

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

May 2022 - April 2022 data

Important note

The COVID-19 pandemic has had a significant influence on the South African economy, as well as Statistics South Africa's (Stats SA) ability to quantify it. As a result, the April 2022 CPI figures were compiled and released on Wednesday, May 18th, 2022 (see link below from the Stats SA website):

<https://www.statssa.gov.za/publications/P0141/P0141April2022.pdf>

The official April 2022 data will now be included in this report, as the official release of the May 2022 CPI data is set on June 22nd, 2022. Because Stats SA is still not monitoring rural statistics, pricing comparisons between rural and urban areas are currently impossible.

- **During April 2022, the nominal cost of the NAMC's 28-item urban food basket amounted to R1 046.68 compared to the R1 058.01 reported in March 2022. This represented a monthly decrease of 1.1% and a year-on-year increase of 7.8%.**
 - o Within the NAMC's 28-item urban food basket, food categories with the highest food inflation contributors during April 2022 (y-o-y) were fats & oils with an increase of 18.5% followed by animal protein (11.8%), coffee & tea (10.4%) and bean products (9.4%). For the same period, vegetables and fruit prices deflated by 3.6% and 1.3%, respectively.
- **On May 4th, 2022, fuel prices slightly declined except for diesel. On a monthly basis, both 95 and 93 unleaded petrol (ULP) decelerated by 0.5% per liter, to reach R21.84/ℓ and R21.51/ℓ, respectively, while diesel 500ppm prices had increased by 4.7%/ℓ to reach R21.99/ℓ, from R21.01/ℓ recorded in April 2022.**
- **On year-on-year basis, fuel prices remain noticeable high especially for diesel. Price for 95 and 93 ULP petrol had increased by 26.5% and 26.8% per liter, respectively. The price for 500pm diesel was recorded at 52.1% higher year-on-year.**
- **June 2022 expectations:** In South Africa fuel prices play a crucial role in food prices because much of it is transport via road. But the ongoing food market volatility remains a key driving factor for food prices. Crude oil prices appear to have stabilized at elevated levels following China's lockdown which began a few weeks ago, but there is anticipation that Shanghai and some towns may open up their economy after Covid-19 lockdown. In US, on the 16th of May future crude oil prices were at an all-time high. Despite concerns about supplies from the region's eastern sections, the European Union is still considering a Russian oil embargo. This has the potential to disrupt the oil market as affected countries will seek alternative supplies. But the situation is currently fluid and will settle over time.



Overall inflation and food inflation

From April 2016 to April 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 April 2022 Consumer Price Index (CPI) on May 18th, 2022, indicating that the annual headline CPI was 5.9%, the same level as the previous month. Price inflation for food and non-alcoholic beverages during April 2022, grew by 6.0%, which was 0.2% points lower when compared to 6.2% in March 2022. Partly attributed to this deceleration is the ample local supply of fruit presently due to some fruit that is not going to its typical markets such as Russia as well as some vegetables.

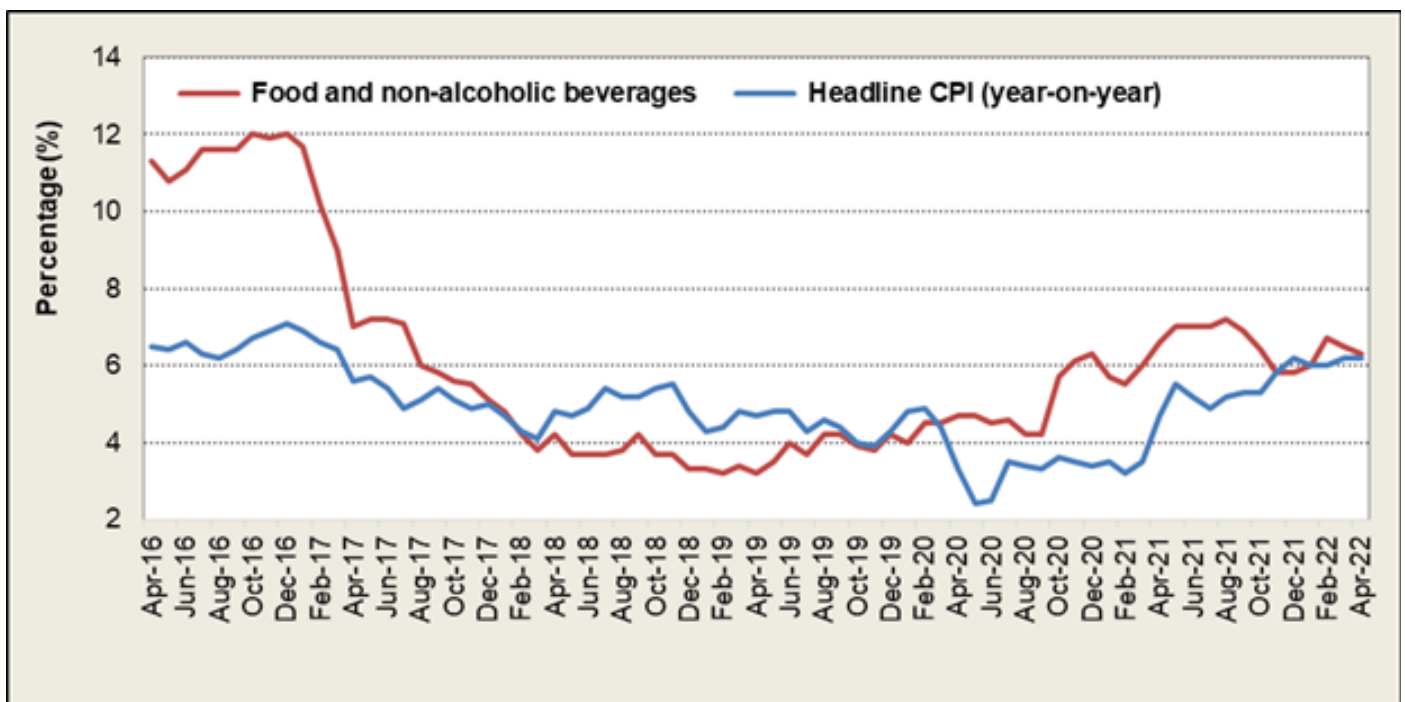


Figure 1: Headline CPI and food and non-alcoholic beverages CPI

Source: Stats SA, 2022

Monthly comparison for urban prices: April 2022 vs March 2022

Table 1 compares the pricing of a variety of foods in urban regions in April 2022 with March 2022. Expectedly, prices for food items made of vegetable oil showed an upward trend when compared to other food. This is at the back of export bans for palm oil and sunflower seed late in March from certain countries. Sunflower oil (R3.65), margarine spread (R1.50), white sugar (R1.41), peanut butter (R0.34), Ceylon/black tea (R0.34), a loaf of brown bread (R0.29), maize meal (R0.28), full cream milk (R0.24), and samp (R0.23) were the food items with the highest price disparities during this period. As a result of these price increases, consumers in urban areas in South Africa spent R0.65 more on average for these eleven food items in April 2022 than in March 2022. Rice prices are currently supported by ample supplies on the market, as a result, prices declined by R1.03

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

Product	Urban Food Prices March 2022 (R/unit)	Urban Food Prices April 2022 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	15.78	16.02	0.24
A loaf of brown bread 700g	14.64	14.93	0.29
A loaf of white bread 700g	16.05	16.24	0.19
Samp 1kg	14.07	14.30	0.23
Super maize 2.5kg	28.02	28.05	0.03
Margarine spread 500g	33.64	35.14	1.50
Peanut butter 400g	35.69	36.03	0.34
Rice 2kg	38.26	37.23	-1.03
Sunflower oil 750mℓ	31.24	34.89	3.65
Ceylon/black tea 250g	32.94	33.28	0.34
White sugar 2.5kg	47.05	48.46	1.41
Average difference (R/unit)			0.65

Source: Stats SA, 2022

The NAMC food basket: April 2022 vs April 2021

Based on average food price data for April 2022 vs. April 2021, this section shows the nominal cost of the NAMC's 28-item urban food basket. When compared to the R1 058.01 recorded in March 2022, the nominal cost of the NAMC's 28-item urban food basket in April 2022 was R1 046.68. This was a 7.8% increase year over year and a 1.1% decrease 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: sunflower oil (26.4%), Individual Quick Frozen (IQF) chicken portions (19.8%), beef offal (19.3%), instant coffee (18.4%), baked beans (15.6%), oranges (11%), dried beans (10.6%), cheddar cheese (10.2%), polony (9.3%), brick margarine (9.1%), super maize meal (7.9%), eggs (7.6%), a loaf of white bread (7.5%), beef mince (7.3%), fish (6.9%), onions and peanut butter both at (6.6%).

Table 2: Percentage change in a basic NAMC food basket (28-item) prices

Category	Product	Apr 21 R/unit	Mar 22 R/unit	Apr 22 R/unit	% Change year-on-year	% Change month-on-month
Beans	Baked beans - tinned 410g	10.93	12.70	12.64	15.6	-0.5
Beans	Beans - dried 500g	24.86	27.20	27.50	10.6	1.1
Beans	Peanut butter 400g	33.81	35.69	36.03	6.6	1.0
Coffee, Tea	Ceylon/black tea 250g	32.87	32.94	33.28	1.2	1.0
Coffee, Tea	Instant coffee 250g	37.87	41.40	44.85	18.4	8.3
Dairy, Eggs	Cheddar cheese per kg	107.32	122.85	118.24	10.2	-8.0
Dairy, Eggs	Eggs 1.5 dozen	49.96	51.06	53.77	7.6	5.3
Dairy, Eggs	Full cream milk - long life 1ℓ	15.76	15.78	16.02	1.6	1.5
Fats, Oils	Brick margarine 500g	23.32	26.06	25.45	9.1	-2.3
Fats, Oils	Sunflower oil 750ml	27.61	31.24	34.89	26.4	11.7
Fruit	Apples per kg	17.92	16.61	16.12	-10.0	-3.0
Fruit	Bananas per kg	19.40	17.50	18.20	-6.2	4.0
Fruit	Oranges per kg	20.53	29.27	22.78	11.0	-22.2
Protein	Beef mince per kg	95.17	97.82	102.09	7.3	4.4
Protein	Beef offal per kg	40.77	57.71	48.64	19.3	-15.7
Protein	Chicken giblets per kg	35.40	37.17	37.30	5.4	0.3
Protein	Fish (excl tuna) - tinned 400g	21.72	23.34	23.21	6.9	-0.6
Protein	IQF chicken portions 2kg	71.54	84.71	85.68	19.8	1.1
Protein	Polony 1kg	44.59	50.09	48.72	9.3	-2.7
Bread & Cereals	Loaf of brown bread 700g	14.16	14.64	14.93	5.4	2.0
Bread & Cereals	Loaf of white bread 700g	15.11	16.05	16.24	7.5	1.2
Bread & Cereals	Super maize meal 5kg	39.46	38.26	37.23	-5.7	-2.7
Bread & Cereals	Rice 2kg	49.86	53.74	53.80	7.9	0.1
Vegetables	Cabbage each	17.06	17.64	17.78	4.2	0.9
Vegetables	Onions per kg	14.35	15.19	15.30	6.6	0.7
Vegetables	Potatoes per kg	12.98	13.64	13.72	5.7	0.6
Vegetables	Tomatoes per kg	30.79	25.06	23.81	-22.7	-5.0
Sugary foods	White sugar 2.5kg	45.98	47.05	48.46	5.4	3.0
	Total Rand Value	971.10	1 058.01	1 046.68	7.8	-1.1

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 April 2022 vs. April 2021 (year-on-year) and April 2022 vs. March 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 18.5% higher followed by animal protein (11.8%), coffee & tea (10.4%) and bean products (9.4%). When comparing April 2022 to March 2022, fats & oils were 5.3% higher followed by coffee & tea (5.1%) and sugary food (3.0%).

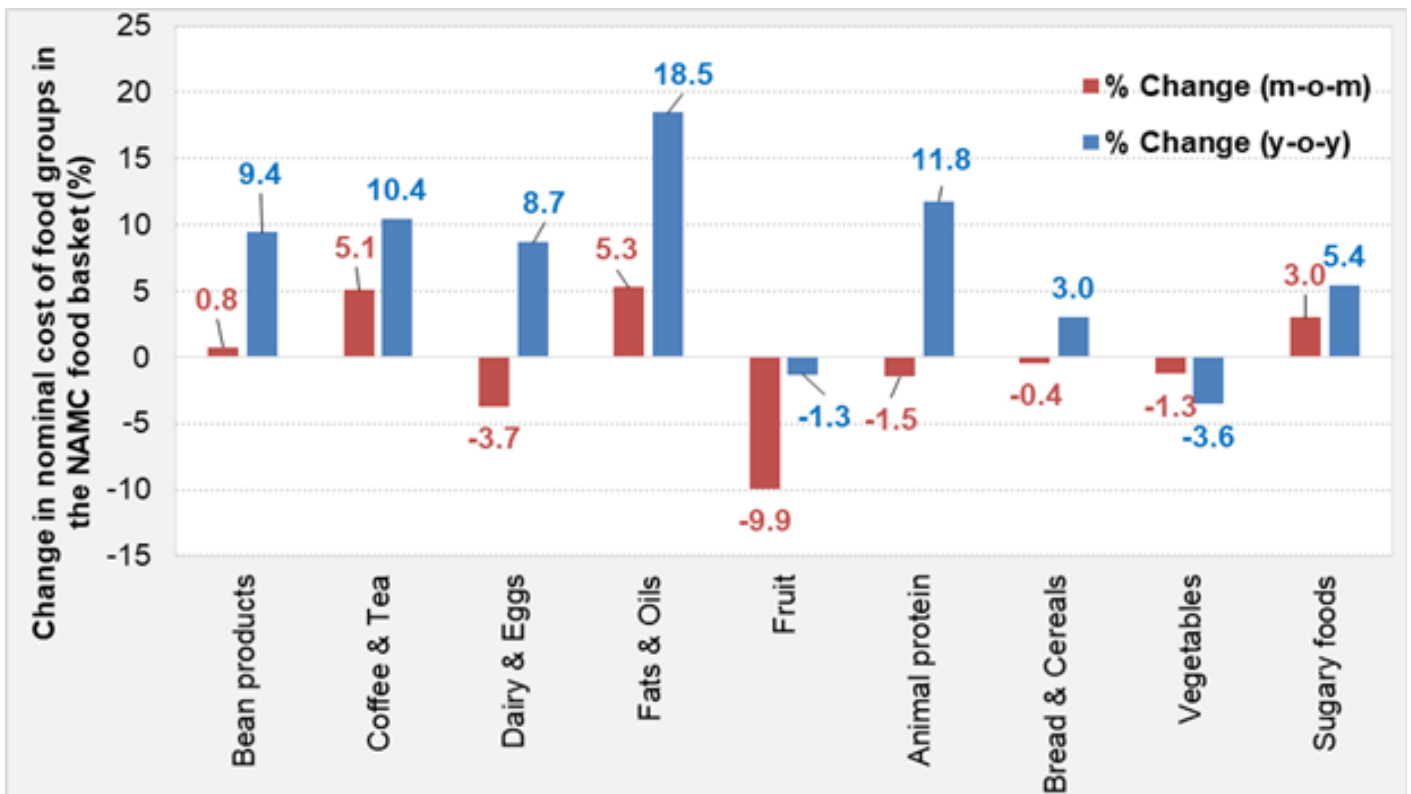


Figure 2: Nominal cost growth of specific food groups within the NAMC’s 28-item food basket, comparing April 2022 vs. April 2021 and April 2022 vs. March 2022

Source: NAMC calculations, Stats SA data, 2022

The drought, crude oil and export bans that caused global food inflation in the 2007/8 season are driving the 2021/22 food crisis, with the only difference being the war in Ukraine, which has triggered a chain of reactions throughout global food supply systems, from crude oil to food. The global food price index of the United Nations’ Food and Agricultural Organization (FAO) fell marginally (-0.8%) to 158.5 points in April 2022. However, it is still up 29.8% year over year. Surprisingly, despite current global market instability, vegetable oil prices, together with grains, led to the total price reduction. Sugar, meat and dairy prices, on the other hand, increased marginally. The sugar sub-index was up 3.3% at the end of April, owing to high ethanol prices from Brazil, which is a leading sugar exporter globally, and the strengthening of the Brazilian Real versus the US dollar, which supported global sugar prices in April. Large supplies from India mainly, on the other hand, should keep prices stable and avoid further acceleration in the foreseeable future.

India’s wheat export prohibition, which is currently in limited supply globally, is concerning. Global wheat ending stocks are expected to be 267 million tons by the end of May 2022, down from 278.4 million tons at the end of April 2022. India was expected to export a record of 10 million tons of wheat, which temporarily kept wheat prices moderately but high. For vegetable oil, although it appeared that the embargo on palm oil exports might be lifted, Indonesia has extended the prohibition for another month. Current global market events, particularly trade restrictions, will extend the current price volatility.

Locally, various factors from global markets and interest rates are likely to weigh in on poor consumers across the country. Following an upward spiral in international price movement for maize between March and April, local prices are likely to remain at export parity levels in May and that might keep maize product prices

elevated in the near term. But supplies from Argentina and Brazil should put downward pressure on prices. There is also a concern currently around local sugar supplies following floods in Kwa-Zulu Natal hence the observed slight rise in prices. Also, Brazil which is the largest sugar supplier globally saw a rise in demand for sugar for ethanol production and eventually cancelled exports. But global supplies mainly from India might keep prices steady. As observed in **Table 2**, grain and vegetable oil-based products such as sunflower oil, wheat and maize meal showed an upward trend which is understandable given the current global market issues. But fruit and some vegetable prices are likely to further decline due to higher supply on the local market in the next coming few months.

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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