



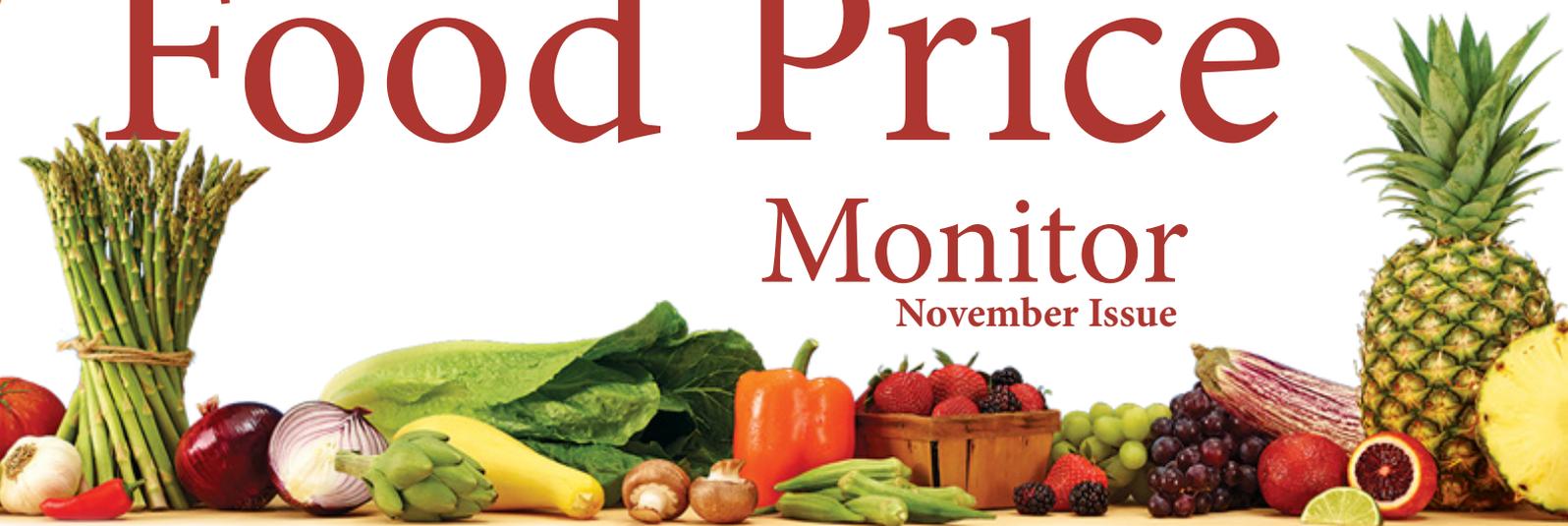
NAMMC
Promoting market access for South African agriculture



2021

Food Price

Monitor
November 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 October 2021 CPI data was published on Wednesday 17 November 2021 (see the link below for the CPI publication):

<http://www.statssa.gov.za/publications/P0141/P0141October2021.pdf>

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

EXECUTIVE SUMMARY

During October 2021, the Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) indicated that the headline CPI stayed unchanged on 5.0% and the food and non-alcoholic beverage price indices reached 6.1%. The same indices were 5.0% and 6.6% during September 2021.

The FAO Food Price Index (FFPI) in nominal terms, averaged 133.2 points in October 2021, up 3.9 points (3.0%) from September and 31.8 points (31.3%) from October 2020. After rising for three consecutive months, the FFPI in October stood at its highest level since July 2011. The latest month-on-month increase was primarily led by continued strength in the world prices of vegetable oils and cereals.

In October 2021, the cost of this basic urban food basket was R993.83, increasing by 4.0% from October 2020 (year-on-year increase) and increasing by 0.9% from September 2021 (month-on-month change).

Comparing October 2021 to October 2020, food groups with more prominent inflation included fats & oils, animal protein (meat and fish), bean products (legumes) and bread & cereals.

When comparing October 2021 to October 2020 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): maize meal, sunflower oil, potatoes, beef offal, dried beans, tinned baked beans, tinned pilchards, chicken giblets, brick margarine, beef mince and peanut butter. The items with high inflation could have negative implication in terms of basic food security (staple food inflation) as well as dietary diversity (e.g., inflation on meat, fish and potatoes).

Continued pressure on food prices is expected for the next few months, particularly due to an increase in fuel prices, and therefore, manufacturing and distribution costs, with the relative strength of the Rand a significant risk. On the other hand, good climate conditions and higher supply on vegetable products can counter this increase. A concern is the high global grain prices. We need to bear in mind that our grain is priced via a complex international system.





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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 October 2015 to October 2021. During October 2021, the Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) indicated that the headline CPI stayed unchanged on 5.0% and the food and non-alcoholic beverage price indices reached 6.1%. The same indices were 5.0% and 6.6% during September 2021.

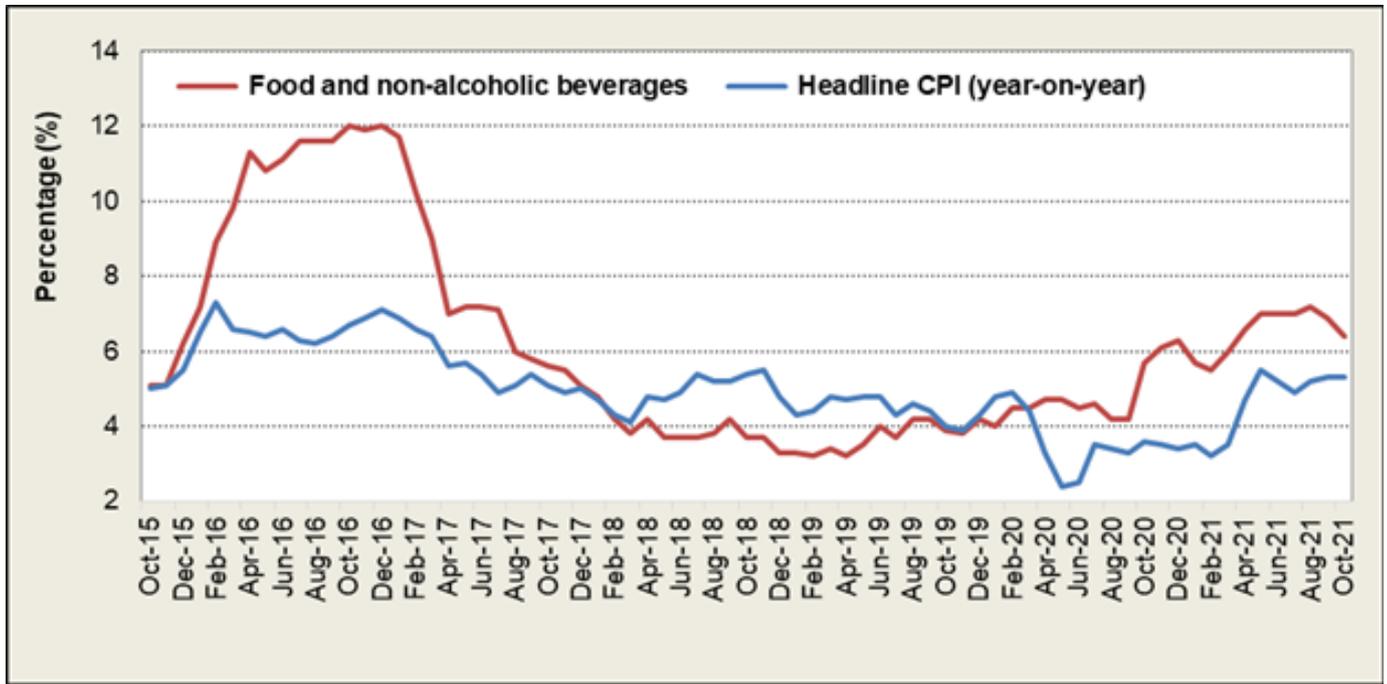


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2020



Figure 2 presents the components of the food and non-alcoholic beverage index changes. When comparing October 2021 to October 2020, the following changes, in descending order, were reported: oils & fats (20.9%), meat (9.1%), unprocessed foods (7.3%), vegetables (7.2%), processed foods (5.9%), other food items (5.7%), milk, eggs & cheese (5.0%), sugary foods (4.6%), fish (4.2%), bread & cereals (3.0%) and fruit (-2.3%). The monthly percentage changes are also illustrated.

The high inflation on oils & fats is due to high international prices such as the international sunflower seed price that were 42.5% higher in October 2021 compared to October 2020, supported by other vegetable oils such as crude palm oil and soybean demand.

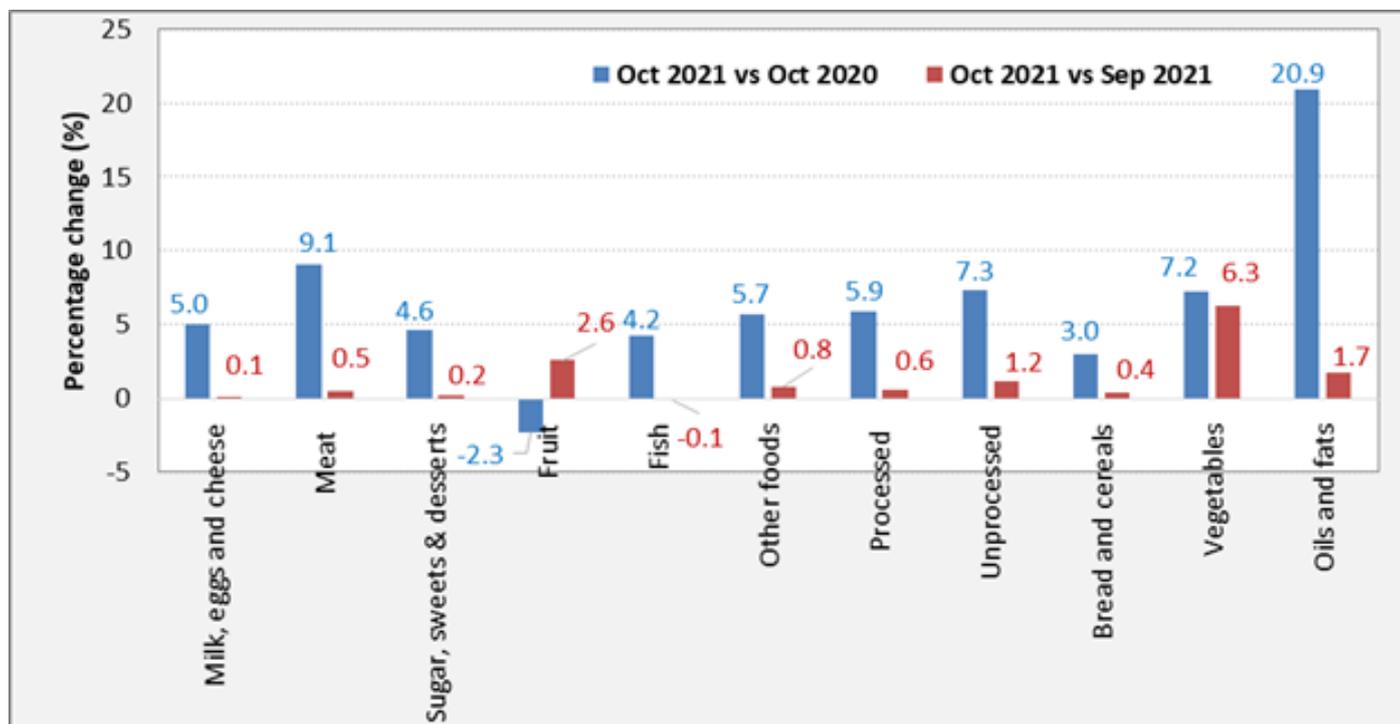


Figure 2: Annual (October 2021 vs. October 2020) and monthly (October 2021 vs. September 2021) CPI changes for different food categories

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 October 2021 for South Africa and other selected countries. South Africa's overall inflation for October 2021 reached 5.0% with food inflation reaching 6.1%. The food categories with the largest annual contribution to South African food inflation include oils & fats, animal protein, bean products, bread & cereals and sugary foods categories. The Zambian overall inflation rate for October 2021 reached 21.1%, with food inflation reaching 9.8%. China's overall inflation rate was 1.5%, with food deflation of -2.4% 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 1.5%, with Brazil with the highest food inflation contributor at 11.7%. The high and volatile levels of food prices in Brazil can be attributed to weather-related shocks. China also has the lowest food inflation. Food prices in China declined by 2.4% year-on-year in October 2021, after a 5.2% fall in the previous month.

Table 1: Overall inflation and food inflation during August 2021 to October 2021

Country	August 2021		September 2021		October 2021	
	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)
Botswana	8.8	6.4	8.4	6.4	8.8	6.8
Brazil	9.7	13.9	10.3	12.5	10.7	11.7
China	0.8	-4.1	0.7	-5.2	1.5	-2.4
India	5.3	3.1	4.4	0.7	4.5	0.9
Namibia	3.4	5.2	3.5	5.0	3.6	5.2
Russia	6.7	7.7	7.4	9.2	8.1	10.9
South Africa	4.9	7.4	5.0	6.6	5.0	6.1
Turkey	19.25	29	19.6	28.8	19.9	27.4
United Kingdom	3.2	0.3	3.1	0.8	4.2	1.2
United States	5.3	3.7	5.4	4.6	6.2	5.3
Zambia	24.4	31.6	22.1	29.6	21.1	9.8

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



Annual Urban food price trends: October 2021 vs. October 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 October 2021 vs. October 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 (October 2021 vs. October 2020)

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Rice 1kg	-22.2	Whole chicken - fresh per kg	-14.3	Sweet potatoes - fresh per kg	-26.4
Rice 2kg	-5.6	Lamb - leg per kg	-13.5	Oranges - fresh per kg	-21.1
Loaf of brown bread 700g	-2.1	Beef stew - per kg	-12.5	Pineapple - each	-18.7
Macaroni 500g	-0.9	Cheddar cheese per kg	-7.9	Pumpkin - fresh per kg	-14.2
Instant noodles 73g	0.5	Chicken portions - fresh per kg	-5.0	Lettuce - fresh each	-13.7
Loaf of white bread 700g	1.9	Full cream milk - long life 1ℓ	-1.0	Cabbage - fresh each	-11.8
Super maize 2.5kg	4.4	Low fat milk - long life 1ℓ	1.7	Cabbage - fresh per kg	-11.8
Cold cereals 500g	5.4	Polony 1kg	2.2	Broccoli - each	-5.5
Peanut butter 400g	6.3	Full cream milk - fresh 2ℓ	2.9	Bananas - fresh per kg	-5.1
Spaghetti 500g	7.1	Full cream milk - fresh 1ℓ	2.9	Carrots - fresh per kg	-5.0
Brick margarine 500g	8.5	Powdered milk 900g	3.2	Onions - fresh per kg	-3.1
Brick margarine 1kg	8.5	Lamb - rib chop per kg	3.9	Cauliflower - fresh per kg / each	0.1
Cake flour 2.5kg	10.5	Eggs 1.5 dozen	4.0	Spinach/Morogo - fresh per kg	0.8
Special maize 5kg	11.8	Low fat milk - fresh 2ℓ	4.1	Tomatoes - fresh per kg	1.1
Special maize 2.5kg	11.8	Low fat milk - fresh 1ℓ	4.1	Beetroot - fresh per kg	2.1
Super maize 1kg	17.5	Tuna - tinned 170g	4.4	Apples - fresh per kg	4.5
Pasta 500g	19.8	Lamb - loin chop per kg	5.9	Pears - fresh per kg	4.7
Sunflower oil 750ml	24.4	Beef mince - fresh per kg	6.4	Avocados - fresh per kg	5.2
Super maize 5kg	24.7	Beef rump steak - fresh per kg	6.6	Baked beans - tinned 410g	10.0
		Lamb - stew per kg	6.9	Beans - dried 500g	10.8
		Eggs 0.5 dozen	6.9	Paw Paw - fresh per kg / each	16.3
		Beef chuck - fresh per kg	6.9	Potatoes - fresh per kg	17.9
		Beef T-bone - fresh per kg	7.0		
		Beef brisket - fresh per kg	7.2		
		Corned beef 300g	8.6	Other	%
		Chicken giblets per kg	9.0	Ceylon/black tea 250g	-7.9
		Sausage 500g	9.0	Ceylon/black tea 62.5g	-7.9
		Fish (excl. tuna) - tinned 400g	9.2	Instant coffee 250g	5.5

Grain and grain products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
		Bacon 250g	9.3	White sugar 2.5kg	5.9
		Ham 500g	9.5		
		Pork - ribs per kg	10.0		
		Chicken portions frozen - non IQF average per kg	11.1		
		Chicken portions frozen - non IQF per kg (real)	11.1		
		IQF chicken portions - 2kg	12.1		
		IQF chicken portions - 1kg	12.1		
		Beef fillet - fresh per kg	13.8		
		Lamb - offal per kg	14.0		
		Pork chops - fresh per kg	16.6		
		Lamb - neck per kg	16.7		
		Beef offal - fresh per kg	16.7		
		Beef sirloin - fresh per kg	20.6		

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: October 2021 vs. October 2020

Comparing October 2021 to October 2020, the international price of wheat increased by 29.3%, while domestic wheat prices increased by 12.0%. Urban consumers paid 1.9% more for a loaf of white bread (700g) and -2.1% less for a loaf of brown bread (700g). Domestic yellow maize prices decreased by 3.21%, while international yellow maize prices increased by 28.3%. Special and super maize meal prices (2.5kg) increased by 11.8% and 4.4%, respectively in urban areas. During the same period, the urban prices of sunflower oil (750ml) increased by 24.4%. Domestic prices of sunflower seed increased by 34.9% annually, while international sunflower seed prices increased by 42.5%.

During October 2021 vs. October 2020, average beef producer prices (R/kg) of classes B2/B3, C2/C3 and A2/A3 increased by 11.6%, 8.7% and 6.9%, respectively. Lamb/mutton producer prices (R/kg) of classes, B2/B3 and C2/C3 increased by 2.6% and 1.0%, respectively. Whilst the class A2/A3 declined by 3.0%. Abattoir selling prices of fresh and frozen chicken as well as individually quick frozen (IQF) chicken portions increased by 23.6%, 14.5% and 13.8%, respectively. Porker and baconer producer prices (R/kg) decreased by 10.3% and 5.3%, respectively, during the same period.



Monthly urban price comparison: October 2021 vs. September 2021

Table 3 compares prices of selected food items in urban areas for October 2021 vs. September 2021. Food items showing the largest price differences in urban areas for October 2021 vs. September 2021 are peanut butter (400g) at a difference of R1.26, margarine spread (500g) at a difference of R1.05, a loaf of brown bread (700g) at a difference of R0.36, rice (2kg) at a difference of R0.19, a loaf of white bread (700g) at a difference of R0.12 and full cream long life milk (1ℓ) at a difference of R0.08. This indicates that urban consumers paid R0.15 less on average, for these 11 food items during October 2021.

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

Product	Urban Food Prices September 2021 (R/unit)	Urban Food Prices October 2021 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.44	15.52	0.08
Loaf of brown bread 700g	13.23	13.59	0.36
Loaf of white bread 700g	15.27	15.39	0.12
Special maize 2.5 kg	27.67	25.42	-2.25
Super maize 2.5 kg	27.64	26.64	-1.00
Margarine spread 500g	32.23	33.28	1.05
Peanut butter 400g	33.74	35.00	1.26
Rice 2kg	40.63	40.82	0.19
Sunflower oil 750ml	30.98	29.99	-0.99
Ceylon/black tea 62.5g	14.75	14.72	-0.03
White sugar 2.5kg	47.17	46.77	-0.40
Average difference (R/unit)			-0.15

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 October 2021 reaching an index level of 132.5 points, up 29.3% from October 2020.

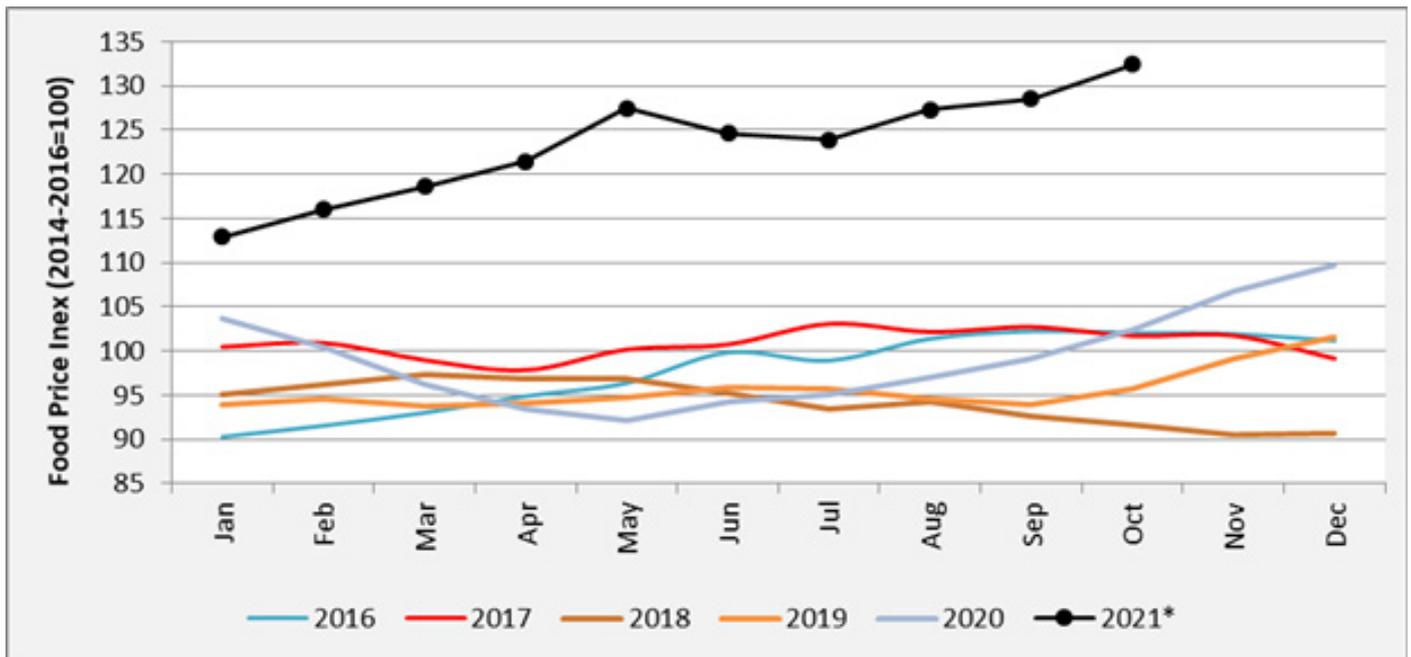


Figure 3: International monthly real FPI

Source: FAO, 2021

*Note: Current year



Figure 4 shows the price indices in real terms for the five food categories. The monthly (October 2021 vs. September 2021) growth percentages indicated decreasing trends for two of the five indices. The annual (October 2021 vs. October 2020) growth percentages indicated increasing trends of 70.9% for Oils Price Index, 38.3% for the Sugar Price Index, 20.4% for the Cereals Price Index and 20.2% for the Meat Price Index, whilst the Dairy Price Index reflected the smallest annual increase percentage of 13.7%.

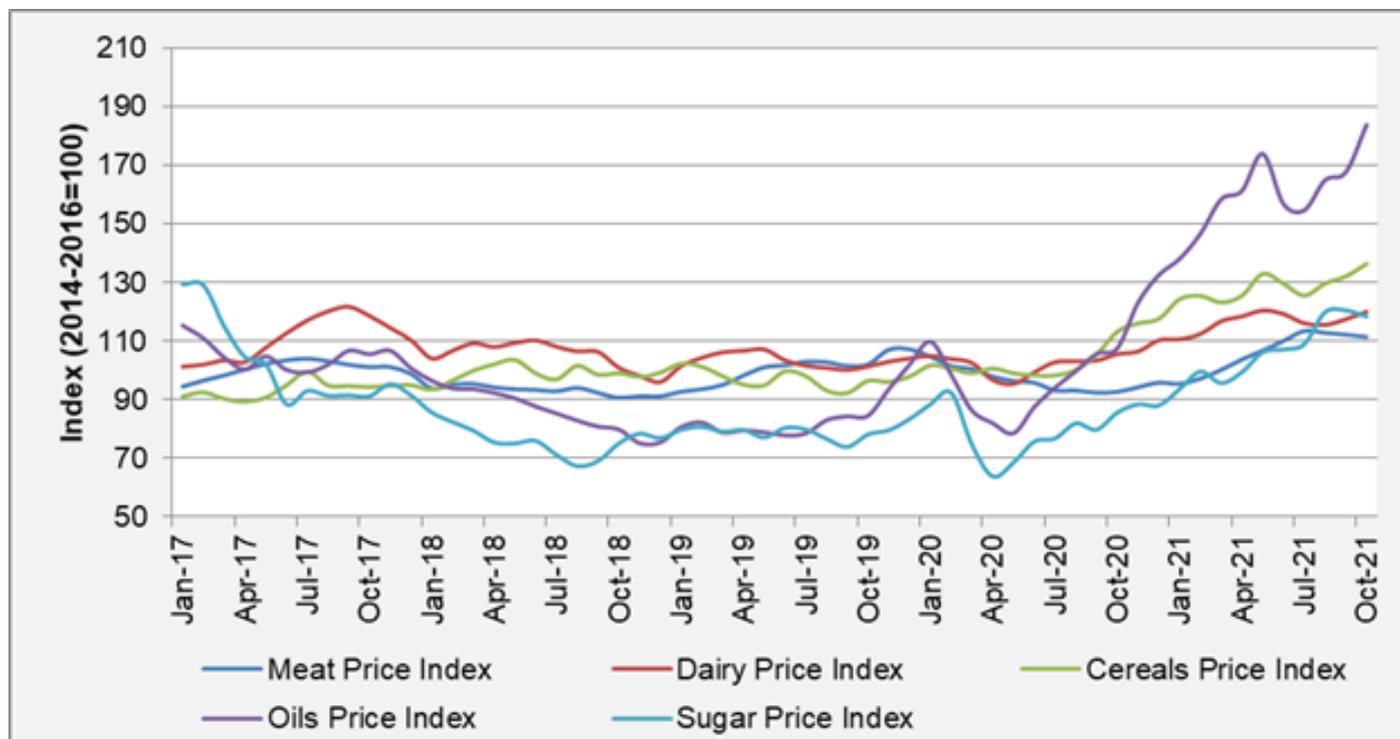


Figure 4: Real price indices for five food categories

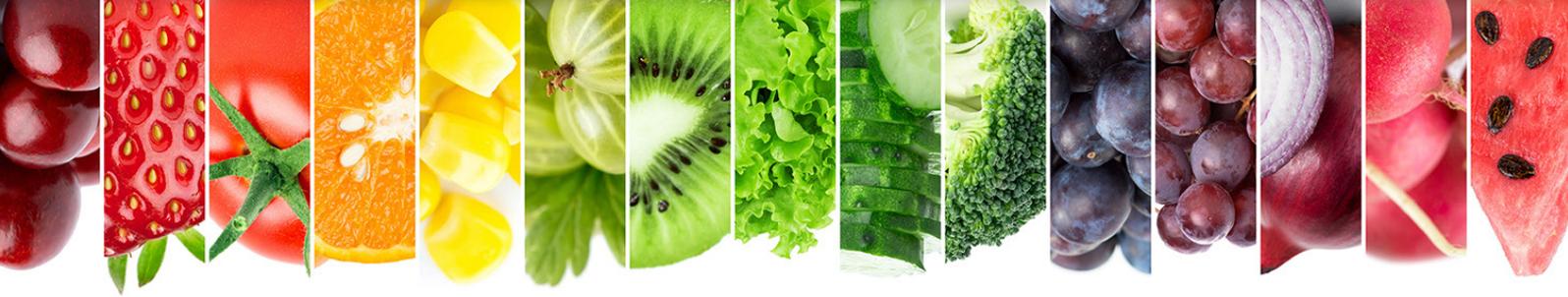
Source: FAO, 2021

The **FAO Food Price Index (FFPI)**¹ in nominal terms, averaged 133.2 points in October 2021, up 3.9 points (3.0%) from September and 31.8 points (31.3%) from October 2020. After rising for three consecutive months, the FFPI in October stood at its highest level since July 2011. The latest month-on-month increase was primarily led by continued strength in the world prices of vegetable oils and cereals.

The **FAO Cereal Price Index** in nominal terms, averaged 137.1 points in October, up 4.3 points (3.2%) from September and 25.1 points (22.4%) above its level a year ago. International prices of all major cereals increased month-on-month. World wheat prices continued to

surge for a fourth consecutive month, rising by a further 5% in October, to stand 38.3% higher year-on-year, and reaching their highest level since November 2012. Tighter availability in global markets due to reduced harvests in major exporters, especially Canada, the Russian Federation and the United States of America, continued to put upward pressure on prices. Reduced global supplies of higher quality wheat, in particular, exacerbated the pressure, with premium grades leading the price rise. Among coarse grains, international barley prices increased the most in October, underpinned by strong demand, reduced production prospects and price increases in other markets. World maize prices also firmed, supported by gains in energy markets.

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.



However, increased seasonal supplies and easing of port disruptions in the United States of America limited the increase in maize values. International rice prices also edged up further in October, although the onset of main crop harvests in various Asian suppliers capped the increases.

The FAO Vegetable Oil Price Index in nominal terms, averaged 184.8 points in October, up 16.3 points (or 9.6%) month-on-month and marking an all-time high. The increase was driven by firmer price quotations for palm, soy, sunflower and rapeseed oils. International palm oil prices increased for a fourth consecutive month in October, underpinned by persisting concerns over subdued output in Malaysia due to ongoing migrant labour shortages. In the meantime, world prices of palm, soy and sunflower oils received support from reviving global import demand, particularly from India that lowered import tariffs further on edible oils. As for rapeseed oil, the continued strength in international values primarily stemmed from protracted global supply and demand tightness. Noticeably, rising crude oil prices also lent support to vegetable oil values.

The FAO Dairy Price Index in nominal terms, averaged 120.7 points in October, up 2.6 points (2.2%) from September and 16.2 points (15.5%) above its level in the corresponding month a year ago. In October, international price quotations for butter, skim milk powder and whole milk powder rose steeply for the second consecutive month, underpinned by firm global import demand amid buyers' efforts to secure supplies to build stocks. Seasonally low milk supplies and tight inventories in Europe, and a slower start than earlier anticipated to the new milk production season in Oceania, also lent support to world milk prices. By contrast, cheese prices remained stable, as supplies from major producers were adequate to meet global import demand.

The FAO Meat Price Index² in nominal terms, averaged 112.1 points in October, down 0.8 points (0.7%) from its revised value in September, marking the third monthly decline, though still 20.3 points (22.1%) above its value in the corresponding month last year. In October, international quotations for pig meat fell, underpinned by reduced purchases from China. Bovine meat prices also fell, reflecting a sharp decline in quotations for supplies from Brazil amid market uncertainty surrounding import suspensions by its leading trading partners over mad-cow disease concerns. By contrast, poultry meat quotations rose, boosted by high global demand, while production expansions remained weak due to high feed costs and avian flu outbreaks, especially in Europe. World ovine meat prices also increased slightly on continued supply limitations from Oceania due to high demand for stock rebuilding.

The FAO Sugar Price Index in nominal terms, averaged 119.1 points in October, down 2.1 points (or 1.8%) from September, marking the first decline after six consecutive monthly increases. International sugar quotations remained, however, more than 40% above their levels in the same month of last year, underpinned by concerns over reduced output prospects in Brazil. The recent monthly decline in international sugar prices was triggered by limited global import demand and prospects of large export supplies from India and Thailand. The weakening of the Brazilian Real against the US dollar also contributed to lowering world sugar prices in October. Higher ethanol prices in Brazil, however, prevented more substantial sugar price declines.

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 October 2020 to October 2021.

In October 2021, the cost of this basic urban food basket was R993.83, increasing by 4.0% from October 2020 (year-on-year increase) and increasing by 0.9% from September 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 64.2% in October 2020 to 66.8% in October 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 October 2020 to 3.6% in October 2021. (Figure 5).

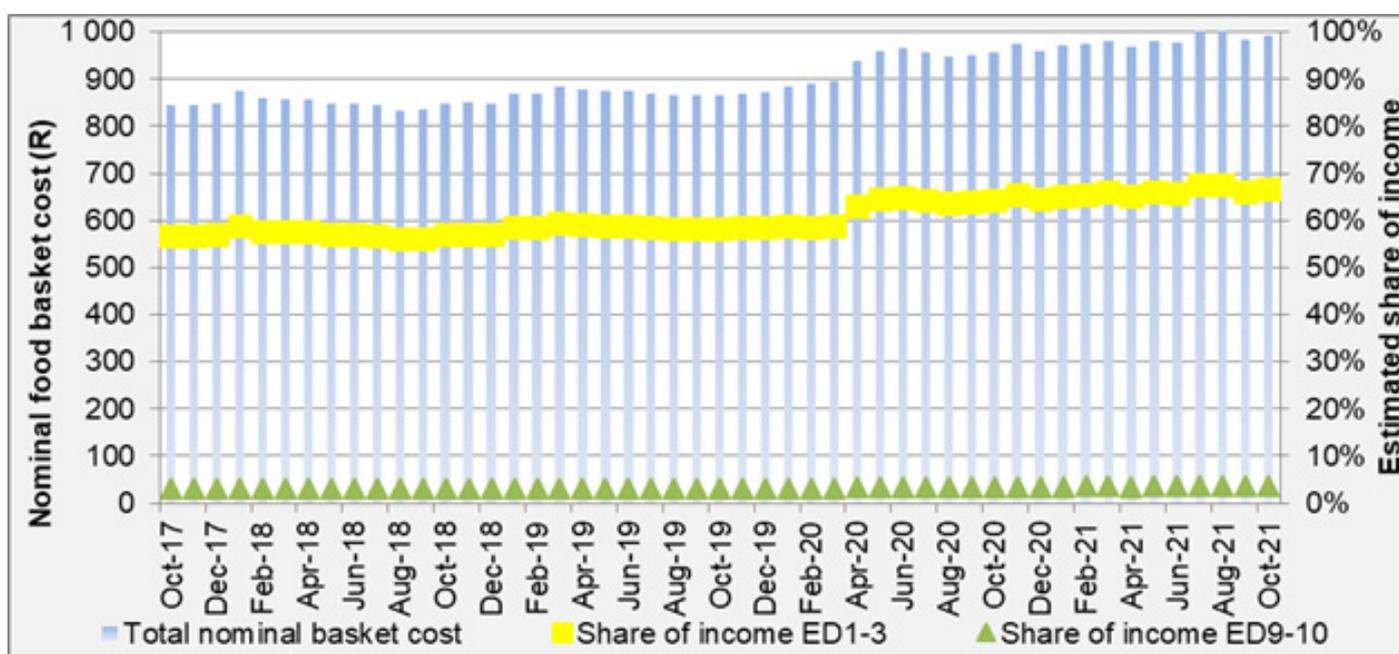


Figure 5: The cost of a typical consumer food basket for the period October 2015 to October 2021, expressed in nominal terms and as share of the average income of the poorest 30% of households (Expenditure Deciles [ED] 1-3) and the wealthiest 20% of households (ED 9-10)

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).

⁴The cost of the typical food basket was expressed as a share of estimated average monthly income of Expenditure Deciles 1 to 3, the poorest 30% of the population, as calculated from the STATSSA Living Conditions Survey 2014/2015 (household income estimated by total expenditure of households on all items)

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

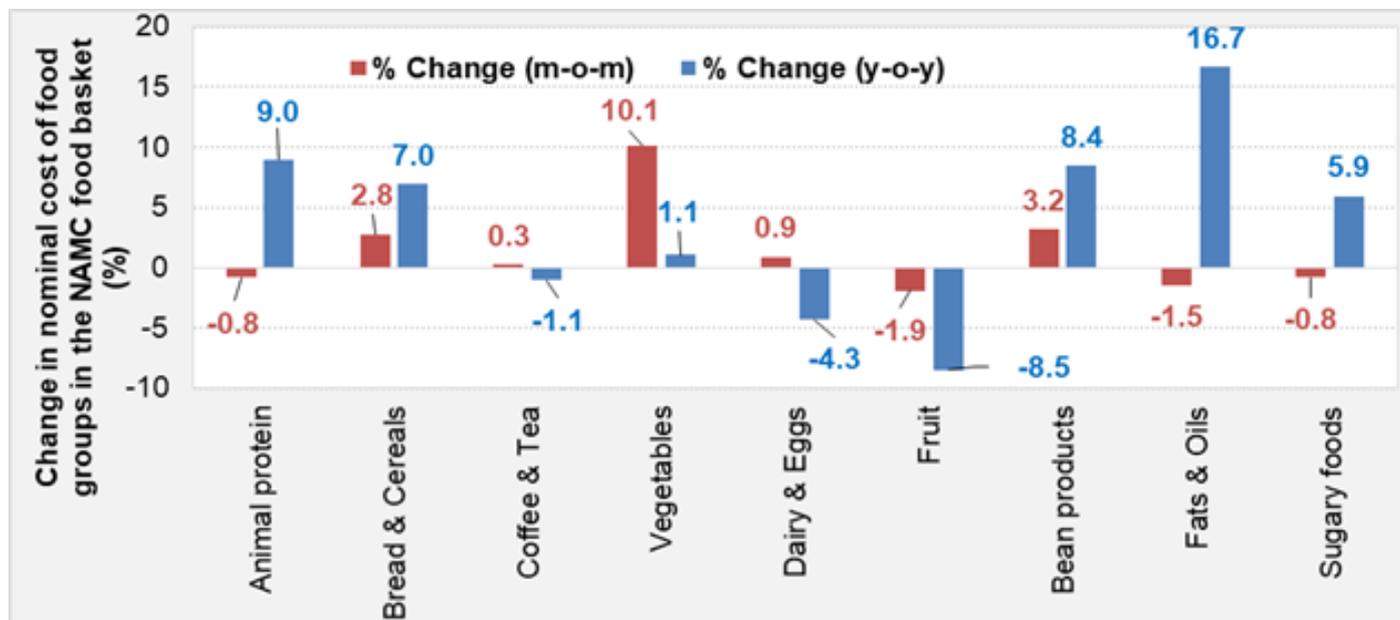


Figure 6: Nominal cost growth of specific food groups within the NAMC’s 28-item food basket, comparing October 2021 to October 2020 (y-o-y) and October 2021 vs. September 2021 (m-o-m)

Sources: BFAP & NAMC calculations, Stats SA, 2021

The various food groups within this food basket are presented in more detail in **Table 4** below.

Table 4: Overview of contributions to annual food price increases within the 28-item NAMC food basket, October 2020 vs. October 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
	Oct 2021 vs. Oct 2020	Jul 2021 vs. Jul 2020*				
Animal protein	+9.0%	+10.0%	Beef offal (+16.7%) IQF chicken portions (+12.1%) Canned pilchards (+9.2%) Chicken giblets (+9.0%) Beef mince (+6.4%)	Polony (+2.2%)	None	Significant inflation on most animal protein food options.
Bread and cereals	+7.0%	+6.1%	Maize meal (+24.7%)	White bread (+1.9%)	Rice (-5.6%) Brown bread (-2.1%)	Most significant inflation on maize meal.
Vegetables	+1.1%	-9.6%	Potatoes (+17.9%)	Tomatoes (+1.1%)	Onions (-3.1%) Cabbage (-11.8%)	Inflation on potatoes.
Fruit	-8.5%	-7.6%	Apples (+4.5%)	None	Bananas (-5.1%) Oranges (-21.1%)	Inflation on apples.
Dairy	-4.4%	-11.6%	None	None	Cheddar cheese (-7.9%) Milk (-1.0%)	Dairy deflation, with some inflation on eggs.
Eggs	+4.0%	-8.7%	Eggs (+4.0%)	None	None	
Fats and oils	+16.7%	+25.7%	Sunflower oil (+24.4%) Brick margarine (+8.5%)	None	None	High inflation on sunflower oil & margarine.
Bean products	+8.4%	+9.3%	Dried beans (+10.8%) Baked beans (+10.0%) Peanut butter (+6.3%)	None	None	Inflation all options mentioned.
Coffee and tea	-1.1%	-1.7%	Instant coffee (+5.5%)	None	Ceylon/black tea (-7.9%)	Inflation on instant coffee.
Sugary foods	+5.9%	+9.2%	White sugar (+5.9%)	None	None	Inflation on sugar

Sources: BFAP & NAMC calculations, Stats SA, 2021

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

When comparing October 2021 to October 2020 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): maize meal, sunflower oil, potatoes, beef offal, dried beans, tinned baked beans, tinned pilchards, chicken giblets, brick margarine, beef mince and peanut butter. The items with high inflation could have negative implication in terms of basic food security (staple food inflation) as well as dietary diversity (e.g., inflation on meat, fish and potatoes). When comparing the inflation rates for October 2021/October 2020, with July 2021/July 2020 (i.e., the previous Food Price Monitor analysis period) the rate of inflation was higher for bread & cereals, vegetables and eggs.

The impact of inflation on extremely 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 October 2020 and October 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 low actual food weight contribution of bread to this ‘food plate’, the bread component costs more than the maize porridge component (about 31% more in this case for October 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 October 2021 versus October 2020 prices the results in **Figure 7** indicated inflation of about 5.7% (from R6.40 to R6.76 for the selection of typical portions). With inflation driven by maize meal in particular, followed by sugar. From September 2021 to October 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 2.9% (+R0.19).

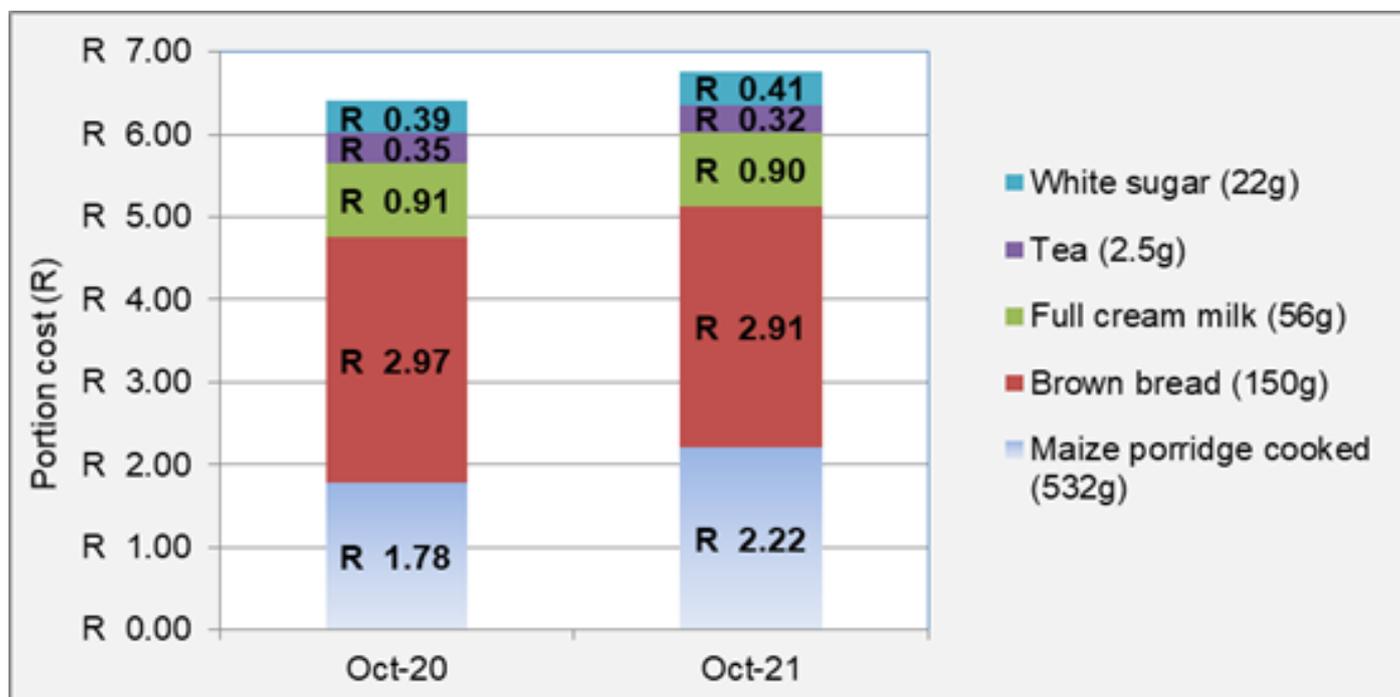


Figure 7: Average nominal cost for the typical portions of the five food items most widely consumed by very poor consumers in South Africa, October 2021 vs. October 2020

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 9.1% **meat products** were the most significant contributor to inflation on food and non-alcoholic beverages (NAB). High meat prices are mainly driven by constrained supplies due to herd rebuilding and high feed costs. Meat and poultry prices could increase further in the coming months, as seasonal demand picks up through the holiday period. Poultry product prices in particular could find further support from international markets, where demand for the product has firmed, along with a weaker Rand and ever-increasing shipping costs.

The cost of **milk, eggs and cheese** increased by 5.0% year on year in October 2021, contributing 0.7 percentage points to inflation on food and NAB, making it the second largest contributor to food and NAB inflation. In the case of dairy products, price inflation is still supported by rising global prices and high input costs. Input costs, particularly feed, is also affecting egg prices, along with Highly Pathogenic Avian Influenza related supply constraints.

Contributing 0.6 percentage points to inflation on food and NAB, the retail prices of **bread and cereals** increased by 3.0% year on year in October 2021. Increases in this sector are still primarily the result of strong global markets, along with high logistical and distribution costs. These factors also affect **oils and fats**, where retail prices have risen consistently through most of the year. Inflation on oils and fats amounted to 20.9% y-o-y in October 2021 -

contributing 0.5 percentage points to inflation on food and NAB. While global prices are expected to start moderating, on the back of weaker demand and an expected recovery in supply volumes, the recent weakening of the exchange rate, along with sharp increases in shipping rates are expected to lend further support to domestic prices.

Contributing 0.5 percentage points to inflation on food and NAB, the retail prices of **vegetables** increased by 7.2% year on year in October. High potato prices were the main driver, resulting from low volumes during September and early October 2021, but these are expected to decline as supply improves through October and November. Vegetable inflation is therefore also expected to trend lower for the remainder of 2021, with higher volumes in the market. **Fruit** prices deflated by 2.3% year on year in October 2021, with additional volumes entering the market.

Continued pressure on food prices is expected for the next few months, particularly due to an increase in fuel prices, and therefore, manufacturing and distribution costs, with the relative strength of the Rand a significant risk. On the other hand, good climate conditions and higher supply on vegetable products can counter this increase. A concern is the high global grain prices. We need to bear in mind that our grain is priced via a complex international system.

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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