

# FOOD PRICE MONITOR

August 2023 Issue



**NAMC**

Promoting market access for South African agriculture

# FOOD PRICE MONITOR

## August 2023

### Important note

Stats SA will update the Consumer Price Index (CPI) basket of goods and services and respective weights in the January 2025 CPI release. This update will mainly be based on the results of the income and expenditure survey for which fieldwork began in November 2022. The Jul 2023 CPI data was published on **Wednesday 23 August 2023** (see the link below for the CPI publication):

<https://www.statssa.gov.za/publications/P0141/P0141July2023.pdf>

### EXECUTIVE SUMMARY

During July 2023, the Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) indicates that the annual headline CPI increased by 4.7%, while inflation for food and non-alcoholic beverages increased by 9.9%.

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 123.9 points in July 2023, higher by 1.5 points (1.3%) from June 2023 but remaining 16.6 points (11.8%) below its value in the corresponding month last year. The FFPI's rebound in July 2023 was led by a solid rise in the vegetable oils price index, partially offset by a significant decline in the sugar price index, together with small decreases in the price indices for cereals, dairy, and meat.

In July 2023, the cost of the 28-item NAMC urban food basket was R1 189.33 as compared to R1 088.30 in July 2022, equivalent to a 9.3% increase on a year-on-year basis, and an increase by 0.8% from June 2023 (R1 179.99).

Comparing July 2023 to July 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, potatoes, Ceylon/black tea, white sugar, chicken gIBLETS, cheddar cheese, instant coffee, polony, apples, full cream long life milk, maize meal, cabbage, canned pilchards, peanut butter, bananas, beef mince, brown bread, baked beans and tomatoes.

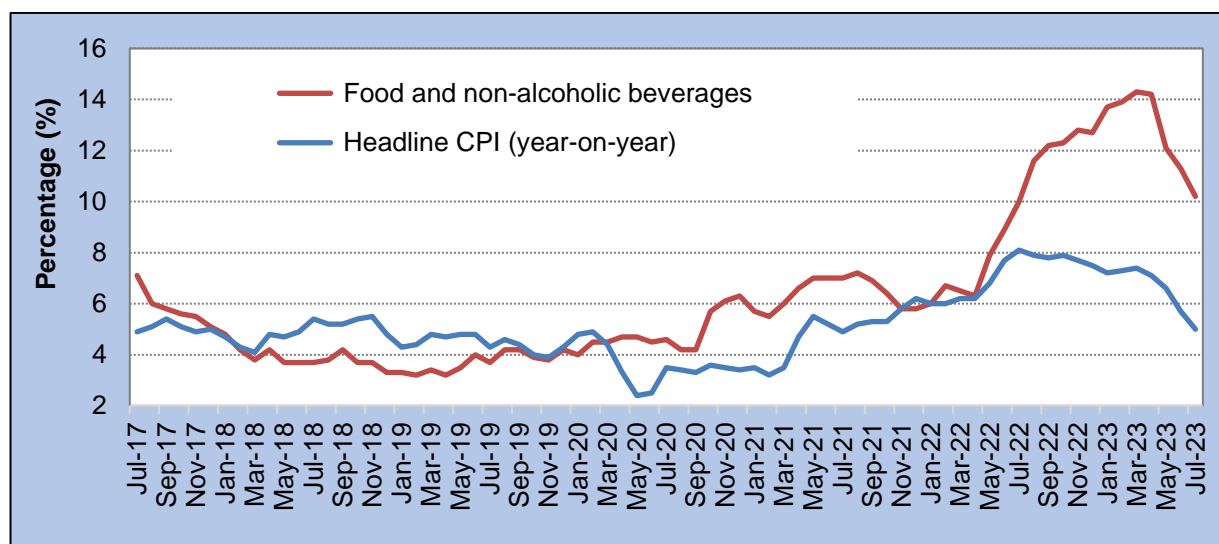
In the coming months, food inflation will remain sensitive due to 1) global price dynamics, 2) weather conditions in major producing countries will also be critical, particularly with more volumes expected from other major exporters given the decline from the Black Sea region, and 3) exchange rate fluctuations- the volatility and general weakening in the Rand against major foreign currencies over the first half of the year.

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# 1. Introduction

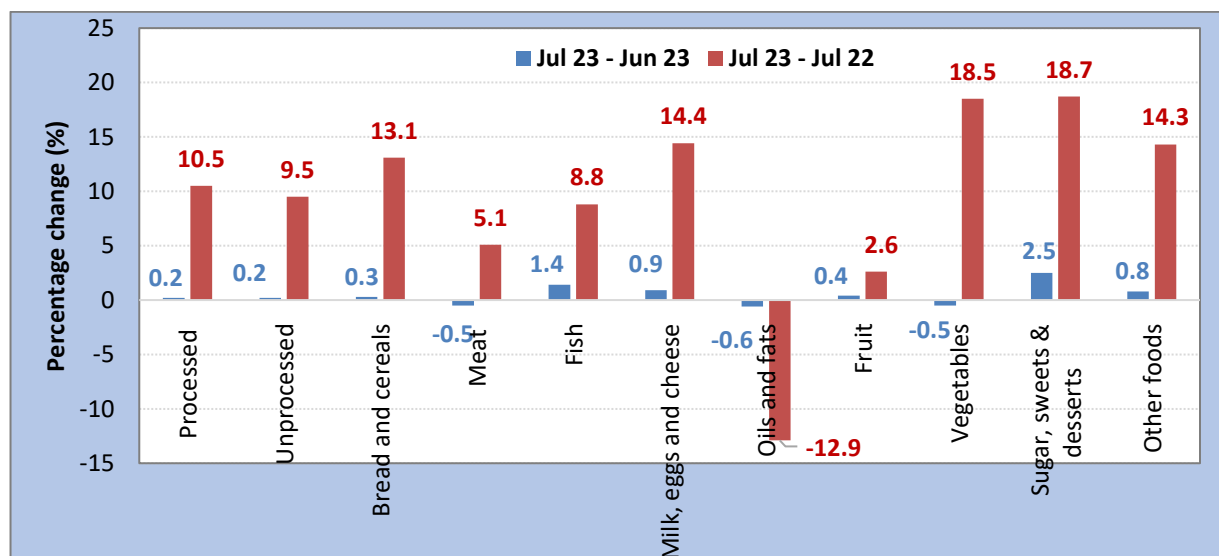
**Figure 1** shows trends of the headline CPI and food and non-alcoholic beverage inflation rate on a monthly basis, from July 2017 to July 2023. During July 2023, the Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) indicates that the annual headline CPI increased by 4.7%, while inflation for food and non-alcoholic beverages increased by 9.9%. The headline inflation and the food and non-alcoholic beverage inflation was 5.4% and 11.0% during June 2023, respectively.



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

Source: Stats SA, 2023

**Figure 2** presents components of the food and non-alcoholic beverage index changes. Comparing July 2023 with July 2022, the following changes, in descending order, were reported: sugary foods (18.7%), vegetables (18.5%), milk, eggs & cheese (14.4%), other food items (14.3%), bread & cereals (13.1%), processed foods (10.5%), unprocessed foods (9.5%), fish (8.8%), meat (5.1%), fruit (2.6%) and oils & fats (-12.9%). Comparing July 2023 with June 2023, the following changes, in descending order, were reported: sugary foods (2.5%), fish (1.4%), milk, eggs & cheese (0.9%), other food items (0.8%), fruit (0.4%), bread & cereals (0.3%), processed foods (0.2%), unprocessed foods (0.2%), vegetables (-0.5%), meat (-0.5%) and oils & fats (-0.6%).



**Figure 2: Annual (July 2023 vs. July 2022) and monthly (July 2023 vs. June 2023) changes in CPI for the different food categories**

Source: Stats SA, 2023



## 2. Overall inflation and food inflation: South Africa and selected countries

**Table 1** shows the year-on-year (y-o-y) overall inflation and food inflation rates from May 2023 to July 2023 for South Africa and other selected countries. South Africa's overall inflation for July 2023 reached 4.7% while food inflation reached 9.9%. Food categories with the largest annual contribution to South Africa's food inflation include sugary foods, vegetables, milk, eggs & cheese, other foods and bread & cereals categories. Turkey's overall inflation rate for July 2023 reached 47.8%, with food inflation reaching 60.7%. China's overall inflation rate was -0.3%, with food inflation of -1.7%. Considering inflation rates of Brazil, Russia, India, China and South Africa (BRICS) countries, China recorded the lowest overall inflation of -0.3%, while India registered the highest food inflation rate at 11.5% in July 2023.

**Table 1: Overall inflation and food inflation from May 2023 to July 2023**

Country	May 2023		June 2023		July 2023	
	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)	Overall inflation (%)	Food inflation (%)
Botswana	5.7	14.3	4.6	12.9	1.5	10.7
Brazil	3.9	5.5	3.2	4.0	4.0	2.2
China	0.2	1.0	0.0	2.3	-0.3	-1.7
India	4.3	2.9	4.9	4.5	7.4	11.5
Namibia	6.3	12.5	5.3	11.7	4.5	10.5
Russia	2.5	-1.0	3.3	0.2	4.3	2.2
South Africa	6.3	11.8	5.4	11.0	4.7	9.9
Turkey	39.6	52.5	38.2	53.9	47.8	60.7
United Kingdom	8.7	18.3	7.9	17.3	6.8	14.8
United States	4.0	6.7	3.0	5.7	3.2	4.9
Zambia	9.9	11.6	9.8	11.2	10.3	12.1

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

In general, Turkey registered the highest and increasing trend of inflation amongst all the countries considered in this section between May and July 2023 while the trend for South Africa is declining.

## 3. Annual urban food price trends: July 2023 vs. July 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 (July 2023 vs. July 2022)**

Grain and oil products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Sunflower oil 750ml	-22.7	Eggs 1.5 dozen	-10.0	Oranges per kg	-9.6
Rice 2kg	-3.3	Beef stew per kg	-6.4	Lettuce each	-4.1
Pasta 500g	-1.7	Beef chuck per kg	-4.0	Beans - dried 500g	-1.6
Rice 1kg	-0.8	Beef brisket per kg	-3.6	Tomatoes per kg	6.0
Spaghetti 500g	3.6	Lamb/Mutton stew per kg	-3.3	Baked beans - tinned 410g	7.4
Brick margarine 500g	4.2	Lamb/Mutton leg per kg	-3.1	Bananas per kg	8.6
Loaf of white bread 700g	5.2	Beef T-bone per kg	-2.6	Cabbage each	10.5
Macaroni 500g	7.4	Lamb/Mutton neck per kg	0.0	Apples per kg	14.1

Grain and oil products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Loaf of brown bread 700g	7.8	Beef rump steak per kg	0.6	Potatoes - fresh per kg	33.6
Peanut butter 400g	8.9	Sausage per kg	0.8	Onions per kg	64.7
Cake flour 2.5kg	12.5	Pork chops per kg	1.3		
Maize meal 5kg	13.1	Lamb/Mutton loin chop per kg	1.4		
Maize meal 2.5kg	15.1	Beef offal per kg	3.1	<b>Other</b>	<b>%</b>
Margarine spread 500g	18.6	Lamb/Mutton rib chop per kg	3.8	Instant coffee 250g	15.1
Instant noodles 73g	23.9	IQF chicken portions 2kg	4.6	White sugar 2.5kg	25.8
Samp 1kg	24.2	Powdered milk 900g	5.0	Ceylon/black tea 250g	30.7
		Lamb/Mutton offal per kg	5.6		
		Beef sirloin per kg	5.7		
		Pork ribs per kg	7.0		
		Tuna - tinned 170g	7.2		
		Beef mince per kg	7.8		
		Ham 500g	8.8		
		Whole chicken - fresh per kg	9.7		
		Pork fillet per kg	9.9		
		Chicken portions frozen - non IQF per kg	9.9		
		Fish (excl tuna) - tinned 400g	10.2		
		Full cream milk - fresh 2l	10.7		
		Bacon 200g	10.7		
		Low fat milk - long life 1l	11.6		
		Chicken portions - fresh per kg	12.7		
		Full cream milk - long life 1l	13.9		
		Polony 1kg	14.2		
		Beef fillet per kg	15.6		
		Cheddar cheese per kg	16.4		
		Low fat milk - fresh 2l	17.9		
		Chicken giblets per kg	18.0		
		Corned beef 300g	18.6		

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: July 2023 against July 2022***

Comparing July 2023 against July 2022, the international price of wheat decreased by 9.7%, while domestic wheat prices decreased by 10.2%. Urban consumers paid 7.8% more for a loaf of brown bread (700g) and 5.2% more for a loaf of white bread (700g). Domestic yellow maize prices decreased by 13.9%, while international yellow maize prices decreased by 25.0%. Maize meal prices (2.5kg) increased by 15.1% in urban areas. During the same period, the urban prices of sunflower oil (750ml) decreased by 22.7%. Domestic prices of sunflower seed decreased by 11.3% annually, while international sunflower seed prices decreased by 23.5%.

Comparing July 2023 vs. July 2022, average beef producer prices (R/kg) of classes A2/A3, B2/B3 and C2/C3 decreased by 15.8%, 12.1% and 3.9%, respectively. Lamb/mutton producer prices (R/kg) of classes B2/B3, C2/C3 and A2/A3 decreased by 20.3%, 15.8% and 14.2%, respectively. Abattoir selling prices of frozen, individually quick frozen (IQF) chicken portions and fresh chicken portions increased by 10.9%, 9.4% and 8.1%, respectively. Pork and baconer producer prices (R/kg) increased by 9.9% and 9.3%, respectively, during the same period. Thus, the above-mentioned general changes generally influenced the observed changes in the specific livestock-derived products reported in **Table 2**.

## 4. Monthly urban price comparison: July 2023 vs. June 2023

**Table 3** compares prices of selected food items in urban areas for July 2023 and June 2023. Food items showing the largest monthly price differences are Ceylon/black tea (250g) at a difference of R3.90, white sugar (2.5kg) at a difference of R2.81, rice (2kg) at a difference of R1.29, margarine spread (500g) at a difference of R0.82, full cream long life milk (1ℓ) at a difference of R0.49 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 -R0.51, bananas (per kg) at a difference of -R0.46, maize meal (2.5kg) at a difference of -R0.39, peanut butter (400g) at a difference of -R0.05 and a loaf of brown bread (700g) at a difference of -R0.02. This indicates that urban consumers paid on average R0.72 more for these 11 food items during July 2023 compared to June 2023.

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

Product	Urban Food Prices June 2023 (R/unit)	Urban Food Prices July 2023 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	18.87	19.36	0.49
Loaf of brown bread 700g	17.19	17.17	-0.02
Loaf of white bread 700g	18.73	18.77	0.04
Bananas per kg	17.25	16.79	-0.46
Maize meal 2.5 kg	37.57	37.18	-0.39
Margarine spread 500g	36.82	37.64	0.82
Peanut butter 400g	40.00	39.95	-0.05
Rice 2kg	37.97	39.26	1.29
Sunflower oil 750ml	35.57	35.06	-0.51
Ceylon/black tea 250g	41.35	45.25	3.90
White sugar 2.5kg	57.77	60.58	2.81
Average difference (R/unit)			<b>0.72</b>

Source: Stats SA, 2023

## 5. Annual rural food price trends: July 2023 vs. July 2022

**Table 4** ranks selected food items pertaining to rural areas according to their various inflation rates. The food products highlighted in **Table 4** are those with annual rural inflation rates exceeding the South African Reserve Bank's (SARB) inflation upper band of 6%.

**Table 4: Food items in rural areas ranked by change in inflation (July 2023 vs. July 2022)**

Grain and oil products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Brick margarine 250g	-55.9	Chicken portions - fresh per kg	-2.3	Cabbage per kg	0.0
Sunflower oil 2ℓ	-20.6	Full cream milk - long life 500ml	1.6	Oranges per kg	2.3
Sunflower oil 750ml	-13.9	Beef rump steak per kg	1.8	Beans - dried 1kg	3.7
Peanut butter 270g	2.1	Beef fillet per kg	2.4	Tomatoes per kg	5.8
Sunflower oil 500ml	2.2	Full cream milk - fresh 500ml	2.9	Beans - dried 500g	6.2
Special maize 2.5kg	3.4	Beef brisket per kg	4.6	Apples per kg	6.6
Loaf of white bread 600g	5.1	Beef chuck per kg	5.3	Cabbage each	13.7
Margarine spread 1kg	5.4	Fish (excl tuna) - tinned 400g	5.4	Bananas per kg	21.4
Loaf of white bread 700g	6.2	Beef T-bone per kg	6.0	Potatoes - fresh per kg	30.3

Grain and oil products	%	Meat, meat products, dairy, dairy products and eggs	%	Fresh and processed fruits and vegetables	%
Loaf of brown bread 700g	6.4	Eggs 1.5 dozen	9.3	Potatoes - fresh 10kg	42.5
Rice 500g	7.4	Full cream milk - fresh 1ℓ	9.3	Beans - dried 2kg	70.5
Brick margarine 500g	7.7	Full cream milk - long life 1ℓ	11.2	Onions per kg	83.7
Peanut butter 800g	9.0	Full cream milk - fresh 2ℓ	12.0		
Peanut butter 400g	9.9	Low fat milk - fresh 2ℓ	13.1		
Brick margarine 125g	13.2	Fish (excl tuna) - tinned 155g	19.9	<b>Other</b>	<b>%</b>
Super maize 5kg	13.3			Instant coffee 100g	-1.6
Loaf of brown bread 600g	14.1			Ceylon/black tea 125g	5.4
Rice 1kg	15.5			Instant coffee 750g	7.8
Margarine spread 500g	15.8			Ceylon/black tea 200g	9.0
Rice 2kg	19.9			White sugar 1kg	10.8
Super maize 2.5kg	35.2			Ceylon/black tea 62.5g	11.6
				Instant coffee 250g	13.4
				White sugar 5kg	15.9
				Ceylon/black tea 250g	19.6
				White sugar 2.5kg	21.5

Source: Stats SA, 2023

Note: Food items highlighted in the table above experienced price increases above the SARB inflation target of 6%.

## 6. Monthly comparison between urban and rural area prices for July 2023

A comparison of the cost of selected food items in urban vs rural areas in July 2023 is provided in [Table 5](#). In July 2023, the food items with the highest price differences between urban and rural areas were: Ceylon/black tea at a price difference of R1.98, a loaf of white bread at R0.94, a loaf of brown bread at R0.79, maize meal at a price difference of R0.69, peanut butter at R0.58 difference and white sugar at a price difference of R0.11. This shows that, on average, urban consumers spent R0.05 more on these 11 food items. However, it is worth noting that there were some food items where rural consumers paid more than urban consumers during July 2023, and these include rice, sunflower oil, full cream long life milk, bananas and margarine spread.

**Table 5: Comparison between urban and rural food prices (selected food items)**

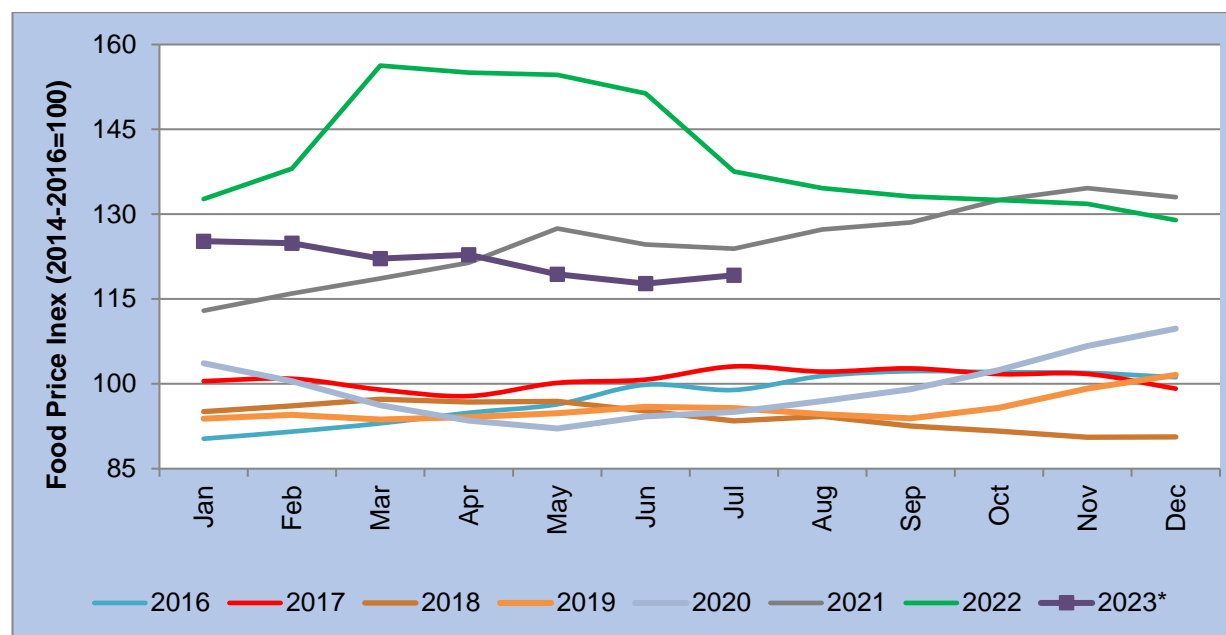
Product	Urban Food Prices July 2023 (R/unit)	Rural Food Prices July 2023 (R/unit)	Price difference (R/unit)
Full cream milk – long life 1ℓ	19.36	19.91	-0.55
Loaf of brown bread 700g	17.17	16.38	0.79
Loaf of white bread 700g	18.77	17.83	0.94
Bananas per kg	16.79	17.20	-0.41
Maize meal 2.5 kg	37.18	36.49	0.69
Margarine spread 500g	37.64	37.88	-0.24
Peanut butter 400g	39.95	39.37	0.58
Rice 2kg	39.26	41.57	-2.31
Sunflower oil 750mℓ	35.06	36.05	-0.99
Ceylon/black tea 250g	45.25	43.27	1.98
White sugar 2.5kg	60.58	60.47	0.11
<b>Average difference (R/unit)</b>			<b>0.05</b>

Source: Stats SA, 2023



## 7. 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 2023, with July 2023 reaching an index level of 119.2 points, lower by 13.3% from July 2022.

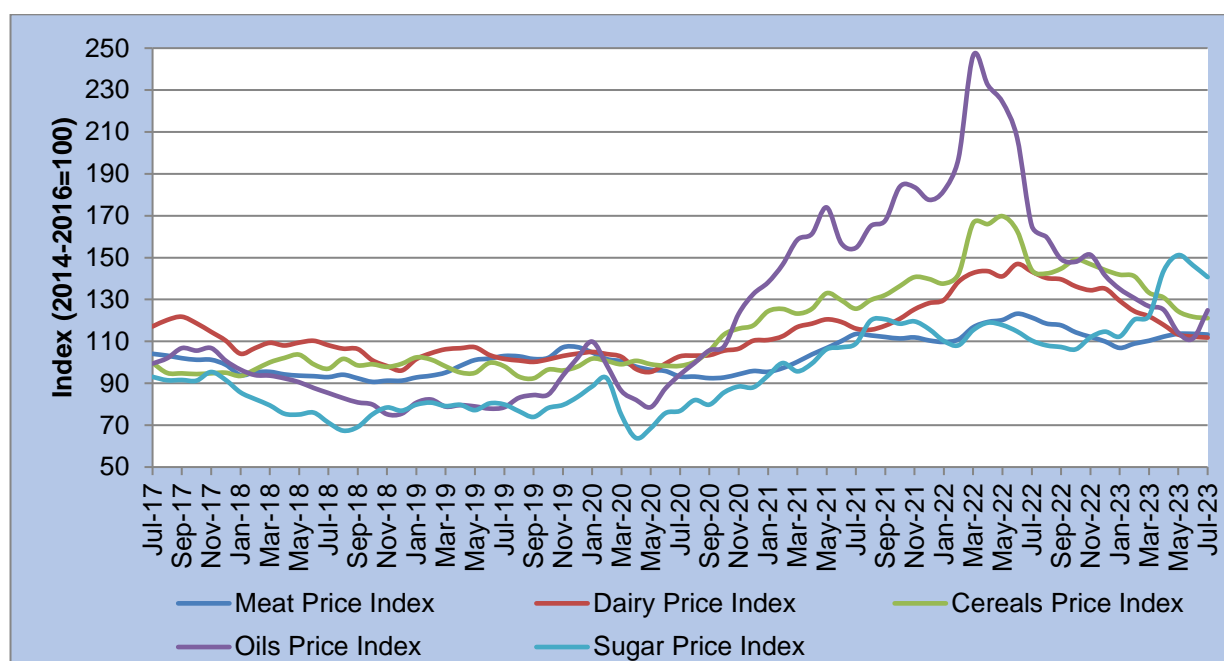


**Figure 3: International monthly real FPI**

Source: FAO, 2023

\*Note: Current year

**Figure 4** shows the price indices in *real terms* for five food categories. The monthly (July 2023 vs. June 2023) growth percentages indicate decreasing trends for four of the five indices. The annual (July 2023 vs. July 2022) growth percentages indicate a decrease of 24.4% for the Oils Price Index, 22.0% for the Dairy Price Index, 16.0% for the Cereals Price Index and 6.7% for the Meat Price Index. The Sugar Price Index increased by 27.4%.



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

Source: FAO, 2023

The **FAO Food Price Index (FFPI)**<sup>1</sup> in *nominal terms*, averaged 123.9 points in July 2023, representing 1.5 points (1.3%) rise from June 2023 but remaining 16.6 points (11.8%) below its value in the corresponding month last year. The FFPI's rebound in July 2023 was led by a solid rise in the vegetable oils price index, partially offset by a significant decline in the sugar price index, together with small decreases in the price indices for cereals, dairy and meat.

The **FAO Cereal Price Index** in *nominal terms*, averaged at 125.9 points in July 2023, less by 0.7 points (0.5%) from June 2023 and 21.3 points (14.5%) below its value a year ago. This month's slight decline stems from a decline in international coarse grain prices, which declined by 4.8% from June 2023. International maize prices continued their downward trend due to increased seasonal supplies from ongoing harvests in Argentina and Brazil and potentially higher-than-initially-anticipated production in the United States of America, where conditions slightly improved and the planted area was revised upwards. Among other coarse grains, world prices of sorghum declined in tandem with those of maize, while world barley prices were nearly stable, influenced by spill-over effects from wheat markets. By contrast, international wheat prices rose by 1.6%, marking their first month-on-month increase in nine months. The observed increase was mainly driven by the uncertainty over Ukraine's exports following the decision taken by the Russian Federation to terminate the implementation of the Black Sea Grain Initiative and the subsequent damage to Ukraine's port infrastructure on both the Black Sea and the Danube River. Continued dry conditions in Canada and the United States of America also added pressure on prices. The FAO All Rice Price Index increased by 2.8% in July 2023, reaching its highest level since September 2011. This was driven mostly by price increases in the Indica rice market segment. In that market, India's 20 July 2023 prohibition of non-parboiled Indica exports fostered expectations of greater sales in other origins, amplifying upward pressure already exerted on prices by seasonally tighter supplies and Asian purchases.

<sup>1</sup>Unlike for other commodity groups, most prices utilized in the calculation of the FAO Meat Price Index are not available when the FAO Food Price Index is computed and published; therefore, the value of the Meat Price Index for the most recent months is derived from a mixture of projected and observed prices. This can, at times, require significant revisions in the final value of the FAO Meat Price Index which could in turn influence the value of the FAO Food Price Index.

The **FAO Vegetable Oil Price Index** in *nominal terms*, averaged at 129.8 points in July 2023, higher by 14.0 points or 12.1% from June 2023, marking the first increase after seven months of consecutive declines. This noticeable increase in July 2023 was driven by higher world quotations across sunflower, palm, soy, and rapeseed oils. International sunflower oil prices rebounded by more than 15% month-on-month, primarily underpinned by renewed uncertainties surrounding the exportable supplies out of the Black Sea region after the decision taken by the Russian Federation to terminate the implementation of the Black Sea Grain Initiative. In the meantime, world palm oil prices also increased markedly, reflecting prospects of subdued production growth in leading producing countries. As for soy and rapeseed oils, international prices increased on continuing concerns over the production outlooks of soybeans in the United States of America and rapeseed in Canada, respectively. Rising world crude oil quotations also lent support to vegetable oil prices.

The **FAO Dairy Price Index** in *nominal terms*, averaged at 116.3 points in July 2023, less by 0.5 points or 0.4% from June 2023, marking the seventh consecutive monthly decline, and standing 30.2 points (20.6%) below its value in the same month last year. The decline in July 2023 was led by lower quotations for skim milk powder and butter, underpinned by subdued market activities in Europe during the summer holidays and muted interest in import demand in the months ahead due to market uncertainty over the future directions of prices. By contrast, whole milk powder prices recovered slightly, mostly influenced by exchange rate movements, notwithstanding steady production progress in New Zealand in line with seasonal trends. Following five months of steep declines, world cheese prices recovered slightly, reflecting somewhat strengthened food services sales and the impact of hot weather on seasonally declining milk supplies in Europe.

The **FAO Meat Price Index**<sup>2</sup> in *nominal terms*, averaged at 117.8 points in July 2023, less by 0.4 points (0.3%) from June 2023 and remaining 6.3 points or 5.1% below its corresponding month a year ago. International bovine meat prices declined, reflecting higher export availabilities in Oceania, coinciding with subdued import demand in Asian markets amid higher inventories and sluggish internal sales. Poultry meat prices also declined slightly due to increased supplies from leading exporters, despite the persistent impacts of the avian influenza outbreaks in major producing regions. Meanwhile, decreases in ovine meat prices continued for the third consecutive month, reflecting high supply availabilities in Oceania and lower demand from leading importers, including China and Western Europe. By contrast, continued tight supplies from Western Europe and the United States of America, in tandem with high seasonal demand, led pig meat prices to increase for the sixth consecutive month.

The **FAO Sugar Price Index** in *nominal terms*, averaged at 146.3 points in July 2023, less by 5.9 points (3.9%) from June 2023, marking the second consecutive monthly decline, but remained 33.4 points or 29.6% above its level in the same month last year. The good progress of the 2023/24 sugarcane harvest in Brazil, and improved rains benefiting soil moisture conditions across most growing areas in India, weighed on world sugar prices in July 2023. Additional downward pressure on prices was exerted by sluggish import demand from Indonesia and China, the world's largest sugar importers. However, persistent concerns over the potential impact of the El Niño phenomenon on the 2023/24 sugarcane crops, particularly in Thailand, along with higher international crude oil prices, reined in the declines in world sugar prices.

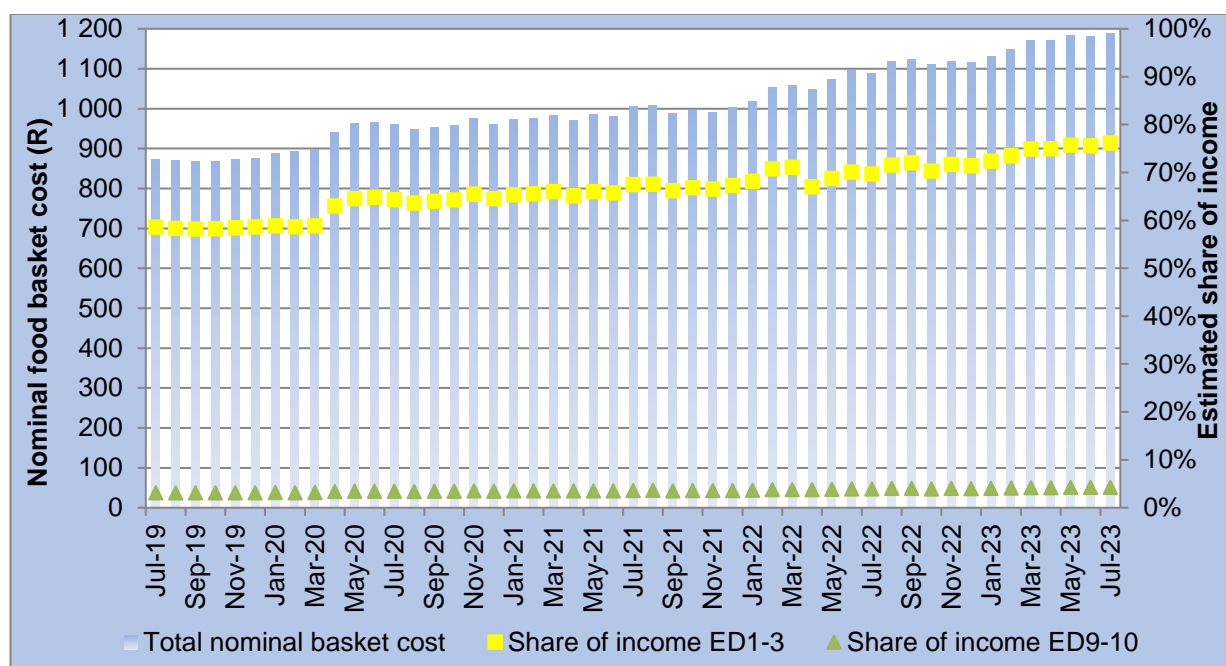
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<sup>2</sup> Unlike for other commodity groups, most prices utilized in the calculation of the FAO Meat Price Index are not available when the FAO Food Price Index is computed and published; therefore, the value of the Meat Price Index for the most recent months is derived from a mixture of projected and observed prices. This can, at times, require significant revisions in the final value of the FAO Meat Price Index which could in turn influence the value of the FAO Food Price Index.

## 8. 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 basket<sup>3</sup> (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 July 2022 to July 2023).

In July 2023, the cost of the 28-item NAMC urban food basket was R1 189.33 as compared to R1 088.30 in July 2022, equivalent to a 9.3% increase on a year-on-year basis, and an increase by 0.8% from June 2023 (R1 179.99). The cost of this food basket expressed as a share of the average monthly income of the poorest 30% of the population increased from 69.7% in July 2022 to 76.1% in July 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 3.9% in July 2022 to 4.3% in July 2023. (Figure 5).

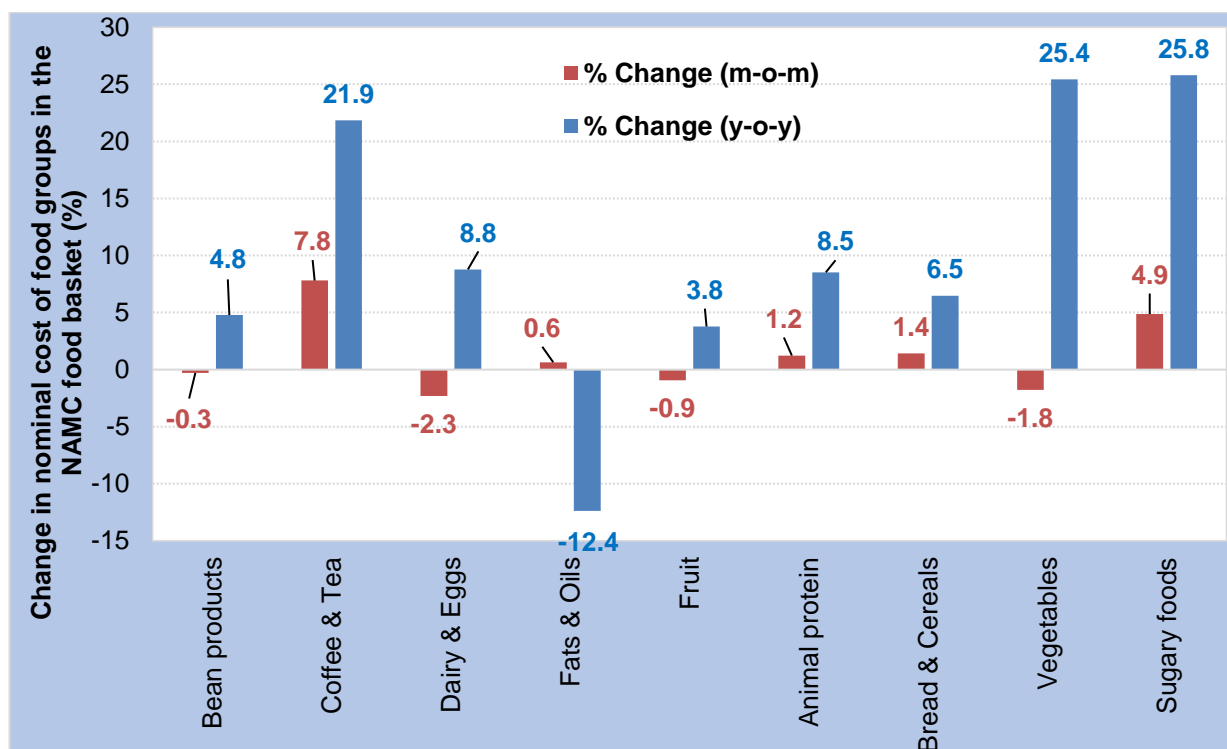


**Figure 5: The cost of a typical consumer food basket for the period July 2019 to July 2023, expressed in nominal terms and as a share of the average income of the poorest 30% of households (Expenditure Deciles [ED] 1 to 3) and the wealthiest 20% of households (ED 9 to 10)**

Sources: BFAP calculations, based on Stats SA monitored price data for urban areas, 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 July 2023 to July 2022. . Food groups with more severe food inflation (above 10%) included sugar, vegetables and coffee & tea.

<sup>3</sup> Composition of food basket: Apples fresh (per kg), Baked beans tinned (410g), Bananas fresh (per kg), Beans dried (500g), Beef mince fresh (per kg), Beef offal fresh (per kg), Bread loaf brown (700g), Bread loaf white (700g), Cabbage fresh (per kg), Cheese cheddar (per kg), Chicken giblets (per kg), Chicken portions IQF (2kg), Coffee instant (250g), Eggs (1.5 dozen), Fish (excl. tuna) tinned (400g), Maize meal super (5kg), Margarine brick (500g), Milk full cream long life (1l), Onions fresh (per kg), Oranges fresh (per kg), Peanut butter (400g), Polony (per kg), Potatoes fresh (per kg), Rice (2kg), Sugar white (2.5kg), Sunflower oil (750ml), Tea Ceylon/black (250g), Tomatoes fresh (per kg).



**Figure 6: Nominal cost growth of specific food groups within the NAMC's 28-item food basket, comparing July 2023 to July 2022 (y-o-y) and July 2023 to June 2023 (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 6](#) below.



**Table 6: Overview of contributions to annual food price increases within the 28-item NAMC food basket, July 2023 vs. July 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
	July 2023 vs July 2022	April 2023 vs April 2022*				
<b>Animal protein</b>	8.5%	7.9%	Chicken giblets (+18.0%) Polony (+14.2%) Canned pilchards (+10.2%) Beef mince (+7.8%)	IQF chicken portions (+4.6%) Beef offal (+3.1%)	None	Inflation on all listed animal protein food options.
<b>Bread &amp; cereals</b>	6.5%	15.5%	Maize meal (+13.1%) Brown bread (+7.8%)	White bread (+5.2%)	Rice (-3.3%)	Inflation on maize meal and bread.
<b>Vegetables</b>	25.4%	32.5%	Onions (+64.7%) Potatoes (+33.6%) Cabbage (+10.5%) Tomatoes (+6.0%)	None	None	Inflation on all listed vegetable food options.
<b>Fruit</b>	3.8%	9.6%	Apples (+14.1%) Bananas (+8.6%)	None	Oranges (-9.6%)	High inflation on apples.
<b>Dairy</b>	16.1%	14.6%	Cheddar cheese (+16.4%) Milk (+13.9%)	None	None	Inflation on milk and cheese.
<b>Eggs</b>	-10.0%	4.9%	None	None	Eggs (-13.8%)	
<b>Fats &amp; oils</b>	-12.4%	9.3%	None	Brick margarine (+4.2%)	Sunflower oil (-22.7%)	Inflation on margarine.
<b>Bean products</b>	4.8%	8.2%	Peanut butter (+8.9%) Baked beans (+7.4%)	None	Dried beans (-1.6%)	Inflation on peanut butter and baked beans.
<b>Coffee &amp; tea</b>	21.9%	16.2%	Ceylon/black tea (+30.7%) Instant coffee (+15.1%)	None	None	High inflation on tea and coffee.
<b>Sugary foods</b>	25.8%	5.0%	White sugar (+25.8%)	None	None	High inflation on sugar.

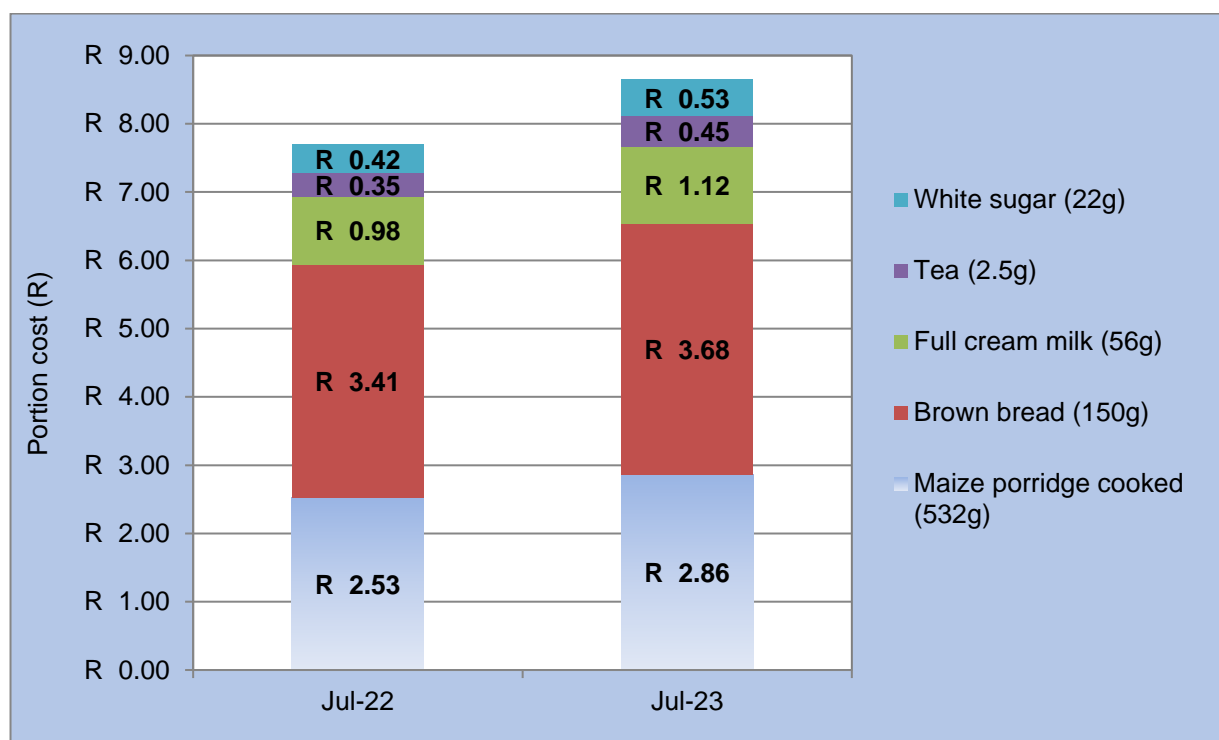
**Sources: BFAP & NAMC calculations, Stats SA, 2023**

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

Comparing July 2023 to July 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, potatoes, Ceylon/black tea, white sugar, chicken giblets, cheddar cheese, instant coffee, polony, apples, full cream long life milk, maize meal, cabbage, canned pilchards, peanut butter, bananas, beef mince, brown bread, baked beans and tomatoes. When comparing food group inflation rates for July 2023/July 2022 with April 2023/April 2022 (i.e., the previous Food Price Monitor analysis period) the rate of inflation was higher for animal protein, dairy, coffee & tea as well as Sugary foods. From July 2022 to July 2023 food group inflation decreased the most for fats & oils and eggs.

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, 2000<sup>4</sup>; Oldewage-Theron et al, 2005<sup>5</sup>). **Figure 7** illustrates the estimated portion of costs for these foods, calculated from monthly food price data for July 2022 and July 2023. In July 2023 the largest cost contribution came from brown bread (43%), followed by maize meal (33%), milk (13%), sugar (6%) and tea (5%).

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 29% more in this case for July 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 July 2023 versus July 2022 prices the results in **Figure 7** indicated inflation of 12.3% (from R7.70 to R8.65 for the selection of typical portions), with inflation on tea, sugar, milk and maize meal contributing most to inflation. From June 2023 to July 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 1.4% (+R0.12).



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

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

<sup>4</sup> Steyn NP, Labadarios D. *National Food Consumption Survey: Children aged 1–9 years, South Africa, 1999*. Cape Town: The Department of Health Directorate Nutrition, 2000

<sup>5</sup> Oldewage-Theron W, Dicks E, Napier C, et al. Situation analysis of an informal settlement in the Vaal Triangle. *Development Southern Africa* 2005; 22 (1): 13-26

## 9. Food inflation drivers and expectations

The FAO Food Price Index, based on the prices of an international basket of food commodities, was lower by 11.8% in July 2023 compared to July 2022 but showed a 1.3% increase from June 2023 to July 2023 following a declining trend since April 2022. From a year-on-year (YoY) perspective, the highest inflation in July 2023 was reported for sugar (+29.6% YoY), while deflation was reported for oils (-23.1%), dairy (-20.6%), cereals (-14.5%) and meat (-5.1%).

International food prices were pushed higher in July 2023 by the suspension of the Black Sea Grain Initiative, which created uncertainty over exportable supplies from the Black Sea Region- for commodities such as wheat and sunflower oil, higher crude oil prices, unfavourable weather, as well as India's export ban on non-Basmati white rice. The price of sunflower oil, increased by 15% month on month (MoM). Prices for other vegetable oils- palm, soy and rapeseed oil also increased MoM. The impact on cereal prices was proportionally less than in oilseeds, mainly because of persistent declines in maize prices. In contrast, global wheat prices increased by 1.6% in July 2023, while the FAO All Rice Price Index was higher MoM (2.8%) and YoY (19.7%), reaching the highest level since 2011.

In the local **grains and oilseed** market, these international dynamics combined with a stronger exchange rate resulted in lower export parity prices for maize, while oilseed prices- soybeans and sunflower increased by 9% and 10%, respectively, responding to pressure on the international market and corresponding to a decline in weekly producer deliveries. Despite recent increases in oilseed prices, vegetable oil prices are still trading significantly below the peaks reached in the first half of 2022. For example, the international sunflower oil prices are currently trading 50% lower than the average price for the first six months of 2022.

Global livestock product prices continue to decline - bovine, ovine and poultry meat prices were lower MoM due to high exportable supply and lower demand in global markets. On the other hand, high seasonal demand and tight export supply exerted upward pressure on international pork prices.

In domestic **meat** markets, weaner calf prices were up by 11% MoM, following a persistent decline over the first half of 2023. Cattle and sheep slaughters increased by 2% and 9%, respectively, in June 2023, suggesting that feedlots are increasing placements, prompting the increased demand for weaners. At the same time, the price of both **beef and sheep** meat dropped by 15% YoY, reflecting constraints in consumer spending power, as the price declines of the more affordable meat types, **poultry and pork** were more modest at 1% and 0.2%, respectively. Month-on-month inflation on **fruit** products was the second highest amongst all categories in July 2023, second only to sugar, while YoY data indicates significant price increases on fresh fruit compared to July 2022.

Considering year-on-year price changes of some of the most consumed and affordable fruit per serving locally- bananas, oranges and apples, prices have increased (30-35%) in July 2023 (bananas and oranges), compared to July 2022, but are still trailing the market realisations of July 2021. This reiterates the dire market conditions of 2022 and suggests that current returns to growers are yet to account for the spike in production cost. Apple prices at the municipal market had dropped below R7/kg during peak supply in 2019-2022 but didn't sell below R8/kg in 2023, suggesting an appetite for affordable, less perishable fresh produce over a broad consumer base, as double-digit increases are observed in many other consumer goods. On the less price sensitive, less elastic consumer front, volume is perhaps a better indicator of demand than price. With that being said, higher volumes of soft citrus (+41%), lemons (+27%), avocados (+2%) and blueberries (+50%) were sold in July 2023 compared to a year ago, all at higher price points (8-20%).

In the coming months, food inflation will remain sensitive to 1) global price dynamics, 2) weather conditions in major producing countries will also be critical, particularly with more volumes expected from other major exporters given the decline from the Black Sea region and 3) exchange rate fluctuations- the volatility and general weakening in the Rand exchange rate over the first half of the year had been a critical driver of food inflation. While expectations are that food inflation rates will continue to moderate over the coming months, the exchange rate will be a key determining factor, as will other costs through the value chain and the intensity of load shedding.

For further insights into food inflation refer to the monthly **BFAP Food Inflation Brief** ([https://www.bfap.co.za/wp-content/uploads/2023/08/Food-Inflation-brief\\_July\\_2023.pdf](https://www.bfap.co.za/wp-content/uploads/2023/08/Food-Inflation-brief_July_2023.pdf)).

## BACKGROUND INFORMATION

The NAMC monitors food prices at retail level and releases regular authoritative reports. The Department of Agriculture, Land Reform and Rural Development (DALRRD), formerly 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, following discussions with industry to keep a more frequent watch on the movements of food prices.

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