

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

March 2022 - February 2022 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 February 2022 CPI data were published on Wednesday the 23rd of March 2022 (see link below from the Stats SA website):

<http://www.statssa.gov.za/publications/P0141/P0141February2022.pdf>

This report will now contain the official February 2022 data, as the official release of the March 2022 CPI data is scheduled for April 20th, 2022. Because rural data is still not monitored by Stats SA, price comparisons between rural and urban is still not feasible at this stage.

- During February 2022, the nominal cost of the NAMC's 28-item urban food basket amounted to R1 052.08 compared to the R1 013.49 reported in January 2022. This represented a monthly increase of 3.8% and a year-on-year increase of 7.7%.
- Within the NAMC's 28-item urban food basket, food categories with the highest food inflation contributors during February 2022 (y-o-y) were fats & oils followed by vegetables, coffee & tea and animal protein recorded at 20.2%, 19.3, 14.4% and 14.2%, respectively. For the same period, fruit deflated by 10.5% followed by bread and cereals (-1.3%).
- On March 2nd, 2022, fuel prices once again had noticeable increased. On year-on-year basis, the fuel price for 95 and 93 unleaded petrol (ULP) prices had increased by 32.4% and 32.2% per liter, respectively, while 500ppm diesel was 38.0% higher year-on-year.
- Monthly, 93 and 95 ULP increased by 7.3% and 7.3% per liter, to R21.35/ℓ and R21.60/ℓ, respectively, while diesel 500ppm prices had increased by 8.0%/ℓ m-o-m to reach R19.48/ℓ, from R18.04/ℓ recorded in February 2022.
- **April 2022 expectations:** Presently the world is experiencing oil price shocks. While this is currently being exacerbated the Russia-Ukraine conflict, global oil prices have been rising prior to the Russian invasion of Ukraine. During April 2022, demand for oil is anticipated to grow as countries across the EU, and the United States of America to a larger extent, are rushing to control escalating local fuel prices, amid a fall between following reciprocal sanctions by Russia. These multiple factors have pushed countries to use their stocks which are normally used to cushion price levels domestically and these will spill over to the world, including South Africa. The United States Department of Agriculture posited that Ocean freight rates are reported 34% higher year-on-year as of 10th of March 2022, and 70% higher than a 4-year average (USDA, 2022) due to higher crude oil prices.



Overall inflation and food inflation

Figure 1 depicts the trends in the headline CPI, as well as food and non-alcoholic beverage inflation rates for the period February 2016 and February 2022. Statistics South Africa (Stats SA) released the official February 2022 Consumer Price Index (CPI) on March 23rd, 2022, indicating that the annual headline CPI was 5.7% in February 2022, the same as in January 2022. In February 2022, price inflation for food and non-alcoholic beverages grew by 6.4%, which was much higher than the 5.7% reported in January 2022. The key products driving this moderate increase in overall consumer food price inflation are bread & cereals, as well as meat and fish.

Bread & cereals, as well as animal items such as meat, drove local food price inflation. This is a continuation of production issues (drought in South America) from the previous season, which are expected to be exacerbated by the Russia-Ukraine crisis. Furthermore, since Covid-19, transportation costs and global supply systems have remained tight. Crude oil prices are increasing transportation expenses, which are being worsened by the conflict in the Black Sea region.

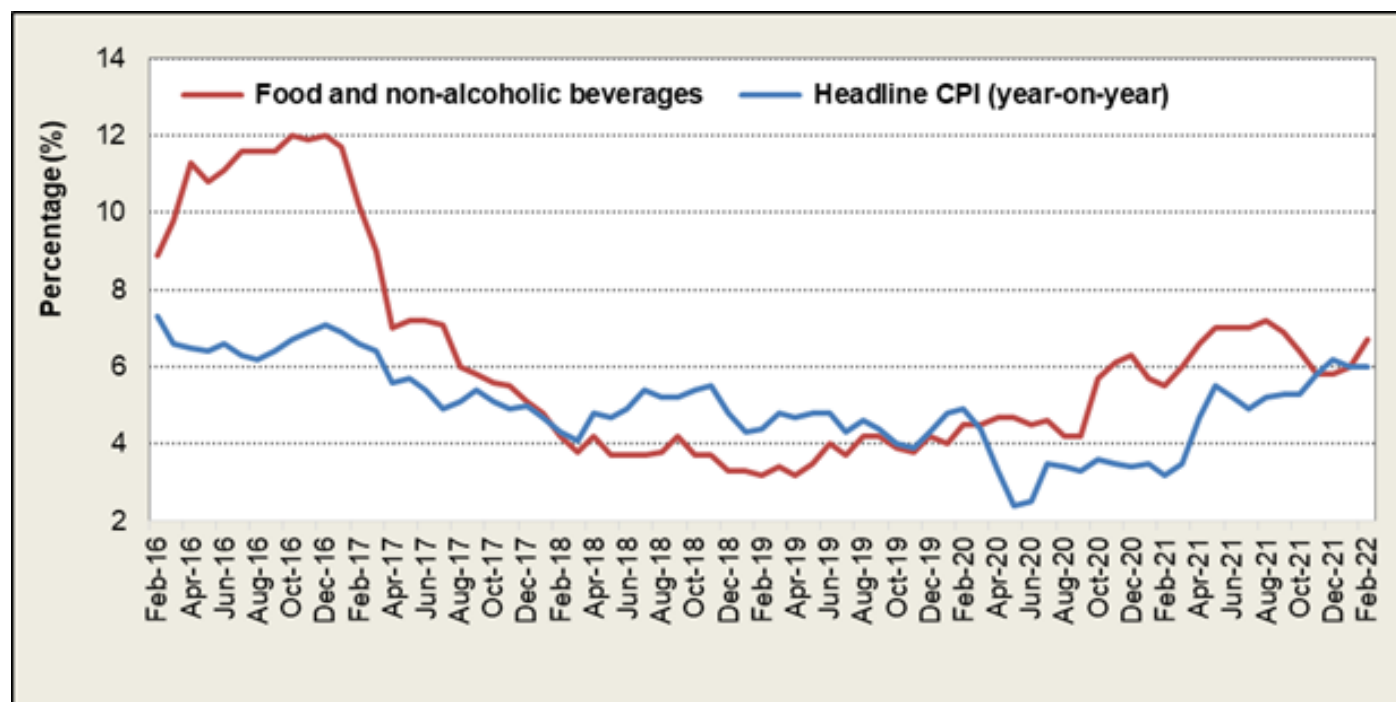


Figure 1: Headline CPI and food and non-alcoholic beverages CPI

Source: Stats SA, 2022

Monthly comparison for urban prices: February 2022 vs. January 2022

Table 1 compares the pricing of a variety of foods (11 food items) in urban regions for February 2022 against January 2022. A loaf of white bread (R0.69), a loaf of brown bread (R0.65), sunflower oil (R0.60), white sugar (R0.44), maize meal (R0.39), peanut butter (R0.38) and Ceylon/black tea (R0.38) were the food items with the highest price disparities during this time period. Both margarine spread and full cream long-life milk decreased by R1.61 and R0.14, respectively. While the costs of these two products fell in February, there is a chance that they will increase to some extent in March 2022 as the price of vegetable oil rises. Consumers in urban areas in South Africa spent R0.19 more on average for these eleven food items in February 2022 than in January 2022 as a result of these price increases.

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

Product	Urban Food Prices January 2022 (R/unit)	Urban Food Prices February 2022 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.69	15.55	-0.14
A loaf of brown bread 700g	13.99	14.64	0.65
A loaf of white bread 700g	15.47	16.16	0.69
Samp 1kg	13.53	13.84	0.31
Super maize 2.5kg	27.23	27.62	0.39
Margarine spread 500g	34.74	33.13	-1.61
Peanut butter 400g	34.64	35.02	0.38
Rice 2kg	38.61	38.78	0.17
Sunflower oil 750ml	31.12	31.72	0.60
Ceylon/black tea 250g	32.62	32.85	0.23
White sugar 2.5kg	46.38	46.82	0.44
Average difference (R/unit)			0.19

Source: Stats SA, 2022

The NAMC food basket: February 2022 vs February 2021

This section presents the nominal cost of the NAMC's 28-item urban food basket¹, based on average food price data for February 2022 vs. February 2021. The nominal cost of the NAMC's 28-item urban food basket in February 2022 amounted to R1 052.08 when compared to the R1 013.49 reported during January 2022. This represented a year-on-year increase of 7.7% and a month-on-month increase of 3.8%.

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: beef offal (48.8%), chicken giblets (29.3%), tomatoes (29.1%), sunflower oil (26.3%), cabbage (18.4%), Ceylon/black tea (16.7%), Individual Quick Freezing (IQF) chicken portions (14.2%), brick margarine (13.5%), instant coffee (12.6%), baked beans (9.6%), polony (8.4%), fish (8.0%), onions (6.8%) and cheddar cheese (6.4%).

¹Composition of the current food basket (revised in 2022) includes apples per kg, baked beans – tinned (410g), bananas per kg, beans – dried (500g), beef mince per kg, beef offal per kg, cabbage each, 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 (1kg), potatoes per kg, rice (2kg), white sugar (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	Feb 21 R/unit	Jan 22 R/unit	Feb 22 R/unit	% Change year-on- year	% Change month-on- month
Beans	Baked beans - tinned 410g	11.40	12.00	12.49	9.6	4.1
Beans	Beans - dried 500g	26.95	26.58	27.72	2.9	4,3
Beans	Peanut butter 400g	33.64	34.64	35.02	4.1	1.1
Coffee, Tea	Ceylon/black tea 250g	28.16	32.62	32.85	16.7	0.7
Coffee, Tea	Instant coffee 250g	37.11	39.91	41.79	12.6	4.7
Dairy, Eggs	Cheddar cheese per kg	115.46	110.97	122.85	6.4	10.7
Dairy, Eggs	Eggs 1.5 dozen	53.18	50.46	53.39	0.4	5.8
Dairy, Eggs	Full cream milk - long life 1ℓ	15.84	15.69	15.55	-1.8	-0.9
Fats, Oils	Brick margarine 500g	22.66	25.21	25.71	13.5	2.0
Fats, Oils	Sunflower oil 750ml	25.12	31.12	31.72	26.3	1.9
Fruit	Apples per kg	22.56	15.12	16.21	-28.1	7.2
Fruit	Bananas per kg	17.22	17.98	17.02	-1.2	-5.3
Fruit	Oranges per kg	29.99	20.39	29.22	-2.6	43.3
Protein	Beef mince per kg	97.00	96.41	97.00	0.0	0.6
Protein	Beef offal per kg	38.14	59.28	56.77	48.8	-4.2
Protein	Chicken giblets per kg	30.43	38.11	39.35	29.3	3.3
Protein	Fish (excl tuna) - tinned 400g	21.46	22.59	23.17	8.0	2.6
Protein	IQF chicken portions 2kg	73.90	82.23	84.39	14.2	2.6
Protein	Polony 1kg	44.04	48.07	47.73	8.4	-0.7
Bread & Cereals	Loaf of brown bread 700g	14.20	13.99	14.64	3.1	4.6
Bread & Cereals	Loaf of white bread 700g	15.81	15.47	16.16	2.2	4.5
Bread & Cereals	Rice 2kg	43.41	38.61	38.78	-10.7	0.4
Bread & Cereals	Super maize meal 5kg	50.98	48.57	53.16	4.3	9.5
Vegetables	Cabbage each	14.11	16.90	16.70	18.4	-1.2
Vegetables	Onions per kg	14.33	15.25	15.30	6.8	0.3
Vegetables	Potatoes per kg	13.19	14.18	13.67	3.6	-3.6
Vegetables	Tomatoes per kg	20.83	24.76	26.90	29.1	8.6
Sugary foods	White sugar 2.5kg	45.31	46.38	46.82	3.3	0.9
	Total Rand Value	976.43	1 013.49	1 052.08	7.7	3.8

Source: Stats SA and BFAP, 2022

Table 2 presents the average nominal cost growth of specific food groups within the NAMC's 28-item food basket comparing the periods February 2022 vs. February 2021 (year-on-year) and February 2022 vs. January 2022 (month-on-month). This is to further evaluate food price inflation effect on South African consumers.

On a year-on-year basis, fats & oils remain the food category with the highest inflation recorded at 20.2% higher followed by vegetables (19.3%), coffee & tea (14.4%) and animal protein (14.2%). When comparing February 2022 to January 2022, fruit, dairy & eggs and bread & cereals recorded the highest food price inflation of 16.8%, 8.3% and 5.2%, respectively.



Figure 2: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing February 2022 vs. February 2021 and February 2022 vs. January 2022

Source: NAMC calculations, Stats SA data, 2022

The Food and Agricultural Organization (FAO) of the United Nations global food price index was 3.5% higher in February 2022 than it was in January 2022. In comparison to the same period the previous year, this was up 20.7%. Vegetable oil and dairy foods were the biggest drivers of this increase, followed by cereals and meat costs. On top of decreased stocks, the Ukraine-Russia crisis is putting extra pressure on the worldwide market for vegetable oils and cereals, according to the International Grain Council (IGC). Amid the uncertainties generated by the war on the Black Sea region's major players on the world market, other countries are filling their production gaps by buying from the global market. Following an export levy on soybeans imposed by Argentina, vegetable oils may continue to be more expensive.

Locally, as observed in recent months, the value chain problems global created a market reaction for sunflower seed, slightly for maize products and subsequently meat or animal products through feed prices which continued from the previous month's trend. This is observable from Table 4 above, especially for animal products. Vegetable prices remain under pressure from the poor supply which could be linked to weather issues. While prices for a number of food items are showing an upward trend, according to the USDA (2022), even though remaining low, Thailand rice prices have increased by 3% in anticipation of demand following concerns about the Ukraine-Russia situation. This would be a concern for South Africa which buys practically most of its rice from Thailand. However, the Thai baht has weakened against the US dollar and there are ample supplies globally hence this should not be a concern. Moreover, other customarily suppliers for South Africa and other countries have ample supply this season.

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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