

FOOD PRICE MONITOR

February 2023 Issue



NAMC
Promoting market access for South African agriculture

FOOD PRICE MONITOR

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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 January 2023 CPI data was published on **Wednesday 15 February 2023** (see the link below for the CPI publication):

<https://www.statssa.gov.za/publications/P0141/P0141January2023.pdf>

EXECUTIVE SUMMARY

During January 2023, the Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) indicated that the annual headline CPI had increased by 6.9%, while inflation for food and non-alcoholic beverages increased by 13.4%.

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 131.2 points in January 2023, down 1.1 points (0.8%) from December 2022, marking the 10th consecutive monthly decline. With this latest decline, the index has decreased 28.6 points or 17.9% from the peak it reached in March 2022. The decline in the index in January 2023 was driven by declines in the price indices of vegetable oils, dairy and sugar, while those of cereals and meat remained largely unchanged.

In January 2023, the cost of the 28 item NAMC urban food basket was R1 130.76 as compared to R1 017.24 in January 2022, an 11.2% increase year-on-year, and increased by 1.3% from December 2022 (R1 131.01).

Comparing January 2023 to January 2022 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, apples, maize meal, Ceylon/black tea, white bread, brown bread, instant coffee, sunflower oil, chicken giblets, brick margarine, tinned baked beans, full cream long life milk, canned pilchards, cheddar cheese, beef mince, potatoes, cabbage, peanut butter, IQF chicken portions, polony, eggs, white sugar, dried beans and oranges..

Even though overall (CPI headline) inflation has eased somewhat from 7.8% in July 2022 to 6.9% in January 2023, inflation on food and non-alcoholic beverages has increased steadily from 9.7% in July 2022 to 13.4% in January 2023. During the fourth quarter of 2022 the major contributors to food inflation were cereal-based foods and animal-source foods.

According to BFAP it is expected that food inflation levels in South Africa will persist due to ongoing 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 January 2017 to January 2023. During January 2023, the Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) indicated that the annual headline CPI had increased by 6.9%, while inflation for food and non-alcoholic beverages increased by 13.4%. The headline inflation and the food and non-alcoholic beverage inflation was 7.2% and 12.4% during December 2022, respectively.

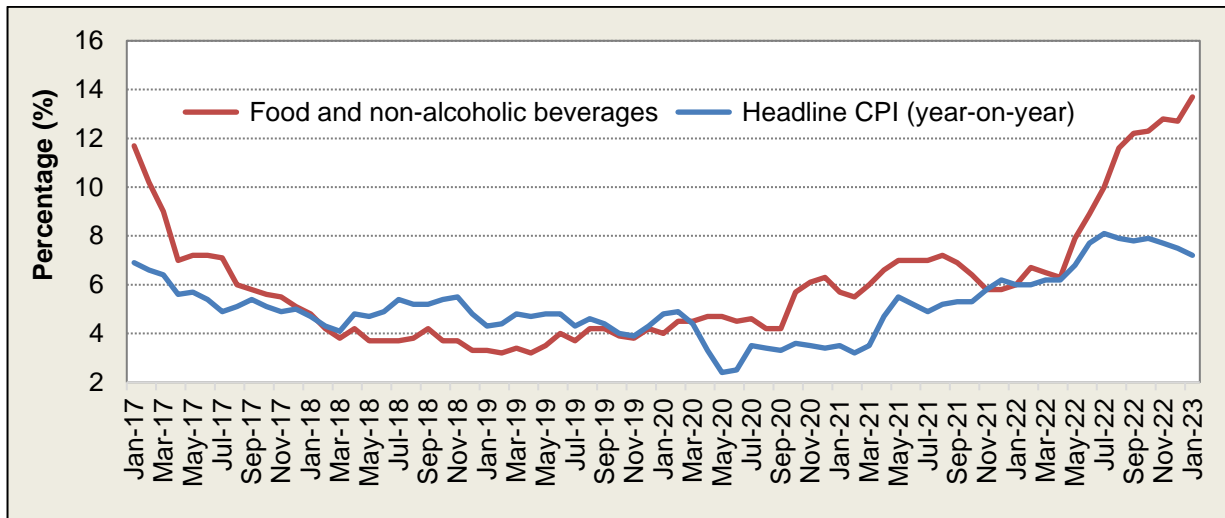


Figure 1: Headline CPI and food and non-alcoholic beverage CPI

Source: Stats SA, 2023

Figure 2 presents the components of the food and non-alcoholic beverage index changes. Comparing January 2023 to January 2022, the following changes, in descending order, were reported: bread & cereals (21.8%), oils & fats (18.5%), processed foods (16.2%), vegetables (14.3%), other food items (13.4%), fish (13.0%), unprocessed foods (11.4%), meat (11.2%), milk, eggs & cheese (10.9%), sugary foods (9.3%) and fruit (3.6%).

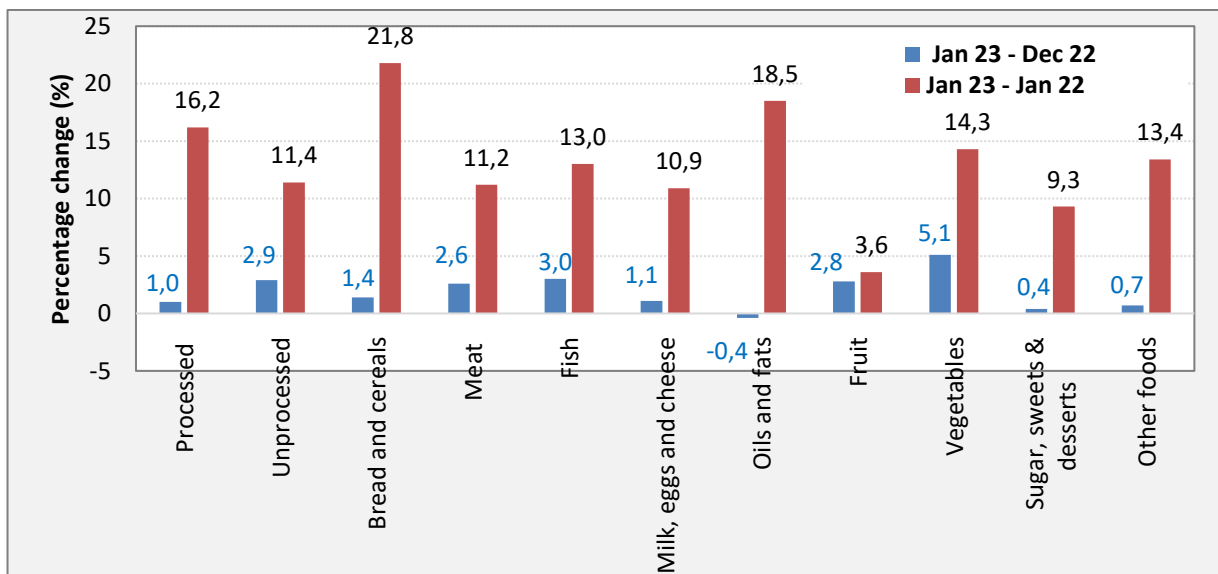


Figure 2: Annual (January 2023 vs. January 2022) and monthly (January 2023 vs. December 2022) CPI changes for different food categories

Source: Stats SA, 2023

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 November 2022 to January 2023 for South Africa and other selected countries. South Africa's overall inflation for January 2023 reached 6.9% with food inflation reaching 13.4%. The food categories with the largest annual contribution to South African food inflation include bread & cereals, fats & oils and processed food categories. Turkey's overall inflation rate for January 2023 reached 57.7%, with food inflation reaching 71%. China's overall inflation rate was 2.1%, with food inflation of 6.2%. Considering inflation rates of Brazil, Russia, India, China and South Africa (BRICS) countries, China recorded the lowest overall inflation of 2.1%, while South Africa was the main contributor to food inflation at 13.4% as the BRICS countries.

Table 1: Overall inflation and food inflation during November 2022 to January 2023

Country	November 2022		December 2022		January 2023	
	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)
Botswana	12.2	16.3	12.4	16.9	9.3	17.2
Brazil	5.9	11.8	5.8	11.6	5.8	11.1
China	1.6	3.7	1.8	4.8	2.1	6.2
India	5.9	4.7	5.7	4.2	6.5	5.9
Namibia	7.0	9.4	6.9	11.8	7.0	NA
Russia	12.0	11.1	11.9	10.3	11.8	10.2
South Africa	7.4	12.5	7.2	12.7	6.9	13.4
Turkey	84.4	103	64.3	77.9	57.7	71.0
United Kingdom	10.7	16.4	10.5	16.8	10.1	16.7
United States	7.1	10.6	6.5	10.4	6.4	10.1
Zambia	9.8	12.1	9.9	11.9	9.4	11.6

Sources: Central banks and statistics reporting institutions of these countries, 2023

3. Annual urban food price trends: January 2023 vs. January 2022

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 2023 vs. January 2022)

Grain and oil products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Rice 2kg	-8.9	Lamb/Mutton leg per kg	-18.5	Bananas per kg	-2.7
Rice 1kg	-4.4	Beef offal per kg	-17.7	Tomatoes per kg	3.8
Margarine spread 500g	5.7	Lamb/Mutton loin chop per kg	1.6	Oranges per kg	6.2
Peanut butter 400g	10.1	Whole chicken - fresh per kg	2.7	Beans - dried 500g	6.6
Spaghetti 500g	11.3	Eggs 1.5 dozen	7.4	Lettuce each	10.5
Brick margarine 500g	16.4	Polony 1kg	7.6	Cabbage each	11.2
Macaroni 500g	18.0	Powdered milk 900g	8.3	Potatoes - fresh per kg	11.3

Grain and oil products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Sunflower oil 750ml	19.8	Lamb/Mutton stew per kg	8.9	Baked beans - tinned 410g	15.8
Instant noodles 73g	20.0	Beef stew per kg	9.4	Apples per kg	29.8
Loaf of brown bread 700g	20.3	IQF chicken portions 2kg	9.4	Onions per kg	51.9
Loaf of white bread 700g	20.6	Chicken portions - fresh per kg	9.8		
Pasta 500g	21.1	Sausage per kg	10.9		
Maize meal 5kg	26.5	Beef chuck per kg	11.2	Other	%
Samp 1kg	29.7	Beef mince per kg	11.7	White sugar 2.5kg	7.4
Cake flour 2.5kg	30.1	Tuna - tinned 170g	11.8	Instant coffee 250g	20.2
Maize meal 2.5kg	37.3	Chicken portions frozen - non IQF per kg	12.2	Ceylon/black tea 250g	24.4
		Low fat milk - long life 1l	12.7		
		Cheddar cheese per kg	13.2		
		Pork ribs per kg	13.3		
		Beef brisket per kg	13.3		
		Full cream milk - fresh 2l	13.7		
		Beef T-bone per kg	13.7		
		Fish (excl tuna) - tinned 400g	14.4		
		Lamb/Mutton offal per kg	14.9		
		Lamb/Mutton rib chop per kg	15.5		
		Beef rump steak per kg	15.6		
		Low fat milk - fresh 2l	15.7		
		Full cream milk - long life 1l	15.8		
		Chicken giblets per kg	16.4		
		Bacon 200g	17.3		
		Pork fillet per kg	17.5		
		Corned beef 300g	18.2		
		Lamb/Mutton neck per kg	23.0		
		Pork chops per kg	28.8		
		Ham 500g	32.9		
		Beef sirloin per kg	40.0		
		Beef fillet per kg	46.8		

Source: Stats SA, 2023

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 2023 vs. January 2022

Comparing January 2023 vs. January 2022, the international price of wheat increased by 1.7%, while domestic wheat prices increased by 10.8%. Urban consumers paid 20.3% more for a loaf of brown bread (700g) and 20.6% more for a loaf of white bread (700g). Domestic yellow maize prices increased by 22.5%, while international yellow maize prices increased by 9.5%. Maize meal prices (2.5kg) increased by 37.3% in urban areas. During the same period, the urban prices of sunflower oil (750ml) increased by 19.8%. Domestic prices of sunflower seed increased by 7.5% annually, while international sunflower seed prices decreased by 15.4%.

Comparing January 2023 vs. January 2022, average beef producer prices (R/kg) of classes C2/C3, A2/A3 and B2/B3 increased by 11.0%, 5.2% and 4.0%, respectively. Lamb/mutton producer prices (R/kg) of classes, A2/A3 increased by 2.9% but B2/B3 and C2/C3 decreased by 5.0% and 6.0%, respectively. Abattoir selling prices of frozen, individually quick frozen (IQF) chicken portions and fresh chicken portions increased by 17.0%, 15.7% and 11.5%, respectively. Porker and baconer producer prices (R/kg) increased by 36.1% and 33.7%, respectively, during the same period.

4. Monthly urban price comparison: January 2023 vs. December 2022

Table 3 compares prices of selected food items in urban areas for January 2023 vs. December 2022. Food items showing the largest price differences in urban areas for January 2023 vs. December 2022 are maize meal (2.5kg) at a difference of R1.41, bananas (per kg) at a difference of R0.51, a loaf of brown bread (700g) at a difference of R0.22, and full cream long life milk (1ℓ) at a difference of R0.21, peanut butter (400g) at a difference of R0.18, Ceylon/black tea (250g) at a difference of R0.13 and a loaf of white bread (700g) at a difference of R0.04. The following products showed a decline in prices; sunflower oil (750ml) at a difference of –R1.44, rice (2kg) at a difference of -R0.64, white sugar (2.5kg) at a difference of -R0.48 and margarine spread (500g) at a difference of -R0.14. This indicates that urban consumers paid on average the same for these 11 food items during January 2023 compared to December 2022.

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

Product	Urban Food Prices December 2022 (R/unit)	Urban Food Prices January 2023 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	17.96	18.17	0.21
A loaf of brown bread 700g	16.61	16.83	0.22
A loaf of white bread 700g	18.62	18.66	0.04
Bananas per kg	16.98	17.49	0.51
Maize meal 2.5 kg	35.19	36.60	1.41
Margarine spread 500g	36.87	36.73	-0.14
Peanut butter 400g	37.95	38.13	0.18
Rice 2kg	35.82	35.18	-0.64
Sunflower oil 750mℓ	38.71	37.27	-1.44
Ceylon/black tea 250g	40.46	40.59	0.13
White sugar 2.5kg	50.27	49.79	-0.48
Average difference (R/unit)			-

Source: Stats SA, 2023

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

Stats SA reconvened the monitoring of food prices in rural areas after it was suspended in April 2020 due to Covid-19 regulations. Data collection has since resumed but data is only available for seven months and thus annual comparison is not possible for rural prices.

The comparison of the cost of selected food items in urban vs rural areas in January 2023 is provided in **Table 4**. In January 2023, the food items with the highest price discrepancies between urban and rural areas were: maize meal at a price difference of R5.71, bananas at a price difference of R1.20, a loaf of white bread at R1.01, peanut butter at R0.92 difference, a loaf of brown bread at R0.67, Ceylon/black tea at a price difference of R0.47 and rice at a price difference of R0.04. This shows that, on average, urban consumers spent R0.28 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 white sugar, sunflower oil, margarine spread and full cream long life milk.

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

Product	Urban Food Prices January 2023 (R/unit)	Rural Food Prices January 2023 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	18.17	18.51	-0.34
A loaf of brown bread 700g	16.83	16.16	0.67
A loaf of white bread 700g	18.66	17.65	1.01
Bananas per kg	17.49	16.29	1.20
Maize meal 2.5 kg	36.60	30.89	5.71
Margarine spread 500g	36.73	37.74	-1.01
Peanut butter 400g	38.13	37.21	0.92
Rice 2kg	35.18	35.14	0.04
Sunflower oil 750mℓ	37.27	39.89	-2.62
Ceylon/black tea 250g	40.59	40.12	0.47
White sugar 2.5kg	49.79	52.73	-2.94
Average difference (R/unit)			0.28

Source: Stats SA, 2023

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 January 2023 reaching an index level of 126.1 points, down 4.9% from January 2022.

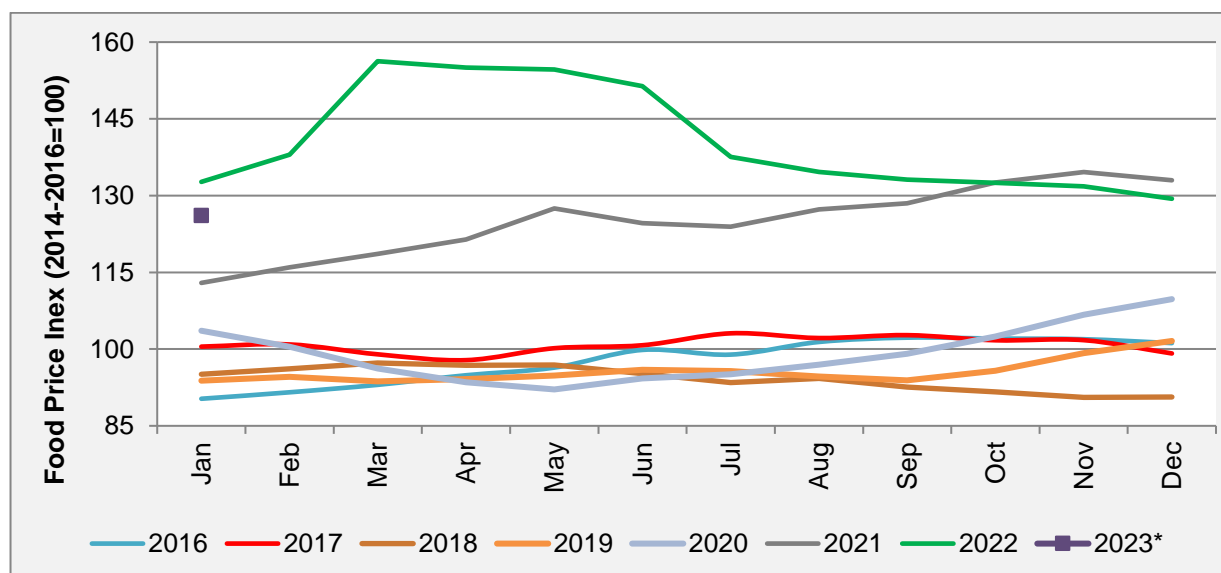


Figure 3: International monthly real FPI

Source: FAO, 2023

*Note: Current year

Figure 4 shows the price indices in *real terms* for five food categories. The monthly (January 2023 vs. December 2022) growth percentages indicate decreasing trends for all of the five indices. The annual

(January 2023 vs. January 2022) growth percentages indicate an increase of 3.0% for the Cereals Price Index, 1.1% for the Sugar Price Index and 0.9% for the Dairy Price Index. The Oils Price Index and the Meat Price Index decreased by 25.8% and 0.4%, respectively.

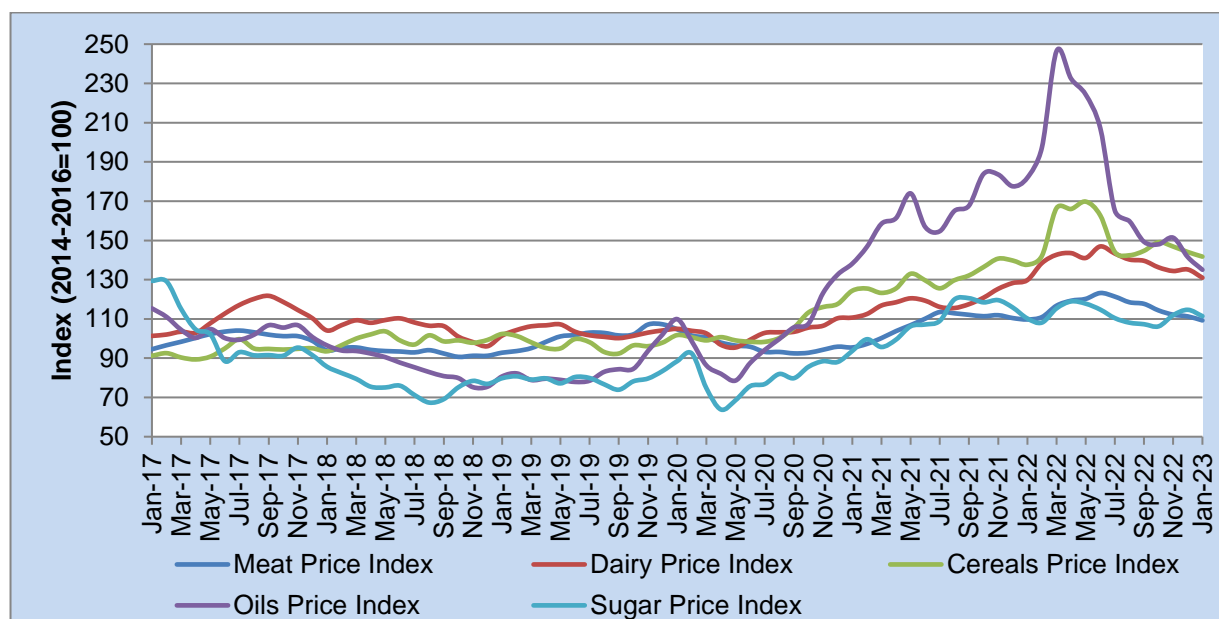


Figure 4: Real price indices for five food categories

Source: FAO, 2023

The **FAO Food Price Index (FFPI)**¹ in *nominal terms*, averaged 131.2 points in January 2023, down 1.1 points (0.8%) from December 2022, marking the 10th consecutive monthly decline. With this latest decline, the index has decreased 28.6 points or 17.9% from the peak it reached in March 2022. The decline in the index in January 2023 was driven by declines in the price indices of vegetable oils, dairy and sugar, while those of cereals and meat remained largely unchanged.

The **FAO Cereal Price Index** in *nominal terms*, averaged 147.4 points in January 2023, up fractionally (0.1%) from December 2022 and 6.7 points or 4.8% above its level one year ago. Among the major cereals, world prices of rice and maize rose, while those of barley and wheat declined in January 2023. International rice prices increased by 6.2% month-on-month, influenced by tighter availabilities, a strong local demand in some Asian exporting countries and exchange rate movements. World maize prices also increased, albeit marginally by 0.5%, mostly influenced by a strong demand for exports from Brazil and concerns over dry conditions in Argentina, offsetting a downward trend in US export prices amidst slow sales. Among other coarse grains, world prices of sorghum increased slightly (0.9%), mainly influenced by the strength in maize markets and lower production in the United States of America, the top global exporter, while the decline in barley prices (1.0%) reflected extend from the global wheat market. Meanwhile, international wheat prices declined for a third consecutive month in January 2023, by 2.5%, as global supplies increased with larger than previously estimated production in Australia and the Russian Federation.

The **FAO Vegetable Oil Price Index** in *nominal terms*, averaged 140.4 points in January 2023, down 4.2 points or 2.9% month-on-month and standing nearly 25% below its level a year ago. The decrease reflected lower world prices of palm, soy, sunflower seed and rapeseed oils. In January 2023,

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.

international palm oil prices declined for the second consecutive month, largely weighed by subdued global import demand, as major importers replenished their stocks during the past few months. World soya oil quotations also declined moderately, linked to slow import demand due to uncompetitive prices compared with those of other vegetable oils, as well as improved weather conditions in Argentina lately, raising production prospects. In the case of sunflower and rapeseed oils, international prices declined due to ample global export supplies.

The **FAO Dairy Price Index** in *nominal terms*, averaged 136.2 points in January 2023, down 2.0 points or 1.4% from December 2022, reaching its lowest level in 12 months. The decline in January 2023 reflected lower international prices of butter and milk powders. World butter prices declined for the seventh consecutive month, underpinned by subdued import demand for long-term supplies at prevailing prices, stemming from market expectations for prices to decline further and increased supplies from Oceania. Meanwhile, international whole milk powder prices declined on lower demand from leading importers and increased supplies from New Zealand, despite seasonally declining milk output. Skim milk powder prices also declined, mainly due to a slow global demand. By contrast, world cheese prices increased slightly, driven by a recovery in food services and retail sales in Western Europe, following the new-year holidays, and currency movements.

The **FAO Meat Price Index**² in *nominal terms*, averaged 113.6 points in January 2023, down marginally by 0.1 points or 0.1% from December 2022, continuing the decline for the seventh consecutive month, but it is still 1.5 points (1.3%) above its year-earlier level. Lower world prices of poultry, bovine and pig meats underpinned the decline in the index in January 2023. World poultry meat prices declined further as global export availabilities from leading suppliers continued to exceed import demand, despite widespread avian influenza outbreaks. Meanwhile, pig meat prices declined slightly due to ample supplies of slaughter-ready pigs, especially in Brazil and the United States of America, and lower-than-expected imports by China ahead of the Spring Festival. Similarly, international bovine meat prices declined, with increased supplies of slaughter-ready cattle, mainly in Oceania. By contrast, ovine meat prices rose on higher import demand, notwithstanding increased slaughter volumes in Australia.

The **FAO Sugar Price Index** in *nominal terms*, averaged 115.8 points in January 2023, down 1.3 points or 1.1% from December 2022, marking the first decline after sharp increases registered in the previous two months. The January 2023 decline in international sugar price quotations was mainly triggered by the good harvest progress in Thailand and favourable weather conditions benefiting sugarcane crop development in key growing areas of Brazil. Concerns over lower crop yields in India, which could affect export availabilities, contained more substantial sugar price declines. Also, the hike in fuel prices in Brazil, which supported demand for ethanol, and the strengthening of the Brazilian real against the United States dollar contributed to limiting the downward pressure on world sugar prices.

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

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).

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 January 2022 to January 2023.

In January 2023, the cost of the 28 item NAMC urban food basket was R1 130.76 as compared to R1 017.24 in January 2022, an 11.2% increase year-on-year, and increased by 1.3% from December 2022 (R1 131.01). The cost of this food basket expressed as a share of the average monthly income of the poorest 30% of the population increased from 68.4% in January 2022 to 76.0% in January 2023. 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 January 2022 to 4.0% in January 2023. (Figure 5).

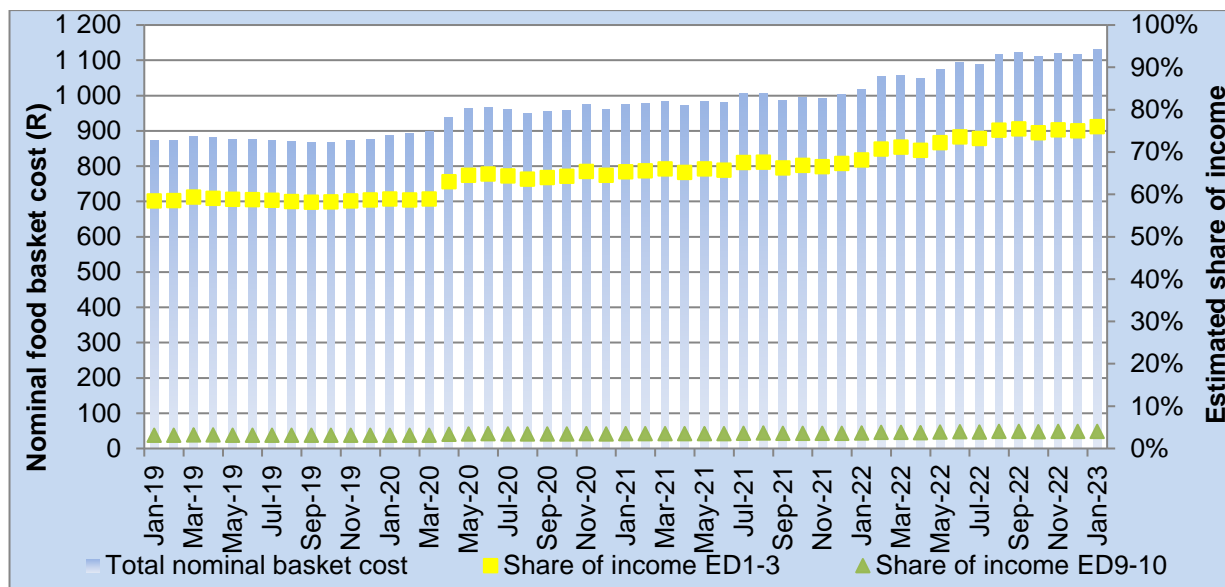


Figure 5: The cost of a typical consumer food basket for the period January 2013 to January 2023, expressed in nominal terms and as share of the average income of the poorest 30% of households (Expenditure Deciles [ED] 1 to 3) and the wealthiest 20% of households (ED 9 to 10)

Sources: BFAP calculations, based on Stats SA monitored price data for urban areas, 2023

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 January 2023 to January 2022. Food groups with higher inflation included coffee & tea, fats & oils, vegetables, bread & cereals, dairy & eggs, fruit and legumes.

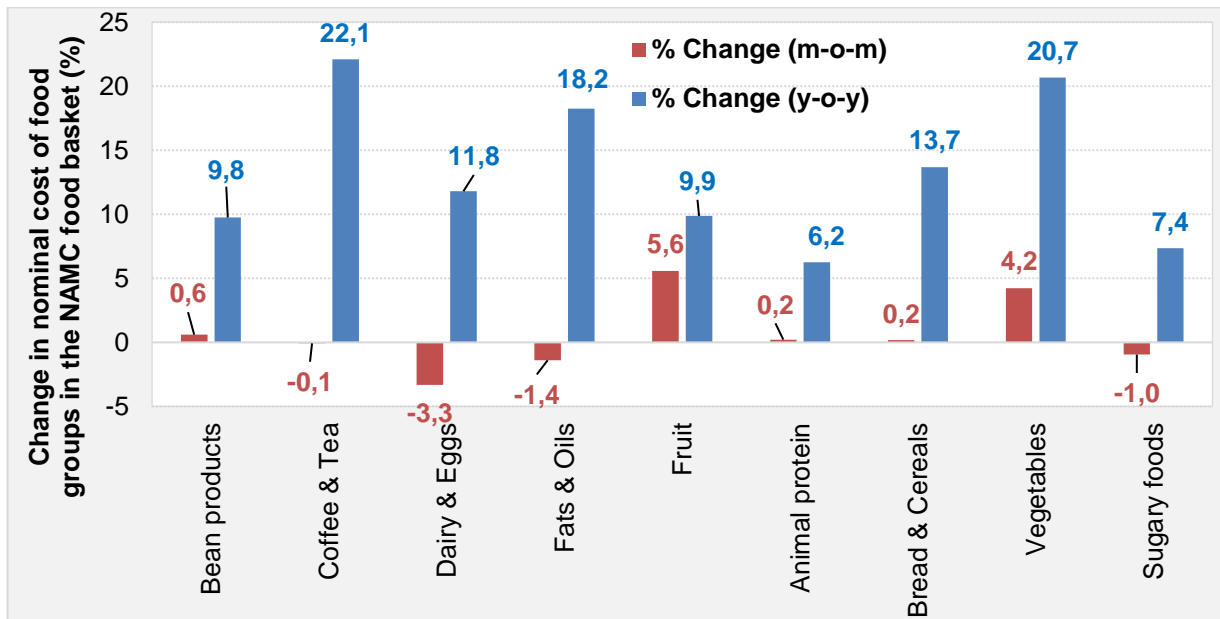


Figure 6: Nominal cost growth of specific food groups within the NAMC’s 28-item food basket, comparing January 2023 to January 2022 (y-o-y) and January 2023 to December 2022 (m-o-m)

Sources: BFAP calculations, based on Stats SA monitored price data for urban areas, 2023

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, January 2023 vs. January 2022

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
	January 2023 vs January 2022	October 2022 vs October 2021*				
Animal protein	6.2%	+9.0%	<i>Chicken giblets (+16.4%) Canned pilchards (14.4%) Beef mince (+11.7%) IQF chicken portions (+9.4%) Polony (+7.6%)</i>	<i>None</i>	<i>Beef offal (-17.7%)</i>	<i>Inflation on all listed animal protein food options, except for beef offal.</i>
Bread & cereals	13.7%	+9.3%	<i>Maize meal (+26.5%) White bread (+20.6%) Brown bread (+20.3%)</i>	<i>None</i>	<i>Rice (-8.9%)</i>	<i>Inflation on maize meal and bread.</i>
Vegetables	17.4%	+13.2%	<i>Onions (+51.9%) Potatoes (+11.3%) Cabbage (+11.2%)</i>	<i>Tomatoes (+3.8%)</i>	<i>None</i>	<i>Inflation on onions, potatoes and cabbage.</i>
Fruit	9.9%	+7.7%	<i>Apples (+29.8%) Oranges (+6.2%)</i>	<i>None</i>	<i>Bananas (-2.7%)</i>	<i>High inflation on apples and oranges.</i>
Dairy	13.6%	+10.1%	<i>Milk (+15.8%) Cheddar cheese (+13.2%)</i>	<i>None</i>	<i>None</i>	<i>Inflation on milk, cheese and eggs.</i>
Eggs	7.4%	+15.0%	<i>Eggs (+7.4%)</i>	<i>None</i>	<i>None</i>	
Fats & oils	18.2%	+24.9%	<i>Sunflower oil (+19.8%) Brick margarine (+16.4%)</i>	<i>None</i>	<i>None</i>	<i>Inflation on sunflower oil and margarine.</i>
Bean products	9.8%	+8.3%	<i>Baked beans (+15.8%) Peanut butter (+10.1%) Dried beans (+6.6%)</i>	<i>None</i>	<i>None</i>	<i>Inflation on baked beans and peanut butter.</i>
Coffee & tea	22.1%	+25.5%	<i>Ceylon/black tea (+24.4%) Instant coffee (+20.2%)</i>	<i>None</i>	<i>None</i>	<i>Inflation on tea and coffee.</i>
Sugary foods	7.4%	+7.0%	<i>White sugar (+7.4%)</i>	<i>None</i>	<i>None</i>	<i>Inflation on sugar.</i>

Sources: BFAP & NAMC calculations, Stats SA, 2023

*Note: Previous Food Price Monitor analysis period prior to January 2023 vs. January 2022

Comparing January 2022 to January 2023 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, apples, maize meal, Ceylon/black tea, white bread, brown bread, instant coffee, sunflower oil, chicken giblets, brick margarine, tinned baked beans, full cream long life milk, canned pilchards, cheddar cheese, beef mince, potatoes, cabbage, peanut butter, IQF chicken portions, polony, eggs, white sugar, dried beans and oranges. When comparing food group inflation rates for January 2022/January 2023 with October 2021/October 2022 (i.e. the previous Food Price Monitor analysis period) the rate of inflation was higher for bread & cereals, vegetables, dairy, legumes and fruit. From October 2022 to January 2023 food group inflation decreased for oils & fats and animal protein.

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, 2000⁴; Oldewage-Theron et al, 2005⁵). **Figure 7** illustrates the estimated portion costs for these foods, calculated from monthly food price data for January 2022 and January 2023. In January 2023 the largest cost contribution came from brown bread (43%) and maize meal (34%), followed by milk (13%), tea and sugar (5% each).

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 28% more in this case for January 2023). 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 January 2023 versus January 2022 prices the results in **Figure 7** indicated inflation of 21.2% (from R6.87 to R8.32 for the selection of typical portions), with inflation on tea, maize meal and bread contributing most to inflation. From December 2022 to January 2023 the costs associated with the typical portion sizes of very poor consumers for the five most widely consumed food items in South Africa increased by 9.4% (+R0.72).

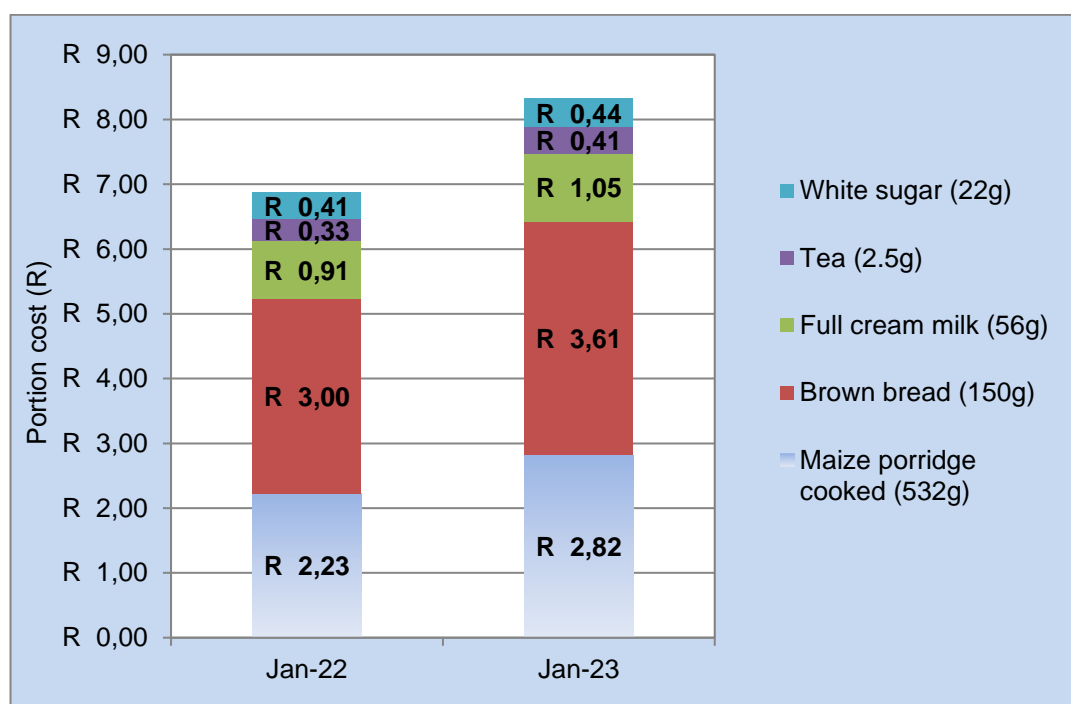


Figure 7: Average nominal cost for the typical portions of the five food items most widely consumed by very poor consumers in South Africa, January 2022 and January 2023

Sources: BFAP calculations based on Stats SA monitored price data for urban areas, 2023

⁴ 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

⁵ 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

Even though overall (CPI headline) inflation has eased somewhat from 7.8% in July 2022 to 6.9% in January 2023, inflation on food and non-alcoholic beverages has been increasing steadily from 9.7% in July 2022 to 13.4% in January 2023. During the fourth quarter of 2022 the major contributors to food inflation were cereal-based foods and animal-source foods.

At a global level several supply shocks in various agricultural commodity and livestock markets around the globe contribute to rising food prices, filtering through to the South African food market. Prominent shocks include hot and dry conditions in key production areas, geopolitical unrest, supply chain disruptions and animal diseases.

Rising prices of cereal-based foods in January 2023 are largely attributed to the lagged impact of higher prices of imported grains due to a weakening of the exchange rate in September and October 2022. Continued severe load shedding and resulting costs could however offset the marginally softer agricultural commodity prices going forward.

Upward pressure on poultry prices is mainly attributed to the severe outbreak of Highly Pathogenic Avian Influenza (HPAI) in Europe, North America and some South American countries (e.g. Argentina), combined with supply-side impacts linked to the Russia-Ukraine war. In South Africa, modest global price declines caused by weaker consumer demand is offset by the weaker exchange rate, as well as high input costs.

Lower fruit retail prices are mainly attributed to higher fruit volumes entering the local market given challenging export conditions. However, upward vegetable inflation is driven by supply-side challenges (e.g. weather and reduced production linked to high input costs) combined with higher demand for more affordable vegetables in challenging economic times.

It is expected that food inflation levels in South Africa will persist due to ongoing 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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