

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

March 2021 - February 2021 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 February 2021 CPI data were published on Wednesday the 24th of March 2021 (see link below from the Stats SA website):

<http://www.statssa.gov.za/publications/P0141/P0141February2021.pdf>

This report will now contain the official February 2021 data, as the official release of the March 2021 CPI data is scheduled for April 21st, 2021. Because rural data is still not monitored by Stats SA, price comparisons between rural and urban is still not feasible at this stage.

Highlights

- During February 2021, the nominal cost of the NAMC's 28-item urban food basket amounted to R974.80 compared to the R971.98 reported during January 2021, resulting in a monthly increase of 0.3%. When compared to February 2020, an annual (y-o-y) increase of 9.4% was observed.
 - Within the NAMC's 28-item urban food basket, bread & cereals and bean products categories were the highest food inflation contributors during February 2021 (y-o-y) with 26.7% and 17.8%, respectively, with coffee & tea prices reporting deflation of 9.8% during the same period.
 - Rice (57.9%) was amongst the commodities with the highest annual food inflation which can be attributed to higher global export prices for rice associated to higher demand and restrictions to exports by leading global producers when compared to the previous year.
- In March 2021 fuel prices for both 93 Unleaded Petrol (ULP) and 95 ULP increased by R0.65/ℓ m-o-m, to reach R16.15/ℓ and R16.32, respectively. This represented an increase of 4.19% m-o-m for 93ULP and 4.15% for 95ULP. Diesel 500ppm increased by R0.54/ℓ (3.98%) m-o-m to reach R14.13/ℓ on the 3rd March 2021, from R13.58/ℓ observed in February 2021.
 - The Rand slightly appreciated towards the end of February 2021, from R15.06 on the 1st of February 2021 to R15.04 on the 28th of February 2021. This has negatively affected fuel price recovery per litre thus a slight increase in fuel prices was observed at the beginning of February.
 - **March 2021 expectations:** fuel prices are expected to increase primarily due to increase in the oil price from the global market specifically from North America associated to higher demand for fuel due to freezing weather.



Overall inflation and food inflation

Figure 1 shows the trends in the headline CPI and food and non-alcoholic beverage inflation rates, from February 2015 to February 2021. The official February 2021 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) on March 24th, 2021, indicated that the annual headline CPI decreased to 2.9% in February 2021 from 3.2% in January 2021. Food and non-alcoholic beverages price inflation has decreased to 5.2% year-on-year in February 2021, from 5.4% year-on-year in the previous month (January 2021). Largely Meat prices contributed to the decline in food and non-alcoholic beverages price inflation. In March 2021 fuel prices for both 93 Unleaded Petrol (ULP) and 95 ULP increased by R0.65/l m-o-m, to reach R16.15/l and R16.32, respectively. This represented an increase of 4.19% m-o-m for 93 ULP and 4.15% for 95 ULP. Diesel 500ppm increased by R0.54/l (3.98%) m-o-m to reach R14.13/l on the 3rd of March 2021, from R13.58/l observed in February 2021.

The rand against the dollar plays a crucial role in fuel prices which is subsequently transmitted to consumers especially for grains and oilseeds products. Towards the end of February 2021, the rand had slightly appreciated to R15.04, from R15.18 end of January 2021, but still weaker when compared to early 2021. The weakening rand together with the increase in oil price from the global market specifically from North America associated with higher demand for fuel due to freezing weather has negatively affected fuel price recovery per litre thus a slight increase in fuel prices was observed at the beginning of February. This has a direct effect on domestic food prices for South Africa which is a net-importer of oil and food is largely transported by road.

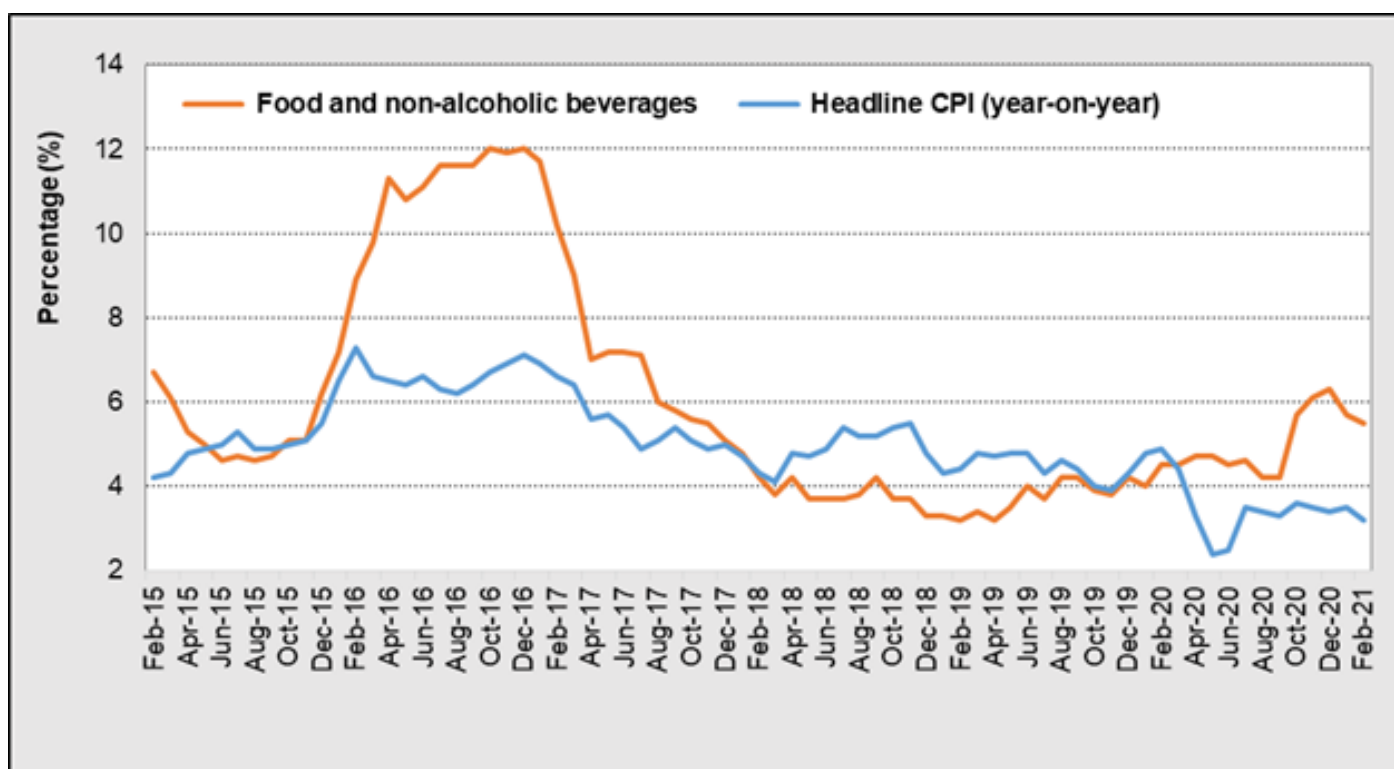


Figure 1: Headline CPI and food and non-alcoholic beverages CPI

Source: Stats SA, 2021

Comparison between urban prices: February 2021 vs. January 2020

Table 1 compares prices of selected food items in urban areas for February 2021 against January 2021. The food items which showed the largest price differences during this period were: white sugar (2.5kg) which increased by R1.82, followed by margarine spread (500g) (R1.14), rice (2kg) (R1.13), special maize 2.5kg (R0.99), sunflower oil (750ml) (R0.87), peanut butter 400g (R0.32), full cream milk – long life 1ℓ (R0.24), a loaf of white bread 700g (R0.18) and a loaf of brown bread (700g) at R0.09. In February 2021, prices for Ceylon/black tea (62.5g) and super maize meal 2.5kg had decreased by R1.35 and R0.04, respectively. Overall urban consumers paid R0.49 more on average for these 11 food items during February 2021 when compared to January 2021.

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

Product	Urban Food Prices January 2021 (R/unit)	Urban Food Prices February 2021 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.60	15.84	0.24
A loaf of brown bread 700g	14.11	14.20	0.09
A loaf of white bread 700g	15.63	15.81	0.18
Special maize 2.5kg	26.72	27.71	0.99
Super maize 2.5kg	27.79	27.75	-0.04
Margarine spread 500g	24.83	25.97	1.14
Peanut butter 400g	33.32	33.64	0.32
Rice 2kg	42.28	43.41	1.13
Sunflower oil 750ml	24.25	25.12	0.87
Ceylon/black tea 62.5g	14.18	12.83	-1.35
White sugar 2.5kg	43.49	45.31	1.82
Average difference (R/unit)			0.49

Source: Stats SA, 2021

The NAMC food basket: February 2021 vs February 2020

This section presents the nominal cost of the NAMC's 28-item urban food basket¹, based on average food price data for February 2021 vs. February 2020. The nominal cost of the NAMC's 28-item urban food basket amounted to R974.80 in February 2021 compared to the R971.98 reported during January 2021, an increase of 0.3% m-o-m as compared to an annual increase of 9.4%.

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 (57.9%), beans - dried 500g (40.7%), eggs 1.5 dozen (32.8%), polony per kg/1kg (28.0%), loaf of

¹Composition of the current food basket (revised in 2017) includes 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.

white bread 700g (16.0%), beef mince – fresh per kg (14.9%), super maize meal 5kg (14.4%), loaf of brown bread 700g (13.9%), sunflower oil 750ml (11.7%), cheddar cheese per kg (9.3%), peanut butter 400g (9.2%), IQF chicken portions - 2kg (7.9%) with white sugar (2.5kg) and full cream milk - long life 1ℓ both at 6.3%.

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

Category	Product	Feb 20 R/unit	Jan 21 R/unit	Feb 21 R/unit	% change y-o-y	%change m-o-m
Beans	Baked beans - tinned 410g	11.14	11.36	11.40	2.3	0.4
Beans	Beans - dried 500g	19.16	26.10	26.95	40.7	3.3
Beans	Peanut butter 400g	30.81	33.32	33.64	9.2	1.0
Coffee, Tea	Instant coffee 250g	35.55	39.51	37.11	4.4	-6.1
Coffee, Tea	Ceylon/black tea 250g	36.82	31.13	28.16	-23.5	-9.5
Dairy, Eggs	Full cream milk - long life 1ℓ	14.90	15.60	15.84	6.3	1.5
Dairy, Eggs	Eggs 1.5 dozen	40.04	47.87	53.18	32.8	11.1
Dairy, Eggs	Cheddar cheese per kg	105.63	114.77	115.46	9.3	0.6
Fats, Oils	Brick margarine 500g	22.44	22.61	22.66	1.0	0.2
Fats, Oils	Sunflower oil 750ml	22.49	24.25	25.12	11.7	3.6
Fruit	Apples - fresh per kg	22.34	20.35	22.56	1.0	10.9
Fruit	Bananas - fresh per kg	16.60	18.54	17.22	3.7	-7.1
Fruit	Oranges - fresh per kg	31.31	25.67	29.99	-4.2	16.8
Protein	Beef mince - fresh per kg	84.43	89.75	97.00	14.9	8.1
Protein	Beef offal - fresh per kg	37.19	42.45	38.14	2.6	-10.2
Protein	Chicken giblets per kg	32.47	37.51	30.43	-6.3	-18.9
Protein	IQF chicken portions - 2kg	68.50	77.61	73.90	7.9	-4.8
Protein	Fish (excl. tuna) - tinned 400g	20.49	21.49	21.46	4.7	-0.1
Protein	Polony per kg / 1kg	34.40	45.22	44.04	28.0	-2.6
Bread & Cereals	Loaf of brown bread 700g	12.47	14.11	14.20	13.9	0.6
Bread & Cereals	Loaf of white bread 700g	13.63	15.63	15.81	16.0	1.2
Bread & Cereals	Super maize meal 5kg	44.58	50.83	50.98	14.4	0.3
Bread & Cereals	Rice 2kg	27.50	42.28	43.41	57.9	2.7
Vegetables	Cabbage - fresh per kg	14.68	12.68	12.48	-14.9	-1.5
Vegetables	Onions - fresh per kg	15.01	14.50	14.33	-4.5	-1.2
Vegetables	Potatoes - fresh per kg	13.21	13.41	13.19	-0.2	-1.6
Vegetables	Tomatoes - fresh per kg	20.42	19.94	20.83	2.0	4.5
Sugary foods	White sugar 2.5kg	42.64	43.49	45.31	6.3	4.2
	Total Rand Value*	890.85	971.98	974.80	9.4	0.3

Source: Stats SA and BFAP, 2021

To further explore the impact of price inflation on consumers, **Figure 2** presents the average nominal cost growth of specific food groups within the NAMC's 28-item food basket comparing the periods February 2021 vs. February 2020 (y-o-y) and February 2021 vs. January 2021 (m-o-m). Food categories recording the highest annual inflation include bread & cereals, bean products, and dairy & eggs at 26.7%, 17.8% and 14.9%, respectively on a y-o-y basis. Oranges fresh – per kg (16.8%), eggs 1.5 dozen (11.1%), and apple fresh per kg (10.9%) were the main contributors to the month-on-month inflation figures.

The significant increase of 57.2% in rice prices when compared to the previous year is due to increasing demand from the global market. Export prices from Vietnam are currently 20% higher when compared to the same time the previous year, while its 15% and 7%, respectively from India and Thailand. South Africa

imports almost all of rice consumed, and an increase in export prices will always have an impact on South Africa domestic prices as observed since mid-2020 after lockdown restrictions and the increased demand surrounding Covid-19 fears.

Like rice, South Africa is a net-importer for dried beans and the global supply was negatively affected by snow in the USA and Canada and by drought in South America region during the 2020 season. These events led to increased international prices thus an annual increase of 40.7% was observed in February on domestic prices, which was 0.5% up from the previous month. Also, the reduction in planted area in South Africa is adding more pressure on dry bean prices due to limited local supply. Nonetheless, during March 2021 dry bean prices should improve as new stocks are entering the market.

The retail price of eggs 1.5 increased by 11.1% in February 2021 compared to January 2021 attributed to feed prices. While apple retail price increases have significantly slowed down from 29.1% in January 2021 compared to December 2020 to 10.9% in February 2021 compared to January 2021, they remain high m-o-m due to a two-month low supply on the national fresh produce markets as the new season's harvest, which started to enter the market at the end of January 2021. For oranges, an increase of 16.8% was registered in February 2021 compared to January 2021, however, prices were still lower(-0.4) y-o-y which can be linked to decreasing demand from both domestically and globally recently. Orange prices are likely to further decrease as we approach the winter season and new stocks are to enter the market.

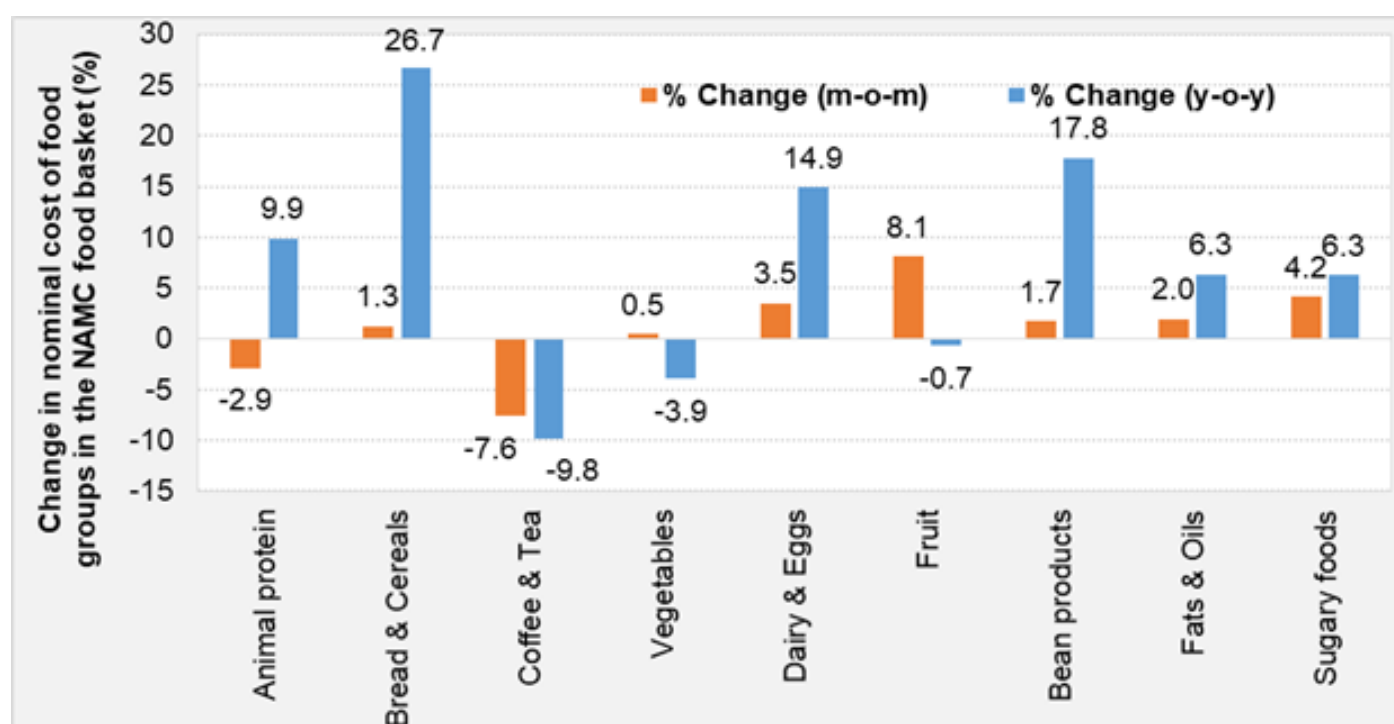


Figure 2: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing February 2021 vs. February 2020 and February 2021 vs. January 2021

Source: NAMC calculations, Stats SA data, 2021

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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