

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

June 2021 - May 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 May 2021 CPI data were published on Wednesday the 23rd of June 2021 (see link below from the Stats SA website):

<http://www.statssa.gov.za/publications/P0141/P0141May2021.pdf>

This report will now contain the official May 2021 data, as the official release of the June 2021 CPI data is scheduled for July 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 May 2021, the nominal cost of the NAMC's 28-item urban food basket amounted to R982.17 compared to the R969.13 reported during April 2021, resulting in a monthly increase of 1.3%. When compared to May 2020, an annual (y-o-y) increase of 2.3% was observed.
 - Within the NAMC's 28-item urban food basket fats & oils, sugary foods and bean products categories were the highest food inflation contributors during May 2021 (y-o-y) with 20.1%, 12.6% and 9.5%, respectively, with dairy & egg prices reporting deflation of 11.6% during the same period. Tomatoes (104.7%) were amongst the commodities with the highest annual food inflation on year-on-year basis which can be attributed to shortages in supply in early 2021 and an increase in demand.
- On May 5th 2021, fuel prices for both 93 Unleaded Petrol (ULP) and 95ULP had decreased by R0.09/ℓ to reach R17.01/ℓ and R17.23 m-o-m, respectively, while diesel 500ppm prices had decreased by R0.31/ℓ m-o-m to reach R14.46/ℓ, from R14.77ℓ observed during April 2021.
 - The Rand had slightly appreciated towards the end of May 2021, from R14.50 on the 30th of April 2021 to R13.72 on the 31st of May 2021. This had little impact on fuel prices during May 2021, nonetheless, a slight decrease in fuel prices was observed.
- **June 2021 expectations:** fuel prices are expected to slightly decrease following a slight decrease in May attributed to increases in the oil price from the global market and Rand appreciation. While these are positive developments, it is unlikely that they will have a significant effect on food prices during June mainly due to higher global food prices linked to lower carryover stocks and poor production prospects from key producing countries.



Overall inflation and food inflation

Figure 1 shows the trends in the headline CPI on food and non-alcoholic beverage inflation rates, between May 2015 and May 2021. Based on the official May 2021 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) on June 23rd, 2021, the annual headline CPI increased from 4.4% in April to 5.2% in May 2021, the highest increase in two years. Food and non-alcoholic beverages price inflation increased from 6.3% in April 2021 year-on-year to 6.7% in May 2021. The rise in inflation can be attributed to fuel prices which remain high and elevated international food prices for some key food commodities such as vegetable oil products and sugary foods.

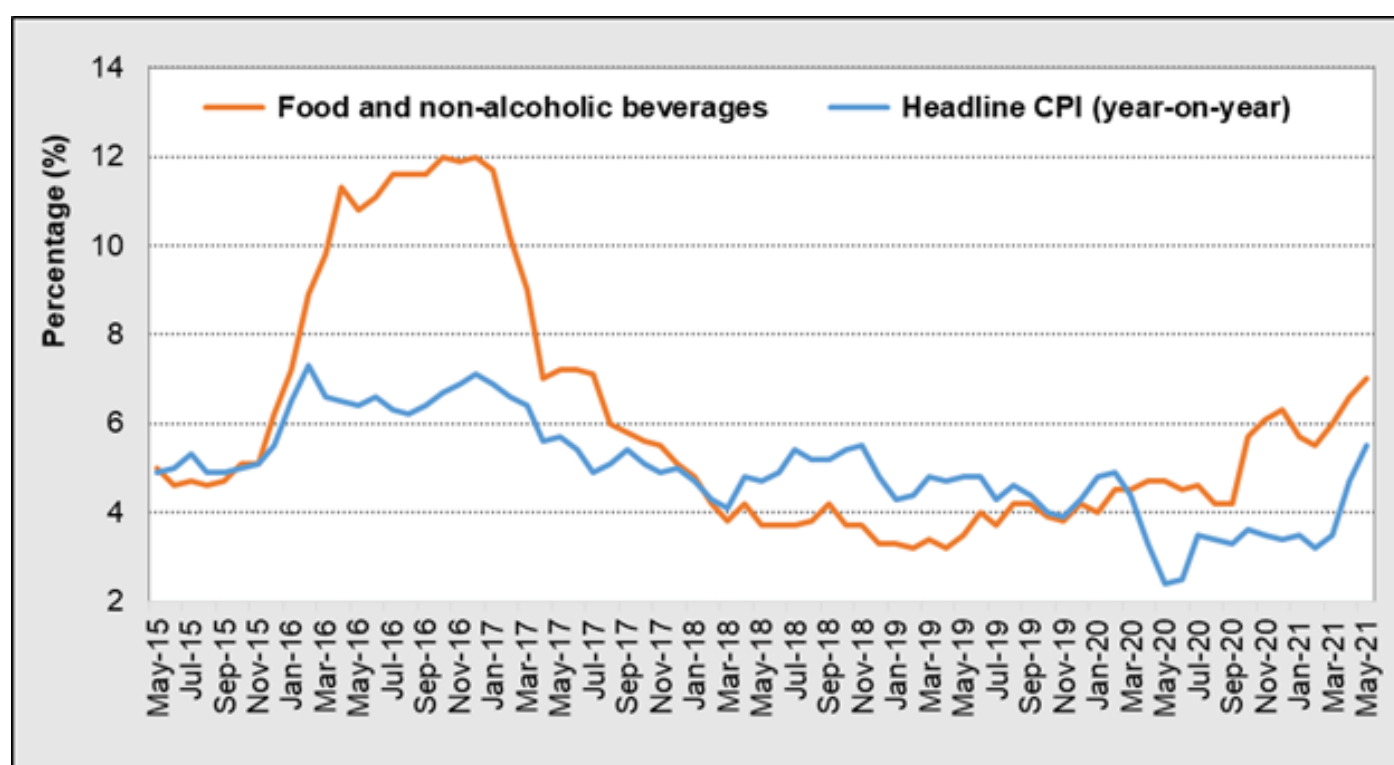


Figure 1: Headline CPI and food and non-alcoholic beverages CPI

Source: Stats SA, 2021

Comparison between urban prices: May 2021 vs. April 2020

Table 1 compares prices of selected food items in urban areas for May 2021 against April 2021. The food items which showed the largest price differences during this period were: margarine spread (R8.78) followed by sunflower oil (R1.76), Ceylon/black tea (R0.81), super maize meal (R0.75), full cream long life milk (R0.49), a loaf of white bread (R0.22) and peanut butter (R0.19). In May 2021, a price decrease in some food items were observed. For four consecutive months, rice had decreased with a R0.45 decline recorded, while special maize meal, a loaf of brown bread, and white sugar had decreased by R0.43, R0.13, R0.03, respectively. Overall, urban consumers paid R1.09 more on average for these 11 food items during May 2021 when compared to April 2021.

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

Product	Urban Food Prices April 2021 (R/unit)	Urban Food Prices May 2021 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.76	16.25	0.49
A loaf of brown bread 700g	14.16	14.03	-0.13
A loaf of white bread 700g	15.11	15.33	0.22
Special maize 2.5kg	28.10	27.67	-0.43
Super maize 2.5kg	27.12	27.87	0.75
Margarine spread 500g	27.19	35.97	8.78
Peanut butter 400g	33.81	34.00	0.19
Rice 2kg	39.46	39.01	-0.45
Sunflower oil 750ml	27.61	29.39	1.78
Ceylon/black tea 62.5g	14.97	15.78	0.81
White sugar 2.5kg	45.98	45.95	-0.03
Average difference (R/unit)			1.09

Source: Stats SA, 2021

The NAMC food basket: May 2021 vs May 2020

The section presents the nominal cost of the NAMC's 28-item urban food basket¹, based on average food price data for May 2021 vs. May 2020. The nominal cost of the NAMC's 28-item urban food basket in May 2021 amounted to R982.17 compared to the R969.13 reported during April 2021. This represented an increase of 1.3% and 2.3% m-o-m and y-o-y, respectively.

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: fresh tomatoes (104.7%), sunflower oil (40.0%), Individual quick frozen (IQF) chicken portions (20.3%), chicken giblets (16.2%), dried beans (14.2%), fresh oranges (13.0%), white sugar (12.6%), tinned fish (11.1%), baked beans (10.8%), a loaf of brown bread (7.8%), instant coffee (7.6%), polony (6.6%) and full cream long life milk (6.2%).

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.

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

Category	Product	May20 R/unit	Apr 21 R/unit	May 21 R/unit	% change y-o-y	% change m-o-m
Beans	Baked beans - tinned 410g	9.99	10.93	11.07	10.8	1.3
Beans	Beans - dried 500g	21.99	24.86	25.11	14.2	1.0
Beans	Peanut butter 400g	32.12	33.81	34.00	5.9	0.6
Coffee, Tea	Instant coffee 250g	34.99	37.87	37.64	7.6	-0.6
Coffee, Tea	Ceylon/black tea 250g	35.27	32.87	34.65	-1.8	5.4
Dairy, Eggs	Full cream milk - long life 1ℓ	15.30	15.76	16.25	6.2	3.1
Dairy, Eggs	Eggs 1.5 dozen	52.49	49.96	50.17	-4.4	0.4
Dairy, Eggs	Cheddar cheese per kg	120.36	107.32	99.99	-16.9	-6.8
Fats, Oils	Brick margarine 500g	22.82	23.32	23.24	1.8	-0.3
Fats, Oils	Sunflower oil 750ml	20.99	27.61	29.39	40.0	6.4
Fruit	Apples - fresh per kg	21.03	17.92	16.62	-21.0	-7.3
Fruit	Bananas - fresh per kg	17.99	19.40	18.84	4.7	-2.9
Fruit	Oranges - fresh per kg	18.32	20.53	20.70	13.0	0.8
Protein	Beef mince - fresh per kg	93.05	95.17	95.16	2.3	0.0
Protein	Beef offal - fresh per kg	50.63	40.77	45.04	-11.0	10.5
Protein	Chicken giblets per kg	33.75	35.40	39.22	16.2	10.8
Protein	IQF chicken portions - 2kg	70.82	71.54	85.18	20.3	19.1
Protein	Fish (excl. tuna) - tinned 400g	19.72	21.72	21.90	11.1	0.8
Protein	Polony per kg / 1kg	41.19	44.59	43.92	6.6	-1.5
Bread & Cereals	Loaf of brown bread 700g	13.02	14.16	14.03	7.8	-0.9
Bread & Cereals	Loaf of white bread 700g	14.70	15.11	15.33	4.3	1.5
Bread & Cereals	Super maize meal 5kg	48.24	49.86	49.47	2.5	-0.8
Bread & Cereals	Rice 2kg	37.38	39.46	39.01	4.4	-1.1
Vegetables	Cabbage - fresh per kg	16.80	15.09	14.90	-11.3	-1.3
Vegetables	Onions - fresh per kg	28.32	14.35	15.29	-46.0	6.6
Vegetables	Potatoes - fresh per kg	14.99	12.98	13.51	-9.9	4.1
Vegetables	Tomatoes - fresh per kg	12.99	30.79	26.59	104.7	-13.6
Sugary foods	White sugar 2.5kg	40.81	45.98	45.95	12.6	-0.1
	Total Rand Value*	960.07	969.13	982.17	2.3	1.3

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' May 2021 vs. May 2020 (y-o-y) and May 2021 vs. April 2021 (m-o-m). Food categories that recorded the highest inflation include fats & oils, sugary foods and bean products at 20.1%, 12.6% and 9.5%, respectively on a y-o-y basis. Monthly inflation figures for IQF chicken portions, chicken giblets and beef offal were the largest contributors at 19.1%, 10.8% and 10.5%, respectively.

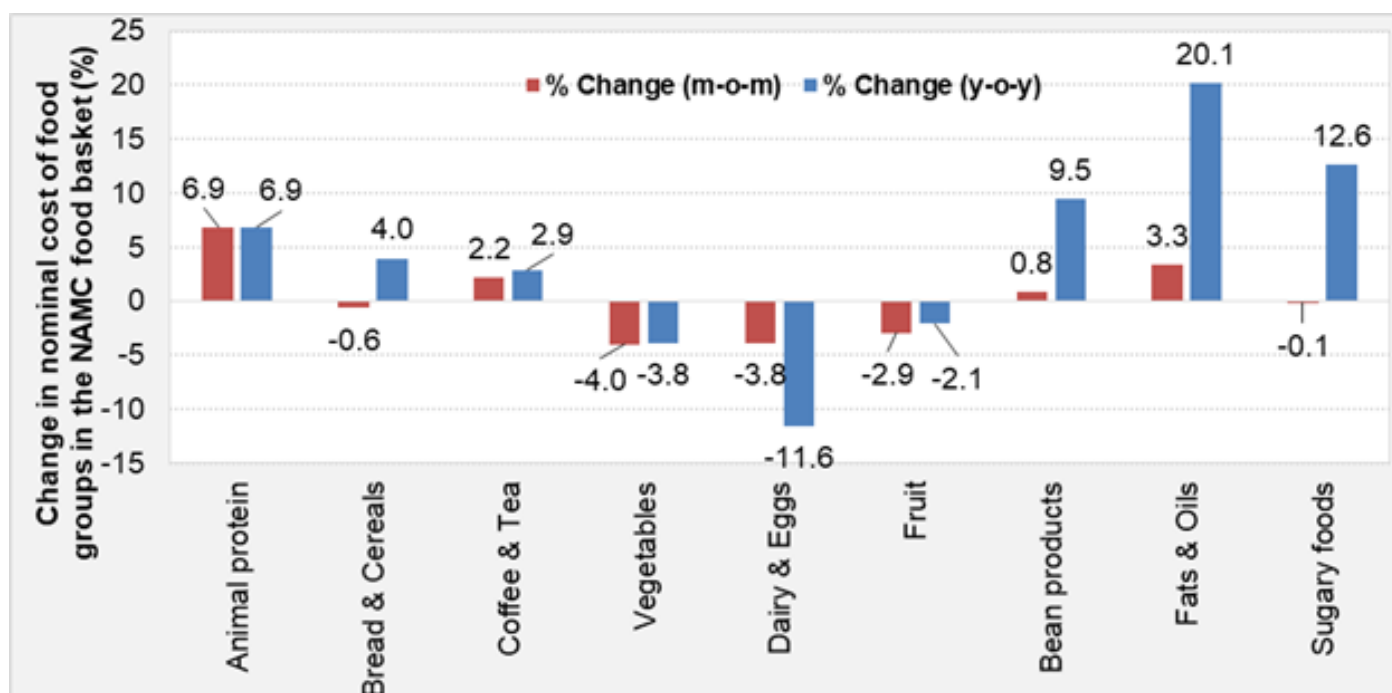


Figure 2: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing May 2021 vs. May 2020 and May 2021 vs. April 2021

Source: NAMC calculations, Stats SA data, 2021

From the global markets' point of view, prices during May 2021 were a mixed bag. The Food and Agricultural Organization (FAO) of the United Nations global food price index (FFPI) had increased for the 12th consecutive month with an increase of 4.8% m-o-m, the biggest leap since October 2010 and 39.7% (36.1 points) y-o-y. Food prices that showed a significant increase during April were oils, sugar, cereals. Meat and dairy products prices also remained elevated at around same levels observed from the previous month. Based on the Food and Agricultural Organisation (FAO) of the United Nations vegetable oil prices continued to rise and reached their highest in 10 years. Palm oil, soybean and rapeseed are the key drivers to the current rise in global vegetable oil prices. Also, maize prices remained elevated mainly due to persisting drought in Brazil plus smaller carryover stocks from Brazil, Argentina and Ukraine as highlighted by the International Grain Council. Rice and wheat prices continued to show some positive improvements especially rice which declined again during May with the global rice index decreasing by 4% y-o-y. However, wheat prices might increase slightly in response to pressure from other cereals.

Domestic food prices remain elevated for some food products while they declined for some following the same trend as the one observed from global prices. Vegetables such as tomatoes and fruits such as apples had significantly declined m-o-m. Following the shortages in supply in early 2021, tomato prices had decelerated during May even though they remain elevated, and things are likely to improve due to better weather conditions. Apples prices had also improved due to improved supply in recent weeks. Sunflower oil remained elevated largely due to a rise in global prices, for palm oil which was affected by excessive rain from Asia and higher demand for soybean from the global market. These conditions supported local prices because South Africa imports almost all palm oil and import significant amounts of soybean thus prices remain high.

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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