

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

October 2021 - September 2021 data

Important note

The COVID-19 pandemic has deeply 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 September 2021 CPI data were published on Wednesday the 20th of October 2021 (see link below from the Stats SA website):

<http://www.statssa.gov.za/publications/P0141/P0141September2021.pdf>

This report will now contain the official September 2021 data, as the official release of the October 2021 CPI data is scheduled for November 17th, 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 September 2021, the nominal cost of the NAMC's 28-item urban food basket amounted to R985.23 compared to the R1 005.06 reported during August 2021, resulting in a monthly decrease of 2.0%. When compared to September 2020, an annual (y-o-y) increase of 3.5% was recorded.

- o Within the NAMC's 28-item urban food basket fats & oils, sugary foods and animal protein categories were the highest food inflation contributors during September 2021 (y-o-y) with increases recorded at 19.7%, 8.1% and 7.9%, respectively. Vegetables, fruit, and dairy & eggs prices reporting a deflation of 6%, 5.4% and 3.8% during the same period.
- o Following a slight decline, the previous month, sunflower oil price increased in September, and it was amongst commodities with the highest annual food inflation on year-on-year basis recorded at 29.9%.

- On September 1st, 2021, fuel prices for both 93 Unleaded Petrol (ULP) and 95ULP had slightly increased by 0.27% and 0.21% per litre, respectively from the previous month and reach R18.15/ℓ and R18.34/ℓ, respectively. Diesel 500ppm prices had decreased by 0.95%/ℓ m-o-m to reach R15.48/ℓ, from R15.63/ℓ observed during August 2021.

- o Following a resilience for most of September the Rand slightly depreciated towards the end of September 2021, from R14.52 on the 31st of August 2021 to R15.05 on the 30th of September. This might have had a slight negative effect on food prices, especially for imported food such vegetable oils which are currently high from the global market.
- o **October 2021 expectations:** following a slight increase during September fuel prices are expected to slightly decrease in October except for diesel which is supported by recovering demand in natural gas and coal prices which resulted to a consumption switch to diesel oil. The rising demand for fuel oil and diesel oil might continue putting pressure on food prices beyond October, unless the Rand against the US Dollar remain strong and the demand for fuel subsidies.



Overall inflation and food inflation

Figure 1 shows the trends in the headline CPI and food and non-alcoholic beverage inflation rates, from September 2015 to September 2021. The official September 2021 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) on October 20th, 2021, indicated that the annual headline CPI increased from 4.9% in August to 5.0% in September 2021, while food and non-alcoholic beverages price inflation decreased from 6.9% in August to 6.6% in September 2021. The marginal increase in fuel prices was not a major factor in the overall elevated food inflation prices during September. The food items with high inflation prices as it has been the case in recent months are currently under pressure from the global market forces. Vegetable oil prices are experiencing sporadic pressure with prices for palm, rapeseeds, and soya currently under pressure from strong crude oil prices. Crude palm oil production for Malaysia is forecast to decline to 18.4 million MT in 2021, down from the original estimate of 19.6 million MT, as labour restrictions due to Covid-19 impact on total output. This is likely to keep vegetable oils volatile in the coming weeks.

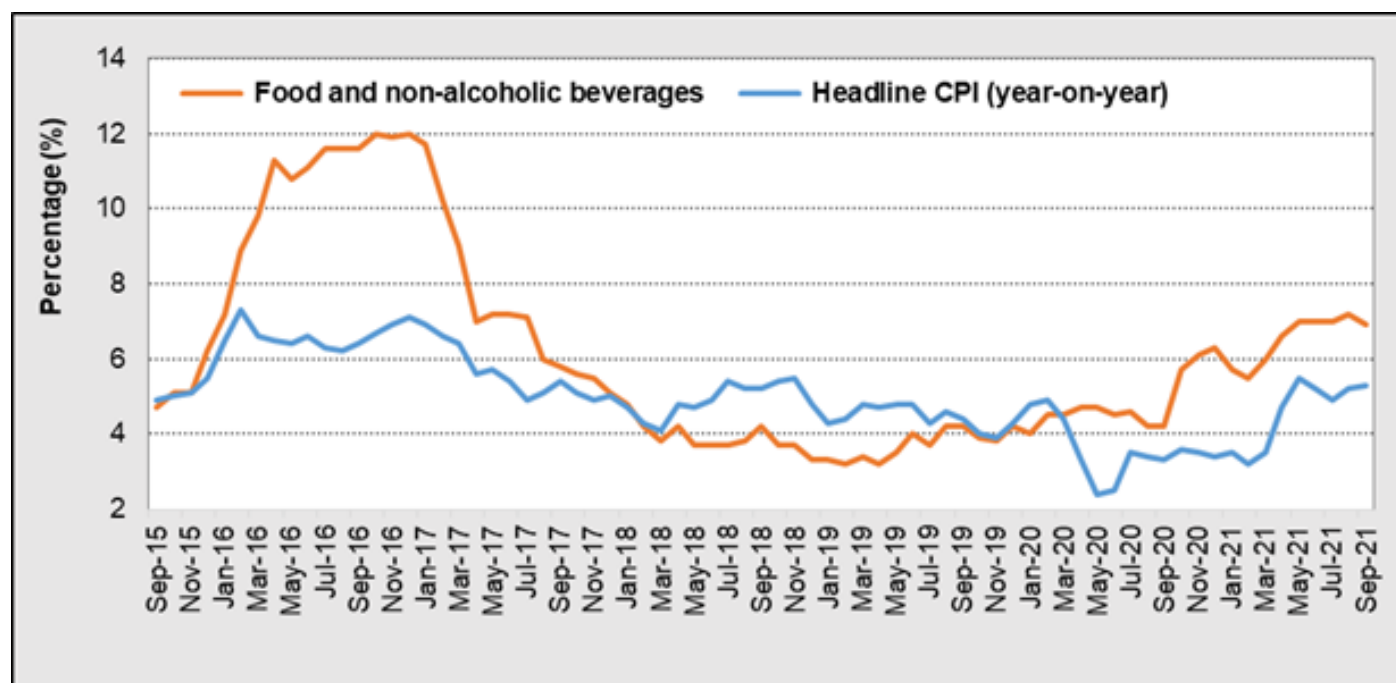


Figure 1: Headline CPI and food and non-alcoholic beverages CPI

Source: Stats SA, 2021

Comparison between urban prices: September 2021 vs. August 2021

Table 1 compares prices of selected food items in urban areas for September 2021 against August 2021. The food items which showed the largest price differences during this period were: sunflower oil (R2.78) supported by vegetable oil prices which significantly increased in September from the international market (FAO, 2021), followed by white sugar (R2.12), Ceylon/black tea (R2.05), margarine spread (R1.60), a loaf of brown (R0.60) and super maize meal (R0.34). In response to global market prices which are currently below levels observed during the same period the previous year, rice declined by R2.89. Peanut butter, special maize meal, full cream long-life milk and a loaf of white bread prices had also declined by R0.89, R0.85, R0.09, and R0.03, respectively. Overall, urban consumers paid R0.43 more on average for these 11 food items during September 2021 when compared to August 2021.

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

| Product | Urban Food Prices August 2021 (R/unit) | Urban Food Prices September 2021 (R/unit) | Price difference (R/unit) |
|------------------------------------|--|---|---------------------------|
| Full cream milk – long life 1ℓ | 15.53 | 15.44 | -0.09 |
| A loaf of brown bread 700g | 12.63 | 13.23 | 0.60 |
| A loaf of white bread 700g | 15.30 | 15.27 | -0.03 |
| Special maize 2.5 kg | 28.52 | 27.67 | -0.85 |
| Super maize 2.5kg | 27.30 | 27.64 | 0.34 |
| Margarine spread 500g | 30.63 | 32.23 | 1.60 |
| Peanut butter 400g | 34.63 | 33.74 | -0.89 |
| Rice 2kg | 43.52 | 40.63 | -2.89 |
| Sunflower oil 750mℓ | 28.20 | 30.98 | 2.78 |
| Ceylon/black tea 62.5g | 12.70 | 14.75 | 2.05 |
| White sugar 2.5kg | 45.05 | 47.17 | 2.12 |
| Average difference (R/unit) | | | 0.43 |

Source: Stats SA, 2021

The NAMC food basket: September 2021 vs September 2020

This section presents the nominal cost of the NAMC's 28-item urban food basket¹, based on average food price data for September 2021 vs. September 2020. The nominal cost of the NAMC's 28-item urban food basket in September 2021 amounted to R985.23 when compared to the R1 005.06 reported during August 2021. This represented an increase of 3.5% y-o-y and a decrease of 2.0% m-o-m.

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 (29.9%), dried beans (22.5%), beef offal (15.9%), polony (12.2%), chicken giblets (12.1%), Individual Quick Freezing (IQF) chicken portions (11.5%), super maize meal (10.2%), canned fish (9.8%), potatoes (9.7%), brick margarine (8.8%), white sugar (8.1%) and peanut butter (6.5%).

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 | Sep 20 R/unit | Aug 21 R/unit | Sep 21 R/unit | % change y-o-y | % change m-o-m |
|-----------------|---------------------------------|---------------|-----------------|---------------|----------------|----------------|
| Beans | Baked beans - tinned 410g | 13.89 | 11.09 | 11.31 | -18.6 | 2.0 |
| Beans | Beans - dried 500g | 21.52 | 26.55 | 26.36 | 22.5 | -0.7 |
| Beans | Peanut butter 400g | 31.68 | 34.63 | 33.74 | 6.5 | -2.6 |
| Coffee, Tea | Instant coffee 250g | 37.60 | 37.59 | 38.78 | 3.1 | 3.2 |
| Coffee, Tea | Ceylon/black tea 250g | 32.09 | 27.88 | 32.38 | 0.9 | 16.1 |
| Dairy, Eggs | Full cream milk - long life 1ℓ | 15.71 | 15.53 | 15.44 | -1.7 | -0.6 |
| Dairy, Eggs | Eggs 1.5 dozen | 46.72 | 54.46 | 49.16 | 5.2 | -9.7 |
| Dairy, Eggs | Cheddar cheese per kg | 128.32 | 134.33 | 118.99 | -7.3 | -11.4 |
| Fats, Oils | Brick margarine 500g | 22.49 | 26.04 | 24.48 | 8.8 | -6.0 |
| Fats, Oils | Sunflower oil 750ml | 23.84 | 28.20 | 30.98 | 29.9 | 9.9 |
| Fruit | Apples - fresh per kg | 15.60 | 20.00 | 15.73 | 0.8 | -21.4 |
| Fruit | Bananas - fresh per kg | 16.45 | 17.84 | 16.99 | 3.3 | -4.8 |
| Fruit | Oranges - fresh per kg | 19.12 | 15.08 | 15.67 | -18.0 | 3.9 |
| Protein | Beef mince - fresh per kg | 96.34 | 95.90 | 94.43 | -2.0 | -1.5 |
| Protein | Beef offal - fresh per kg | 38.09 | 40.14 | 44.15 | 15.9 | 10.0 |
| Protein | Chicken giblets per kg | 36.21 | 39.80 | 40.60 | 12.1 | 2.0 |
| Protein | IQF chicken portions - 2kg | 71.42 | 84.47 | 79.66 | 11.5 | -5.7 |
| Protein | Fish (excl. tuna) - tinned 400g | 20.13 | 21.96 | 22.10 | 9.8 | 0.6 |
| Protein | Polony per kg / 1kg | 42.50 | 45.90 | 47.67 | 12.2 | 3.9 |
| Bread & Cereals | Loaf of brown bread 700g | 13.84 | 12.63 | 13.23 | -4.4 | 4.8 |
| Bread & Cereals | Loaf of white bread 700g | 15.03 | 15.30 | 15.27 | 1.6 | -0.2 |
| Bread & Cereals | Super maize meal 5kg | 44.88 | 49.99 | 49.47 | 10.2 | -1.0 |
| Bread & Cereals | Rice 2kg | 39.64 | 43.52 | 40.63 | 2.5 | -6.6 |
| Vegetables | Cabbage - fresh per kg | 15.91 | 15.28 | 13.28 | -16.5 | -13.1 |
| Vegetables | Onions - fresh per kg | 14.88 | 12.62 | 14.42 | -3.1 | 14.3 |
| Vegetables | Potatoes - fresh per kg | 13.52 | 14.02 | 14.83 | 9.7 | 5.8 |
| Vegetables | Tomatoes - fresh per kg | 20.44 | 19.26 | 18.31 | -10.4 | -4.9 |
| Sugary foods | White sugar 2.5kg | 43.62 | 45.05 | 47.17 | 8.1 | 4.7 |
| | Total Rand Value | 951.48 | 1 005.06 | 985.23 | 3.5 | -2.0 |

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 September 2021 vs. September 2020 (y-o-y) and September 2021 vs. August 2021 (m-o-m). On a y-o-y basis, fats & oils remain the food categories with the highest inflation recorded at 19.7% followed by sugary foods (8.1%), and animal protein (7.9%). On monthly basis, coffee & tea, sugary foods, and fats & oils had the highest inflation figures recorded at 8.7%, 4.7% and 2.2%, respectively.

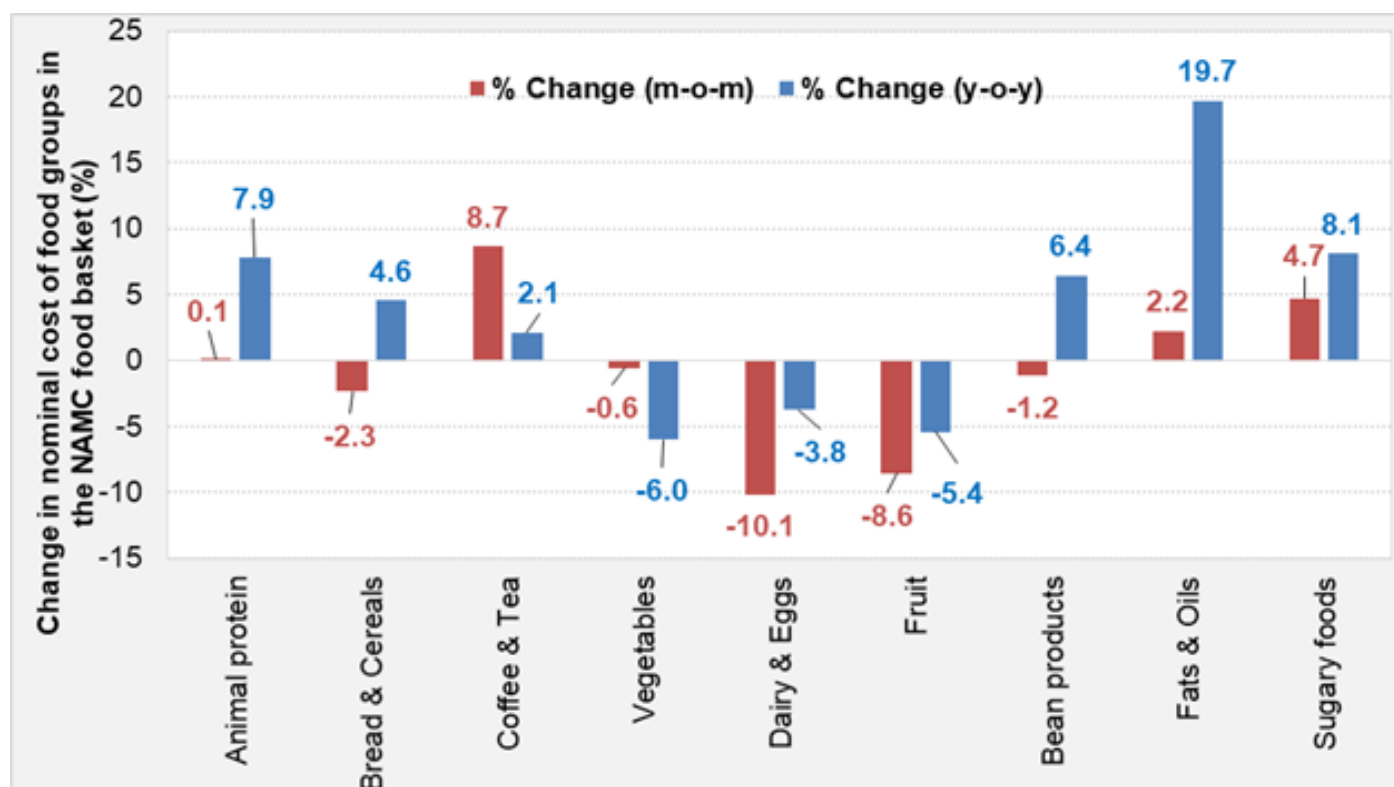


Figure 2: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing September 2021 vs. September 2020 and September 2021 vs. August 2021

Source: NAMC calculations, Stats SA data, 2021

Globally, following the release of the global grains and oilseed production projections by the United States Department of Agriculture (USDA) in October, there is an optimistic view for demand for exports. While prices for certain food commodities remain a bit elevated, future prices for premium products were flat for maize and soybean from the USA while showing an increasing trend from Argentina (USDA, 2021). Larger than expected stocks positively affected global prices to a certain degree, but global market forces continue driving food prices, especially for vegetable oils and wheat, and this is likely to continue in the coming weeks. During September, global prices were driven by elevated prices for cereals and vegetable oils (FAO, 2021). Meat prices remained stable. The Food and Agricultural Organization (FAO) of the United Nations global Food Price Index (FFPI) was 1.2% higher m-o-m, and 32.8% higher y-o-y. Wheat prices continued their upward trend in September. Based on data from the International Grain Council (IGC), the wheat sub-index is currently 37% higher y-o-y while FAO reported an increase of more than 3% m-o-m. Rice sub-index is currently 8% lower y-o-y. The index was boosted by prices from Thailand largely and Vietnam which were recorded at 13% and 9% lower when compared to the same period last year.

Domestically, sunflower oil, dried beans and animal products prices remained high when compared to the same period the previous year. The rise in sunflower oil prices is supported by vegetable oils and the same can be said for margarine prices. Monthly, grain products such as maize meal have slightly improved but remain high when compared to the same month in 2020. These developments are intertwined with the

currently global market situation. Grains and oilseeds production prospects remains the focus especially Brazilians' plantation for 2021/22 season. Brazil is currently the largest soybean exporter in the world, and an influential maize exporter. Presently, soil moisture is said to be at good levels and planting progresses at higher rates according to Agrural. Global weather estimations predict drier conditions that have occurred during the previous season, but the situation will be clear as plantation and growing unfolds. Picking up from the previous month price trend, wheat prices had significantly increased in September globally, attributed to China's prominent return to the market. For wheat net importers like South Africa this is concerning, and the steadiness in fuel prices might not have a noticeable impact on the overall food prices unless the Rand stand strong against the US Dollar, or the US Dollar weakens. But wheat products prices remained steady domestically and the focus will be on bread in the coming weeks.

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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