

Food Price Monitor

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 July 2021 CPI data was published on Wednesday 18 August 2021 (see the link below for the CPI publication):

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

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

EXECUTIVE SUMMARY

During July 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 4.6% and 6.7%, respectively. The same indices were 4.9% and 6.7% during June 2021.

The FAO Food Price Index (FFPI) in nominal terms, averaged 123.0 points in July 2021, down 1.5 points (1.2%) from June but still 29.1 points (31.0%) higher than its level in the same period last year. The drop in July reflected declines in prices of cereals, dairy products and vegetable oils which more than offset increases in meat and sugar quotations for the second consecutive month.

In July 2021, the cost of this basic urban food basket was R979.48, increasing by 2.3% from July 2020 (year-on-year increase) and increasing by 0.2% from June 2021 (month-on-month change).

Comparing July 2021 to July 2020 food groups with more prominent inflation included fat & oils, animal protein (meat and fish), bean products (legumes) and white sugar.

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 July 2021 versus July 2020 prices the results indicated inflation of about 4.5% (from R6.36 to R6.64 for the selection of typical portions). Except for tea, all other items revealed positive inflation.

Food inflation rates are expected to decline in the coming months, due both to the easing of base effects, as well as other core drivers such as the oils price, which is expected to retract from recent peaks. As the Delta variant of the COVID-19 virus continues to spread around the world, the global economic recovery could also come under strain and weaker demand could spill into global and local food and commodity prices.





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Introduction

Figure 1 shows trends of the headline CPI and food and non-alcoholic beverage inflation rates on a monthly basis, from July 2015 to July 2021. During July 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 4.6% and 6.7%, respectively. The same indices were 4.9% and 6.7% during June 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 July 2021 to July 2020, the following changes, in descending order, were reported: oils & fats (22.4%), meat (9.4%), unprocessed foods (7.6%), sugary foods (6.5%), milk, eggs & cheese (6.3%), processed foods (6.3%), other food items (4.8%), vegetables (4.7%), fish (4.6%), bread & cereals (4.4%), and fruit (-2.7%). The monthly percentage changes are also illustrated.

sunflower seed price that were 65.5% higher in July 2021 compared to July 2020.

• The high inflation on oils & fats is mainly due to high international prices such as the international



Figure 2: Annual (July 2021 vs. July 2020) and monthly (July 2021 vs. June 2021) CPI changes for different food categories Source: Stats SA, 2021



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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 July 2021 for South Africa and other selected countries. South Africa's overall inflation for July 2021 reached 4.6% with food inflation reaching 6.7%. The food categories with the largest annual contribution to South African food inflation include oils & fats, animal protein, bean products, sugary foods and bread & cereals categories. The Zambian overall inflation rate for July 2021 reached 24.6%, with food inflation reaching 31.2%. China's overall inflation rate was 1.0%, with food deflation of -3.7% for July 2021. Considering inflation rates of Brazil, Russia, India, China and South Africa as the BRICS countries, China recorded the lowest overall inflation of 1.0%, with Brazil with the highest food inflation contributor at 13.3%.

China also has the lowest food inflation. China's food declined by 3.7% year-on-year in July 2021, following a 1.7% fall in the previous month. This marked the second straight month of decline in the cost of food, due to a faster decrease in pork prices (-4.5% vs -36.5% in June) after soaring in 2019 due to the African Swine outbreak. In addition, the cost of fresh vegetables declined by 4% after gaining 0.1% in June. At the same time, price increases slowed down for cooking oil (7.2% vs 7.7%), dairy products (2.0% vs 2.2%) and eggs (15.6% vs 17.9%). Inflation for fresh fruit accelerated strongly (5.2% vs 3.1%).

	May 2021		June	2021	July 2021		
Country	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)	
Botswana	6.2	6.7	8.2	6.8	8.9	6.5	
Brazil	8.1	12.5	8.4	12.6	9.0	13.3	
China	1.3	0.3	1.1	-1.7	1.0	-3.7	
India	6.3	5.0	6.3	5.2	5.6	4.0	
Namibia	3.8	6.6	4.1	7.3	4.0	6.1	
Russia	6.0	7.4	6.5	7.9	6.5	7.4	
South Africa	5.2	6.7	4.9	7.0	4.6	6.7	
Turkey	16.6	17.0	17.5	20.0	19.0	24.9	
United Kingdom	2.1	-1.3	2.5	-0.6	2.1	-0.6	
United States	5.0	2.2	5.4	2.4	5.4	3.4	
Zambia	23.2	28.5	24.6	31.2	24.6	31.2	

Table 1: Overall inflation and food inflation during May 2021 to July 2021

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



Urban food price trends: July 2027 vs. July 2020

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

Grain and grain products		Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Rice 1kg	-7.2	Cheddar cheese per kg	-15.3	Onions - fresh per kg	-28.2
Instant noodles 73g	0.9	Eggs 1.5 dozen	-8.7	Beetroot - fresh per kg	-25.4
Loaf of brown bread 700g	0.9	Chicken portions - fresh per kg	-5.9	Oranges - fresh per kg	-23.2
Rice 2kg	3.3	Eggs 0.5 dozen	-3.4	Cauliflower - fresh per kg / each	-20.7
Loaf of white bread 700g	3.5	Whole chicken - fresh per kg	-2.6	Pineapple - each	-20.0
Macaroni 500g	3.6	Beef rump steak - fresh per kg	0.0	Broccoli - each	-16.4
Cake flour 2.5kg	4.8	Low fat milk - long life 1{	0.3	Tomatoes - fresh per kg	-10.9
Peanut butter 400g	6.4	Bacon 250g	2.5	Apples - fresh per kg	-7.7
Super maize 1kg	6.8	Lamb - neck per kg	3.3	Lettuce - fresh each	-5.9
Super maize 2.5kg	10.3	Full cream milk - long life 1ℓ	3.8 Sweet potatoes - fresh p		-2.4
Super maize 5kg	11.2	Lamb - loin chop per kg	3.8	Potatoes - fresh per kg	-1.7
Cold cereals 500g	12.7	Low fat milk - fresh 2ℓ	4.5 Avocados - fresh per kg		-0.3
Margarine spread 500g 13.8 Low fat milk - fresh 1ℓ 4.5 Ba		Baked beans - tinned 410g	3.1		
Pasta 500g	21.7 Powdered milk 900g 4.6 Carrots - fresh per kg		Carrots - fresh per kg	3.7	
Spaghetti 500g	tti 500g 22.4 Full cream milk - fresh 2ł 4.9 Pears - fresh per kg		Pears - fresh per kg	6.4	
Brick margarine 500g	22.7	Full cream milk - fresh 1ℓ	4.9	Cabbage - fresh each	8.9
Sunflower oil 750mł	28.7	Beef T-bone - fresh per kg	5.4	Cabbage - fresh per kg	8.9
Special maize 5kg	34.9	Beef fillet - fresh per kg	6.1	Bananas - fresh per kg	10.2
Special maize 2.5kg	34.9	Beef sirloin - fresh per kg	6.5	Pumpkin - fresh per kg	10.4
		Lamb - stew per kg	6.6		
		Beef mince - fresh per kg	6.8		
		Beef brisket - fresh per kg	8.4		
		Polony 1kg	9.2	Other	%
		Lamb - rib chop per kg	9.2	Ceylon/black tea 250g	-6.5
		Sausage 500g	9.4	Ceylon/black tea 62.5g	-6.5
		Fish (excl. tuna) - tinned 400g	9.5	Instant coffee 250g	2.4
		Chicken giblets per kg	9.6	White sugar 2.5kg	9.2
		Tuna - tinned 170g	9.9		
		Lamb - offal per kg	11.3		
		Beef offal - fresh per kg	11.9		

Table 2: Food items in the urban areas ranked (July 2021 vs. July 2020)

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Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
		Chicken portions frozen - non IQF average per kg	13.4		
		IQF chicken portions - 2kg	13.7		
		Beef stew - per kg	15.9		
		Beef chuck - fresh per kg	17.3		
		Corned beef 300g	18.4		
		Ham 500g	18.5		
		Lamb - leg per kg	22.0		
		Pork - ribs per kg	23.2		
		Pork chops - fresh per kg	27.6		

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: July2021 vs July 2020

Comparing July 2021 to July 2020, the international price of wheat increased by 32.1%, while domestic wheat prices decreased by 9.4%. This decrease can be attributed to a higher local wheat crop than the previous season. Urban consumers paid 3.5% and 0.9% more for a loaf of white and brown bread (700g), respectively. Domestic yellow maize prices increased by 25.1%, while international yellow maize prices increased by 81.2%. Special and super maize meal prices (2.5kg) increased by 34.9% and 10.3%, respectively in urban areas. During the same period, the urban prices of sunflower oil (750ml) increased by 28.7%. Domestic prices of sunflower seed increased by 46.0% annually, while international sunflower seed prices increased by 65.5%.

During July 2021 vs. July 2020, average beef producer prices (R/kg) of classes B2/B3, A2/A3 and C2/C3 increased by 19.1%, 18.6% and 14.9%, respectively. Lamb/mutton producer prices (R/kg) of classes C2/C3, B2/B3, and A2/ A3 increased by 21.1%, 18.8% and 14.2%, respectively. Abattoir selling prices of frozen and fresh chicken and individually quick frozen (IQF) chicken portions, increased by 22.4%, 18.3% and 13.0%, respectively. Porker and baconer producer prices (R/kg) increased by 20.2% and 16.4%, respectively, during the same period.



Comparison between urban: July 2027 vs. June 2027

Table 3 compares prices of selected food items in urban areas for July 2021 vs. June 2021. Food items showing the largest price differences in urban areas for July 2021 vs. June 2021 are rice (2kg) at a difference of R2.39, special maize meal (2.5kg) at a difference of R1.50, a loaf of white bread (700g) at a difference of R0.33 and white sugar (2.5kg) at a difference of R0.06. This indicates that urban consumers paid R0.41 less on average, for these 11 food items during July 2021.

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
Loaf of brown bread 700g	13.72	13.52	-0.20
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

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

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 July 2021 reaching an index level of 122.4 points, up 28.9% from July 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 (July 2021 vs. June 2021) growth percentages indicated decreasing trends for three of the five indices. The annual (July 2021 vs. July 2020) growth percentages indicated increasing trends of 64.1% for Oils Price Index, 41.9% for the Sugar Price Index, 27.5% for the Cereals Price Index and 17.7% for the Meat Price Index, whilst the Dairy Price Index reflected the smallest annual increase percentage of 12.7%.





The FAO Food Price Index (FFPI)¹ in nominal terms, averaged 123.0 points in July 2021, down 1.5 points (1.2%) from June but still 29.1 points (31.0%) higher than its level in the same period last year. The drop in July reflected declines in prices of cereals, dairy products and vegetable oils which more than offset increases in meat and sugar quotations for the second consecutive month.

The FAO Cereal Price Index in nominal terms, averaged 125.5 points in July, down 3.8 points (3.0%) from June but still 28.6 points (29.6%) above its July 2020 value. International maize prices fell by 9.1 points (6.0%) month-on-month due to better yields than earlier projected in Argentina and improved production prospects in the United States of America. Cancelled orders of old crop maize by China also weighed in on

the maize quotations. However, prices received some support from continued crop condition concerns in Brazil, where threshing progressed well behind last year's pace and high domestic prices encouraged farmers to sell directly to the domestic markets. Barley and sorghum export prices also fell in July, by 8.3 points (6.4%) and 8.7 points (5.3%), respectively, mostly reflecting weaker import demand. By contrast, wheat quotations edged upwards in July, rising by 2.2 points (1.8%) to their highest level since mid-2014, driven by continued concerns over crop conditions in North America where persistent dry weather conditions hindered yields of durum wheat in Canada and spring wheat in the United States of America. Conversely, heavy rain threatened crop prospects in parts of Europe, while early yields in the Russian Federation were slightly lower than expected. In the southern hemisphere,

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.



production outlooks remained favourable in Argentina and Australia. International rice prices accelerated their decline in July to hit two-year lows, as new crop arrivals and currency movements compounded the slow pace of sales caused by high freight costs and logistical hurdles.

The FAO Vegetable Oil Price Index in nominal terms, averaged 155.4 points in July, shedding 2.2 points (or 1.4%) and declining for a second consecutive month to a five-month low. The contraction mainly reflected lower prices for soy, rape and sunflower seed oils, more than offsetting rising palm oil values. International palm oil quotations rebounded moderately in July, underpinned by lower-than-expected output in major producing countries amid migrant labour shortage issues, primarily in Malaysia. By contrast, prices for soy oil weakened in July, largely pressured by the lower biodiesel blending mandate in Argentina. Meanwhile, international prices for rape and sunflower oils also contracted, reflecting, respectively, subdued global import demand and prospective record supplies for the 2021/22 season.

The FAO Dairy Price Index in nominal terms, averaged 116.5 points in July, down 3.4 points or 2.8% from June, declining for the second consecutive month, following 12 months of continuous increases. However, the index remained 14.7 points (14.5%) above the corresponding month last year. In July, international quotations for all dairy products represented in the index fell, with skim milk powder registering the biggest drop, followed by butter, whole milk powder and cheese, principally reflecting reduced import demand for spot supplies. Slower market activity in the Northern hemisphere due to the ongoing summer holidays, coupled with expectations for rising export availabilities in the period ahead, especially from Oceania, also weighed on international dairy price quotations.

The FAO Meat Price Index² in nominal terms, averaged 110.3 points in July, up marginally from June, putting the index 19.6% above the corresponding month last year. In July, quotations for poultry meat rose the most, underpinned by increased imports by East Asia amidst limited production expansions in some production regions, while those of ovine meat increased on high import purchases and seasonally declining supplies from Oceania. Bovine meat prices also strengthened, reflecting the tightening of global markets due to lower supplies from major producing regions and continued high imports, especially by China. Conversely, pig meat prices fell, following a decline in imports by China, notwithstanding limited supplies from Germany due to the spread of African swine fever in some pig farms.

The FAO Sugar Price Index in nominal terms, averaged 109.6 points in July, up 1.8 points (1.7%) from June, marking the fourth consecutive monthly increase and the highest level since March 2017. The rise in international sugar price quotations was mostly related to uncertainties over the impact of recent frosts on crop yields in Brazil, the world's largest sugar exporter, already negatively affected by prolonged dry weather conditions. Firmer crude oil prices, which tend to prompt producers in Brazil to divert more sugarcane crushing to ethanol production, lent additional support to world sugar price quotations. Larger monthly price increases were, however, prevented by good production prospects in India and a weakening of the Brazilian Real against the US dollar.

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 July 2020 to July 2021.

In July 2021, the cost of this basic urban food basket was R979.48, increasing by 2.3% from July 2020 (year-on-year increase) and increasing by 0.2% from June 2021 (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 64.3% in July 2020 to 65.8% in July 2021. The cost of the food basket expressed as a share of the average monthly income of the food basket expressed as a share of the average monthly income 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 July 2020 to 3.5% in July 2021. (Figure 5).





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

³ Composition 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).

⁴ The cost of the typical food basket was expressed as a share of the estimated average monthly income of Expenditure Deciles 1-3, the poorest 30% of the population, as calculated from the Stats SA Living Conditions Survey (LCS) 2014/15 (household income estimated by total expenditure of households on all items). The wealthiest 20% of the population was expressed as a share of the estimated average monthly income of Expenditure Deciles 9-10.

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 July 2020 to July 2021. Food groups with more prominent inflation included fats & oils, animal protein (meat and fish), bean products (legumes) and white sugar.



Figure 6: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing July 2021 to July 2020 (y-o-y) and July 2021 vs. June 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 4** below.

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

July 2021							
	Overall inflation rate						
Food group	Jul 2020 vs. Jul 2021	Apr 2020 vs. Apr 2021*	Major contributors to inflation in this category	Minor contributors to inflation in this category	Non- contributors to inflation in this category	Comments	
Animal protein	+10.0%	+5.9%	IQF chicken portions (+13.7%) Beef offal (+11.9%) Chicken giblets (+9.6%) Canned pilchards (+9.5%) Polony (+9.2%) Beef mince (+6.8%)	None	None	Significant inflation on all animal protein food options.	
Bread and cereals	+6.1%	+15.9%	Maize meal (+11.2%)	White bread (+3.5%) Rice (+3.3%) Brown bread (+0.9%)	None	Most significant inflation on maize meal	
Vegetables	-9.6%	+6.4%	Cabbage (+8.9%)	None	Onions (-28.2%) Tomatoes (-10.9%) Potatoes (-1.7%)	Inflation on cabbage.	
Fruit	-7.6%	-8.3%	Bananas (+10.2%)	None	Apples (-7.7%) Oranges (-23.2%)	Inflation on bananas.	
Dairy	-11.6%	+0.2%	None	Milk (+3.8%)	Cheddar cheese (-15.3%)	Some inflation on milk.	
Eggs	-8.7%	-4.5%	None	None	Eggs (-8.7%)		
Fats and oils	+25.7%	-6.3%	Sunflower oil (+28.7%) Brick margarine (+22.7%)	None	None	High inflation on sunflower oil & margarine.	
Bean products	+9.3%	+14.5%	Dried beans (+16.0%) Peanut butter (+6.4%)	Baked beans (+3.1%)	None	Inflation mainly on dried beans and peanut butter.	
Coffee and tea	-1.7%	+11.4%	None	Instant coffee (+2.4%)	Ceylon/black tea (-6.5%)	Low inflation on instant coffee.	
Sugary foods	+9.2%	+13.1%	White sugar (+9.2%)	None	None	High inflation on sugar	

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Sources: BFAP & NAMC calculations, Stats SA, 2021

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

When comparing July 2020 to July 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): sunflower oil, brick margarine, dried beans, IQF chicken portions, beef offal, super maize meal, bananas, chicken giblets, tinned fish (excl. tuna), white sugar, polony, cabbage, beef mince and peanut butter.

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 July 2020 and July 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 36% more in this case for July 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 July 2021 versus July 2020 prices the results in Figure 3 indicated inflation of about 4.5% (from R6.36 to R6.64 for the selection of typical portions). Except for tea, all other items revealed positive inflation. From June 2021 to July 2021 the costs associated with the typical portion sizes of very poor consumers for the five most year of very poor consumers for the five most widely consumer for the five most widely consumers for the five most widely consumer for



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

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

Food inflation drivers and expectations

With year-on-year (y-o-y) inflation of 9.4% **meat** products had the most significant contribution to inflation on food and non-alcoholic beverages (NAB) (3.0 percentage points). Rising meat prices observed from mid-2020 have been losing momentum in June 2021 and July 2021, attributed to consumer's reaction to high red meat prices in particular. Poultry prices are expected to remain high due to a weaker exchange rate and high global prices attributed to demand recovery, supply disruptions (e.g., animal disease outbreaks) and high feed prices.

The cost of **milk**, **eggs and cheese** continued to increase, with a 6.3% y-o-y inflation rate in July 2021, contributing 0.9 percentage points to inflation on food and NAB (2nd largest contribution). Price inflation is supported by rising global prices and input costs.

Contributing 0.8 percentage points to inflation on food and NAB, the retail prices of **bread and cereals** increased by 4.4% y-o-y (3rd largest contribution) – primarily driven by high global commodity prices since mid-2020.

Following consistently rising retail prices from September 2020, inflation on **oils and fats** amounted to 22.4% y-o-y in July 2021 - contributing 0.6 percentage points to inflation on food and NAB (4th largest contribution).

International driving forces included biofuel demand, palm oil supply constraints and adverse climatic conditions. In the case of bread and cereals, as well as vegetable oils, the weaker exchange rate is dampening the impact of easing of international prices in the local market.

Contributing 0.4 percentage points to inflation on food and NAB (5th largest contribution), the retail prices of **vegetables** increased by 4.7% y-o-y. Despite some recovery following excessive rains early in 2020, cold winter conditions are expected to cause upward pressure once again on some vegetable prices. **Fruit** prices deflated by 2.7% y-o-y in July 2021.

Food inflation rates are expected to decline in the coming months, due both to the easing of base effects, as well as other core drivers such as the oils price, which is expected to retract from recent peaks. As the Delta variant of the COVID-19 virus continues to spread around the world, the global economic recovery could also come under strain and weaker demand could spill into global and local food and commodity prices.

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 because of discussions with industry to keep a more frequent watch on the movements of food prices.

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