



NAMC
Promoting market access for South African agriculture



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Food Price

Monitor

February Issue



Important note

Resulting from COVID-19 health protocols, retail-based prices recorded across all regions (including online prices) have been pooled to create national average price changes which are applied to each elementary index at a regional level. This means that the geographic index (including total country) changes will, vary according to different weights and not different price changes. The January 2021 CPI data was published on Wednesday February 17th, 2021 (see the link below for the CPI publication):

<http://www.statssa.gov.za/publications/P0141/P0141January2021.pdf>

Certain price comparisons would not be feasible at this stage such as the urban vs. rural price comparison.

EXECUTIVE SUMMARY

During January 2021, 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 3.2% and 5.4%, respectively. The same indices were 3.1% and 6.0% during December 2020.

The FAO Food Price Index (FFPI) in nominal terms, averaged 113.3 points in January 2021, 4.7 points (4.3%) higher than in December 2020, not only marking the eighth month of consecutive rise but also registering its highest monthly average since July 2014.

In January 2021, the cost of this basic urban food basket was R971.98, increasing by 9.8% from January 2020 (year-on-year increase) and increasing by 1.3% from December 2020 (month-on-month change).

Comparing January 2021 to January 2020 retail prices, higher price inflation (6% or more) were observed for the following products within the NAMC food basket (in order from highest to lowest inflation): Rice, dried beans, polony, eggs, beef offal, white bread, super maize meal, IQF chicken portions, chicken giblets, brown bread, bananas, instant coffee, sunflower oil, peanut butter, beef mince and cheddar cheese.



The items with high inflation could have negative implication in terms of basic food security (staple food inflation) as well as dietary diversity (e.g. inflation on meat and fruit). When comparing the inflation rates for January 2021 to January 2020, with October 2019 to October 2020 (i.e. the previous Food Price Monitor analysis period) the rate of inflation was higher for bread & cereals, eggs, bean products and animal protein foods.

With the festive season behind us, one might have expected food inflation to slow down in January, as demand typically declines through this period, before turning upwards again as the Easter period approaches. Nevertheless, most food product prices increased, with fruit, meat and oils & fats reflecting the strongest growth.

A key factor driving food inflation is the exchange rate, which remains a key uncertainty in the coming months. The volatility evident in the exchange rate in recent months reflects the influence of global sentiment towards risk and emerging markets, as well as fundamental risk factors domestically.



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As February 2021 official CPI data will only be released by March 24th 2021, this section contains data up to January 2021.

During January 2021, 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 3.2% and 5.4%, respectively. The same indices were 3.1% and 6.0% during December 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 January 2021.

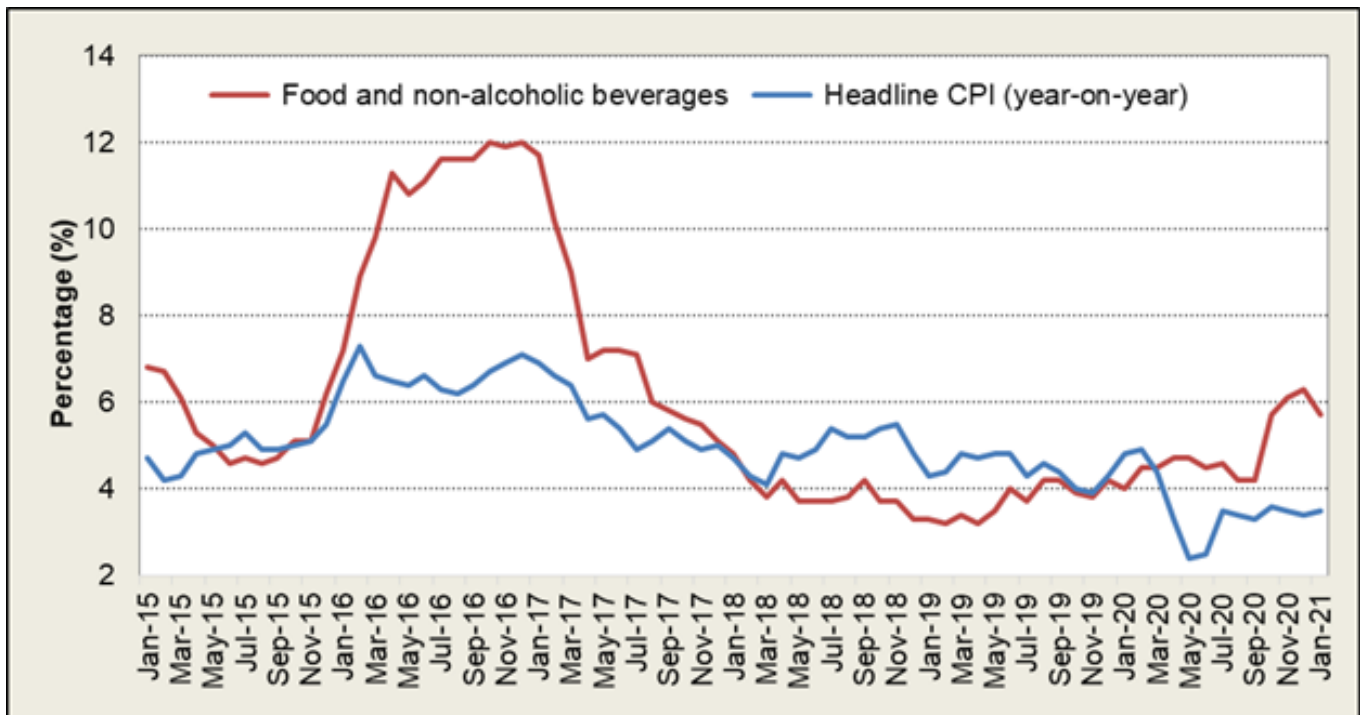


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2021

Figure 2 presents the components of the food and non-alcoholic beverage index changes. During January 2021 vs. January 2020, the following changes, in descending order, were reported: oils & fats (10.5%), sugary foods (7.3%), meat (7.2%), processed foods (6.1%), milk, eggs & cheese (6.0%), fruit (6.0%), unprocessed foods (5.2%), bread & cereals (5.1%), fish (4.0%), other food items (2.6%) and vegetables (-0.6%). The monthly percentage changes are also illustrated.

The higher inflation on oils & fats is mainly due to higher international prices such as the international sunflower seed price that is more than 50% higher in January 2021 compared to January 2020.

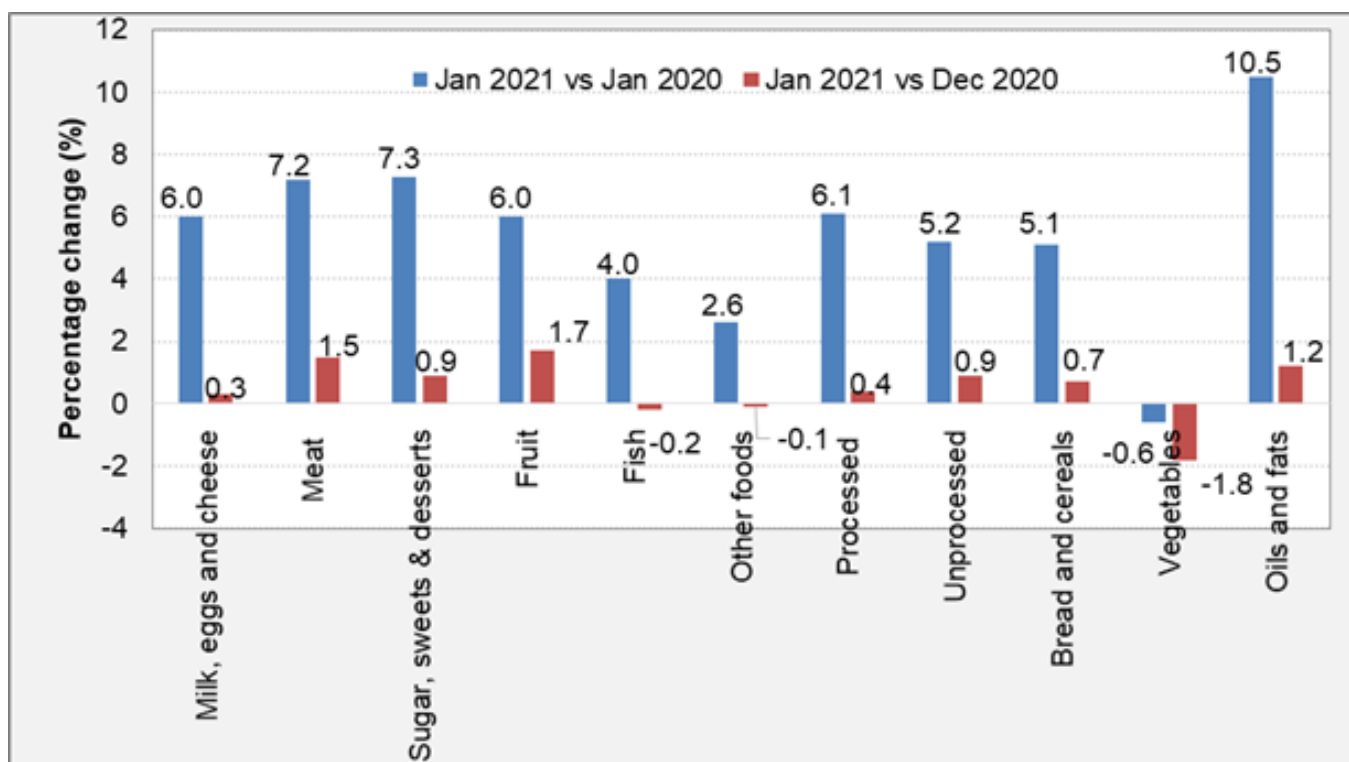


Figure 2: Annual (January 2021 vs. January 2020) and monthly (January 2021 vs. December 2020) CPI changes for different food categories

Source: Stats SA, 2021



Overall inflation and food inflation: South Africa and selected countries

Table 1 shows the annual year-on-year (y-o-y) overall inflation and food inflation rates for January 2021 for South Africa and other selected countries. South Africa's overall inflation for January 2021 reached 3.2% with food inflation reaching 5.4%. The food categories with the largest annual contribution to South African food inflation include oils & fats, sugary foods and meat categories. The Zambian overall inflation rate for January 2021 reached 21.5%, with food inflation reaching 25.6%. China's overall inflation rate was -0.3%, with food inflation of 1.6% for January 2021. Considering inflation rates of Brazil, Russia, India, China and South Africa as the BRICS countries, China recorded the lowest overall inflation of -0.3%, with Brazil with the highest food inflation contributor at 14.8%.

In the BRICS group, China also have the lowest food inflation. China's food prices went up by 1.6% in January 2021 in comparison to January 2020, the most in three months, following a 1.2% gain in December 2020 (y-o-y). On a monthly basis, consumer prices rose by 1% in January, shifting from a 0.4% fall in December, due to adverse weather and rising demand ahead of the Lunar New Year holiday.

Table 1: Overall inflation and food inflation during November 2020 to January 2021

Country	November 2020		December 2020		January 2021	
	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)
Botswana	2.2	4.3	2.2	3.6	2.3	3.4
Brazil	4.3	15.9	4.5	14.1	4.6	14.8
China	-0.5	-2.0	0.2	1.2	-0.3	1.6
India	6.9	9.5	4.6	3.4	4.1	1.9
Namibia	2.2	7.0	2.4	7.6	2.7	5.2
Russia	4.4	6.6	4.9	7.7	5.2	NA
South Africa	3.2	5.8	3.1	6.0	3.2	5.4
Turkey	14.0	21.1	14.6	20.6	15.0	NA
United Kingdom	0.3	-0.6	0.6	-1.4	0.7	-0.7
United States	1.2	3.7	1.4	3.9	1.4	3.8
Zambia	17.4	16.8	19.2	20.2	21.5	25.6

Sources: Central banks and statistics reporting institutions of these countries, 2021



Urban food price trends: January 2021 vs. January 2020

As a result of the Covid-19 global pandemic, rural prices could not be monitored during January 2021, therefore this section will rank urban price for January 2021 vs. January 2020.

Table 2 ranks 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 (January 2021 vs. January 2020)

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Margarine spread 500g	-8.0	Lamb - loin chop per kg	-6.8	Oranges - fresh per kg	-12.9
Brick margarine 500g	0.3	Ham 500g	-5.1	Beetroot - fresh per kg	-10.2
Brick margarine 1kg	0.3	Whole chicken - fresh per kg	-4.4	Cabbage - fresh each	-9.1
Instant noodles 73g	1.6	Beef rump steak - fresh per kg	-0.9	Cabbage - fresh per kg	-9.1
Peanut butter 400g	9.4	Low fat milk - fresh 2ℓ	-0.8	Pumpkin - fresh per kg	-7.0
Pasta 500g	9.7	Low fat milk - fresh 1ℓ	-0.8	Spinach/Morogo - fresh per kg	-5.1
Super maize 2.5kg	9.8	Tuna - tinned 170g	0.5	Apples - fresh per kg	-4.1
Sunflower oil 750ml	10.5	Beef sirloin - fresh per kg	1.9	Onions - fresh per kg	-2.7
Super maize 1kg	12.4	Chicken portions - fresh per kg	2.8	Broccoli - each	-0.4
Cake flour 2.5kg	12.5	Full cream milk - fresh 2ℓ	3.3	Potatoes - fresh per kg	0.1
Loaf of brown bread 700g	13.6	Full cream milk - fresh 1ℓ	3.3	Lettuce - fresh per kg / each	3.7
Cold cereals 500g	14.5	Powdered milk 900g	3.7	Baked beans - tinned 410g	4.0
Super maize 5kg	14.9	Low fat milk - long life 1ℓ	4.1	Tomatoes - fresh per kg	5.9
Loaf of white bread 700g	15.7	Full cream milk - long life 1ℓ	5.1	Carrots - fresh per kg	10.3
Macaroni 500g	17.3	Beef brisket - fresh per kg	5.7	Bananas - fresh per kg	11.8
Special maize 5kg	20.9	Lamb - neck per kg	5.7	Pears - fresh per kg	15.8
Special maize 2.5kg	20.9	Fish (excl. tuna) - tinned 400g	5.9	Avocados - fresh per kg	25.3
Spaghetti 500g	24.1	Cheddar cheese per kg	6.1	Beans - dried 500g	40.2
Rice 1kg	51.7	Pork chops - fresh per kg	6.4	Sweet potatoes - fresh per kg	40.9
Rice 2kg	52.7	Bacon 250g	6.5	Paw Paw - fresh per kg / each	45.7
		Beef mince - fresh per kg	6.6	Pineapple - fresh per kg / each	49.6
		Beef T-bone - fresh per kg	7.1		
		Eggs 0.5 dozen	7.1		

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
		Beef chuck - fresh per kg	8.0	Other	%
		Lamb - rib chop per kg	10.3	Ceylon/black tea 250g	-16.2
		Sausage 500g	11.0	Ceylon/black tea 62.5g	-16.2
		Chicken portions frozen - non IQF average per kg	12.0	White sugar 2.5kg	3.0
		Chicken portions frozen - non IQF per kg (real)	12.0	Instant coffee 250g	11.2
		Beef fillet - fresh per kg	12.4		
		Pork - ribs per kg	12.7		
		Chicken giblets per kg	13.6		
		IQF chicken portions - 1kg	14.6		
		IQF chicken portions - 2kg	14.6		
		Beef offal - fresh per kg	16.4		
		Eggs 1.5 dozen	19.9		
		Corned beef 300g	20.0		
		Lamb - stew per kg	20.1		
		Beef stew - per kg	23.5		
		Polony per kg / 1kg	30.5		
		Lamb - offal per kg	42.2		
		Lamb - leg per kg	60.8		

Source: Stats SA, 2021

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

A closer look at annual food price trends: January 2021 vs. January 2020

During the period January 2021 vs. January 2020, the international price of wheat increased by 29.8%, while domestic wheat prices increased by 12.9%. Urban consumers paid 15.7% and 13.6% more for a loaf of white and brown bread (700g), respectively. Domestic yellow maize prices increased by 26.7%, while international yellow maize prices increased by 36.5%. Special and super maize meal prices (2.5kg) increased by 20.9% and 9.8%, respectively in urban areas. During the same period, the urban prices of sunflower oil (750ml) increased by 10.5%. Domestic prices of sunflower seed increased by 62.4% annually, while international sunflower seed prices increased by 51.3%.

During January 2021 vs. January 2020, average beef producer prices (R/kg) of classes C2/C3, A2/A3 and B2/B3 increased by 13.5%, 12.0% and 10.6%, respectively. Lamb/mutton producer prices (R/kg) of classes C2/C3, A2/A3 and B2/B3 increased by 26.1%, 15.7% and 15.0%, respectively. Producer prices of fresh and frozen chicken decreased by 8.4% and 1.4%, respectively while individually quick frozen (IQF) chicken portions (R/kg) increased by 2.0%. Porker and baconer producer prices (R/kg) increased by 27.1% and 19.4%, respectively, during the same period.

Comparison between urban: January 2021 vs. December 2020

Table 3 compares prices of selected food items in urban areas for January 2021 vs. December 2020. Food items showing the largest price differences between January 2021 vs. December 2020 in urban areas are rice (2kg) at a difference of R2.86, special maize (2.5kg) at a difference of R1.21, super maize (2.5kg) at a difference of R1.13, peanut butter (400g) at a difference of R0.48, loaf of white bread (700g) at a difference of R0.42 and full cream milk – long life (1ℓ) at a difference of R0.21. This indicates that urban consumers paid R0.04 less on average, for these 11 food items during January 2021.

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

Product	Urban Food Prices December 2020 (R/unit)	Urban Food Prices January 2021 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.39	15.60	0.21
Loaf of brown bread 700g	14.14	14.11	-0.03
Loaf of white bread 700g	15.21	15.63	0.42
Special maize 2.5kg	25.51	26.72	1.21
Super maize 2.5kg	26.66	27.79	1.13
Margarine spread 500g	26.32	24.83	-1.49
Peanut butter 400g	32.84	33.32	0.48
Rice 2kg	39.42	42.28	2.86
Sunflower oil 750ml	25.37	24.25	-1.12
Ceylon/black tea 62.5g	17.00	14.18	-2.82
White sugar 2.5kg	44.74	43.49	-1.25
Average difference (R/unit)			R-0.04

Source: Stats SA, 2021



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 2014 to 2016. In total, 95 price 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 2021, with January 2021 reaching an index level of 112.7 points, up 8.7% from January 2020.

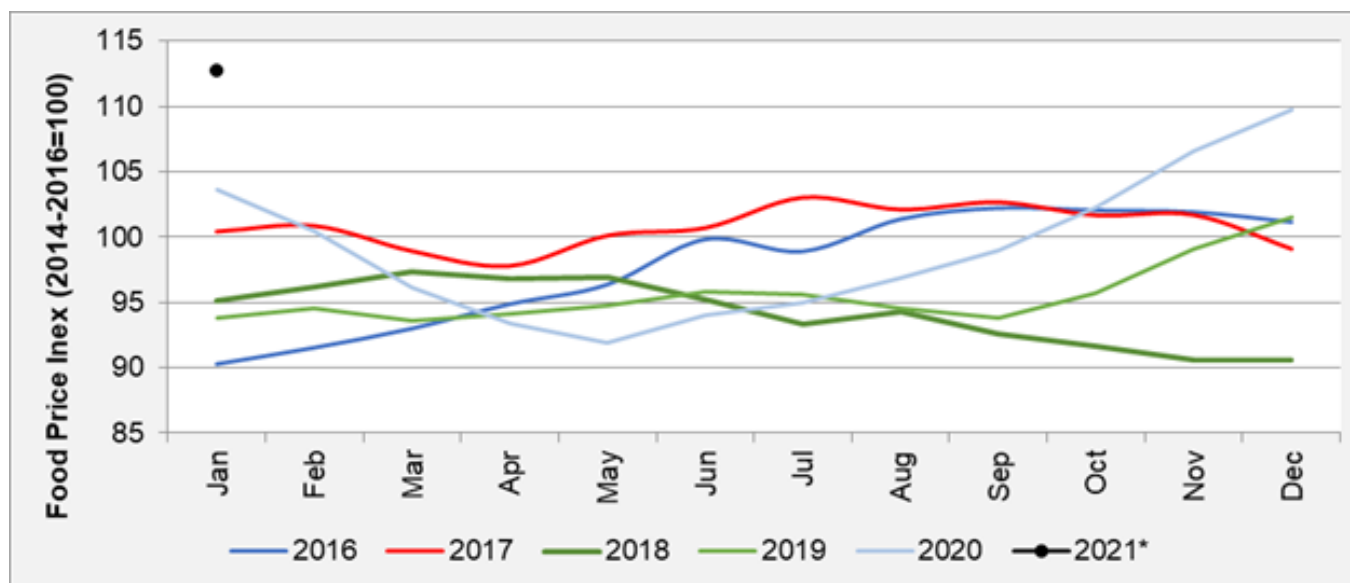


Figure 3: International monthly real FPI

Source: FAO, 2021

*Note: Current year



Figure 4 shows the price indices in real terms for five food categories. The monthly (January 2021 vs. December 2020) growth percentages indicated increasing trends for three of the five indices. The annual (January 2021 vs. January 2020) growth percentages indicated increasing trends of 25.7% for Oils Price Index, 21.7% for the Cereals Price Index and 5.9% for the Sugar Price Index, whilst the Meat Price Index reflected the only annual decline percentage of 9.0%.

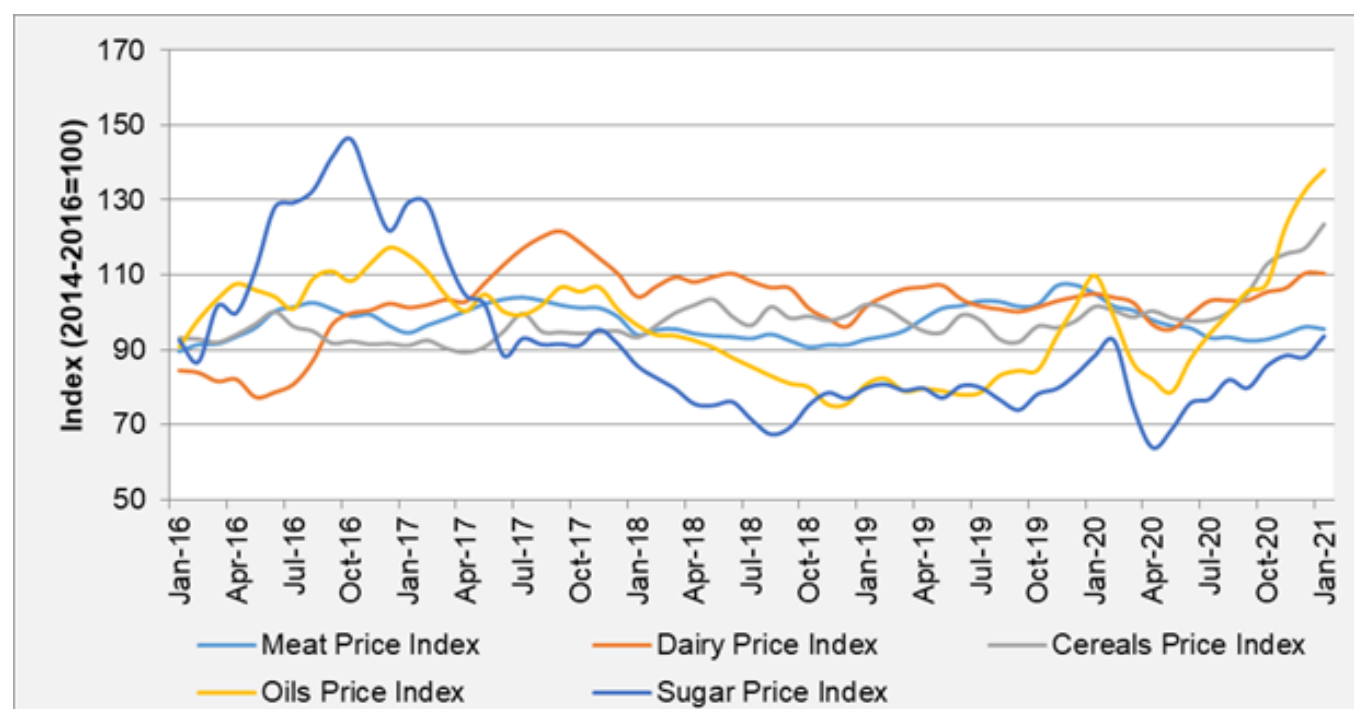


Figure 4: Real price indices for five food categories

Source: FAO, 2021

The **FAO Food Price Index (FFPI)**¹ in nominal terms, averaged 113.3 points in January 2021, 4.7 points (or 4.3%) higher than in December 2020, not only marking the eighth month of consecutive rise but also registering its highest monthly average since July 2014. The latest increase reflected strong gains in the sugar, cereals and vegetable oils sub-indices, while meat and dairy values were also up but to a lesser extent.

The **FAO Cereal Price Index** in nominal terms, averaged 124.2 points in January 2021, marking a sharp increase of 8.3 points (or 7.1%) from December 2020 and the seventh consecutive monthly rise. International maize prices increased significantly, surging by 11.2% in January, up 42.3% above their January 2020 level,

reflecting increasingly tight global supply with lower-than-earlier-expected production and stock estimates in the United States of America and substantial purchases by China. Concerns over drought in South America and a temporary suspension of maize export registrations in Argentina added support, pushing international maize prices up to their highest level since mid-2013. Among other coarse grains, barley prices also increased in January, by 6.9%, supported by stronger demand and price increases for maize, wheat and soybeans, while sorghum prices remained stable. Wheat prices also registered strong increases in January, up by 6.8%, influenced by the strength in maize prices as well as strong global demand and expectations of reduced sales by the Russian Federation from March 2021, when

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..



the wheat export duty will double. As for rice, robust demand from Asian and African buyers, combined with tight supplies in Thailand and Viet Nam, continued to underpin export prices in January 2021.

The **FAO Vegetable Oil Price Index** in nominal terms, averaged 138.8 points in January 2021, up 7.7 points (or 5.8%) from December 2020 and marking the highest level since May 2012. The index' eighth consecutive monthly increase mainly reflected higher prices for palm, soy and sunflower seed oil. With reduction in palm oil production in Indonesia and Malaysia due to excessive rainfall (and, in the case of Malaysia, continued shortages in migrant labour force), international palm oil quotations climbed to a level not seen in the last eight-and-a-half year. Meanwhile, international soy-oil prices rose for the eighth month in succession, fuelled by reduced export availabilities and prolonged strikes in Argentina. For sunflower seed oil, continued rising prices stemmed from lingering global supply tightness owing to sharply reduced 2020/21 sunflower seed harvests.

The **FAO Dairy Price Index** in nominal terms, averaged 111.0 points in January 2021, up 1.7 points (1.6%) from December 2020, rising for the eighth consecutive month and placing the index at 7.1 points (6.9%) above its value in the corresponding month last year. In January 2021, butter and whole milk powder (WMP) price quotations increased, underpinned by China's high purchases in the wake of the country's upcoming New Year holiday festivities amid seasonally lower exportable supplies in New Zealand. Price quotations for skim milk powder (SMP) also rose, pressured by high import demand for spot supplies and lagging production activities in Western Europe. By contrast, cheese prices fell slightly from the highs registered in December 2020 due to limited internal sales in Europe, coupled with a stock build-up in the United States of America.

The **FAO Meat Price Index**² in nominal terms, averaged 96.0 points in January 2021, up 0.9 points (1.0%) from December 2020, marking the fourth consecutive monthly increase, but still down 7.6 points (7.3%) from the corresponding month last year. International price quotations for all meat types that constitute the index increased in January, with those of poultry meat rising the most, especially for Brazilian origins, underpinned by brisk global import demand while avian influenza outbreaks constrained poultry exports from several European countries. Despite high purchases by China in the run-up to the country's New Year celebrations, bovine and pig meat price quotations increased only slightly, as global supplies remained adequate to meet demand. Ovine meat prices firmed for a fourth consecutive month, driven by tight supplies from Oceania and strong demand from China.

The **FAO Sugar Price Index** in nominal terms, averaged 94.2 points in January 2021, up 7 points (8.1%) from December 2020 and reaching the highest level since May 2017. The increase in prices mostly resulted from concerns over lower global availabilities in 2020/21, following worsening crop prospects in the European Union, the Russian Federation and Thailand, and drier-than-normal weather conditions in South America. Further support to sugar prices was provided by recent increases in crude oil prices and the strengthening of the Brazilian Real against the US Dollar, which tends to affect shipments from Brazil, the world's largest sugar exporter. Continued robust global import demand for sugar also supported prices. The upward pressure on prices was somewhat limited by the large exportable supplies in India amid expectations of a bumper crop and the Government's approval of export subsidies for the 2020/21 season.

²Unlike 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.

Estimated impact of food inflation on consumers

The purpose of this section is to illustrate the impact of food inflation on consumers. The analysis presented in the first part of this section is based on the cost of a basic food basket³ (as originally compiled by the Food Price Monitoring Committee in 2003, which was revised in January 2017) and, based on monthly average food price data for the period January 2021 to January 2020.

In January 2021, the cost of this basic urban food basket was R971.98, increasing by 9.8% from January 2020 (year-on-year increase) and increasing by 1.3% from December 2020 (month-on-month change). The cost of this food basket expressed as a share of the average monthly income⁴ of the poorest 30% of the population increased from 59.5% in January 2020 to 65.3% in January 2021. The cost of the food basket expressed as a share of the average monthly income of the wealthiest 20% of the population increased from 3.2% in January 2020 to 3.4% in January 2021. (Figure 5).

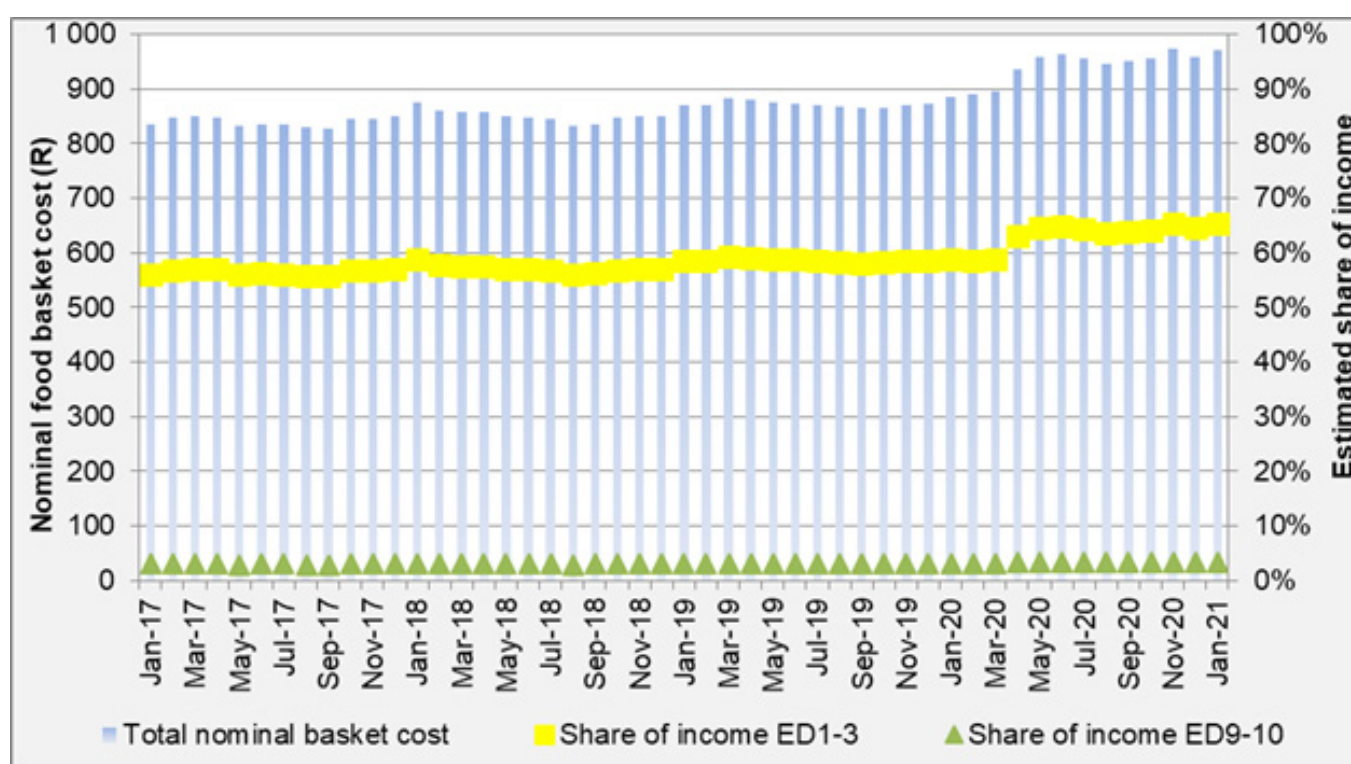


Figure 5: The cost of a typical consumer food basket for the period January 2017 to January 2021, expressed in nominal terms and as share of the average income of the poorest 30% of households (Expenditure Deciles [ED] 1-3) and the wealthiest 20% of households (ED 9-10)

Sources: BFAP calculations, based on Stats SA monitored price data for urban areas, 2021

³Composition of 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), Tomatoes fresh (per kg).

⁴The cost of the typical food basket was expressed as a share of estimated average monthly income of Expenditure Deciles 1 to 3, the poorest 30% of the population, as calculated from the STATSSA Living Conditions Survey 2014/2015 (household income estimated by total expenditure of households on all items).

To further explore the impact of inflation on consumers, **Figure 6** presents an illustration of the average monthly nominal cost of specific food groups within the basic food basket, comparing January 2021 to January 2020. Food groups with more prominent inflation included bread & cereals, bean products (legumes), meat & fish and dairy & eggs.

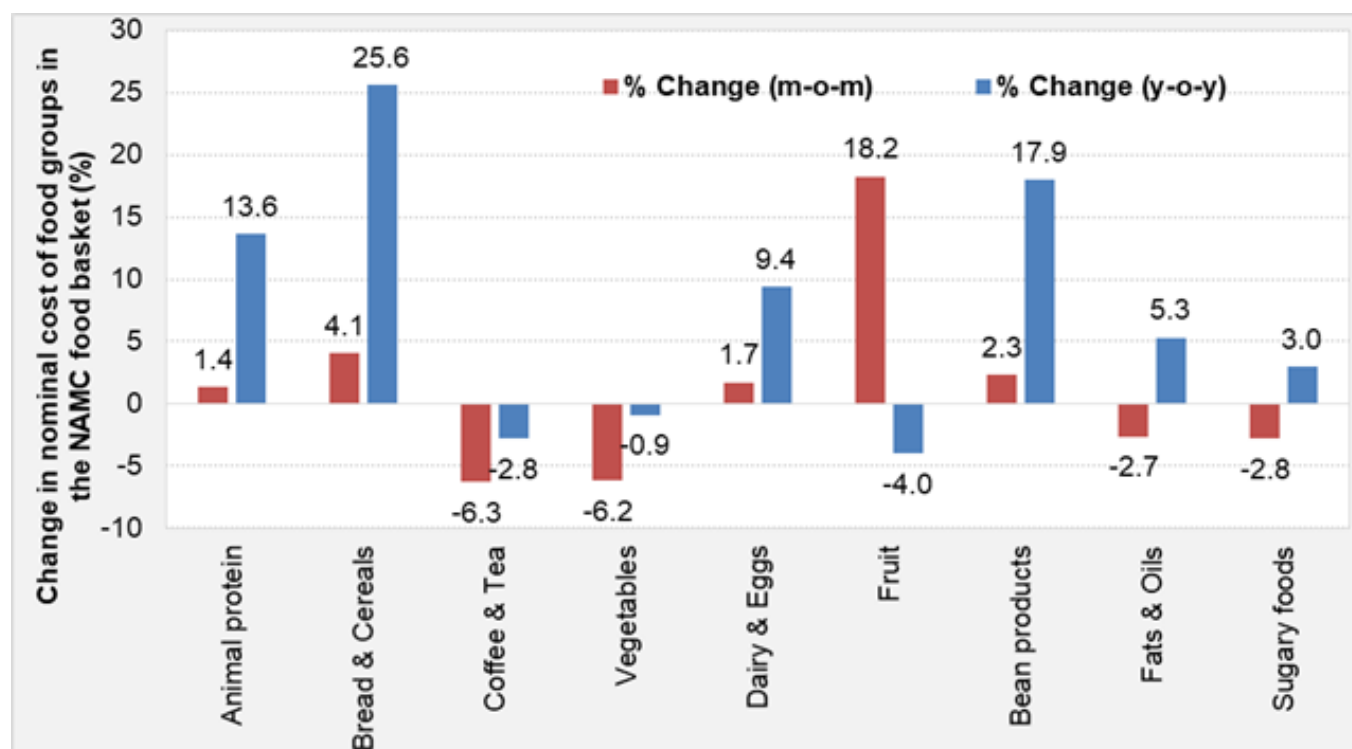


Figure 6: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing January 2021 to January 2020 (y-o-y) and January 2021 vs. December 2020 (m-o-m)

Sources: BFAP & NAMC calculations, Stats SA, 2021

The various food groups within this food basket are discussed in more detail in **Table 4** below.

Table 4: Overview of contributions to annual food price increases within the 28-item NAMC food basket, January 2021 to January 2020

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
	Jan 2021 vs. Jan 2020	Oct 2020* vs. Oct 2019				
Animal protein	+13.6%	+4.6%	Polony (+30.5%) Beef offal (+16.4%) IQF chicken portions (+14.6%) Chicken giblets (+13.6%) Beef mince (+6.6%) Tinned fish (+5.9%)	None	None	Most significant inflation on polony, beef offal and IQF chicken.
Bread and cereals	+25.6%	+19.1%	Rice (+52.7%) White bread (+15.7%) Maize meal (+14.9%) Brown bread (+13.6%)	None	None	Most significant inflation on rice, but also high inflation on other staple options.
Vegetables	-0.9%	+9.3%	Tomatoes (+5.9%)	Potatoes (+0.1%)	Cabbage (-9.1%) Onions (-2.7%)	Inflation on tomatoes.
Fruit	-4.0%	+5.3%	Bananas (+31.0%) Oranges (+38.5%)	Bananas (+11.8%)	None	Apples (-4.1%)
Dairy	+5.6%	+15.9%	Cheddar cheese (+6.1%) Milk (+5.1%)	None	None	High inflation on eggs, some inflation on milk and cheese.
Eggs	+19.9%	+22.9%	Eggs (+19.9%)	None	None	
Fats and oils	+5.3%	+6.1%	Sunflower oil (+10.5%)	Brick margarine (+0.3%)	None	Inflation on sunflower oil.
Bean products	+17.9%	+12.6%	Dried beans (+40.2%) Peanut butter (+9.4%) Baked beans (+4.0%)	None	None	Inflation mainly on dried beans and peanut butter.
Coffee and tea	-2.8%	-0.2%	Instant coffee (+11.2%)	None	Ceylon/black tea (-16.2%)	Inflation on instant coffee.
Sugary foods	+3.0%	+10.3%	White sugar (+3.0%)	None	None	Some inflation on sugar

Sources: BFAP & NAMC calculations, Stats SA, 2021

*Note: Previous Food Price Monitor analysis period prior to January 2021 vs. January 2020

Thus, when comparing January 2020 to January 2021 retail prices, higher price inflation (6% or more) were observed for the following products within the NAMC food basket (in order from highest to lowest inflation): Rice, dried beans, polony, eggs, beef offal, white bread, super maize meal, IQF chicken portions, chicken giblets, brown bread, bananas, instant coffee, sunflower oil, peanut butter, beef mince and cheddar cheese. The items with high inflation could have negative implication in terms of basic food security (staple food inflation) as well as dietary diversity (e.g. inflation on meat and fruit). When comparing the inflation rates for January 2021 to January 2020, with October 2019 to October 2020 (i.e. the previous Food Price Monitor analysis period) the rate of inflation was higher for bread & cereals, eggs, bean products and animal protein foods.

The impact of inflation on very poor consumers is further explored below, based on the typical portion sizes of very poor consumers of the five most widely consumed food items in South Africa. These food items include maize porridge, brown bread, sugar, tea and full cream milk (National Food Consumption Survey - Steyn & Labadarios, 2000⁵; Oldewage-Theron et al, 2005⁶). **Figure 7** illustrates the estimated portion costs for these foods, calculated from monthly food price data for January 2020 and January 2021. Similar to other Food Price Monitor analysis periods, the significant cost contribution of maize meal and bread to the typical basic daily food selection for poor consumers are emphasised by the results in **Figure 7**.

Furthermore, 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 40% more in this case for January 2021). When comparing, the costs associated with the typical portion sizes of very poor consumers for the five most widely consumed food items in South Africa, based on January 2021 versus January 2020 prices the results in **Figure 7** indicated inflation of about 10.4% (from R6.15 to R6.79 for the selection of typical portions). All items except tea revealed positive inflation. From December 2020 to January 2021 the costs associated with the typical portion sizes of the five most widely consumed food items by the poor remained constant.

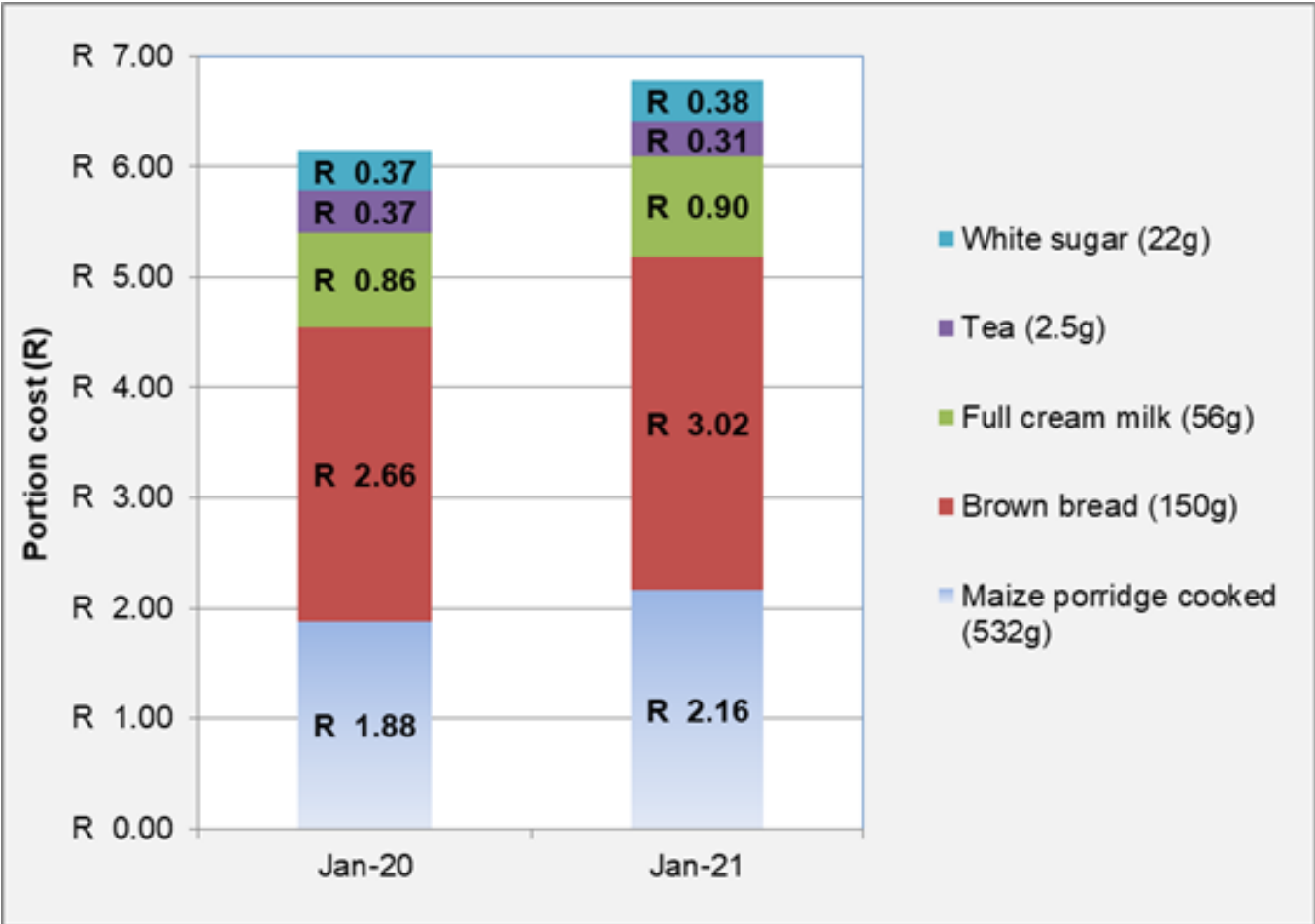


Figure 7: Average nominal cost for the typical portions of the five food items most widely consumed by very poor consumers in South Africa, January 2021 vs. January 2020

Sources: BFAP calculations, Stats SA, 2021

⁵Steyn NP, Labadarios D. National Food Consumption Survey: Children aged 1–9 years, South Africa, 1999. Cape Town: The Department of Health Directorate Nutrition, 2000

⁶Oldewage-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

Domestic Outlook

With the festive season behind us, one might have expected food inflation to slow down in January, as demand typically declines through this period, before turning upwards again as the Easter period approaches. Nevertheless, most food product prices increased, with fruit, meat and oils & fats reflecting the strongest growth.

Fruit products are primarily export oriented, but also seasonal in nature. For products such as citrus, avocados, apples and pears – all of which reflected strong month on month increases, the harvest season is approaching and while supply is very limited in January, storage facilities are typically also being prepared for new harvests, resulting in supply constraints that drive prices up. These price increases are expected to moderate in the coming months, as the new season harvest starts to come in.

Beef product prices also increased sharply, with lamb products at the forefront, but beef, poultry and pork product prices all increased. Meat markets are particularly sensitive to international markets, as South Africa remains a net importer of chicken and the rising prominence of beef exports has increased the sensitivity of the sector to global factors in recent years. In the global context, meat prices declined earlier in 2020 as a result of COVID-19 related restrictions on economic activity, but as sentiments improve accelerating rollout of vaccines, the recovery in global meat prices may persist, lending support to domestic price levels in the coming months.

Apart from international market influence, domestic meat prices are also influenced by supply and demand conditions. While demand is expected to weaken in the short term following festive season gains, supply in many instances is also constrained. South Africa remains in a rebuilding cycle for both beef and lamb, with beef herd rebuilding in particular being accelerated by improved weather conditions and the large summer

crop in 2020. This supported cash flow for producers in mixed enterprises, enabling a more aggressive rebuilding approach which constrains current supply. The longer production cycle however implies that such supplies take time to get into the market and with the Easter period also approaching, prices may remain higher in the short term – particularly in light of high feed grain prices.

Global market dynamics have also been a key factor influencing prices of oils & fats, as well as cereals. At a global level, price increases evident over the past quarter accelerated in January on the back of reduced supply and lower than expected stock levels. A combination of strong import demand from China, for both grains and oilseeds, and weather related factors that reduced supply pushed global grain and oilseed prices to levels last observed in 2013. These prices have spilled into the South African market, as South Africa is a net importer of wheat and rice, as well as a net exporter of maize. The area planted to summer crops such as maize and soybeans increased by 6% and 14% respectively in 2021 and even at average yield levels, this would provide a well above average crop. As this new season crop comes in quarter 2 of 2021, prices may moderate from current high levels, but given the sharp increases in international markets, even a decline to export parity levels will only induce a small decline in domestic price levels. With the first substantial supply response in the global market expected in the Northern hemisphere season, current high prices may persist for a few months, lending support to domestic price levels.

A key factor driving food inflation is the exchange rate, which remains a key uncertainty in the coming months. The volatility evident in the exchange rate in recent months reflects the influence of global sentiment towards risk and emerging markets, as well as fundamental risk factors domestically. These factors will likely remain finely balanced, resulting in persistent volatility in the coming quarter, which will also influence the rate of food inflation.

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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