

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

August 2021 - July 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 July 2021 CPI data were published on Wednesday the 18th of August 2021 (see link below from the Stats SA website):

<http://www.statssa.gov.za/publications/P0141/P0141July2021.pdf>

This report will now contain the official July 2021 data, as the official release of the August 2021 CPI data is scheduled for September 22nd, 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 July 2021, the nominal cost of the NAMC's 28-item urban food basket amounted to R979.48 compared to the R977.57 reported during June 2021, resulting in a monthly increase of 0.2%. When compared to July 2020, an annual (y-o-y) increase of 2.3% was observed.
 - o Within the NAMC's 28-item urban food basket fats & oils, animal protein and bean products categories were the highest food inflation contributors during July 2021 (y-o-y) with increases recorded at 25.7%, 10.0% and 9.3%, respectively, while dairy & egg prices reporting a deflation of 11.9% during the same period.
 - o While improving significantly in recent weeks sunflower oil was amongst commodities with the highest annual food inflation on year-on-year basis recorded at 28.7%, but, as vegetable oil prices improve globally, domestic prices should follow the same trend.
- On July 7th 2021, fuel prices for both 93 Unleaded Petrol (ULP) and 95ULP had increased by R0.29/ℓ and R0.26/ℓ, respectively to reach R17.20/ℓ and R17.39/ℓ m-o-m, respectively, while diesel 500ppm prices had increased by R0.42/ℓ m-o-m to reach R15.08/ℓ, from R14.66/ℓ observed during June 2021.
 - o The Rand had noticeable depreciated towards the end of July 2021, from R14.28 on the 30th of June 2021 to R14.60 on the 31st of July. This negatively affected food prices especially with fuel prices slightly increasing as well.
 - o **August 2021 expectations:** fuel prices are expected to noticeable increase following another increase in July attributed to a steady demand in oil from the global market together with the Rand depreciation. These developments are likely to continue putting pressure on the domestic food prices during August, despite a decline from the global foods prices.



Overall inflation and food inflation

Figure 1 shows the trends in the headline CPI and food and non-alcoholic beverage inflation rates, from July 2015 to July 2021. The official July 2021 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) on August 18th, 2021, indicated that the annual headline CPI decreased from 4.9% in June to 4.6% in July 2021, while food and non-alcoholic beverages price inflation remained at the same level as the past two months (6.7%) in July 2021. A slight increase in fuel prices and depreciation in Rand against the US dollar didn't have a negative influence on the overall food inflation. Also, prices for key commodities such as rice had significantly improved from the world market while wheat prices had considerably improved during July. The global food supply situation which has not worsened following sporadic weather patterns in some of the leading producers can be linked to consumer food price inflation remaining the same. However, food inflation might slightly accelerate in August 2021 following a significant rise in fuel prices and prices for wheat showing a slight increase in response to poor yields from Russia after excessive rains and weather challenges from Canada and the USA. The country imports substantial quantities of wheat from the global market, any glitches from the world supply will normally have implications on domestic wheat prices.

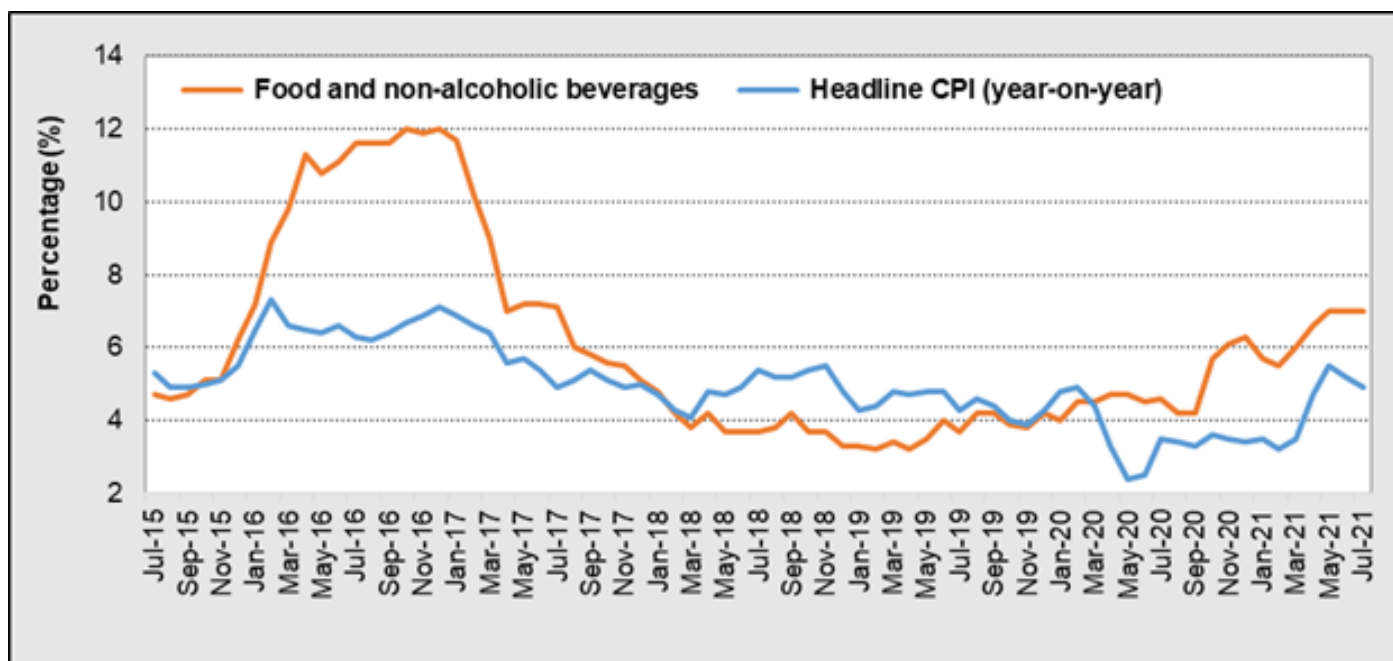


Figure 1: Headline CPI and food and non-alcoholic beverages CPI

Source: Stats SA, 2021

Comparison between urban prices: July 2021 vs. June 2021

Table 1 compares prices of selected food items in urban areas for July 2021 against June 2021. The food items which showed the largest price differences during this period were: rice (R2.39) surprisingly following a continued decline globally followed by special maize meal (R1.50), a loaf of white bread (R0.33) and white sugar (R0.06). Most products had decreased during July 2021. Margarine spread had decreased by R3.52 followed by Ceylon/black tea (R2.88), sunflower oil (R0.86), peanut butter (R0.60), full cream long-life milk (R0.59), a loaf of brown (R0.20) and super maize meal (R0.09). Overall, urban consumers paid R0.41 less on average for these 11 food items during July 2021 when compared to June 2021.

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

Product	Urban Food Prices June 2021 (R/unit)	Urban Food Prices July 2021 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	16.54	15.95	-0.59
A loaf of brown bread 700g	13.72	13.52	-0.20
A loaf of white bread 700g	15.24	15.57	0.33
Special maize 2.5 kg	27.33	28.83	1.50
Super maize 2.5 kg	27.93	27.84	-0.09
Margarine spread 500g	30.96	27.44	-3.52
Peanut butter 400g	34.63	34.03	-0.60
Rice 2kg	40.95	43.34	2.39
Sunflower oil 750ml	29.45	28.59	-0.86
Ceylon/black tea 62.5g	16.07	13.19	-2.88
White sugar 2.5kg	46.04	46.10	0.06
Average difference (R/unit)			-0.41

Source: Stats SA, 2021

The NAMC food basket: July 2021 vs July 2020

This section presents the nominal cost of the NAMC's 28-item urban food basket¹, based on average food price data for July 2021 vs. July 2020. The nominal cost of the NAMC's 28-item urban food basket in July 2021 amounted to R979.48 compared to the R977.57 reported during June 2021. This represented an increase of 0.2% m-o-m, and an increase of 2.3% y-o-y.

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: sunflower oil (28.7%), brick margarine (22.7%), dried beans (16.0%), Individual Quick Freezing (IQF) chicken portions (13.7%), beef offal (11.9%), super maize meal (11.2%), bananas (10.2%), chicken giblets (9.6%), tinned fish (9.5%), white sugar and polony both at (9.2%), cabbage (8.9%), beef mince (6.8%) and peanut butter (6.4%).

¹ Composition 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	July 20 R/unit	June 21 R/unit	July 21 R/unit	% change y-o-y	% change m-o-m
Beans	Baked beans - tinned 410g	10.59	10.83	10.92	3.1	0.8
Beans	Beans - dried 500g	23.02	26.50	26.71	16.0	0.8
Beans	Peanut butter 400g	31.98	34.63	34.03	6.4	-1.7
Coffee, Tea	Instant coffee 250g	36.64	38.47	37.51	2.4	-2.5
Coffee, Tea	Ceylon/black tea 250g	30.97	35.29	28.96	-6.5	-17.9
Dairy, Eggs	Full cream milk - long life 1ℓ	15.37	16.54	15.95	3.8	-3.6
Dairy, Eggs	Eggs 1.5 dozen	60.90	51.74	55.63	-8.7	7.5
Dairy, Eggs	Cheddar cheese per kg	128.07	107.74	108.42	-15.3	0.6
Fats, Oils	Brick margarine 500g	21.22	23.85	26.03	22.7	9.1
Fats, Oils	Sunflower oil 750mℓ	22.22	29.45	28.59	28.7	-2.9
Fruit	Apples - fresh per kg	16.24	16.53	14.99	-7.7	-9.3
Fruit	Bananas - fresh per kg	17.27	18.28	19.04	10.2	4.2
Fruit	Oranges - fresh per kg	19.53	15.96	14.99	-23.2	-6.1
Protein	Beef mince - fresh per kg	89.25	94.42	95.31	6.8	0.9
Protein	Beef offal - fresh per kg	39.23	44.85	43.90	11.9	-2.1
Protein	Chicken giblets per kg	33.65	38.55	36.87	9.6	-4.4
Protein	IQF chicken portions - 2kg	73.26	77.40	83.28	13.7	7.6
Protein	Fish (excl. tuna) - tinned 400g	19.87	21.92	21.75	9.5	-0.8
Protein	Polony per kg / 1kg	43.22	43.17	47.18	9.2	9.3
Bread & Cereals	Loaf of brown bread 700g	13.40	13.72	13.52	0.9	-1.5
Bread & Cereals	Loaf of white bread 700g	15.05	15.24	15.57	3.5	2.2
Bread & Cereals	Super maize meal 5kg	44.97	49.65	49.99	11.2	0.7
Bread & Cereals	Rice 2kg	41.94	40.95	43.34	3.3	5.8
Vegetables	Cabbage - fresh per kg	13.18	14.66	14.36	8.9	-2.1
Vegetables	Onions - fresh per kg	17.72	15.28	12.72	-28.2	-16.8
Vegetables	Potatoes - fresh per kg	14.47	13.90	14.22	-1.7	2.3
Vegetables	Tomatoes - fresh per kg	21.99	22.01	19.60	-10.9	-10.9
Sugary foods	White sugar 2.5kg	42.23	46.04	46.10	9.2	0.1
	Total Rand Value	957.45	977.57	979.48	2.3	0.2

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 July 2021 vs. July 2020 (y-o-y) and July 2021 vs. June 2021 (m-o-m). On a y-o-y basis, food categories that recorded the highest inflation include fats & oils, animal protein and bean products at 25.7%, 10.0% and 9.3%, respectively. Monthly (m-o-m), inflation figures for fats & oils and animal protein both at 2.5%, bread & cereal at 2.4% and dairy & eggs at 2.3% were the largest contributors.

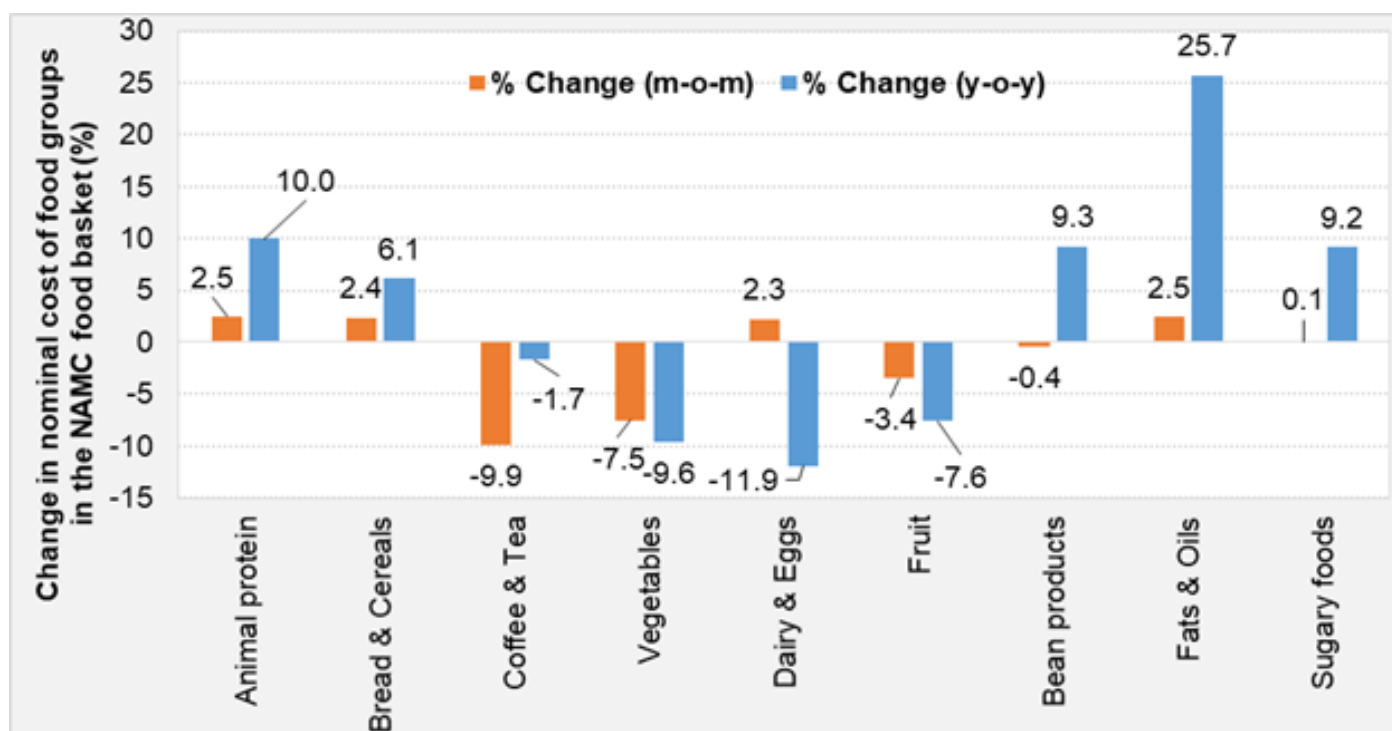


Figure 2: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing July 2021 vs. July 2020 and July 2021 vs. June 2021

Source: NAMC calculations, Stats SA data, 2021

Global markets in July 2021 saw food prices for some commodities decelerating while others accelerated. The Food and Agricultural Organization (FAO) of the United Nations global food price index (FFPI) was 1.2% m-o-m, however, it's still 31.0% higher when compared to the same period the previous year. The commodities that had a decrease in July were cereals (3.0%), dairy products (2.8%) and vegetable oils (1.4%) (FAO, 2021). The meat index had increased marginally and was 19.6% higher when compared to the previous year, while sugar prices saw an increase of 1.7% m-o-m. Global maize prices remain elevated in July after being supported by weather concerns from Brazil. Wheat prices showed an upwards trend in July attributed to dry weather conditions in Canada and spring wheat from the USA, but, weather conditions from the Southern Hemisphere are favourable which is positive news. Rice prices continued to decline and were at a two-year low in July supported by new stocks. Based on data from the International Grain Council on 16th of August 2021, prices were 21% lower y-o-y from Thailand.

Domestically, while remaining elevated, food prices for some food products have shown some signs of improvement. Month-on-month coffee and tea, vegetables and fruits have noticeable decelerated as observed in **Figure 2**, while y-o-y basis dairy & eggs and vegetables have decreased by 11.9% and 9.6%, respectively. Margarine and sunflower oil showed the highest increase y-o-y, and this can be attributed to global vegetable oils supply constraints and the demand from the far East Region. In the coming months, attention should be paid to wheat which is the second most important commodity in South Africa following the current developments from leading world suppliers as it is a staple product for many South Africans. Presently, prices are increasing, however, improvements in the near future should weather these concerns.

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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