

MERC

Markets & Economic Research
Centre

Food

BASKET PRICE MONTHLY

*28 Selected food
basket price items:*

*NAMC urban food
basket*



NAMC
Promoting market access for South African agriculture

Food Basket Price Monthly July 2020

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 resulted in the May 2020 CPI data was published on Wednesday July 15, 2020 (see link below from the Stats SA website:

http://www.statssa.gov.za/cpi/documents/CPI_COVID_method_issues_May.pdf

This report will now contain the official May 2020 data, as the official release of the June 2020 CPI data is scheduled for July 15th. As a result, certain price comparisons would not be feasible at this stage in the report i.e. rural comparisons.

Highlights

- During May 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to R960.07 compared to the R937.22 reported during April 2020, resulting in a monthly percentage increase of 2.4%. When compared to May 2019, an annual (y-o-y) percentage increase of 9.8% was reported.
 - o Within the NAMC's 28-item urban food basket, bread & cereals and dairy & eggs price categories were the highest food inflation contributors (y-o-y) with 20.9% and 15.7%, respectively, with coffee & tea prices reporting deflation of 1.3% during the same period.
- In July 2020 fuel prices increased by R1.63/ℓ for 93ULP to reach R14.83/ℓ (12.35%) m-o-m and increased by R1.72 for 95ULP to reach R15.12/ℓ (12.84%) m-o-m. Diesel 500ppm increased by R1.73/ℓ (15.31%) m-o-m to reach R13.03/ℓ on July 1st 2020.
 - o The Rand has appreciated from R17.32/US\$ on June 24th 2020 to R16.61/US\$ on July 15th 2020,
 - o The main reason for the increase in fuel prices are mainly due to higher average international product prices as well as higher Brent Crude oil prices.
 - o **August 2020 expectation:** Petrol prices are expected to increase by 33c/ℓ, while diesel prices are expected to incline by 71c/ℓ. The demand for oil has been increasing and per-barrel prices stabilised.



Overall inflation and food inflation

The official May 2020 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) on July 15th 2020, indicated that the headline CPI and the food and non-alcoholic beverage reached 2.1% and 4.4%, respectively. The same indices were 3% and 4.4% during April 2020. **Figure 1** shows the trends in the headline CPI and food and non-alcoholic beverage inflation rates on a monthly basis, from January 2015 to May 2020.

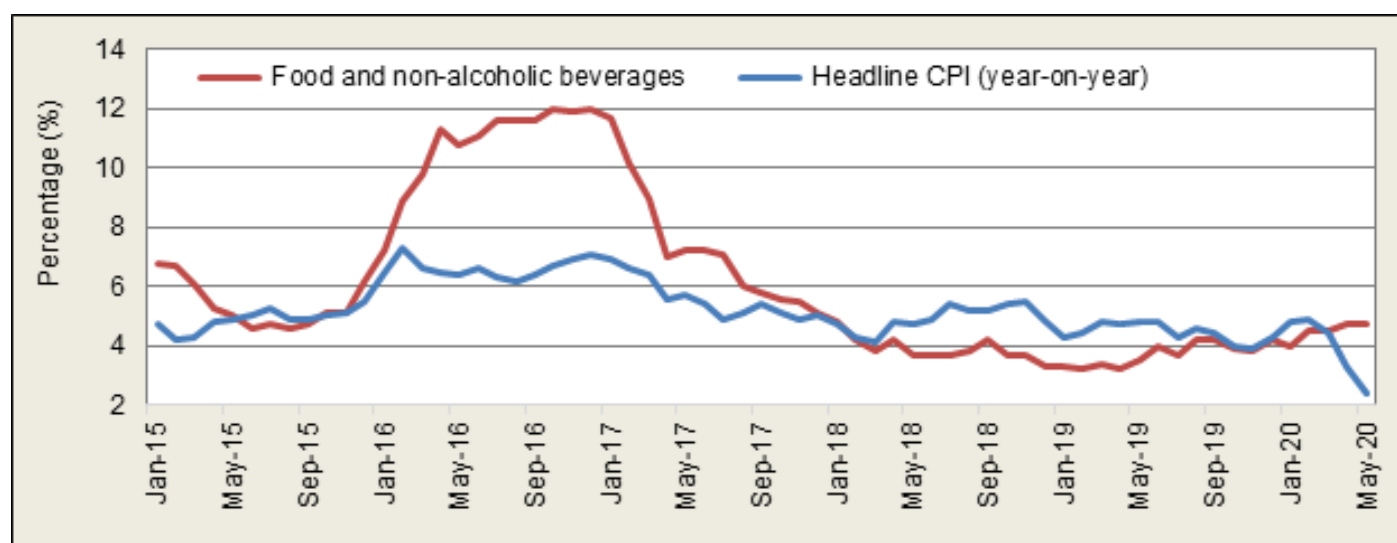


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2020

Comparison between urban prices: May 2020 vs. April 2020

Table 1 compares prices of selected food items in urban areas for May 2020 vs. April 2020. The food items which showed the largest price differences between May 2020 and April 2020 for urban areas: rice (2kg) at a difference of R10.04, Ceylon/black tea (62.5g) at R1.50 difference, and peanut butter (400g) at a difference of R1.16. This indicates that urban consumers paid R0.10 less on average, for these 11 food items during May 2020.

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

Product	Urban Food Prices April 2020 (R/unit)	Urban Food Prices May 2020 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.03	15.30	0.27
Loaf of brown bread 700g	13.25	13.02	-0.23
Loaf of white bread 700g	14.43	14.70	0.27
Special maize 2.5 kg	22.48	21.49	-0.99
Super maize 2.5 kg	26.06	25.19	-0.87
Margarine spread 500g	27.05	23.49	-3.57
Peanut butter 400g	30.96	32.12	1.16
Rice 2kg	27.34	37.38	10.04
Sunflower oil 750ml	29.78	20.99	-8.79
Ceylon/black tea 62.5g	14.57	16.06	1.50
White sugar 2.5kg	40.66	40.81	0.15
Average difference (R/unit)			-0.10

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 May 2020 vs. May 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 May 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to **R960.07** compared to the **R937.22** reported during April 2020, resulting in a monthly percentage increase of 2.4%. When compared to May 2019, annual (y-o-y) percentages increase of 9.8% 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: onions per kg (102.3%), beef offal per kg (44.6%), rice 2kg (43.7%), eggs 1.5 dozen (29.6%), super maize meal 5kg (17.3%), potatoes per kg (17%), cabbage per kg (16.9%), beans – dried 500g (14.8%), beef mince per kg (11.8%), cheddar cheese per kg (11.7%), peanut butter 400g (11.7%), bananas per kg (7.3%) and margarine brick 500g (7.2%).

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

Category	Product	May- 19	Apr-20 Official	May-20	% change y-o-y	%change m-o-m
Beans	Baked beans - tinned 410g	10.57	11.21	9.99	-5.5	-10.9
Beans	Beans - dried 500g	19.16	18.63	21.99	14.8	18.1
Beans	Peanut butter 400g	28.75	30.96	2.12	11.7	3.8
Coffee, Tea	Instant coffee 250g	35.18	31.53	34.99	-0.5	11.0
Coffee, Tea	Ceylon/black tea 250g	36.03	31.98	35.27	-2.1	10.3
Dairy, Eggs	Full cream milk - long life 1ℓ	14.45	15.03	15.30	5.9	1.8
Dairy, Eggs	Eggs 1.5 dozen	40.49	64.22	52.49	29.6	-18.3
Dairy, Eggs	Cheddar cheese per kg*	107.73	112.38	120.60	11.7	7.1
Fats, Oils	Brick margarine 500g	21.29	24.60	22.82	7.2	-7.2
Fats, Oils	Sunflower oil 750ml	21.99	29.78	20.99	-4.5	-29.5
Fruit	Apples - fresh per kg*	21.61	17.99	21.03	-2.7	16.9
Fruit	Bananas - fresh per kg	16.76	18.67	17.99	7.3	-3.6
Fruit	Oranges - fresh per kg	18.62	26.44	18.32	-1.6	-30.7
Protein	Beef mince - fresh per kg*	83.20	88.20	93.05	11.8	5.5
Protein	Beef offal - fresh per kg*	35.01	47.99	50.63	44.6	5.5
Protein	Chicken giblets per kg*	33.86	31.99	33.75	-0.3	5.5
Protein	IQF chicken portions - 2kg	67.11	66.84	70.82	5.5	6.0
Protein	Fish (excl. tuna) - tinned 400g	19.49	20.71	19.72	1.2	-4.8
Protein	Polony per kg	46.53	36.24	41.19	-11.5	13.7
Bread & Cereals	Loaf of brown bread 700g	12.63	13.25	13.02	3.1	-1.8
Bread & Cereals	Loaf of white bread 700g	13.96	14.43	14.70	5.3	1.9
Bread & Cereals	Super maize meal 5kg	41.13	47.32	48.24	17.3	1.9
Bread & Cereals	Rice 2kg	26.02	27.34	37.38	43.7	36.7
Vegetables	Cabbage - fresh per kg	14.38	14.92	16.80	16.9	12.6
Vegetables	Onions - fresh per kg	14.00	17.69	28.32	102.3	60.1
Vegetables	Potatoes - fresh per kg	12.81	16.88	14.99	17.0	-11.2
Vegetables	Tomatoes - fresh per kg	22.74	19.35	12.99	-42.9	-32.9
Sugary foods	White sugar 2.5kg	39.20	40.66	40.81	4.1	0.4
	Total Basket (Rand value)	874.70	937.22	960.07	9.8	2.4

Source: Stats SA, 2020

*Note: Missing and/or unverified prices adjusted with product group inflation for May 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 May 2020 vs. May 2019 (y-o-y) and May 2020 vs. April 2020 (m-o-m). Food categories in this 28-item food basket experiencing the highest annual inflation include bread & cereals and dairy & eggs. When considering the monthly contributors' onions and rice reported a monthly increase of 60.1% and 36.7%, respectively.

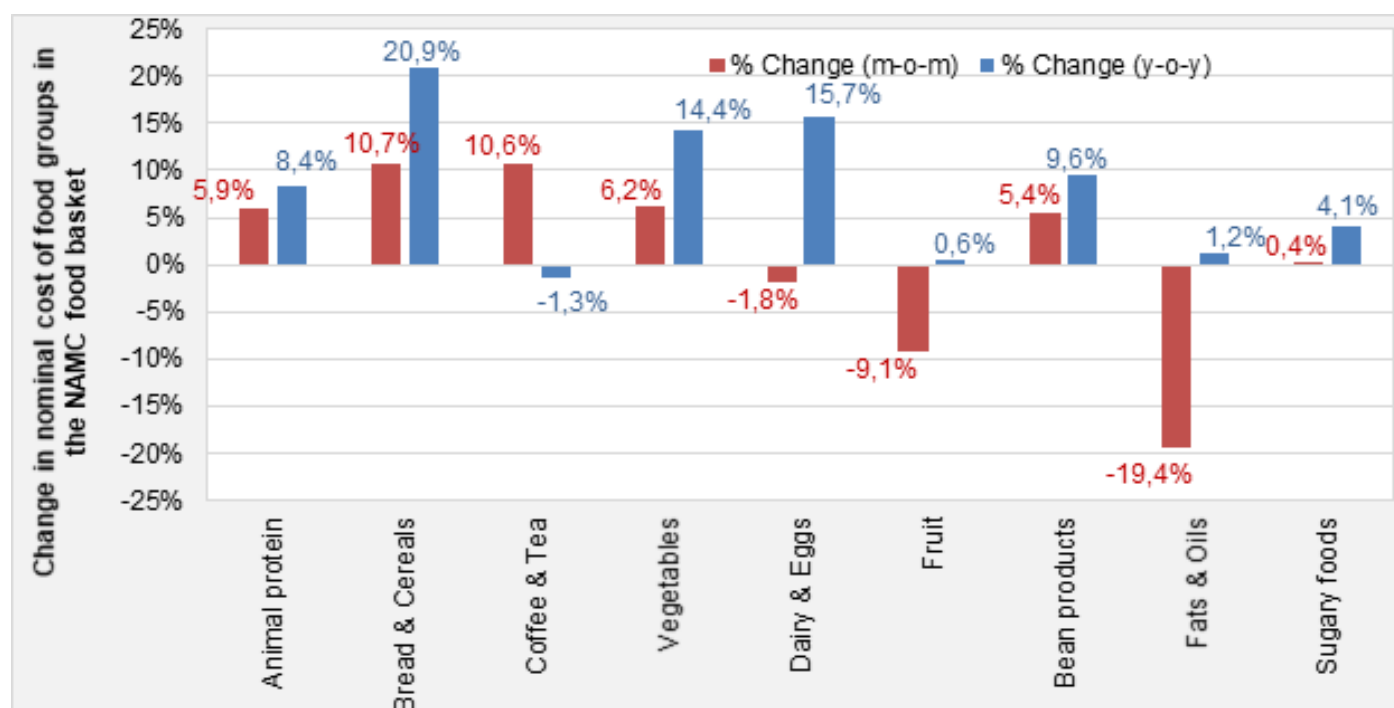


Figure 2: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing May 2020 vs. May 2019 and May 2020 vs. April 2020

Source: NAMC calculations, Stats SA data, 2020



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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