

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 October 2020 - September data

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, the compilation and release of September 2020 CPI data was published on Wednesday the 28th of September 2020 (see link below from the Stats SA website:

<http://www.statssa.gov.za/publications/P0141/P0141September2020.pdf>

This report will now contain the official September 2020 data, as the official release of the October 2020 CPI data is scheduled for November 25th 2020. As a result, certain price comparisons would not be feasible at this stage in the report i.e. rural comparisons.

Highlights

- During September 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to R951.48 compared to the R946.23 reported during August 2020, resulting in a monthly percentage increase of 0.6%. When compared to September 2019, an annual (y-o-y) percentage increase of 10.0% was observed.
 - Within the NAMC's 28-item urban food basket, dairy & eggs and bread & cereals price categories were the highest food inflation contributors (y-o-y) with 18.9% and 18.6%, respectively, with coffee & tea prices reporting deflation of 4.3%, during the same period.
 - Rice and oranges were two commodities with the highest annual food inflation which can be attributed to higher global prices for rice due to higher demand associated with fears around a second wave of COVID-19 and restrictions to exports by leading global producers when compared to this time last year, while the increase in orange prices can be linked to lower supply while demand remains relatively high.
- In October 2020 fuel prices for 93ULP decreased by R0.23/ℓ m-o-m to reach R14.66/ℓ, while 95ULP decreased by R0.32/ℓ and R14.86/ℓ, representing a decrease of 1.54% and 2.11% m-o-m for 93ULP and 95ULP, respectively. Diesel 500ppm decreased by R0.90/ℓ (6.78%) m-o-m to reach R12.37/ℓ on the 28th of October 2020.
 - After depreciated for few days the Rand has appreciating from R16.66/US\$ mid-October 2020 to R16.32/US\$ on the October 28th 2020.
 - The stronger rand towards the end of October has positively affected fuel price recovery per litre.
- **November 2020 expectations:** Petrol prices are expected to remain stable for 93ULP while a possible decrease for 95ULP is expected. Diesel prices are expected to decline marginal.



Overall inflation and food inflation

The official September 2020 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) on October, the 28th 2020, indicated that the headline CPI and the food and non-alcoholic beverage both declined and reached 3.0% and 3.9%, respectively. The same indices were 3.1% and 3.9% during August 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 September 2020.

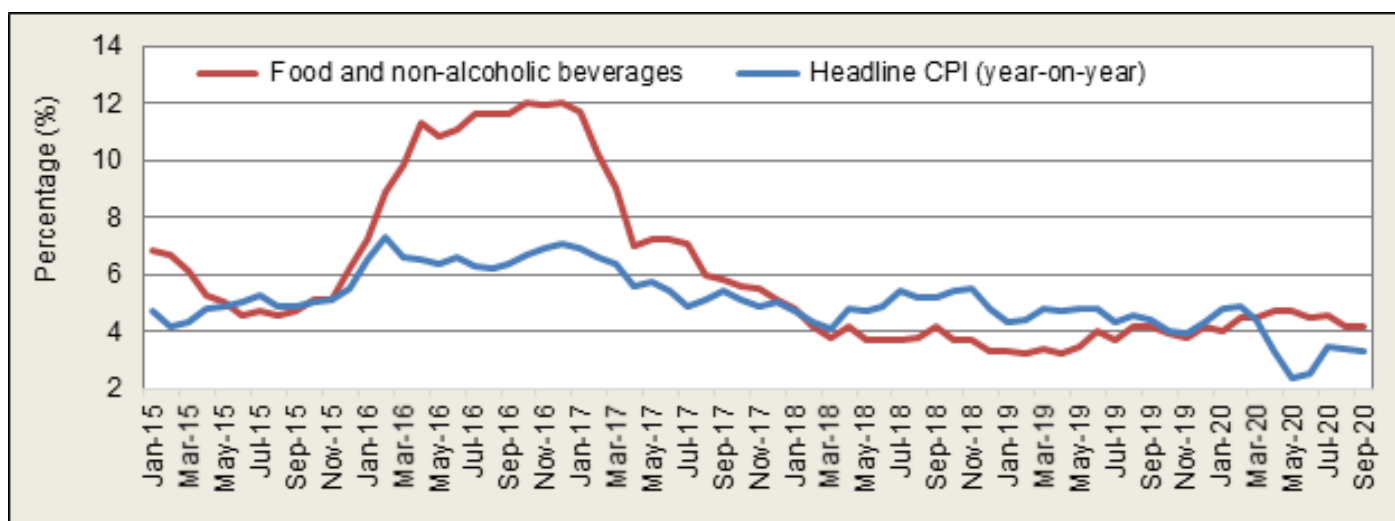


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2020

Comparison between urban prices: August 2020 vs. July 2020

Table 1 compares prices of selected food items in urban areas for September 2020 vs. August 2020. The food items which showed the largest price differences between September 2020 and August 2020 for urban areas was: sunflower oil (750ml) and Ceylon/black tea (62.5g) both with a price at R1.12 when compared to August 2020 followed by margarine spread (500g) with a price difference of R0.36, loaf of brown bread (700g) at a price difference of R0.24, white sugar 2.5kg at R0.10 and as well as Special maize 2.5 kg at R0.09. This indicates that urban consumers paid R0.18 more on average, for these 11 food items during September 2020.

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

Product	Urban Food Prices August 2020 (R/unit)	Urban Food Prices September 2020 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.69	15.71	0.02
Loaf of brown bread 700g	13.60	13.84	0.24
Loaf of white bread 700g	15.38	15.03	-0.35
Special maize 2.5 kg	22.46	22.55	0.09
Super maize 2.5 kg	25.15	24.88	-0.27
Margarine spread 500g	24.44	24.80	0.36
Peanut butter 400g	31.93	31.68	-0.25
Rice 2kg	39.79	39.64	-0.15
Sunflower oil 750ml	22.72	23.84	1.12
Ceylon/black tea 62.5g	13.50	14.62	1.12
White sugar 2.5kg	43.52	43.62	0.10
Average difference (R/unit)			0.18

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 September 2020 vs. September 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 September 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to R951.48 compared to the R946.23 reported during August 2020, resulting in a monthly percentage increase of 0.6%. When compared to September 2019, annual (y-o-y) percentage increase of 10.0% 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: rice 2kg (47.1%), oranges - fresh per kg (31.6%), bananas per kg (29.0%), baked beans-tinned 410g (28.6%), cabbage – fresh per kg (22.3%), cheddar cheese per kg (22.2%), beef mince – fresh per kg (15.4%), eggs 1.5 dozen (14.9%), Beans - dried 500g (13.3%), loaf of brown bread 700g (10.6%), white sugar 2.5kg (10.2%), loaf of white bread 700g (9.5%), potatoes - fresh per kg (9.3%), Sunflower oil 750ml (8.9%), IQF chicken portions - 2kg (8.8%), Chicken giblets per kg (7.7%), full cream milk - long life 1ℓ (6.9%), and beef offal per kg (6.5%).

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

Category	Product	Sep-19 R/Unit	Aug-20 R/Unit	Sep-20 R/Unit	% change y-o-y	% change m-o-m
Beans	Baked beans - tinned 410g	10.80	13.80	13.89	28.6	0.7
Beans	Beans - dried 500g	19.00	21.57	21.52	13.3	-0.2
Beans	Peanut butter 400g	30.54	31.93	31.68	3.7	-0.8
Coffee, Tea	Instant coffee 250g	35.61	36.71	37.60	5.6	2.4
Coffee, Tea	Ceylon/black tea 250g	37.22	29.64	32.09	-13.8	8.3
Dairy, Eggs	Full cream milk - long life 1ℓ	14.70	15.69	15.71	6.9	0.1
Dairy, Eggs	Eggs 1.5 dozen	40.65	49.93	46.72	14.9	-6.4
Dairy, Eggs	Cheddar cheese per kg*	105.03	128.32	128.32	22.2	0.0
Fats, Oils	Brick margarine 500g	21.79	22.80	22.49	3.2	-1.4
Fats, Oils	Sunflower oil 750ml	21.90	22.72	23.84	8.9	4.9
Fruit	Apples - fresh per kg	21.58	16.99	15.60	-27.7	-8.2
Fruit	Bananas - fresh per kg	12.75	17.11	6.45	29.0	-3.9
Fruit	Oranges - fresh per kg	14.53	19.28	19.12	31.6	-0.8
Protein	Beef mince - fresh per kg	83.51	97.41	96.34	15.36	-1.1
Protein	Beef offal - fresh per kg	5.77	38.22	38.09	6.5	-0.3
Protein	Chicken giblets per kg	33.61	33.41	36.21	7.7	8.4
Protein	IQF chicken portions - 2kg	65.64	71.91	71.42	8.8	-0.7
Protein	Fish (excl. tuna) - tinned 400g	19.45	19.82	20.13	3.5	1.6
Protein	Polony per kg / 1kg	46.32	39.64	42.50	-8.2	7.2
Bread & Cereals	Loaf of brown bread 700g	12.51	13.60	13.84	10.6	1.8
Bread & Cereals	Loaf of white bread 700g	13.73	15.38	15.03	9.5	-2.3
Bread & Cereals	Super maize meal 5kg	42.41	40.37	44.88	5.8	11.2
Bread & Cereals	Rice 2kg	26.95	39.79	39.64	47.1	-0.4
Vegetables	Cabbage - fresh per kg	13.00	15.62	15.91	22.3	1.8
Vegetables	Onions - fresh per kg	14.99	16.47	14.88	-0.7	-9.7
Vegetables	Potatoes - fresh per kg	12.37	13.41	13.52	9.3	0.8
Vegetables	Tomatoes - fresh per kg	19.32	21.17	20.44	5.8	-3.4
Sugary foods	White sugar 2.5kg	39.59	43.52	43.62	10.2	0.2
	Total Rand Value*	865.27	946.23	951.48	10.0	0.6

Source: Stats SA and BFAP, 2020

*Note: Missing and/or unverified prices adjusted with product group inflation for September 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 September 2020 vs. September 2019 (y-o-y) and September 2020 vs. August 2020 (m-o-m). Food categories in this 28-item food basket experiencing the highest annual inflation include dairy & eggs (18.9% y-o-y) and bread & cereals (18.6% y-o-y). When considering the monthly contributors' super maize meal and chicken giblets reported a monthly increase of 11.2% and 8.4%, respectively. The commodities that South Africa is net importer such as rice and wheat were among the highest inflation rate changes. Data from the International Grain Council (IGC) showed that export prices for rice, wheat and soybeans have significantly increased over the past few weeks due to drought in the main producing countries and an increasing demand due to fears around a second wave of Covid-19 after an alarming increases in new cases across the world. The increase in orange prices can be attributed to the demand for Vitamin-C as people are still trying to consume Vitamin-C containing product as much as possible to boost their immune systems; however, oranges are currently at the end of the season which negatively affect the supply thus negatively affecting prices.

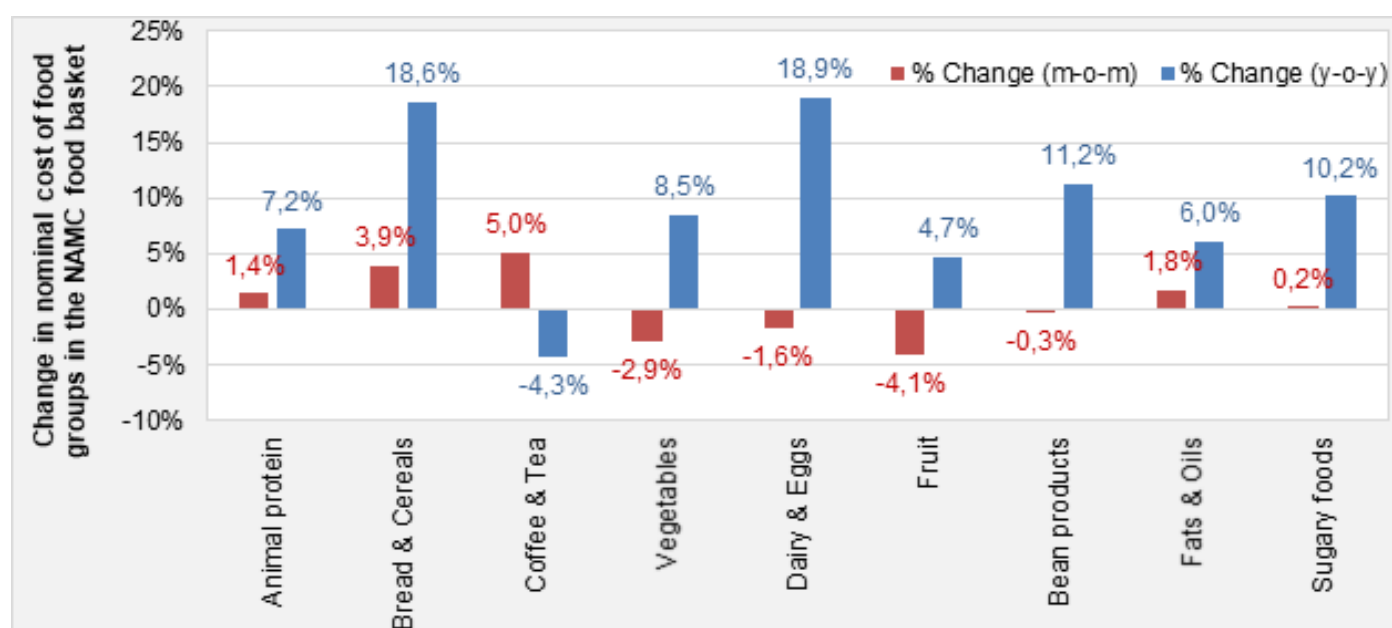


Figure 2: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing September 2020 vs. September 2019 and September 2020 vs. August 2020

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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