



# NAMMC

Promoting market access for South African agriculture



# 2022

# Food Price

## Monitor

February 2022 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 January 2022 CPI data was published on Wednesday 16 February 2022 (see the link below for the CPI publication):*

<http://www.statssa.gov.za/publications/P0141/P0141January2022.pdf>

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

## EXECUTIVE SUMMARY

During January 2022, the Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) indicated that the headline CPI decreased from 5.9% in December 2021 to 5.7% and the food and non-alcoholic beverage price indices reached 5.7%.

The FAO Food Price Index (FFPI) in nominal terms, averaged 135.7 points in January 2022, 1.5 points (1.1%) higher than in December 2021. The FFPI's rebound in January was led by solid gains in vegetable oils and dairy sub-indices, partially offset by a decline in sugar prices for the second consecutive month. Meat and cereal sub-indices remained largely unchanged.

In January 2022, the cost of the NAMC basic urban food basket was R1011.54, increasing by 4.1% from January 2021 (year-on-year increase) and increasing by 1.0% from December 2021 (month-on-month change).

Comparing January 2022 to January 2021 food groups with more prominent inflation included fats & oils, vegetables, animal protein foods and sugar-rich foods.

When comparing January 2022 to January 2021 retail prices, higher price inflation (6.0% or more) was observed for the following products within the NAMC food basket (in order from highest to lowest inflation): beef offal, sunflower oil, tomatoes, cabbage, margarine, beef mince, white sugar, polony and IQF chicken portions – with negative implication in terms of dietary diversity.

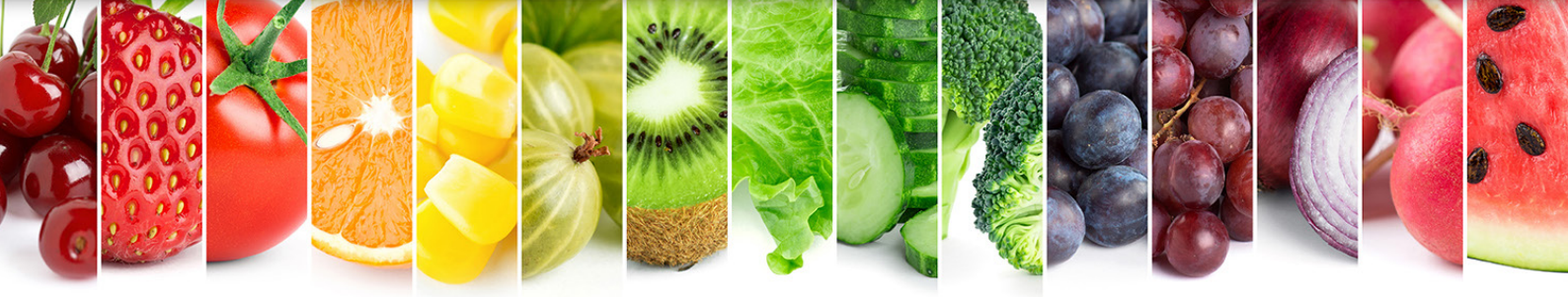


Global factors are mainly responsible for increased bread & cereal prices, such as dry conditions in South America and geo-political tensions between Russia and Ukraine – the latter also affecting rising vegetable oil prices. Looking forward, pressure on consumers' wallets, e.g., rising interest rates, rising fuel prices, and rising electricity tariffs, could lower the demand for high value food products like red meat and be replaced with cheaper substitute products.

Overall risks factors include rapidly increasing oil prices, rising electricity costs, infrastructure challenges (e.g., load-shedding) and potential exchange rate depreciation





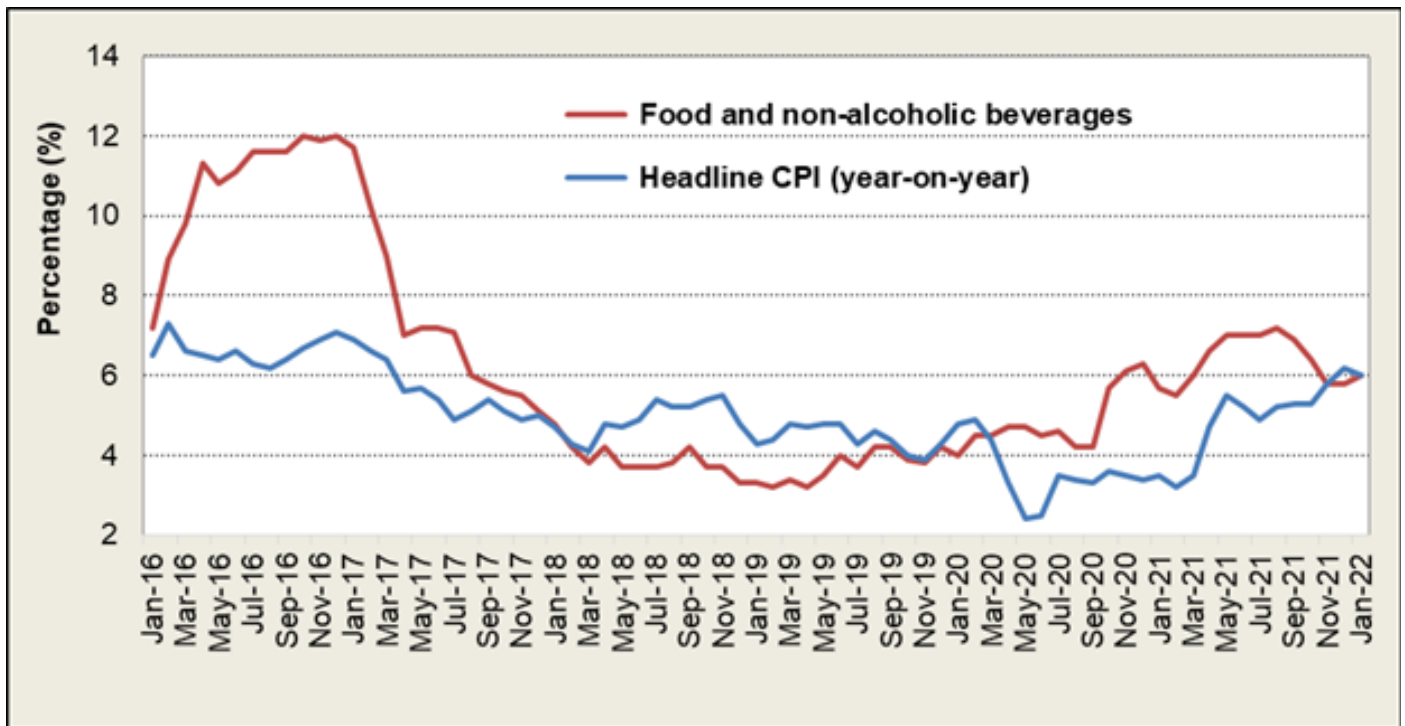


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**Figure 1** shows trends of the headline CPI and food and non-alcoholic beverage inflation rates on a monthly basis, from January 2016 to January 2022. During January 2022, the Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) indicated that the headline CPI decreased from 5.9% in December 2021 to 5.7% and the food and non-alcoholic beverage price indices reached 5.7%. The non-alcoholic beverage price index was 5.5% during December 2021.

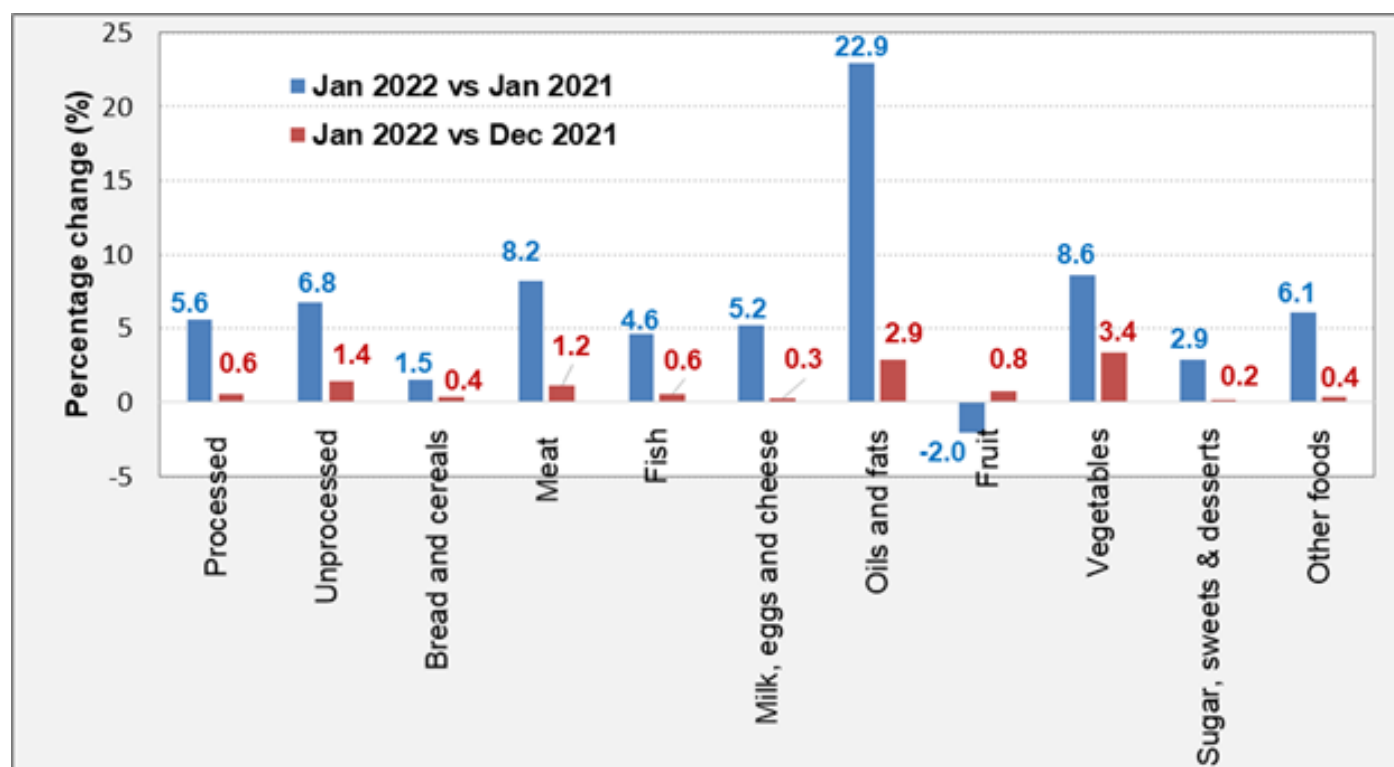


**Figure 1:**Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2022

**Figure 2** presents the components of the food and non-alcoholic beverage index changes. When comparing January 2022 to January 2021, the following changes, in descending order, were reported: oils & fats (22.9%), vegetables (8.6%), meat (8.2%), unprocessed foods (6.8%), other food items (6.1%), processed foods (5.6%), milk, eggs & cheese (5.2%), fish (4.6%), sugary foods (2.9%), bread & cereals (1.5%) and fruit (-2.0%). The monthly percentage changes are also illustrated.

According to the FAO, the high inflation on oils & fats is driven mainly by palm oil, soybean and sunflower seed. Production glitches and policy developments from Indonesia the largest palm oil exporter globally might have exacerbated the matter. On the other hand, demand from India which imports 20% palm oil from Indonesia is currently souring while soybean and sunflower seeds are reacting to the demand across the world market supported by palm oil prices.



**Figure 2:** Annual (January 2022 vs. January 2021) and monthly (January 2022 vs. December 2021) CPI changes for different food categories

Source: Stats SA, 2022

# 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 January 2022 for South Africa and other selected countries. South Africa's overall inflation for January 2022 reached 5.7% with food inflation reaching 5.7%. The food categories with the largest annual contribution to South African food inflation include fruit, vegetables, animal protein and fats & oils categories. Turkey's overall inflation rate for January 2022 reached 48.7%, with food inflation reaching 55.6%. China's overall inflation rate was 0.9%, with food deflation of -3.8%. Considering inflation rates of Brazil, Russia, India, China and South Africa (BRICS), China recorded the lowest overall inflation of 0.9%, with Russia being the highest food inflation contributor at 11.1%. The high and volatile levels of food prices in Brazil can be attributed to weather-related shocks. China also recorded the lowest food inflation, food prices in China declined by 3.8% year-on-year in January 2022, after a 1.2% fall in the previous month.

**Table 1: Overall inflation and food inflation during November 2021 to January 2022**

|                | November 2021         |                    | December 2021         |                    | January 2022          |                    |
|----------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|--------------------|
| Country        | Overall inflation (%) | Food inflation (%) | Overall inflation (%) | Food inflation (%) | Overall inflation (%) | Food inflation (%) |
| Botswana       | 8.6                   | 6.7                | 8.7                   | 7.2                | 10.6                  | 7.0                |
| Brazil         | 10.7                  | 8.9                | 10.1                  | 7.9                | 10.4                  | 8.0                |
| China          | 2.3                   | 1.6                | 1.5                   | -1.2               | 0.9                   | -3.8               |
| India          | 4.9                   | 1.9                | 5.7                   | 4.1                | 6.0                   | 5.4                |
| Namibia        | 4.1                   | 5.2                | 4.5                   | 5.1                | 4.6                   | 5.6                |
| Russia         | 8.4                   | 10.8               | 8.4                   | 10.6               | 8.7                   | 11.1               |
| South Africa   | 5.5                   | 5.5                | 5.9                   | 5.5                | 5.7                   | 5.7                |
| Turkey         | 21.3                  | 27.1               | 36.1                  | 43.8               | 48.7                  | 55.6               |
| United Kingdom | 5.1                   | 2.5                | 5.4                   | 4.2                | 5.5                   | 4.3                |
| United States  | 6.8                   | 6.1                | 7.0                   | 6.3                | 7.5                   | 7.0                |
| Zambia         | 19.3                  | 25.4               | 16.4                  | 19.9               | 15.1                  | 16.9               |

Sources: Central banks and statistics reporting institutions of these countries, 2022



# Urban food price trends: January 2022 vs. January 2021

As a result of the Covid-19 global pandemic, rural prices could still not be monitored, therefore this section will rank urban price for January 2022 vs. January 2021.

**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 (January 2022 vs. January 2021)**

| Grain and grain products | %     | Meat, meat products, dairy, dairy products and eggs | %     | Fresh and processed fruits and vegetables | %        |
|--------------------------|-------|---|-------|---|----------|
| Rice 1kg                 | -18.8 | Lamb - offal per kg                                 | -21.0 | Sweet potatoes - fresh per kg             | -27.4    |
| Rice 2kg                 | -8.7  | Beef stew - per kg                                  | -6.1  | Pineapple - each                          | -26.9    |
| Special maize 2.5kg      | -6.9  | Cheddar cheese per kg                               | -3.3  | Apples - fresh per kg                     | -25.7    |
| Super maize 1kg          | -5.3  | Pork chops - fresh per kg                           | -2.5  | Oranges - fresh per kg                    | -20.6    |
| Super maize 5kg          | -4.4  | Beef fillet - fresh per kg                          | -1.1  | Cauliflower - fresh per kg / each         | -17.3    |
| Super maize 2.5kg        | -2.0  | Lamb - leg per kg                                   | -0.9  | Pears - fresh per kg                      | -15.5    |
| Loaf of white bread 700g | -1.0  | Pork - ribs per kg                                  | -0.2  | Avocados - fresh per kg                   | -15.0    |
| Loaf of brown bread 700g | -0.9  | Lamb - neck per kg                                  | 0.2   | Paw Paw - fresh per kg / each             | -6.9     |
| Cold cereals 500g        | 1.1   | Full cream milk - long life 1ℓ                      | 0.6   | Carrots - fresh per kg                    | -4.6     |
| Peanut butter 400g       | 4.0   | Tuna - tinned 170g                                  | 1.1   | Broccoli - each                           | -3.4     |
| Instant noodles 73g      | 4.2   | Chicken giblets per kg                              | 1.6   | Bananas - fresh per kg                    | -3.0     |
| Spaghetti 500g           | 4.9   | Lamb - rib chop per kg                              | 1.7   | Beetroot - fresh per kg                   | 0.5      |
| Macaroni 500g            | 6.2   | Corned beef 300g                                    | 1.8   | Beans - dried 500g                        | 1.8      |
| Cake flour 2.5kg         | 7.5   | Beef T-bone - fresh per kg                          | 2.9   | Onions - fresh per kg                     | 5.2      |
| Pasta 500g               | 7.8   | Chicken portions frozen - non IQF average per kg    | 3.2   | Baked beans - tinned 410g                 | 5.6      |
| Brick margarine 500g     | 11.5  | Chicken portions frozen - non IQF per kg (real)     | 3.2   | Potatoes - fresh per kg                   | 5.7      |
| Brick margarine 1kg      | 11.5  | Full cream milk - fresh 2ℓ                          | 3.8   | Lettuce - fresh each                      | 5.7      |
| Sunflower oil 750ml      | 28.3  | Full cream milk - fresh 1ℓ                          | 3.8   | Spinach/Morogo - fresh per kg             | 8.7      |
| Margarine spread 500g    | 39.9  | Lamb - stew per kg                                  | 4.1   | Cabbage - fresh each                      | 17.9     |
|                          |       | Chicken portions - fresh per kg                     | 4.1   | Cabbage - fresh per kg                    | 17.9     |
|                          |       | Beef chuck - fresh per kg                           | 4.5   | Tomatoes - fresh per kg                   | 24.2     |
|                          |       | Fish (excl. tuna) - tinned 400g                     | 5.1   | Pumpkin - fresh per kg                    | 30.3     |
|                          |       | Low fat milk - long life 1ℓ                         | 5.4   |   |          |
|                          |       | Eggs 1.5 dozen                                      | 5.4   |   |          |
|                          |       | Powdered milk 900g                                  | 5.8   | <b>Other</b>                              | <b>%</b> |
|                          |       | IQF chicken portions - 2kg                          | 6.0   | Instant coffee 250g                       | 1.0      |
|                          |       | IQF chicken portions - 1kg                          | 6.0   | Ceylon/black tea 62.5g                    | 4.8      |



| Grain and grain products | % | Meat, meat products, dairy, dairy products and eggs | %    | Fresh and processed fruits and vegetables | %   |
|--------------------------|---|---|------|---|-----|
|                          |   | Polony 1kg  | 6.3  | Ceylon/black tea 250g                     | 4.8 |
|                          |   | Low fat milk - fresh 1ℓ                             | 6.4  | White sugar 2.5kg                         | 6.6 |
|                          |   | Low fat milk - fresh 2ℓ                             | 6.4  |   |     |
|                          |   | Ham 500g  | 7.2  |   |     |
|                          |   | Beef mince - fresh per kg                           | 7.4  |   |     |
|                          |   | Bacon 250g  | 7.7  |   |     |
|                          |   | Beef brisket - fresh per kg                         | 10.3 |   |     |
|                          |   | Beef sirloin - fresh per kg                         | 11.3 |   |     |
|                          |   | Sausage 500g  | 12.9 |   |     |
|                          |   | Whole chicken - fresh per kg                        | 18.3 |   |     |
|                          |   | Eggs 0.5 dozen                                      | 18.7 |   |     |
|                          |   | Lamb - loin chop per kg                             | 22.8 |   |     |
|                          |   | Beef rump steak - fresh per kg                      | 29.1 |   |     |
|                          |   | Beef offal - fresh per kg                           | 39.6 |   |     |

Source: Stats SA, 2022

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: January 2022 vs. January 2021

Comparing January 2022 vs. January 2021, the international price of wheat increased by 29.8%, while domestic wheat prices increased by 15.0%. Urban consumers paid 1% less for a loaf of white bread (700g) and 0.9% less for a loaf of brown bread (700g). Domestic yellow maize prices increased by 8.0%, while international yellow maize prices increased by 18.0%. Special and super maize meal prices (2.5kg) decreased by 6.9% and 2.0%, respectively in urban areas. During the same period, the urban prices of sunflower oil (750ml) increased by 28.3%. Domestic prices of sunflower seed increased by 18.6% annually, while international sunflower seed prices increased by 1.4%.

During January 2022 vs. January 2021, average beef producer prices (R/kg) of classes B2/B3, A2/A3 and C2/C3 increased by 15.0%, 9.5% and 4.7%, respectively. Lamb/mutton producer prices (R/kg) of classes, B2/B3, C2/C3 and A2/A3 increased by 10.2%, 4.7% and 1.5%, respectively. Abattoir selling prices of fresh, individually quick frozen (IQF) as well as frozen chicken portions increased by 17.7%, 11.2% and 10.5%, respectively. Porker and baconer producer prices (R/kg) decreased by 19.2% and 10.6%, respectively, during the same period.



# Monthly urban price comparison: January 2022 vs. December 2021

**Table 3** compares prices of selected food items in urban areas for January 2022 vs. December 2021. Food items showing the largest price differences in urban areas for January 2022 vs. December 2021 are sunflower oil at a difference of R0.90, super maize meal at a difference of R0.36, special maize meal at a difference of R0.33, peanut butter at a difference of R0.12, Ceylon black tea at a difference of R0.04, a loaf of brown bread at a difference of R0.02 and a loaf of white bread at a difference of R0.01. This indicates that urban consumers paid R0.05 more on average, for these 11 food items during January 2022.

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

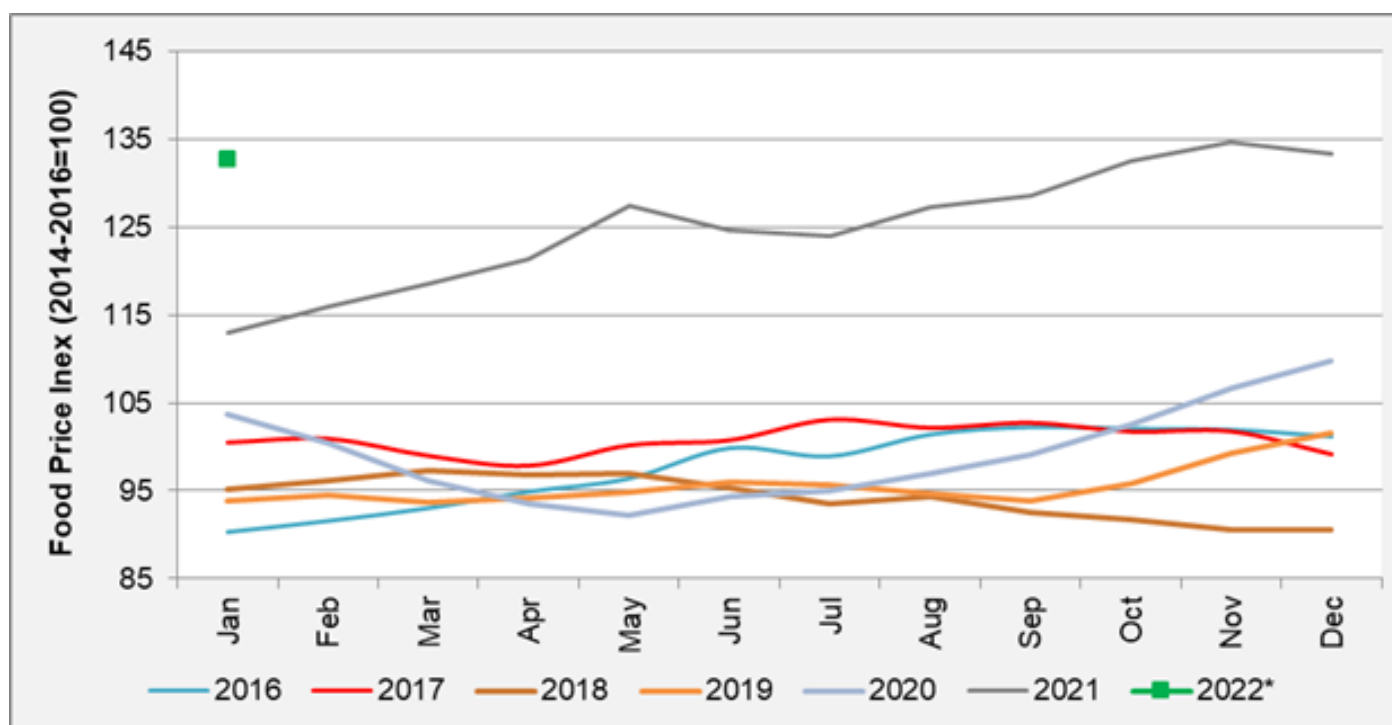
| Product                            | Urban Food Prices<br>December 2021<br>(R/unit) | Urban Food Prices<br>January 2022<br>(R/unit) | Price difference<br>(R/unit) |
|------------------------------------|--|---|------------------------------|
| Full cream milk – long life 1ℓ     | 15.70  | 15.69   | -0.01                        |
| A loaf of brown bread 700g         | 13.97  | 13.99   | 0.02                         |
| A loaf of white bread 700g         | 15.46  | 15.47   | 0.01                         |
| Special maize 2.5 kg               | 24.54  | 24.87   | 0.33                         |
| Super maize 2.5 kg                 | 26.87  | 27.23   | 0.36                         |
| Margarine spread 500g              | 34.87  | 34.74   | -0.13                        |
| Peanut butter 400g                 | 34.52  | 34.64   | 0.12                         |
| Rice 2kg                           | 39.11  | 38.61   | -0.5                         |
| Sunflower oil 750ml                | 30.22  | 31.12   | 0.9                          |
| Ceylon/black tea 62.5g             | 14.82  | 14.86   | 0.04                         |
| White sugar 2.5kg                  | 46.94  | 46.38   | -0.56                        |
| <b>Average difference (R/unit)</b> |  |   | <b>R0.05</b>                 |

Source: Stats SA, 2022



# 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 2022, with January 2022 reaching an index level of 132.7 points, up 17.5% from January 2021.



**Figure 3:** International monthly real FPI

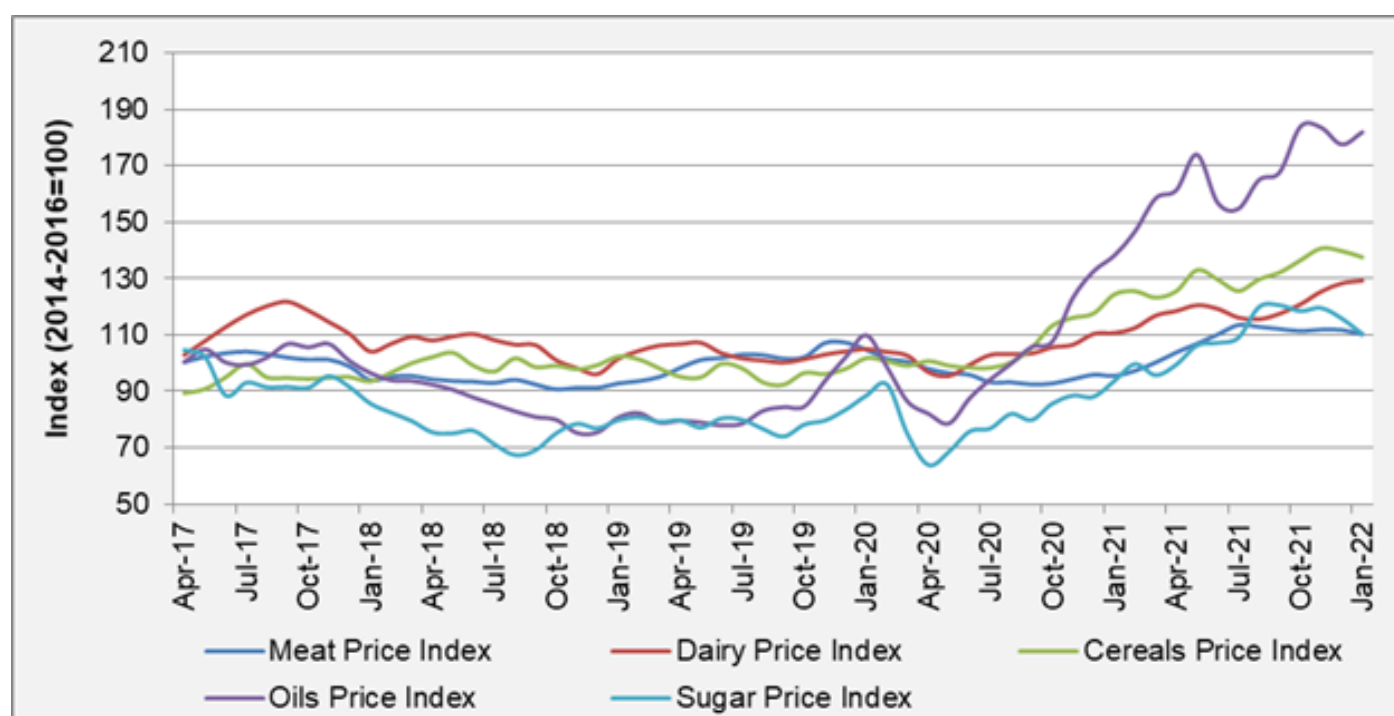
Source: FAO, 2022

\*Note: Current year





**Figure 4** shows the price indices in real terms for the five food categories. The monthly (January 2022 vs. December 2021) growth percentages indicated decreasing trends for three of the five indices. The annual (January 2022 vs. January 2021) growth percentages indicated increasing trends of 31.7% for Oils Price Index, 17.8% for the Sugar Price Index, 16.8% for the Dairy Price Index and 15.4% for the Meat Price Index, whilst the Cereals Price Index reflected the smallest annual increase percentage of 10.6%.



**Figure 4:** Real price indices for five food categories

Source: FAO, 2022

**The FAO Food Price Index (FFPI)**<sup>1</sup> in nominal terms, averaged 135.7 points in January 2022, 1.5 points (1.1%) higher than in December 2021. The FFPI's rebound in January was led by solid gains in vegetable oils and dairy sub-indices, partially offset by a decline in sugar prices for the second consecutive month. Meat and cereal sub-indices remained largely unchanged.

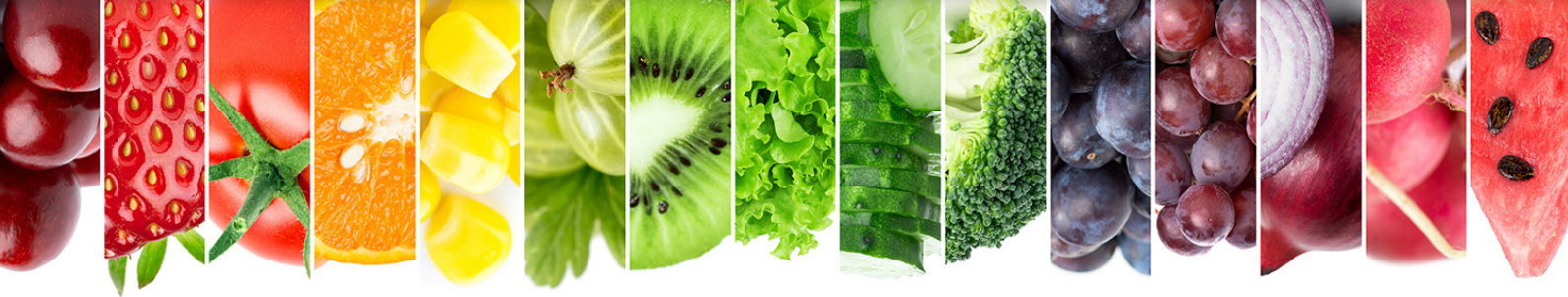
**The FAO Cereal Price Index** in nominal terms, averaged 140.6 points in January 2022, up marginally (0.1%) from December 2021 and 15.6 points (12.5%) above its level one year ago. World wheat prices eased in January 2022, down by 3.1%, with increased seasonal supplies from large harvests in Australia and Argentina. However, support from continued strong demand amidst tight global availability of

higher-quality wheat along with uncertainty over exportable supplies, prevented prices from declining further. By contrast, maize export prices were firmer in January 2022, gaining 3.8% since December, mostly on concerns of persistent drought conditions in the southern hemisphere, namely Argentina and Brazil and spill-over effects from the wheat market added upward pressure on maize prices. Among other coarse grains, international sorghum prices also rose in January 2022, in line with maize price trends, while barley quotations were slightly lower. The completion of main-crop harvests in major suppliers and purchases by Asian buyers also raised international rice prices in January 2022 by 3.1%.

**The FAO Vegetable Oil Price Index** in nominal terms, averaged 185.9 points in January 2022, up 7.4

<sup>1</sup>Unlike 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.





points (4.2%) month-on-month, marking an all-time high. The rise reflected higher quotations for palm, soy, rapeseed, and sunflower seed oil. After a short-lived drop, international palm oil prices rebounded in January, largely underpinned by concerns over a possible reduction in export availabilities from Indonesia, the world's top palm oil exporter, as well as subdued output in key producing countries. World soy oil prices also recovered, supported by robust import purchases, particularly from India. In the meantime, rapeseed and sunflower seed oil prices were buoyed by, respectively, lingering supply tightness and surging global import demand. Rising crude oil prices also lent support to international vegetable oil values.

**The FAO Dairy Price Index** in nominal terms, averaged 132.1 points in January 2022, up 3.1 points (2.4%) from December 2021, marking the fifth consecutive monthly increase, and placing the index 20.8 points (18.7%) above its value in the corresponding month last year. In January, price quotations for dairy products rose, with the steepest increases in skim milk powder and butter. The January increase was underpinned by a tightening in global markets, reflecting a reduction in export availabilities, especially from Western Europe, where a reported reduction in milk deliveries in some large milk-producing countries and lower stock levels supported prices. Expectations for milk production in Oceania to remain below its average levels in the months ahead added to the tightening in global dairy markets. In addition, milk processing and transportation delays due to COVID-19-related labour shortages further contributed to higher dairy prices.

**The FAO Meat Price Index<sup>2</sup>** in nominal terms, averaged 112.6 points in January 2022, up slightly

from December 2021, and lifting the index value 16.6 points (17.3%) above its corresponding month a year ago. In January, bovine prices reached a new peak, underpinned by strong global import demand exceeding export supplies, mainly from Brazil and Oceania, reflecting lower cattle supplies for processing. Meanwhile, pig meat quotations rose slightly, as labour shortages and high input costs dampened global supply, countering the downward pressure from China's slowdown in imports. By contrast, ovine and poultry meat prices softened further, as global exportable supplies outstripped import demand, despite constrained supplies stemming from COVID-19-related production and transportation delays, and avian flu outbreaks in some large poultry meat producing countries.

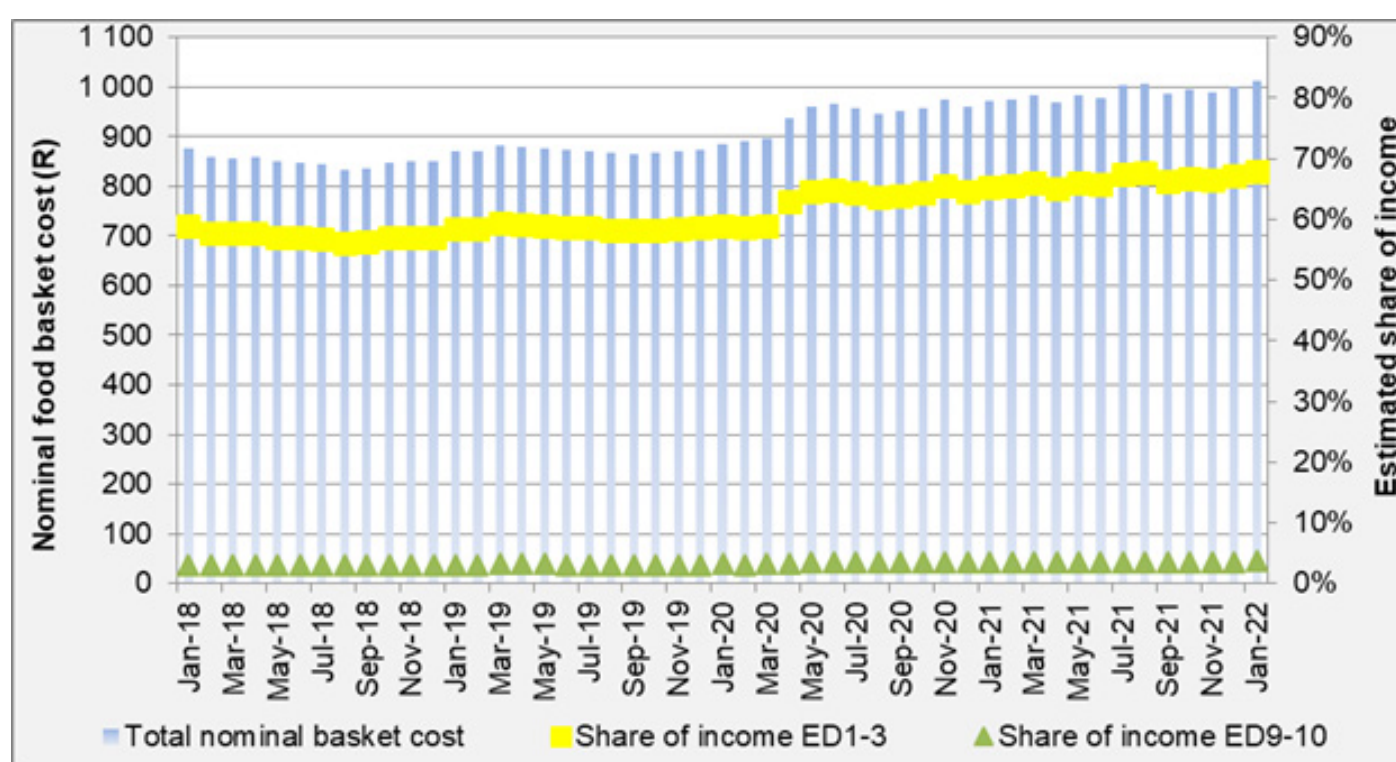
**The FAO Sugar Price Index** in nominal terms, averaged 112.8 points in January 2022, down 3.7 points (3.1%) from December, marking the second consecutive monthly decline and the lowest level in the past six months. The January decline in international sugar price quotations was mostly related to favourable production prospects and good harvest progress in major exporters, India and Thailand, and improved rains in key growing areas of Brazil. In addition, lower ethanol prices in Brazil exerted further downward pressure on world sugar prices in January. However, the strengthening of the Brazilian Real against the US Dollar, which tends to restrain shipments from Brazil, the world's largest sugar exporter, prevented more substantial sugar price declines.

<sup>2</sup>Unlike 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 basket<sup>3</sup> (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 January 2021 to January 2022.

In January 2022, the cost of this basic urban food basket was R1 011.54, increasing by 4.1% from January 2021 (year-on-year increase) and increasing by 1.0% from December 2021 (month-on-month change). The cost of this food basket expressed as a share of the average monthly income<sup>4</sup> of the poorest 30% of the population increased from 65.3% in January 2021 to 68.0% in January 2022. The cost of the food basket expressed as a share of the average monthly income of the wealthiest 20% of the population increased from 3.5% in January 2021 to 3.6% in January 2022. (Figure 5).



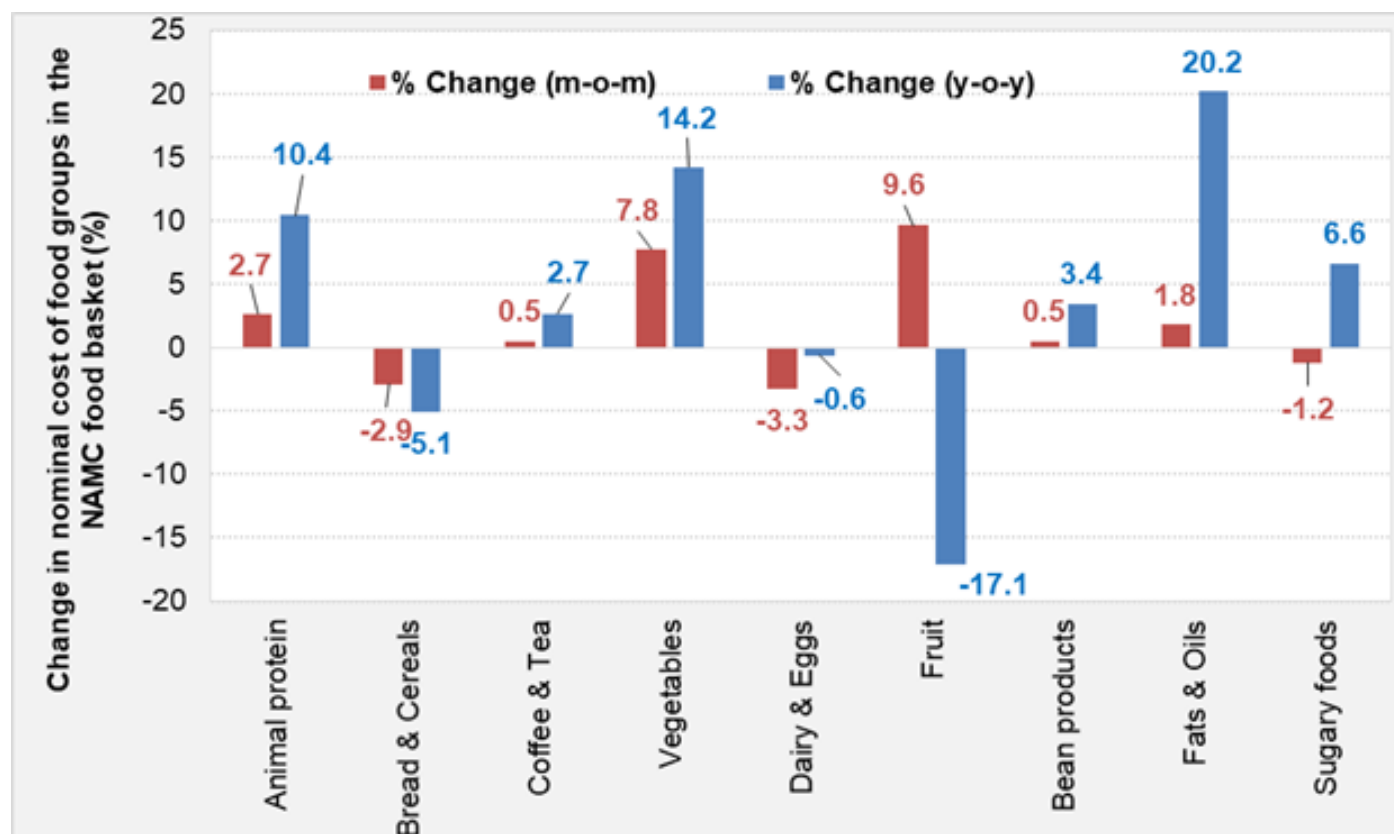
**Figure 5:** The cost of a typical consumer food basket for the period January 2018 to January 2022, expressed in nominal terms and as a share of the average income of the poorest 30% of households (Expenditure Deciles [ED] 1 to 3) and the wealthiest 20% of households (ED 9 to 10)

Sources: BFAP calculations, based on Stats SA monitored price data for urban areas, 2022

<sup>3</sup>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).

<sup>4</sup>The 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 January 2021 to January 2022. Food groups with more prominent inflation included fats & oils, vegetables, animal protein foods and sugar-rich foods.



**Figure 6:** Nominal cost growth of specific food groups within the NAMC’s 28-item food basket, comparing January 2022 to January 2021 (y-o-y) and January 2022 to December 2021 (m-o-m)

Sources: BFAP & NAMC calculations, Stats SA, 2022

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, January 2022 vs. January 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  |
|-------------------|------------------------|------------------------|---|--|--|---|
|                   | Jan 2022 vs. Jan 2021  | Oct 2021 vs. Oct 2020* |   |  |  |   |
| Animal protein    | +10.4%                 | +9.0%                  | Beef offal (+39.6%)<br>Beef mince (+7.4%)<br>Polony (+6.3%)<br>IQF chicken portions (+6.0%)<br>Canned pilchards (+9.2%) | Chicken giblets (+1.6%)                          | None   | Significant inflation on most animal protein food options.                            |
| Bread and cereals | -5.1%                  | +7.0%                  | None  | None   | Brown bread (-0.9%)<br>White bread (-1.0%)<br>Maize meal (-4.4%)<br>Rice (-8.7%) | Deflation on all starch-rich staple food options.                                     |
| Vegetables        | +14.2%                 | +1.1%                  | Tomatoes (+24.2%)<br>Cabbage (+17.9%)<br>Potatoes (+5.7%)<br>Onions (+5.2%)   | None   | None   | Significant inflation on tomatoes and cabbage. Some inflation on potatoes and onions. |
| Fruit             | -17.1%                 | -8.5%                  | None  | None   | Apples (-25.7%)<br>Oranges (-20.6%)<br>Bananas (-3.0%)                           | Deflation on all fruit options.   |
| Dairy             | -2.7%                  | -4.4%                  | None  | Milk (+0.6%)                                     | Cheddar cheese (-3.3%)   | Dairy deflation, with some inflation on eggs.   |
| Eggs              | +4.0%                  | +4.0%                  | Eggs (+5.4%)  | None   | None   |   |
| Fats and oils     | +20.2%                 | +16.7%                 | Sunflower oil (+28.3%)<br>Brick margarine (+11.5%)  | None   | None   | High inflation on sunflower oil & margarine.  |
| Bean products     | +3.4%                  | +8.4%                  | Baked beans (+5.6%)   | Dried beans (+1.8%)<br>Peanut butter (+4.0%)     | None   | Inflation on tinned baked beans.  |
| Coffee and tea    | +2.7%                  | -1.1%                  | Ceylon/black tea (+4.8%)  | Instant coffee (+1.0%)                           | None   | Inflation on tea.   |
| Sugary foods      | +6.6%                  | +5.9%                  | White sugar (+6.6%)   | None   | None   | Inflation on sugar  |

**Sources: BFAP & NAMC calculations, Stats SA, 2022**

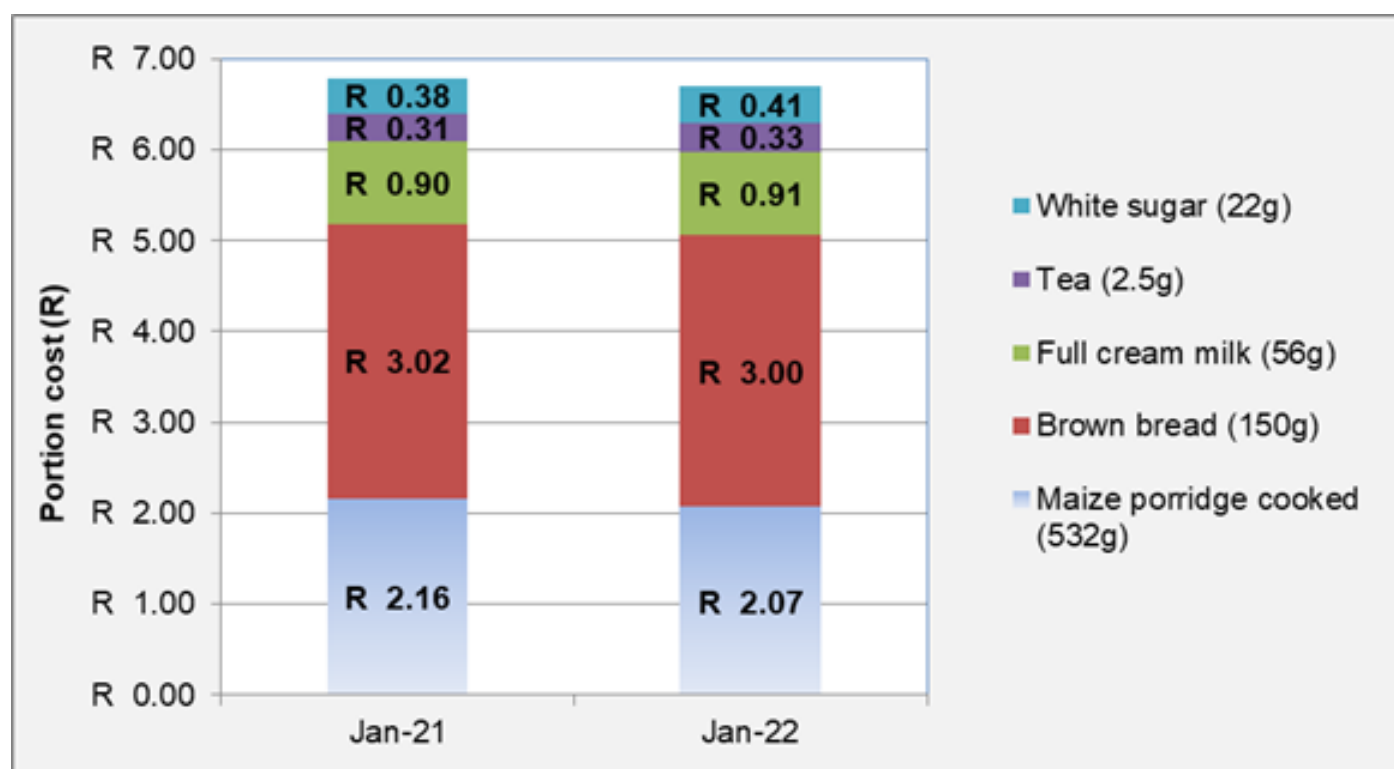
*\*Note: Previous Food Price Monitor analysis period prior to January 2022 vs. January 2021*

When comparing January 2021 to January 2021 retail prices, higher price inflation (6.0% or more) was observed for the following products within the NAMC food basket (in order from highest to lowest inflation): beef offal, sunflower oil, tomatoes, cabbage, margarine, beef mince, white sugar, polony and IQF chicken portions – with negative implication in terms of dietary diversity. When comparing the inflation rates for January 2021/January 2022, with October 2021/October 2020 (i.e., the previous Food Price Monitor analysis period) the rate of inflation was higher for animal protein foods, vegetables, fats & oils, coffee & tea and sugar.



The impact of inflation on very poor consumers is further explored below, based on the typical portion sizes of poor consumers of the five most widely consumed food items in South Africa represented by maize porridge, brown bread, sugar, tea and full cream milk (National Food Consumption Survey - Steyn & Labadarios, 2000<sup>5</sup>; Oldewage-Theron et al, 2005<sup>6</sup>). **Figure 7** illustrates the estimated portion costs for these foods, calculated from monthly food price data for January 2021 and January 2022. Like 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 45% more in this case for January 2022). When comparing, the costs associated with the typical portion sizes of poor consumers for the five most widely consumed food items in South Africa, based on January 2022 vs January 2021 prices the results in **Figure 7** indicated deflation of about -1.1% (from R6.79 to R6.71 for the selection of typical portions). With inflation on tea and sugar offset by deflation on maize meal, bread and milk. From January 2021 to January 2022 the costs associated with the typical portion sizes of poor consumers for the five most widely consumed food items in South Africa decreased by 1.9% (-R0.13).



**Figure 7:** Average nominal cost for the typical portions of the five food items most widely consumed by very poor consumers in South Africa, January 2021 and January 2022

Sources: BFAP calculations, Stats SA, 2022

<sup>5</sup>Steyn NP, Labadarios D. National Food Consumption Survey: Children aged 1–9 years, South Africa, 1999. Cape Town: The Department of Health Directorate Nutrition, 2000

<sup>6</sup>Oldewage-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

In January 2022 year-on-year inflation on food and non-alcoholic beverages increased to 5.7%, from 5.5% in December 2021. Inflation was mainly driven by rising prices of bread & cereals, oils & fats, milk & eggs and vegetables.

Global factors are mainly responsible for increased **bread & cereal** prices, such as dry conditions in South America and geo-political tensions between Russia and Ukraine – the latter also affecting rising vegetable oil prices. Awaiting South Africa's first official 2022 summer crop estimate at the end of February 2022, expectations are that the crop will provide an exportable surplus – despite weather-related challenges. Exchange rate fluctuation also have a role to play.

Inflation on **dairy** (milk products and cheese) amounted to 5.6%, driven by rising global dairy prices over the past 5 months, combined with input cost pressures related to high feed grain prices. In the coming months dairy prices are expected to remain high, linked to reduced global exportable supplies from major milk-producing regions internationally.

**Vegetable** prices were pushed upwards by constrained availability (e.g., for tomatoes and potatoes), due to excessive rainfall during December 2021 and January 2022. It is expected that quality and availability could increase over the coming months, pushing prices lower.

Reflecting typical seasonal trends, **meat** inflation decelerated in January after the festive season. Lower poultry prices were associated with a firmer exchange rate and reduced global prices while lower pork prices can be attributed to increased supplies and low regional export demand compared to January 2021.

Looking forward, pressure on consumers' wallets, e.g., rising interest rates, rising fuel prices and rising electricity tariffs, could lower the demand for high value food products like red meat and be replaced with cheaper substitute products.

Overall risks factors include rapidly increasing oil prices, rising electricity costs, infrastructure challenges (e.g., load-shedding) and potential exchange rate depreciation.

## 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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