



NAMMC

Promoting market access for South African agriculture

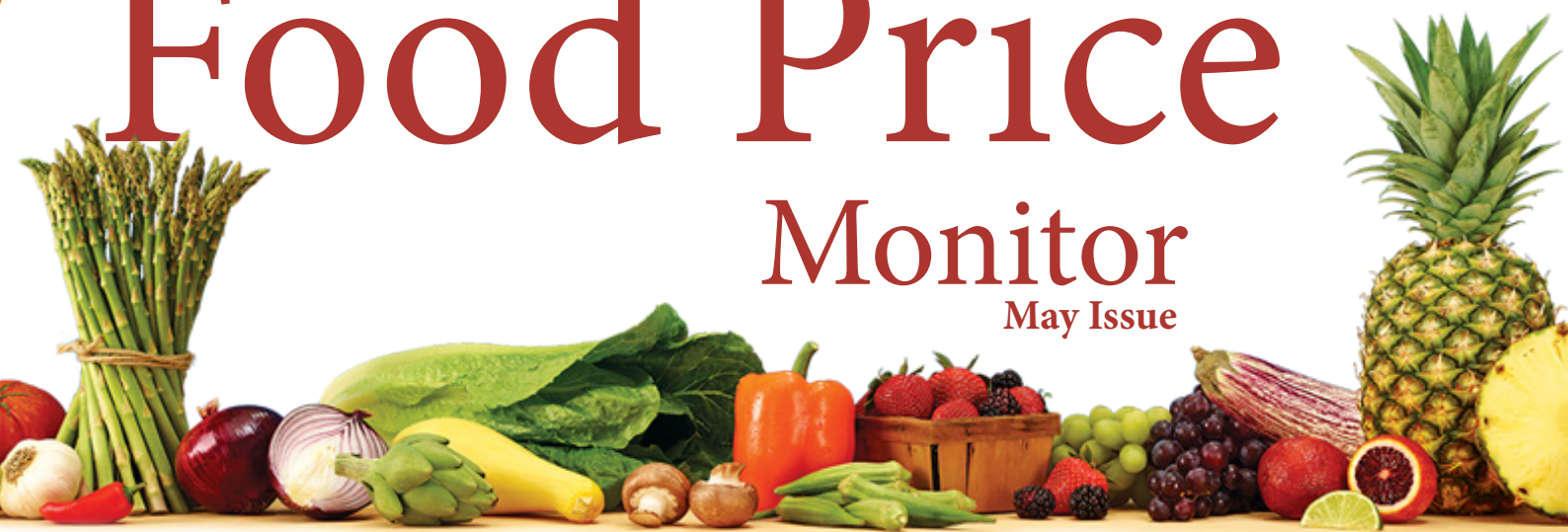


2021

Food Price

Monitor

May 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 April 2021 CPI data was published on Wednesday 19 May 2021 (see the link below for the CPI publication):

<http://www.statssa.gov.za/publications/P0141/P0141April2021.pdf>

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

EXECUTIVE SUMMARY

During April 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 4.4% and 6.3%, respectively. The same indices were 3.2% and 5.7% during March 2021.

The FAO Food Price Index (FFPI) in nominal terms, averaged 120.9 points in April 2021, 2.0 points (1.7%) higher than in March and as much as 28.4 points (30.8%) above the same period last year. The increase marked the eleventh consecutive monthly rise in the value of the FFPI to its highest level since May 2014.

In April 2021, the cost of the basic urban food basket was R969.13, increasing by 3.4% from April 2020 (year-on-year increase) and decreasing by 1.3% from March 2021 (month-on-month change).

Comparing April 2020 to April 2021 retail prices, higher price inflation (6% or more) was observed for the following products within the NAMC food basket (ranked in order from highest to lowest inflation): tomatoes, rice, dried beans, polony, instant coffee, white sugar, chicken giblets, peanut butter, beef mince, IQF chicken portions and brown bread.

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 April 2021 versus April 2020 prices, the results indicated inflation of about 6.2% (from R6.40 to R6.80 for the selection of typical portions). All items revealed positive inflation.

Two dominant drivers of upward food inflation were high global commodity prices and rising domestic manufacturing and distribution costs.

In the short term, low stock to use ratios, combined with firm demand on the back of economic recovery is expected to sustain (agricultural) commodity and food product prices globally. Over the medium-term, producers are expected to respond with area expansion and combined with more normal yields, this will see global commodity prices return to more normalised levels.



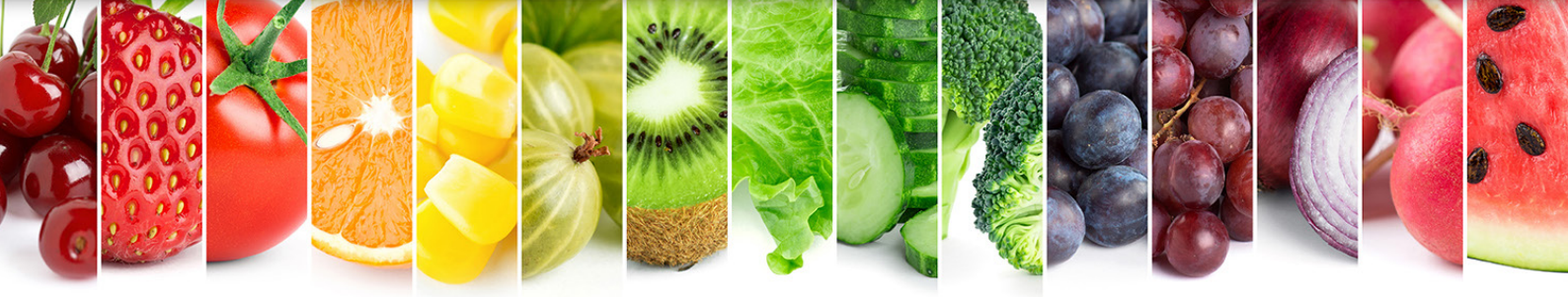


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Introduction

As May 2021 official CPI data will only be released by 23 June 2021, this section contains data up to April 2021.

Figure 1 shows trends of the headline CPI and food and non-alcoholic beverage inflation rates on a monthly basis, from April 2015 to April 2021. During April 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 4.4% and 6.3%, respectively. The same indices were 3.2% and 5.7% during March 2021.

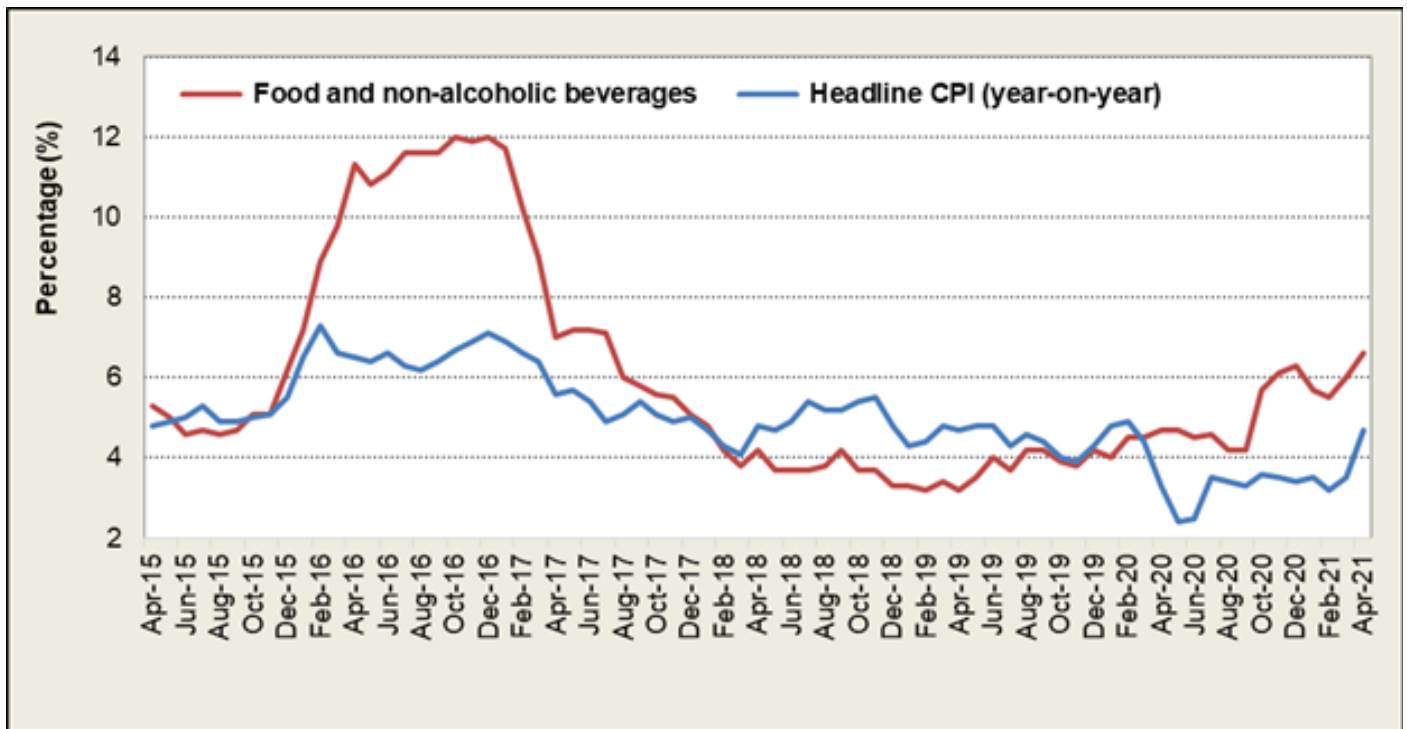


Figure 1:Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2020

Figure 2 presents the components of the food and non-alcoholic beverage index changes. When comparing April 2021 to April 2020, the following changes, in descending order, were reported: oils & fats (16.7%), fish (8.1%), sugary foods (8.0%), milk, eggs & cheese (7.8%), meat (7.1%), unprocessed foods (7.0%), processed foods (6.4%), vegetables (6.3%), bread & cereals (4.9%), other food items (4.2%) and fruit (0%). The monthly percentage changes are also illustrated.

- The high inflation on oils & fats is mainly due to high international prices such as the international sunflower seed price that is 76.9% higher in April 2021 compared to April 2020.

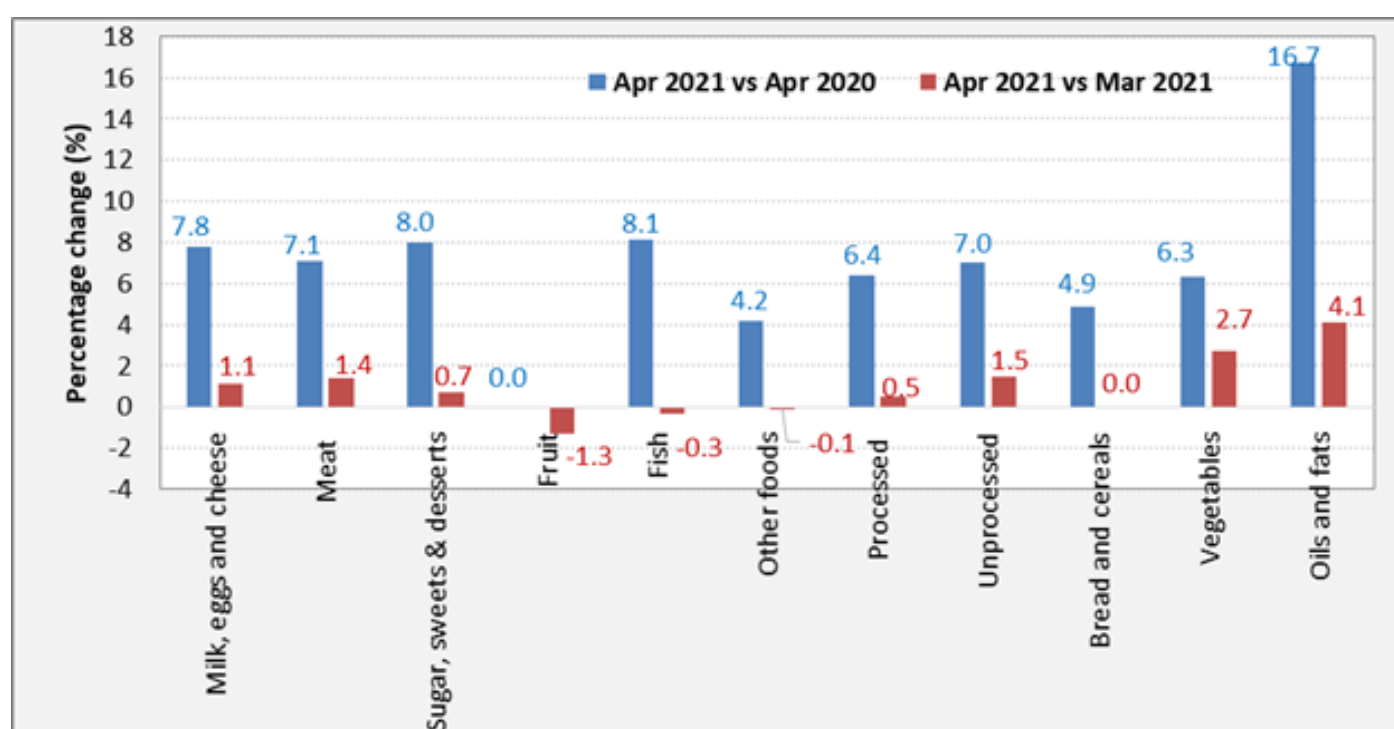


Figure 2: Annual (April 2021 vs. April 2020) and monthly (April 2021 vs. March 2021) CPI changes for different food categories

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 April 2021 for South Africa and other selected countries. South Africa's overall inflation for April 2021 reached 4.4% with food inflation reaching 6.3%. The food categories with the largest annual contribution to South African food inflation include oils & fats, fish and sugary foods categories. The Zambian overall inflation rate for April 2021 reached 22.7%, with food inflation reaching 27.2%. China's overall inflation rate was 0.9%, with food deflation of -0.7% for April 2021. Considering inflation rates of Brazil, Russia, India, China and South Africa as the BRICS countries, China recorded the lowest overall inflation of 0.9%, with Brazil with the highest food inflation contributor at 12.3%.

In the BRICS group, China also has the lowest food inflation. China's food declined by 0.7% year-on-year in April 2021, following a 0.7% fall in the previous month. This was the third straight month of decline in the cost of food, with pork prices falling faster (-21.4% vs. -18.4% in March) after soaring in 2019 due to the African Swine outbreak. Also, the cost of fresh vegetables fell 1.3% after gaining 0.2% in March. On the other hand, there were rises in the cost of eggs (6.8% vs. 3.4%), fresh fruit (2.7% vs. 4%), cooking oil (7.5% vs. 6.9%) and dairy products (2.3% vs. 2.1%).

Table 1: Overall inflation and food inflation during February 2021 to April 2021

	February 2021		March 2021		April 2021	
Country	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)
Botswana	2.4	3.7	2.4	4.0	5.6	6.8
Brazil	5.2	15.0	6.1	13.9	6.8	12.3
China	-0.2	-0.2	0.4	-0.7	0.9	-0.7
India	5.0	3.9	5.5	4.9	4.3	2.0
Namibia	2.7	5.5	3.1	6.6	3.9	5.9
Russia	5.7	7.7	5.8	7.6	5.5	6.6
South Africa	2.9	5.2	3.2	5.7	4.4	6.3
Turkey	15.6	18.4	16.2	17.4	17.1	17.0
United Kingdom	0.4	-0.6	0.7	-1.4	1.5	-0.4
United States	1.7	3.6	2.6	3.5	4.2	2.4
Zambia	22.2	27.3	22.8	27.8	22.7	27.2

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



Urban food price trends: April 2021 vs. April 2020

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

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Sunflower oil 750ml	-7.3	Eggs 0.5 dozen	-29.1	Potatoes - fresh per kg	-23.1
Brick margarine 500g	-5.2	Eggs 1.5 dozen	-22.2	Oranges - fresh per kg	-22.3
Brick margarine 1kg	-5.2	Chicken portions frozen - non IQF average per kg	-17.9	Onions - fresh per kg	-18.9
Pasta 500g	-4.6	Chicken portions frozen - non IQF per kg (real)	-17.9	Cauliflower - fresh per kg / each	-8.6
Instant noodles 73g	-1.0	Beef offal - fresh per kg	-15.0	Pineapple - fresh per kg / each	-7.2
Margarine spread 500g	0.5	Beef stew - per kg	-10.5	Avocados - fresh per kg	-2.7
Super maize 2.5kg	4.1	Chicken portions - fresh per kg	-4.6	Baked beans - tinned 410g	-2.5
Rice 1kg	4.2	Cheddar cheese per kg	-4.5	Carrots - fresh per kg	-1.6
Super maize 1kg	4.7	Low fat milk - fresh 2l	-2.1	Lettuce - fresh per kg / each	-1.0
Loaf of white bread 700g	4.7	Low fat milk - fresh 1l	-2.1	Apples - fresh per kg	-0.4
Super maize 5kg	5.4	Pork - ribs per kg	-0.5	Cabbage - fresh each	1.2
Macaroni 500g	5.7	Lamb - rib chop per kg	0.2	Cabbage - fresh per kg	1.2
Cake flour 2.5kg	6.0	Ham 500g	1.3	Broccoli - each	1.4
Loaf of brown bread 700g	6.8	Tuna - tinned 170g	1.4	Pears - fresh per kg	1.9
Peanut butter 400g	9.2	Full cream milk - fresh 2l	2.3	Beetroot - fresh per kg	3.5
Spaghetti 500g	15.4	Full cream milk - fresh 1l	2.3	Bananas - fresh per kg	3.9
Cold cereals 500g	16.3	Bacon 250g	2.5	Sweet potatoes - fresh per kg	6.1
Special maize 5kg	25.0	Powdered milk 900g	3.1	Beans - dried 500g	33.5
Special maize 2.5kg	25.0	Full cream milk - long life 1l	4.9	Tomatoes - fresh per kg	59.1
Rice 2kg	44.3	Fish (excl. tuna) - tinned 400g	4.9		
		Beef rump steak - fresh per kg	5.7		
		IQF chicken portions - 1kg	7.0		
		IQF chicken portions - 2kg	7.0	Other	%
		Low fat milk - long life 1l	7.0	Ceylon/black tea 250g	2.8
		Beef mince - fresh per kg	7.9	Ceylon/black tea 62.5g	2.8
		Chicken giblets per kg	10.7	White sugar 2.5kg	13.1
		Beef fillet - fresh per kg	11.6	Instant coffee 250g	20.1

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
		Whole chicken - fresh per kg	12.8		
		Sausage 500g	13.4		
		Beef T-bone - fresh per kg	18.9		
		Lamb - neck per kg	19.5		
		Corned beef 300g	19.8		
		Beef chuck - fresh per kg	20.2		
		Beef sirloin - fresh per kg	21.9		
		Polony per kg / 1kg	23.1		
		Lamb - loin chop per kg	25.3		
		Lamb - leg per kg	48.7		

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: April 2021 vs March 2021

During the period April 2021 vs. April 2020, the international price of wheat increased by 28.4%, while domestic wheat prices decreased by 10.6%. Urban consumers paid 4.7% and 6.8% more for a loaf of white and brown bread (700g), respectively. Domestic yellow maize prices increased by 19.0%, while international yellow maize prices increased by 82.6%. Super and special maize meal prices (2.5kg) increased by 4.1% and 25.0%, respectively in urban areas. During the same period, the urban prices of sunflower oil (750ml) decreased by 7.3%. Domestic prices of sunflower seed increased by 41.3% annually, while international sunflower seed prices increased by 76.9%.

During April 2021 vs. April 2020, average beef producer prices (R/kg) of classes B2/B3, C2/C3 and A2/A3 increased by 17.5%, 15.4% and 15%, respectively. Lamb/mutton producer prices (R/kg) of classes B2/B3, C2/C3 and A2/A3 increased by 26.1%, 15.7% and 12.9%, respectively. Abattoir front door prices of individually quick frozen (IQF) chicken portions, frozen and fresh chicken increased by 10.6%, 5.0% and 1.7%, respectively. Porker and baconer producer prices (R/kg) increased by 40.5% and 36.6%, respectively, during the same period.



Comparison between urban: April 2021 vs. March 2021

Table 3 compares prices of selected food items in urban areas for April 2021 vs. March 2021. Food items showing the largest price differences between April 2021 vs. March 2021 in urban areas are margarine spread (500g) at a difference of R1.56, Ceylon/black tea (62.5g) at a difference of R1.29, sunflower oil (750ml) at a difference of R0.76, white sugar (2.5kg) at a difference of R0.72 and a loaf of brown bread (700g) at a difference of R0.33. This indicates that urban consumers paid R0.03 less on average, for these 11 food items during April 2021.

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

Product	Urban Food Prices March 2021	Urban Food Estimated Prices April 2021 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.77	15.76	-0.01
A loaf of brown bread 700g	13.83	14.16	0.33
A loaf of white bread 700g	15.65	15.11	-0.54
Special maize 2.5kg	28.28	28.10	-0.18
Super maize 2.5kg	27.77	27.12	-0.65
Margarine spread 500g	25.63	27.19	1.56
Peanut butter 400g	34.08	33.81	-0.27
Rice 2kg	42.11	39.46	-2.65
Sunflower oil 750ml	26.85	27.61	0.76
Ceylon/black tea 62.5g	13.68	14.97	1.29
White sugar 2.5kg	46.03	45.98	0.72
Average difference (R/unit)			R0.03

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 April 2021 reaching an index level of 120.2 points, up 28.7% from April 2020.

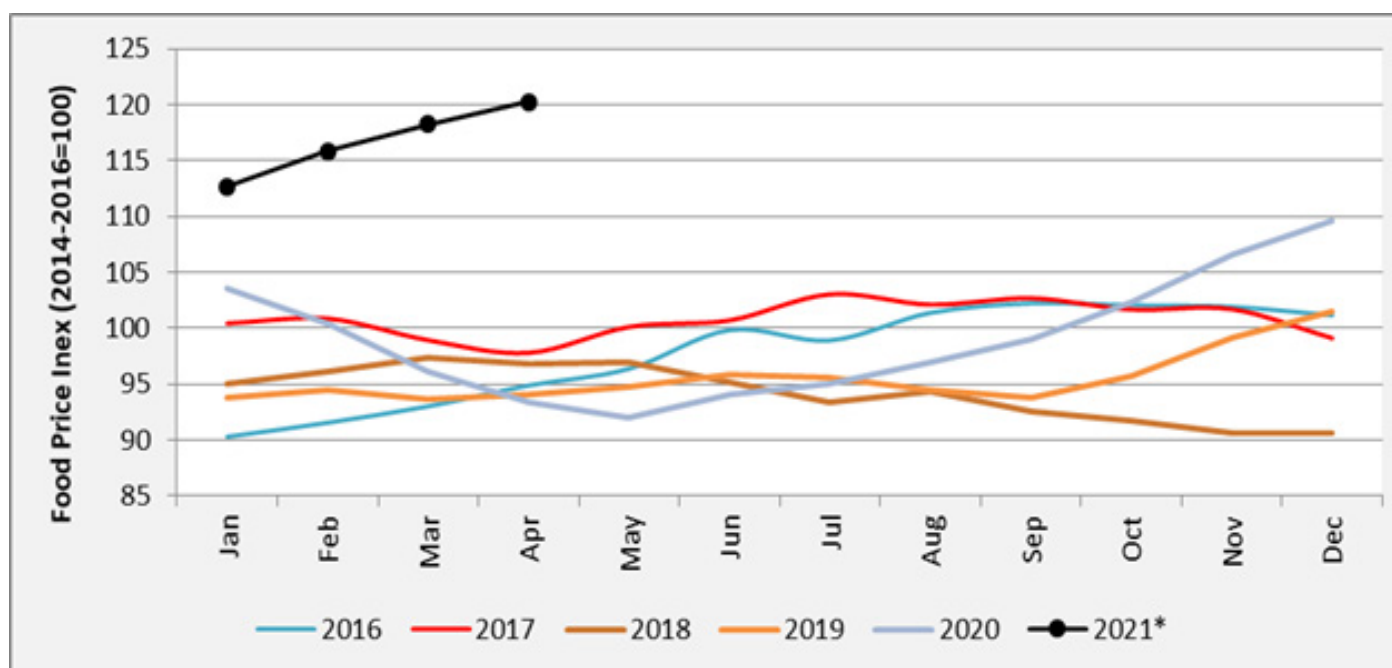


Figure 3: International monthly real FPI

Source: FAO, 2021

*Note: Current year



Figure 4 shows the price indices in real terms for five food categories. The monthly (April 2021 vs. March 2021) growth percentages indicated increasing trends for all of the five indices. The annual (April 2021 vs. April 2020) growth percentages indicated increasing trends of 96.4% for Oils Price Index, 55.8% for the Sugar Price Index, 24.0% for the Cereals Price Index and 22.2% for the Dairy Price Index, whilst the Meat Price Index reflected the smallest annual increase percentage of 3.4%.

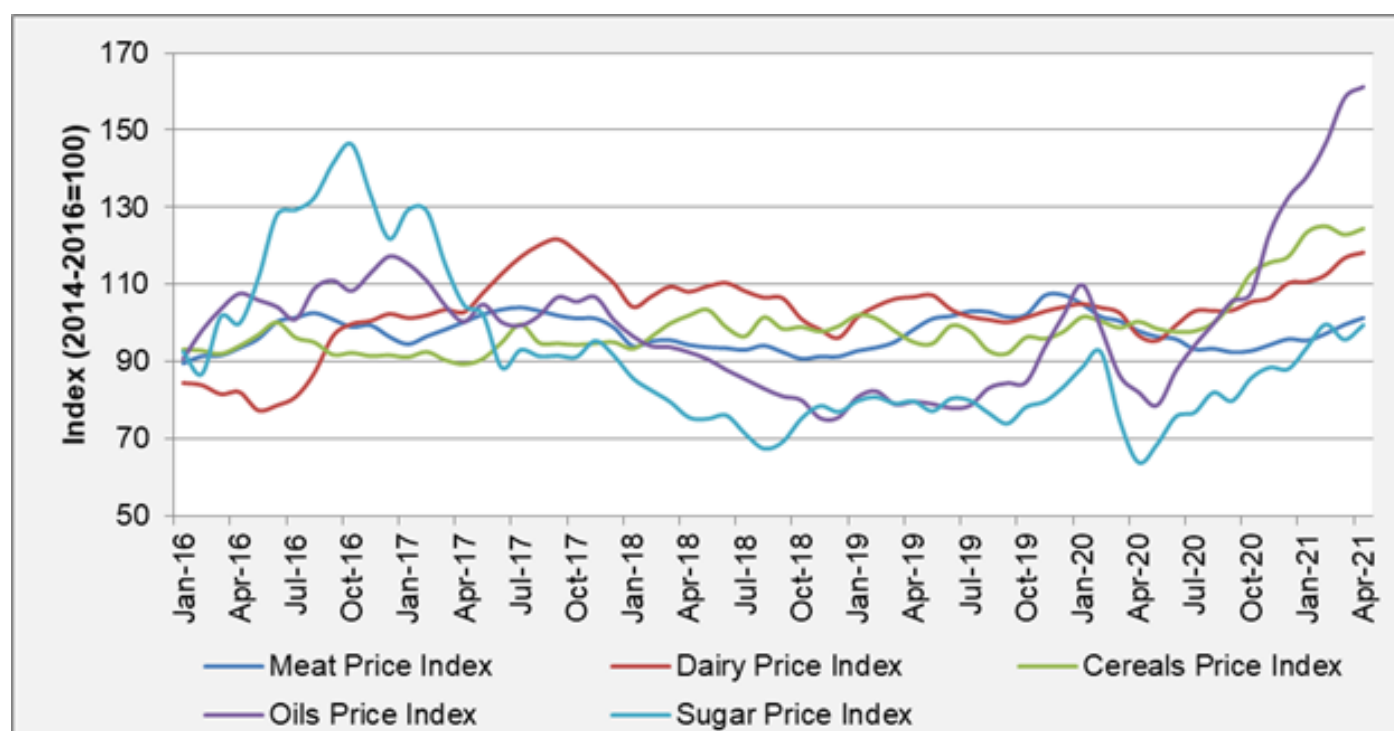


Figure 4: Real price indices for five food categories

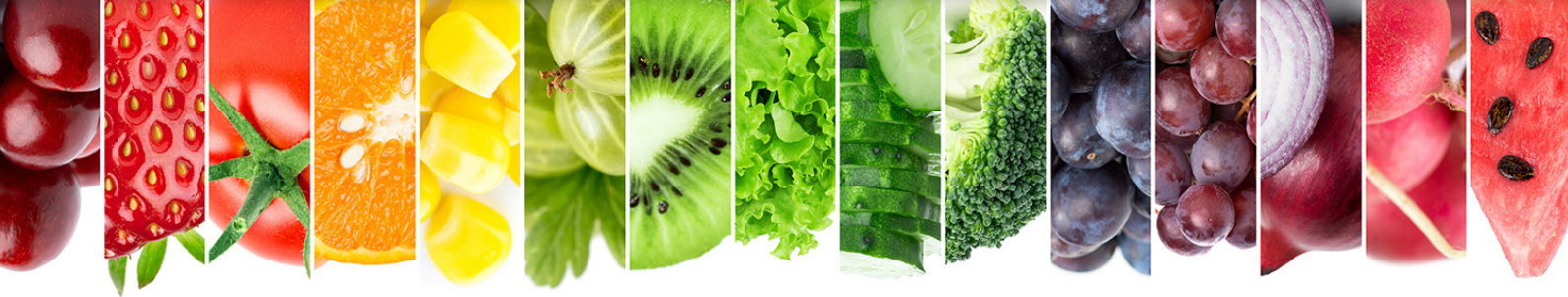
Source: FAO, 2021

The **FAO Food Price Index (FFPI)**¹ in nominal terms, averaged 120.9 points in April 2021, 2.0 points (1.7%) higher than in March and as much as 28.4 points (30.8%) above the same period last year. The increase marked the eleventh consecutive monthly rise in the value of the FFPI to its highest level since May 2014. The April rise was led by strong increases in the prices of sugar, followed by oils, meat, dairy and cereals.

The **FAO Cereal Price Index** in nominal terms, averaged 125.1 points in April 2021, up 1.5 points (1.2%) from March, resuming its climb after a short-lived one month respite in March, and stood 25.8 points (26.0%) above its April 2020 level. Upward pressure from smaller-than-anticipated planting

intentions in the United States of America (USA) and concerns about crop conditions in Argentina, Brazil and the USA pushed maize prices up 5.7 percent in April 2021. With overall tightening maize supplies, on top of continued strong demand, maize prices stood 66.7% above their values one-year-earlier and remain at their highest level since mid-2013. Among other coarse grains, international barley and sorghum prices continued to soften, falling 1.2% and 1.0% in April, but remained 26.8% and 86.5% above their respective values in the corresponding month last year. International wheat prices were generally steady in April, remaining over 17% above their April 2020 values. By contrast, international rice prices decreased again in April, mainly reflecting currency movements and slow trading activities,

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.



with persistent logistical constraints and freight costs continuing to hinder new deals.

The **FAO Vegetable Oil Price Index** in nominal terms, averaged 162.0 points in April, up 2.9 points (1.8%) month-on-month, driven by rising soy, rapeseed and palm oil quotations more than offsetting lower sunflower oil values. International palm oil prices continued to rise in April on concerns over slower-than-expected production growth in major exporting countries. Soy and rapeseed oil values climbed further too, underpinned by, respectively, firm global demand, including from biodiesel producers, and protracted global supply tightness. By contrast, international prices of sunflower oil contracted moderately on demand rationing.

The **FAO Dairy Price Index** in nominal terms, averaged 118.9 points in April, up 1.4 points (1.2%) from March, rising for the eleventh consecutive month and lifting the index 24.1% above its value a year ago. In April, butter quotations rose, underpinned by solid import demand from Asia, notwithstanding weaker internal demand in Europe. Skim milk powder prices increased due to high import demand from East Asia, induced partly by concerns over potential shipping delays amid limited spot supplies from Europe and Oceania. Cheese prices also increased due to high demand from Asia, amid lower-than-expected production in Europe and seasonally declining supplies from Oceania. By contrast, quotations for whole milk powder declined slightly, reflecting lower import demand for the available supplies, following significantly high volumes traded recently.

The **FAO Meat Price Index²** in nominal terms, averaged 101.8 points in April, up 1.7 points (1.7%)

from the slightly revised value for March, marking a seventh consecutive monthly increase and raising the index by 5.1% above the corresponding month last year. In April, bovine and ovine meat quotations rose, underpinned by solid demand from East Asia, amidst tight supplies from Oceania due to ongoing herd rebuilding and low inventories. Elevated internal sales in some producing regions also supported bovine and ovine meat prices. Pig meat quotations firmed on continued high purchases by East Asia, despite increased overall shipments from the European Union, while Germany continued with no access to the Chinese market over African swine fever concerns. Meanwhile, poultry meat prices remained steady, reflecting generally balanced global markets.

The **FAO Sugar Price Index** in nominal terms, averaged 100.0 points in April, up 3.8 points (3.9%) from March and reaching levels nearly 60% above those registered in the corresponding month last year. The April rebound in international sugar price quotations was prompted by strong buying amid heightened concerns over tighter global supplies in 2020/21, due to the slow harvest progress in Brazil and frost damage in France. Further support was provided by the strengthening of the Brazilian Real against the US Dollar, which tends to affect shipments from Brazil, the world's largest sugar exporter. However, the upward pressure on prices was somewhat limited by prospects of large exports from India and the slight decline in crude oil prices.

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 April 2020 to April 2021.

In April 2021, the cost of this basic urban food basket was R969.13, increasing by 3.4% from April 2020 (year-on-year increase) and decreasing by 1.3% from March 2021 (month-on-month change). The cost of this food basket expressed as a share of the average monthly income of the poorest 30% of the population increased from 63.0% in April 2020 to 65.1% in April 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 3.4% in April 2020 to 3.5% in April 2021 (**Figure 5**).

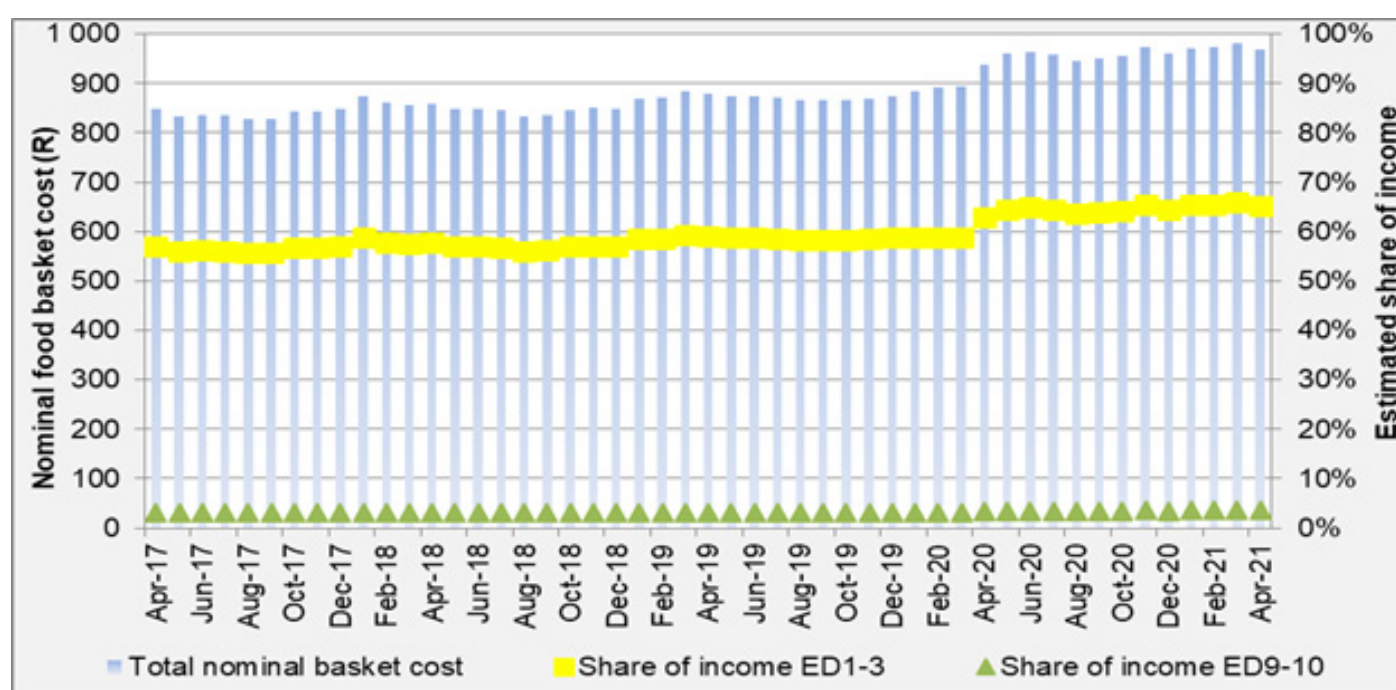


Figure 5: The cost of a typical consumer food basket for the period April 2017 to April 2021, expressed in nominal terms and as share of the average income of the poorest 30% of households (Expenditure Deciles [ED] 1-3) and the wealthiest 20% of households (ED 9-10)

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).

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 April 2021 to April 2020. Food groups with more prominent inflation included bread & cereals, bean products (legumes), sugary foods and coffee & tea.

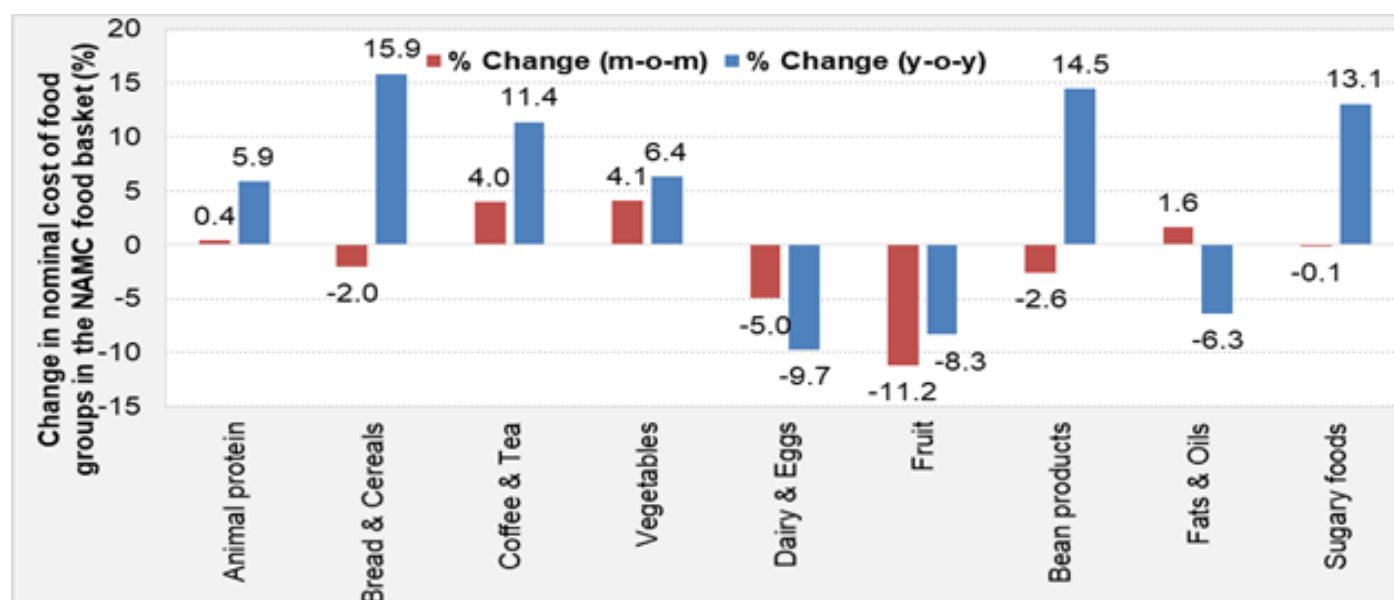


Figure 6: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing April 2021 to April 2020 (y-o-y) and April 2021 vs. March 2021 (m-o-m)

Sources: BFAP & NAMC calculations, Stats SA, 2021

The various food groups within this food basket are discussed in more detail in **Table 5** below.

Table 5: Overview of contributions to annual food price increases within the 28-item NAMC food basket, April 2020 vs. April 2021

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
	Apr 2020 vs. Apr 2021	Jan 2021 vs. Jan 2020*				
Animal protein	+5.9%	+13.6%	Polony (+23.1%) Chicken giblets (+10.7%) Beef mince (+7.9%) IQF chicken portions (+7.0%) Tinned fish (+4.9%)	None	Beef offal (-15.0%)	Most significant inflation on polony, chicken giblets, beef mince, IQF chicken and tinned fish.
Bread and cereals	+15.9%	+25.6%	Rice (+44.3%) Brown bread (+6.8%) Maize meal (+5.4%) White bread (+4.7%)	None	None	Most significant inflation on rice, but also high inflation on other staple options.
Vegetables	+6.4%	-0.9%	Tomatoes (+59.1%)	Cabbage (+1.2%)	Onions (-18.9%) Potatoes (-23.1%)	Inflation on tomatoes.
Fruit	-8.3%	-4.0%	Bananas (+3.9%)	None	Apples (-0.4%) Oranges (-22.3%)	Some inflation on bananas.
Dairy	+0.2%	+5.6%	Milk (+4.9%)	None	Cheddar cheese (-22.2%)	Some inflation on milk.
Eggs	-4.5%	+19.9%	None	None	Eggs (-4.5%)	
Fats and oils	-6.3%	+5.3%	None	None	Sunflower oil (-7.3%) Brick margarine (-5.2%)	Deflation on sunflower oil & margarine.
Bean products	+14.5%	+17.9%	Dried beans (+33.5%) Peanut butter (+9.2%)	None	Baked beans (-2.5%)	Inflation mainly on dried beans and peanut butter.
Coffee and tea	+11.4%	-2.8%	Instant coffee (+20.1%)	Ceylon/black tea (+2.8%)	None	Inflation on instant coffee.
Sugary foods	+13.1%	+3.0%	White sugar (+3.0%)	None	None	Inflation on sugar

Sources: BFAP & NAMC calculations, Stats SA, 2021

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

When comparing April 2020 to April 2021 retail prices, higher price inflation (6% or more) was observed for the following products within the NAMC food basket (ranked in order from highest to lowest inflation): tomatoes, rice, dried beans, polony, instant coffee, white sugar, chicken giblets, peanut butter, beef mince, IQF chicken portions and brown bread.

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, 2000⁴; Oldewage-Theron et al, 2005⁵). **Figure 7** illustrates the estimated portion costs for these foods, calculated from monthly food price data for April 2020 and April 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 43% more in this case for April 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 April 2021 versus April 2020 prices the results in **Figure 7** indicated inflation of about 6.2% (from R6.40 to R6.80 for the selection of typical portions). All items revealed positive inflation. From March 2021 to April 2021 the costs associated with the typical portion sizes of very poor consumers for the five most widely consumed food items in South Africa increased by 1.7% from R6.69 in March 2021.

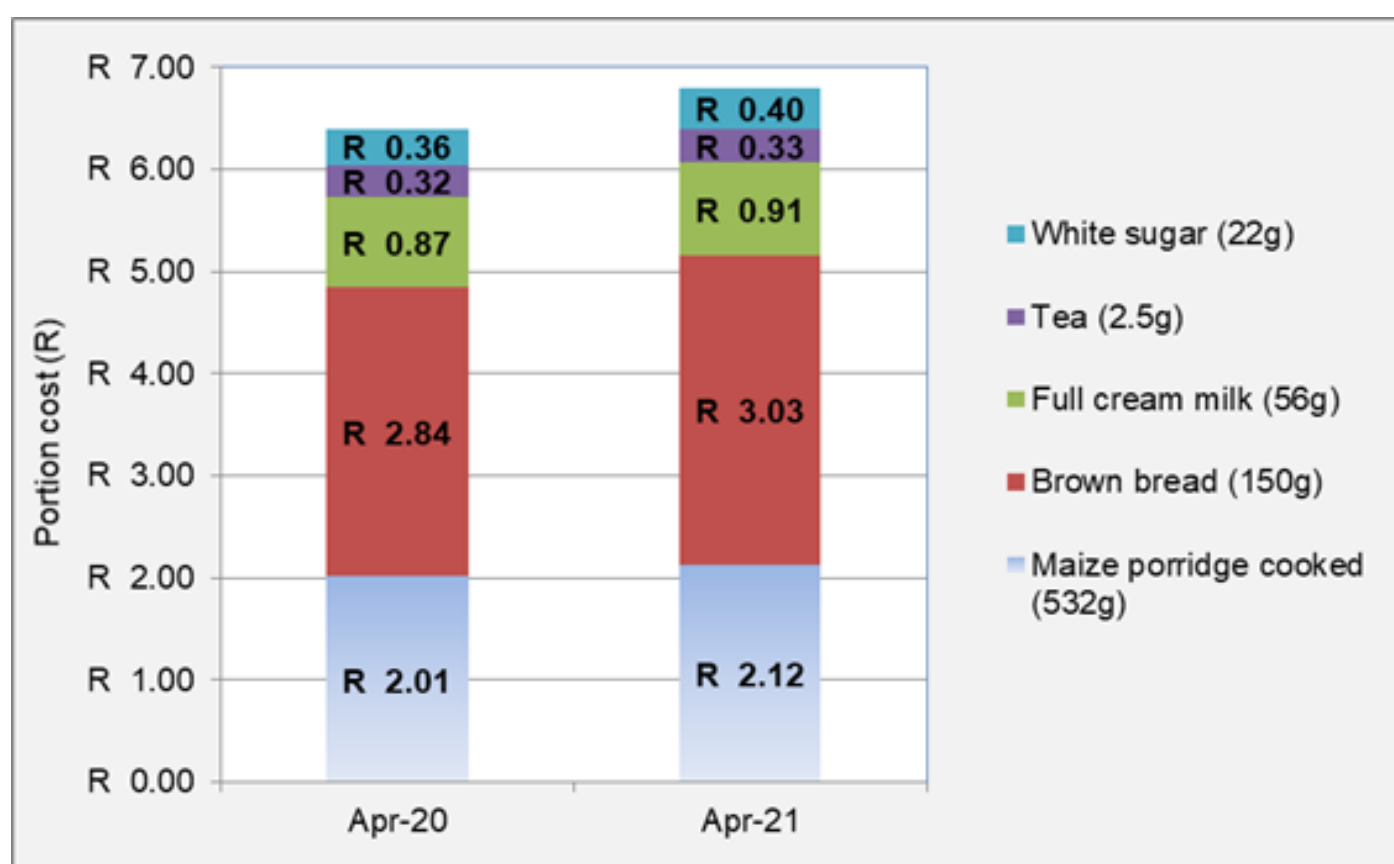


Figure 7: Average nominal cost for the typical portions of the five food items most widely consumed by very poor consumers in South Africa, April 2021 vs. April 2020

Sources: BFAP calculations, Stats SA, 2021

⁴Steyn NP, Labadarios D. National Food Consumption Survey: Children aged 1–9 years, South Africa, 1999. Cape Town: The Department of Health Directorate Nutrition, 2000

⁵Oldewage-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

Food inflation drivers and expectations

In April 2021, with annual food inflation at 6.3%, all food categories with the exception of breads and cereals and fruit recorded annual inflation rates above 5%. Two dominant drivers of upward food inflation were high global commodity prices and rising domestic manufacturing and distribution costs.

Inflation on **oils and fats** (+16.7% year-on-year) followed surging international prices, which was driven by a combination of strong demand (import demand for oilseeds from China) and supply shortages (lower vegetable oil production, due to dry conditions in the Black Sea region and labour constraints in key palm oil producing countries).

Milk, eggs and cheese (+7.8% year-on-year). Dairy inflation was fuelled by inflationary pressures in global dairy markets and rising manufacturing and distribution costs. Despite significant year-on-year price deflation on eggs in April 2021, the further spread of the recent outbreaks of Avian Influenza at some layer production units could cause supply and retail price pressure.

Meat recorded an increase of 7.1%. Constrained supply was caused by a cycle of herd expansion following multiple drought years with increased slaughtering and fewer animals in feedlots due to the high maize price. Higher demand over the Easter period also fuelled inflation.

Vegetables (+6.3% year-on-year). Tomato prices (+59% year-on-year) contributed to upward retail price pressure in this category, caused by constrained supply due to severe rainfall in the northern parts of the country. High tomato prices are expected to continue in the short

term, until supply constraints ease. Other vegetable prices such as potatoes (-23%), pumpkins (-13%) and onions (-19%) declined year-on-year, tempering overall vegetable inflation. Going forward, vegetable inflation will likely remain strong, backed by supply constraints linked to adverse weather conditions. **Fruit prices** have been stable relative to a year ago.

Inflation on **breads and cereals** (+4.9% year-on-year). Grain prices in South Africa increased less severely than international grain prices, partly due to the strength of the exchange rate, which eased some of the price surges apparent in global markets. International maize prices increased due to factors such as import demand from China, who continues to rebuild its pig herd following African swine fever induced reductions since 2018. Rising manufacturing and distribution costs are expected to fuel bread and cereal prices going forward. Since grains and oilseeds are critical inputs in livestock production, rising grain prices should also contribute to meat price inflation going forward.

In the short term, low stock to use ratios, combined with firm demand on the back of economic recovery is expected to sustain (agricultural) commodity and food product prices globally. Furthermore, rising oil, fuel and other administered costs are expected to continue to push manufacturing and distribution costs upwards. Over the medium-term, producers are expected to respond with area expansion and combined with more normal yields, this will see global commodity prices return to more normalised levels.

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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