

FOOD PRICE MONITOR

November 2022 Issue



NAMC
Promoting market access for South African agriculture

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Important note

Stats SA obtains prices from retailers through fieldwork collection and online collection. The paper forms used by fieldworkers are being replaced by tablets, which provide a custom application that includes quality control and management modules. The new collection method for fieldwork will be implemented from July 2022 to March 2023 and is expected to improve the quality and speed of data collection and processing. The October 2022 CPI data was published on **Wednesday 23 November 2022** (see the link below for the CPI publication):

<https://www.statssa.gov.za/publications/P0141/P0141October2022.pdfcomparison>.

EXECUTIVE SUMMARY

During October 2022, the Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) indicated that the annual headline CPI had increased by 7.6%, while inflation for food and non-alcoholic beverages increased by 12.0%.

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. The FAO Food Price Index (FFPI) in nominal terms, averaged 135.9 points in October 2022, virtually unchanged from September, with the price indices of all the covered commodity groups, except cereals, down month-on-month. An increase in the Cereal Price Index countered declines in the indices for vegetable oils, dairy, meat and sugar. With the latest updates, the FFPI has dropped 23.8 points (14.9%) from its peak in March this year, but remained 2.7 points or 2.0% above its value in the corresponding month last year.

In October 2022, the cost of this basic urban food basket was R1 109.58, increased by 11.5% from October 2021 (year-on-year increase) and decreased by 1.1% from September 2022 (month-on-month change).

Comparing October 2022 to October 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): onions, sunflower oil, instant coffee, Ceylon/black tea, brown bread, apples, cabbage, white bread, maize meal, tinned baked beans, eggs, tomatoes, beef offal, brick margarine, beef mince, oranges, full cream long life milk, canned pilchards, peanut butter, cheddar cheese, white sugar and chicken giblets.

Year-on-year inflation in food and non-alcoholic beverages in South Africa reached a record high of 12.0% in October 2022, 0.2 percentage points higher than the turning point of food inflation levels observed during the severe 2016/17 drought in South Africa (observed in December 2016). Food inflation in October 2022 was mainly driven by high inflation in cereal-based foods (+19.5% y-o-y), meat (+10.5% y-o-y) and plant oils (+25.7% y-o-y), respectively contributing approximately 3.6, 3.3 and 1.5 percentage points to the 12.0% food inflation figure.

BFAP expectations are that food inflation could peak in Q1 2023 driven upwards by factors such as the weak exchange rate, persistently high commodity prices, high transportation costs and continued infrastructure related disruptions such as load shedding.

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1. Introduction

Figure 1 shows trends of the headline CPI and food and non-alcoholic beverage inflation rates on a monthly basis, from October 2016 to October 2022. During October 2022, the Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) indicated that the annual headline CPI had increased by 7.6%, while inflation for food and non-alcoholic beverages increased by 12.0%. The headline inflation and the food and non-alcoholic beverage inflation was 7.5% and 11.9% during September 2022, respectively.

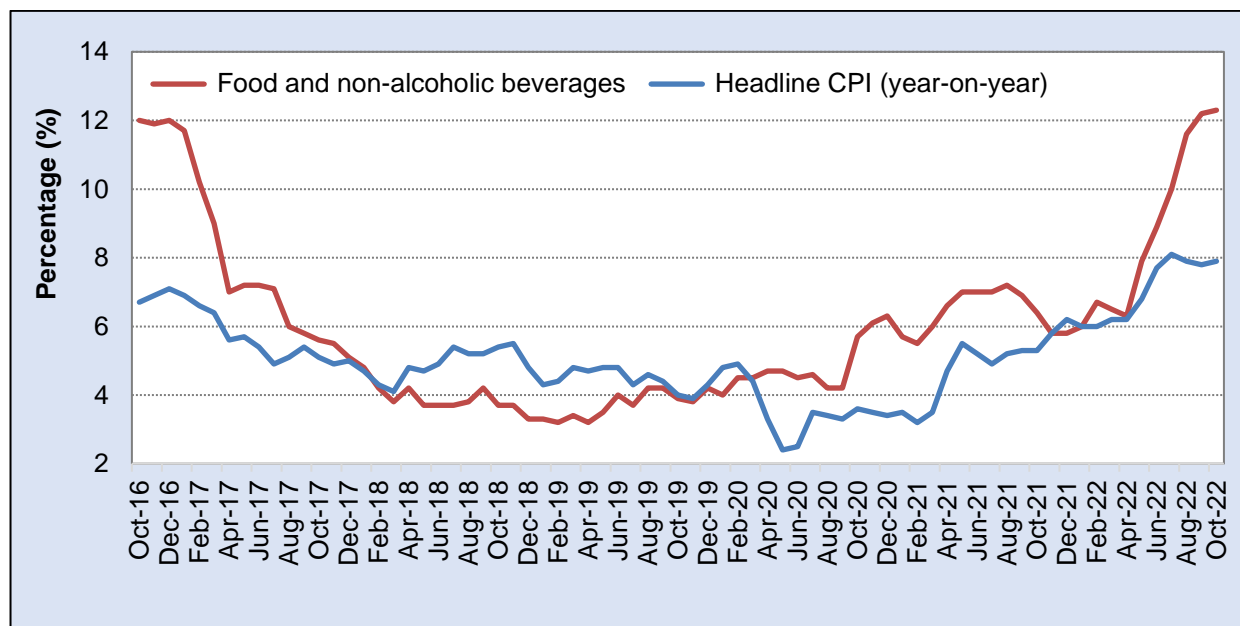


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2022

Figure 2 presents the components of the food and non-alcoholic beverage index changes. Comparing October 2022 to October 2021, the following changes, in descending order, were reported: oils & fats (25.7%), bread & cereals (19.5%), processed foods (15.3%), other food items (12.3%), meat (10.5%), milk, eggs & cheese (10.5%), fish (10.3%), sugary foods (9.8%), unprocessed foods (9.1%), vegetables (3.9%) and fruit (1.2%).

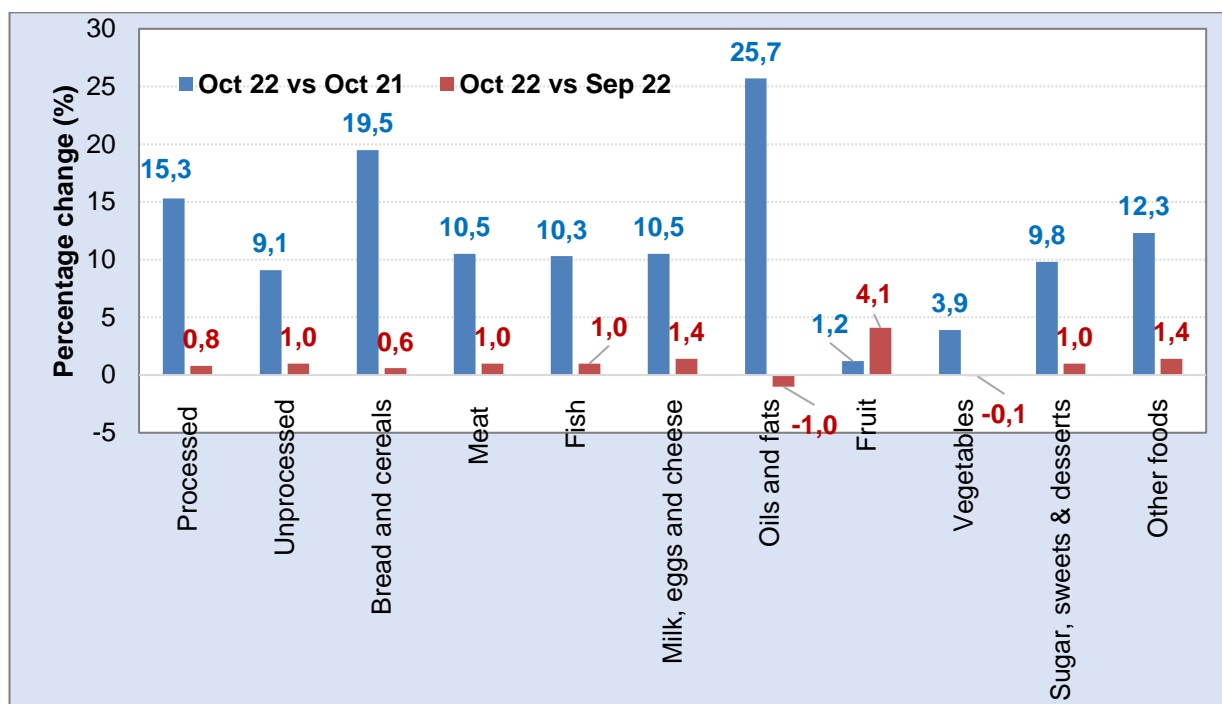


Figure 2: Annual (October 2022 vs. October 2021) and monthly (October 2022 vs. September 2022) CPI changes for different food categories

Source: Stats SA, 2022

2. 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 August 2022 to October 2022 for South Africa and other selected countries. South Africa's overall inflation for October 2022 reached 7.6% with food inflation reaching 12.3%. The food categories with the largest annual contribution to South African food inflation include fats & oils, bread & cereals and processed food categories. Turkey's overall inflation rate for October 2022 reached 85.5%, with food inflation reaching 99.1%. China's overall inflation rate was 2.1%, with food inflation of 7.0%. Considering inflation rates of Brazil, Russia, India, China and South Africa as the BRICS countries, China recorded the lowest overall inflation of 2.1%, while South Africa was the main contributor to food inflation at 12.3% in the BRICS group.

Table 1: Overall inflation and food inflation during August 2022 to October 2022

Country	August 2022		September 2022		October 2022	
	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)
Botswana	14.6	13.2	13.8	14.8	13.1	15.8
Brazil	8.7	13.4	7.2	11.7	6.5	11.7
China	2.5	6.1	2.8	8.8	2.1	7.0
India	7.0	7.6	7.4	8.6	6.8	7.0
Namibia	7.3	8.8	7.1	9.3	7.1	9.1
Russia	14.3	15.8	13.7	14.2	12.6	12.1
South Africa	7.6	11.3	7.5	11.9	7.6	12.3
Turkey	80.2	90.3	83.5	93.1	85.5	99.1
United Kingdom	9.9	13.1	10.1	14.5	11.1	16.2
United States	8.3	11.4	8.2	11.2	7.7	10.9
Zambia	9.8	11.4	9.9	12.1	9.7	12.2

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

3. Annual urban food price trends: October 2022 vs. October 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 (October 2022 vs. October 2021)

Grain and oil products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Rice 1kg	-18.2	Beef sirloin per kg	-7.2	Potatoes - fresh per kg	-21.1
Rice 2kg	-12.6	Pork chops per kg	-6.6	Bananas per kg	-11.2
Margarine spread 500g	2.2	Lamb/Mutton leg per kg	-0.6	Beans - dried 500g	3.2
Peanut butter 400g	9.6	Lamb/Mutton offal per kg	0.1	Oranges per kg	13.2
Brick margarine 500g	14.3	Chicken portions - fresh per kg	1.3	Lettuce each	14.0
Spaghetti 500g	18.2	Lamb/Mutton loin chop per kg	1.6	Tomatoes per kg	14.7
Macaroni 500g	18.7	Polony 1kg	2.6	Baked beans - tinned 410g	16.0
Maize meal 5kg	19.4	Lamb/Mutton rib chop per kg	2.7	Cabbage each	22.0
Pasta 500g	20.1	Pork ribs per kg	3.1	Apples per kg	23.2
Loaf of white bread 700g	20.5	Bacon 200g	3.1	Onions per kg	44.3
Instant noodles 73g	22.4	Lamb/Mutton stew per kg	4.0		
Loaf of brown bread 700g	23.3	Beef rump steak per kg	5.1		
Maize meal 2.5kg	27.0	IQF chicken portions 2kg	5.3	Other	%
Cake flour 2.5kg	30.5	Beef fillet per kg	6.1	White sugar 2.5kg	7.0
Sunflower oil 750ml	33.6	Lamb/Mutton neck per kg	6.5	Ceylon/black tea 250g	23.6
		Chicken giblets per kg	6.9	Instant coffee 250g	27.1
		Cheddar cheese per kg	8.3		
		Tuna - tinned 170g	8.9		
		Fish (excl tuna) - tinned 400g	10.3		
		Powdered milk 900g	10.3		
		Chicken portions frozen - non IQF per kg	10.9		
		Low fat milk - long life 1l	11.0		
		Full cream milk - fresh 2l	11.1		
		Beef stew per kg	11.2		

Grain and oil products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
		Beef brisket per kg	11.5		
		Low fat milk - fresh 2ℓ	11.6		
		Beef chuck per kg	11.7		
		Full cream milk - long life 1ℓ	11.9		
		Sausage per kg	12.6		
		Beef mince per kg	13.3		
		Beef offal per kg	14.7		
		Eggs 1.5 dozen	15.0		
		Whole chicken - fresh per kg	15.5		
		Corned beef 300g	16.2		
		Beef T-bone per kg	18.2		
		Ham 500g	29.0		

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: October 2022 vs. October 2021

Comparing October 2022 vs. October 2021, the international price of wheat increased by 24.0%, while domestic wheat prices increased by 24.2%. Urban consumers paid 23.3% more for a loaf of brown bread (700g) and 20.5% more for a loaf of white bread (700g). Domestic yellow maize prices increased by 49.3%, while international yellow maize prices increased by 43.4%. Maize meal prices (2.5kg) increased by 27.0% in urban areas. During the same period, the urban prices of sunflower oil (750ml) increased by 33.6%. Domestic prices of sunflower seed increased by 2.8% annually, while international sunflower seed prices decreased by 15.8%.

Comparing October 2022 vs. October 2021, average beef producer prices (R/kg) of classes A2/A3, B2/B3 and C2/C3 increased by 14.6%, 9.6% and 7.5%, respectively. Lamb/mutton producer prices (R/kg) of classes, C2/C3, B2/B3 and A2/A3 decreased by 11.7%, 11.4% and 8.7%, respectively. Abattoir selling prices of individually quick frozen (IQF) chicken portions, frozen and fresh chicken portions increased by 11.9%, 7.5% and 5.5%, respectively. Baconer and porker producer prices (R/kg) increased by 13.6% and 12.7%, respectively, during the same period.

4. Monthly urban price comparison: October 2022 vs. September 2022

Table 3 compares prices of selected food items in urban areas for October 2022 vs. September 2022. Food items showing the largest price differences in urban areas for October 2022 vs. September 2022 are peanut butter (400g) at a difference of R1.36, maize meal (2.5kg) at a difference of R1.11, Ceylon/black tea (250g) at a difference of R1.08, margarine spread (500g) at a difference of R0.50, white sugar (2.5kg) at a difference of R0.30, rice (2kg) at a difference of R0.18, bananas (per kg) at a difference of R0.17, a loaf of brown bread (700g) at a difference of R0.06 and full cream long life milk (1ℓ) at a difference of R0.04. The following products showed a decline in prices; a loaf of white bread (700g) at a difference of -R0.13 and sunflower oil (750ml) at a difference of -R1.32. This indicates that urban consumers paid R0.30 more on average, for these 11 food items during October 2022.

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

Product	Urban Food Prices September 2022 (R/unit)	Urban Food Prices October 2022 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	17.32	17.36	0.04
A loaf of brown bread 700g	16.69	16.75	0.06
A loaf of white bread 700g	18.67	18.54	-0.13
Bananas per kg	14.75	14.92	0.17
Maize meal 2.5 kg	32.71	33.82	1.11
Margarine spread 500g	33.50	34.00	0.50
Peanut butter 400g	36.99	38.35	1.36
Rice 2kg	35.48	35.66	0.18
Sunflower oil 750mℓ	41.38	40.06	-1.32
Ceylon/black tea 250g	38.87	39.95	1.08
White sugar 2.5kg	49.74	50.04	0.30
Average difference (R/unit)			0.30

Source: Stats SA, 2022

5. Monthly comparison between urban and rural area prices for September 2022

Stats SA reconvene the monitoring of food prices in rural areas after they stopped in April 2020 because of Covid 19. Currently the data is only available for 4 months and thus annual comparisons is not possible for rural prices.

The cost of selected food items in urban vs rural areas in October 2022 is compared in **Table 4**. In October 2022, the food items with the highest price discrepancies between urban and rural areas were: maize meal at a price difference of R6.83, Ceylon/black tea at a price difference of R1.80, peanut butter at R0.97 difference, rice at a price difference of R1.27, a loaf of white bread at R1.10, a loaf of brown bread at R0.73 and bananas at R0.01. This shows that, on average, urban consumers spent R0.59 more on these 11 food items. However, it is worth to note that there were some food items where rural consumers paid more than urban during October 2020 and these include margarine spread, white sugar, full cream milk-long life and sunflower oil.

Table 4: Comparison between urban and rural food prices (selected food items)

Product	Urban Food Prices October 2022 (R/unit)	Rural Food Prices October 2022 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	17.36	18.20	-0.84
A loaf of brown bread 700g	16.75	16.02	0.73
A loaf of white bread 700g	18.54	17.44	1.10
Bananas per kg	14.92	14.91	0.01
Maize meal 2.5 kg	33.82	26.99	6.83
Margarine spread 500g	34.00	37.65	-3.65
Peanut butter 400g	38.35	37.02	1.33
Rice 2kg	35.66	34.39	1.27
Sunflower oil 750mℓ	40.06	40.64	-0.58
Ceylon/black tea 250g	39.95	38.15	1.80
White sugar 2.5kg	50.04	51.62	-1.58
Average difference (R/unit)			0.59

Source: Stats SA, 2022

6. 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 October 2022 reaching an index level of 132.9 points, up 0.3% from October 2021.

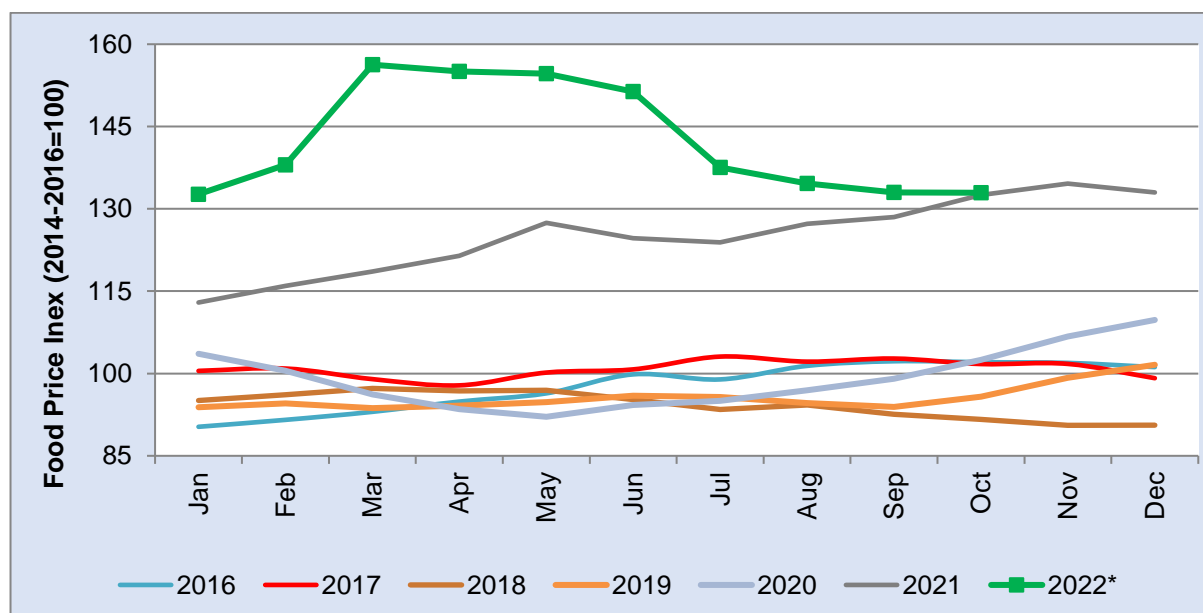


Figure 3: International monthly real FPI

Source: FAO, 2022

*Note: Current year

Figure 4 shows the price indices in *real terms* for five food categories. The monthly (October 2022 vs. September 2022) growth percentages indicate decreasing trends for four of the five indices. The annual

(October 2022 vs. October 2021) growth percentages indicate increasing trends of 13.5% for the Dairy Price Index, 9.2% for the Cereals Price Index and 4.0% for the Meat Price Index. The Oils Price Index and the Sugar Price Index reflected decreasing percentages of 20.1% and 10.0%, respectively.

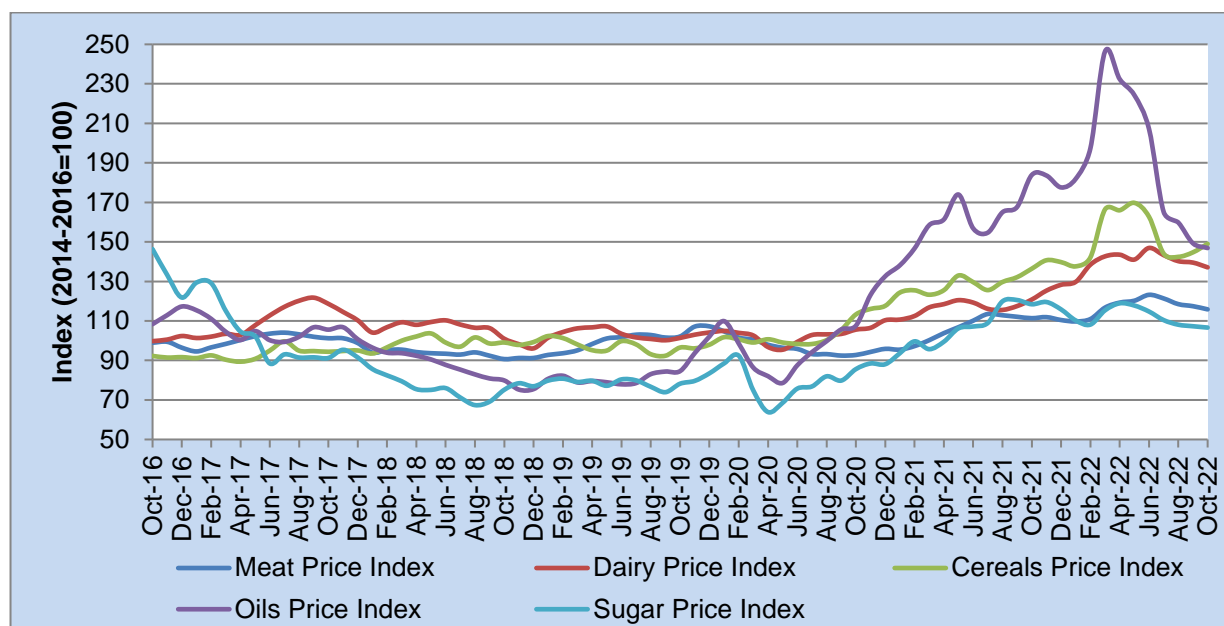


Figure 4: Real price indices for five food categories

Source: FAO, 2022

The **FAO Food Price Index (FFPI)**¹ in *nominal terms*, averaged 135.9 points in October 2022, virtually unchanged from September, with the price indices of all the covered commodity groups, except cereals, down month-on-month. An increase in the Cereal Price Index countered declines in the indices for vegetable oils, dairy, meat and sugar. With the latest updates, the FFPI has dropped 23.8 points (14.9%) from its peak in March this year, but remained 2.7 points or 2.0% above its value in the corresponding month last year.

The **FAO Cereal Price Index** in *nominal terms*, averaged 152.3 points in October 2022, up 4.4 points (3.0%) from September 2022 and 15.2 points (11.1%) above its value a year ago. International reference prices of all the major cereals were up month-on-month. World wheat prices rose by 3.2%, mostly reflecting continued uncertainties related to the Black Sea Grain Initiative. Tighter supplies in the United States of America, following a downward production revision, also contributed to the firmer tone in markets. International prices of coarse grains increased by 3.5% month-on-month, led by a 4.3% increase in world maize prices. The maize price increase was underpinned by lower production prospects in the United States of America and the European Union, along with dry planting conditions in Argentina and uncertainty about the continuation of Ukraine's exports. International sorghum prices also increased by 3.0% in October 2022, influenced by the strength in maize prices. Meanwhile, world barley prices increased only marginally (0.3%), with higher global supplies stemming from better production prospects in the European Union helping to limit price gains. International rice prices remained on an upward trend in October 2022, as the bulk of new crop arrivals were still forthcoming in Asia, although low demand limited the monthly price increase to 1.0%.

The **FAO Vegetable Oil Price Index** in *nominal terms*, averaged 150.1 points in October 2022, down 2.4 points or 1.6% month-on-month and standing nearly 20% below its year-earlier level. The continued decrease of the index was driven by world lower prices of palm, soy and rapeseed oils, which more than

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.

offset higher sunflower oil quotations. In October 2022, international palm oil prices declined slightly from the previous month, broadly weighed by lingering heavy stock levels in Southeast Asia, despite concerns over unfavourable weather prospects in pockets of major growing regions. Meanwhile, world soy and rapeseed oil quotations decreased on outlooks of ample supplies in the coming months. By contrast, international sunflower oil prices rebounded moderately after falling continuously over the past six months due to uncertainty over the future of the export corridor in Ukraine amid rising geopolitical tensions.

The **FAO Dairy Price Index** in *nominal terms*, averaged 140.1 points in October 2022, down 2.5 points or 1.7% from September 2022, marking the fourth consecutive monthly decline, nevertheless, it remained 18.7 points (15.4%) above its value a year ago. In October 2022, international prices of all dairy products covered by the index fell. Lower-than-anticipated purchases by China and lacklustre demand for spot supplies as most importing countries were well covered for their immediate needs, together with the impact of the weaker Euro against the United States dollar, underpinned the drop in world dairy prices. Market uncertainty about the direction of demand for dairy products, due to soaring inflation and economic downturns, also pressured international dairy prices down. Nonetheless, demand for some dairy products in other countries in Asia increased, containing potential larger declines in dairy prices.

The **FAO Meat Price Index**² in *nominal terms*, averaged 118.4 points in October 2022, down 1.6 points or 1.4% from September 2022, marking the fourth consecutive monthly decline, with world prices of all meat types registering declines. However, the index remained 6.4 points (5.8%) above its value a year ago. International ovine meat prices registered the steepest decline, underpinned by the impacts of currency movements and seasonally increasing supplies from Oceania amid subdued import purchases. Likewise, world pig meat prices declined substantially on weak global import purchases in tandem with softer internal demand in some leading producing countries. Meanwhile, world bovine prices decline slightly on high current supplies and rising availability of slaughter cattle, notably in Brazil. International poultry meat price downward trend continued for the fourth consecutive month, as export availabilities outpaced subdued global demand, notwithstanding setbacks to production stemming from avian influenza outbreaks and high feed costs.

The **FAO Sugar Price Index** in *nominal terms*, averaged 109 points in October 2022, down 0.7 points or 0.6% from September 2022 and 10.1 points (8.5%) from October 2021. The positive global supply outlook for the 2022/23 season, further reinforced by improved production prospects in India, weighed on world sugar prices in October 2022. However, concerns over rains hampering harvest progress in Brazil and delaying the start of the season in India limited the month-on-month price decline. Additional support that prevented world sugar prices from dropping further was lent by a stronger import demand, particularly from Indonesia and China, along with higher ethanol price quotations in Brazil, prompting a greater use of sugarcane to produce ethanol.

7. Impact of food inflation on consumers

The purpose of this section is to assess the impact of food inflation on consumers. The descriptive 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 March 2022) and based on monthly average food price data for the period October 2021 to October 2022.

² 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.

³ 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).

In October 2022, the cost of the basic urban food basket was R1 109.58, increased by 11.5% from October 2021 (year-on-year increase) and decreased by 1.1% from September 2022 (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 66.8% in October 2021 to 74.6% in October 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 3.6% in October 2021 to 4.0% in October 2022. (Figure 5).

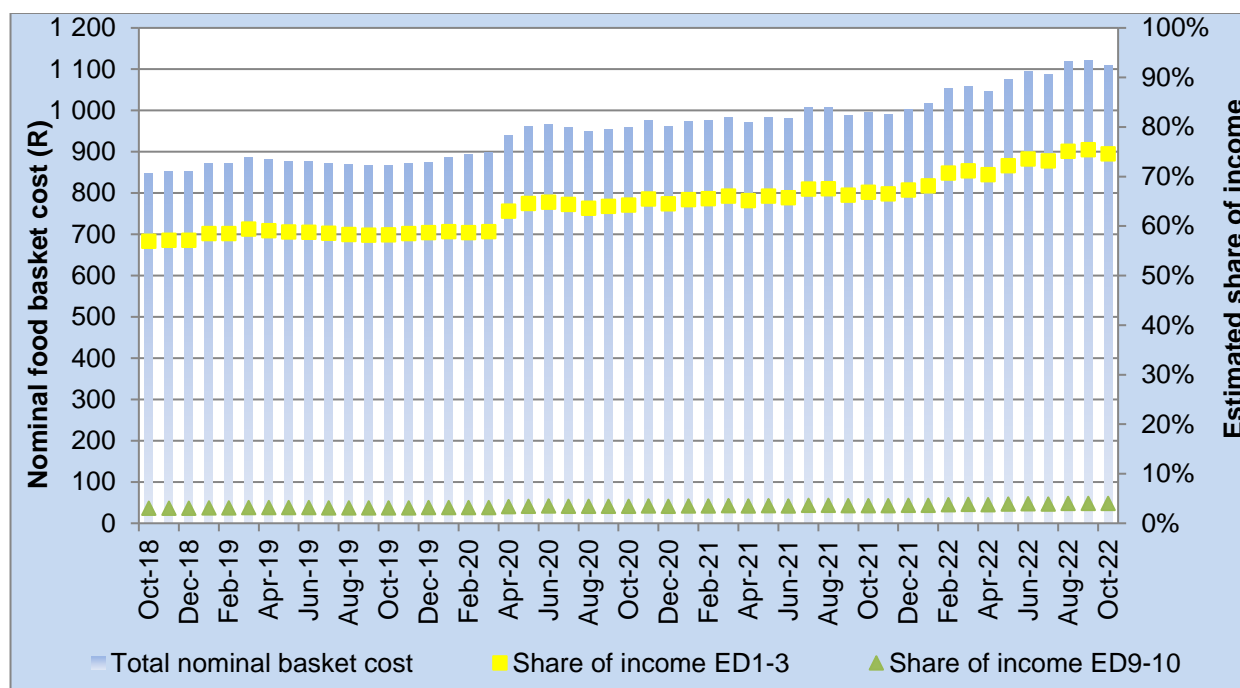


Figure 5: The cost of a typical consumer food basket for the period October 2018 to October 2022, expressed in nominal terms and as share of the average income of the poorest 30% of households (Expenditure Deciles [ED] 1 to 3) and the wealthiest 20% of households (ED 9 to 10)

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

To further explore the impact of inflation on consumers, Figure 6 shows the average monthly nominal cost of specific food groups within the basic food basket, comparing October 2022 to October 2021. Food groups with more prominent inflation included coffee & tea, fats & oils, vegetables, dairy & eggs, bread & cereals, animal protein foods and legumes.

⁴ 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)

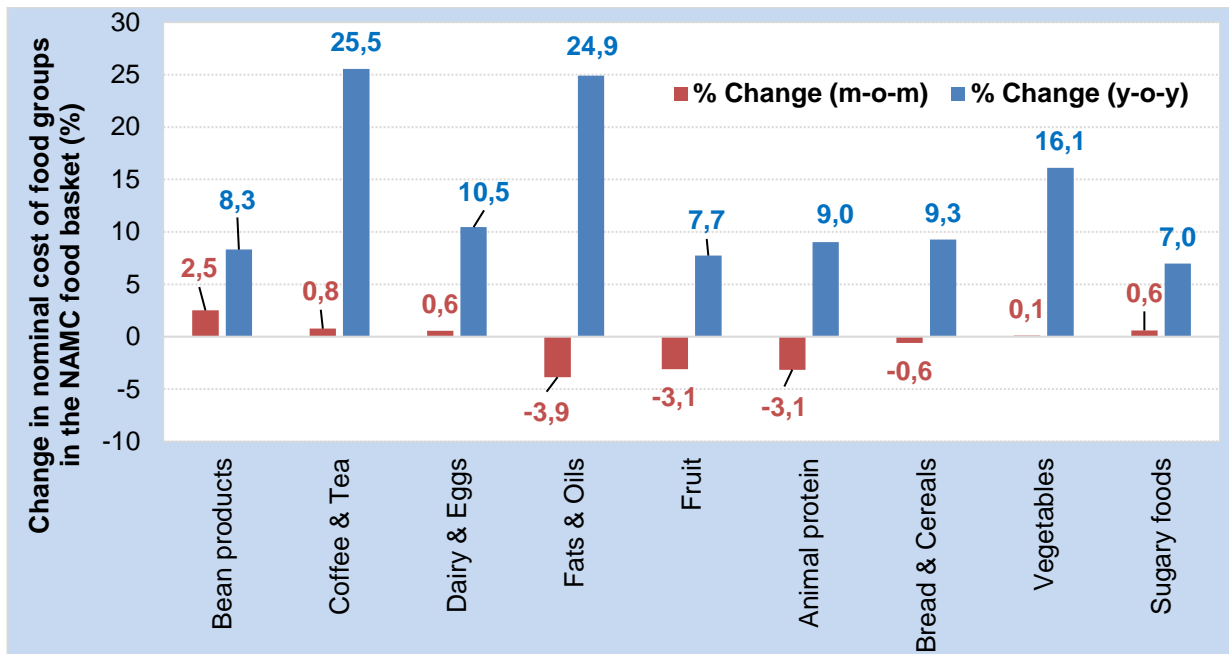


Figure 6: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing October 2022 to October 2021 (y-o-y) and October 2022 to September 2022 (m-o-m)

Sources: BFAP & NAMC calculations, Stats SA, 2022

The various food groups within this food basket are presented in more detail in [Table 5](#) below.

Table 5: Overview of contributions to annual food price increases within the 28-item NAMC food basket, October 2022 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
	October 2022 vs October 2021	July 2022 vs July 2021*				
Animal protein	+9.0%	+6.3%	<i>Beef offal (+14.7%) Beef mince (+13.3%) Canned pilchards (+10.3%) Chicken giblets (+6.9%) IQF chicken portions (+5.3%)</i>	<i>Polony (+2.6%)</i>	<i>None</i>	<i>Inflation on all listed animal protein food options, except for polony.</i>
Bread & cereals	+9.3%	+9.3%	<i>Brown bread (+23.3%) White bread (+20.5%) Maize meal (+19.4%)</i>	<i>None</i>	<i>Rice (-12.6%)</i>	<i>Inflation on maize meal and bread.</i>
Vegetables	+13.2%	+16.3%	<i>Onions (+44.3%) Cabbage (+22.0%) Tomatoes (+14.7%)</i>	<i>None</i>	<i>Potatoes (-21.1%)</i>	<i>Inflation on onions, tomatoes and cabbage.</i>
Fruit	+7.7%	+6.0%	<i>Apples (+23.2%) Oranges (+13.2%)</i>	<i>None</i>	<i>Bananas (-11.2%)</i>	<i>High inflation on oranges and apples.</i>
Dairy	+10.1%	+5.3%	<i>Milk (+11.9%) Cheddar cheese (+8.3%)</i>	<i>None</i>	<i>None</i>	<i>Inflation on milk, cheese and eggs.</i>
Eggs	+15.0%	+0.6%	<i>Eggs (+15.0%)</i>	<i>None</i>	<i>None</i>	
Fats & oils	+24.9%	+34.6%	<i>Sunflower oil (+33.6%) Brick margarine (+14.3%)</i>	<i>None</i>	<i>None</i>	<i>Inflation on sunflower oil and margarine.</i>
Bean products	+8.3%	+11.5%	<i>Baked beans (+16.0%) Peanut butter (+9.6%)</i>	<i>Dried beans (+3.2%)</i>	<i>None</i>	<i>Inflation on baked beans and peanut butter.</i>
Coffee & tea	+25.5%	+20.4%	<i>Instant coffee (+27.1%) Ceylon/black tea (+23.6%)</i>	<i>None</i>	<i>None</i>	<i>Inflation on coffee and tea.</i>
Sugary foods	+7.0%	+4.5%	<i>White sugar (+7.0%)</i>	<i>None</i>	<i>None</i>	<i>Inflation on sugar.</i>

Sources: BFAP & NAMC calculations, Stats SA, 2022

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

Comparing October 2022 to October 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): onions, sunflower oil, instant coffee, Ceylon/black tea, brown bread, apples, cabbage, white bread, maize meal, tinned baked beans, eggs, tomatoes, beef offal, brick margarine, beef mince, oranges, full cream long life milk, canned pilchards, peanut butter, cheddar cheese, white sugar and chicken giblets. When comparing the inflation rates for October 2022 vs October 2021, with July 2022 vs July 2021 (i.e. the previous Food Price Monitor analysis period) the rate of inflation was higher for animal protein foods, fruit, dairy, eggs, coffee & tea and sugar.

The impact of inflation on very 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 represented by 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 2021 and October 2022. 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 relatively low actual food weight contribution of bread to this 'food plate', the bread component costs more than the maize porridge component (about 36% more in this case for October 2022). 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 2022 versus October 2021 prices, the results in **Figure 7** indicated inflation of 19.5% (from R6.76 to R8.08 for the selection of typical portions), with inflation on tea, maize meal and bread contributing most to inflation. From September 2022 to October 2022 the costs associated with the typical portion sizes of very poor consumers for the five most widely consumed food items in South Africa decreased by 0.1% (-R0.01).

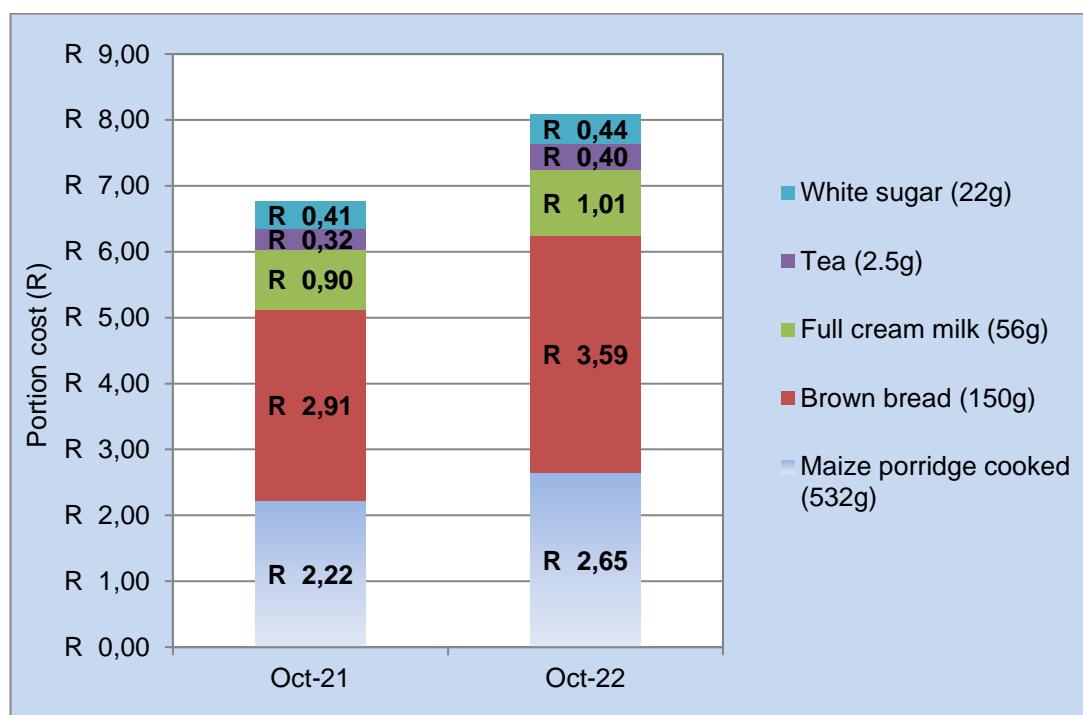


Figure 7: Average nominal cost for the typical portions of the five food items most widely consumed by very poor consumers in South Africa, October 2021 and October 2022

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

⁵ 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

⁶ 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

8. Food inflation drivers and expectations

Year-on-year inflation in food and non-alcoholic beverages in South Africa reached a record high of 12.0% in October 2022, 0.2 percentage points higher than the turning point of food inflation levels observed during the severe 2016/17 drought in South Africa (observed in December 2016). Food inflation in October 2022 was mainly driven by high inflation in cereal-based foods (+19.5% y-o-y), meat (+10.5% y-o-y) and plant oils (+25.7% y-o-y), respectively contributing approximately 3.6, 3.3 and 1.5 percentage points to the 12.0% food inflation figure.

Pressure factors such as a rising fuel cost and intense and ongoing load shedding has an inflationary impact across food categories. Rising commodity prices of maize, wheat, soybeans and sunflower oil also contribute to ongoing inflationary pressure on food – affected by factors such as exchange rate weakening, ongoing geo-political conflicts and adverse weather affecting crop yields and quality in major production regions such as South America and the USA.

Ongoing inflationary pressures in grains and oilseeds have also resulted in cost pressures in meat, particularly beef (e.g. year-on-year inflation on T-bone +18%, mince +13%, brisket and chuck +12% and stewing beef +11%) and chicken (e.g. year-on-year inflation on whole fresh chicken +16%, non-IQF frozen chicken +11% and IQF chicken +5%). Particularly in the case of chicken, global actors such as the continued spread of Avian Influenza in the Northern Hemisphere has also contributed to tight supply and rising price levels.

BFAP expectations are that food inflation could peak in Q1 2023 driven upwards by factors such as the weak exchange rate, persistently high commodity prices, high transportation costs and continued infrastructure related disruptions such as load shedding.

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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