

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

September 2021 - August 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 August 2021 CPI data were published on Wednesday the 22nd of September 2021 (see link below from the Stats SA website):

<http://www.statssa.gov.za/publications/P0141/P0141August2021.pdf>

This report will now contain the official August 2021 data, as the official release of the September 2021 CPI data is scheduled for October 20th, 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 August 2021, the nominal cost of the NAMC's 28-item urban food basket amounted to R1 005.06 compared to the R1 004.09 reported during July 2021, resulting in a monthly increase of 0.1%. When compared to August 2020, an annual (y-o-y) increase of 6.2% was observed.
 - Within the NAMC's 28-item urban food basket fats & oils, bread & cereals and animal protein categories were the highest food inflation contributors during August 2021 (y-o-y) with increases recorded at 19.2%, 11.3% and 9.2%, respectively. Vegetables, coffee & tea, and fruits prices reporting a deflation of 8.2%, 1.3% and 0.9% during the same period.
 - While improving significantly in recent weeks sunflower oil was amongst commodities with the highest annual food inflation on year-on-year basis recorded at 24.1%, but, as vegetable oil prices improve globally, domestic prices should follow the same trend.
- On August 7th, 2021, fuel prices for both 93 Unleaded Petrol (ULP) and 95ULP had increased by R0.91/ℓ from the previous month to reach R18.11/ℓ and R18.30/ℓ, respectively. Diesel 500ppm prices had increased by R0.55/ℓ m-o-m to reach R15.63/ℓ, from R15.08/ℓ observed during July 2021.
 - The Rand slightly appreciated towards the end of August 2021, from R14.60 on the 31st of July 2021 to R14.52 on the 31st of August. This had slight positive effect on food prices, however, the rise in fuel prices had a counter effect as a result some food items had increased.
 - **September 2021 expectations:** fuel prices are expected to slightly decrease following a sizeable increase in August attributed to a steady demand in oil from the global market as the worlds' economies are further opening boosted by high vaccination rates from the developed countries. The steady Rand against the US Dollar together with slight decline in fuel prices and improving world food markets might positively affect food prices domestically.



Overall inflation and food inflation

Figure 1 shows the trends in the headline CPI and food and non-alcoholic beverage inflation rates, from August 2015 to August 2021. The official August 2021 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) on September 22nd, 2021, indicated that the annual headline CPI increased from 4.6% in July to 4.9% in August 2021, while food and non-alcoholic beverages price inflation increased to 6.9%, in August 2021, 0.2% up m-o-m. The increase in fuel prices was a major factor in the overall elevated food inflation prices during August. The marginal appreciation in Rand against the US dollar towards the end of August had no significant impact due to a noticeable increase in fuel prices. While the above-mentioned factors played a role in the observed food price inflation domestically, global market spill-over effects have been the main factor as alluded by organisations such as the Food and Agricultural Organization (FAO) and the International Grain Council (IGC) since the beginning of 2020.

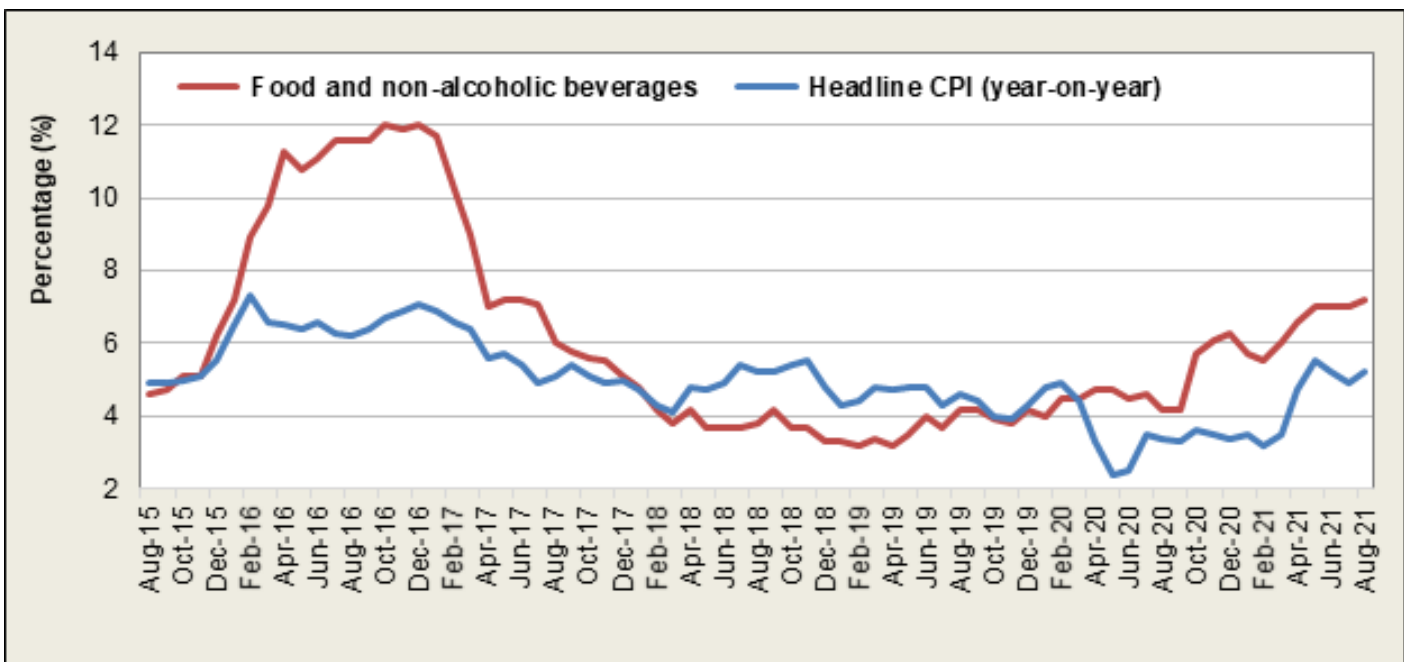


Figure 1: Headline CPI and food and non-alcoholic beverages CPI

Source: Stats SA, 2021

Comparison between urban prices: August 2021 vs. July 2021

Table 1 compares prices of selected food items in urban areas for August 2021 against July 2021. The food items which showed the largest price differences during this period were: Margarine spread (R3.19) attributed to higher vegetable oil prices globally, followed by peanut butter (R0.60) and rice (R0.18). Most food items marginally declined during August 2021. A 2.5 kg of white sugar had decreased by R1.05 followed by a loaf of brown (R0.89), super maize meal (R0.54), Ceylon/black tea (R0.49), full cream long-life milk (R0.42), sunflower oil (R0.39), special maize meal (R0.31) and a loaf of white bread (R0.27). Overall, urban consumers paid R0.04 less on average for these 11 food items during August 2021 when compared to July 2021.

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

Product	Urban Food Prices July 2021 (R/unit)	Urban Food Prices August 2021 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.95	15.53	-0.42
A loaf of brown bread 700g	13.52	12.63	-0.89
A loaf of white bread 700g	15.57	15.30	-0.27
Special maize 2.5kg	28.83	28.52	-0.31
Super maize 2.5kg	27.84	27.30	-0.54
Margarine spread 500g	27.44	30.63	3.19
Peanut butter 400g	34.03	34.63	0.60
Rice 2kg	43.34	43.52	0.18
Sunflower oil 750mℓ	28.59	28.20	-0.39
Ceylon/black tea 62.5g	13.19	12.70	-0.49
White sugar 2.5kg	46.10	45.05	-1.05
Average difference (R/unit)			-0.04

Source: Stats SA, 2021

The NAMC food basket: August 2021 vs August 2020

This section presents the nominal cost of the NAMC's 28-item urban food basket¹, based on average food price data for August 2021 vs. August 2020. The nominal cost of the NAMC's 28-item urban food basket in August 2021 amounted to R1 005.06 compared to the R1 004.09 reported during July 2021. This represented an increase of a mere 0.1% m-o-m, and 6.2% 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 (24.1%), super maize meal (23.8%), dried beans (23.1%), chicken giblets (19.1%), apples-fresh per kg (17.7%), Individual Quick Freezing (IQF) chicken portions (17.5%), polony (15.8%), brick margarine (14.2%), fish (10.8%), rice (9.4%), eggs 1.5 dozen (9.1%) and peanut butter (8.5%).

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	Aug 20 R/unit	July 21 R/unit	Aug 21 R/unit	% change y-o-y	% change m-o-m
Beans	Baked beans - tinned 410g	13.80	10.92	11.09	-19.6	1.6
Beans	Beans - dried 500g	21.57	26.71	26.55	23.1	-0.6
Beans	Peanut butter 400g	31.93	34.03	34.63	8.5	1.8
Coffee, Tea	Instant coffee 250g	36.71	37.51	37.59	2.4	0.2
Coffee, Tea	Ceylon/black tea 250g	29.64	28.96	27.88	-5.9	-3.7
Dairy, Eggs	Full cream milk - long life 1ℓ	15.69	15.95	15.53	-1.0	-2.6
Dairy, Eggs	Eggs 1.5 dozen	49.93	55.63	54.46	9.1	-2.1
Dairy, Eggs	Cheddar cheese per kg	128.32	133.03	134.33	4.7	1.0
Fats, Oils	Brick margarine 500g	22.80	26.03	26.04	14.2	0.0
Fats, Oils	Sunflower oil 750mℓ	22.72	28.59	28.20	24.1	-1.4
Fruit	Apples - fresh per kg	16.99	14.99	20.00	17.7	33.4
Fruit	Bananas - fresh per kg	17.11	19.04	17.84	4.3	-6.3
Fruit	Oranges - fresh per kg	19.28	14.99	15.08	-21.8	0.6
Protein	Beef mince - fresh per kg	97.41	95.31	95.90	-1.6	0.6
Protein	Beef offal - fresh per kg	38.22	43.90	40.14	5.0	-8.6
Protein	Chicken giblets per kg	33.41	36.87	39.80	19.1	7.9
Protein	IQF chicken portions - 2kg	71.91	83.28	84.47	17.5	1.4
Protein	Fish (excl. tuna) - tinned 400g	19.82	21.75	21.96	10.8	1.0
Protein	Polony per kg / 1kg	39.64	47.18	45.90	15.8	-2.7
Bread & Cereals	Loaf of brown bread 700g	13.60	13.52	12.63	-7.1	-6.6
Bread & Cereals	Loaf of white bread 700g	15.38	15.57	15.30	-0.5	-1.7
Bread & Cereals	Super maize meal 5kg	40.37	49.99	49.99	23.8	0.0
Bread & Cereals	Rice 2kg	39.79	43.34	43.52	9.4	0.4
Vegetables	Cabbage - fresh per kg	15.62	14.36	15.28	-2.2	6.4
Vegetables	Onions - fresh per kg	16.47	12.72	12.62	-23.4	-0.8
Vegetables	Potatoes - fresh per kg	13.41	14.22	14.02	4.5	-1.4
Vegetables	Tomatoes - fresh per kg	21.17	19.60	19.26	-9.0	-1.7
Sugary foods	White sugar 2.5kg	43.52	46.10	45.05	3.5	-2.3
	Total Rand Value	946.23	1 004.09	1 005.06	6.2	0.1

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 August 2021 vs. August 2020 (y-o-y) and August 2021 vs. July 2021 (m-o-m). On a y-o-y basis, food categories that recorded the highest inflation were fats & oils, bread & cereals, and animal protein at 19.2%, 11.3% and 9.2%, respectively. Monthly, inflation figures for fruits and bean products were the largest contributors recorded at 8.0% and 0.9%, respectively.

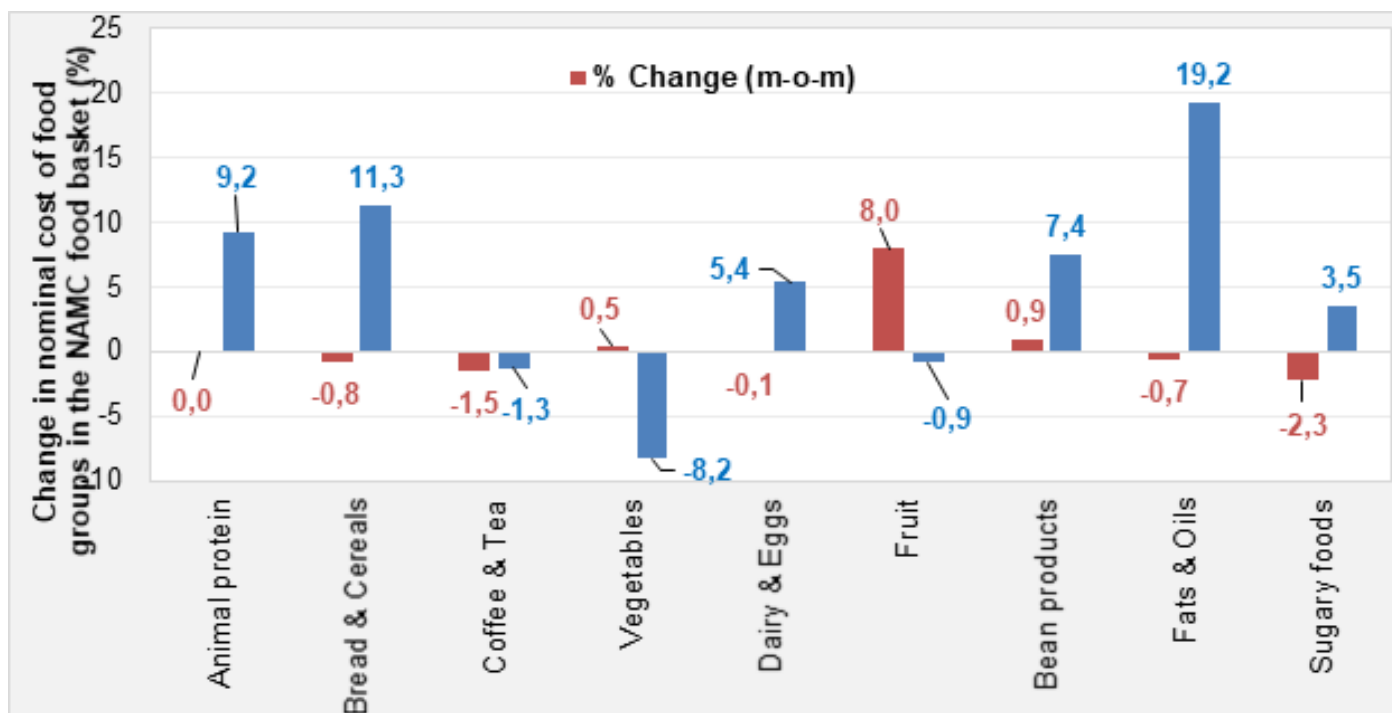


Figure 2: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing August 2021 vs. August 2020 and August 2021 vs. July 2021

Source: NAMC calculations, Stats SA data, 2021

Globally, off-season prices, unpredictable weather conditions, and currency movements are all simultaneously driving international food prices. During August, global prices for cereals and coarse grains followed mixed trends with some commodities accelerating while others decelerated. The Food and Agricultural Organization (FAO) of the United Nations global food price index (FFPI) was 3.1% higher m-o-m, and 32.9% higher y-o-y. Sugar, vegetable oils and cereals prices supported this rise (FAO, 2021). Following a worrying rise in wheat prices in July, the upward trend continued in August, and this is bad news for net importing nations like South Africa. Data from the International Grain Council (IGC) shows that the wheat sub-index is currently 38% higher y-o-y. By contrast, export prices for rice continued the steady downward trajectory in August with prices expected to descend throughout September. Annually, prices from Thailand are currently 20% down, while Vietnam registered a decline of 10% (IGC, 2021). The Food Price Monitoring and Analysis (FPMA) office of the FAO latest report showed a modest decline in maize prices during August. This is despite the current uncertainty globally but mainly from Brazil.

Domestically, a general view is that grain prices remained at almost the same levels as observed in July, but still higher when compared to the same period the previous year. This can be attributed to a larger than normal harvest, especially for maize for the current marketing season. Also, the Rand has remained somewhat resilient against the US Dollar. Even so, based on the data from the SAFEX, yellow maize traded a bit higher than white maize due to demand from the global market. This might remain the same in September as concerns remain as Brazil continues with its harvesting. The rise in fuel prices during August weighed on local food prices. However, food prices might slightly decelerate in September considering the predictable slight decline in fuel prices, and some grains prices are showing signs of stabilizing globally. Wheat is currently one

commodity where prices are a bit concerning in response to global market forces. For that reason, it's difficult to make decisive predictions because South Africa imports about 50% of its wheat and significant quantities of vegetable oils. Should these soften up and the Rand remains resilient in the next few weeks, food prices might decelerate shortly, and the next CPI data should confirm this.

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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