Maize meal (+8.6%) Brown bread (+3.2%)	Rice (+0.6%) White bread (+0.1%)	None	Most significant inflation on maize meal and brown bread.
Vegetables	-6.3%	-1%	Potatoes (+18%) Cabbage (+5.5%) Onions (+5.3%)	None	Tomatoes (-31.6%)	Inflation on potatoes, cabbage, and onions.
Fruit	+6.2%	+14.6%	Bananas (+16.8%) Oranges (+5.1%)	None	Apples (-0.3%)	High inflation on bananas and oranges.
Dairy	+4.8%	+1.8%	Full cream milk (+4.9%) Cheddar cheese (+4.7%)	None	None	High inflation on eggs. Similar (lower) inflation on milk and cheese.
Eggs	+22%	-10.9%	Eggs (+22%)	None	None	
Fats and oils	+15.5%	-2.6%	Sunflower oil (+31.9%)	None	Brick margarine (-1.4%)	High inflation on sunflower oil.
Bean products	+1.2%	+5.5%	Peanut butter (+6.2%) Baked beans (+4.1%)	None	Dried beans (-7.7%)	Inflation mainly on baked beans and peanut butter.
Coffee and tea	+7%	+1.1%	Ceylon/black tea (+23.4%)	None	Instant coffee (-9.4%)	High inflation on tea, with deflation on the price of coffee.
Sugary foods	+7.8%	+6.6%	White sugar (+7.8%)	None	None	Inflation on sugar.

Sources: BFAP & NAMC calculations, Stats SA, 2020

*Note: Estimated April 2020 price

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

When comparing April 2020* vs. April 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): sunflower oil, Ceylon/black tea, eggs, potatoes, bananas, super maize meal, white sugar, peanut butter and beef offal. 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 April 2020* vs. April 2019 with January 2020 vs. January 2019 (i.e. the previous Food Price Monitor analysis period), higher price increases were reported for dairy, eggs, fats & oils, coffee & tea, 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 April 2020* vs. April 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 48% more in this case for April 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 April 2020* vs. April 2019 prices, the results in **Figure 7** indicate inflation of approximately 6.52% (from R5.95 to R6.34 for the typical portion selection). All items revealed positive inflation, in particular tea, maize meal, and sugar. Comparing April 2020* vs. March 2020, 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%.

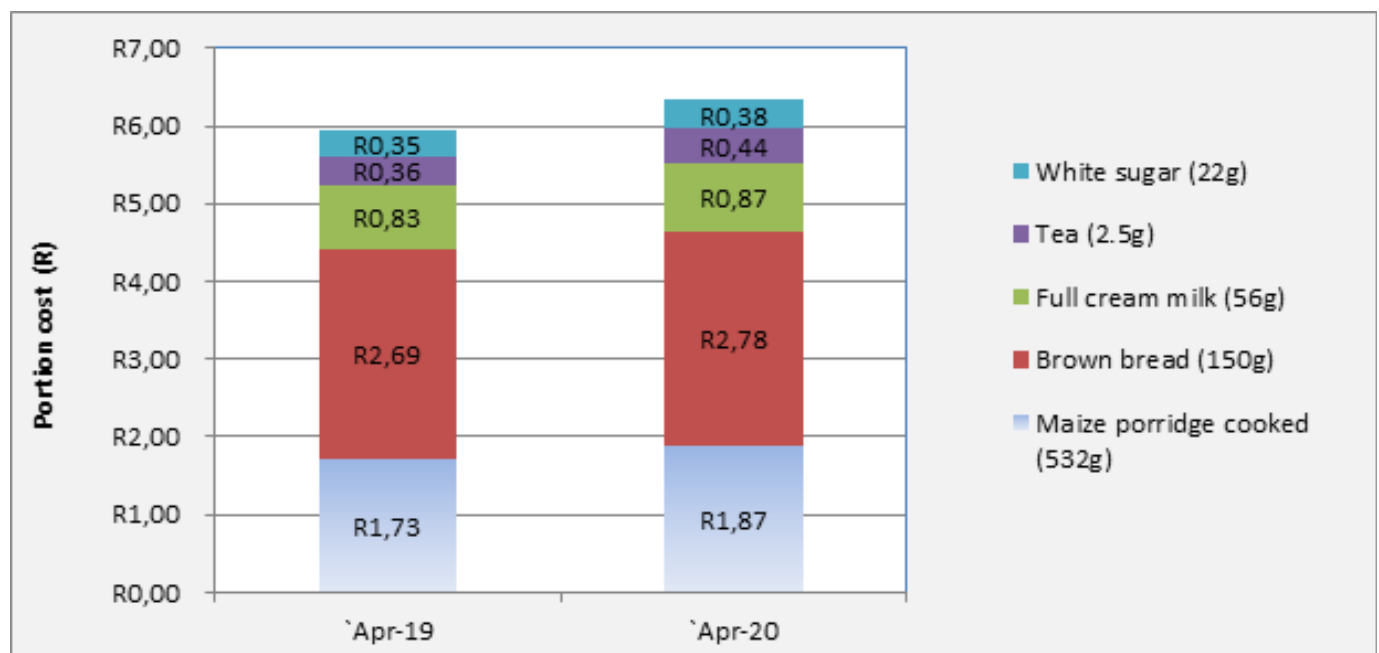


Figure 7: Average nominal cost for the typical portions of the five food items most widely consumed by very poor consumers in South Africa, April 2020* vs. April 2019

Sources: BFAP calculations, Stats SA, 2020

*Note: Estimated April 2020 price

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.

Tracking food inflation during April 2020 proved to be a difficult task since actual (physically collected) prices was not possible to collected from retail outlets due to the lockdown. As a result, the review of trends in certain subcategories were calculated based on online prices collected by Stats SA during March and April 2020. Monthly comparison is therefore directly comparable and represents the increase in online prices between the past two months. The annual comparison should however be interpreted with caution since the comparison is based on estimated actual (physically collected) prices in April 2020 versus actual prices in April 2019. The results from the annual comparison indicate significantly higher prices, but the effect could be exasperated by the fact that online prices could generally be higher. The comparison between online and physical/actual food prices in South Africa is not yet determined.

Month-on-month (m-o-m) inflation was substantial in Meat and Milk, Eggs and Cheese. With Meat, more affordable cuts had smaller price increases when compared to premium cuts and this could be an indication of the stronger demand for higher-end meat products by consumers whom had no alternative for food-away-from-home consumption during the lockdown. The same result is prevalent in chicken products, with frozen chicken products showing m-o-m disinflation, with fresh products increasing marginally. When considering Milk, Eggs and Cheese, the substantial m-o-m trend in can be attributed predominantly to egg price increases by up to 35% between March and April 2020. Firstly, strong initial demand during the month of April 2020 resulted of panic buying of large quantities of eggs. This strong demand was subsequently sustained due to eggs being the most affordable source of animal protein, compared to meat. Secondly, egg producers noted pre-lockdown egg prices were subdued due to increased production, as a result the low base prices in March 2020 served as a contributing factor to the substantial price increase of approximately 35%.

Breads and Cereals, and Vegetables moved marginally m-o-m. Prices of these products were also monitored by government as part of the cost of “essential goods”. Prices remained stable between the subsequent months of March and April 2020. Cost pressures in the Bread and Cereal value chain would only start to manifest in retail prices at the beginning of quarter two of 2020. Fruit price decreases between March and April 2020 as a result of weaker demand and increased supply. Consumers typically perceive fruit as a luxury fresh item compared to vegetables, whilst it is also perceived that some fruit destined for international destinations were observed into the local market.

In terms of an outlook over the coming months, the only certainty is seemingly the ever-increasing uncertainty. Key factors that could impact food inflation over the next three months include the exchange rate and possibly oil prices, as the global lockdown in various countries are starting to ease. Since the end of March 2020, the exchange rate has recovered from levels of around R19/USD to around R17.5/USD. The severe initial depreciation was expected to result in double digit food inflation, specifically for commodities such as Breads and Cereals, and Meat, but the strengthening of exchange rates during May 2020 however are expected to dampen cost pressure of primary commodities and other costs in the value chain substantially over the coming months. Although the inflationary picture related to the exchange rate volatility is substantially brighter than a month ago, cost pressures are still expected to be visible in food value chains. The extent to which these factors can drive prices up are dependent on the consumer’s ability to absorb it which, seems limited for the foreseeable near future.

BACKGROUND INFORMATION

The NAMC monitors food prices at retail level and releases regular authoritative reports. The Department of Agriculture, Land Reform and Rural Development (DALRRD) 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.

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

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