

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

April 2022 - March 2022 data

Important note

The COVID-19 pandemic has severely 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 March 2022 CPI data were published on Wednesday the 20th of April 2022 (see link below from the Stats SA website):

<http://www.statssa.gov.za/publications/P0141/P0141March2022.pdf>

This report will now contain the official March 2022 data, as the official release of the April 2022 CPI data is scheduled for May 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 March 2022, the nominal cost of the NAMC's 28-item urban food basket amounted to R1 058.01 compared to the R1 052.08 reported in February 2022. This represented a monthly increase of 0.6% and a year-on-year increase of 7.5%.**
 - Within the NAMC's 28-item urban food basket, food categories with the highest food inflation contributors during March 2022 (y-o-y) were fats & oils with an increase of 14.3% followed by animal protein (13.9%), coffee & tea (9.2%) and dairy & eggs (7.3%). For the same period, fruit prices deflated by -2.7%.
- **On April 6th, 2022, fuel prices continued with their upward trajectory. On year-on-year basis, the fuel price for 95 and 93 unleaded petrol (ULP) had increased by 26.5% and 26.8% per liter, respectively. The price for 500ppm diesel was recorded at 42.2% higher year-on-year.**
- **On a monthly basis, 95 and 93 ULP increased by 1.7% and 1.3% per liter, to reach R21.63/ℓ and R21.96/ℓ, respectively, while diesel 500ppm prices had increased by 7.8%/ℓ to reach R21.01/ℓ, from R19.48/ℓ recorded in March 2022.**
- **May 2022 expectations:** With the European Union looking for alternative energy supplies as they plan to stop energy imports from Russia following a fifth round of sanctions by the West, oil prices remain bullish. Adding to this uncertainty is Libya which is reported to have stopped loading oil from its ports as of Monday the 18th of April 2022. As a result, oil prices were reported slightly up on Monday and are anticipated to remain at elevated levels in the short run. Because of this, transportation costs are likely to remain sporadic as more uncertainty looms globally.



Overall inflation and food inflation

From March 2016 to March 2022, **Figure 1** presents the trends in the headline CPI, as well as food and non-alcoholic beverage inflation rates. Statistics South Africa (Stats SA) released the official March 2022 Consumer Price Index (CPI) on April 20th, 2022, indicating that the annual headline CPI was 5.9% in March 2022, which was slightly higher than the 5.7% recorded in February 2022. Price inflation for food and non-alcoholic beverages in March 2022, grew by 6.2%, which was moderately below the 6.4% reported in February 2022. As expected, due to recent global markets events, vegetable oil and animal-based items, as well as wheat and cereal product costs, were among the main causes of this increase. Fruit and vegetable prices have improved slightly. Fruit is been redirected to local market due to challenges at our ports for exports. In March, it's probable that a better supply cushioned some vegetable prices.

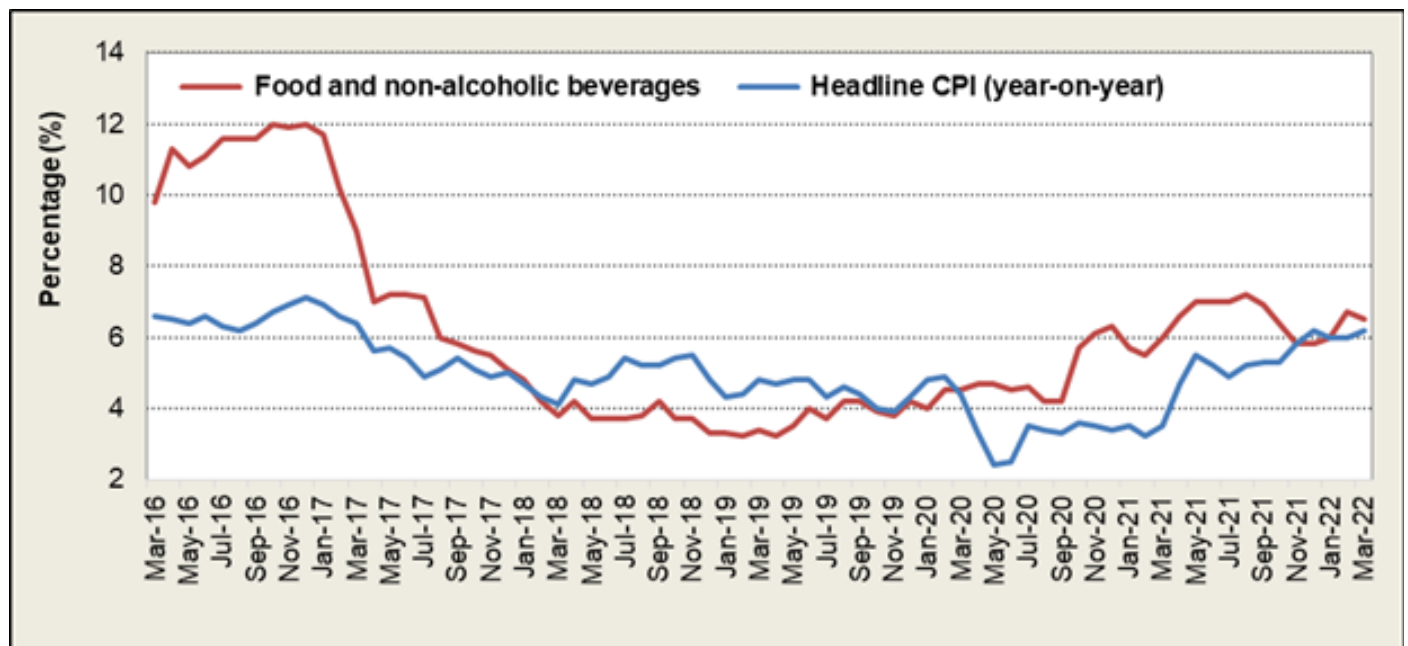


Figure 1: Headline CPI and food and non-alcoholic beverages CPI

Source: Stats SA, 2022

Monthly comparison for urban prices: March 2022 vs February 2022

Table 1 compares the pricing of a variety of foods in urban regions in March 2022 with February 2022. Peanut butter (R0.67), margarine spread (R0.51), super maize meal (R0.40), samp, white sugar and full cream milk each at R0.23 and Ceylon/black tea (R0.09) were the food items with the highest price disparities during this time period. Surprisingly, as opposed to what was observed from the vegetable oil global market, data shows that sunflower oil declined by R0.48. Other food items that declined during March were rice (R0.52) and a loaf of white bread (R0.11) but this decline in prices of these items such as sunflower oil and wheat products might be a total opposite to this from April to May in response to the elevated commodity prices as reported by FAO. Consumers residing in urban areas in South Africa spent R0.11 more on average for these eleven food items in March 2022 than in February 2022 as a result of these price increases.

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

Product	Urban Food Prices February 2022 (R/unit)	Urban Food Prices March 2022 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.55	15.78	0.23
A loaf of brown bread 700g	14.64	14.64	0.00
A loaf of white bread 700g	16.16	16.05	-0.11
Special maize 2.5kg	13.84	14.07	0.23
Super maize 2.5kg	27.62	28.02	0.40
Margarine spread 500g	33.13	33.64	0.51
Peanut butter 400g	35.02	35.69	0.67
Rice 2kg	38.78	38.26	-0.52
Sunflower oil 750mℓ	31.72	31.24	-0.48
Ceylon/black tea 62.5g	32.85	32.94	0.09
White sugar 2.5kg	46.82	47.05	0.23
Average difference (R/unit)			0.11

Source: Stats SA, 2022

The NAMC food basket: March 2022 vs March 2021

Based on average food price data for March 2022 vs. March 2021, this section shows the nominal cost of the NAMC's 28-item urban food basket. When compared to the R1 052.08 recorded in February 2022, the nominal cost of the NAMC's 28-item urban food basket in March 2022 was R1 058.01. This was a 7.5% increase year over year and a 0.6% increase month over month.

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 (53.4%), Individual Quick Freezing (IQF) chicken portions (18.0%), sunflower oil (16.4%), polony (15.3%), baked beans (12.8%), brick margarine (12.0%), cheddar cheese (9.8%), Ceylon/black tea (9.7%), instant coffee (8.9%), super maize meal (8.7%), fish (7.0%) and cabbage (6.7%).

*Composition 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	Mar 21 R/unit	Feb 22 R/unit	Mar 22 R/unit	% Change year-on-year	% Change month-on-month
Beans	Baked beans - tinned 410g	11.26	12.49	12.70	12.8	1.7
Beans	Beans - dried 500g	26.11	27.72	27.20	4.2	-1.9
Beans	Peanut butter 400g	34.08	35.02	35.69	4.7	1.9
Coffee, Tea	Ceylon/black tea 250g	30.04	32.85	32.94	9.7	0.3
Coffee, Tea	Instant coffee 250g	38.01	41.79	41.40	8.9	-0.9
Dairy, Eggs	Cheddar cheese per kg	116.96	122.85	122.85	9.8	4.6
Dairy, Eggs	Eggs 1.5 dozen	49.36	53.39	51.06	3.4	-4.4
Dairy, Eggs	Full cream milk - long life 1ℓ	15.77	15.55	15.78	0.1	1.5
Fats, Oils	Brick margarine 500g	23.26	25.71	26.06	12.0	1.4
Fats, Oils	Sunflower oil 750mℓ	26.85	31.72	31.24	16.4	-1.5
Fruit	Apples per kg	16.92	16.21	16.61	-1.8	2.5
Fruit	Bananas per kg	18.58	17.02	17.50	-5.8	2.8
Fruit	Oranges per kg	29.62	29.22	29.27	-1.2	0.2
Protein	Beef mince per kg	95.54	97.00	97.82	2.4	0.8
Protein	Beef offal per kg	37.61	56.77	57.71	53.4	1.7
Protein	Chicken giblets per kg	37.70	39.35	37.17	-1.4	-5.5
Protein	Fish (excl tuna) - tinned 400g	21.82	23.17	23.34	7.0	0.7
Protein	IQF chicken portions 2kg	71.77	84.39	84.71	18.0	0.4
Protein	Polony 1kg	43.45	47.73	50.09	15.3	4.9
Bread & Cereals	Loaf of brown bread 700g	13.83	14.64	14.64	5.9	0.0
Bread & Cereals	Loaf of white bread 700g	15.65	16.16	16.05	2.6	-0.7
Bread & Cereals	Super maize meal 5kg	42.11	38.78	38.26	-9.1	-1.3
Bread & Cereals	Rice 2kg	49.45	53.16	53.74	8.7	1.1
Vegetables	Cabbage each	16.51	16.70	17.64	6.7	5.5
Vegetables	Onions per kg	14.57	15.30	15.19	4.3	-0.7
Vegetables	Potatoes per kg	13.13	13.67	13.64	3.9	-0.2
Vegetables	Tomatoes per kg	28.03	26.90	25.06	-10.6	-6.8
Sugary foods	White sugar 2.5kg	46.03	46.82	47.05	2.2	0.5
	Total Rand Value	984.02	1 052.08	1 058.01	7.5	0.6

Source: Stats SA and BFAP, 2021

Table 2 presents the average nominal cost growth of specific food groups within the NAMC's 28-item food basket comparing the periods March 2022 vs. March 2021 (year-on-year) and March 2022 vs. February 2022 (month-on-month). This is to further evaluate the 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 14.3% higher followed by animal protein (13.9%), coffee & tea (9.2%), dairy & eggs (7.3%) and bean products (5.8%). When comparing March 2022 to February 2022, dairy & eggs and fruit recorded the highest food price inflation of 1.8% and 1.5%, respectively.

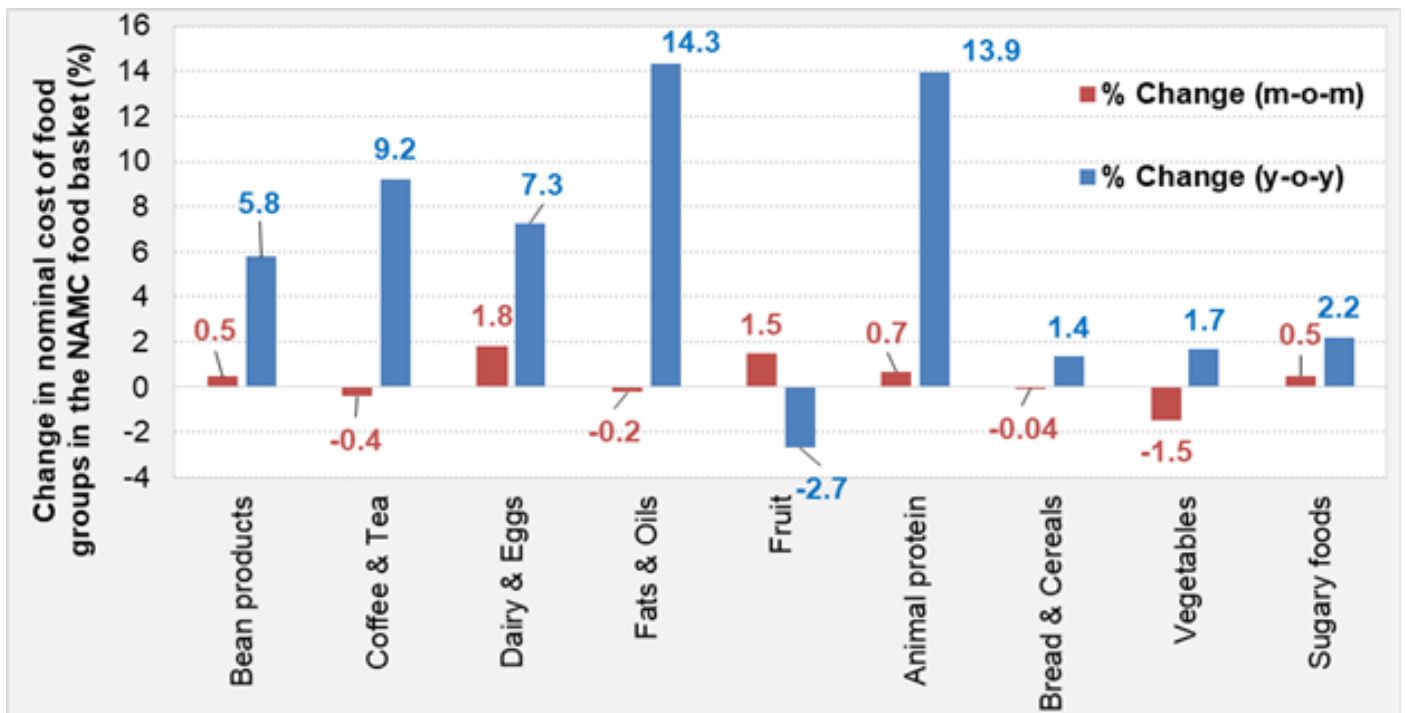


Figure 2: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing March 2022 vs. March 2021 and March 2022 vs. February 2022

Source: NAMC calculations, Stats SA data, 2022

In March 2022, the Food and Agricultural Organization (FAO) of the United Nations reported a considerable increase in the worldwide food price index. This increase is due to a number of factors, the most recent of which is the war, which has caused significant increases in global food costs. According to FAO, the global food price index averaged 159.3 points in March 2022, a 12.6% increase from February and the highest level since 1990. Wheat and coarse grains, mostly maize, were the main drivers of this increase, which was largely ascribed to the conflict in Ukraine. Concerns over the quality of wheat crops in the United States have exacerbated the problem, resulting in a 19.1% month-on-month increase in wheat prices in March. Vegetable oil prices also jumped in March, with the vegetable oil index surging at 23.3%, with sunflower oil being the main driver due to the ongoing conflict in Ukraine, which is the world's top supplier of sunflower oil. This bolstered other vegetable oil prices, particularly soybean, as concerns about supply and trade from Brazil and Argentina lingered. Argentina have halted soybean oil and meal exports in March 2022 for the new season, which can provide further upward pressure on vegetable oil prices. This can also trigger higher feed cost or maybe a switch for South Africa to go into full processing capacity of soybeans. It is estimated that South Africa will have a surplus of more than 250 000 tons of soybeans at the end of the marketing 2023 season. The above will depend on the margin differences between Soybeans and Sunflower processors for manufacturers with plants with dual capacity between soybean and sunflower.

Locally, as expected some food items are responding to the global food export prices led by sunflower oil products while maize products are also showing an upward trend. As things stand with excessive rains presenting uncertainty to the local prices adding to the global woes, food prices are likely to remain high. The surging global prices observed during March are likely to show somewhat on some maize, wheat, and vegetable oils in the next few weeks, but the positive news is that Ukraine has reached an agreement to export its grains and oilseeds via Lithuania ports.

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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