

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 December 2020 - November 2020 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 November 2020 CPI data was published on Wednesday the 9th of December 2020 (see link below from the Stats SA website:

<http://www.statssa.gov.za/publications/P0141/P0141November2020.pdf>

This report will now contain the official November 2020 data, as the official release of the December 2020 CPI data is scheduled for January 20th 2021. As a result, certain price comparisons would not be feasible at this stage in the report i.e. rural comparisons.

Highlights

- During November 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to R973.53 compared to the R955.71 reported during October 2020, resulting in a monthly percentage increase of 1.9%. When compared to November 2019, an annual (y-o-y) percentage increase of 11.9% was observed.
- 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 26.7% and 16.4%, respectively.
- Rice, bananas and eggs were among commodities with the highest annual food inflation which can be attributed to higher global prices for rice associated to higher demand linked to fears around a second wave of COVID-19 and restrictions to exports by leading global producers when compared to this time last year and for eggs, the higher feed cost such soybean negatively affected production cost.
- In December 2020 fuel prices for both 93 Unleaded Petrol (ULP) and 95ULP decreased by R0.13/ℓ m-o-m to reach R14.26/ℓ and R14.46, respectively, and this represented a decrease of 0.9% m-o-m for both 93ULP and 95ULP. Diesel 500ppm increased by R0.20/ℓ (1.63%) m-o-m to reach R12.45/ℓ on the 2nd of December 2020.
- The Rand appreciated from R16.42/US\$ during November 2020 to R15.00/US\$ on the 8th of December 2020,
 - The stronger rand towards the end of November to beginning of December has positively affected fuel price recovery per litre.
- **January 2021 expectations:** Petrol prices are expected to remain similar to the prices observed during December 2020 for both grades of petrol.



Overall inflation and food inflation

The official November 2020 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) on December 9th 2020, indicated that the annual headline CPI reached 3.2% in November 2020 down from 3.3% in October 2020, representing a decrease of 0.1% year-on-year basis. The food and non-alcoholic beverage increased by 0.7% and reached 5.8% in November, up from 5.4% in October 2020. Lower fuel prices and the stronger Rand against the US Dollar positively affected inflation prices during November 2020 by making imports cheaper which in turn positively affects domestic prices for imported commodities thus becoming more affordable for consumers.

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 November 2020.

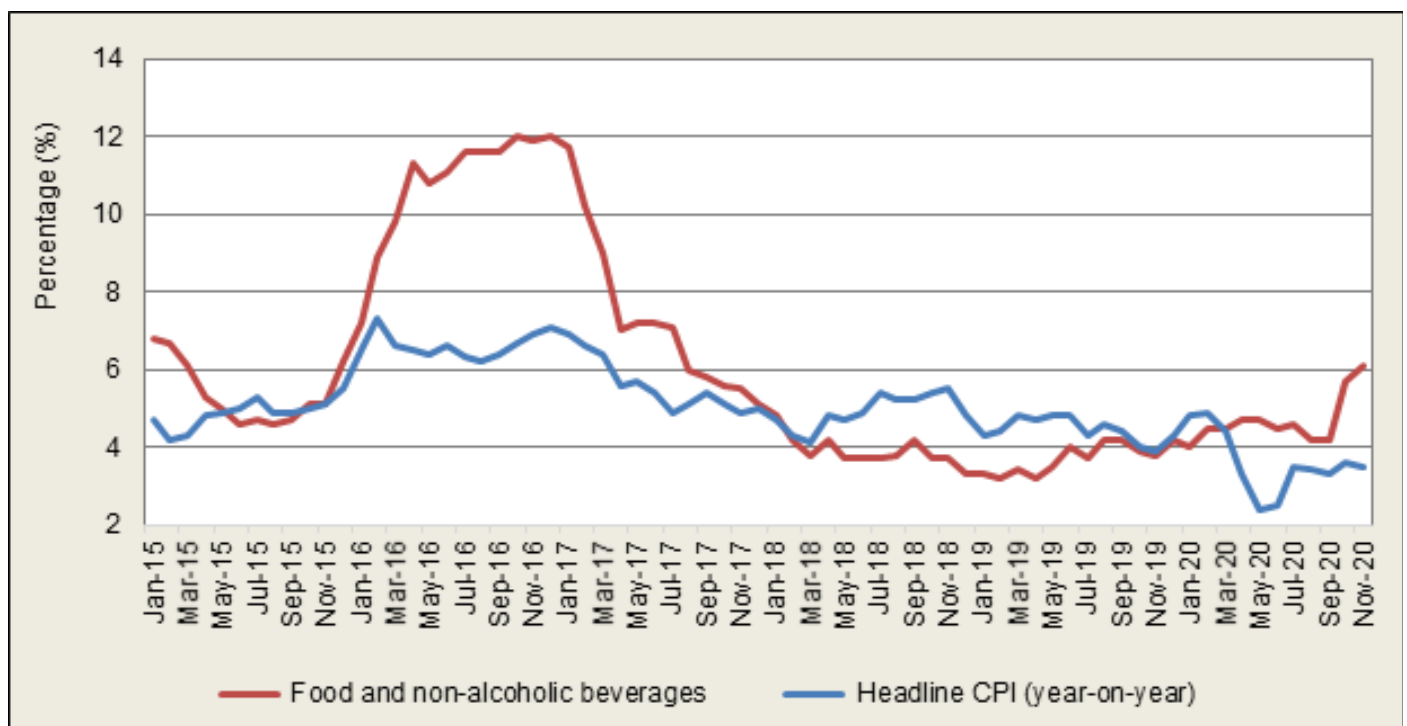


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2020

Comparison between urban prices: November 2020 vs. October 2020

Table 1 compares prices of selected food items in urban areas for November 2020 vs. October 2020. The food items which showed the largest price differences between November 2020 and October 2020 for urban areas were: special maize 2.5kg with a price difference of R2.41 followed by Ceylon/black tea (62.5g) at R1.86, super maize meal 2.5kg at R1.02, margarine spread (500g) with a price difference of R0.62, sunflower oil (750ml) at R0.55, white sugar (2.5kg) at R0.48. A loaf of white bread (700g), a loaf of brown bread (700g) as well as rice 2kg at price differences of R0.32, R0.18 and R0.02, respectively, were food items with the least price differences when compared to October 2020. This indicates that urban consumers paid R0.62 more on average, for these 11 food items during November 2020 when compared to October 2020.

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

Product	Urban Food Prices October 2020 (R/unit)	Urban Food Prices November 2020 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.68	15.48	-0.20
Loaf of brown bread 700g	13.88	14.06	0.18
Loaf of white bread 700g	15.10	15.42	0.32
Special maize 2.5kg	22.74	25.15	2.41
Super maize 2.5kg	25.52	26.54	1.02
Margarine spread 500g	25.41	26.03	0.62
Peanut butter 400g	32.94	32.24	-0.49
Rice 2kg	43.22	43.24	0.02
Sunflower oil 750ml	24.11	24.66	0.55
Ceylon/black tea 62.5g	15.99	17.85	1.86
White sugar 2.5kg	44.15	44.63	0.48
Average difference (R/unit)			0.62

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 November 2020 vs. November 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 November 2020, the nominal cost of the NAMC's 28-item urban food basket amounted to R973.53 compared to the R955.71 reported during October 2020, resulting in a monthly percentage increase of 1.9%. When compared to November 2019, annual (y-o-y) percentage increase of 11.9% 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 (58.5%), bananas per kg (32.6%), beans - dried 500g (31.0%), eggs 1.5 dozen (27.6%), potatoes - fresh per kg (24.0%), oranges - fresh per kg (23.0%), tomatoes – fresh per kg (20.1%), super maize meal 5kg (14.9%), sunflower oil 750ml (13.7%), cheddar cheese per kg (13.6%), loaf of white bread 700g (13.2%), loaf of brown bread 700g (12.7%), white sugar 2.5kg (10.8%), IQF chicken portions - 2kg (10.2%), beef mince – fresh per kg (10.1%), Ceylon/black tea 250g (9.0%), chicken giblets per kg (8.2%), cabbage – fresh per kg (8.0%), beef offal - fresh per kg (6.4%) and full cream milk - long life 1ℓ (6.2%).

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

Category	Product	Nov-19 R/unit	Oct-20 R/unit	Nov-20 R/unit	% change y-o-y	%change m-o-m
Beans	Baked beans - tinned 410g	10.84	10.84	11.21	3.4	3.4
Beans	Beans - dried 500g	18.71	24.15	24.51	31.0	1.5
Beans	Peanut butter 400g	31.46	32.94	32.45	3.1	-1.5
Coffee, Tea	Instant coffee 250g	35.76	37.00	37.63	5.2	1.7
Coffee, Tea	Ceylon/black tea 250g	35.94	35.11	39.19	9.0	11.6
Dairy, Eggs	Full cream milk - long life 1ℓ	14.57	15.68	15.48	6.2	-1.3
Dairy, Eggs	Eggs 1.5 dozen	40.32	48,91	51.44	27.6	5.2
Dairy, Eggs	Cheddar cheese per kg	105.92	128.96	120.32	13.6	-6.7
Fats, Oils	Brick margarine 500g	21.95	22.72	22.79	3.8	0.3
Fats, Oils	Sunflower oil 750mℓ	21.68	24.11	24.66	13.7	2.3
Fruit	Apples - fresh per kg	21.36	14.48	15.11	-29.3	4.4
Fruit	Bananas - fresh per kg	14.68	17.71	19.47	32.6	9.9
Fruit	Oranges - fresh per kg	15.38	19.66	18.92	23.0	-3.8
Protein	Beef mince - fresh per kg	82.77	88.47	91.13	10.1	3.0
Protein	Beef offal - fresh per kg	36.62	37.77	38.96	6.4	3.2
Protein	Chicken giblets per kg	33.27	36.57	35.99	8.2	-1.6
Protein	IQF chicken portions - 2kg	66.96	72.67	73.81	10.2	1.6
Protein	Fish (excl. tuna) - tinned 400g	19.51	20.21	20.14	3.2	-0.3
Protein	Polony per kg / 1kg	45.87	43.33	45.67	-0.4	5.4
Bread & Cereals	Loaf of brown bread 700g	12.48	13.88	14.06	12.7	1.3
Bread & Cereals	Loaf of white bread 700g	13.62	15.10	15.42	13.2	2.1
Bread & Cereals	Super maize meal 5kg	43.26	41.76	49.70	14.9	19.0
Bread & Cereals	Rice 2kg	27.28	43.22	43.24	58.5	0.0
Vegetables	Cabbage - fresh per kg	13.22	14.93	14.28	8.0	-4.4
Vegetables	Onions - fresh per kg	15.01	14.72	15.33	2.1	5.4
Vegetables	Potatoes - fresh per kg	12.73	14.98	15.79	24.0	2.4
Vegetables	Tomatoes - fresh per kg	18.48	21.67	22.20	20.1	1.1
Sugary foods	White sugar 2.5kg	40.29	44.15	44.63	10.8	1.1
	Total Rand Value*	869.94	955.71	973.53	11.9	1.9

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 November 2020 vs. November 2019 (y-o-y) and November 2020 vs. October 2020 (m-o-m). Food categories in this 28-item food basket experiencing the highest annual inflation include bread & cereals (26.7% y-o-y) and dairy & eggs (16.4% y-o-y). Super maize meal (19.0%) and Ceylon/black tea (11.6%) were the main contributors to the month-on-month inflation figures.

The surge in export prices of wheat and maize from the global market had spill over effects to the domestic market for bread and cereals. South Africa imports substantial amounts of wheat which is a staple food. On the 10th of November 2020 a ton of wheat was selling at US\$278, however, it has since declined to US\$260 per ton towards the end of November. Wheat products such as bread are expected to return to lower prices as the lower international prices are trans-missioned into domestic prices and new stocks are getting into the market during December 2020 towards January 2020, additionally the country is expecting its biggest harvest of wheat in over a decade.

The noticeable increase on y-o-y for dairy and eggs can be attributed to the increase in inputs costs especially soybean which reached a staggering US\$499 on the 27th of November 2020 up from US\$471 on the 9th of the same month. Because South Africa is also a net importer for soybean oilcake as one of the major feed inputs for livestock and egg production, the international prices have a direct effect on domestic prices, but with the stronger Rand against the US Dollar this will softened the negative effect on domestic feed prices towards the New Year.

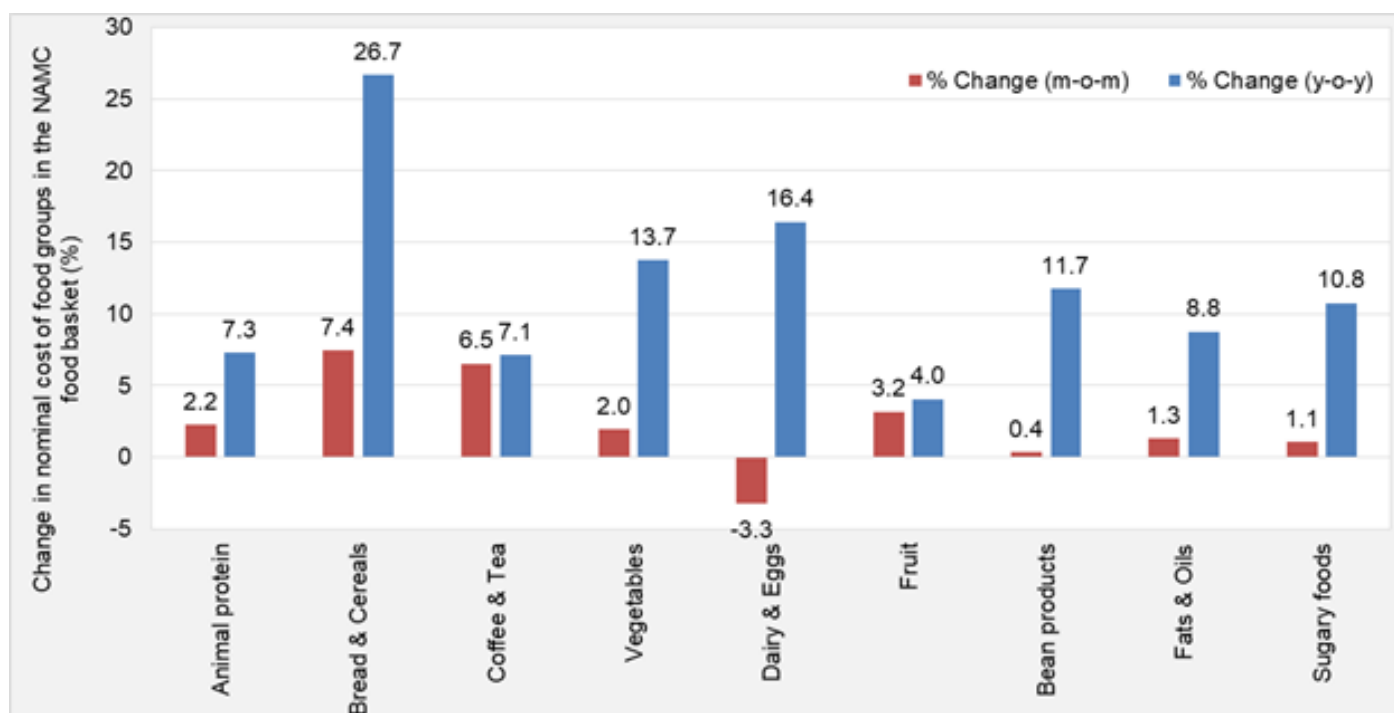


Figure 2: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing November 2020 vs. November 2019 and November 2020 vs. October 2020

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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